PENSION COMMITTEE

FRIDAY, 16 JUNE 2023

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

A G E N D A

1. Minutes *(Pages 3 - 14)*

2. Apologies for absence

3. Disclosure of Interests

   Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.

4. Urgent items

   Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.

5. Pension Board Minutes *(Pages 15 - 28)*

6. Governance Report *(Pages 29 - 172)*

7. Pensions Administration report *(Pages 173 - 186)*

8. Internal Audit reports *(Pages 187 - 228)*

9. Quarterly budget report *(Pages 229 - 232)*

10. External Audit Work Plan *(Pages 233 - 254)*

11. Risk Register *(Pages 255 - 266)*

12. Investment Report *(Pages 267 - 332)*

13. Work programme *(Pages 333 - 350)*

14. Any other non-exempt items previously notified under agenda item 4

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

16. Investment Report *(Pages 351 - 356)*

17. Risk Register (Exempt) *(Pages 357 - 360)*

18. East Sussex Pension Fund (ESPF) Breaches Log *(Pages 361 - 366)*

19. Employer Admissions and Cessations *(Pages 367 - 374)*

20. Any other exempt items previously notified under agenda item 4

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8 June 2023

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

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 22 February 2023.

PRESENT	Councillors Gerard Fox (Chair) Councillors Ian Hollidge, Paul Redstone and David Tutt
ALSO PRESENT	Ian Gutsell, Chief Finance Officer Sian Kunert, Head of Pensions Russell Wood, Pensions Manager: Investment and Accounting William Bourne, Independent Adviser to the Pension Committee Andrew Singh, ISIO Barry McKay, Barnett Waddingham Paul Punter, Head of Pensions Administration Michael Burton, Pensions Manager: Governance and Compliance Mya Khine, Pensions Accountant Bekki Freeman, Solicitor Councillor Nick Bennett Ray Martin, Chair of the Pension Board Georgina Seligmann, Governance and Democracy Manager

50. MINUTES OF THE MEETING HELD ON 30 NOVEMBER 2022

50.1 The Committee RESOLVED to agree the minutes of the meeting held on 30 November 2022 as a correct record.

51. APOLOGIES FOR ABSENCE

51.1 Cllr Georgia Taylor attended remotely as a participant.

52. DISCLOSURE OF INTERESTS

52.1 The Committee noted that Cllr David Tutt is a District and Borough Councillor for Eastbourne, trustee of Southfields Academy Trust (part of the ESPF).

52.2 The Committee noted that Cllr Redstone is a member of the Fire Authority.

53. PENSION BOARD MINUTES

54.1 The Committee noted the Pension Board notes from the discussion held on 07 February 2023.

54. VALUATION REPORT AND RESULTS AND FUNDING STRATEGY STATEMENT

54.1 The Committee considered the reports introduced by Barry McKay, Barnett Waddingham and NOTED the following:

1) The full valuation report is the conclusion of all information, discussion, methodology and the applied assumptions.

2) The Section 13 valuation is required by the Government Actuaries Department and its purpose is for all English and Welsh funds to be set with the same methodology so that comparators can be applied. The 138% Funding level on a SAB basis is reflective of the different assumption factors applied.

3) The Fund is in a very health position particularly in terms of the surplus, with a Funding level of 123%.

4) The approach to amending cessation payments needs to be agreed and will depend on how gilt yields perform, the new methodology will be fairer and more consistent with prudence built in.

5) The climate risk report is a new requirement for the LGPS valuation process and needs more data and analysis as this area develops. The 3 year time period of the valuation is very short in terms of pensions so climate risk is unlikely to change contribution rates in the short term. The fund has a 20 year forward view so longer term concerns will not necessarily be reflected in the valuation. Further work is being undertaken on assessing the impact of Climate related risk on financial assets.

6) There have been some changes made to the Funding Strategy Statement compared to the 2019 statement including a new methodology due to the change in Fund actuary, revised assumptions and the introduction of the Academy Pool for contribution rate setting.

54.2 The Committee RESOLVED to:

1) Approve the draft 2022 Valuation report (Appendix 1)

2) Approve the revised Funding Strategy Statement (Appendix 2)

3) Approve the draft Contribution review policy for consultation (Appendix 3)

4) Approve the draft Deferred Debt and Debt Spreading Agreement policies for consultation (Appendix 4)

55. GOVERNANCE REPORT

55.1 The Committee considered a report introduced by Michael Burton who drew the Committee's attention to the following points:

1) Governance updates, a further consultation has taken around the annual revaluation date proposal to move from the 1st to 6th April, the Funds response in currently in draft and once issued will be shared with the Committee and the Pension Board. The timelines are very short with a twoweek consultation window.

2) Following Stephen Osbourne's departure, it is hoped that a new employer representative recommendation will be made to the Governance Committee in April to join the Pension Board.

3) GMB have been asked to propose a replacement for Nicoletta Palermo and a name has not yet been put forward, the wider membership will be asked if no recommendation from GMB.

4) There are District and Borough elections and Brighton and Hove City Council will be holding elections in May which will impact Board membership as the current representatives are standing down. Senior officers can be appointed as well as councillors which would increase continuity.

5) Applications have been received for the post of Chair of Pension Board.

6) Costs will be introduced to employers for processing multiple early retirement form enquiries. Officers are reviewing whether this is general practice in the wider market and the Committee noted that some Funds do charge for the work undertaken by their administration teams. A number of Local Authorities are looking into this and as part of the drive towards self service, there are online tools provided for free to members and employers.

7) More detail has been added to the Administering authority discretions against current processes following a request from the Pension Board.

8) The Pension Administration Strategy requires a review every three years and the draft report will go out to employers for consultation. Significant reformatting was required in order to meet accessibility requirements which means it is harder to provide track changes, the cover report therefore outlines the changes to the strategy for ease of reference.

55.2 The Pension Committee RESOLVED to:

1) Note the updates

2) Approve the updated Administering Authority Discretions policy

3) Approve the draft Pensions Administration Strategy for consultation with employers

56. PENSIONS ADMINISTRATION REPORT

56.1 The Committee considered a report providing an update on matters relating to Pensions Administration activities led by Paul Punter, Head of Pensions Administration who drew the Committee's attention to the following points:

1) The administration team met its 95% target for performance and the Helpdesk also performed well against KPIs.

2) Two additional appendices were shared; one relates to benchmarking to KPIs compared against the Local Authorities in the region. Overall ESPF's targets are shorter and more stretching and should offer reassurance to the Committee that excellent service is sought for members. Another appendices relates to recruitment which outlines that only two open vacancies remain.

3) Project progress is detailed within the report. Pension increases for this year are significant due to the CPI increase of 10.1%

4) Data was received late for BHCC members however at least 95% of active member annual benefit statements were issued.

5) There is significant automation through the Heywoods software, all processes are being reviewed and where there are simple tasks with limited touchpoints the aim is to use robotics for those processes. The intention is not to cut jobs but to free up staff for more complex tasks and resolve queries from members, the help desk will not change but the intention is to add capacity through robotics if possible.

6) Data quality is tracked as required by the regulator, there is a live tool on the system so analysis can be undertaken into any discrepancies, the data is currently at about 95% which was also checked by the Actuary as part of the triennial valuation. There will be further changes required with the implementation of the national dashboard, where training will be provided to the Committee.

56.2 The Committee RESOLVED to note the report.

57. INTERNAL AUDIT REPORTS

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

1) There were two low risk findings from the i-Connect IT Application Audit and therefore reasonable assurance given.

57.2 The Committee RESOLVED to:

1) Note the i-Connect IT Application Audit report (Appendix 1); and

2) approve the 2023/24 Internal Audit Strategy for Pensions and Annual Plan (Appendix 2).

58. BUSINESS PLAN AND 2023/24 BUDGET AND QUARTER 3 BUDGET REPORT

58.1 The Committee considered a report on the 2022/23 Q3 forecast financial outturn position and the Business Plan and Budget for 2023/24 introduced by Russell Wood, Pensions Manager, who drew attention to the following points:

Full cost outturn

1) There is a reduction due to staff vacancies not being filled as early as anticipated and on investment related items due market conditions

Business plan and budget

2) Investment manager fees have removed as they obscured the position and cannot be controlled by Committee.

3) There are increases to staffing costs based on the County Council's assumptions, one off IT costs and inflation increases on contracts. There is an allocation of £50k for the divestment report for the July strategy day. Additional spend items are partially offset by it being a non-valuation year.

4) Investment Fees are deducted from source by many of the Investment managers with only a handful directly invoicing and therefore the new reporting method is more transparent. The Budget categorisation has been changed to better reflect activities and figures reported in the Fund's financial statements. Overheads have also increased which are linked to the number of staff employed.

58.2 The Committee RESOLVED to:
1) Note the 2022/23 Q3 forecast financial outturn position

59. RISK REGISTER

59.1 The Committee considered the ESPF Risk Register and noted the following points:

1) The Governance risk has increased due to change over in board membership and related quoracy issues.

2) The Investment pooling risk has increased, a government consultation is still outstanding and there are two contracts associated with pooling which are adding to uncertainty.

3) The risk associated with employer data will be added to an exempt risk register ahead of the next meeting to reflect the increased concern of one employer.

59.2 The Committee RESOLVED to note the Pension Fund Risk Register

60. INVESTMENT REPORT

60.1 The Committee considered a report introduced by Russell Wood, Pensions Manager and Andrew Singh ISIO, who drew the Committee's attention to the following points:

1) The Investment work plan has focused on the divestment report, UK stewardship code submission which was successful with the report now published on website. The Committee congratulated officers on being listed as a signatory to the UK Stewardship Code which puts the ESPF ahead of many other Local Authority funds.
2) The new infrastructure investment through IFM is not in quarterly report as funding was allocated in early January 2023.
3) ACCESS have agreed their budget and business plan and is included in the appendices to the report.
4) Quarter 4 market conditions were more positive, UK equities performed strongly, there has been a bounce back following mini budget in October 2022 and stability returned to the bond market, and there was a slight drop in inflation.

5) It is a very difficult market for UK commercial properties, the position has improved from 6 months ago but still muted, so officers and advisers are closely watching for appropriate ting to reduce the property mandate to the revised strategic asset allocation target.
6) Since the last reported position, the valuation of the Fund has decreased from £4.502bn as at 30 September 2022 to £4.496bn as at 31 December 2022 (a decrease of £0.006bn). This performance reflects a negative absolute return of -0.1% in the quarter to December. The Fund marginally underperformed its benchmark in the period by -0.2%.
7) Despite negative returns over recent quarters, longer term returns at Fund level remain strong, with equity assets adding significant value over the last decade, and unhedged exposure also having benefited from the depreciation in Sterling.

8) Regarding the overall asset allocation position; property and private credit are underweight and there will be further discussion on private credit later in the year. The Schroders property fund, although posted a significantly negative absolute return over Q4 the portfolio outperformed the benchmark by 6% over the period. Some further price falls expected within the commercial property market before stabilisation later in the year. A discussion took place on valuation of the asset class where it was discussed that some information is not publicly listed, independent valuers will make their own assumptions and have different levels of prudence.
9) Longview and Atlas provided strong absolute returns (5.3% and 9.3% respectively) and relative returns to the benchmark (3.5% and 7.7%) for the quarter.
10) The Committee welcomed the asset allocation information
11) Regarding the performance of utility companies including water companies, as regulated utilities the Regulator has a role to moderate returns if they get too high, companies fall into two categories and the effective companies generate better returns
12) Regarding the Strategy re-test; following the shift in market regime to a higher interest rate environment over 2022, ISIO prepared a short paper on the potential opportunity within the Index-Linked Gilts market. The yield triggers to exploit this opportunity, should it occur again, have been agreed by the Committee. UBS are due to come back to Officers with a monitoring and implementation proposal for the allocation very soon.
13) ISIO will prepare a detailed paper on the broader strategic asset allocation of the Fund and the appropriateness in the current market environment, for the July strategy day.
14) The Committee will receive a full exempt report considering the legal and financial implications of divestment to consider for the strategy day in July and a public report will follow later in the year.
15) Regarding the Engagement report; this is published each quarter, ESG is considered for the entire Fund, sample examples are given within the published information each quarter covering a range of ESG topics. When timing allows, this information is appended to reports for Committee packs. The team meet with managers and engagement on ESG matters is a key part of the meeting.
16) It was confirmed that comments about the fiduciary duty of the fund were made in relation to divestment for non-financial reasons.

60.2 The Committee RESOLVED to note the investment report.

61. WORK PROGRAMME

61.1 The Committee considered its work programme.

61.2 The Committee RESOLVED to agree the work programme.

62. EXCLUSION OF THE PUBLIC AND PRESS

The Committee 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).

63. INVESTMENT REPORT

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

63.2 The Committee RESOLVED to note the report.

64. GOVERNANCE REPORT

64.1 The Committee considered a report introduced by Michael Burton.

64.2 The Pension Committee RESOLVED to:

1) Note the updates

2) Approve the updated Administering Authority Discretions policy

3) Approve the draft Pensions Administration Strategy for consultation with employers

65. EAST SUSSEX PENSION FUND (ESPF) BREACHES LOG

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

65.2 The Committee RESOLVED to:

1) Note the breaches of law and steps being taken.

2) Note the new IDRP complaint raised and the offer to be made to resolve it.

66. EMPLOYER ADMISSIONS AND CESSATIONS

66.1 The Committee noted a report on the latest admissions and cessations of employers within the Fund.

66.2 The Committee RESOLVED to:

1) Note the ongoing proceedings for the admission of admitted bodies to the Fund.

2) Note the ongoing proceedings for the cessation of employers from the Fund.

Councillor Gerard Fox (Chair)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Appendix 1

Document is Restricted

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 30 May 2023.

PRESENT Councillors Ray Martin (Chair), Neil Simpson, Lynda Walker and Oliver

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
Paula Jenner, Employer Engagement Officer
Dave Kellond, Compliance and Local Improvement Partner
Danny Simpson, Principal Auditor
Mariana Obetzanova, Pensions Training Coordinator
Mya Khine, ESPF Accountant
Belinda Trunfull, Governance and Democracy Officer
Bekki Freeman, Solicitor, Governance Services
Cllr Paul Redstone
Cllr Gerard Fox
Tim Hillman, Pensions Manager: Employer Engagement
Julie Pelham, Pensions Service Delivery Manager
Jennie Shuttleworth, Pensions Service Delivery Manager
Julie Pelham, Pensions Service Delivery Manager

39. MINUTES: NOTES FROM PENSION BOARD DISCUSSION OF 8 FEBRUARY 2023

Linda Walker was nominated as Vice Chair

39.1 Danny Simpson (DS) updated that section 1.25 should read 'officers do not have access to payroll systems'.

39.2 The Board agreed the notes of the previous meeting held on 08 February 2023 as a correct record subject to the above change being made.

40. APOLOGIES FOR ABSENCE

40.1 There were no apologies for absence.

41. DISCLOSURE OF INTERESTS

41.1 There were no disclosures of interests.

42. URGENT ITEMS

43. 42.1 The Chair reported that he did not have any urgent items.

43. PENSION COMMITTEE AGENDA

43.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 16 June 2023.

43.2 The Board noted that engagement and communication items were not included as these will be updated separately; the investment report is additional and will be less detailed for this meeting; there will be updates on performance and the ACCESS Pool as well an item around implementing an investment in Index Linked Gilts following a decision by the Committee in November.

43.3 The Board also noted that the Pension Committee will meet in July for a strategy day where discussion will take place around a paper commissioned on "Merits of Divestment vs. Engagement and the Strategic Review of Asset Allocation".

43.4 Ray Martin (RM) asked whether the recent elections have had an impact on membership of the Committee.

43.5 Sian Kunert (SK) confirmed that there was no impact.

43.6 The Board RESOLVED to note the agenda.

44. GOVERNANCE REPORT

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

Additional Pension Contributions

44.2 Michael Burton (MB) highlighted to the Board that the policy on Additional Pension Contributions (APCs) was being updated to ensure there is clarity around the Fund's right to refuse an application on ill health grounds.

44.3 MB added that it was necessary to assess a member's health before they are allowed to pay APCs as should they die before retirement there is an increased dependents' pension which could result in a large liability to the Fund which will not have been covered by the contributions made by the member.

44.4 MB further updated the Board that members will be required to fill out a form providing health status and where concerns are identified, a medical report will be requested. APC purchase will not be approved to those identified with a length of life impacting ill health condition.

Membership of the Pension Board

44.5 MB provided an update on the appointment of Tim Oliver from University of Brighton to the Board replacing Stephen Osborn. Tim joins the Board for a 4-year term as an employer representative.

44.6 MB further updated that Nicoletta Palermo's term has ended. Nicoletta's was a member representative put forward by GMB Union. This position remains vacant; however, recruitment is ongoing, and a recommendation will be made to the Governance Committee in July's meeting to make an appointment. RM commented that it would be sensible to advise the preferred candidate that they are being nominated to make sure they still wanted to take the role following the recruitment process,

44.7 Cllrs Druitt and Illingworth have stood down following recent elections leaving two employer representative vacancies. Brighton and Hove City Council (BHCC) and the District and Boroughs have been requested to submit nominations.

44.8 RM commented that some responses received from the the recent Policy Consultation on the employer side indicated sound pension knowledge and it may be worth considering approaching those people as potential candidates.

Policy Consultations

44.9 MB highlighted to the Board that there were no major concerns arising from responses received and that the suggested wording will be taken forward to the next Pension Committee meeting on 16 June 2023.

44.10 Neil Simpson (NS) asked with regards to the Cessation methodology if it was normal practice for an acting scheme employer to act as guarantor for those bodies.

44.11 SK responded that with passthrough admission agreements its normal for the scheme employer to guarantee, however this is dependant on the covenant of the employer and bonds are still required in some situations. Recent change in the guidance from Department of Education now allows academies to act as guarantors to cover Contractors.

44.12 RM asked for a further explanation around Prudence Level as it was not clear.

44.13 SK responded that this was an area covered by the consultation and agreed further clarity is required. SK suggested that an appendix could be added at the back of the Funding Strategy Statement for further guidance to employers.

44.14 NS asked for consideration to be made regarding formalising the Board's minutes at the Pensions Committee meeting. Currently they are just noted by the Committee without a formal discussion.

44.15 SK confirmed that any changes or minor adaptions made by the Board are included in reports for the Committee as an update from the Board.

44.16 Cllr Gerard Fox (GF) added that RM is also invited to comment or express a view on behalf of the Board. It is more relevant for RM to articulate on items that the Board has expressed a concern for the Committee to focus on.

44.17 The Board agreed that NS's suggestion was valid, and they will continue to explore how best to add more input from Board meetings in Committee meetings.

44.18 NS asked with regard to section 10.3 of the report, what happens if someone chooses to take a gap at the age of 16 or 18 prior to starting a further education full time course.

44.19 SK responded that this will be treated as a gap year, however this will be confirmed in the policy.

44.20 NS commented on a point in appendix 5 which states that the Board considers all reports taken to Committee other than investment papers, however, page 69 under objectives and roles it states that the Board covers all aspects of Governance of LGPS including funding and investments, therefore, clarity is required as to how this objective is met by the Board as the Board does not have sight of the investments papers.

44.21 RM responded that the detailed investment report on investments managers performance and strategy sits with the Committee and the Board is responsible for the governance structure and not details of the investments. RM recommended that the wording is looked at to make it clearer.

44.22 SK also added that the team is open to suggestions on how best to provide comfort on the governance of the investment arrangements, however it is not for the Board to understand investment strategy and how managers are performing, the Board should be comfortable with the structure in which decisions are made in line with regulations.

44.23 NS commented there that appears to be a disparity between the role of the Board and the role of the Committee in terms of governance arrangements.

44.24 SK suggested that minutes from the last Committee meeting are included in the Board's agenda as a section in the Governance paper summarising discussions and decisions from the Committee meeting on investment matters.

44.25 NS asked to be provided with context regarding the consultation responses in appendix 6 around increase in workload burden on the employer from i-Connect implementation.

44.26 Paula Jenner (PJ) responded that this refers to the previous LGPS forms which will eventually be phased out, however, for now there are certain elements that the i-Connect system cannot provide which means that the LGPS forms needs to continue to be provided as well as the i-Connect submission within the required timeframe.

44.27 The Board RESOLVED to:

1) Note the report and its appendices;

2) Ask Officers to consider adding an appendix around Prudence Level to the FSS;

3) Ask Officers to review wording with regard to section 10.3 to deal with gap years before a further education course begins;

4) Request that in future a summary of Committee minutes be included in the Board's agenda.

45. EMPLOYER ENGAGEMENT AND CONTRIBUTIONS REPORT

45.1 The Board considered an update on employer engagement tasks that directly affect the East Sussex Pension Fund (ESPF or the Fund).

45.2 Paula Jenner (PJ) provided an update on i-Connect; 120 employers are now onboarded which is good news as it means majority of employers submit data through i-Connect monthly. There is a small team in place to support employers with i-Connect. The team continues to work on streamlining internal processes and ironing out any onboarding issues.

45.3 RM asked if there were any large employers that have not been onboarded.

45.4 PJ confirmed that the University of Brighton Academy Trust with around 700 members has not yet been onboarded and the University of Brighton is due to be onboarded soon with a test file already received. East Sussex College Group had been onboarded, however due to change of staff at end of the year they require to be re-onboarded, however, this is progressing well.

45.5 Linda Walker (LW) thanked the team for all their hard work and was delighted to hear the positive news.

45.6 PJ gave an update on Employer Contributions Rates and Accounting Reports; new rates from April 2023 have been sent to employers. There has been improvement on late payments although no real pattern has been identified. As part of an improvement to increase the governance of the monthly contribution process, checks are made to ensure that all LGPS31 contribution forms are signed and reviewed by the relevant section 151 Officer or approved delegated person.

45.7 The Board RESOLVED to note the report.

46. <u>COMMUNICATIONS REPORT</u>

46.1 The Board considered an update on communication tasks that directly affect the East Sussex Pension Fund; activities have included newsletters, member update booklets, website and pension survey. This information is also fed through the Communications Working Group.

46.2 SK updated that for the first time ever a postal member booklet was sent to all members in the Fund in April which was well received.

46.3 LW confirmed that she had received her member booklet and commented that it was clear and simple to read. Sh said she had feedback from members that indicated the booklet was well received by members.

46.4 SK further updated that the website continues to be improved; the pension survey results have now been published on the website.

46.5 RM asked if it is possible to identify if site visits, views and responses are made by different people.

46.6 SK confirmed that the site analytics will be further improved following updates by the software provider around cybersecurity and analytics of footfall.

46.7 The Board RESOLVED to note the report and its contents.

47. <u>PENSIONS ADMINISTRATION REPORT</u>

47.1 The Board considered a report providing an update on matters relating to Pensions Administration activities for the period April 2022 to March 2023.

47.2 Paul Punter (PP) drew the Board's attention to the following points:

- PAT performance numbers in appendix 1, during quarter one 2023, average at 96.3% (volume completed 3,768) which were improved from the previous quarter (95.43% with a volume of 2,550); An additional section on aggregation has been added detailing different benefit options.

- –That the PAT team was now nearly fully staffed, with recruitment ongoing for the 2nd Projects Officer role.

- Projects Updates - the final list of employers using i-Connect and those completing end of year returns has been finalised and data requested where appropriate. The projects team is already validating some of the i-Connect March 2023 data files before creating ABS.

- Pensions Dashboard - Heywood Technologies have been instructed to undertake an assessment of ESPF data to help understand how ready the system is. It is anticipated that this will be completed by August 2023 with a report to be presented at the end of the year.

- Pensions and Payroll - April 2023 pension increase project has been completed and most pensioners will receive a 10.1% CPI increase in their April payment. Enquiries are being directed to the Member Self Service Portal for Annual Benefit Statement. Feedback received so far is that a significant proportion of members are experiencing issue with logon to the MSS portal and the system is expected to be replaced with a new TME system later in the year to improve user experience.

- McCloud Working Group- Data has been received from the majority of employers however not yet from the two largest scheme employers.

47.3 The Board RESOLVED to note the report.

48. INTERNAL AUDIT

48.1 The Board considered the internal audit reports contained in appendices 1- 4 of the report.

48.2 Danny Simpson (DS) drew the boards attention to Cash Management strategy and access to the Fund's bank account where reasonable assurance was given; Cyber Security arrangements where there was a single, low-risk, finding and an action agreed with management to address it; Investment and Accounting with one low-risk finding; and Administration of Pension Benefits where five findings were reported, all of which were medium- or low-risk, and agreed a robust action plan with management to address these.

48.3 NS referred to the 3rd principle in appendix B of the Cybersecurity report and asked if this was based on the East Sussex environment.

48.4 The Board was informed that systems outside the East Sussex Environment is being looked at as a separate project in collaboration with IT. All paperwork will be shared with the Board when the work is complete.

48.5 The Board RESOLVED to note the reports.

49. OUTTURN BUDGET REPORT

49.1 The Board considered a report providing updates on the outturn financial position for 2022/23 for the East Sussex Pension Fund (the Fund or ESPF).

49.2 Russell Wood (RW) drew the Board's attention to the final outturn position for 2022/23 which was £5.743m, a decrease of 50k from the last reported position. The underspend mostly relates to other administration projects which have been postponed whilst awaiting clarification from government and manager fees being invoiced lower than anticipated due to falls in asset values in the quarter. These were offset by some increases on staff cost recharges from East Sussex County Council and external audit fees.

49.3 The Board was reminded that going forward, Investment Management Fees will be managed separately from the budgeting process.

49.4 The Board received an update on staffing and informed that recruitment is going well.

49.5 The Board RESOLVED to note the report.

50. EXTERNAL AUDIT WORK PLAN

50.1 The Board considered a report on the content of the East Sussex Pension Fund external audit plan for 2022/23.

50.2 Ian Gutsell (IG) informed the Board that the report was still in draft format and audit will begin in July; IG further updated that the audit fees had gone up by around 150% which reflects the challenges around audit.

50.3 The Board RESOLVED to note the external audit plan for the East Sussex Pension Fund for 2022/23.

51. PENSION FUND RISK REGISTER

51.1 The Board considered the updated risk register and welcomed the new format.

51.2 The Board considered risk A1: the risk has been updated to reflect the use of a skills matrix to help identify where Pensions Administration Officers require training around specific processes and procedures.

51.3 SK informed the Board that there are three other risks which have been drawn out to be discussed under the exempt part of the meeting.

51.4 The Board RESOLVED to note the report.

52. WORK PROGRAMME

52.1 The Board considered the work programme for future Pension Board and Pension Committee meetings for the next year. The work programme provided an update on other work going on outside the Board and Committee's main meetings, including Working Groups and upcoming training.

52.2 RM asked if the reports due in September are on track.

52.3 SK confirmed that the Independent Auditors Report and the Additional Voluntary Contributions (AVC) Report are on track to be delivered to the September Board meeting. The Accounts report will also be ready for September; however, the Annual report will not be ready until November as it does not need to be published until 1 December.

52.4 SK informed the Board that the date for the Employer Forum will be confirmed once arrangements with venue are in place.

52.5 RM informed the Board that he will be attending the PLSA conference in June.

52.6 NS asked if a review was planned for the Ill Health Insurance Arrangements from April 2021, in terms of commercial arrangements.

52.7 SK confirmed that this is something that will be looked at.

52.8 The Board RESOLVED to note the work programme.

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

54. EXCLUSION OF THE PUBLIC AND PRESS

54.1 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).

55. RISK REGISTER EXEMPT

55.1 The Board considered the exempt risk register.

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

55.3 The Board RESOLVED to note the report.

56. PENSION FUND BREACHES LOG

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

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

56.3 The Board RESOLVED to note the report

57. <u>EMPLOYER ADMISSIONS AND CESSATIONS REPORT</u>

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

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

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

(The meeting ended at 12.55 pm) CHAIRMAN

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Report to:	**Pension Committee**
Date of meeting:	**16 June 2023**
By:	**Chief Finance Officer**
Title:	**Governance Report**
Purpose:	**To provide an update on governance workstreams and changes effecting Local Government Pension Schemes and the East Sussex Pension Fund**

RECOMMENDATIONS

The Pension Committee is recommended to:

1. **Note the governance updates**
2. **Approve the Breaches Policy (appendix 3)**
3. **Approve the Governance and Compliance Statement (appendix 5)**
4. **Approve the Contribution Policy and Deferred Debt and Debt spreading agreement Policies (appendix 7&8)**
5. **Approve the revised Pension Administration Strategy (appendix 9)**
6. **Approve the changes to the Funding Strategy Statement on the Cessation Methodology**
7. **Approve the change to the Administering Authority Discretions Policy**

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1 Background

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

1.2 This report outlines changes to Pension Fund policy.

2 Governance updates

2.1 In February 2023 the Department for Levelling Up, Housing and Communities issued a consultation covering a proposal to change the revaluation date for LGPS pensions from 1 April to 6 April. This was to align the dates with the tax year and prevent members incurring a tax charge due to the revaluation being liked to inflation at around 10%.

2.2 The Fund provided a response, raising concerns about the short amount of notice and the increased amount of manual work that would be required. The Local Government Association also provided a response. The responses can be seen in **Appendix 1** and **Appendix 2**

2.3 The Fund has received guidance from the Local Government Association (LGA) relating to Superannuation Contributions Adjusted for Past Experience (SCAPE) factors. The LGA recommended that transfer requests received on or after 30 March 2023 be suspended until the new factors are published. The Administration Team has acted on this request.

3 Privacy Statements

3.1 Officers have carried out the annual review of both the long and summary privacy statements published by the Fund. There has not been a change in the legislation since the privacy statements were last reviewed and the Local Government Association guidance also remains unchanged as a result the statements remain unchanged from that approved in 2022.

3.2 The summary privacy statement and full privacy statement can be found on the Funds website (https://www.eastsussexpensionfund.org/about-the-scheme/gdpr/).

4 Breaches policy

4.1 Officers have reviewed the existing breaches policy. This is a policy covering the identification and reporting of breaches of the law.

4.2 The existing policy was written whilst the Fund's Administration team were outsourced through the Orbis partnership and prior to the Fund's structural changes, so amendments have been made to reflect the internal team structure.

4.3 Following discussion at Pension Board the policy now makes reference to late signing of admission agreements.

4.4 The revised policy is included at **Appendix 3** of this report. The format of this document is significantly different to that of the previous policy to comply with accessibility requirements.

5 Additional Pension Contributions

5.1 Officers have reviewed the current process for members seeking to increase their benefit amount through the purchase of Additional Pension Contributions (APCs).

5.2 As part of this process, it was identified that the APC member forms state the Fund reserves the right to seek medical input where it has concerns about the member's health. This is because the Fund has the right to refuse an application on ill health grounds in order to mitigate the risk of incurring additional liabilities which may not be fully funded, however there is not a guide in place for members or steps officers should take in receipt of an applications. A simple new guide to APCs has been produced and will be made available to scheme members.

6 Pension Board report to Pension Committee

6.1 The Pension Board have produced their annual report for the Pension Committee on their activities for the year. The report is in **Appendix 4.**

7 Governance and Compliance Statement

7.1 Officers have reviewed the events of the previous 12 months and refreshed the annual Governance and Compliance Statement. This is included in **Appendix 5** for approval.

8 Membership of the Pension Board

8.1 In April 2023 the Governance Committee approved the appointment of Tim Oliver to the Pension Board. Tim has joined the Pension Board for a 4-year term as a scheme employer representative.

8.2 Nicoletta Palermo stood down from the Pension Board at the end of her term on 23 April 2023. Officers and the Chair of the Pension Board met with prospective candidates to fill this member representative vacancy on 10 and 12 May 2023. A recommendation will be made to the Governance Committee to make an appointment.

8.3 Cllrs Druitt and Illingworth are no longer members of the Pension Board after standing down at the May 2023 local elections. This leaves two employer representative vacancies on the Pension Board. The employer cohorts that had provided the representation, Brighton and Hove City Council and the Districts and Boroughs, were asked to provide nominations by 31 May 2023. The Fund has recommended that senior Officers be nominated so they are not tied to an electoral cycle going forward, to reduce risk to the Fund.

9 Policy Consultations

9.1 The Fund have circulated three policies (Pension Administration Strategy (PAS), Deferred Debt and Debt spreading agreement Policies, Contributions Policy) and an amendment to the

Funding Strategy Statement relating to the Cessation Methodology to scheme employers for consultation. This consultation period ran from 4 April 2023 to 5 May 2023.

9.2 The PAS was updated following feedback at the informal meeting of board members on 8 February 2023 and the Pension Committee meeting on 22 February 2023. The consultation received one comment from a scheme employer included in **Appendix 6** over concern on charging for late i-connect files.

9.3 The Deferred Debt and Debt spreading agreement Policies and Contributions Policy were not available for the Pension Board meeting on 8 February for comments but were emailed to Board members on 15 February for comments. The policies were considered at the Pension Committee meeting on 22 February 2023. There were no comments from scheme employers on these policies through the consultation process.

9.4 The Funding Strategy Statement, Cessation Methodology currently provides that where there is no other employer in the Fund to take on responsibility of liabilities, the risk of any deficit arising in the future falls to all other employers in the Fund as a result it is appropriate to reduce the risk of future deficit falling on our employers. This has previously been calculated linked to gilt yields. One difficulty in using gilt yields within the full cessation approach is that they are volatile, so stability of exit positions can be harder to achieve. This has implications for the security provided to the Fund and the affordability to ceasing employers. An indicative cessation valuation ahead of cessation when markets are volatile can result in an exit debt or exit credit that is wildly different to that payable on the actual cessation date. 2022 is a good example of the volatility of gilt yields. This volatility is not considered in the ongoing valuation approach where we look at the long-term horizon when setting contribution rates.

9.5 The Fund is proposing an alternative approach, to link the full cessation discount rate to that used for ongoing funding but incorporating a higher and constant level of prudence to reflect the higher risk associated with the employer not having an available guarantor. This would reduce the reliance on gilt yields which aligns with the actual investment strategy of the Fund, and assets and liabilities should move in similar directions leading to more stable full cessation positions. This will also retain a smoothed approach for stability - looking at a 6 month average rather than the yields and market values of assets at the cessation date. This will ensure that any short-term financial shocks do not unduly affect the valuation of assets or the assumptions used to value the liabilities.

9.6 To implement the proposed change the Fund plan to amend the wording in the Funding Strategy Statement.

Current wording in FSS

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

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

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

Revised wording for FSS

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

For example, if the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

Alternatively, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities may be assessed on a basis more prudent than the ongoing funding basis. The assumptions adopted will be consistent with the current ongoing funding position, but with additional prudence included to take into account potential uncertainties and risk e.g. due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The appropriate level of prudence on this basis was reviewed as part of the Fund's 2022 valuation, when a stochastic analysis was used to assess the "success probabilities" of certain levels of prudence. The Fund's approach is to target a 90% success probability that an exiting employer's assets plus the calculated exit payment/exit credit will be sufficient to meet the residual liabilities. This corresponds to a 3.1% prudence level. This adjustment will be reviewed on a regular basis, and as a minimum as part of each actuarial valuation of the Fund."

9.7 This proposed change was included in the consultation with employers. The Funds received two comments (included in **Appendix 6)** about the proposed change, both employers could cease in the short term and are admitted bodies.

9.8 Following the consultation period officers do not propose any changes to the draft policies. Following the consultation responses and discussion at Pension Committee on the change to the FSS for cessation methodology, officers will include an additional appendix to the FSS to further explain the methodology approach to aid employer understanding. Revised polices are included as **appendices 7-9**.

10 Administering Authority Discretions Policy

10.1 Following discussion of the revised Administering Authority Discretions Policy at the informal meeting of board members on 8 February 2023 and approval at the Pension Committee meeting on 22 February 2023, officers are proposing a change to one of the line items in the policy to make the policy clearer taking into consideration how other LGPS funds also approach this discretion.

10.2 The existing policy discretion has been defined as

Regulation	**Description**	**Existing policy**
Schedule 1 LGPS Regs 2013 17(9) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014	Decide to treat a child as being in continuous education or vocational training despite a break	Death Payment Policy covers decision making process and allows Senior Officers to apply such discretion on a case-by-case basis.

10.3 The proposed policy discretion has been updated to:

Regulation	Description	Existing policy
Schedule 1 LGPS Regs 2013 17(9) LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014	Decide to treat a child as being in continuous education or vocational training despite a break	If a child commences full time education or training from the age of 16 and remains continuously doing so, but for a break of up to 1 academic year as a result of a “gap year” and thereafter resumes the same education or training the then Fund will suspend the payment of the child’s pension throughout the break and treat the break as continuous resuming the payment of the child’s pension at the end of the break, whilst all other eligibility criteria are met. Where a child takes a break of up to 1 academic year as a result of a “gap year” before starting further education and is over the age of 18, the Fund will suspend the payment of the child’s pension throughout the break and continue once all eligibility criteria are met.

11 Conclusion

11.1 The Committee is asked to note the governance updates and approve the revised policies as laid out in the recommendations.

IAN GUTSELL
Chief Finance Officer

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

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Local Government Finance Stewardship
Department for Levelling Up, Housing and Communities
Email to: lgpensions@levellingup.gov.uk

24 February 2023

Consultation: The Annual revaluation date change in the Local Government Pension Scheme (LGPS)

Thank you for your consultation seeking views on the consultation covering the Annual revaluation date change in the LGPS and the draft LGPS (Amendment) Regulations 2023 ('the Regulations').

I respond on behalf of the Local Government Association (LGA) and the Local Government Pension Committee (LGPC) in respect of the Local Government Pension Scheme (LGPS).

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

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

Yours faithfully

Joanne Donnelly
Head of Pensions

Actuarial guidance

The regulations continue to repeatedly refer to annual revaluation being applied in accordance with actuarial guidance provided by the Secretary of State, even though there is no such guidance. As this wording has been retained, we assume the Department now intends to issue this much needed guidance. Revaluation is a complex area that requires more clarification than can be provided in the regulations.

General technical comments

Issue 1: when a member ceases active membership on 31 March the regulations do not provide for revaluation to be applied in the scheme year before leaving. This is because the member is leaving active membership in one scheme year but changing status in the next year.

Example 1: A member leaves active membership on 31 March 2024 and becomes deferred on 1 April 2024:

Regulation 24 provides that the active pension account must be closed and a deferred pension account opened. The deferred pension account must specify the opening balance in that account, which is the amount of pension the member has accrued. Regulation 24(4)(a) provides that the amount of pension accrued includes the opening balance for the member's last active Scheme year. However, the opening balance does not include revaluation which will now be applied on 6 April 2023. Therefore, there is no mechanism to apply a revaluation adjustment to the opening balance of 1 April 2023 when the deferred account is opened.

Regulation 24(4B) applies the revaluation adjustment due on 6 April 2024 - this applies to the balance of the pension account at the end of 31 March 2024.

This issue is replicated in regulations 25 and 27, when retirement and flexible retirement pension accounts are opened from active status.

Issue 2: A similar issue has now been created when a member leaves active membership on 5 April.

Example 2: A member leaves active membership on 5 April 2024 and becomes a deferred member on 6 April 2024.

It is not clear whether the member is covered by Regulation 24(4A) (because they became deferred on 6 April) or regulation 24(4B) (because their last day of active membership was 5 April). There is a risk that the member in this example would miss out on the revaluation due on 6 April 2024.

This issue is replicated in regulations 25 and 27, when retirement and flexible retirement pension accounts are opened from active status.

Recommendation

We recommend that regulations 24(4A), 24(4B), 24(7), 25(4A), 25(6) and 27(5) make reference to the ‘member’s last day of active membership’ (or ‘the member’s notional last day of active membership’ for 27(5)) instead of, as the case may be, when the member:

- ceased to be an active member and became a deferred member
- became a deferred member
- became entitled to immediate payment
- became a pensioner member.

If this recommendation is taken forward, consequential amendments will need to be made to regulations:

- 43 (Death grants: deferred, pension credit and deferred pensioner members),
- 44 (Survivor benefits: partners of deferred and deferred pensioner members),
- 45 (Survivor benefits: children of deferred members),
- 46 (death grants: pensioner members),
- 47 (Survivor benefits: partners of pensioner members), and
- 48 (Survivor benefits: children of pensioner members).

There is a similar issue when applying regulations 41(5) (Survivor benefits: partners of active members) and 42(12) (Survivor benefits: children of active members) where the member died on 31 March. This is because the survivor pension account is opened on the day after death.

Regulations 26 (Retirement pension accounts) and 28 (Deferred member pensioner accounts)

Regulations 26 and 28 do not reference revaluation adjustment. We have an outstanding query concerning this existing issue with the regulations. Please see page 28 of the LGA regulation queries document. We have included the relevant extract below for your convenience. Resolution of this query will now need to take account of the change in the revaluation date from 1 April to 6 April.

Deferred, deferred pensioner and pension credit members, deferred pensioner member accounts

Regulations 44(5) and 45(12) provide that if a member ceases to be an active member, becomes a deferred member and dies all within the same Scheme year, the survivor accounts are credited with a proportion of the revaluation adjustment that the member would have received at the beginning of the Scheme year following cessation of active membership. Unfortunately, the regulations overlook the need to have the same provision in regulation 26 to deal with cases where a member ceases to be an active member, becomes a deferred member and starts to draw pension all within the same Scheme year. Thus, an additional paragraph is needed in regulation 26. Similarly, regulation 28 needs an additional paragraph to deal with cases where a member ceases to be an active member, becomes a Tier 3 pensioner member and has the Tier 3 pension stopped all within the same Scheme year.

Club transfers

If these proposals are taken forward, revaluation will apply on different dates in different public service pension schemes. Care will be needed to ensure that a member transferring career average benefits from one scheme to another does not miss out on revaluation, nor do they benefit from double indexation.

If a transfer value is calculated between 1 April and 5 April, the member could receive indexation twice if the sending scheme applies revaluation on 1 April and the receiving scheme on 6 April. They may miss out on revaluation for a year if the sending scheme applies revaluation on 6 April and the receiving scheme on 1 April.

We do not believe that this issue necessitates any changes to the LGPS regulations. Changes may be required to the public sector transfer club memorandum to ensure fair and consistent outcomes for transferring members.

Questions raised in the consultation

Question 1. Do you agree or disagree that the annual revaluation date should change from 1 April to 6 April? Please explain why.

We agree in principle with the change; however, we do not agree with the timing.

We agree that changing the date of annual revaluation from 1 to 6 April on the basis that inflation should not be taken into account when measuring pension growth for the annual allowance. The change will prevent many members exceeding the annual allowance due to the spike in CPI this year.

However, this issue has existed since the pension input period (PIP) was aligned with the tax year in 2016/17, so could have been rectified at a much earlier date.

Introducing the change at a time when administering authorities' resources are already over-stretched is particularly unwelcome. Administering authorities are currently dealing with many challenges including the McCloud remedy, the introduction of pensions dashboards and the new single code from the Pensions Regulator. Recruitment and retention remains an issue in the sector, with the average vacancy rate being around 10 per cent.

In addition, consulting on a policy change that will take effect seven weeks from the start of a two-week consultation is very challenging for administering authorities and software suppliers. Pension software suppliers have already confirmed it will not be possible to adapt their systems in time for 1 April 2023. This means administering authorities will need to undertake manual calculations, which are labour intensive and subject to human error.

Also, a two-week consultation does not give enough time for respondents to provide a considered response.

Question 2. Do you agree that the policy aim for regulation 21 is delivered through the draft regulations?

Yes, we agree the policy aim for regulation 21 is delivered through the draft regulations, but please see our answer to question eight.

Question 3. Do you agree that the policy aim for regulation 23 is delivered through the draft regulations?

Yes, we agree the policy aim for regulation 23 is delivered through the draft regulations.

Question 4. Do you agree that the policy aim for regulations 24 and 25 is delivered through the draft regulations?

We agree that the policy aim for regulations 24 and 25 is delivered through the draft regulations, other than where the member's last day of active membership is 31 March or 5 April. We have set out the issue and a recommendation for resolving it in the general technical comments section of this response.

We understand the intention is for 'the revaluation date' to be the next 6 April. We suggest this is made clearer to remove any doubt. We recommend changes to inserted regulations 24(4B) and 25(4A) to make it clear that 'the revaluation date' is the next 6 April following the end of active membership.

Question 5. Do you agree that the policy aim for regulation 27 is delivered through the draft regulations?

Not for the cases listed below:

- where the member's notional last day of active membership is 31 March or 5 April. We have set out the issue and a recommendation for resolving it in the general technical comments section of this response.

- amendment regulation 3(4)(a) amends regulation 27(5). The amendment uses the phrase 'a flexible retirement pensioner member'. This is not defined or used elsewhere in the regulations. We suggest changing this to 'entitled to that pension.'

Question 6. Do you agree that the policy aim for regulations 41, 42, 44, 45, 47 and 48 is delivered through the draft regulations?

- There is an existing issue where the date of death falls between 1 April and the next pensions increase date. The regulations appear to indicate that pensions increase will not be applied on the pension increase date immediately following the date of death. We suggest deleting the following wording in regulation 44(6)(b) 'opening' and 'for the following scheme year'. This suggestion applies equally to regulations 45(13)(b), 47(6)(b) and 48(13)(b).

  Example: Member leaves active membership on 31 August 2022 and dies on 1 April 2023. Survivor benefits are payable from 2 April 2023. Amendment regulation 6(1)(a) inserts new regulation 44(4A). This applies a revaluation adjustment in the survivor account on 6 April 2023, deemed to apply from the date of death. However, regulation 44(6)(b) states that it is the opening balance in the member's survivor account for the ‘following’ scheme year to which pensions increase is applied. The balance for the survivor’s following scheme year is that on 1 April 2024 and not the balance on the date of death. This means that pensions increase due on 10 April 2023 is missed.

- amendment regulations 4(1)(a), 4(2)(a), 5(1)(a), 6(1)(a), 6(2)(a), 6(2)(b), 6(2)(c), 6(2)(d), 7(1), 7(2)(a), 7(3)(a), 7(3)(b), 7(3)(c) and 7(3)(d) insert the following wording into the regulations ‘the pension is deemed to include the revaluation adjustment due at the next revaluation date’. As the member died before the next revaluation date, the revaluation adjustment will not be due on the member’s notional pension / actual pension – it will be due to the survivor. We suggest changing the wording to ‘the pension is deemed to include the revaluation adjustment that would have been due at the next revaluation date.’

- amendment regulation 6(2)(e)(ii) amends regulation 45(12). The amendment regulation says, ‘the Scheme year in which the member became a pensioner member’. Regulation 45 covers children of deceased deferred members. We suggest the wording refers to the scheme year in which the survivor account was opened.

- amendment regulation 6(2)(g) inserts a new regulation paragraph (14) in regulation 45; this should be changed to either (13A) or (15) as a paragraph (14) already exists.

- amendment regulation 7(2)(f) refers to ‘(13(a)’. This should be changed to ‘(13)(a)’.

Question 7. Do you agree that the policy aim for regulation 43 and 46 is delivered through the draft regulations?

- amendment regulations 4(1)(a), 4(2)(a), 5(1)(a), 6(1)(a), 6(2)(a), 6(2)(b), 6(2)(c), 6(2)(d), 7(1), 7(2)(a), 7(3)(a), 7(3)(b), 7(3)(c) and 7(3)(d) insert the following wording into the regulations ‘the pension is deemed to include the revaluation adjustment due at the next revaluation date’. As the member died before the next revaluation date, the revaluation adjustment will not be due on the member’s notional pension / actual pension – it will be due to the survivor. We suggest changing the wording to ‘the pension is deemed to include the revaluation adjustment that would have been due at the next revaluation date.’

- amendment regulation 5(1)(b) inserts ‘and paragraph (3A) does not apply’ at the end of regulation 43(5). To ensure the full stop is in the right place, the wording should be inserted before “.”

- amendment Regulation 7(1) inserts new regulation 46(6). The regulation says

‘…payable in accordance with paragraph (3) (but not for the purposes of a death grant derived from a pension credit payable in accordance with paragraph (4)), if the member-’. For simplicity, we suggest changing this to ‘For the purposes of paragraph (3), if the member-’. The revised wording also ensures that pension credit death grants are not covered by regulation 46(6), as these death grants are calculated under paragraph (4).

Question 8. Do you agree that amending the definition of “revaluation adjustment” and the new definition of “revaluation date” in Schedule 1 delivers the policy aim?

We agree the policy aim is delivered regarding the amendment to the definition of ‘revaluation adjustment’ in Schedule. However, there is an existing issue with the definition not reading clearly within the context of regulation 21(6) – assumed pensionable pay (APP). We recommend that a specific definition of ‘revaluation adjustment’ for the purpose of regulation 21(6) is added to regulation 21.

The definition in schedule 1 refers to an amount applied to a “pension account”, this does not happen when applying a revaluation adjustment to APP.

Our suggestion also makes clear that the percentage to be applied on the first day of the second scheme year in which the APP applies is the percentage that would apply to CARE balances on the next 6 April, rather than the percentage that applied to CARE balances on the previous 6 April.

Question 9. Are there any further considerations and evidence that you think DLUHC should take into account when assessing any equality issues or adverse impacts arising as a result of the proposed changes? Please explain and provide evidence where appropriate.

None that we are aware of.

Dear Sirs

In relation to the Department for Levelling Up, Housing and Communities consultation on changing the revaluation date from 1 April to 6 April we would like to respond as follows:

1. Do you agree or disagree that the annual revaluation date should change from 1 April to 6 April? Please explain why.

   The intention to prevent people from incurring tax liabilities due to the revaluation of their pension is commendable and it is understandable how a change to the revaluation date would be used to implement this policy intent.

   However, the short amount of notice of the proposed change means it will be difficult for software providers to modify existing systems to provide a solution and we understand our provider will not be ready in time. This will lead to a significant amount of manual work having to be undertaken at a busy time for LGPS Administration Teams.

   Increasing the amount of manual input required, and reducing the options of using tested, automated systems increases the risk of human error impacting outcomes. To mitigate this risk further checks on work will need to be implemented, putting a further drain on available resources.

   As the end of the financial year approaches, consideration has already been given to how existing resources should be utilised to cover the range of activities that need to be achieved. Adding to the work that needs to be undertaken at such short notice means the resources will need to be redistributed, putting tasks at risk of not being completed to the necessary standard by the relevant deadlines. We will also not be able to obtain additional staff to cover the extra work required.

   It would have been preferred if either greater notice of this intent had been provided or alternatives measures considered to achieve the policy goal.

2. Do you agree that the policy aim for regulation 21 is delivered through the draft regulations?

Yes – due to the short period of the consultation there has been a limited opportunity to review the proposed regulations in detail or to obtain input from legal advisers

3. Do you agree that the policy aim for regulation 23 is delivered through the draft regulations?

Yes – due to the short period of the consultation there has been a limited opportunity to review the proposed regulations in detail or to obtain input from legal advisers

4. Do you agree that the policy aim for regulations 24 and 25 is delivered through the draft regulations?

Yes – due to the short period of the consultation there has been a limited opportunity to review the proposed regulations in detail or to obtain input from legal advisers

5. Do you agree that the policy aim for regulation 27 is delivered through the draft regulations?

Yes – due to the short period of the consultation there has been a limited opportunity to review the proposed regulations in detail or to obtain input from legal advisers

6. Do you agree that the policy aim for regulations 41, 42, 44, 45, 47 and 48 is delivered through the draft regulations?

Yes – due to the short period of the consultation there has been a limited opportunity to review the proposed regulations in detail or to obtain input from legal advisers

7. Do you agree that the policy aim for regulation 43 and 46 is delivered through the draft regulations?

Yes – due to the short period of the consultation there has been a limited opportunity to review the proposed regulations in detail or to obtain input from legal advisers

8. Do you agree that amending the definition of "revaluation adjustment" and the new definition of "revaluation date" in Schedule 1 delivers the policy aim?

Yes – due to the short period of the consultation there has been a limited opportunity to review the proposed regulations in detail or to obtain input from legal advisers

9. Are there any further considerations and evidence that you think DLUHC should take into account when assessing any equality issues or adverse impacts arising as a result of the proposed changes? Please explain and provide evidence where appropriate.

   No - please see our answer to question 1, which covers our concerns about the timing of this consultation and the proposed changes.

Kind regards

Michael Burton
Pensions Manager – Governance and Compliance
East Sussex Pension Fund

Procedure for Recording and Reporting Breaches of the Law

June 2023

Contents

Policy for Reporting Breaches of the Law

Background and Introduction

This policy sets out the procedure to be followed by certain persons involved with the East Sussex Pension Fund (the Fund) in relation to identifying, recording and where necessary reporting breaches of the law to the Pensions Regulator.

As Administering Authority, East Sussex County Council is the designated statutory body responsible for administering the East Sussex Pension Fund of behalf of the constituent Scheduled and Admitted Bodies in the relevant area. The Pension Committee has delegated authority to exercise the powers of the County Council in respect of all powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the East Sussex Pension Fund.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

This policy has been developed to assist those individuals who have a legal responsibility to report certain breaches to the Pensions Regulator in determining whether a breach they have identified should be reported. It has also been developed to assist East Sussex County Council, in its role as Administering Authority, in ensuring it is aware of all breaches of the law in relation to the East Sussex Pension Fund and that these are appropriately recorded and then dealt with.

The Head of Pensions has responsibility for the implementation, review, and monitoring of this policy and the procedures, and can seek such advice as they consider necessary including from the Council's legal team or external advisors.

The following persons are strongly encouraged to follow this procedure should they identify a breach:

- all members of the Pension Committee and the Pension Board
- all officers involved in the management or administration of the Pension Fund including staff members in the Pension Fund Team, the Monitoring Officer, and the Chief Finance Office (Section 151 Officer).
- any professional advisers including external auditors, consultants, actuaries, legal advisers, and fund managers.[1]
- officers of scheme employers participating in the Pension Fund who are responsible for pension matters.
- any other person otherwise involved in advising or supporting the managers of the Fund, including staff members of the Internal Audit function.
- any other person who has responsibility to report breaches of the law in relation to the East Sussex Pension Fund

[1] However, these advisers should note that the application of this Procedure relates to the reporting of legal breaches relating to the administration of the Pension Fund, rather than any breaches relating to their role and responsibilities that do not affect the administration of the Fund. For example, if a fund manager has breached the investment association guidelines, then this would not be reportable under this East Sussex Pension Fund Procedure for Reporting Breaches (albeit the Administering Authority would still expect this information to be recorded separately and notified to East Sussex County Council).

Throughout this procedure, any person to whom this procedure applies, because of them identifying a breach or potential breach, will be referred to as the "individual".

The next section clarifies the full extent of the legal requirements and to whom they apply.

Requirements

Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement to report breaches of the law on the following persons:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme
- a person who is otherwise involved in the administration of an occupational or personal pension scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

The matter must be reported to the Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with; and
(b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is provided in the Pension Regulator's Code of Practice, Code 14: Governance and administration of public service pension schemes, section on Reporting breaches of the law, including in the following areas:

- implementing adequate procedures to consider and record breaches
- judging whether a breach must be reported
- submitting a report to the Pensions Regulator
- whistleblowing protection and confidentiality.

Application to the East Sussex Pension Fund

This document sets out how the Fund will strive to achieve best practice through use of a formal reporting breaches procedure. It reflects the guidance contained in the Pension Regulator's Code of Practice.

Other Administering Authority or Organisational Requirements

In addition to the requirements of this Procedure, there may be other policies and procedures which may be in place relating to areas such as fraud or whistleblowing that apply to the individuals covered by this Procedure for reporting and recording breaches in relation to East Sussex Pension Fund matters. For example, East Sussex County Council has in place the following:

- Anti-fraud and Corruption Policy – setting out the Council's strategy for preventing, deterring and investigating fraud, corruption and other wrong doing.
- Anti-Money Laundering Policy - procedures that must be followed to enable the County Council to comply with its legal obligation to prevent criminal activity through the use of Money Laundering, as well as providing contact details for the Money Laundering Reporting Officer
- Whistleblowing Policy – setting out how someone working with or within East Sussex County Council can raise an issue in confidence, as well as what sort of concerns should be reported.

This Procedure should be followed in addition to any existing procedures or policies that may be in place, such as those listed above. In particular, individuals are reminded that there is a legal requirement to report breaches of the law in relation to the East Sussex Pension Fund that could be considered significant to the Pensions Regulator. The Head of Pensions (contact details at the end of this procedure document) can assist if an individual is uncertain how to deal with the interaction between this Procedure and any other organisation's policy or procedure that may be in place.

East Sussex Pension Fund Breaches Procedure

Overview

The following procedure details how individuals responsible for reporting and whistleblowing can identify, access, record, and report (if appropriate) a breach of the law relating to the Fund.

It aims to ensure individuals responsible can meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk to the Fund.

There are four key steps to this procedure:

1. Understanding the law and what is a breach
2. Determining whether there is reasonable cause to believe a breach has occurred
3. Determining whether the breach is likely to be of material significance and so should be reported to the Pensions Regulator
4. Recording the breach, even if it is not reported

Steps

1. Understanding the law and what is a breach?

Individuals may need to refer to regulations and guidance when considering whether there has been a breach of the law. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004: www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996: www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations): www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013: www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
  http://www.lgpsregs.org/timelineregs/Default.html (pre 2014 schemes)
  http://www.lgpsregs.org/index.php/regs-legislation (2014 scheme)
- The Pensions Regulator's Code of Practice 14: http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx . In particular, individuals should refer to the sections on 'Reporting breaches of the law', and 'Maintaining contributions'.

Further guidance and assistance can be provided by the Head of Pensions, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence). Some examples of potential breaches are also included in Appendix A.

2. Determining whether there is reasonable cause to believe a breach has occurred

Individuals then need to have reasonable cause to believe that a breach of the relevant legal provision has occurred. Having reasonable cause to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

Where a breach is suspected the individual should inform the Head of Pensions or Pensions Manager – Governance and Compliance as soon as practicable, and no later than 5 days from when they suspect there has been a breach. The Head of Pensions, or relevant Pensions Manager, will then carry out further checks, to establish whether a breach has in fact occurred, and keep the individual informed. This does not preclude the individual who first raised the issue undertaking further checks themselves should they consider it appropriate to do so.

However, there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases, The Pensions Regulator should be contacted without delay.

3. Determining whether the breach is likely to be of material significance

Should an individual have reasonable cause to believe that a breach of the law has occurred, they must decide whether that breach is likely to be of material significance to the Pensions Regulator, and therefore should be reported to the Pensions Regulator. To do this, an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

Further details on the above four considerations are provided later in this procedure". The individual should use the traffic light framework to formally support and document their decision.

It should be noted that the Pensions Regulator's role is in relation to requirements under the Pensions Act 2004. As such, it is possible that some breaches of the law do not fall within the Regulator's remit. However, given the complex nature of the law, including the wide-ranging responsibilities covered by the Pensions Act 2004, the Fund encourages reporting of any breach that is considered to be materially significant regardless of the specific area of the law that has been breached. The Pensions Regulator can then determine whether it is a matter they have jurisdiction over or not.

The Head of Pensions can assist with determining whether the breach should be reported. In the first instance the Head of Pensions should be given opportunity to report the breach and will keep the individual raising the concern appraised of their decision as to whether or not to report the breach.

However, the individual is ultimately responsible for determining what should be included in the report and for submitting the report to the Pensions Regulator.

The requirement to report applies to all those subject to the reporting duty who become aware of a breach that is likely to be of material significance to the Pensions Regulator; it is not automatically discharged by another party reporting the breach.

This gives rise to the possibility of duplicate reporting by those involved in a scheme. Duplicate reports do not benefit the Pensions Regulator. Once aware of a particular breach, the Pensions Regulator does not regard that breach as being of material significance for the purpose of making further reports under the requirement to report breaches of the law. An exception is where another reporter has additional or different information about that breach or the circumstances relating to it.

4. Recording the breach, even if it is not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). The Pensions Manager – Governance and Compliance will maintain a record of all breaches identified.

Therefore, individuals should provide the following information to the Head of Pensions or Pensions Manager – Governance and Compliance so that all identified breaches can be recorded:

- copies of reports submitted to The Pensions Regulator
- copies of information relating to any other breach the individual has identified.

The information should be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made to report or not. The record of all breaches (reported or otherwise) will be included at each Pension Committee and Pension Board meeting.

Supplier and advisor responsibilities

Where a breach has been identified relating to the Fund by a supplier or advisor, the supplier or adviser must alert the Head of Pensions immediately. They must produce a preliminary report setting out an assessment of the breach. The preliminary assessment must contain:

- the circumstances leading to the breach;
- the impact and scale of the breach, both financial and with regard to the impact of service on members or other affected persons/organisations;
- the steps that have been taken to rectify the breach; and
- a preliminary assessment, based on the Regulator's traffic light flowchart, of the materiality of the breach.

For the avoidance of doubt all breaches of the law (regardless of whether they are deemed material) must be reported to the Head of Pensions in this way, except where this would result in a tip off of an incidence of fraud or money laundering.

Breaches by employers or suppliers

There may be situations where the Fund becomes aware of breaches of law which are not its responsibility. For example, an employer may be in breach of its duties under automatic enrolment duty if it does not sign an admission agreement by the time its employees would be eligible to become members of the Fund. In such circumstances, the Fund will log the breach of law in its internal documentation but would not seek to make a wider report unless the breach was deemed material.

In the case of the late signing of Admission Agreements, it is acknowledged that the commercial realities may mean a contract commences whilst the negotiation of an Admission Agreement is ongoing, so it would only be treated as a breach if the Admission Agreement is not in place within 3 months.

Assistance for individuals in following this procedure

The following information is provided to assist individuals in following this procedure.

Referral to a level of seniority for assistance

The Fund has designated an officer (Head of Pensions) to assist any individual with following this procedure. The Head of Pensions is considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to the Pensions Regulator, where appropriate.

Individuals must bear in mind, however, that the involvement of the Head of Pensions is to help clarify the individual's thought process and to ensure this procedure is followed. The individual remains responsible for the final decision as to whether a matter should be reported to the Pensions Regulator and for completing the reporting procedure.

The matter should **not** be referred to the Head of Pensions if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in step 2 above).

If that is the case, the individual may instead refer the matter to the Council's Monitoring Officer. Otherwise, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Pensions Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

Dealing with complex cases

The Head of Pensions may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases. Information may also be available from national resources such as the Scheme Advisory Board or the Local Government Association - http://www.lgpsregs.org. If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Pension Committee or Pension Board meeting.

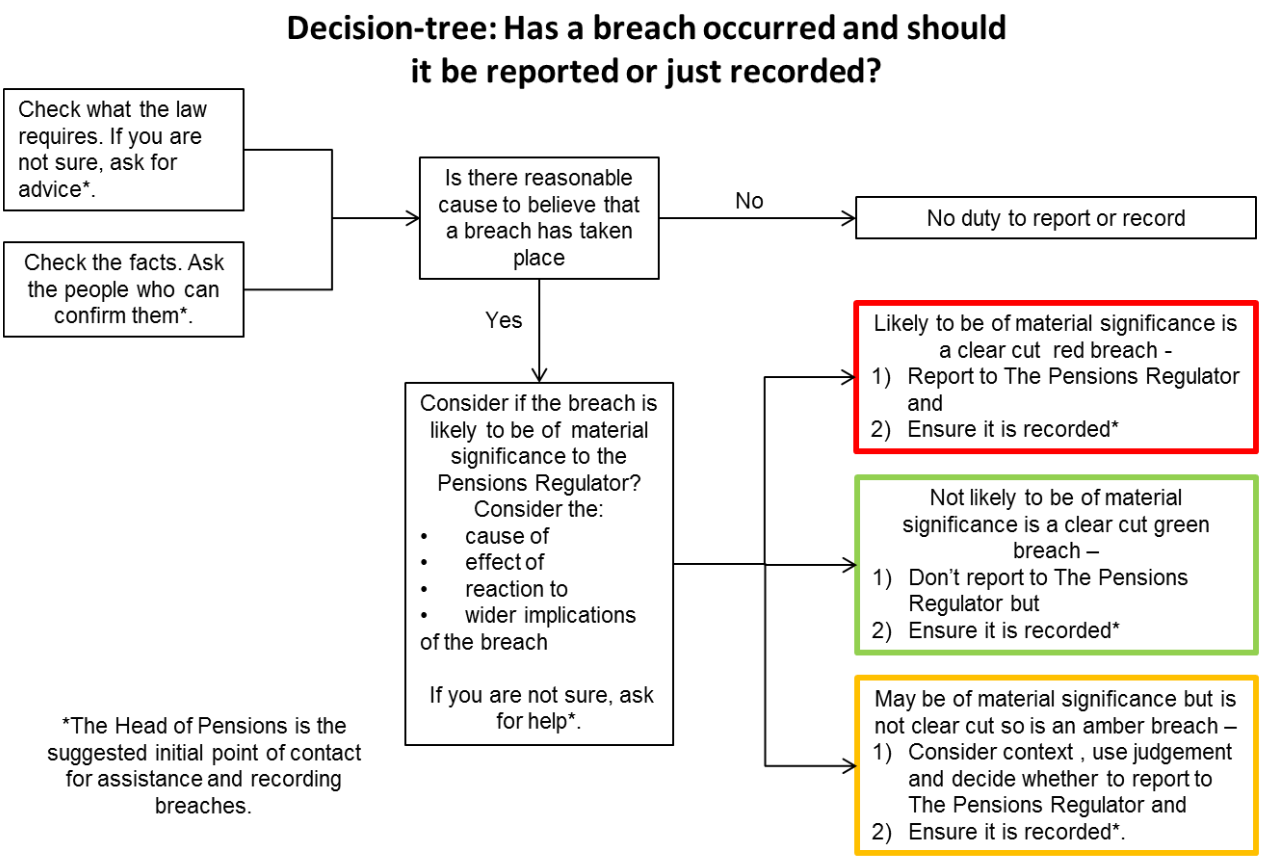
Timescales for reporting

The Pensions Act and the Pension Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. A failure to do so is itself a breach of law.

Individuals should not wait for others to report and nor is it necessary for an individual to gather all the evidence which the Pensions Regulator may require before acting. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by "as soon as reasonably practicable". In particular, the time taken should reflect the seriousness of the suspected breach.

Decision tree – Has a breach occurred and should it be reported?

A decision tree is provided below which summarises the process for deciding whether a breach has taken place, whether it is materially significant and if it needs to be reported to the Pension Regulator and then ensuring it is recorded.



Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

The cause of the breach

Examples of causes which are likely to be of concern to the Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

Individuals may also request the most recent breaches report from the Head of Pensions, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood, or a genuine one-off mistake
- whether a significant number of members are affected, or whether it is just a small number
- whether there have been any other breaches (reported to the Pensions Regulator or not) which when taken together may become materially significant

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to the Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the scheme being poorly governed, managed or administered

The reaction to the breach

A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Traffic light framework for deciding whether to report to the Regulator

The Fund recommends those responsible for reporting to use the traffic light framework when deciding whether to report to the Pensions Regulator. This is illustrated below:

Red	Where the cause, effect, reaction, and wider implications of a breach, when considered together, are likely to be of material significance. These must be reported to The Pensions Regulator. Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.
Amber	Where the cause, effect, reaction, and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported. Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However, the breach was caused by a system error which may have wider implications for other public service schemes using the same system.
Green	Where the cause, effect, reaction, and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported. Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report. When using the traffic light framework individuals should consider the content of the red, amber, and green sections for each of the cause, effect, reaction, and wider implications of the breach, before you consider the four together. Some useful examples of this framework are provided by the Pensions Regulator at the following link
http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx

How to report a breach to the Pensions Regulator

Reports must be submitted in writing via The Pensions Regulator's online system at https://login.thepensionsregulator.gov.uk/, by post, or email and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call.

The individual should ensure they receive an acknowledgement for any report they send. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact the individual to request further information. The individual will not usually be informed of any actions taken by the Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (East Sussex Pension Fund)
- description of breach(es)
- any relevant dates
- name, position and contact details
- role in connection to the scheme
- employer name or name of scheme manager (the latter is East Sussex County Council).

If possible, individuals should also indicate:

- the reason why the breach is thought to be of material significance to the Pensions Regulator
- scheme address (provided at the end of this procedures document)
- scheme manager contact details (provided at the end of this procedures document)
- pension scheme registry number (PSR – 10079157)
- whether the breach has been reported before.

The individual should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

Confidentiality

If requested, the Pensions Regulator will do its best to protect the identity of an individual who has reported a breach and will not disclose information except where it is lawfully required to do so.

An employee may also have protection under the Employment Rights Act 1996 if they make a report in good faith in relation to their employer.

Reporting to those charged with governance

The Head of Pensions will present a report to the Pension Board and the Pension Committee on a quarterly basis setting out:

- all breaches, including those reported to the Pensions Regulator and those not reported, with the associated dates.
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated
- new breaches which have arisen since the previous meeting.

This information will also be provided upon request by any other individual or organisation (unless decided otherwise by the Head of Pensions; for example, where the information is excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix B to this procedure.

Training

The Head of Pensions will ensure that all relevant officers, elected members, and members of the Local Pension Board receive appropriate training on this policy at the commencement of their employment or appointment to the Pensions Committee or Pension Board as appropriate and on an ongoing basis.

Suppliers and advisers must ensure that all staff with responsibilities in relation to the Fund receive appropriate training about this policy and their obligations under it. They must advise the Head of Pensions if they do not feel they are able to carry out that training, and training will be arranged for them by the Head of Pensions.

Approval, and Review

This Reporting Breaches Procedure was approved on 16 June 2023 by the Pension Committee. It will be formally reviewed and updated by the Committee at least every three years or sooner if breaches arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be considered.

Further Information

If you require further information about reporting breaches or this procedure or wish to discuss reporting a breach, please contact:

Sian Kunert
Head of Pensions, East Sussex County Council
E-mail – sian.kunert@eastsussex.gov.uk
Telephone – 01273 482017

Ian Gutsell
Chief Finance officer and s151 Officer, East Sussex County Council
E-mail – ian.gutsall@eastsussex.gov.uk
Telephone 01273 481399

Philip Baker
Assistant Chief Executive and Monitoring Officer, East Sussex County Council
E-mail – philip.baker@eastsussex.gov.uk
Telephone – 01273 481564

Appendix A – Example breaches of the law

In this appendix we provide some examples of breaches of the law. This is not an exhaustive list given there are many sets of legislation that must be followed and some of these are extremely lengthy and complex. It should, however, provide a useful indication of the range of potential breaches that may arise.

Funding strategy not having regard to CIPFA guidance

Regulation 58 of the Local Government Pension Scheme Regulations 2013, as amended, requires the Administering Authority to prepare, maintain and publish a statement setting out its funding strategy and, in doing so, to consult with such persons as it considers appropriate. In doing this, the Administering Authority must also have regard to CIPFA guidance on preparing and maintaining a Funding Strategy Statement which clearly states employers should be consulted. The Funding Strategy impacts on the employers of the Fund and therefore a breach of the law by the Administering Authority is likely to have arisen if a statement was prepared which impacts on employers without first consulting with those employers.

Late notification of benefits

Various regulations dictate timescales for notifying scheme benefits, some of which are summarised below. Most of these requirements are included in more general pensions legislation, i.e. not the Local Government Pension Scheme Regulations. A breach would arise every time one of these timescales was not met. All of the breaches would relate to the Administering Authority apart from the last one which would be a breach by an employer in the Fund. However, the first five listed could have been a result of delayed or incorrect information from an employer, which could be a separate and additional breach of the law by that employer.

Process	Legal Requirement
To provide new starters with information about the scheme	2 months from date of joining (provide information about the scheme in this timeframe, or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled)
To inform members who leave the scheme of their leaver rights and options	As soon as is practicable, and no more than 2 months from date of initial notification (from employer or scheme member)

Process	Legal Requirement
To notify the amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age 2 months from date of retirement if before Normal Pension Age
To notify dependant(s) the amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of the death, or from date of request
Provide annual benefit statements to active members	31st August in the same calendar year
Receipt of employee contributions from employers	19th of the month following their deduction or 22nd if paid electronically.

Errors in benefit calculations

The Local Government Pension Scheme Regulations 2013, as amended, and previous LGPS legislation relating to historical service or leaves, dictate how benefits should be calculated. This includes elements such as what fraction of pay is used to calculation a pension and what counts as pay for LGPS purposes. A breach of the law by the Administering Authority would arise in the situation that any calculation was carried out that was not in accordance with those provisions.

Errors in deducting contributions

Regulation 20 of the Local Government Pension Scheme Regulations 2013, as amended, states which elements of pay should be treated as pensionable and therefore should have pension contributions deducted from them and should be used for calculating benefits from 1 April 2014. Regulation 4 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, as amended, is the equivalent provision for pre-1 April 2014 scheme membership and therefore it details how pensionable pay should be calculated by an employer for benefits accruing prior to 1 April 2014. Under these provisions, non-contractual overtime is pensionable from 1 April 2014 but not classed as pensionable for benefits accruing before 1 April 2014. A breach of the law by an employer would arise if any of the following happened:

- an employer **did not** deduct pension contributions from non-contractual overtime since 1 April 2014
- an employer **did not** include non-contractual overtime in the amount of any pensionable pay notified to the Administering Authority for membership from 1 April 2014
- an employer **did** include non-contractual overtime in the amount of final pay notified to the Administering Authority to be used to calculate benefits accrued prior to 1 April 2014.

Late notifications from year-end information by an employer

Regulation 80 of the Local Government Pension Scheme Regulations 2013 require each employer to provide to the Administering Authority a list of specific information for each scheme member, such as pensionable pay, by 30 June each year. A breach of the law by an employer would arise if they failed to provide this year end list to the administering authority by 30 June or if the information was incomplete or inaccurate.

Inadequate knowledge of a Pension Board member

Section 248A of the Pensions Act 2004 requires every Pension Board member to be conversant with the LGPS rules and Pension Fund policies as well having knowledge and understanding of pension matters at a degree appropriate for the purpose of them exercising their Pension Board functions. Where a Pension Board member has failed to attend training or demonstrate that they already have the required level of knowledge, it is possible that the Pension Board member will have breached the law.

Appendix B – Example Record of Breaches for Pension Committee Reporting

Date	Breach	What happened?	Owner	3rd Party	Implications	Member class affected	Reaction	Assessment of breach	Rationale	Reported to TPR?	Reporter	Outcome of report	Further action	O/s actions

Appendix 4

Report to: **Pension Committee**

Date of meeting: **16 June 2023**

By: **Local Pension Board**

Title: **Report of Pension Board to Pension Committee**

Purpose: **Inform Pension Committee of the focus and work completed by the Pension Board in the last 12 months**

RECOMMENDATIONS: The Pension Committee is recommended to:

1) **Note the report covering the work completed in year by the Pension Board.**

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1. Background

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

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

2. Membership and attendance

2.1 The membership of the Local Pension Board over the past year has been

Scheme Employer Representatives

- Stephen Osborn - Deputy Director of Finance, University of Brighton (until January 2023)
- Cllr. Tom Druitt - Brighton & Hove City Council
- Cllr. Toby Illingworth- East Sussex District and Borough Councils

Scheme Member Representatives

- Lynda Walker – UNISON
- Niki Palermo – GMB
- Neil Simpson – Pensioners' representative

Independent Chair

- Ray Martin

2.2 Stephen Osborn stepped down from his role at the University of Brighton in January 2023 and, as such, also stepped down from his role on the Pension Board. Since then, Officers, with the oversight of the Pension Board, have sought to obtain nominations from Scheme Employers to fill the vacant position. Only one employer, University of Brighton, put forward a nomination to fill the vacancy. The Independent Chair of the Board and the Pension Manger for Governance and Compliance met with the nominated officer and following consideration of their knowledge and skills made a recommendation to the Governance Committee to appoint to he vacancy, which was approved on 18 April 2023 for a four year term.

2.4 Attendance at meetings has deteriorated since the last report to the Committee. One meeting, in February 2023, was not quorate and was not attended by either of the in-post employer representatives. A second meeting, in September 2022, was cancelled as it coincided with the death of HM Queen Elizabeth II and an alternative date could not be found before the Pension Committee meeting.

	27 May 2022	9 September 2022 (meeting cancelled[1])	15 November 2022	8 February 2022 (not quorate)
Stephen Osborn	Y		Y	
Cllr. Tom Druitt	Y		Y	N
Cllr. Toby Illingworth	Y		N	N
Lynda Walker	N		N	Y
Niki Palermo	N		N	N
Neil Simpson	Y		Y	Y
Ray Martin	Y		Y	Y

3. Work of the Pensions Board

3.1 Meetings are scheduled to be held shortly (no less than 2 weeks) before each Pension Committee meeting, where all papers relating to administration, governance, policy, audit and communications are first considered by the Board prior to final versions being presented at Committee for approval. This allows the Board to feed in on matters of governance and represent the views of members and employers in the documents that are then taken for approval.

3.2 Members of the Pension Board participate in, the Communications Working Group, the Administration Working Group and the McCloud Working Group. By participating in the working groups members of the Pension Board are able to use their knowledge and experience to support officers of the Fund during the development of new policies and procedures. This year the Pension Board members have assisted with the preparation of Annual Benefit Statements to make them more useful for members whilst still including all the information legally required, assisted with the drafting of surveys designed to help the Fund improve the service it offers and the creation of the Employer Toolkit, which is used to provide training to Employers that participate in the Fund.

3.3 The Pension Board considers its work programme at each meeting taking into account the regular items it sees and what is planned for upcoming Pension Committee meetings and are able to request areas of focus to be added to the Board work plan.

4. Actions

4.1 Since the last Pension Board report in June 2022, members of the Pension Board have supported Officers and the Pension Committee by engaging with an employer which has been causing ongoing, significant challenges for the smooth operation of the Fund.

4.2 Pension Board members have attended as observers, a meeting of the ACCESS Investment Pool, the vehicle used by the Fund to meet its obligations regarding the manner in which it places its assets for investment purposes. Whilst not involved with investment matters, the Pension Board members were able to provide insight into the governance around ACCESS and suggest ways it could be improved.

4.3 Members of the Pension Board have supported Officers with the defining of Administering Authority Discretions to ensure that a clear list is published and both Employers and Fund Members know what to expect. In addition, the Board members have made suggestions to the revision of numerous policies of the Fund including the revised Pension Administration Strategy to ensure the documents are clear on responsibilities of officers and other stakeholders.

4.4 Outside of the formal Board meetings, Pension Board members have provided input to Officers. For example, they commented on initial drafts of the debt spreading policy to help ensure it was in a position for the Pension Committee to approve ahead of it going out for consultation.

[1] This meeting was cancelled following the death of HM Queen Elizabeth II the previous day

5. Training

5.1 In the past year the Pension Board, along with members of the Pension Committee, have been offered a range of training opportunities. Additionally details of reading material and relevant podcasts have been provided on a monthly basis.

5.2 Since the last report, Pension Board members have attended training events covering:

5.2.1 LGPS Pooling

5.2.2 An industry update on issues facing Pension Boards

5.2.3 TPR’s new Code of Practice

5.2.4 Pension Fund accounts

5.2.5 The wider pensions landscape

5.2.6 The LGA’s LGPS Fundamentals event

6. Membership of the Pension Board

6.1 The Pension Board is expecting to see a number of changes to its membership over the next quarter, this will bring with it an increased emphasis on training to ensure all Pension Board members have the knowledge and understanding they need to fulfil their duties. There will also be an increased emphasis on the need to attend meetings following the Board only meeting twice in quorate meetings during the past year.

Ray Martin
Chair of ESPF Local Pension Board

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East Sussex Pension Fund

Governance and Compliance Statement

Approved 16 June 2023

Contents

Governance Policy Statement

Introduction

This is the Governance Policy Statement of the East Sussex Pension Fund (the Fund), which is managed by East Sussex County Council (ESCC), the Administrating Authority (Scheme Manager) on behalf of all the relevant employer bodies in the Fund. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.

The Public Services Pensions Act 2013 (The Act) introduced a new framework for the governance and administration of public service pension schemes. The Act has a material impact on existing governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the LGPS regulations.

As a result of the Act, the Pensions Regulator introduced codes of practice covering specific areas relating to public sector pension schemes. It is noted that the Pensions Regulator intends to make changes to its Codes of Practice and the potential impact on the Fund is being monitored. It is expected that the new Code of Practice will come into force in 2023.

As Administering Authority, ESCC is the designated statutory body responsible for administering the Fund of behalf of the constituent Scheduled and Admitted Bodies in the relevant area. The LGPS Regulations specify that, in investing the Fund's money, regard must be given to the need for diversification and for proper advice.

Governance of East Sussex Pension Fund

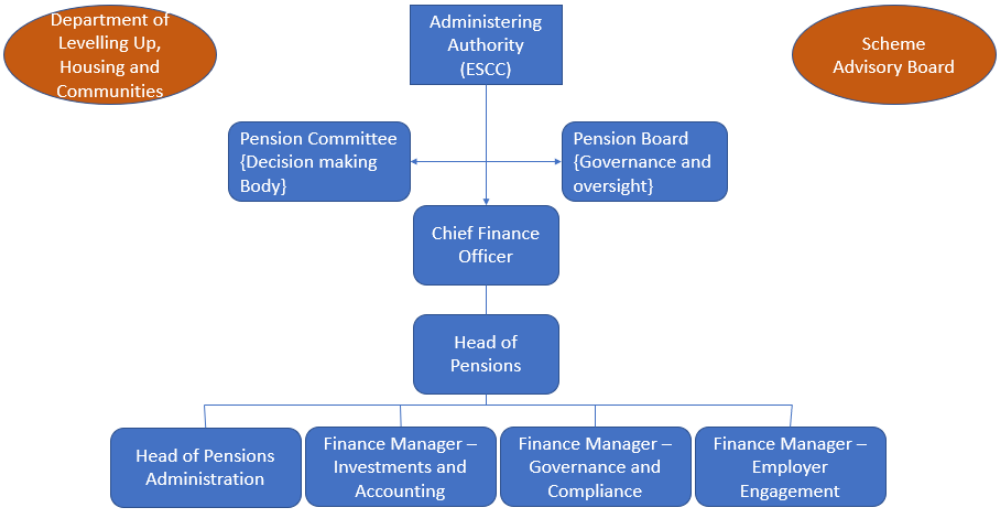
ESCC operates a Cabinet style decision-making structure. Under the Constitution, the Pension Committee has delegated authority to exercise the powers of the County Council in respect of all powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the Fund, including the approval of the Fund admission agreements.

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

The Fund governance focuses on:

- The effectiveness of the Pension Committee, the Local Pension Board (Pension Board) and Officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies.
- The establishment of policies and their implementation.
- Clarity of areas of responsibility between Officers and Pension Committee/Board members.
- The ability of the Pension Committee/Board and Officers to communicate clearly and regularly with all stakeholders.
- The ability of the Pension Committee/Board and Officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
- The management of risks and internal controls to underpin the framework.

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



Responsibilities of the East Sussex Pension Committee

The Pension Committee is established as the Fund's delegated scheme manager and is responsible for arrangements for the investment, administration, funding, communication, risk management and the overall governance process surrounding the Fund. It acts with the delegated authority of ESCC, which is the formal scheme manager.

The Pension Committee is responsible for setting all Fund policies including the setting of the appropriate funding target.

The Pensions Committee will exercise its functions in accordance with fiduciary duties, safeguarding the interests of the beneficiaries of the Fund.

Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.

Committee Members are required to be rigorous about conflicts of interest and potential conflicts of interest, actual or perceived, as laid out in the Conflict of Interest Policy.

The Committee is subject to the statutory obligation of political balance in the membership of the Committee. Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process.

Detailed terms of reference for the Committee are included as **Appendix A.**

Responsibilities of the East Sussex Pension Board

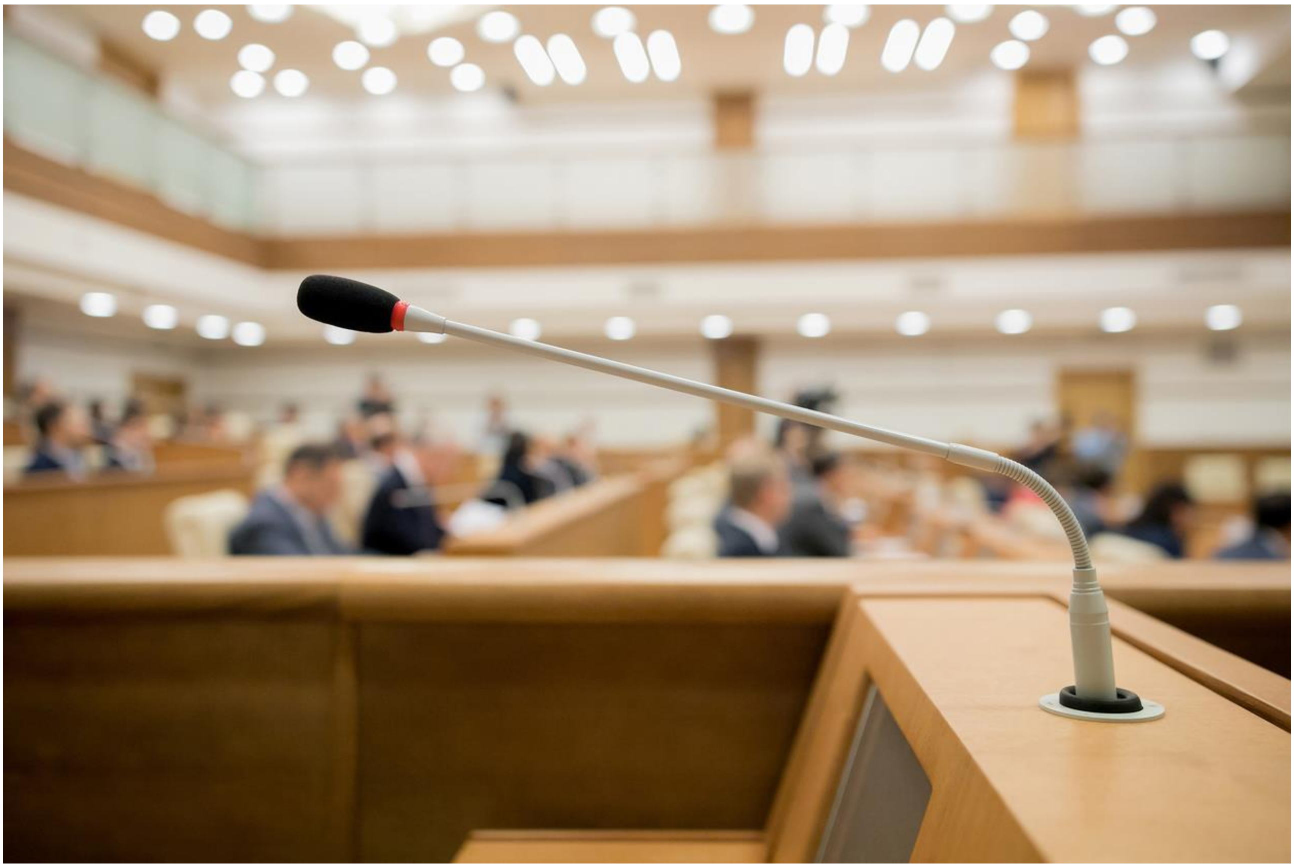
The Pension Board help to ensure that the Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator (tPR).

The Board provide assistance to ESCC as the Administering Authority and the LGPS Scheme Manager in securing compliance with:

- LGPS Regulations and any other legislation relating to the governance and administration of the LGPS.
- requirements imposed in relation to the LGPS by tPR.
- ensure effective and efficient governance and administration of the LGPS; and
- any other matters as the LGPS regulations may specify.

The role of the Pension Board is to provide oversight of these matters and it is not a decision-making body. The Board seeks assurance that due process is followed by the Fund.

Detailed terms of reference for the Board are included as **Appendix B**.



Operational Procedures of the Pension Committee & Pension Board

The Pension Board and Pension Committee consider reports on administration of the Fund, the Risk Register and any breaches of the law at all core meetings as a minimum. Standard reports also include Governance, Employer engagement, Communications, Investments, Budget and Accounts.

Agendas and reports for both the Board and Committee are published on the ESCC website at least 5 working days in advance of the meeting.

All meetings are open to the public except where the Board and Committee resolve to exclude the press and public due to the consideration of information that is exempt under section 12A of the Local Government Act 1972. Meetings are held in person with some capacity for attendance online. The meetings of both the Pension Board and Pension Committee are made available to the public through a webcast.

The work plan of both Board and Committee is set out in a work program agreed at each meeting. This helps the stakeholders understand what will be discussed at future meetings.

The Committee and Board receive full reports on all necessary matters as decided by the Chief Finance Officer, along with matters as requested by the Committee or Board for detailed reports and discussion. Provision exists for the calling of special meetings if circumstances demand.

The Pension Board meets around two weeks in advance of the Pension Committee to enable the Board to consider and comment on the reports due to be considered by the Committee. This ensures the Committee takes into account the comments of scheme member and employer representatives ahead of the Committee making decisions. The Board consider all reports that are taken to the Pension Committee, other than Investment papers. The Board also consider further papers on communications and engagement activities on a quarterly basis that are only reported to the Pension Committee on an exception basis. The Board's minutes are included as part of the Committee agenda pack and the independent chair of the Board attends the Committee meetings commenting on discussion points raised by the Board on each item.

Both the Pension Board and Pension Committee have access to professional advice via specialist advisers, where appropriate to work being carried out.

The Pension Committee is supported by an Investment Consultant, Isio and Independent Advisor, Linchpin Advisory Ltd for all investment matters. In addition, the Pension Committee is supported by the Fund Actuary, Barnet Waddingham, for all actuarial matters. The Pension Committee receives and reviews quarterly performance reports and an annual Environmental, Social and Governance (ESG) impact assessment report in relation to all its Investment Fund Managers through its Investment Consultant, Isio. The Investment Consultant also carries out Strategic Asset Allocations reviews in full every three years and a lighter touch annually, as well as investment manager selection reviews or research papers as requested. The Independent Advisor, Linchpin Advisory Ltd, to help balance the advice providing additional challenge and debate to decision making.

In addition, the Pension Committee and Pension Board is advised by the County Council's Chief Finance Officer (in their capacity as the Council's designated section 151 Officer) and designated LGPG officer the Head of Pensions.

Frequency of meetings of the East Sussex Pension Committee

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

Frequency of meetings of the East Sussex Pension Board

The Pension Board is scheduled to meet at least 4 times a year.

Membership of the Pension Committee

The County Council appoints five members to the Pension Committee in accordance with political balance provisions contained in s.15 Local Government and Housing Act 1989. These provisions require that the make-up of the Committee is in line with the political balance of the Local Authority – ESCC.

The Pension Committee is currently made up of 3 Conservative, 1 Liberal Democrat and 1 Green Councillor. All members of the Committee have voting rights.

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

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

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

The Pension Committee is required under the 2016 LGPS Investment Regulations to take 'proper advice' – meaning the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters in formulating its investment strategy. Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process. Committee Members must act as fiduciaries, safeguarding the interests of those to whom they owe their duties. Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.

Membership of the Pension Board

In accordance with Regulation 107 of the LGPS Regulations 2014, a Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In considering the size of the East Sussex Pension Board, the Council has taken into consideration number of factors including:

- The size of the Council's existing Pension Fund governing arrangement and decision-making process.
- The number of scheme members, number and size of employers within the Fund and any collective arrangements in place for them to make decisions or provide input in relation to Fund matters.

- The direct and indirect cost of establishing and operating the Board.

The Pension Board consists of 7 members as follows:

- Scheme Employer representative x 3 (to represent all employers within the scheme)
- Scheme member representative x 3 (to represent all members of the scheme; active, deferred and pensioners)
- Independent Chair x 1

Scheme Employer representatives and Scheme Member representatives have voting rights. The Independent Chair does not have voting rights.

Where possible, the employer representatives will be appointed to represent each of Brighton and Hove City Council, as the second largest scheme employer after ESCC; the five district and borough councils; and all other employers. However, in practice, all will actively represent the full range of employers in the scheme and the employer representative may be appointed from the wider employer base to ensure the appropriate level of knowledge and skills are retained within the Board.

An independent chair is appointed to enhance the experience, continuity, knowledge, impartiality and performance of the Board. The chair of the Board is invited to attend Pension Committee meetings where they are able to report back on discussions and recommendations from the Board, to represent the views of the employer and member representatives into Fund decision making.

The term of office for Board members is 4 years. This can be extended following reselection by 2 years.

Pension Board Representatives nomination/appointment

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

Pension Board representatives are normally appointed for a term of 4 years. Appointments are made by the Governance Committee. The Governance Committee can also agree a temporary extension of up to 2 years. In the case of multiple appointments and re-appointments the Governance Committee may choose to appoint members on a mixture of full and 2-year terms to minimise the number of vacancies needing simultaneous appointments in the future.

Where a Pension Board Representative has their term extended this can only happen once before a full appointment process will be run.

In the past year it has been necessary to appoint people to vacant positions for both member and employer representatives. The term for the Independent Chair also came to an end in April 2023.

The approach followed in year has been to request expressions of interest for member representatives and nominations for employer representatives. People with an interest in joining the Pension Board were invited to meet with the Pensions Manager Governance and Compliance and the Pension Board Independent chair. Following meetings with shortlisted candidates, a recommendation was made to the Governance Committee regarding making an appointment.

In relation to the Independent Chair, this role was advertised in the professional press with a selection of the candidates being interviewed by senior Officers within the Fund together with the Lead Member for Resources and Climate Change. A final appointment was then made by the Governance Committee in line with the Constitutional requirements.

Vice Chair appointment

Meetings of the Pension Board cannot go ahead without the Chair or Vice Chair present, so there is a risk that a meeting of the Board would not be able to proceed if the Chair is unable to attend for any reason.

In order to maintain the balance between scheme members and employer representation, a scheme member vice chair and an employer vice chair are nominated from the Pension Board members, and the role of vice chair alternates between scheme member and employer at each meeting.

Consultation with Employing Authorities

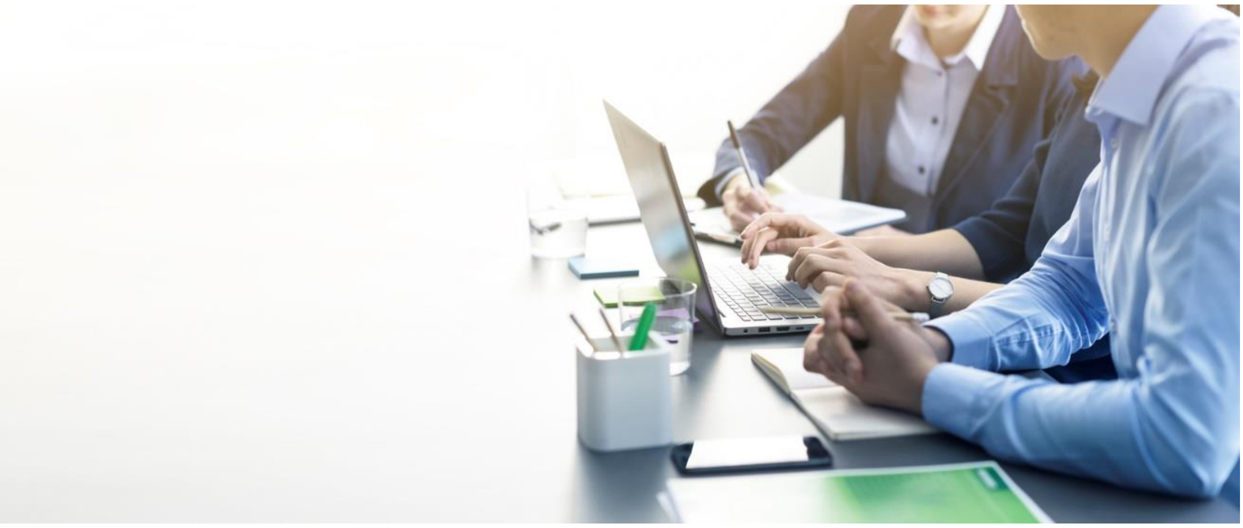
All employing bodies are kept informed of current pension issues, such as proposed changes in the regulations and their implications, by quarterly newsletter. They are encouraged to get in touch if they have questions.

In addition to these electronic briefings, the Fund holds an annual Employers' Forum to which all scheduled and admitted bodies of the Fund are invited. This meeting is held in person. It covers both actuarial and investment issues and always contains a presentation from the Fund's Actuary. In 2022 Employers received information about the triennial valuation process, including what it meant for them. There were also presentations on the wider work being done by the Fund on administration and communication.

An annual survey is carried out with employers to get input into the administration of the Fund.

Where there are proposed changes to key strategies such as the Pensions Administration Strategy and Funding Strategy Statement, employers are consulted prior to formal approval of the strategies.

The Fund has an Employer Engagement team to specifically focus on improving information sharing and support to scheme employers. This team works in consultation with other Officers to ensure an effective, joined up service is provided.



Consultation with Scheme Members

Active members receive electronic newsletters twice a year and Deferred and Pensioner members receive these once a year. The newsletters update on pension issues, especially on any changes affecting benefits.

The Fund carries out an annual survey with active and pensioner members to seek their views on the administration of the Fund. In 2022/23 the surveys looked at communication to help the Fund understand how members prefer to be communicated with and what information they would like to receive as well as service provided to members. For the first time a booklet providing a summary of the previous year's accounts and key topics has been sent by post to all members in April 2023.

More detail on the approach to communication is available in the Communication Strategy, which is available on the website.

Working Groups

The Fund has set up a number of working groups to help progress specific projects or areas of focus. The Pension Board are able to initiate working groups to focus on areas that would benefit from focus of the employer or member representatives.

An update is provided at each Pension Board and Pension Committee meeting to report back on the activities of each working group as appropriate.

In 2022/23 the Fund had four working groups. A communications working group, McCloud working group, an investment implementation working group and an administration working group.

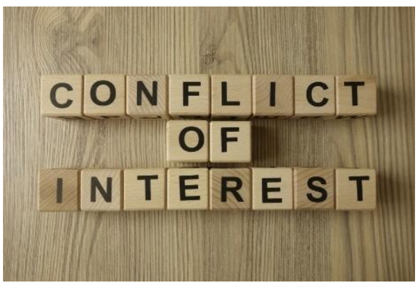
Each working group has its own terms of reference and membership which is firstly discussed at Pension Board and approved by Pension Committee.

The Chair of the Pension Committee is invited to join the Investment Implementation Working Group, while membership of the group is Officers and Advisers. The Pension Board Chair is invited on occasion and where it is appropriate based on the meeting agenda. All other working groups consist of a mix of Officers, Pension Board members and Pension Committee members.

Conflicts of interest

A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of their duties as a member of the Pension Board or Pension Committee. It is not permitted for a Pension Board member to have an actual conflict of interest.

To prevent conflicts of interest members of the Pension Board, Committee and Officers are required to disclose interests. Potential conflicts are also disclosable as a standing item on the agenda for Board and Committee meetings. Interests which may lead to a potential conflict are additionally reviewed annually.



Where a potential conflict of interests is identified the person with the potential, or perceived, conflict is not able to take part in discussions on the topic; is excluded from voting; or otherwise has the conflict managed at the discretion of the Chair or Vice Chair as appropriate.

Knowledge and understanding

The Public Service Pensions Act 2013 requires Pension Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board. Where a new member joins the Pension Board, they are to develop this level of knowledge as soon as possible. Whilst the law does not stipulate a timeframe it does for a new trustee of a private occupational scheme and an inference can be drawn that the same six-month time period should apply.

The Scheme Advisory Board's (SAB) Good Governance Report says that Officers and Committee members should also have sufficient knowledge and understanding to carry out their functions. The Fund's Training Strategy is in line with this recommendation, is linked to the CIFPA skills matrix and applies to Pension Board and Committee members as well as officers.

The Fund has a Pensions Training Co-Ordinator. This Officer engages with the Chairs of both the Pension Board and Pension Committee to establish the individual needs of members, as well as liaising with Officers, to develop a detailed training plan. This plan will be in line with the published Training Strategy. The amount of time spent training will also be recorded.

New members of the Pension Board and Committee, along with those already in role and relevant Officers, are invited to induction training. Some of this training is provided by the Fund's legal, actuarial and investment advisors.

The Fund carried out a training needs analysis in September 2022 with Committee and Board members through a self-assessment questionnaire. The results of these training needs lead to the creation of the annual training plan for Board and Committee members and is being used to develop the content of training events which will be offered to Pension Board and Pension Committee members over the forthcoming year.

The Fund invite members of both the Board and Committee to a range of in-house and external training sessions and conferences to help develop their knowledge and skills relevant to their roles. In addition, officers attend training sessions and conferences in compliance with the training strategy and their professional CPD requirements to stay current. Notification of forthcoming training opportunities is provided at least once per month. The Fund have a budget assigned for training to ensure this is a priority of the Fund and sufficient resources available.

Interaction with Officers

Fund Officers carry out the day-to-day work involved with running the Fund. They are divided into an Accounting and Investment team, Administration team, Employer Engagement team, Governance and Compliance team and a Projects team. All Officer Teams are overseen by the Head of Pensions who reports to the Chief Finance Officer.

The Chief Finance Officer has two roles as the s.151 Officer for the Pension Fund and, separately, the s.151 Officer for the Council acting in its capacity as a Local Authority.

Officers provide papers for both the Pension Board and Pension Committee in advance of meetings. The content consists of information to bring to the attention of the Pension Board and Pension Committee, together with information requested by the Pension Board and Pension Committee through the quarterly agreed workplan.

Where the Pension Board has concerns that the Pension Committee is not acting in line with the principles of good governance it can raise the matter with the Chief Monitoring Officer and, by extension, the Governance Committee.

Good Governance report

In February 2021 the SAB published an updated version of its report following its review of good governance across the LGPS. This report covers representation, conflicts of interest and knowledge and understanding. The findings of these areas are referred to in the relevant sections above. Additionally, the SAB made several recommendations in the areas of service delivery along with compliance and improvement.

The SAB recommends that all funds in the LGPS should have a Pension Administration Strategy. The Fund updated and enhanced their policy in early 2023 to ensure this is fit for purpose and more accessible. This strategy was shared with employers in the Fund as part of a consultation process prior to implementation. The Pension Administration Strategy is a publicly available on the Fund's website. This policy is reviewed at least every three years.

The SAB has also recommended that funds in the LGPS document decision making levels. The Fund has created an internal decision matrix following a review of the constitution, delegations and job descriptions to ensure it is clear where decisions are reached, and which levels of the management team and committee structure need to be communicated on changes to documents and processes. This review will also allow the Fund to consider where improvements to the constitution can be made and will make recommendations to Governance Committee in 2023/24.

Audit review of service provision

The ESCC Audit team carries out independent appraisals of the County Council's systems under the direction of the Chief Operating Officer. The Pension Fund has commissioned 100 days of audit to review various aspects of its service provision, this will reduce to 75 days for 2023/24 due to the improvement in internal audit findings in the last two years. An annual audit plan is reviewed and approved at the start of the year with all audit findings reports being considered and discussed at quarterly Board and Committee meetings once the reports are finalised.

The 2022/23 internal audit work plan covered audits on Governance, Investments and Accounting, Cash Management, the administration of benefit payments i-Connect applications and Pension Fund cyber security arrangements.

LGPS Asset Pooling Governance - ACCESS Pool

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

ACCESS Pool Governance

The ACCESS Pool is not a legal entity in itself but is governed by an Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the S151 Officers, Officer Working Group and the ACCESS Support Unit. The Officer Working Group are Officers identified by the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

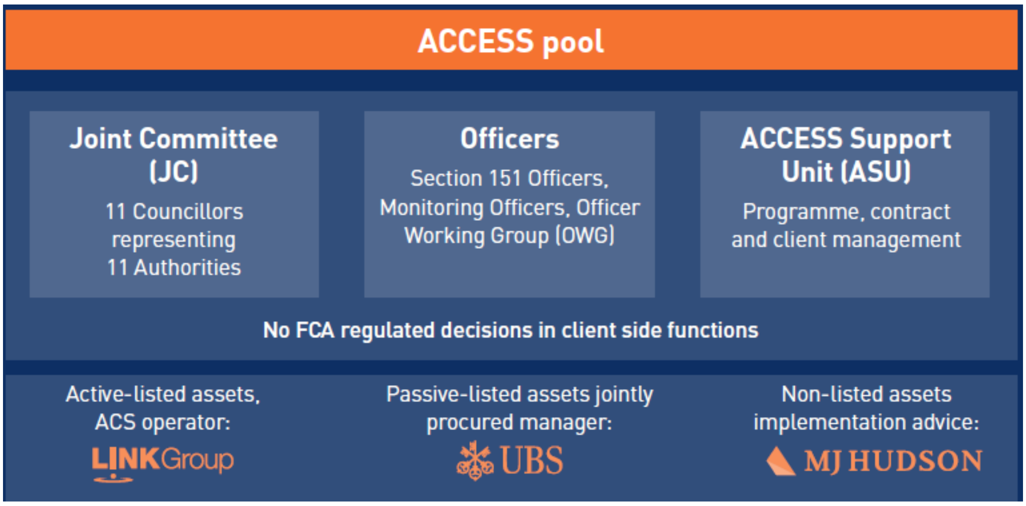
The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for program management, contract management, administration and technical support services.

The Section 151 Officer of each Pension Fund provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

Strategic oversight and scrutiny responsibilities remain with the Administrating Authorities as does all decision-making power to their own Funds asset allocation and the pooling of assets that each Fund holds within the arrangements developed by the ACCESS Pool.

At its meeting on Monday 7 March 2022, the ACCESS Joint Committee agreed proposals enabling each ACCESS Authority’s Local Pension Board to send two observers, on a rotational basis, to Joint Committee meetings. In practice, observers from three ACCESS Authority Local Pension Boards at a time will attend JC meetings in person, allowing each Pension Board to be represented at least once a year.

The observers can be drawn from scheme member representatives, employer representatives or independent members. This arrangement will be reviewed after its first full year.



The diagram above sets out the overarching ACCESS structure.

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

ACCESS Implementation Adviser for illiquid assets

In January 2022, the ACCESS Pool appointed MJ Hudson, the specialist service provider to the asset management industry, as implementation advisor for the pooling of illiquid assets where work has been carried out to appoint a UK direct property manager and Global indirect property manager on behalf of the ACCESS pool.

Review of Governance Policy Statement

Responsibility for this document resides with the Chief Finance Officer and will be reviewed by no less frequently than annually.

This document will be reviewed if there are any material changes in the administering authority's governance policy or if there are any changes in relevant legislation or regulation.

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Delegation of Functions

Under the Constitution, the Pension Committee has delegated authority to exercise the powers of East Sussex County Council in respect of all powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the Fund, including the approval of the Fund admission agreements.

Delegations by the administering authority are published in the Council's constitution which can be accessed here. Full terms of reference for the Pension Committee are shown in Appendix 1.

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. The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council; Pension statutory duties arise from Local Government Pension Scheme Regulations 2013

Delegations to the Chief Finance Officer -

- 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, in consultation with Head of Pensions.
- To Implement strategies and policies approved by the Administering Authority (including those delegated to the Pension Committee).
- 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, in consultation with Head of Pensions
- To implement policies decided by the Administering Authority (including the Pension Committee).
- 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.
- To approve the terms of 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.
- 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.
- 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.
- To implement the Fund's agreed strategic allocation including use of both rebalancing and conditional ranges in accordance with the Investment Strategy.

Compliance Statement

The Fund fully complies with the best practice guidelines on governance, issued by Department for Levelling Up, Housing and Communities (DLUHC), for details see the table below.

A - Structure

Task	Compliance status
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Fully Compliant
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Fully Compliant
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Fully Compliant

B – Committee membership and representation

Task	Compliance status
That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include: - i) employing authorities (including non-scheme employers, eg, admitted bodies). ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Fully Compliant
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Fully Compliant

C – Selection and role of lay members

Task	Compliance status
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Fully Compliant

That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Fully Compliant

D – Voting

Task	Compliance status
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully Compliant

E – Training/Facility time/expenses

Task	Compliance status
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully Compliant
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully Compliant
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Fully Compliant

F – Meetings (frequency/quorum)

Task	Compliance status
That an administering authority's main committee or committees meet at least quarterly.	Fully Compliant
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Fully Compliant
That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Fully Compliant

G – Access

Task	Compliance status
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers,	Fully Compliant

documents and advice that falls to be considered at meetings of the main committee.	

H – Scope

Task	Compliance status
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Fully Compliant

I – Publicity

Task	Compliance status
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Fully Compliant

Appendix A - Pension Committee terms of reference

Membership

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

Named substitutes are permitted for East Sussex County Council members.

Terms of Reference

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

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

- Ensuring the Fund is administered, managed and pension payments are made in compliance with the regulations and having regard to statutory guidance that govern the operation of the Local Government Pension Scheme from time to time, and other legislation.

- Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including but not limited to funding, investment, administration, communication and governance.

- Determining how the various administering authority discretions are operated for the Fund.

- Monitoring the implementation of all Fund policies and strategies on an ongoing basis.

In relation to the LGPS ACCESS Pension Fund Pool:

- Considering pooling matters including recommendations made by the ACCESS Joint Committee.

- Determining the transition of the assets held by East Sussex Pension Fund in relation to the Pool and the funds or sub-funds operated by the Operator.

- Recommending to the Governance Committee a member of the East Sussex County Council Pension Committee to the Joint Committee as and when required, having regard to the advice of the Head of Pensions.

- Appointing an East Sussex County Council officer to working groups such as the Officer Working Group and Onboarding Sub-Group as and when required.

- Advising the representative on the Joint Committee and Officer Working Group on such matters as may be required.
- Monitoring the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee, Officer Working Group or ACCESS Support Unit, as appropriate.

- Receiving and considering reports from the LGPS ACCESS Joint Committee, Officer Working Group and the Operator.

- Undertaking any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required, including but not limited to appointment, termination or replacement of the Operator and approval of the strategic business plan.

- Making arrangements for actuarial valuations, ongoing monitoring of liabilities and undertaking any asset/liability and other relevant studies.

- Making decisions relating to employers joining and leaving the Fund. This includes approving which employers are entitled to join the Fund, and any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.

- Agreeing the policy for exit credits and terms on which employers may leave the Fund. Approving decisions on cessations, post cessation arrangements, guarantees and bonds.

- Agreeing the terms and payment of bulk transfers into and out of the Fund.

- Ensuring robust risk management arrangements are in place, considering and making recommendations in relation to the internal audit strategy and internal audit report pertaining to the management of the fund and reviewing its findings.

- Agreeing the Fund's annual business plan and annual and medium-term budgets, and monitoring progress against them.

- Selection, appointment and dismissal of the Fund's advisers and suppliers, including actuary, benefit consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, Additional Voluntary Contribution providers and independent professional advisors. This includes determining the services to be provided and monitoring those services, including where this relates to shared services arrangements.

- Agreeing the Fund's Knowledge and Skills Policy and monitoring compliance with the policy.

- Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

- Considering views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund.

- Considering the Fund's financial statements and approving an Annual Report on the activities of the Fund in line with legislation and guidance.

- Considering the Breaches Register at every quarterly Pension Fund meeting and reviewing recommendations from the Pensions Board.

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

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

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

Training

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

Appendix B - Pension Board Terms of reference

Introduction

(i) The Pension Board is established by East Sussex County Council (ESCC) under the powers of Section 5 of the Public Services Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Regulations 2013 ("the LGPS regulations" which includes such regulations as govern the Local Government Pension Scheme from time to time). ESCC is the scheme manager (and administering authority) to the East Sussex Pension Fund (ESPF).

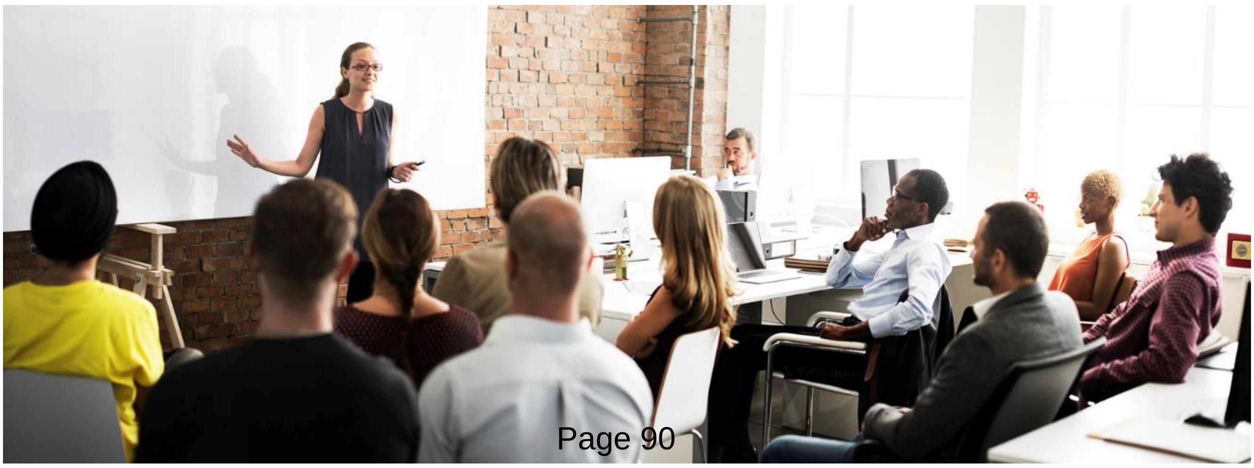
(ii) The East Sussex Pension Fund Board was appointed by East Sussex County Council (the Scheme Manager and Administering Authority to East Sussex Pension Fund) as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013. As such, Parts 4 Rules of Procedure (Council's procedural Standing Orders) sub-parts 1, 2, 3, 4, 5 and 6 of the Constitution of East Sussex County Council do not apply to this Pension Fund Board unless expressly referred to within and permitted by these Terms of Reference and Rules of Procedure. The Board will exercise all its powers and duties in accordance with legislation and these Terms of Reference and Rules of Procedure. The Board shall have the power to do anything which is considered to facilitate, or is conducive or incidental to, the discharge of its functions. Powers of the Pension Board.

(iii) The Pension Board will exercise all its powers and duties in accordance with the law and this Terms of Reference.

(iv) ESCC considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Fund but instead can make recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by ESCC to committees, sub-committees and officers of ESCC, remain solely the powers and responsibilities of those committees, subcommittees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the ESPF Pension Committee.

(v) The Pension Board will ensure that in performing their role it:

a. is done effectively and efficiently and
b. complies with relevant legislation and
c. is done by having due regard and in the spirit of The Pensions Regulator's Code of Practice and any other relevant statutory or non-statutory guidance.



Objectives and role of the Pension Board

The role of the Pension Board is defined by the LGPS Regulations as being to assist the Scheme Manager (ESCC as Administering Authority) to:

- Secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS, and requirements imposed in relation to the LGPS by the Pensions Regulator.

- Ensure the effective and efficient governance and administration of the LGPS. This should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.

In doing this the Pension Board:

- Shall assist the Scheme Manager with such matters as the LGPS Regulations and guidance may specify.

- Shall seek assurance that due process is followed with regard to Pension Committee and may review any decisions made by or on behalf of the Scheme Manager or action taken by the Scheme Manager.

- Shall seek assurance that any identified issues raised by Pension Board members are considered.

- Shall comment on and assist in identifying and managing breaches of the law in relation to ESPF matters.

- Shall make representations and recommendations to the Pension Committee as appropriate and shall consider and as required, respond to any Government / Responsible Authority or Scheme Advisory Board requests for information or data concerning the Fund

May also undertake other tasks, including (but not limited to):

- Assisting the Pension Committee by reviewing aspects of the performance of the ESPF – for example by reviewing the risk management arrangements within ESPF (although the Pension Committee will remain accountable for risk management).

- Reviewing administration standards or performance or review efficacy of ESPF member and employer communications; or reviewing published policies to ensure they remain fit for purpose and are complete.

- Reviewing ESPF annual reports; o being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and ESPF members.

- Discussing strategic matters such as communications where requested by the Pension Committee.

- Will produce an annual report which is shared with the Scheme Manager. It will outline the work of the Pension Board throughout the scheme year, which will help to:

  - Inform all interested parties about the work undertaken by the Pension Board
  - Assist the Pension Board in reviewing its effectiveness and identifying improvements in its

- future operations.

- Shall carry out an annual self-assessment of the effectiveness of the Pension Board and produce a report on this which will be shared with the Pension Committee.

- Must provide a record of each meeting to the following Pension Committee meeting and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board.

- Shall assist in considering whether the East Sussex Pension Fund is being managed in accordance with the LGPS and other relevant legislation, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman, recommending changes to processes, training and/or guidance where necessary.

- Shall monitor administrative processes and support continuous improvements

- Will ensure the scheme administrator supports employers to communicate the benefits of the LGPS to scheme members and potential new members.

Membership

The Pension Board shall consist of:

- 3 employer representatives - employer representatives that can offer the breadth of employer representation for the ESPF.

- 3 scheme member representatives – member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners). Two will be nominated by the trade unions, and the rest will be drawn from the total ESPF active, deferred and pensioner membership.

- Independent Chair - The Pension Board shall be chaired by an Independent Chair.

Substitutes for Board members are not permitted.

The Quorum of the Board will be 3 Members, excluding the Independent Chair. To be quorate the meeting must include at least one employer representative and one scheme member representative.

The Board has the power to set up working groups

Appointment of members of the Pension Board

The appointment process has been approved by the Governance Committee.

All appointments to the Pension Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair.
The Vice Chair will alternate between scheme member representatives and employer representatives at each meeting. The Vice Chairs will be nominated from the existing Board members whenever one of the existing Vice Chairs is replaced.

Appointments to the Pension Board shall be managed, wherever possible, so that appointment and termination dates are staggered such that there remains continuity for one meeting to the next.

Term of office

Employer representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to this period by up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer in the employment of that employer, no longer holds office in relation to that employer or is no longer an elected member of that employer, as appropriate.

Scheme member representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer a trade union representative or representative of ESPF members (in accordance with the criteria set by the Governance Committee).

The Independent Chair appointment will expire after a period of 4 years from their date of appointment by the Governance Committee. The Governance Committee may agree an extension to terms of office by up to a further 2 years after which there shall be a further appointment process. Reappointment of the Independent Chair is permitted.

Term dates may not be exact due to the period of the appointment process. The term of office may therefore be extended for this purpose or other exceptional circumstances by up to three months with the agreement of the Governance Committee.

A Pension Board member who wishes to resign shall submit their resignation in writing to the Independent Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.

The role of the Pension Board members requires the highest standards of conduct and the ESCC Code of Conduct for Members will apply to the Pension Board's members. ESCC Standards Committee will monitor and act in relation to the application of the Code.

Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Pension Board member by the Governance Committee.

Removal of the Independent Chair will be by the Governance Committee.

Chairing

It will be the role of the Chair to:

- Settle with officers the agenda for a meeting of the Pension Board.
- Manage the meetings to ensure that the business of the meeting is completed.
- Ensure that all members of the Pension Board show due respect for process and that all views are fully heard and considered.
- Strive as far as possible to achieve a consensus as an outcome.
- Ensure that the actions and rationale for decisions taken are clear and properly recorded.

- Uphold and promote the purpose of the Pension Board, and to ensure that meetings are properly conducted and professional advice is followed.

- To use their expertise and experience and liaise with the Head of Pensions to arrange such advice as required subject to agreement by the Head of Pensions on such conditions as that officer determines.

- Sign the minutes of each Pension Board meeting following approval by the Board.

- Prepare with the Head of Pensions an appropriate budget for the Pension Board's consideration before being formally considered by the Scheme Manager along with the ESPF Annual Budget.

- Liaise with officers and advisors on the requirements of the Pension Board, including advanced notice for Scheme Manager officers to attend and arranging dates and times of Board meetings.

- Provide guidance on all points of procedure and order at meetings having regard to advice from officers.

Other tasks which may be deemed appropriate by the Scheme Manager for the Independent Chair of the Pension Board.

- Liaise with the Chair of the Pension Committee as deemed appropriate.

Other tasks that may be requested by the Board, within the remit of these Terms of Reference and subject to agreement with the Head of Pensions.

- Annually review and report on the activities of the Pension Board.

- Commission a triennial review of LGPS & public pension fund non-statutory best practice guidance (referencing the SAB & other relevant bodies deemed relevant by the Board) which then brings recommendations to the Committee (when appropriate) for amendments to the operation of the Fund. Support arrangements and administration.

ESCC officers will provide governance, administrative and professional support to the Pension Board, and ESCC Member Services will provide secretariat support to the Pension Board, and as such will ensure that:

- Meetings are timetabled for at least four times per year.

- Adequate facilities are available to hold meetings.

- An annual schedule of meetings is produced.

- Suitable arrangements are in place to hold additional meetings if required.

- Papers are distributed 5 clear working days before each meeting except in exceptional circumstances.

- Draft minutes of each meeting are normally circulated 7 working days following each meeting including all actions, decisions and matters where the Pension Board was unable to reach a decision will be recorded.

- Final reports, minutes and agendas relating to the Pension Committee are shared appropriately with the Board.

The records of the meetings may, at the discretion of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act.

The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.

The Pension Board must comply with the General Data Protection Regulation and the Scheme Manager's data protection policy. It must also adhere to the Scheme Manager's requirements, controls and policies for Freedom of Information Act compliance.

Expert advice and access to information, including the Pension Committee

The Pension Board will have access to professional advice and support provided by officers of ESCC and, via them and where appropriate, advisers to the ESPF. In addition, Pension Board members will receive the final reports, minutes and agendas relating to the Pension Committee, save where the Committee expressly decides otherwise such as where an item is exempt, although this is anticipated to be in exceptional cases.

Insofar as it relates to its role, the Pension Board may also:

- Request information and reports from the Pension Committee or any other body or office responsible for the management of the Fund.

- Examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.

- Access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major matters being considered, i.e., investment strategy, triennial valuation, etc.
- Access to professional advice regarding non-major decisions will require the approval of the Pension Committee for additional resources.

- Attend all or any part of a Pensions Committee meeting unless they are asked to leave by the Committee or as a result of a conflict of interest.

ESCC officers will provide such information as is requested that is available without incurring unreasonable work or costs.

Knowledge and Skills

Pension Board members will be required to have the ‘capacity’ to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:

- The scheme rules (i.e., regulations).

- The schemes administration policies.

- The Public Service Pensions Act (i.e., being conversant with pension matters relating to their role) and the law relating to pensions.

A program of updates and training events will be organised by ESPF officers.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement, Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to:

- Participate in training events (a written record of relevant training and development will be maintained).
- Undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters.
- Comply with the Fund's Knowledge and Skills Policy insofar as it relates to Pension Board members.

Standards and Conflicts of Interest

A conflict of interest is defined in the Public Service Pensions Act 2013 as: "in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the Pension Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator's code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member's tenure.

The Pension Board shall adopt a policy for identifying and managing potential conflicts of interest.

Members of the Pension Board must provide, as and when requested by the Scheme Manager, such information as the Scheme Manager requires to identify all potential conflicts of interest and ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest at appointment or whilst a member of the Pension Board.

Part 5(1) of ESCC Code of Conduct shall apply in relation to the standards of conduct of Pension Board members, insofar as they can be reasonably considered to apply to the role of members of the Board, including the non-disclosure of confidential information.

Members of the Pension Board must adhere to the requirements of the ESPF Procedure for Monitoring and Reporting Breaches of the Law and should be mindful of the individual legal requirements in Section 70 of the Pensions Act 2004 relation to reporting breaches of the law in relation to ESPF matters.

Access to the Public and Publication of Pension Board information

Members of the public may attend the Pension Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in ESCC's Constitution.

In accordance with the Public Service Pensions Act 2013, ESCC is required to publish information about the Pension Board and up-to-date information will be posted on the ESPF website showing:

a. Names of and information regarding the Pension Board members
b. How the scheme members and employers are represented on the Pension Board
c. Responsibilities of the Pension Board as a whole
d. Full terms of reference and policies of the Pension Board and how it operates.

In accordance with good practice, ESPF may publish other information relating to the Pension Board as considered appropriate from time to time, and which may include:

a. the agendas and meeting records
b. training and attendance logs
c. an annual report on the work of the Pension Board.

All or some of this information may be published using the following means or other means as considered appropriate from time to time:

a. on the ESPF website – https://www.eastsussex.gov.uk/yourcouncil/pensions/members/
b. on the ESCC website – http://www.eastsussex.gov.uk,
c. within the ESPF Annual Report and Accounts,
d. within the ESPF's Governance Policy and Compliance Statement.

Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

Expense reimbursement, remuneration and allowances

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

Accountability

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

Decision Making Process

Employer representatives and scheme member representatives have voting rights, albeit the Pension Board is expected to operate on a consensus basis. The Independent Chair does not have voting rights.

In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote, but the proposal shall be considered to have been rejected. The Scheme Manager shall be alerted when a decision is reached in this manner.

Reporting and escalation

The Pension Board must provide minutes of each meeting to the following Pension Committee meetings and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided in advance of the next Pension Committee meeting to the S151 Officer.

An annual report of the Pension Board must be provided to the S151 Officer, the Monitoring Officer, the Pension Committee, and the Audit Committee and be published in the Fund's Annual Report and Accounts.

Where the Pension Board considers that a matter brought to the attention of the Pension Committee has not been acted upon or resolved to their satisfaction, the Pension Board will provide a report to the Monitoring Officer.

The Breaches Register will be presented at each meeting and considered by the Pension Board who may make recommendations to the Pension Committee.

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

These Terms of Reference have been agreed by ESCC. The Council will monitor and evaluate the operation of the Pension Board and may review these Terms of Reference and Rules of Procedure from time to time.

These Terms of Reference are incorporated into the Council's Constitution and published on the Council's website and may be amended by the same means as permitted for the Constitution. It will also form part of the ESPF's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

Consultation responses

Pensions Administration Strategy

“The suggestion of bringing in penalties for late or incorrect submission of i-Connect data is unreasonable given that the i-Connect system increases the burden of work on the employer and soes not negate the completion of an LGPS form – It would seem reasonable that if this policy were introduced that the employer could expect penalties paid to them where the fund has failed to update information previously supplied to them.”

Funding Strategy Statement - Change to cessation methodology

Employer 1

“Please could you provide some more information on 4 (the cessation methodology), as the proposed changes do not really make sense. Although I understand the current wording (and how the basis of any cessation credit/debit without a guarantor will be calculated on a minimum risk basis - i..e using gilt yields at time of cessation), the proposed wording is not clear to me what will happen. Although I agree with the principle of trying to make the cessation valuation more stable, it is not clear to me what the "prudence level" is. Although the wording says that it is currently "3.1%", it does not say what this is applied to (e.g. is this some discount rate adjustment, a liability adjustment, a success probability adjustment for the stochastic model etc).”

I think my only initial comment is that although I understand the intention of the prudence level it seems inappropriate that it is only reviewed every three years, as markets move materially in those periods and if my understanding is correct, the fact that now on cessation you would use a discount rate significantly different to the current one obtainable in the market seems unfair. I am sure if interest rates were to drop suddenly suggesting your discount rate was too high, you would (quite rightly) revise the prudence level.”

Follow up comments following information provision

“Thank you for the reply and the report. I have now read this and as I said before, although I agree with the aspiration to reduce the volatility of exit deficits/surpluses, I do not feel it works particularly well and the scheme unsurprisingly continues to disproportionately favour the large employers over the small.

As a comment on the report, on page 4 in the second paragraph it says that the effective annual return of 2.8% was required for 90% certainty, although in the subsequent table the prudence rate is based upon a discount rate of 2.6% (why the difference - are the actuaries adding another 0.2% buffer into the Scheme calculation - or just poor proof reading?).

Fundamentally the issue for small participants within the Scheme, is that we are not able to reduce our asset/liability mismatch in any way. As the Trustees of the ESPS (quite rightly) focus on the viability of the total scheme, all their decisions are naturally biased towards immunising the larger members over the smaller ones. This inequity could easily be solved by offering members some pooled investment options with different levels of risk. This was the large employers could continue to get their required growth asset allocation although would allow the smaller "atypical" members to reduce their investment mismatch (although that does not appear to be an option).

I think the question the Trustees need to ask themselves, is to consider the hypothetical situation where all members within the scheme were to cease today (with no on-going guarantor). In this scenario, would the Trustees use the proposed method as the discount rate, or would they effectively use market rates to ascertain their liability position (the assets are irrelevant). If they would, that is fine, although I imagine they would use market rates (as their focus would now be immunising any asset/liability mismatch in line with their now, much more predictable liabilities), especially if the market rate was higher than the effective actuarial discount rate. If that is the case, then why are they not using that process when smaller levels of members are leaving, as I do not believe it should really make a difference (bar maybe a small profit margin should be included over market rates for remaining employers to reflect the risk transfer)."

Employer 2

"In response to the consultation I have some comments about the proposed calculation of the liabilities on cessation of an employer, without a guarantor being available to take on the liabilities. My concern always has been the significant mismatch between the investment strategy and the movement in the liabilities (on a cessation basis). I understand that it is not acceptable to operate a separate investment strategy for an individual employer.

Hence I support a proposal that seeks to reduce this mismatch and I agree that the proposal below does reduce the volatility of the liabilities and allocated assets (to a lesser extent), although significant volatility will remain.

I do have views about the actual exit payment calculation

I accept that it is entirely reasonable to expect and aim for the assets attributable to the exiting employer supplemented by the exit payment to be sufficient to meet the liabilities of that employer. It feels that this aim would be best met by reducing the asset/liability mismatch. I do not know whether it is possible to have a separate investment strategy for orphan liabilities. If it is, on an actual or hypothecated basis, it could then be appropriate to apply the stochastic analysis to a more appropriate bond based portfolio, which may lead to a lower of a margin for prudence (taking into account the lower expected return). This could have the dual benefit of reducing the exit payment and the likelihood of remaining employers having to support the orphan liabilities."

East Sussex Pension Fund

Contribution Review Policy

2023

Contents

Introduction

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

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

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

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

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

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

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

The review process

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

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

Timeline where initiation is made by the administering authority

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

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

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

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

Timeline where initiation is made by the Scheme employer

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

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

Responsibility of costs

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

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

Triggering a contribution review

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

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Information required from the Scheme employer

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

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

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

Assessing the appropriateness of a review

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

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

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

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

Appropriateness of a review due to change in liabilities

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

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

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

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

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

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

Decision Making

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

Method used for reviewing contribution rates

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

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

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

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

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

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

Appeals process

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

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

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

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

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East Sussex Pension Fund

Deferred Debt and Debt spreading agreement Policies

2023

Contents

Introduction

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

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

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

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

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

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

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

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

Approach for exiting employers

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

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

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

Requests should be submitted within30 days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 60 days.

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

Choosing a DDA or DSA

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

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

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

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

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

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

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

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

Managing of costs

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

Internal dispute resolutions

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

Deferred Debt Agreements (DDAs)

Entering into a DDA

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

Information required from the employer

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

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

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

Assessing the proposal

The administering authority will make a decision on whether to enter into a DDA within60 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

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

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

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

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

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

Setting up a DDA

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

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

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

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

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

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

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

Monitoring a DDA

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

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

Changing funding position

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

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

Changing employer covenant

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

Once an employer enters into a DDA, the administering authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the administering authority may issue a notice to review and possibly terminate the agreements.

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

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

Timeliness of payments

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

Strength of guarantee or security

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

Notifiable events from the deferred employer

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

Terminating a DDA

Events that may terminate a DDA

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

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

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

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

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

Process of termination

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

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

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

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

Debt Spreading Agreements (DSAs)

Entering a DSA

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

Information required from the employer

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

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

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

Assessing the proposal

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

To reach a decision the administering authority will consider:

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

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

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

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

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

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

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

Setting up a DSA

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

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

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

Monitoring a DSA

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

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

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

Changing employer covenant

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

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

Timeliness of payments

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

Strength of guarantee or security

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

Notifiable events from the exiting employer

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

Terminating a DSA

Events that may terminate a DSA

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

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

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

Process of termination

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

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

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

Pension Administration Strategy 2023

Introduction

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

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

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

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

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

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

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

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

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

This Strategy is an agreement between the Fund and its Scheme Employers and is effective from 19 June 2023.The Strategy applies to all existing Scheme Employers and all new Scheme Employers joining the Fund after the effective date.

Regulatory Provisions

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

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

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

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

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

Our Aims and Objectives

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

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

Administration of the East Sussex Pension Fund

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

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

The success of the Fund largely depends on the strength of the relationship between the Administering Authority and the employers that participate in it. Employers have a range of responsibilities within the LGPS and have an obligation to ensure that these duties are effectively delivered. The Fund will provide guidance and support as well as free training where relevant for Scheme Employers to build up and maintain a level of professional expertise which will enable employers to deliver information required by the Fund to efficiently manage the scheme. Guidance for Scheme Employers on a range of topics of responsibility, as well as forms to enact responsibilities are published on the Funds website for ongoing access. This will ensure employers have a sound understanding of:

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

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

Communications

The Fund published a Communication Strategy Statement in 2022 which describes the way the Fund communicates with its Scheme Members, Scheme Employers and other stakeholders and interested parties. The latest version of the Communication Strategy Statement can be obtained from the Fund's website:-
https://www.eastsussexpensionfund.org/media/lzrj0hat/communication-strategy-2022-east-sussex-pension-fund.pdf

The Fund aims to communicate with Scheme Employers on an ongoing basis in respect of developments relating to the LGPS including training opportunities, as well as ensuring that employers are notified of changes to either professional practice, administration procedures, legislation, notifications from the Pension Regulator, and/or changes to pension scheme regulations as these arise. The Fund holds an Employer Forum annually in November, to provide opportunities for networking, meet and greet opportunities, as well as to provide information on developments in progress which may affect all Scheme Employers and Scheme Members.

Performance Standards

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

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

Roles and Responsibilities

Scheme Manager

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

Pension Administrator

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

Scheme Employer Responsibilities

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

Improving Performance

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

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

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

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

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

Costs and Charges

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

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

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

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

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

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

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

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

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

Charges for additional administration

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

Description	Occurrence	Administrative charge
1. **Multiple payments/LGPS31 forms received for a single employer, per month**	Each instance	£20.00 administration charge per additional payment
2. **LGPS31 Forms** Failure to provide the LGPS31 Form by the 18th of the following month contributions are due or failure for the form to be signed and authorized correctly by section 151 or delegated power by the 18th of the following month its due.	1st instance 2nd instance	Warning Administrative charge of £150
3. **Employer/ Employee Contributions** Failure of Scheme Employers to pay over contributions to the Fund by the 19th of the month following the deduction in line with the legal duty/	1st instance 2nd instance	Warning Administrative charge of £150
4. **Multiple retirement requests in relation to the same member**	1st and second in rolling12-month period Each additional request	No charge £50.00 administration charge per request
5. **Change Notifications** Failure to notify the administrators of any change to a member's - working hours - leave of absence with permission (maternity, paternity, career break) or - leave of absence without permission (strike, absent without permission) - within 20 days/the next I-Connect upload of the change in circumstance	1st instance 2nd instance	Warning £50 administration charge per member

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

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

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

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

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

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

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

Audit queries – charges for additional work

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

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

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

Key Risks

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

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

Consultation and review process

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

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

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

Contact details

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Pensions Administration Team
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Appendix A - Scheme Manager Responsibilities

Governance

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

Transfers – transfers in and transfers out

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

Transfers – bulk transfers

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

Complaints and breaches

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

Finance, accounting and reporting

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

Contributions

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

Employer services and monitoring

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

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

New and ceasing employers

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

Policy development

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

Additional Voluntary Contributions

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

Additional Pension Contributions

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

Retirements

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

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

Deaths

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

Communications

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

Appendix B - Service Standards for Pension Administration

Overview and purpose

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

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

General administration overview

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

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

Legal timescales

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

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

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

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

Administration Key Performance Indicators (KPI's)

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

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

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

Administration operational targets

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

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

Table 1: General member administration

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

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

Table 2: Leavers not entitled to immediate payment of benefits

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

Table 3: Transfers and aggregation

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

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

Table 4: Retirements

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

Table 5: Deaths

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

Table 6: Pension Sharing and Earmarking Orders

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

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

Breaches and complaints

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

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

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

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

Communications

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

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

Quarterly Reporting

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

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

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

Quarterly Admin Reporting covers:

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

Breaches and complaints Reporting covers:

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

Member Communications reported include:

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

Data quality reported annually:

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

Scrutiny and audit reported as required during the year:

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

Project reporting includes:

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

Appendix C

Scheme Employer Responsibilities

Table 1: Governance

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

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

Table 2: New Starters and auto-enrolment

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

When an election to move into or out of the 50/50 section is received from an employee, adjust the contribution rate accordingly and confirm to the member that this has been actioned.	Within one month of the date of change following receipt of a valid election to either move from the Main Section to 50/50 Section of the Scheme, or to move from the 50/50 Section to Main Section of the Scheme. This may be in the form of a pay advice notice.
Where an employee either goes onto nil pay due to sickness or injury or passes the automatic re-enrolment date, move the employee back into the main section of the scheme.	This should be done from the date of the relevant event detailed, and communicated to the employee within one month of the change.
Notify the administrator of all employees that move into and out of the 50/50 section via spreadsheet or online portal, at least monthly.	This should form part of the monthly submission to the Administering Authority.

Table 3: Additional contributions

Employer's responsibility	Timeframe
Distribute general information on the options available for paying additional contributions to employees, if requested to do so by the administrator or administering authority, both electronically and in paper format.	This should be distributed within one month of having received the instruction and documentation from the Scheme Administrator or Administering Authority.
Make the appropriate deduction of additional contributions on receipt of an election from a member, and confirm this has been actioned to both the member and Administrator	The deduction should take effect from the first available pay period (or date specified if later). The member and Scheme Administrator should then be informed within one month of the change.
Ensure and arrange for the correct deduction of APCs from pensionable pay throughout the length of the contract.	The deduction should take effect from the first available pay period (or date specified if later) and continue at the prescribed rate until the termination date or date active membership of the Scheme ceases if earlier.
Make payment of the APCs to the administering authority within the timescales agreed.	Scheme employers must pay over contributions to the Fund by the 19th of the month following the deduction.
Provide a monthly breakdown of all APCs to the administrator/administering authority for reconciliation against payments received.	Submission of a LGPS31 should be made to the Fund prior to the payment and no later than 19th of the month following the deduction.
Ensure and arrange for the correct deduction of additional contributions from the member's pensionable pay.	The deduction should take effect from the first available pay period (or date specified if later) and continue at the prescribed rate until the termination date or date active membership of the Scheme ceases if earlier.

Ensure deductions of additional contributions commence and cease from the appropriate dates.	The deduction should take effect from the first available pay period (or date specified if later) and continue at the prescribed rate until the termination date or date active membership of the Scheme ceases if earlier.
Make payment of all additional contributions (excluding AVC's) to the administering authority within the timescales agreed.	Scheme employers must pay over contributions to the Fund by the 19th of the month following the deduction.
Provide a monthly breakdown of all other additional contributions to the administrator/administering authority for reconciliation against payments received.	Submission of a LGPS31 should be made to the Fund prior to the payment and no later than 19th of the month following the deduction.
Absence contributions The requirements below apply to all absences, including, but not limited to: • Child-related leave (e.g. maternity, paternity, adoption, parental leave); • Authorised unpaid leave (e.g. unpaid child-related leave); • Reserve forces leave; • Industrial action; • Jury service.	
Notify employees of the options available to pay additional contributions to cover benefits that have been reduced or lost due to periods of absence.	Member elections to purchase lost pension during a period of authorised unpaid leave must be made within 30 days of returning to employment (or a longer period as permitted by the employer). Employers must therefore provide details of the options available to employees, allowing sufficient time for an employee election to be made.
When an election to pay additional contributions to cover a period of absence has been received, arrange for the correct amounts to be deducted from the employee's pensionable pay.	Deduct the relevant contributions due within the first available pay period following receipt of a valid member election.
Make payment of all absence-related additional contributions to the administering authority within the timescales agreed.	Scheme employers must pay over contributions to the Fund by the 19th of the month following the deduction.

Provide a monthly breakdown of all absence-related additional contributions to the administrator/administering authority for reconciliation against payments received.	Submission of a LGPS31 should be made to the Fund prior to the payment and no later than 18th of the month following the deduction.

Table 4: Award of additional pension

Employer’s responsibility	Timeframe
Ensure the appropriate additional pension decisions are communicated promptly to Administrator by one of the employing authority’s authorised signatories.	Notification should be provided to the administrator within 5 working days of the resolution to award additional pension having been made.
Ensure the appropriate additional costs invoiced in relation to any award of additional pension are paid to the administering authority within the agreed timescale.	Payment of the invoice should be made within the stated terms.

Table 5: Leavers not entitled to immediate payment of benefits

Employer’s responsibility	Timeframe
Notify the administrator of all employees who leave the scheme before retirement, by providing a complete and correct pensions leaver form, signed by one of the employing authority's authorised signatories. This must include the member's personal details, date of leaving, reason for leaving, and pay details as outlined below. - Provide details of the contributions made by the employee and employer during the final scheme year and the previous scheme year, including any additional contributions. - Provide details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year. - Where required, provide details of the member's final pay as defined by the LGPS (Benefits, Membership and Contributions) Regulations 2007. - Where the member is entitled under the LGPS regulations to use a final pay that relates to a previous year, provide the previous two year's final pay	To be provided within one calendar month of the date of leaving, in a format approved by the Administering Authority.

figures or the best of the last 10 years' final pay figure, as required. - Where required, provide details of the hours the member worked up until the date of leaving and, if required by the administrator, details of historical hours changes for the member.	
Refund contributions through the payroll to any employee who opts out of the scheme with less than three months membership.	Within the first available pay period following receipt of a valid opt out. Provide the Scheme Administrator with details of all opt outs and a copy of the completed 'Opt out form' by the end of the calendar month following the last contribution deducted.
Provide additional information to assist in the accurate calculation of refunds of contributions, if required by the administrator.	To be provided within 10 working days from receipt of the request from the administrator.
Provide additional information to assist in the accurate calculation of deferred benefits, if required by the administrator.	To be provided within 10 working days from receipt of the request from the administrator.
Ensure an appropriate discretionary policy is in place setting out policy on whether they choose to extend the 12 month time limit for accepting transfers in.	This should form part of the discretionary policies made within 90 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 90 days from date of request by the Administering Authority.
Work with the Administering Authority and the Fund Actuary in their negotiations to facilitate agreement on the terms for transfer.	By way of providing any additional information within 10 working days of receipt of the request.

Table 6: Retirements

Employer's responsibility	Timeframe
Notify the administrator of all employees who leave the scheme at a point where they are entitled to receive payment of their retirement benefits, whether voluntarily or because of a decision by the employing authority, by providing a complete and correct pensions leaver form, signed by one of the employing authority's authorised signatories. This must include the member's personal details, date of leaving, reason for leaving, and pay details as outlined below.	Notify the administrator when a member is due to retire as soon as final earnings are known, typically 20 days prior to date of retirement and no later than 2 weeks after the date of leaving by the submission of a Leaver Notification.

- Provide details of the contributions made by the employee and employer during the final scheme year and the previous scheme year, including any additional contributions. - Provide details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year. - Where required, provide details of the member's final pay as defined by the LGPS (Benefits, Membership and Contributions) Regulations 2007. - Where required, provide details of the hours the member worked up until the date of leaving and, if required by the administrator, details of historical hours changes for the member. - Provide confirmation that the employing authority has received details of the potential retirement costs and wishes to proceed with the retirement. - Provide confirmation to the member about the employing authority's decision, with appropriate justification if required. - Understand, and pay where applicable, the associated costs to the Administering Authority that apply if a decision is made to retire a member on the grounds of redundancy, business efficiency or ill health.	
Where the reason for leaving is voluntary early retirement, provide confirmation of whether the Rule of 85 is to be applied, whether any reductions to protected benefits are to be waived, whether any reductions to unprotected benefits are to be waived, and the amount of the reductions that are to be waived (if any).	Confirmation should accompany the Leaver Notification if not previously submitted.
Where the reason for leaving is flexible retirement, provide confirmation of whether any reductions to protected benefits are to be waived, whether any reductions to unprotected benefits are to be waived, and the amount of the reductions that are to be waived (if any). Where the reason for leaving is redundancy or efficiency retirement, provide a copy of the employee's notice letter.	Confirmation should accompany the Leaver Notification if not previously submitted.

Where the reason for leaving is ill-health retirement, arrange for the member to be assessed by an IRMP that has been certified by the Administering authority, provide confirmation that the employee meets all the conditions for ill-health retirement, as defined by the relevant LGPS regulations, provide confirmation of which tier of benefits is to be awarded, and enclose a copy of the notice letter and a complete and correct ill-health certificate completed by the IRMP.	Confirmation should accompany the Leaver Notification if not previously submitted.
Where the member is in receipt of an ill health pension made under Tier 3, arrange for the member to be reassessed by an IRMP after 18 months and determine whether the pension should continue, or be subject to an uplift.	Scheme employers should notify the administrator of the outcome of a Tier 3 Ill Health Review as within 5 working days of the determination.

Table 7: Deaths

Employer's responsibility	Timeframe
Notify the administrator of all employees who die while an active member of the scheme, by providing a complete and correct pensions leaver form, signed by one of the Employing Authority's authorised signatories. This must include the member's personal details, date of leaving, reason for leaving, and pay details as outlined below. - Provide details of the contributions made by the employee and employer during the final scheme year and the previous scheme year, including any additional contributions. - Provide details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year. - Provide details of the member's Assumed Pensionable Pay (APP), as defined by the LGPS Regulations 2013 as at the date of death. Where required, provide details of the member's final pay as defined by the LGPS (Benefits, Membership and Contributions) Regulations 2007. - Where required, provide details of the hours the member worked up until the date of death and, if required by the	Notify the administrator as soon as possible of the death and provide a Leaver Notification within 5 workings days of the death.

administrator, details of historical hours changes for the member. - Provide additional information to assist in the accurate calculation of death benefits, if required by the administrator.	

Table 8: Pension Sharing Orders

Employer's responsibility	Timeframe
Provide the administrator with information as requested to enable them to carry out the order. This may include, but is not restricted to: - Providing details of the member's pensionable pay, as defined by the LGPS Regulations 2013, for the scheme year up to the date of leaving and for the previous scheme year. - Where required, provide details of the member's final pay as defined by the LGPS (Benefits, Membership and Contributions) Regulations 2007.	Details should be provided to the administrator within 10 working days of the request.

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Table 9: Complaints, errors and breaches

Employer's responsibility	Timeframe
Appoint a nominated person to consider disputes under stage 1 of the IDRP process and provide up to date contact details to the administering authority and administrator.	Within 90 days of becoming a scheme employer within the East Sussex Local Government Pension Fund or 90 days from date of request by the Administering Authority.
Notify the administering authority of the receipt of any complaint under the IDRP process.	Within 5 working days of receipt of the complaint.
Consider and respond to disputes made under stage 1 of the IDRP within statutory timeframes as set out in the LGPS Regulations 2013.	Where the complaint is in relation to an act or omission of the scheme employer, the appointed person to consider disputes under stage 1 of the IDRP process by the employer, should respond within the statutory deadline of 2 months beginning with the date on which the IDRP application was received.
Notify the administering authority when a stage 1 decision has been issued.	A copy of the response should be provided to both the complainant and the Administering Authority within the 2-month period.

Fully cooperate with all stages of any complaint investigation, including the provision of data, information or technical assistance to any relevant party (including external parties such as the Pensions Ombudsman) as required, to ensure the efficient resolution of any complaint.	By way of providing any additional information requested within 10 working days of receipt of the request.
Be aware of the Fund's Breaches Policy and Reporting Procedures, and of each party's responsibilities in relation to this.	The East Sussex Pension Fund Breaches Policy was agreed by the Pensions Committee and is published on the Fund website. Employers should take time to familiarise themselves with this policy.
Liaise and cooperate appropriately with any investigation into any potential breaches, including with the Administering Authority and the Administrator, and provide such information as is requested.	By way of providing any additional information requested within 10 working days of receipt of the request.

Table 10: Data quality and record keeping

Employer's responsibility	Timeframe
Ensure that robust controls are in place for collecting good quality data and, where a data improvement plan has been implemented, liaise with the Administrator and the Administering Authority as appropriate to meet key milestones and to ensure and demonstrate progress against that plan.	N/A
Ensure that pension related information is archived in such a way as to ensure it is accessible for as long as it may be needed.	N/A
Ensure the year end return, (1 April to 31 March) is provided to the administrator in the prescribed format, a template of which will be issued in advance of the year end.	The return must be submitted no later than 30th April following the end of the preceding scheme year. A late or incorrect return will directly affect your employees, as until the year end data has been reconciled, an annual benefit statement may not be issued.
Where the employer has been onboarded onto the I-Connect system, ensure member data is uploaded each month in line with the instructions provided.	Data should be received no later than 19th day of the following month. A late or incorrect submission will affect your employees as the Fund will not hold accurate data about them and this may impact information provided about their benefit entitlements.
Provide a response to any queries raised in relation to the year end return.	Provided to the administrator / Administering Authority within 10 working days of receipt of the request.

Table 11: Communications

Employer's responsibility	Timeframe
Distribute any information provided by the administering authority or administrator to members or potential members (e.g. scheme guides and newsletters).	All material provided to scheme employers should be distributed to the relevant employees with 15 working days of receipt.
Ensure that the administrator is provided with requisite information to enable them to produce an ABS	Any additional data required by the administrator for the purpose of issuing an Annual Benefit Statement, should be provided within 10 working days of receipt of request.

Table 12: Pensioner payroll services

Employer's responsibility	Timeframe
Where the member is in receipt of an ill health pension made under Tier 3, arrange for the member to be reassessed by an IRMP after 18 months and determine whether the pension should continue, or be subject to an uplift.	Scheme employers should notify the administrator of the outcome of a Tier 3 Ill Health Review as within 5 working days of the determination.
To notify the administrator as soon as practically possible after identifying any irregularity that could contribute to the member being over or underpaid (e.g. an audit review of completed leaver forms may identify an incorrect pay value stated and issued to the administrator in respect of a pensioner)	Scheme employers should notify the administrator within 5 working days of having discovered the irregularity.

Table 13: Finance and accounting

Employer's responsibility	Timeframe
Make payment of additional fund strain costs in relation to early payment of benefits from flexible retirements, redundancy or efficiency retirements, or early retirements with employer consent, upon receipt of an invoice from the administrator or administering authority.	Payment of the invoice should be made within the stated terms.
Make payment of recharge amounts in respect of compensatory added years, where appropriate.	Payments to be made on a monthly basis and detailed on the LGPS31 Form submitted to the Administering Authority.

Make payments in respect of accounting work carried out on behalf of the employing authority by the Fund actuary or the administering authority's accounting team, upon receipt of an invoice from the administrator or administering authority.	Payment of the invoice should be made within the stated terms.
Make payments in respect of any other work carried out by the administrator, administering authority or Fund actuary on behalf of the employing authority, upon receipt of an invoice from the administrator or administering authority.	Payment of the invoice should be made within the stated terms.
Ensure the correct employee contribution rate is determined each scheme year in line with the appropriate contribution banding table.	An assessment should be made by all scheme employers every April to ensure all employee contribution deductions are made in line with the revised employee contribution bandings issued.
Ensure the correct deduction of contributions from employees' pensionable pay, including any period of child-related leave, trade dispute, or other absence.	N/A
Apply changes to employer contribution rates as instructed by the administering authority at the date specified by the Fund actuary.	Apply from the first available pay period (retrospectively if required) or the date specified by the actuary if later, following receipt of an instruction from the Administering Authority.
Ensure employer and employee contributions are paid across in a timely manner and in the agreed format.	Scheme employers must pay over contributions to the Fund by the 19th of the month following the deduction. Submission of a LGPS31 should also be made to the Fund prior to the payment and no later than 18th of the month following the deduction. Failure to pay contributions or submit the LGPS31 by the prescribed deadline may result in additional charges being levied against the employer. Where considered to be of material significance the Fund will consider a referral to The Pensions Regulator in line with their Code of Practice 14 or any future Code of Practice that comes into force.

Table 14: Employer services

Employer's responsibility	Timeframe
Distribute all supporting material supplied by the administrator or administering authority to relevant staff and ensure attendance at employer training sessions.	All material provided to scheme employers should be distributed to the relevant employees with 15 working days of receipt.

Table 15: Pensions Taxation

Employer's responsibility	Timeframe
Ensure that the administrator is provided with any information required to enable them to calculate the Pension Input Amount and to produce a Pension Savings Statement within statutory timescales.	By way of providing any additional information requested within 10 working days of receipt of the request from the administrator or Administering Authority.

Table 16: Administration performance reports and CIPFA benchmarking

Employer's responsibility	Timeframe
Provide additional information to assist in the completion of the annual CIPFA benchmarking questionnaire, if required by the administrator or the administering authority.	Within 10 working days of receipt of the request from the administrator or Administering Authority.
Provide additional information to assist in the accurate calculation and payment of all benefits, if required by the administrator.	Within 10 working days of receipt of the request from the administrator or Administering Authority.

Table 17: i-Connect employee data portal

Employer's responsibility	Timeframe
Ensure monthly i-Connect submissions are loaded and processed in accordance to submission dates	By the agreed submission date and no later than the 18th of the following month due.
Ensure all i-Connect submissions are reviewed before uploading and data is accurate.	By the agreed submission date and no later than the 18th of the following month due.
Any changes to employer i-Connect users and changes of staff are communicated to the i-Connect administration team.	AS soon as possible but within 2 weeks of a change taking place.
Changes to payroll providers are communicated to the i-Connect team and the management of i-Connect data is handed over with support from the i-Connect Administration team.	Notification of any changes 90 days prior to changing payroll provider to allow the transition and file build to be managed.

To engage with i-Connect administration team to resolve any errors or suppression and omitted members or any other queries that arise from the monthly submission	Within 10 days of request from the i-Connect administration team.
Ensure participation on any training or updates provided by the i-Connect administration team. Any changes to the i-Connect specifications need to be implemented.	As requested by i-Connect administration team.

Report to: **Pension Committee**

Date of meeting: **16 June 2023**

By: **Chief Finance Officer**

Title: **Pension Administration - updates**

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

RECOMMENDATION

The Committee is recommended to note the updates.

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1. Background

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

2. Key Performance Indicators (KPI)

2.1 The Performance Report, for the period April 2022 to March 2023 can be found at **Appendix 1**. The PAT saw performance numbers during quarter one 2023, average at 96.3% (volume completed 3,768) which were improved from the previous quarter (95.43% with a volume of 2,550).

2.2 The Pensions Helpdesk service level agreement targets a gold standard service provision; the performance results are included in **Appendix 2**. ESPF is currently happy with the helpdesk performance, but will review the option to bring the service in-house by April 2024.

3. Pension Administration Staffing Update

3.1 In January 23 we interviewed for the Projects Manager role and a conditional offer made, which was accepted, and the individual will start on 26 June 2023. Following an advertisement in February 2023 for a Project Officer an appointment was made on 20 March 2023. The second Project Officer post was readvertised for the third time on 30 May 2023**.**

4. Projects update

4.1 <u>Annual Benefits Statements – 2023</u>
The final list of employers using i-Connect and those completing end of year returns has been finalised and data requested where appropriate. The projects team is already validating some of the i-Connect March 2023 data files before creating ABS.

4.2 <u>Annual Allowance (AA) historical review project</u>
The project to correct the AA for the period 2014/15 to 2020/21 is now completed from a member's perspective. PAT is now coordinating the tax position (and interest) with HMRC.

The AA exercise for 2021/22 is also complete, with the exception of BHCC Active members. The Fund has recently received this data and will be undertaking the calculations and writing to members where appropriate.

The Spring 2023 budget increased the 2023/24 AA limit from £40k to £60k which should result in a significant fall in members impacted (estimated up to 50%).

4.3 Process Reviews

The PAT have now completed some process reviews and each includes:
- Creating a flowchart of the existing “as is” process
- Creating a flowchart of the new “to be” process
- Updating the suite of letter connected to the tasks relating to the process
- Revising checklists to account for changes made
- Training sessions on the new process rolled-out where required

Completed areas	**Current position**
Transfer out – quotations & payments	
Leavers – frozen & actual refunds	Submitted to robotics for automation review
Leavers – deferred	Submitted to robotics for automation review
Bulk new starters	
Deaths – multiple tasks	Training session done
Ongoing areas	
Transfers-in – quotations & payments	“As is” & “to be” maps produced
Aggregation within ESCC - combining	“As is” & “to be” maps produced
Aggregation with LGPS – interfund in	“As is” & “to be” maps produced
Aggregation with LGPS – interfund out	25/1/23 “as is” meeting arranged
General process – nomination form	Process mapped
General process – change of address	Process mapped
General process – change bank details	Shadow date agreed in May 23
Next areas	
Retirements	Expected to start early May 23
Divorce	Not planned yet

The overall project has a programme board and is closely linked to, and interacts with the Finance Areas of Focus and Robotics projects. There are currently seven PAT proposals for automation with the robotics team.

The first robot is complete and being used by PAT, as the doer role to coordinate the deferred to normal retirement quotations and associated letters ready for checking.

4.4 Address Tracing Projects

The overall project goal is not only to maximise the number of members we have correct addresses for, but also that the quality of the address data on Altair is 100% accurate. This will also boost tPR data validator scores and help the Fund prepare for the Pensions Dashboard as well as increase the numbers of ABS that can be issued.

To complete this piece of work the Fund procured a third party (ITM) to compare some of our records to multiple external databases (such as credit agencies) to check their accuracy. The following groupings and priority order have been set:

Priority	Status	Category	Est. no. of records	Progress
1	4	All deferred members	25,000	24,851 records to ITM in Oct 22
2	5/6	All gone away pensioners (suspended cases)	200	Data to ITM in March 23
3	2	Undecided leavers (pre 1/1/22)	1,000	Data to ITM in May 23
4	9	Frozen refunds (pre 1/1/22)	5,000	None

Phase 1 – Electronic Trace Results for 24,501 with last known address (350 removed – 18 with no address & 332 living overseas)

- 16,433 Traced to same address (& verified <3mths)
- 3,986 Traced to new address (& verified <3mths)
- 64 Traced to new address (address validation required)
- 4,018 Not match – propose full trace

Phase 2 – Full Trace Results for 4,018 plus 350 removed from phase 1. This was received in five batches and included a verification of addresses by writing or speaking to the individual members.

Result	Batch 1 16/01/2023	Batch 2 27/02/2023	Batch 3 03/03/2023	Batch 4 05/04/2023	Batch 5 11/05/2023
Traced to same address	76	64	324	746	679
Traced to new address	49	103	213	663	320
Negative (untraced)	33	279	98	403	319
Total	158	446	635	1,812	1,318

As part of this exercise PAT discovered a few hundred change of surname queries which are potentially due to marriages and divorces which the team are following up.

4.5 <u>Pensions Dashboards</u>
Pension Dashboards are digital services (websites, apps or other tools) which individuals will be able to use to see all their pension information in one place, including their State Pension.

The Money and Pensions Service (MaPS) will host its own dashboard on the MoneyHelper website and other organisations will host their own dashboards, subject to approval and regulation by the Financial Conduct Authority (FCA).

The Pensions Dashboard Programme (PDP) has been set up by MaPS who are responsible for developing the dashboards ecosystem which enables individuals to view their pension data online.

Pension Funds will need to connect with and supply pensions information to dashboards from their scheme-specific staging deadline. Schemes will connect over time according to their type and size. The date dashboards will be launched to the public (known as the “Dashboards Available Point”) will be advised by DWP.

Some Pensions Dashboard background information is available in **Appendix 3**.

4.6 <u>McCloud</u>
The last Working Group meeting was in January 23 where a progress report was discussed. The latest position is continued focus on the data collection phase:

- 140 employers with active members first contacted for data in July 22 with 30 September response deadline.
- 60 returned by the deadline and used as a pilot to test the Heywood validation tool.
- The warnings and errors generated have been investigated and queries raised with 12 employers.
- Other employers chased in October & December 22. Again, in March & May 23. There are 11 employers left to return data including ESCC & BHCC, all spoken too and say the data is being worked on.

4.7 Altair – Member Self Service (MSS)
The Communications and Admin Working Group both met in May 2023 and saw demonstration videos of some aspects (retirement planner & eIDV) of the new version of MSS, known as Transformational Member Experience (TME). We are looking to migrate in Q4, 2023. This is expected to significantly improve and simplify the member experience of MSS, which has been the only consistent area on criticism from recent member surveys.

5 Pensioner Payroll

5.1 The April 2023 pension increase project has been completed and most pensioners will receive a 10.1% CPI increase in their April payment. Pensioner payroll in March 2023 included payments to 25,254 pensioners totaling £9.23m. In addition to the pensioner payroll there were £1.72m of immediate payments made in the month.

With the reduction in employer contribution rates as well as the growing pensioner population we could soon see the Fund move into a negative monthly cashflow position.

6 Conclusion and reasons for recommendation

6.1 The Pension Committee is asked to note this report.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Paul Punter, Head of Pensions Administration
Email: paul.punter@eastsussex.gov.uk

APPENDIX 1

East Sussex Pensions Administration - Key Performance Indicators

	Activity	Impact	Target	Target [since Oct 21]	Mar-23 Volume	Mar-23 Score	Feb-23 Volume	Feb-23 Score	Jan-23 Volume	Jan-23 Score	Dec-22 Volume	Dec-22 Score	Nov-22 Volume	Nov-22 Score	Oct-22 Volume	Oct-22 Score
	Scheme members	Pensioners, Active & Deferred			84,074		84,394		84,232		84,067		83,333		83,208	
	New starters set up	Bulk, i-Connect & New Starter Task			402		530		373		1,045		519		382	
1a	Death notification acknowledged, recorded and documentation sent	M	**95%**	within 2 days	28	100%	35	100%	48	100%	35	100%	47	100%	39	100%
1b	Award dependent benefits (Death Grants)	H	**95%**	within 5 days	25	100%	32	100%	29	100%	9	100%	22	100%	23	100%
2a	Retirement notification acknowledged, recorded and documentation sent	M	**95%**	within 7 days	190	98%	203	99%	155	99%	78	100%	91	100%	92	84%
2b	Payment of lump sum made	H	**95%**	within 5 days	141	100%	115	100%	105	100%	73	100%	106	100%	128	100%
3	Calculation of spouses benefits	M	**90%**	within 5 days	12	100%	26	100%	26	100%	14	100%	20	100%	18	100%
4a	Transfers In - Quote (Values)	L	**90%**	within 10 dys, aggregation 15	63	96%	48	98%	70	99%	45	94%	45	89%	41	93%
4b	Transfers In - Payments	L	**90%**	within 5 dys, aggregation 25	28	100%	19	100%	22	100%	23	100%	20	100%	18	100%
5a	Transfers Out - Quote	L	**90%**	within 10 dys, aggregation 15	65	97%	72	99%	76	100%	44	82%	61	90%	48	94%
5b	Transfers Out - Payments	L	**90%**	within 10 dys, aggregation 25	40	98%	22	100%	30	100%	17	100%	26	85%	21	90%
6a	Employer estimates provided	M	**95%**	within 15 days	17	100%	33	100%	13	100%	8	100%	9	100%	10	100%
6b	Employee projections provided	L	**95%**	within 15 days	17	100%	17	100%	15	100%	7	100%	18	100%	21	100%
7	Refunds **(inc frozen refunds wef Aug 22)**	L	**95%**	Quotes 10 days, settle 5 days	182	96%	125	86%	245	87%	110	98%	173	98%	165	89%
8	Deferred benefit notifications	L	**95%**	within 15 days	229	98%	203	99%	431	99%	235	99%	251	85%	339	98%
9a	Aggregation Quote	M	**95%**	within 15 days	93	76%										
9b	Aggregation Actual	M	**95%**	within 10 days	423	93%										
	TOTAL TASKS COMPLETED				**1,553**	98.39%	**950**	97.47%	**1,265**	96.76%	**698**	97.56%	**889**	93.81%	**963**	94.91%
	Figures for the previous year				**844**	96.68%	**792**	97.85%	**722**	98.34%	**606**	95.21%	**883**	97.62%	**699**	98.28%
	Figures for two years ago				**550**	91.45%	**557**	90.84%	**617**	93.70%	**408**	98.28%	**486**	97.53%	**591**	98.31%
	Figures for three years ago				**598**	99.00%	**642**	99.53%								
	Missed target cases				76		24		41		17		55		49	
10	Complaints received				7		2		6		2		2		2	
11	Compliments received				1		1		0		1		0		0	

	Activity	Sep-22 Volume	Sep-22 Score	Aug-22 Volume	Aug-22 Score	Jul-22 Volume	Jul-22 Score	Jun-22 Volume	Jun-22 Score	May-22 Volume	May-22 Score	Apr-22 Volume	Apr-22 Score
	Scheme members	82,472		82,526		82,476		82,505		81,483		81,450	
	New starters set up	297		215		430		391		316		287	
1a	Death notification acknowledged, recorded and documentation sent	25	100%	31	100%	26	100%	39	100%	35	100%	23	100%
1b	Award dependent benefits (Death Grants)	11	100%	13	100%	14	100%	15	100%	12	100%	11	100%
2a	Retirement notification acknowledged, recorded and documentation sent	100	92%	140	98%	148	95%	78	99%	124	97%	96	96%
2b	Payment of lump sum made	137	100%	150	100%	142	99%	134	100%	125	98%	142	100%
3	Calculation of spouses benefits	16	100%	25	100%	21	100%	17	100%	18	100%	17	100%
4a	Transfers In - Quote (Values)	25	92%	42	88%	22	91%	24	80%	32	97%	33	85%
4b	Transfers In - Payments	19	95%	22	100%	22	100%	26	100%	38	100%	20	95%
5a	Transfers Out - Quote	54	86%	82	97%	36	97%	49	90%	50	96%	51	91%
5b	Transfers Out - Payments	18	50%	10	90%	21	91%	18	78%	26	77%	19	95%
6a	Employer estimates provided	5	100%	4	100%	12	100%	22	100%	23	100%	10	100%
6b	Employee projections provided	23	100%	16	94%	16	100%	14	100%	13	100%	27	100%
7	Refunds **(inc frozen refunds wef Aug 22)**	141	82%	160	89%	57	97%	31	100%	43	100%	39	100%
8	Deferred benefit notifications	188	89%	213	93%	257	100%	202	100%	267	100%	294	100%
9a	Aggregation Quote												
9b	Aggregation Actual												
	TOTAL TASKS COMPLETED	**762**	90.16%	**908**	94.93%	**794**	97.98%	**669**	97.76%	**806**	98.01%	**782**	97.95%
	Figures for the previous year	**847**	97.17%	**789**	98.61%	**734**	99.32%	**664**	94.73%	**643**	96.89%	**481**	94.59%
	Figures for two years ago	**494**	95.34%	**516**	92.64%	**543**	92.63%	**394**	96.70%	**359**	98.61%	**454**	98.02%
	Figures for three years ago												
	Missed target cases	75		46		16		15		16		16	
10	Complaints received	3		3		5		2		6		5	
11	Compliments received	0		0		0		1		1		0	

Performance for the year Apr 22 to Mar 23 inclusive

	Activity	Total	Fails	% pass
1a	Death notification acknowledged, recorded and documentation sent	411	0	100.0
1b	Award dependent benefits (Death Grants)	216	0	100.0
2a	Retirement notification acknowledged, recorded and documentation sent	1,495	51	96.6
2b	Payment of lump sum made	1,498	4	99.7
3	Calculation of spouses benefits	230	0	100.0
4a	Transfers In - Quote (Values)	490	46	90.6
4b	Transfers In - Payments	277	2	99.3
5a	Transfers Out - Quote	688	43	93.8
5b	Transfers Out - Payments	268	31	88.4
6a	Employer estimates provided	166	0	100.0
6b	Employee projections provided	204	1	99.5
7	Refunds (inc frozen refunds wef Aug 22)	1,471	128	91.3
8	Deferred benefit notifications	3,109	95	96.9
9a	Aggregation Quote	93	22	76.3
9b	Aggregation Actual	423	29	93.1
	TOTAL TASKS COMPLETED	11,039	**452**	**95.9**

Summary for failed cases

	Activity	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22	May-22	Apr-22
1b	Award dependent benefits (Death Grants)												
2a	Retirement notification acknowledged, recorded and documentation sent						15 over by average 2.87 days	8 over by average 6.9 days					
2b	Payment of lump sum made												
3	Calculation of spouses benefits												
4a	Transfers In - Quote (Values)					5 over by average 3 days			5 over by average 19 days		5 over by average 6 days		5 overby average 13 days
4b	Transfers In - Payments												
5a	Transfers Out - Quote				8 over by average 5 days			8 over by average 5.3 days					
5b	Transfers Out - Payments					4 over by average 21 days		9 over by average 4 days			4 over by average 6 days	6 over by average 1.6 days	
6a	Employer estimates provided												
6b	Employee projections provided								1 over by 10 days				
7	Refunds (inc frozen refunds wef Aug 22)		18 over by average 1.2 days	34 over by average 2 days			18 over by average 9.11 days	26 over by average 6 days	17 over by average 5.4 days				
8	Deferred benefit (DB5YE)					37 over by average 29 days		*21 over by average 4 days*	15 over by average 8.3 days				
		New KPI/SLA MI from Altair Insights not completed yet. Interviewing for Project Manager role in Jan 23. Process reviews continue .			New KPI/SLA MI from Altair Insights not completed yet. Lots of interviewing throughout the quarter. Process reviews continue . October new starters begin some intensive training.			New KPI/SLA MI from Altair Insights not completed yet. ***Key resources retained to work on ABS & i-Connect Employers. Plus Julie full time on Annual Allowance in Sept.*** Lots of time consuming interviewing undertaken in August. In Sept two staff begin working on i-Connect without BAU backfill. A lot of team time being allocated to process reviews (the outstanding 2021/22 internal audit action). Sept included additional training for promoted staff. BAU time allocated to mortality exercises.			New KPI/SLA reporting MI from Altair Insights not completed yet. ***Key resources moved to work on ABS & onboarding BHCC i-Connect***		
		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	3 job offers made	5 roles advertised	3 new pension administrators + 1 apprentice started	3 existing pension administrators promoted and 1 changed roles - need to backfill.		8 vacancies advertised			Mike Keogh left 14/4/22. Jennie went p/t 3 days a week
		Three vacancies	Five vacancies	Seven vacancies	Six vacancies	Six vacancies	Six vacancies	Ten vacancies	Ten vacancies	Ten vacancies	Ten vacancies	Ten vacancies	Ten vacancies

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Appendix 2
Helpdesk performance

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

Quarterly performance assessed against the scoring mechanism with rectification plan for underperformance including penalty clauses for sustained underperformance.

Main Helpline for ESPF

Period	First time fix	Call answer time	Abandoned call rate	Email response time
GOLD TARGETS	**85%**	**75%**	**5%**	**100%**
April 21	96%	53%	5%	100%
May 21	95%	44%	7%	100%
June 21	95%	56%	5%	100%
July 21	91%	43%	9%	100%
August 21	88%	31%	9%	100%
September 21	86%	23%	6%	100%
October 21	80%	37%	2%	100%
November 21	87%	36%	1%	100%
December 21	81%	36%	0%	100%
January 22	83%	39%	0%	100%
February 22	80%	39%	0%	100%
March 22	86%	37%	1%	100%
April 22	84%	28%	2%	100%
May 22	84%	21%	4%	100%
June 22	86%	19%	2%	100%
July 22	87%	74%	3%	100%
August 22	91%	61%	4%	100%
September 22	92%	67%	4%	100%
October 22	85%	47%	8%	68%
November 22	82%	73%	1%	60%
December 22	85%	92%	0%	66%
January 23	87%	86%	1%	97%
February 23	84%	88%	1%	96%
March 23	86%	86%	1%	100%

The "call answer time" SLA on the mainline was investigated with BT and results between Sept 21 & June 22 were not reported correctly. The SLA% could not be recreated for that period.

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

Period	First time fix	Call answer time	Abandoned call rate	Email response time
GOLD TARGETS	**85%**	**75%**	**5%**	**100%**
April 21	N/A	30%	18%	N/A
May 21	N/A	31%	15%	N/A
June 21	N/A	48%	10%	N/A
July 21	100%	39%	10%	100%
August 21	100%	49%	21%	100%
September 21	100%	67%	6%	100%
October 21	91%	64%	9%	100%
November 21	100%	63%	6%	100%
December 21	100%	76%	2%	100%
January 22	100%	84%	2%	100%
February 22	100%	78%	1%	100%
March 22	100%	76%	6%	100%
April 22	100%	74%	2%	100%
May 22	100%	68%	2%	100%
June 22	100%	47%	10%	100%
July 22	100%	76%	3%	100%
August 22	100%	61%	10%	100%
September 22	100%	63%	14%	100%
October 22	100%	51%	15%	70%
November 22	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%

Monthly transaction volumes

Month	Telephone Calls	Email's Processed	Call Back's	Total
April 21	1,080	287	13	1,380
May 21	855	475	11	1,341
June 21	807	944	15	1,766
July 21	929	1,795	13	2,737
August 21	936	1,329	5	2,270
September 21	858	1,470	8	2,336
October 21	767	1,241	16	2,024
November 21	815	1,206	0	2,021
December 21	513	968	4	1,485
January 22	777	1,175	19	1,971
February 22	797	1,377	17	2,191
March 22	819	1,293	17	2,129
April 22	898	1,114	24	2,036
May 22	911	1,335	25	2,271
June 22	801	1,017	21	1,839
July 22	722	988	16	1,726
August 22	1,154	1,813	28	2,995
September 22	817	1,166	18	2,001
October 22	736	1,050	17	1,803
November 22	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

Top five reasons for calls

Month	Self Service Activation	Login issues	Claim form guidance	Option guidance – member	Update Address	Leaver form received	Progress check - Actual	Progress check - Quote	Document or Form enquiry	Other
Jul 21	1st	2nd	3rd	4th	5th					
Aug 21	1st	2nd	4th	5th		3rd				
Sep 21	1st	2nd	5th		4th	3rd				
Oct 21	3rd		2nd		4th	1st	5th			
Nov 21		1st	4th		3rd	2nd	5th			
Dec 21		4th	2nd		3rd	1st	5th			
Jan 22	3rd	4th	1st			2nd		5th		
Feb 22		2nd	3rd	5th	4th	1st				
Mar 22	4th	2nd	1st					5th	3rd	
Apr 22		1st	2nd	3rd	4th	5th				
May 22		3rd	1st		2nd	4th				5th
Jun 22	1st	3rd	4th	5th	2nd					
Jul 22		3rd	1st		5th	2nd			4th	
Aug 22		1st	3rd	4th			5th		2nd	
Sep 22	3rd	1st	2nd	5th					4th	
Oct 22		3rd	2nd	4th		1st			5th	
Nov 22	4th	3rd	2nd		5th				1st	
Dec 22	4th	5th	2nd			3rd			1st	
Jan 23	1st	2nd	4th		3rd				5th	
Feb 23	4th	2nd	1st			3rd			5th	
Mar 23	2nd	3rd	1st			4th				5th

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

Telephone survey

This is a new service starting in December 21.
Questions raised by email within 24hrs of call where a caller says they are willing to complete a short survey:

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

Question No.	**1**	**2**	**3**	**4**
Star Rating	**1 2 3 4 5**	**1 2 3 4 5**	**1 2 3 4 5**	**1 2 3 4 5**
December 21	0 0 0 4 23	1 1 0 5 20	1 0 1 4 21	0 2 1 2 21
January 22	0 0 0 10 49	4 0 0 7 48	0 1 2 5 51	2 1 1 4 51
February 22	0 0 1 1 25	0 0 0 2 25	0 0 0 2 25	0 0 0 2 25
March 22	0 0 2 8 29	1 1 3 8 26	0 2 1 3 33	1 1 1 6 30
April 22	0 0 0 6 39	0 0 1 6 38	0 0 2 6 37	0 0 0 6 39
May 22	0 0 0 7 44	0 1 1 5 44	0 0 1 6 44	0 1 2 2 46
June 22	1 1 5 8 39	0 2 6 11 35	0 2 5 5 42	0 2 5 7 40
July 22	0 0 1 3 16	0 0 1 4 15	0 0 1 2 17	?
August 22	0 1 1 5 20	0 1 0 6 20	0 1 0 4 22	0 1 0 5 21
September 22	?	?	?	?
October 22	N/A	N/A	N/A	N/A
November 22	0 0 0 2 6	0 0 0 2 6	0 0 0 1 7	0 0 1 1 6
December 22	0 0 0 3 54	0 1 3 9 44	1 0 2 5 49	1 1 1 8 46
January 23	1 1 7 10 98	3 4 6 21 83	0 5 2 16 91	1 6 1 19 92
February 23	0 0 6 25 96	7 3 12 18 87	2 5 11 12 97	2 4 15 13 93
March 23	1 0 6 18 112	7 3 10 22 95	1 5 8 18 104	1 5 8 18 105

Note: 5 Star is the highest and therefore best rating

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

Month	First Call	Second Call	Third Call	Fourth or more
December 21	17	4	2	4
January 22	44	9	3	3
February 22	21	4	2	0
March 22	25	12	0	2
April 22	35	8	0	2
May 22	37	9	3	2
June 22	42	7	3	2
July 22	13	6	1	0
August 22	21	2	3	1
September 22	?	?	?	?
October 22	N/A	N/A	N/A	N/A
November 22	?	?	?	?
December 22	40	12	2	3
January 23	99	11	7	1
February 23	91	26	6	4
March 23	100	29	3	6

The Surrey Pensions Helpdesk was taken in-house from 25 November 2022.

ESPF have been ask to bring the Pensions Helpdesk in-house by April 2024.

Appendix 3
Pensions Dashboards

Background

Pension Dashboards are digital services (websites, apps or other tools) which individuals will be able to use to see all their pension information in one place, including their State Pension.

The Money and Pensions Service (MaPS) will host its own dashboard on the MoneyHelper website and other organisations will host their own dashboards, subject to approval and regulation by the FCA.

The Pensions Dashboard Programme (PDP) has been set up by MaPS and is responsible for developing the dashboards ecosystem which enables individuals to view their pension data online.

Pension Funds will need to connect with and supply pensions information to dashboards from their scheme-specific staging deadline. Schemes will connect over time according to their type and size. The date dashboards will be launched to the public (known as the “Dashboards Available Point”) will be advised by DWP.

Timeline

2021

Primary legislation passed

The Pension Schemes Act 2021 introduced the legal framework for pensions dashboards

2022

Initial guidance, consultations, standards published & secondary legislation passed

The Pensions Regulator (TPR) published initial guidance in June. DWP published response to consultation in July. PDP consulted on the draft data, connection and reporting standards in August. PDP published updated versions of the standards in November (data, reporting & technical plus the code of connection). Final regulations came into force in December.

2023

Further consultations, dashboards reset & further legislation

FCA consulted on the regulatory framework for commercial dashboard providers. PDP consulted on draft design standards. TPR consulted on its compliance & enforcement policy. Schemes were due to start connecting from August, however in March 23 the DWP announced a reset and staging dates will be moved out. New regulations will be laid to delay the previous staging timetable.

2024+

Schemes start to connect & dashboards go live

Under the revised timetable (TBC) schemes will connect to the dashboards ecosystem from their scheme-specific staging deadline. Dashboards will be launched to the public once enough schemes have staged. This date will be advised by DWP, who must give at least six months’ notice.

Connecting to dashboards via an Integrated Service Provider (ISP)

The Regulation do state that as a public sector organisation the Administering Authority needs to undertake a formal procurement process to appoint an ISP. We understand that "Pensions Dashboards ISP" is being worked on to becoming a Norfolk Framework provision. We have raised this with the ESCC Procurement team and it has been added to their worklog.

An ISP provider will enable us to connect to the Pensions Dashboards, Heywood Technologies were selected as an Alpha Tester by the Pensions Dashboards Programme (PDP) to test the connection to the ecosystem. They are well placed to share thoughts and experiences and discuss options.

The Committee is responsible for:

Connecting – ensuring a constant, responsive & secure connection

Data – providing accurate data for find & view

Governance – delivery, compliance, audit & maintenance

The biggest risks are:

1. Security – we need to connect but we want to ensure administration systems and data are protected.
2. Performance demand – be available 24/7 and be able to handle and be available to handle requests immediately for millions of searches on our data.
3. Reliable data matching – protecting our scheme and members with robust matching and enhanced possible matching, whilst anticipating the impact on day-to-day operations.
4. Providing data value data – data which may not be readily available in the formats needed for dashboards.
5. Reporting & monitoring – compliance is being regulated, fines of up to £50k can be issued.

Getting data dashboards ready – what data do schemes need to provide?

Data Standards
The PDP has identified the data that must be available to individuals via dashboards, which is categorised as "**find**" data and "**view**" data. These data items are set out in full in the PDP's website:
https://www.pensionsdashboardsprogramme.org.uk/wp-content/uploads/2022/07/PDP-Data-standards.pdf

There's a usage guide too, less detail, but much easier to read:

https://www.pensionsdashboardsprogramme.org.uk/standards/data-standards/data-usage-guide/

Non-compliance with the data standards would be considered a breach of the regulations.

Find data
This is the information sent to the scheme from the dashboard once an individual's identity has been verified.

The Committee need to determine the matching approach they wish to use, including which personal data items we will compare (such as name, date of birth, and NI number) to validate a positive match.

View data
This is the information the scheme will return to the dashboard to be viewed by the user if a success match is made. For a “possible” match only limited administrative data will be returned to the dashboard so the member can contract the scheme administrator (helpdesk). View data is split out further into Administrative data, Signpost data and Value data.

Administrative data
This includes details of the pension scheme, the employer and the administrator’s contact details so the member can get in touch for more information. This includes “**Signpost**” data which is the website address where members can access information such as the scheme’s statement of investment principles.

Value data

a) Defined Benefit: this will be both accrued and projected benefits for active members. For deferred members this will be the member’s deferred pension revalued to a current date (within the last 13 months).
b) Defined Contribution: this will be in line with SMPI requirements, including a current and projected fund values (this includes DB schemes with external AVCs [Pru in the case of ESPF]).

Next steps- Pensions Dashboard Readiness Assessment

To help us understand how ready our scheme is for Pensions Dashboards, Heywood Technologies have been instructed to undertake an assessment of ESPF data. As an output from this exercise, they will share summary results to help us understand the quality of our data and what actions we need to take to get ready for Pensions Dashboards.

The summary results will include a score for each of the following areas:

- **‘Find’ data:**
- Checks on potential matching fields (name, date of birth, address) to determine whether or not the data you hold is present, valid and accurate.
- Checking for members which would currently be duplicate matches.
- Checking for undecided leavers and frozen refunds.

- **‘View’ data:**
- Check that employment data is available to be returned to the Pensions Dashboards for each member employment.
- Check that Accrued Retirement Income is available for each member employment.
- Check that Estimated Retirement Income is available for each member employment.

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Report to:	**Pension Committee**
Date of meeting:	**16 June 2023**
By:	**Chief Internal Auditor**
Title:	**i-Connect IT Application Audit Report and the Internal Audit Strategy for Pensions 2023/24.**
Purpose:	**This report advises the Committee of the outcomes of the attached audits.**

RECOMMENDATIONS

The Committee is recommended to note the:

- **Pension Fund Cash Management Audit report (Appendix 1);**
- **Pension Fund Cyber Security Arrangements Audit report (Appendix 2);**
- **Pension Fund Investments and Accounting Audit report (Appendix 3); and**
- **Administration of Pension Benefits Audit Report (Appendix 4).**

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1. Background

1.1 The reviews of:

- Pension Fund Cash Management (Appendix 1);
- Pension Fund Cyber Security Arrangements (Appendix 2)
- Pension Fund Investments and Accounting (Appendix 3); and
- The Administration of Pension Benefits (Appendix 4);

were completed as part of the Internal Audit Strategy for Pensions 2022/23 and provide assurance on the overall effectiveness of their respective systems' controls. These are the final reports completed as part of the Internal Audit Strategy for 2022/23.

Pension Fund Cash Management

1.2 This is the first time we have looked at this area as a separate audit and we were able to provide an opinion of **Reasonable Assurance** over the controls in place. Our report contains five findings, with appropriate actions to address these.

Pension Fund Cyber Security Arrangements

1.3 Following our work on Pension Fund Cyber Security Arrangements, we were able to give an opinion of **Substantial Assurance** over the controls in place. The report contains a single, low-risk, finding and an action has been agreed with management to address it.

Pension Fund Investments and Accounting

1.4 As a result of our work on Pension Fund Investments and Accounting, we were able to give an opinion of **Substantial Assurance**. Only one finding was reported and an action to address this was agreed with management.

The Administration of Pension Benefits

1.5 Our work on the Administration of Pension Benefits has seen continuing improvements and we were able to give an opinion of **Reasonable Assurance**. We reported five findings and agreed a robust action plan with management to address these.

2. Conclusions and Reasons for Recommendation

2.1 The Pension Committee is:

- recommended to note the Internal Audit reports.

RUSSELL BANKS
Orbis Chief Internal Auditor

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BACKGROUND DOCUMENTS:
None

Internal Audit Report

Pension Fund Cash Management

Final Report

Assignment Lead: Danielle Robinson, Senior Auditor
Assignment Manager: Danny Simpson, Principal Auditor
Prepared for: East Sussex County Council
Date: May 2023

Draft Report Distribution List

Sian Kunert, Head of Pensions
Tim Hillman, Pension Manager - Employer Engagement
Russell Wood, Pensions Manager - Investments & Accounting

Final Report Distribution List

As per the draft report circulation with the inclusion of:
Ros Parker, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
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1. Introduction

1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has statutory responsibility to administer and manage the fund in accordance with the Local Government Pension Scheme (LGPS) regulations.

1.2. The Council has delegated the responsibility for the management and responsibility of the Fund to the East Sussex Pension Committee, and the Pension Board, supported by the Chief Finance Officer for East Sussex County Council.

1.3. As of 31 March 2022, the Fund comprised 134 scheme employers with 24,514 active, and 33,646 deferred, scheme members, as well as 23,131 pensioners. 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. The Fund's assets and liabilities were valued at £4,618m and £3,760m respectively, a surplus of £858k, compared with a funding surplus of £247k in 2019.

1.4. During the financial year 2021/22, the scheme collected £134.2m in contributions from members and their employers. During the financial year 2021/22, the scheme made benefit payments of approximately £134.6m to members who are now pensioners.

1.5. This review was part of the agreed Internal Audit Plan for 2022/23.

1.6. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the detailed findings section of the report.

2. Scope

2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Pension contributions from all employers in the scheme are collected in full, at the time they fall due;
- Information from employers is provided timeously to maintain the Fund's ability to deliver an effective service;
- Funding levels of new employers is sufficient to cover their liabilities; and
- Spikes in benefit demands are managed to avoid the Fund becoming overdrawn.

3. Audit Opinion

3.1. **<u>Reasonable Assurance</u> is provided in respect of Pension Fund Cash Management**. This opinion means that most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.

4. Basis of Opinion

4.1. We have been able to provide **Reasonable Assurance** over the controls operating within the area under review as the following areas of good practice were identified whilst undertaking the audit because:

4.2. The admission of new employers is managed effectively. To show transparency, admissions status is reported quarterly at Pension Board and Committee meetings.

4.3. Following the request of the Pension Committee, a bespoke covenant report has been produced to identify and support employers with the lowest financial stability within the Fund that may have difficulties in meeting their pension obligations in full over the longer term.

4.4. Work has begun to draft communications that will help support employers in the main key processes they are responsible for. The 'employer toolkit' was initially launched at the employer forum in November 2022. A number of topics that were raised via the employer survey will be included in the toolkit.

4.5. Robust processes are in place to ensure that contributions due, as notified by employers, are received intact. Late payments are monitored, and official warning notifications are being sent to employers, whose contributions have not been received by the due date.

4.6. To ensure that the Fund is able to cover its liabilities, cash management activities and analysis are undertaken by the Investments and Accounting team on a daily basis. The Head of Pensions is informed when action may be required to maintain adequate liquidity.

4.7. However, there are some areas where controls could be strengthened:

4.8. A Cash Management Strategy is currently in development. However, on review, this strategy could be strengthened further to provide clarity over roles and responsibilities, including the addition of the strategy's objectives and associated risks.

4.9. Whilst the Fund has a separate bank account, with appropriate segregation of duties in place, it is still theoretically possible for a payment to be made from the Fund's account without the involvement of Fund officers, because it is operated by the Council's Treasury Management Team and access permissions do not require transactions' approval by Fund officers. we can, however, confirm that no inappropriate payments have been made.

4.10. Pending the on-boarding of all scheme employers onto i-Connect, the existing reconciliation process for employer contributions could be strengthened further by the addition of a process to validate the amount of employee contributions received against the actual amount due to the Fund.

4.11. Although engagement activities are routinely taking place, protocols and process guidance for the chasing of late/incomplete employer data have not been documented.

5. Action Summary

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

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.	N/A	N/A
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	4	1, 2, 3, 4
Low	This represents good practice; implementation is not fundamental to internal control.	1	5
	Total number of agreed actions	**5**	

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

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

6. Acknowledgement

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

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	**Cash Management Strategy** A Cash Management Strategy is currently being drafted by the Pensions Manager (Investments & Accounting) in conjunction with the Head of Pensions. Our review of the strategy highlighted a number of areas that could be enhanced. These include: • Strategy objectives • Risks • Roles and Responsibilities • Trend analysis activities, including cyclical events In addition, the day-to-day management of the Pension Fund's cash flow activities are undertaken by East Sussex County Council's (ESCC) Treasury Management Team, on behalf of the Pension Fund. Therefore, activities should be reviewed to ensure they are aligned to those documented in the strategy. Furthermore, a service-level agreement (SLA) defining the level of service expected by the Treasury Management Team on behalf of the Fund could not be furnished during our review.	Without a comprehensive Cash Management Strategy, there is a risk that key strategic objectives of the Fund might not be achieved.	Medium	a) The cash management strategy will continue to be developed and take into account the suggested enhancements by Internal Audit. b) No SLA exists between the Pension Fund and ESCC for Treasury Management functions, the service is currently recharged through the recharge model. ESPF and ESCC will consider and create an SLA for this service including payment terms for provision of a fixed service.

Responsible Officer:	a) Russell Wood, Pensions Manager - Investments & Accounting b) Haley Woollard, Principal Accountant (Treasury and Taxation) & Sian Kunert, Head of Pensions	**Target Implementation Date:**	a) 31 July 2023 b) 01 April 2024

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	**Access to the Fund's Bank Account** The Pension Fund has its own, separate, bank account, which is operated by the Council's Treasury Management (TM) Team on behalf of the Fund. Appropriate segregation of duties is in place to ensure that no one officer can both set up, and approve, a transaction. Senior officers in the Fund have access to approve transactions from the Fund's account. However, access permissions are such that it is possible for a payment to be made from the Fund's account without the involvement of an officer from the Fund. Testing established that, in practice, no inappropriate payments have been made from the Fund's bank account.	Where officers have the ability to transfer funds between the Pension Fund, and County Council group accounts, without the involvement of Fund officers, there is a risk that inappropriate payments could be made. This risk is increased by the lack of an SLA to define the role of the Treasury Management Team.	Medium	ESPF officers will liaise with ESCC TM team to restrict authorisation access to the Pension Fund's bank account to Pension Fund signatories to be consistent with those who approve investment transactions. This will require new access arrangements to be put in place for Fund officers and controls on the bank account to differ from other TM managed bank accounts. This functionality within the banking system appears to be new. (See the action for finding 1 for SLA comments and management action).
Responsible Officer:		Haley Woollard, Principal Accountant (Treasury and Taxation) & Sian Kunert, Head of Pensions	**Target Implementation Date:**	31 July 2023

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	**Reconciliation - Employee Contributions** Scheme employers submit a paper form (LGPS31) on a monthly basis, which provides payroll details and the aggregate amount of pension contributions due to the Fund. A manual reconciliation of employers' contributions is regularly undertaken to ensure that contributions received are within agreed tolerances. If variances (over or under) are identified, these are reviewed, discussed and corrective action taken with the employer. However, the amounts received for employees' contributions each month are not reconciled to expected amounts due to the Fund on an employee-by-employee basis. i-Connect, the secure platform which automates the submission of pension data and brings employees' contributions into Altair, will provide the Fund with the ability to reconcile and validate contributions at member level. However, it is it envisioned that this functionality will not be utilised until all of the Fund's scheme employers have been successfully onboarded.	Without independent validation on the employees' contribution amounts provided on LGPS31 forms, errors may not be detected resulting in contributions due to the Fund not being received in full.	Medium	Once all scheme employers have been onboarded onto the i-Connect system, a new process of 'spot' checking individual employee contributions will be implemented. The i-Connect team and Accounts team will manually check against the employee contribution bandings and the amounts coming through via the i-Connect submission. Discrepancies will be investigated, and any necessary amendments will be communicated with the employer.
Responsible Officer:		Tim Hillman, Pension Manager - Employer Engagement	**Target Implementation Date:**	31 January 2024

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
4	**Lack of Documented Processes** The Fund has a need to ensure that employers are providing accurate, relevant and timely information to ensure compliance with regulations. Therefore, each scheme employer is designated a named individual for employer engagement with the appropriate delegations to strengthen communication. Our review highlighted that although engagement activities are routinely taking place, protocols and process guidance for the chasing of late or incomplete information and data from employers were not complete.	Where procedures for engagement activities are not formally documented, staff may not be fully aware of their responsibilities and key tasks may not be performed consistently and/or in a timely manner, resulting in late or incomplete data being received, which may lead to the late production of statutory returns (e.g., Annual Benefit Statements). There is also a risk to the continuity of employer engagement activities in the event of staff changes or the absence of key staff.	Medium	Actions have been added to the Pension Administration Strategy (PAS), which is currently under consultation, to allow additional powers to the Pension Fund to engage with employers on meeting required deadlines and providing outstanding data. In addition, stringent measures will be added to the PAS once the i-Connect monthly process has been established and all scheme employers are onboarded. More formal guidance within the PAS will help to define the Employer Engagement (EE) team's powers in dealing with employers who are missing deadlines. The EE team is currently reviewing processes and responsibilities for each annual task, including to minimise disruption caused by staff changes.
Responsible Officer:		Tim Hillman, Pension Manager - Employer Engagement	**Target Implementation Date:**	31 July 2023

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
5	**LGP31 – Authorised Signatories** Testing as part of the 2020/21 Pension Administration, People, Processes and Systems review highlighted several instances where employer contribution forms (LGPS31) did not state the source of assurance provided to support the payroll figures provided, and/or that the forms had not been certified by the employer's Section 151 Officer or equivalent. Following the audit, it was agreed that a request for signatory lists with delegations from all employers would be issued to all scheme employers. The agreed target date for receipt of the lists was May 2022. Following discussions with the Pension Manager for Employer Engagement it was established that, due to a slower response from scheme employers, it is expected that signatory lists will not be received, for all scheme employers, until the end of the 2022/23 financial year. Currently, 112 forms have been received to date (approximately 77%).	Without obtaining assurance that payroll figures, including pension deductions, are correct, there is an increased risk that not all contributions due to the Fund are identified and received.	Low	The EE team will continue the collection of authorised signatory forms and a robust list of correct authorised signatories for all scheme employers will be established. LGPS31 forms are now rejected if the signatory provided does not comply with the authorised signatory held for the employer. Additionally, forms are rejected if the 'assurance' or 'confirmation' box has not been ticked. An annual review of all authorised signatories will be undertaken to capture any staff or structure changes.
Responsible Officer:		Tim Hillman, Pension Manager - Employer Engagement	**Target Implementation Date:**	30 June 2023

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Appendix A

Audit Opinions and Definitions

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

Management Responsibilities

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

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

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

Appendix 2

Internal Audit Report

Pension Fund Cyber Security Arrangements 2022/23

Final Report

Assignment Lead: Angus Rauch, Auditor
Assignment Manager: Mark Winton, Audit Manager
Prepared for: East Sussex County Council
Date: April 2023

Report Distribution List

Draft Report:
Sian Kunert, Head of Pensions
Michael Burton, Pensions Manager – Governance and Compliance
Paul Punter, Head of Pension Administration
Khy Perryman, Information and Security Governance Manager
Nicky Wilkins, Head of Engagement and Digital Innovation
Darren Stuart, Business Partner IT and Digital

Final Report, as draft with the inclusion of:
Ian Gutsell, Chief Finance Officer
Ros Parker, Chief Operating Officer
Matt Scott, Chief Digital Information Officer

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

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1. Introduction

1.1. The pension regulators document, cyber security principles for pension schemes states that:

1.2. Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. Trustees and scheme managers need to take steps to protect members and assets accordingly, which includes protecting them against the ‘cyber risk’. This is an issue which all trustees and scheme managers, regardless of the size or structure of their scheme should be alert to.

1.3. The cyber risk can be broadly defined as the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes. It includes risks to information (data security) as well as assets, and both internal risks (eg from staff) and external risks (eg hacking).

1.4. This review forms part of the agreed Internal Audit Plan for 2022/23.

1.5. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the detailed findings section of the report.

2. Scope

2.1. The objective of the audit was to provide assurance that East Sussex Pension Fund complies with the pension regulators cyber security principles for pension schemes. The principles provide guidance over the following areas;

- Governance;
- Controls;
- Incident response;
- Managing evolving risk.

2.2. It should be noted that the document ‘Full draft of the new code of practice’ contains a number of principles relating to Cyber controls. For the purposes of this audit we compared the principles within the new code of practice to those contained within the Cyber security principles for pension schemes[1]. Whilst broadly similar we have used the principles of the pension regulator rather than the new code as the basis of our assessment in this audit as the draft code had not yet been formally issued at the time of our audit.

2.3. Appendix B provides a summary of the principles we have used as the basis of our evaluation.

[1] Cyber security principles The Pensions Regulator | The Pensions Regulator

3. Audit Opinion

3.1. **Substantial Assurance is provided in respect of Pension Fund Cyber Security Arrangements 2022/23**. This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.

4. Basis of Opinion

4.1. We are able to provide an opinion of Substantial Assurance on the basis that, considering all the current cyber security measures in place for the Pension Fund, there is a high level of compliance with the principles set out by the Pension Regulator.

4.2. The controls that exist to manage a cyberattack for East Sussex County Council, apply equally to the pension fund. We also found there are adequate preparations in place to manage an incident, with support from the Information Security Team, should a cyber event occur.

4.3. Frequent backups online and to offline servers ensure that if an attack were to occur, members and the funds data would be backed up ready to continue service as soon as possible.

4.4. The measures around ensuring that staff have the correct knowledge to prevent an attack are sufficient, including phishing testing where the service is testing the employees to ensure that their knowledge is updated in line with emerging threats.

4.5. The council has overarching policies which cover the general use of technology and how to use them in a way which is not exposing the council to external breaches or even an employees compromised technology allowing entry into the systems, exposing them to an increased level of risk. The policies could be more pension specific and updated to ensure that emerging threats and updated technology is being covered.

4.6. Further, the Pension Fund could benefit from further pension specific controls which are in place to focus on the threats towards the fund and not just the wider council.

5. Action Summary

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

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.	0	
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	0	
Low	This represents good practice; implementation is not fundamental to internal control.	1	1
	Total number of agreed actions	**1**	

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

5.3. As part of our quarterly progress reports to Audit Committee we seek written confirmation from the service that all high priority actions due for implementation are complete. The progress of all (low, medium and high priority) agreed actions will be re-assessed by Internal Audit at the next audit review. Periodically we may also carry out random sample checks of all priority actions.

6. Acknowledgement

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

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	**Pension Fund Entity** We found that whilst there are generic Council wide policies, procedures and training in place to meet the expectations of the cyber security principles identified by The Pension Regulator, it is not always clear that these also apply to the Pension Fund. Whilst we have obtained assurances that the policies, procedures and training identified during the audit, (including an adequate response from Information Security should a cyber incident occur), do apply to the Pension Fund this could be made clearer.	There may be confusion over the extent to which policies, procedures and training apply to the Pension Fund.	Low	Members of the pension team to meet with IT&D colleagues to agree how to ensure council wide policies and training clearly apply to the pension fund officers and pension fund activities.
Responsible Officer:		Michael Burton, Pensions Manager – Governance and Compliance	**Target Implementation Date:**	July 2023

Appendix A

Audit Opinions and Definitions

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

Management Responsibilities

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

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

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

Appendix B

Cyber Security Principles
Receive regular training and have access to the required skills and expertise to understand and manage the cyber risk.
The cyber risk should be included on your risk register and reviewed regularly (At least annually) and where there are substantial changes to scheme operations
You should assure yourselves that all third-party suppliers have put sufficient controls in place to protect your member data and scheme assets.
All organisations will experience security incidents at some point, even those with the most rigorous controls. As such you should ensure an incident response plan is put in place.
There should be a range of policies and processes in place around; Acceptable use of devices, email and internet (including social media), Use of password and other authentication. Home and mobile working/ Data access, protection, use and transmission, in line with data protection legislation and guidance.
Physical and virtual access should be controlled. Staff should be suitably vetted and have the right level of access for their role. Access should be regularly reviewed and closed down for any leavers
Good monitoring habits is essential in order to effectively response to incidents. Systems and networks should be monitored and logged analysed for any unusual activity or unauthorised access which could indicate an issue or threat.
All staff, and trustees, should receive training appropriate to their role at an appropriate frequency.
There should be systems and processes in place to ensure the safe and swift resumption of operations. This should include an incident response plan.
Critical systems and data should be regularly backed up. This should include, if appropriate, one or more offline back-ups, to stop these from being affected by a cyber incident. Processes to restore backed-up data should be tested.
IT infrastructure and security should be sufficient for the work undertaken. There should be multiple layers of security put around systems in line with the Information Commissioner's Office's (ICO) guidance on IT security.
The pension fund should assure themselves that all third-party suppliers have put sufficient controls in place to protect your member data and scheme assets. They should require suppliers to have, or adhere to, cyber security standards or good practice guides and monitor their performance. Cyber security should be an active consideration in the selection of a supplier and suitable provisions should be included in contracts.

Appendix 3

Internal Audit Report

Pension Fund Investments and Accounting

Final

Assignment Lead: Danny Simpson, Principal Auditor; Danielle Robinson, Senior Auditor; Harvey Sharpe, Auditor
Assignment Manager: Jodie Hadley, Principal Auditor
Prepared for: East Sussex County Council
Date: April 2023

Report Distribution List

Draft Report
- Sian Kunert, Head of Pensions
- Russell Wood, Pensions Manager: Investments and Accounting

Final Report
- Sian Kunert, Head of Pensions
- Russell Wood, Pensions Manager: Investments and Accounting
- Ros Parker, Chief Operating Officer
- Ian Gutsell, Chief Finance Officer
- Pension Committee
- Pension Board

Chief Internal Auditor: Russell Banks, ☎ 07824362739, ✉ russell.banks@eastsussex.gov.uk
Audit Manager: Nigel Chilcott, ☎ 07557541803, ✉ nigel.chilcott@eastsussex.gov.uk
Anti-Fraud Hotline: ☎ 01273 481995, ✉ FraudHotline@eastsussex.gov.co.uk

1. Introduction

1.1. East Sussex County Council (ESCC) administers and manages the East Sussex Pension Fund (the Fund) on behalf of 134 employers.

1.2. The Fund is responsible for managing assets for the long-term benefit of scheme members in accordance with statutory regulations.

1.3. The Fund is a member of ACCESS, a collaboration of 11 LGPS Administering Authorities, which are working together to reduce investment costs and gain economies of scale. ACCESS currently has a total value of £60.1bn, of which £31.8bn is pooled. The ESPF has assets of £4.7bn, of which £2.6bn (55%) is pooled whilst £2.1bn (45%) is not Pooled.

1.4. As part of this audit, we reviewed the arrangements to manage investments, including pooling arrangements, and the internal controls of external fund managers.

1.5. This review was part of the agreed Internal Audit Plan for 2022/23.

1.6. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted in the detailed findings section of the report.

2. Scope

2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- CO1 - The ACCESS Pool achieves the benefits of economies of scale, oversees the Operator, Fund Managers and Custodian effectively, and exploits investment opportunities.
- CO2 - The Fund's assets are safeguarded and managed in accordance with regulatory requirements.
- CO3 - The performance of the Fund's investments meets its objectives.
- CO4 - Investment returns are received in full in a timely manner.
- CO5 - Effective management of payments and income ensures that the Fund's bank account does not becoming overdrawn.
- CO6 - Accounting of the Pension Fund is accurate resulting in an unqualified opinion by the external auditor on the Fund's annual accounts.

3. Audit Opinion

3.1. **<u>Substantial Assurance</u> is provided in respect of Pension Fund Investments and Accounting**. This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

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

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4. Basis of Opinion

4.1. We have been able to provide an opinion of Substantial Assurance because:

4.2. The recently expanded Fund's Team comprises experienced officers, who are supported by investment consultants, to ensure that investment performance is monitored, that new investment opportunities are explored, and that appropriate due diligence takes place before making new investments. Investments are made and managed in accordance with regulatory requirements.

4.3. Robust processes are in place to ensure that assets are safeguarded, including through the receipt of external control assurance reports from fund managers. Although a small number of these reports have had qualified opinions, these are followed up to ensure that any control weaknesses do not pose a risk to the Fund's investments.

4.4. Rigorous checks take place to ensure that fund managers' fees are paid in accordance with contractual obligations.

4.5. The Fund's custodian, Northern Trust, ensures that all investment returns are received timeously and in full.

4.6. Regular reconciliations take place to provide assurance that transactions are accurately reflected in the in the general ledger.

4.7. Effective cash management processes are in place to ensure that the bank account remains in credit.

4.8. However, there are minor areas where controls could be strengthened further.

4.9. The documenting of accounting processes could offer more complete coverage to improve resilience in the event of the loss of key officers.

4.10. There remains inefficiency in the ACCESS Pool, where there is no centralised process to review external control reports, resulting in each of the constituent funds having to review reports independently. No management action has been raised in this report because the Fund is aware of this and has limited capacity to act on its own in this matter.

5. Action Summary

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

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

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

5.3. As part of our quarterly progress reports to Audit Committee we seek written confirmation from the service that all high priority actions due for implementation are complete. The progress of all (low, medium and high priority) agreed actions will be re-assessed by Internal Audit at the next audit review. Periodically we may also carry out random sample checks of all priority actions.

6. Acknowledgement

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

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	**Process Notes** Last year's audit contained a management action to document the key accounting and control processes. Progress has been made with process documentation covering the payment of fund managers' invoices and the receipt and handling of fund mangers' external control assurance reports. However, work remains to document more areas of the Team's work, including reconciliations and the receipt of investment income.	Without fully documented processes there is an increased risk of error with the absence of key personnel.	Low	The Fund will continue to document its accounting processes to ensure all key areas are covered, including investment returns and reconciliations.
Responsible Officer:		Russell Wood, Pensions Manager: Investments and Accounting	**Target Implementation Date:**	31 December 2023

Appendix A

Audit Opinions and Definitions

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

Management Responsibilities

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

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

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

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Internal Audit Report

The Administration of Pension Benefit Payments

Final

Assignment Lead: Danny Simpson, Principal Auditor; Harvey Sharpe, Auditor
Assignment Manager: Jodie Hadley, Principal Auditor
Prepared for: East Sussex County Council
Date: May 2023

Report Distribution List

Draft Report:
- Paul Punter, Head of Pensions Administration

Final Report:
- Paul Punter, Head of Pensions Administration
- Sian Kunert, Head of Pensions
- Ros Parker, Chief Operating Officer
- Ian Gutsell, Chief Finance Officer
- Pension Committee
- Pension Board

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

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1. Introduction

1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has statutory responsibility to administer and manage the fund in accordance with the Local Government Pension Scheme (LGPS) regulations.

1.2. The Council has delegated the responsibility for the management and responsibility of the Fund to the East Sussex Pension Committee, supported by the Pensions Board & Chief Finance Officer (S151 officer) for East Sussex County Council.

1.3. As of 31 March 2022, the Fund comprised 140 scheme employers with 24,801 active, and 33,043 deferred, scheme members, as well as 23,173 pensioners. 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%.

1.4. During the financial year 2021/22, the scheme made benefit payments of approximately £134m.

1.5. This audit tested the controls employed by management over the calculation and payment of pension benefits and transfers to and from the Pension Fund.

1.6. This review was part of the agreed Internal Audit Plan for 2022/23.

1.7. This report has been issued on an exception basis, whereby only weaknesses in the control environment have been highlighted in the detailed findings section of the report.

2. Scope

2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Data quality is sufficiently accurate to support transactions and reporting requirements;
- The calculation of pension benefit entitlements is accurate; and
- Delivery of the pension administration service complies with the requirements of the Pension Regulator.

3. Audit Opinion

3.1. **<u>Reasonable Assurance</u> is provided in respect of The Administration of Pension Benefit Payments**. This opinion means that most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.

4. Basis of Opinion

4.1. We have been able to provide an opinion of **Reasonable Assurance** over the controls in place within the area of review because:

4.2. Processes are in place to ensure that data quality is maintained, with data quality reports showing a good level of compliance with the Pension Regulator's requirements. Data quality and improvement are routinely reviewed at Board and Committee level. Although there are significant concerns about the quality of data being received from one large employer, the Fund is working closely with the employer to ensure it can provide data of the required quality. Where the inability of that employer to provide the necessary data has resulted in breaches of regulations, the breaches have been documented and reported to the Pension Regulator.

4.3. Mechanisms are in place to ensure that pension benefits are calculated correctly and are paid on time. If a delay, or complication, in the processing of a new pensioner's benefits results in the first payment being late, interest is paid.

4.4. The pension administration system is run in accordance with regulatory requirements and delivers an effective service to members of the Scheme. The number of outstanding tasks has reduced very considerably, compared with the previous year.

4.5. However, there are some areas where scope for strengthening controls has been identified.

4.6. The pension administration system, Altair, has no control to enforce the approval of payments in accordance with officers' authorised approval limits. We found an example of a payment for £218K that had been approved by a Pension Administrator, which does not comply with the Fund's internal regulations, which require that all payments, in excess of £100K, be approved by the Head of Pension Administration.

4.7. Where requests to amend members' bank details are received via bulk requests from employers, no evidence of the requests are retained against individuals' records in Altair, reducing the effectiveness of the paper trail.

4.8. New members' details (e.g., relationship status) are not always received in full, resulting in gaps in data. Altair is not always marked to indicate that new members' dates of birth have been verified.

4.9. Whilst in general, compliance appears to have improved, a small number of the checklists that govern the processing of transactions are not being completed in full.

5. Action Summary

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

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.	0	N/A
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	1	1
Low	This represents good practice; implementation is not fundamental to internal control.	4	2 - 5
	Total number of agreed actions	**5**	

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

5.3. As part of our quarterly progress reports to Audit Committee we seek written confirmation from the service that all high priority actions due for implementation are complete. The progress of all (low, medium and high priority) agreed actions will be re-assessed by Internal Audit at the next audit review. Periodically, we may also carry out random sample checks of all priority actions.

6. Acknowledgement

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

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Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	**The Approval of Payments** All payments in excess of £100K are required to be approved by the Head of Pension Administration. Testing of transfers out, found a payment of £218K, which had been approved by a Pensions Administrator. Further enquiries highlighted that any attempt to process a transaction beyond an officer's authorised approval level, would previously have been blocked within Altair. However, since the introduction of the 'Immediate Payments' module in 2022, this is no longer the case, and the Pension Administration Team was unaware of this. Whilst Altair does remind users to create an approval task, that would then lead to a reminder to seek further approval, there is no systemic control to enforce this. Testing confirmed that the payment itself was genuine and had been calculated correctly.	Without a systemic control to block the completing of transactions beyond officers' approval levels, there is an increased risk of fraud or error.	Med	The team has been reminded that all payments over £100k need additional approval and the online process clearly states this. There is no current functionality within Altair to block a larger financial transaction. However, there may be a way to address restrictions on higher amounts through Altair Workflow, in recently developed functionality that exists in the 23.2 release, expected to go live in June 2023. Assuming that the amount is held in a particular field on a data view, then restrictions on approving higher values could be accommodated via the 'auto follow-on task creation'. This allows customers to set conditions for automatically creating a follow-on task. We could then set a threshold above which a defined seniority for approval would be needed. We will need to adopt and test the functionality once live to see if this is possible.
Responsible Officer:		Paul Punter, Head of Pensions Administration	**Target Implementation Date:**	1 September 2023

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	**Changes to Members' Bank Account Details** Changes to members' bank details were not always supported by documentary evidence of the request to make the change. We understand that some changes are received in multiple notifications from employers (often on spreadsheets), and these are not uploaded to members' records because they contain other members' data. Unlike most processes, there is no checklist, but an Altair workflow task, with a checking stage, is set up on the member's record that can be used to confirm that the relevant checks are carried out.	Where changes to members' data are not supported by documentary evidence of the requests, there is an increased risk or fraud or error.	Low	The only time we receive banking changes in bulk are those received via the banking clearing system where, at least in theory, the members have undertaken an online switch of banks and the new bank is informing us after the event. All spreadsheets are retained on the P-Drive so there is evidence of the request. Whilst we don't intend to upload the bank change request, we intend sending the members an acknowledgement email to log-on to MSS to check their new bank details. We have documented the process. We are investigating sending the email to the member direct from the pensions@eastsussex.gov.uk address and it being automatically saved to their Altair record. However, not all members of the team can create email templates from within the Altair system. This is likely to be a permissions issues that we cannot identify and have raised it with Heywoods.
Responsible Officer:		Paul Punter, Head of Pensions Administration	**Target Implementation Date:**	1 August 2023

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	**Changes of Address** Requests to change records of members' addresses in Altair are received via a number of channels, including i-Connect, letters from members and notifications from their employers. When the record of a member's address is changed in Altair, the member is advised accordingly, providing a last check that the request is genuine and providing assurance that the new details are correct. However, confirmation does not always take place. This may be as a result of the number of ways requests are received. In the case of written requests, there is also doubt about the efficacy of providing written confirmation, i.e., if the address were incorrect, no confirmation would reach the member.	If no confirmation is sent to members to advise them that their addresses have been updated, there is a risk that any data-processing errors would not be detected, reducing the quality of data held in Altair.	Low	We struggle with finding an effective and consistent means of communicating confirmation of changes of address or where they are necessary. The point is if the request comes via i-Connect it is in respect of an active member who has informed their employer who has updated their payroll records. If the member informs us via MSS, the member has advised us through a secure password protected system. In these circumstances it is arguable no acknowledgement is required. If the member writes or emails, then we will provide written confirmation of the change of details. We regularly undertake address tracing exercises with a third party (ITM). We don't believe any additional action is required.
Responsible Officer:		Paul Punter, Head of Pensions Administration	**Target Implementation Date:**	N/A

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
4	**The Setting up of New Members in Altair** When new members join the scheme, their personal details are entered onto Altair, based on details supplied by their employers. When testing a sample of newly set-up members, we found that Altair had not always been marked to indicate that checks on members' ages had been completed, though we understand that checks were completed in practice. Moreover, forms from new members are sometimes received that lack details of their relationship status, resulting in gaps in datasets. Although these checks would be revisited before any benefit payments were made, it would be more efficient, and contribute to a more robust data set, if all data elements were checked and confirmed at the point new members were set up in Altair.	Without ensuring that all data is complete and recording checks on the accuracy of data, there is an increased risk of error, poor quality and incomplete data.	Low	A reminder was circulated to members of the PAT, on 28 April 2023, reminding them to ensure that all data is complete. Any missing data needs to be sought from employers even if not a mandatory field to set up the record. In addition, the date of birth and marital status verification boxes need to be updated if the appropriate certificates have been verified.
Responsible Officer:		Paul Punter, Head of Pensions Administration	**Target Implementation Date:**	Complete

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
5	**The Completion of Checklists** The processing of transactions is governed by checklists, which detail the tasks to be undertaken by the administrator and provide quality assurance through the signature of an officer, independent of the one performing the transaction. Compliance has improved since last year, with fewer examples found where independent checks had not been completed. However, we still found examples in the processing of death benefits, where no independent checks had been evidenced.	Without carrying out independent checks on administrative tasks, the risk of fraud or error is increased.	Low	When the internal audit was in progress the team was reminded in the Pension Admin team March meeting that it is important that all checklists are completed in full by both doers and checkers.
Responsible Officer:		Paul Punter, Head of Pensions Administration	**Target Implementation Date:**	Complete

Appendix A

Audit Opinions and Definitions

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

Management Responsibilities

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

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

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

Agenda Item 9

Report to:	**Pension Committee**
Date of meeting:	**16 June 2023**
By:	**Chief Finance Officer**
Title:	**East Sussex Pension Fund (ESPF) 2022/23 Outturn report**
Purpose:	**This report provides the financial outturn of the ESPF for the 2022/23 financial year**

RECOMMENDATIONS

The Pension Committee is recommended to note the report.

1. Background

1.1 This report provides the outturn financial position for 2022/23 for the East Sussex Pension Fund (the Fund or ESPF).

1.2 The business plan and budget sets out the direction of travel, objectives and targets to be achieved in the management of the Fund. The budget and business plan for 2022/23 was approved by the Pension Committee at its meeting on 24 February 2022.

1.3 As reported at the last meeting on 22 February 2023, the budget estimates do not incorporate any provision for investment fees earned by the alternative fund managers since these are deducted at source by asset managers.

2. 2022/23 Final Outturn Position

2.1 The budget requirements for 2022/23 were set **at £7.141m** (£7.205m 2021/22) to support the Business Plan activities and administration of the Fund.

2.2 The final outturn position of 2022/23 is **£5.743** (forecast £5.793m in Q3), a **decrease of £0.050m** from the last reported position. The 2022/23 outturn against budget line items is shown in the table below.

2.3 The underspend mostly relates to other administration projects which have been postponed whilst awaiting clarification from government and manager fees being invoiced lower than anticipated due to negative investment performance in the quarter. These were offset by some increases on staff costs recharges from East Sussex County Council and external audit fees. The main movements to the budget are detailed in Paragraphs 2.4 to 2.7.

2022/23 Outturn Report

2021/22 Outturn £000	Item	2022/23 Budget £000	2022/23 Actual Outturn £000	2022/23 Forecast Outturn Q3 £000	Variance to Previous Quarter £000
	Pension Fund Staff Costs				
1,234	Staffing	1,900	1,483	1,435	(48)
2	Recruitment costs	5	(1)	-	1
1,236	**Sub Total**	**1,905**	**1,482**	**1,435**	**(47)**
	Pension Fund Oversight and Governance				
55	Actuarial	200	125	133	8
57	Employer Actuarial work	80	69	76	7
(38)	Employer recharges	(80)	(76)	(77)	(1)
-	Governance consultancy costs	-	70	60	(10)
-	Communications	42	7	5	(2)
8	Training Costs	30	13	20	7
47	External Audit – Grant Thornton	35	59	24	(35)
279	East Sussex County Council recharges	249	206	184	(22)
56	Legal Fees	78	56	55	(1)
70	Subscriptions and Other Expenses	72	87	81	(6)
534	**Sub Total**	**706**	**616**	**561**	**(55)**
	Investment activities				
216	Investment Advice	135	155	150	(5)
21	ESG Advice	50	24	24	-
139	Custodian	136	101	97	(4)
110	ACCESS	125	117	125	8
3,210	Investment Manager Fee Invoices	2,872	2,175	2,208	33
3,696	**Sub Total**	**3,318**	**2,572**	**2,604**	**32**

2021/22 Outturn £000	Item	2022/23 Budget £000	2022/23 Actual Outturn £000	2022/23 Forecast Outturn Q3 £000	Variance to Previous Quarter £000
	Pension Administration				
150	East Sussex County Council recharges	281	194	198	4
98	System Services and License	346	378	394	16
156	Consultancy & Service Providers - Benefits	100	206	218	12
-	Other Administration projects	150	13	65	52
218	Admin operational support services	289	262	269	7
14	Other Expenses	50	35	52	17
(3)	Other Income	(4)	(15)	(3)	12
633	**Sub Total**	**1,212**	**1,073**	**1,193**	**120**
6,099	**Total**	**7,141**	**5,743**	**5,793**	**50**

2.4 An increase of £48k and £22k is being reported in the outturn for 2022/23 on staffing and East Sussex County Council recharges for overheads, which are linked to staffing costs. This relates to an error on prior quarter budget monitoring that resulted in an accrual for 2021/22 being double counted in the totals, this has been corrected as part of the outturn position.

2.5 The expected expenditure for external audit has increased by £35k, following the receipt of the external audit workplan which advises the fee for 2022/23 is £12k higher than anticipated following prior year estimates. There is an expectation that the 2021/22 audit will also be around £47k however as this is still being undertaken there are unable to confirm the exact amount for 2021/22.

2.6 There is a reduction of £33k in the manager fees based on the values of the assets under management with the respective investment managers being lower than anticipated at the quarter end.

2.7 There is a reduction of a £52k that relates to the other administration projects this covers arrange of projects that were expected to start this year that have not progressed as anticipated. There are different reasons for each project such as the McCloud project is behind schedule with information gathering still taking place. Pension dashboard and member self-service work will take place in late 2023 and 2024.

3. Conclusion and reasons for recommendation

3.1 The Committee is recommended to note the Final 2022/23 outturn position.

Ian Gutsell
Chief Finance Officer

Contact Officer: Russell Wood, Pensions Manager: Investments and Accounting
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Report to:	**Pension Committee**
Date of meeting:	**16 June 2023**
By:	**Chief Finance Officer**
Title:	**External Audit Plan for the East Sussex Pension Fund 2022/23**
Purpose:	**To inform the Pension Committee of the content of the East Sussex Pension Fund external audit plan for 2022/23**

RECOMMENDATION:

The Pension Committee is recommended to note the external audit plan for the East Sussex Pension Fund for 2022/23

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1. Background

1.1 Grant Thornton (GT), as the East Sussex Pension Fund's (ESPF) external auditors, have provided the draft External Audit Plan for 2022/23 (Appendix 1) which provides an overview of the planned scope and timing of the statutory audit of the ESPF Annual Report and accounts and identifies any significant risks.

2. Supporting Information

2.1 The External Audit Plan for 2022/23 identifies a number of risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:

- ISA240: Fraudulent revenue recognition (this presumed risk has been rebutted);
- Fraudulent expenditure recognition (this presumed risk has been rebutted);
- Management override of controls (journals, estimates and transactions);
- Valuation of level 3 investments;

2.2 Page 6 of the plan highlights that the materiality level for the audit has yet to be set. The local GT team have advised that they are working through recent guidance issued by GT to inform the appropriate materiality level.

2.3 We are working with GT to ensure that the audit is completed as close to the 30 September 2023 deadline; however there are significant challenges for the audit sector, particularly from regulatory requirements regarding estimate valuations and the backlog of audits not completed for 2020/21 and 2021/22. There is a strong possibility that the audit will not be completed by the end of September 2023.

2.4 The proposed audit fees for 2022/23 are £46,871 but these have yet to be confirmed by the Public Sector Audit Appointments (PSAA).

3. Conclusion and Recommendation

3.1 The External Audit Plan is presented to the Committee for awareness and noting.

IAN GUTSELL
Chief Finance Officer

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Local Member(s): All
Background Documents
None

East Sussex Pension Fund audit plan

Year ending 31 March 2023

Draft version

East Sussex Pension Fund

May 2023

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Appendix 1

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key matters

National context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment.

The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping in to their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. The Code requires actuarial present value of promised retirement benefits to be disclosed by LGPS Funds. We will carry out additional audit work to gain assurance over the valuation process during the 2022/23 audit fieldwork. This will include:

- Documenting the procedures and controls established by the Pension Fund and actuary to ensure the accuracy of data communicated to the actuary, and the adequacy and appropriateness of the method and assumptions used in the valuation;
- Reconciling the data extracts provided to the actuary to the data in the Altair system; and
- Carrying out detailed testing of the data extract submitted to the actuary to gain assurance over completeness and accuracy.

This work will also allow the Pension Fund auditor to provide assurance to other auditors of participating employers where this is requested.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Key matters

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Chief Finance Officer.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
- Auditing standards assume an inherent risk of management override of control in respect of financial reporting– refer to page 8.
- We have identified a significant risk in regards to the valuation of Level 3 investments specifically as the valuation of these investments is very sensitive to key assumptions – refer to page 9.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of East Sussex Pension Fund ('the Pension Fund') for those charged with governance.

Note that for the purposes of the external audit, those charged with governance is considered to be the Audit Committee. However, key reports and findings from the audit will also be reported to the Pension Committee for the Fund.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of East Sussex Pension Fund. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance the Audit committee.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public sector pensions are safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £**m (PY £42.4m) for the Pension Fund, which equates to *% of your prior year net assets as at 31/03/2022. We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance.

Clearly trivial has been set at £**m (PY £2.1m).

Audit logistics

Our audit planning work was completed in March/April 2023 and the date of our final fieldwork visit is in discussion between our team and your Finance Team. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor’s Annual Report.

Our proposed fee for the audit will be £46,871 (PY: TBC) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers. Note we have not yet completed the 2021/22 audits of the County Council and Pension Fund financial statements for the reasons reported in our Audit Findings Reports at Audit Committee (therefore the final fee for 2021/22 remains TBC)

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 fraudulent revenue recognition	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; • The culture and ethical frameworks of local authorities, including East Sussex Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for East Sussex Pension Fund.	Significant risk rebutted.
Fraudulent expenditure recognition	We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We were satisfied that this did not present a significant risk of material misstatement in the 2022/23 accounts as: • The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; • We have not found significant issues, errors or fraud in expenditure recognition in the prior 3 years audits; • Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. Therefore we do not consider this to be a significant risk for East Sussex Pension Fund.	Significant risk rebutted.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.	We will: • Evaluate the design effectiveness of management controls over journals; • Analyse the journals listing and determine the criteria for selecting unusual journals; • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£944 million) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023. We therefore identified valuation of Level 3 investments as a significant risk.	We will: • Evaluate management's processes for valuing Level 3 investments; • Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; against the requirements of the Code; • Independently request year-end confirmations from investment managers and custodian; • For a sample of investments, test the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period; • In the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • Where available review investment manager service auditor report on design effectiveness of internal controls.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other matters

Other work

The Pension Fund is administered by East Sussex County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
    - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
    - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
    - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on a proportion of the net assets as at 31/03/2022 for the Pension Fund. Materiality at the planning stage of our audit is £**m (PY £42.4m), which equates to *% of your net assets as at 31/03/2022. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes; and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. We have not identified any areas of the accounts which we consider to be material by nature, and therefore we have not applied any lower areas of materiality for the audit.

Our approach to materiality (continued)

Matter	Description	Planned audit procedures
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £**m (PY £2.1m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 15.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
SAP	Financial reporting, General Ledger	• Complete ITGC design assessment (see page 15 for further information)
Altair	Pensions Administration	• Complete ITGC design assessment (see page 15 for further information)

Audit logistics and team

Audit Planning visit
March-April 2023

Pension Board
Audit Plan
30 May
2023

Pension Committee
Audit Plan
16 June
2023

Audit Committee
Audit Plan
7 July 2023

Year end audit
TBC

Audit Committee
TBC
Audit Findings Report

Governance Committee
TBC
Audit Findings Report

Audit Opinion

Audit committee
TBC
Auditor's Annual Report

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Darren Wells, Key Audit Partner

Darren will be the main point of contact for the Chair, the Chief Executive and Members. Darren will share his knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with the Corporate Management Team and Audit Committee. Darren will ensure our audit is tailored specifically to you and is delivered efficiently. Darren will review all reports and the team's work focussing his time on the key risk areas to your audit.

Andy Conlan, Audit Manager

Andy will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Andy will attend Audit Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Andy will work with Internal Audit to secure efficiencies and avoid duplication.

Zolani Mzinani, Assistant Manager

Zolani will support Andy in coordinating the audit, and will oversee particular technical areas of the audit deliver and significant risks. Zolani will also attend Audit Committee.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report, Annual Governance Statement and Pension Fund Annual Report
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for East Sussex Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £x. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that. Note that all fees and fee variances are reviewed and approved by Public Sector Audit Appointments (PSAA).

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf.

Audit fees

	Estimated Fee 2021/22	Proposed fee 2022/23
East Sussex Pension Fund Audit	£38,487 Note 1	£46,871 Note 2
Total audit fees (excluding VAT)	£TBC	£46,871

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Note 1 – As stated on page 6, we have not yet completed the audits and signed the audit opinions for the County Council and Pension Fund financial statements 2021/22, for reasons communicated in the Audit Findings Report to Those Charged with Governance. We therefore will communicate a confirmed fee variance for the delays/additional work incurred in the audit once this work is completed. Note that all fees and fee variances are reviewed and approved by Public Sector Audit Appointments (PSAA).

Note 2 – see the breakdown of the 2022/23 Proposed Fee on page 17.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees –detailed analysis

Scale fee published by PSAA	£24,237
Ongoing increases to scale fee first identified in 2019/20	
Raising the bar/regulatory factors	£5,534
New issues for 2020/21	
Impact of new auditing standards	£13,600
New issues for 2022/23	
Payroll – Change of circumstances	£500
Impact of ISA 315 – see page 15	£3,000
Total audit fees (excluding VAT)	**£46,871**

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Other services

The following other services provided by Grant Thornton were identified. The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Provision of IAS 19 Assurances to Scheme Employer auditors	5,000 (plus £1,000 for each assurance letter to be issued)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as this fee in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall is not material. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	TBC		

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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Report to:	**Pension Committee**
Date of meeting:	**16 June 2023**
By:	**Chief Finance Officer**
Title:	**Pension Fund Risk Register**
Purpose:	**To consider the Pension Fund Risk Register**

RECOMMENDATIONS:

The Pension Committee is recommended to review and note 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 A1 has been updated to reflect the use of a skills matrix to help identify where Pensions Administration Officers require training around specific processes and procedures.

4. Conclusion

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

IAN GUTSELL
Chief Finance Officer

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

Appendix 1

Summary Post Mitigation Risk scores

Reference	Strategic Risk	Feb-22	Jun-22	Sep-22	Nov-22	Feb-23	May-23	Change from February
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	↔
E2	**Employer data** Employers fail to provide accurate and timely data to the PAT team	9	9	9	12	12	12	↔
E3	**Employer Covenant** Delay in employers agreeing Admission Agreement, risk of insufficient security	4	4	4	4	4	4	↔
Administration								
A1	**Pensions service Delivery** Inadequate delivery of Pensions Administration	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	↔
A3	**Production of Statutory member returns** Risk of failure to produce ABS, annual allowance and event reports	6	6	10	10	10	10	↔
A5	**Transfer Scams** Failure to comply with CETV anti scam checks	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	↔
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	↔
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	↔
G3	**Cyber Security** Risk of Loss of data or systems breaches through cyber attacks	8	8	8	8	8	8	↔
G4	**Governance and Compliance** Inadequate governance arrangements and controls to discharge powers & duties	3	3	3	3	6	6	↔
G5	**Data Breach** Failure to comply with General Data Protection Regulations	4	4	4	4	4	4	↔
G6	**Fraud** Internal and External fraud risk	3	6	6	4	4	4	↔
Investment/Funding								
I1	**Funding risk - poor investment returns** Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	4	4	4	4	4	4	↔
I2	**Changes to International Trade** The changing of Regulations and International Trading relationships along with the trading environment, impact on investments in affected businesses	4	4	4	4	4	4	↔
I3	**Regulatory risk** Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	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	↔
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	↔
I6	**Environmental, Social and Governance** Risk of EGS factors within Investment strategy, underlying holdings and implementations of investment decisions	4	4	4	4	4	4	↔
I7	**Climate change** Risk to assets and liabilities associated with Climate Change	4	4	4	4	4	4	↔
I8	**Liquidity** Insufficient cash to pay benefits as they fall due	4	4	4	4	4	4	↔

Ref	Strategic Risks	Pre-mitigation RAG	Risk Control / Response	Post-mitigation RAG	Risk Owner
Employer Risk					
E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	9	•Monthly Employer contribution monitoring completed •Monitoring of late payments by Employer engagement team to address breaches for late payment. Chasers are sent out during the lead up to the deadline to prompt employers providing information and payment on time •Contributions recorded in Finance system 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 provided •Report produced for Pensions Board meetings to highlight any late payment of contributions and Employer engagement actions from February 2021 •Covenant review undertaken helps identify employers most likely to have financial difficulties. Engagement with those posing most risk is ongoing •Triennial valuation process aims to stabilise contribution rates where possible and senior management involved in detailed discussions on funding assumptions. 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 drafted for approval 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	•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 Further Red level risk responses - (See exempt risk register for more information) This risk is currently ranked as a red risk due to recent failure by one large employer to provide data to the Fund. A plan is being discussed with the employer to resolve the data issues and produce statutory returns for effected members. S151 has met with the employers CFO to address issues and the Fund will help the employer. The employer has been reported to the regulator. The Fund will work closely with other employers and in particular with large employer i-Connect onboarding the engagement and i-Connect team will be able to manage expectations based on knowledge of how bad the data matching can be and programme required to resolve.	12	Head of Pensions

E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security	6	•Full suite of admission agreements in place to ensure the Fund can provide comprehensive admission agreements at the outset of negotiations in line with the risk sharing arrangements agreed with the letting employer. New templates have been developed for pooling rate. Fixed rate template and Bond template in place. These templates are shared with the employers early in the process to speed up the agreeing of new admission agreements •The Fund will consider moving to a template portal which will automatically populate the variable data in the admission agreement ensuring no addition terms are changed and provides assurance from external legal term that the agreement is comprehensive and enforceable. However, the functionality is not yet sufficient to make the processes easier for letting employers and contractors •Guide to outsourcing is publicly available and distributed to all employers with coverage in both Employer forum in November 2020 and 2021. This guide directs employers of all the activities and considerations they need to take on any outsourcing arrangement with TUPE staff implications •Officers meet regularly to review status and movement on each in progress admission and an update is provided at team meetings monthly to ensure the admission is complete and effective at all stages •A new data flow and process map has been written to ensure officers request and communicate all the required information in a timely manner and on execution of the agreements data is required in line with the Administration strategy •Admissions in progress are reported quarterly to Board and Committee to ensure awareness of status	4	Head of Pensions

Administration

A1	Pensions service Delivery The scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including the result of poor data	9	•The PAT team is an in-house provision since December 2020 and enables the management team to have complete control over service delivery •Annual internal audit report on the administration of pensions including regular reporting and monitoring of "red" recommendations to ensure the service is acting in line with best practice. The Fund has received reasonable assurance since bring inhouse •Quarterly Reports to Pension Board and Committee on areas of work and KPIs •New service level KPI's now reportable within the Administration software •Awareness of the Pension Regulator Guidance by all team members, with training provided at team meetings or through provision of courses •Task workflow is managed by the Senior Pension Officers to all PAT staff and helpdesk add all tasks to the workflow system, to ensure all tasks completed as planned and to a high standard. PAT staff also add tasks as appropriate. •Checklists in place and all activity impacting members recorded on member records for other teams members to access •All tasks are peer reviewed. Constant monitoring / checking by team managers and senior officers for more junior staff members •In house risk logs covering projects •SAP / Altair reconciliation monthly to ensure pension payment records complete and correct •Task management systems built into Altair to ensure activity is completed and monitored •Pension meetings held monthly to include S151, COO, IT and Business Admin to ensure other ESCC services are working effectively to ensure the Pensions team can work effectively •Pensions Admin working group in place to discuss service delivery issues on a regular basis •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	•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	•Regular contact with employers to get data •Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for distribution to staff •Roll out of I-Connect for employer roll out as monthly interfaces system, to ease year end requirements and correct errors throughout the year. Currently many leavers are not being notified until year-end. This will also cleanse data relating to Annual Allowance •Structure of Pensions team includes Employer Engagement team to support Pensions Administration Team with end of year returns liaising and supporting employers through the process •Breaches policy in place and Breach reporting to Committee and Board quarterly to raise and consider breach reporting levels Further Red level risk responses - This risk is currently ranked as a red risk due to recent breaches in this area due to failure from one employer to provide data to the Fund. A plan has been proposed with the employer to resolve the data issues and produce statutory returns for effected members. S151 has met with the employers CFO to address and the Fund will help the employer over the coming months. The employer has been reported to the regulator.	10	Head of Pensions Administration
A5	Transfer Scams Failure to comply with CETV anti scam checks	6	•Process in place for making checks required by law and/or recommended by TPR. Appropriate training to be identified and offered to staff to build understanding of risk and appropriate mitigations •Process mapping process has taken place to ensure transfers are fully documented with clear guidance to staff in carrying out this activity •Member informed of "red flags" identified •Scorpion campaign material provided to members seeking a CETV •Quality assurance checks ensure appropriate checks carried out	2	Head of Pensions Administration

A7	MBOS Project Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	6	•Officers are part of the project roll out and involved in testing. Needs of the Pension Fund are therefore being considered •Officers produced process mapping for all functions within the existing finance system •A specific stream of planning has been identified in the project for the interface with Altair •S151 officer on the programme board •Heywood's paid to produce a scheme specific payroll data output report for transfer to Oracle	3	Head of Pensions
Governance					
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	12	•Diversified staff / team •Attendance at pension officers' user groups to network and exchange information •Procedural notes which include new systems, section meetings / appraisals •Succession planning within team structure, building from within the team •Robust business continuity processes in place around key business processes, including a disaster recovery plan •Knowledge of all tasks shared by at least two team members within PAT and in addition can be covered by senior staff in all areas •Training requirements are set out in training strategy, job descriptions and reviewed 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 •Utilisation of apprenticeships allow for bring new staff into to train in advance of vacancies	4	Head of Pensions / Head of Pensions Administration
G2	Committee / Board Member Lack of decision making caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	9	•Record kept of terms of Office •Pension Board terms of Office staggered •Vice Chairs in place to cover chair absence •Officers aware of election cycles and request for officers as a prefernec over elected members is communciated to employers •Robust Terms of refernce in place that is clear and comprehensive •Training plans in place for new members	9	Head of Pensions
G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	16	• ICT defence - in-depth approach. • Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols. Network activity is monitored to identify security threats. • Email and content scanners • Using anti-malware which is regularly updated, together with other protective software • ICT performs penetration and security tests on regular basis • Encryption used on all data transfers • Service level agreement with termination clause • Regular reports SAS 70/AAF0106 • Industry leaders providing services to the fund with data protection and cyber defence systems • Risk assessment completed with all new contracts with data transfer and new associated systems including penetration testing at outset • Pensions Team specific BCP in development • Engagement with ICT to understand and receive reports on monitoring for successful cyber attacks. Cyber training is provided to all staff around techniques and methods used to launch cyber attacks	8	Head of Pensions

G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	9	•Training strategy in place which covers Pension Committee, Pensions Board and officers •100 days of internal audit commissioned for each calendar year 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	6	Head of Pensions
G5	Data Breach Failure to comply with General Data Protection Regulations	9	•Contracts with external parties where there is a data role have clear terms and conditions as part of the data processing agreements •Data Impact assessment is carried out on all new tenders where data is involved •DPO is in place via ESCC •Privacy notice is on the website - the privacy statements have been refreshed in August 2021 and April 2022 •Memorandum of Understanding in place with employers within the fund •All staff are required to complete an information governance course on joining the Council and this is refreshed annually •Information governance Internal audit completed in Q4 2020/21 with a reasonable assurance level and all recommendations were completed •Pensions Manager for Governance and Compliance completed review on GDPR in Q4 2020/21 resulting in a newly designed webpage, new privacy notices and change to the retention period	4	Head of Pensions
G6	Fraud Internal and External fraud risk	12	•Quarterly review of log in credentials •Senior officers have sight of bank account •Senior officers are signatories to bank account •Multiple sign off needed to make payment •Mortality checks, Tell us once and NFI data •Contract in place with a third party to support with mortality and address training	4	Head of Pensions

Investment/Funding					
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	•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
I2	Changes to International Trade The changing of Regulations and International Trading relationships along with the trading environment, impact on investments in affected businesses	9	•Diversification of the Fund's investments across the world •Regular monitoring of investment performance and reports on potentially problematic trends •Diversification of the Fund's investments across multiple asset classes •Currency Hedging requirements considered within the investment strategy •Officers receive regular briefing material on regulatory changes and attend training seminars and ensure any regulatory changes are implemented	4	Head of Pensions
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	9	•Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures •Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations •Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers •Internal Audits - carried out in line with the Pension Audit strategy •External Audit review the Pension Fund's accounts annually •Specialist legal advisers to provide clear and accurate advice to the Fund on point of law or regulation •Breaches policy in place to ensure breaches mapped and reported	2	Head of Pensions

I4	Investment Pooling Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	16	•ACCESS Support Unit team provide support to the pool •Operator contract provided by Link for assets held within the ACS •The ACCESS Contracts Manager will monitor Link's progress closely. If Link cannot resolve issues in a reasonable timeframe, then alternative options may be considered, e.g. Funds may continue to hold the sub fund outside the ACS •KPI's introduced within revised operator agreements •Consultants involved in analysing the creation of sub-funds and transitioning of 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 Further Red level risk responses (See also exempt risk register for more details) Risk rating increased due to a commulation of various smaller factors relating to the operator Link Fund Solutions going through a sale process, the market conditions around transitioning of illiquid assets onto possible ACCESS solutions in the near term, a delay in government guidance and a number of projects and work that will require a draw on resources to impliment. The Fund will work with the ACCESS pool and participating Funds to work through market conditions and uncertaintly around the anticipated government pooling consulation and help ensure the business plan and actions stay on track with a drive to increase investment on the ACCESS pool where possible.	12	Head of Pensions
I5	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	12	•Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation •Potential to further increase infrastructure weightings •Fund monitor portfolio sensitivity to inflation via expert investment consultants •Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation •Flexibility in the DGF mandates to react to the market and adapt the investment portfolio •Report received in Feb 22 on inflation possibilities with possible actions to take int eh medium term. To be considered as part of the strategy review day •Quarterly monitoring of funding position helps identify risk early •2022 Triennial Valutaion currently underway - inflation models used to extimte the average inflation across a 20 year time horizon, including consideration of the current high inflation environment	6	Head of Pensions
I6	Environmental, Social and Governance Risk of EGS factors within Investment strategy not being properly considered affecting underlying holdings and implementations of investment decisions	6	•Statement of Responsible Investment Principles outline investment beliefs within ESG, implementation of decisions and monitoring of EGS factors •Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions •Trim unconscious exposure to companies with poor ESG rating through removal of traditional index funds ensuring active managers have a strong conviction in the underlying companies including on ESG matters and less traditional passive indexes / smart beta funds have robust screening processes in place to ensure ESG principles are taken into account •Tracking of the portfolio as underweight in fossil fuel exposure to benchmarks •Production of annual reports on the carbon footprint of the Fund and review of managers from EGS 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 •Challenging managers on their holdings with regard ESG issues •Introduction of an ESG impact assessment for all managers reported in July 2021 including improvement actions for each manager on ESG methodology, reporting or collaboration. This will be updated and reported annually •Engaging via managers and investor groups including LAPFF with companies and driving them forward to comply with key ESG concerns using the greater voice by combined investment power	4	Head of Pensions

I7	Climate change Risk to assets and liabilities associated with Climate Change	12	•Statement of Responsible Investment Principles (SIRP) outlines investment beliefs including Climate Risk. The Fund take the SRIP into account for implementation of decisions and monitoring of investment managers, carbon emissions and climate risk to the Fund •Investment Working Group and ESG working group consolidated into a single group to ensure ESG is in the heart of all investment decisions •Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective •The Fund are able to exploit opportunities from the low energy transition by investing in climate impact funds and resource efficient companies •The Fund has trimmed unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through removal of traditional index funds •Member of Institutional Investors group on climate change (IIGCC), the Fund also expects its managers to be IIGCC members •The Fund carries out annual carbon foot printing to better understand the carbon exposure and energy transition plans within the portfolio. Additionally, the Fund carries out ESG impact assessment of all investment managers which includes a climate score. •Signatory to UN PRI with first planned submission in 2023 (as no 2022 submission window) •Commitment to report TCFD's with a first attempt published in the 2021 Annual Report and improevement in 2022 annual report •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.	4	Head of Pensions
I8	Liquidity Insufficient cash to pay benefits as they fall due	8	•Contributions monitored on monthly basis •Monitoring of members close to retirement •Daily cash position monitored •Distributing investments to ensure stream of income from investment activity •Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed •Liaison between administration and investment team on cash requirements •Cash Management internal audit completed in Q3 2022/23 and will be picked up in the 2023/24 IA plan for further review	4	Head of Pensions

Risk Register Risk Scores

The risk scores are calculated using the risk matrix below:

90-100%	This week	Very High	LIKELIHOOD	5	5	10	15	20
60-90%	This Month	High		4	4	8	12	16
40-60%	This year	Medium		3	3	6	9	12
10-40%	Next 5 years	Low		2	2	4	6	8
0-10%	Next 10 years	Very Low		1	1	2	3	4
					1	2	3	4
					IMPACT			
					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 Committee**
Date:	**16 June 2023**
By:	**Chief Finance Officer**
Title of report:	**Investment Report**
Purpose of report:	**This report provides Pension Committee with an update on the investment activities undertaken by the East Sussex Pension Fund.**

RECOMMENDATION

The Pension Committee are recommended to note this report.

1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other 'scheduled bodies' as defined in the Regulations. The Pension Committee is required to maintain an Investment Strategy Statement (ISS) to govern the Funds' investments and receives a quarterly investment monitoring report, from its investment consultant, Isio.

1.2 The ACCESS Joint Committee has been established as a result of the changes implemented in the 2016 LGPS Investment regulations to facilitate the arrangements relating to the collective investment vehicles, to allow the administering authorities to pool their respective investments. The ACCESS Joint Committee meets quarterly.

2. Investment Workplan

2.1 Appendix 1 shows a workplan which will act as a reference point of all actions agreed at Pension Committee meetings and the forward investment plan.

2.2 The main focus over the next 12 months is:

- review of the strategic asset allocation post the triennial valuation;
- Engagement v Divestment implications report;
- ongoing review into and undertaking of ESG analysis for the Fund including further investigation into climate scenarios;
- implementation of remaining/amended investment strategy changes not yet implemented including private debt and inflation linked property; and
- Creation of climate and stewardship reporting

3. Quarterly Performance Report

3.1 The Quarterly Performance Report for Q1 2023 is attached as Appendix 2. Since the last reported position, the valuation of the Fund has increased from £4.496bn as at 31 December 2022 to £4.564bn as at 31 March 2023 (an increase of £0.068bn). This performance reflects a positive absolute return of 1.5% in the quarter to March. However the Fund underperformed its benchmark in the period by -1.5%.

3.2 Performance across the Fund's mandates showed significant divergence in returns over the period, with the performance of illiquid assets continuing the see write downs while the public market posted positive returns. With the Fund's fixed income mandates continuing to perform well.

3.3 UBS Osmosis, Storebrand, M&G infrastructure and Atlas provided strong absolute (5.5%, 5.1%, 4.0% and 6.5% respectively) and relative returns (0.7%, 0.3%, 2.2% and 7.8%) returns for the quarter. With Adams Street, Harbourvest and Schroders providing both negative absolute (-2.6%, -3.6% and -4.7% respectively) and relative returns (-7.4%, -8.4% and -4.5%).

3.4 Despite negative returns over recent quarters, longer term returns at Fund level remain strong, with equity assets adding significant value over the last decade, and unhedged exposure also having benefited from the depreciation in Sterling.

4. PIRC Local Authority Indicators

4.1 The Fund receives a report from PIRC looking at a universe of local authority pension funds (67 pension funds with assets under management of £120bn) and provide indicators on performance (appendix 3). PIRC advise that the fiscal year results are looking to be in the region of -3.5% for the average LGPS fund. The three year performance is high at almost 9% pa and includes the market rebound from COVID in Q2 2020 but not the market fall of Q1 of that year. PIRC expect average equity returns to remain below the major indices as they did in 2021/22, as active managers continue to struggle to add value.

5. Wellington update

5.1 On 29 March 2023 the Fund was updated by Wellington about a data breach and some upcoming changes to the portfolio management of our investment.

Data Breach

5.2 A data breach was made by an employee of Accenture, who was on engagement in the Wellington Regulatory Technology Team. The Accenture employee attempted to remove copies of technical projects that they had been working on while at Wellington; in order to achieve this they deliberately circumvented the manager's internal controls around file transfer services.

5.3 The consultant has maintained that the attempted file transfer was not successful; however Wellington treated the incident as if the information may have been exposed. The files included some client information, such as transactions and LEI numbers. However, no personally identifiable information or portfolio holdings information appeared in the data. Wellington are currently reviewing the steps needed to decrease the potential for this type of activity in the future.

5.4 Isio View: Overall, we have gained comfort from the swift identification of and response to the issue triggered by Wellington's internal controls. We are also comfortable that no material personal client information was released during the incident. Finally, we are happy with the way Wellington have communicated, investigated, and dealt with the situation.

Portfolio Management

5.5 Jason Goins will be moved into a co-portfolio manager (PM) role on the Global Impact fund, alongside Tara Stilwell, in April (Tara will remain the lead, with ultimate power over decision making); after 3 months, Tara will remain co-PM, but Jason will move into having ultimate decision-making power. This structure will then run until October 2023, with Jason taking the lead portfolio manager position thereafter. Tara will remain on the team as back-up portfolio manager going forward.

5.6 Currently, Tara has several responsibilities outside of the Global Impact team and it was conveyed that this was a key contributor to her moving to the position of back-up PM (with Wellington specifically noting Tara's reduced time available to spend on the Global Impact fund going forward). The key change in her responsibilities is an upcoming move into a role as Head of the Global Opportunities team.

5.7 From Isio's discussions with Wellington, they understand that Jason has held a senior role within the Global Impact investment team since 2018, running the daily team meetings, and contributing materially in terms of stock level performance. Jason has circa. 19 years' industry experience (circa.16 with Wellington); however, he has never held a portfolio manager position before.

5.8 Wellington have confirmed that there will be no change to the investment philosophy or process of the fund, but also that there are no imminent plans to hire any additional resource into the Impact team.

5.9 Isio are continuing to liaise with the manager around certain aspects of the change, on which they wish to have further detail and will share a formal view on the changes in due course.

6. Funding level update

6.1 Barnett Waddingham have provided a funding update report as at 31 March 2023 Appendix 4. This shows that the expected funding level of the Fund has decreased since 31 March 2022 valuation point (123%) and is now expected to be around 121%.

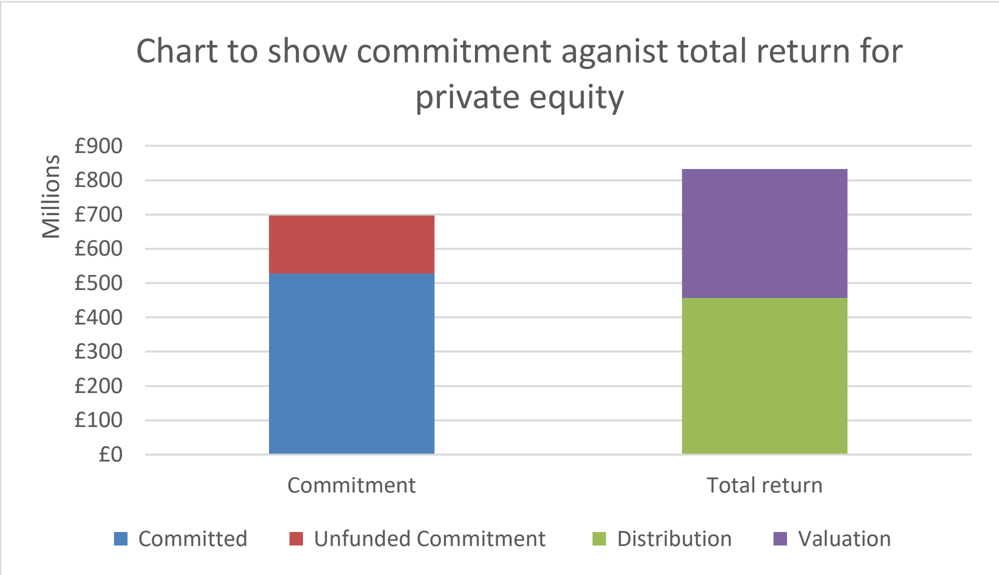
7. Private equity valuations

7.1 Private equity investments made by the Fund have been through fund of fund vehicles. This is where the investment is to an investment manager who in turns invests in a broad range of underlying private equity funds. These underlying managers then invest directly into the underlying companies. This structure has a inherent lag in valuations (around 3 to 6 months) and in turn performance compared to the wider public market. The basis for these valuations are the historic performance of the companies as opposed to discounted future cash flows that a public stock tends to be valued on.

7.2 The Fund invests in close ended fund's (where there is a predetermined life usually 15 years). The Fund commits a monetary value to the investment manager that can be called at any time to invest. These managers tend to have an investment stage (usually 5 years) where they are looking to invest; a growth stage where they look to grow the assets; then a maturity stage when they look to sell assets and return capital. Distributions are returned through the various stages and often begin around 2 years from first investment.

7.3 The Fund has been looking into the valuations of private equity managers compared against the amount committed values to these investments following discussion at Pension Committee in February 2023 where it was noted the actual asset allocation was overweight.

7.4 The chart below shows the total committed to private equity in Sterling (£697m) broken down by that which has been called to invest (£528m) and that which is yet to be called (£169m). Alongside the return that we have received to date in distributions (capital returned to us of £457m) and remaining valuation of the holding (£375m).



7.5 Of the £528m the Fund has invested in private equity, £457m has been received back which equates to 86.6% of cash invested has been returned The remaining invested capital is looking to return £375m over the next 10 to 15 years.

8. ACCESS Update

8.1 Since December 2016 the East Sussex Pension Fund has been working with 10 other administering authorities through the investment pooling arrangement called ACCESS. On the 31 December 2022 there was £23.1bn invested in the authorised contractual scheme (ACS) managed by the pool operator Link Fund Solutions, with a further £9.4bn invested in the UBS passive ACCESS governance arrangements. East Sussex had a total of £2.3bn in ACCESS governed investments, £1.9bn across six ACS sub-funds and a further £0.3bn through the UBS passive arrangement.

8.2 The formal Joint Committee was held on 5 June 2023 the agenda is provided at appendix 5 and the following items are highlighted:

- An update on the activities that were achieved against the original business plan and outturn spend for the year were provided. The spend came in at £1.175m for 2022/23, £0.191m underbudget. This equates to a cost to the Fund of £0.106m for the year.
- The Joint Committee accepted the recommended 2023/24 budget to support the business plan from Section 151 Officers (totalling £1.559m or £142k per council).

9. Conclusion and reasons for recommendation

9.1 Investments are regularly monitored to ensure that the Fund's strategic asset allocation set out in the Fund's Investment Strategy Statement (ISS) is being complied with and to keep the Committee informed of any significant concerns with the investment managers, retained to implement the Fund's strategic asset allocation.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Russell Wood, Pensions Manager Investments and Accounting

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12 month workplan

Notes:
PRI are not accepting submissions in 2022, next submission date Jan-Mar 2023

June 2023
- Q1 2023 monitoring report

July 2023
- Investment Strategy Review Day
- Divestment implication report
- Carbon Foot printing report

September 2023
- Q2 2023 monitoring report
- ISS review following strategy day discussions
- Private Credit implementation
- Stewardship code Report
- ESG impact assessment

November 2023
- Q3 2023 monitoring report
- Implementation on ISS changes
- TCFD report

February 2023
- Q4 2022 monitoring report
- PRI Submission results

Jun 2023 | Jul 2023 | Sep 2023 | Nov 2023 | Feb 2023

East Sussex Pension Fund

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East Sussex Pension Fund

Investment Performance Report

Quarter to 31 March 2023

Isio Investment Advisory

isio.

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Highlights

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Executive Summary – 31 March 2023

Access Pool	Fund	Q1 2023 Performance			Value at Quarter End	
		Fund	Benchmark	Relative	31-Dec-22	31-Mar-23
Yes	UBS Osmosis – Sustainable Equity	5.5%	4.8%	+0.7%	£224.7m	£237.0m
Yes	Longview - Global Equity	4.2%	4.8%	-0.6%	£533.5m	£555.7m
No	WHEB – Sustainable Equity	4.0%	4.8%	-0.9%	£213.4m	£221.8m
No	Wellington – Sustainable Equity	1.1%	4.4%	-3.3%	£219.7m	£222.1m
No	Storebrand – Sustainable Equity	5.1%	4.8%	+0.3%	£476.7m	£501.2m
Yes	Baillie Gifford – Global Equity	4.6%	4.4%	+0.2%	£179.0m	£187.3m
No	Harbourvest – Private Equity [1,2]	-2.6%	4.8%	-7.4%	£180.0m	£179.5m
No	Adams Street – Private Equity [1,2]	-3.6%	4.8%	-8.4%	£201.0m	£195.7m
Yes	Newton – Absolute Return	-0.8%	1.6%	-2.5%	£343.8m	£340.9m
Yes	Ruffer - Absolute Return	-1.3%	1.6%	-2.9%	£485.3m	£478.9m
No	Schroders – Property	-4.7%	-0.2%	-4.5%	£369.1m	£348.8m
No	UBS – Infrastructure [2]	0.9%	1.8%	-0.9%	£36.5m	£36.3m
No	Pantheon – Infrastructure [2]	1.5%	1.8%	-0.3%	£87.8m	£81.2m
No	M&G – Infrastructure [2]	4.0%	1.8%	+2.2%	£50.9m	£53.0m
No	IFM – Infrastructure [3]	1.8%	1.9%	-0.1%	-	£234.1m
No	ATLAS - Listed Infrastructure	6.5%	-1.3%	+7.8%	£94.8m	£100.9m
No	M&G – Real Estate Debt [2]	3.5%	2.0%	+1.5%	£35.2m	£43.0m
Yes	M&G – Diversified Credit	1.8%	1.7%	+0.1%	£287.9m	£293.2m
Yes	M&G - Corporate Bonds	3.0%	2.8%	+0.2%	£120.1m	£123.6m
Yes	UBS - Over 5 Year Index-linked Gilts	5.0%	4.9%	+0.1%	£89.3m	£93.8m
	Total Assets	1.5%	3.0%	-1.5%	**£4,496m**	**£4,564m**

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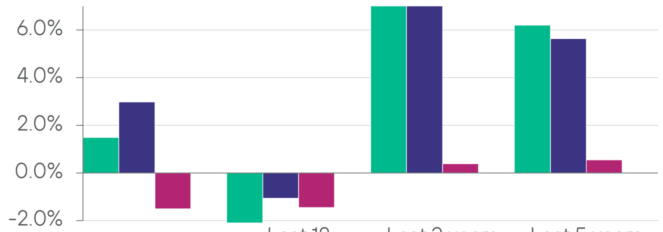
Period returns – to 31 March 2023



	Q1 2023	Last 12 months	Last 3 years (p.a.)	Last 5 years (p.a.)
Scheme Return	1.5%	-2.5%	9.6%	6.2%
Benchmark Return	3.0%	-1.1%	9.2%	5.7%
Relative	-1.5%	-1.5%	0.4%	0.6%
Sample 60:40 Portfolio	3.5%	-5.0%	7.8%	6.0%

Commentary

- The Fund's assets delivered a positive absolute return over the quarter, returning 1.5% but underperforming the benchmark return of 3.0% by 1.5%.
- The public equity market managers posted positive returns but were mixed in terms of relative performance.
- The Fund's illiquid holdings in private equity, which had performed very strongly over the majority of 2022 continued to see write downs in performance as underlying asset valuations fell more in line with their public market equivalents.
- The various credit mandates also continued to perform well will all mandates positive in both absolute and relative terms and the Schroders property mandate posted a material negative return for the second quarter in a row.
- The longer term returns at Fund level remain strong, with equity assets adding significant value over the last decade, and unhedged exposure also having benefited from the depreciation in Sterling.

The asset portfolio delivered a positive return of 1.5% over Q1, underperforming the benchmark by 1.5%.

The public equity market managers posted positive returns but were mixed in terms of relative performance.

The Fund's illiquid holdings in private equity, which had performed very strongly over the majority of 2022 continued to see write downs in performance.

The various credit mandates also continued to perform well.

Note: Sample 60:40 portfolio consists of 60% allocation to MSCI ACWI and a 40% allocation to a bond portfolio split 20% in BofA Merrill Lynch Global Corporate Index, and 10% in FTSE Gilts (all maturities) and FTSE Index Linked Gilts (all maturities) respectively, with all portfolio returns unhedged in GBP terms.

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 March 2023. Fund Total value includes cash held with Northern Trust. [1] Valuation and performance information as at 31 December 2022. [2] Valuations shown are either 3m or 6m lagged and adjusted for distributions / drawdowns and currency movements. [3] Part period performance shown since inception to end of quarter

Source: Investment Managers, Northern Trust, Isio calculations.

Manager Performance – 31 March 2023

Fund	Q1 2023 Performance			1 Year Performance			3 Year Performance			5 Year Performance		
	Fund	Benchmark	Relative	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative
UBS Osmosis – Sustainable Equity	5.5%	4.8%	+0.7%	-0.5%	-1.0%	+0.5%	-	-	-	-	-	-
Longview - Global Equity	4.2%	4.8%	-0.6%	5.7%	-1.0%	+6.7%	18.0%	16.5%	+1.5%	10.4%	10.3%	+0.1%
WHEB - Sustainable Equity	4.0%	4.8%	-0.9%	-3.6%	-1.0%	-2.6%	-	-	-	-	-	-
Wellington – Sustainable Equity	1.1%	4.4%	-3.3%	-6.8%	-1.4%	-5.3%	-	-	-	-	-	-
Storebrand – Sustainable Equity	5.1%	4.8%	+0.3%	-1.8%	-1.0%	-0.8%	-	-	-	-	-	-
Baillie Gifford – Global Equity	4.6%	4.4%	+0.2%	-5.1%	-1.4%	-3.7%	-	-	-	-	-	-
Harbourvest – Private Equity[1]	-2.6%	4.8%	-7.4%	1.9%	0.1%	+1.8%	24.7%	17.1%	+7.7%	21.8%	11.1%	+10.8%
Adams Street – Private Equity[1]	-3.6%	4.8%	-8.4%	-8.5%	0.1%	-8.6%	24.8%	17.1%	+7.8%	21.2%	11.1%	+10.1%
Newton – Absolute Return	-0.8%	1.6%	-2.5%	-3.5%	5.2%	-8.8%	5.0%	3.6%	+1.4%	3.7%	3.3%	+0.4%
Ruffer - Absolute Return	-1.3%	1.6%	-2.9%	0.2%	5.2%	-5.0%	9.7%	3.6%	+6.1%	6.6%	3.3%	+3.3%
Schroders – Property	-4.7%	-0.2%	-4.5%	-11.5%	-14.5%	+3.0%	3.1%	2.6%	+0.5%	2.6%	2.5%	+0.1%
UBS – Infrastructure	0.9%	1.8%	-0.9%	14.4%	12.1%	+2.3%	-0.4%	7.9%	-8.3%	3.0%	5.8%	-2.8%
Pantheon – Infrastructure[1]	1.5%	1.8%	-0.3%	22.6%	12.1%	+10.6%	13.9%	7.9%	+6.0%	-	-	-
M&G – Infrastructure	4.0%	1.8%	+2.2%	11.6%	12.1%	-0.4%	9.7%	7.9%	+1.8%	-	-	-
IFM – Infrastructure	1.8%	1.9%	-0.1%	-	-	-	-	-	-	-	-	-
ATLAS – Listed Infrastructure	6.5%	-1.3%	+7.8%	5.2%	-1.2%	+6.4%	-	-	-	-	-	-
M&G – Real Estate Debt	3.5%	2.0%	+1.5%	-1.3%	6.7%	-8.0%	1.9%	5.1%	-3.2%	-	-	-
M&G – Diversified Credit	1.8%	1.7%	+0.1%	1.9%	5.7%	-3.8%	6.9%	4.1%	+2.7%	3.0%	3.8%	-0.8%
M&G - Corporate Bonds	3.0%	2.8%	+0.2%	-16.9%	-16.8%	-0.1%	-5.0%	-5.7%	+0.6%	-1.5%	-2.1%	+0.7%
UBS - Over 5 Year Index-linked Gilts	5.0%	4.9%	+0.1%	-30.5%	-30.4%	-0.1%	-9.3%	-9.2%	-0.0%	-4.2%	-4.1%	-0.0%
Total Assets	1.5%	3.0%	-1.5%	**-2.5%**	**-1.1%**	**-1.4%**	**9.6%**	**9.2%**	**0.4%**	**6.2%**	**5.7%**	**0.5%**

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 March 2023.
[1] Valuation and performance information as at 31 December 2022.
Source: Investment Managers, Northern Trust, Isio calculations.

The table shows manager performance over the short, medium and long-term.

The sustainable active public equity mandates have continued to struggle relative to their benchmarks over the last 12 months, whilst the active mandate from Longview outperforming over this period.

The private equity mandates have delivered very strong performance over the 3 and 5 year periods, however the performance has been largely negative over the last 12 months and especially more recently.

Of the infrastructure mandates, Pantheon has performed particularly strongly.

Of the managers that have been in place for the longer term, only UBS infrastructure have not added value. This is primarily driven by the disappointing performance of Archmore Fund I.

Looking Forward

Key issues

Item	Action points / Considerations	Status
Overall Investment Strategy	**Infrastructure Equity Implementation** • Following the Committee's agreement at the Q1 2022 meeting to appoint IFM to manage the Fund's Infrastructure Equity mandate, the Fund has successfully onboarded with the full capital allocation drawn down in early January 2023. **Liquid Fixed Income Manager Selection** • At the Q1 2022 Committee meeting, Isio presented a paper detailing the proposed implementation approach for selection of the manager to manage the agreed increased allocation to fixed income. The Officers have now reached agreement on a preferred choice of manager, in Bluebay, and are due to arrange implementation once the fund is available on the ACCESS platform. **Illiquid Fixed Income Allocation** • The Officers and IWG group have requested Isio consider the options available to the Fund in relation to implementing the strategic allocation to illiquid fixed income. Isio prepared a briefing paper in early 2023 considering this allocation. This will be revisited in Q3 2023 following a formal investment strategy review due in July. **Investment Strategy Review** • Following the completion of the 2022 Actuarial Valuation and the shift in market regime to a higher interest rate environment over 2022, Isio has been asked to perform a formal investment strategy review for the Fund. Isio will prepare a paper on the broad strategic allocation of the Fund and the ongoing appropriateness in the current market environment, for the July strategy day. **Engagement vs Divestment of Fossil Fuels** • Isio have been working with the Committee to determine a scope for a paper covering the broad merits of engagement vs divestment in fossil fuels, with specific reference to the Fund's circumstances and available options. The findings of which are due to be presented at the July meeting.	
Investment Managers	• Isio continue to work with UBS to improve the level of information they are able to provide in relation to their infrastructure funds on an ongoing basis.	

Summary

This page sets out the main action / discussion points.

Status key

- Action
- Decision
- Discussion
- Information only

Market Background

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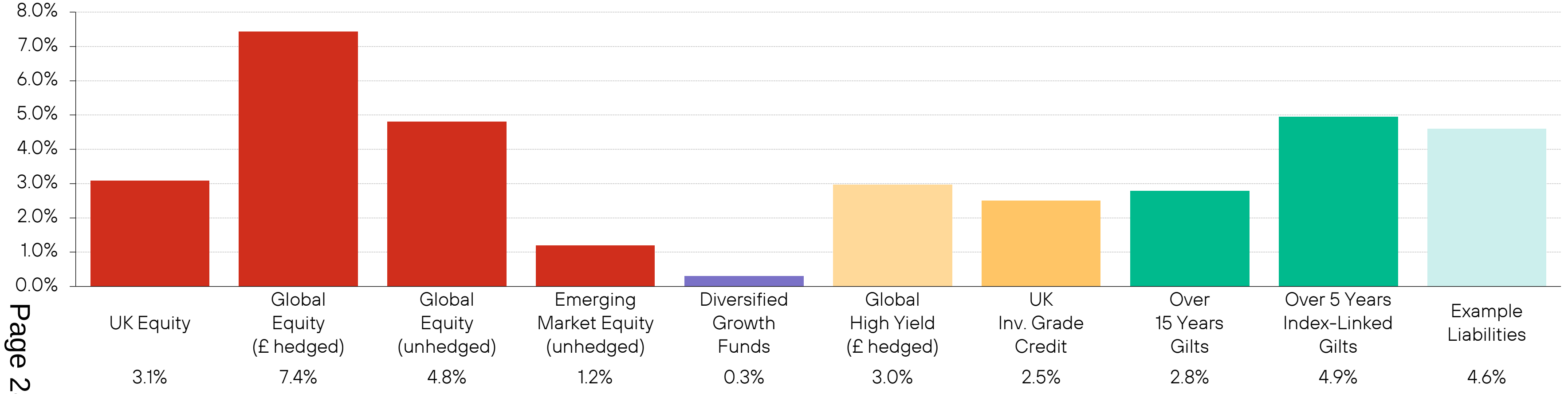
Market Background – Overview Q1 2023

Returns by Asset Class – Q1 2023



Key Upcoming Events

- The dates for the Bank of England's Monetary Policy Committee (MPC) announcements in Q2 2023 are 11 May and 22 June.
- The dates for the US Federal Reserve's Federal Open Market Committee (FOMC) announcements in Q2 2023 are 3 May and 14 June.

Commentary

- Growth markets delivered positive returns over Q1 2023 as investor sentiment remained optimistic.
- Global markets advanced early in the quarter as China abandoned its "Zero Covid Policy" and reopened its economy, and energy costs continued to fall from recent highs. However, the collapse of Silicon Valley Bank, followed closely by financial sector disruption in European markets with the bailout of Credit Suisse, caused US markets to fall sharply in March.
- Global bond markets generated positive returns over the quarter despite ongoing volatility in broad credit markets. Signals that global inflation may have peaked supported the tightening of credit spreads over Q1, although data points to core inflation remaining sticky.
- Long term gilt yields decreased slightly over the quarter, albeit now appear to have stabilised somewhat following the volatility fall out from September's 'mini-budget'.

Summary

Both equity and credit markets delivered positive returns over the quarter despite increased volatility over March as a result of the collapse of Silicon Valley Bank. Further disruption followed in European financial markets owing to the instability of Credit Suisse, which was subsequently taken over by UBS.

Investor sentiment remained broadly positive as a result of signs that inflation may have peaked, alongside confirmation that the UK avoided a recession at the end of last year. However, with growth low, investors continue to moderate their outlooks with a shallow recession expected at some point in 2023.

Major central banks continued to tighten monetary policy, though the pace of hikes slowed as they updated their outlook on inflation.

The US Federal Reserve raised base rates twice during the quarter, ending at 5.0%. The Bank of England also announced two base rate hikes of 50bps and 25bps, bringing the UK interest rate to 4.25% at the end of Q1 2023.

Notes: Please see the 'Explanation of Market Background' appendix for details of the returns representing each asset class.
Sources: Refinitiv, DGF investment managers, Isio calculations.

Market Background – Yields

Real Gilt Yields – Last 12 months

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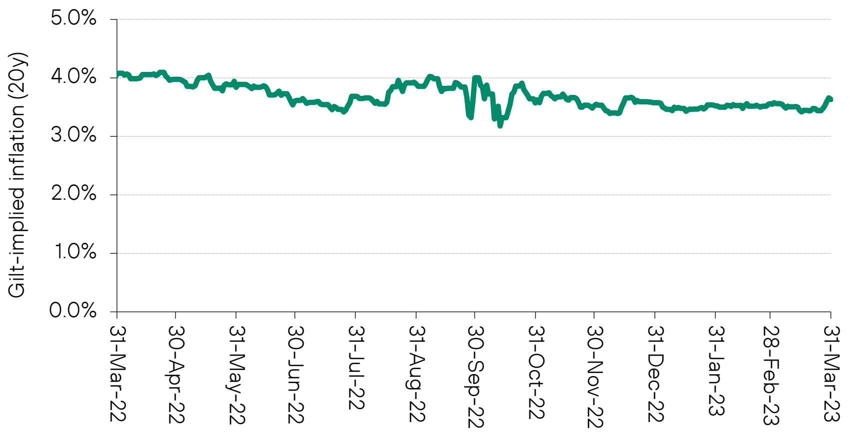
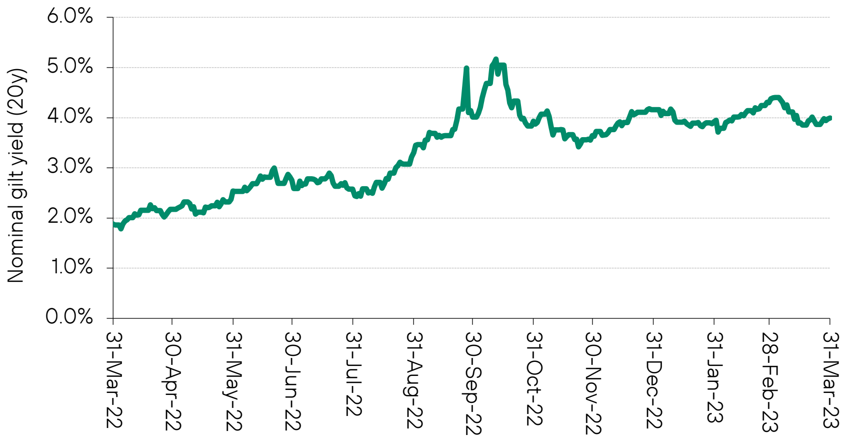
Gilt-Implied Inflation – Last 12 months



Nominal Gilt Yields – Last 12 months



Example Liabilities

- The liabilities for an example DB pension scheme increased by c.4.6% over the quarter. This can be broken down into the following components:
  - c. 3.3% increase, due to the decrease in real yields;
  - c. 0.5% increase, due to the decrease in nominal yields; and
  - c. 0.8% increase due to the “unwinding” effect (also known as “interest” on the liabilities).
- The liabilities for an example DB pension scheme decreased by c.27.2% over the last 12 months.

These charts show yield movements at the 20-year tenor over the past year.

The “Example Liabilities” indicate how a typical scheme’s past-service liabilities may have moved.

Gilt Yield and Implied Inflation Changes

20-year Real Gilt Yield	
January	-0.18%
February	0.33%
March	-0.36%
Quarter	-0.22%

20-year Nominal Gilt Yield	
January	-0.25%
February	0.38%
March	-0.30%
Quarter	-0.17%

20-year Gilt-Implied Inflation	
January	-0.06%
February	0.04%
March	0.07%
Quarter	0.06%

Notes: Please see the ‘Explanation of Market Background’ appendix for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding. Zero coupon rates are shown.
Sources: Bank of England, Isio calculations.

Strategy Overview

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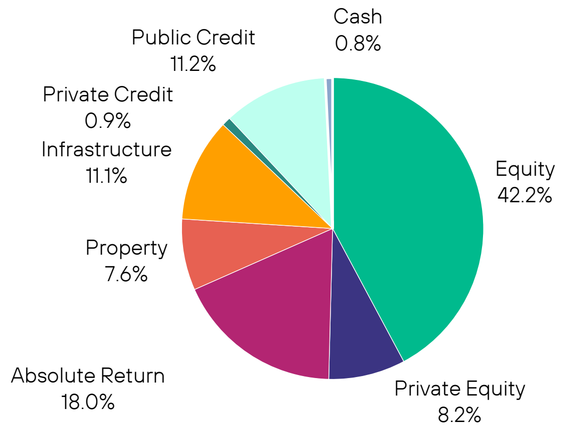
Asset Allocation – at 31 March 2023

Asset Allocation – 31 March 2023



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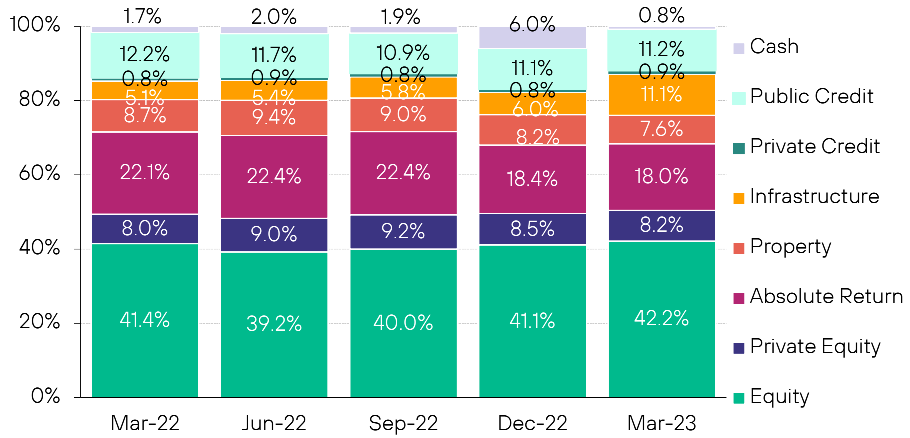
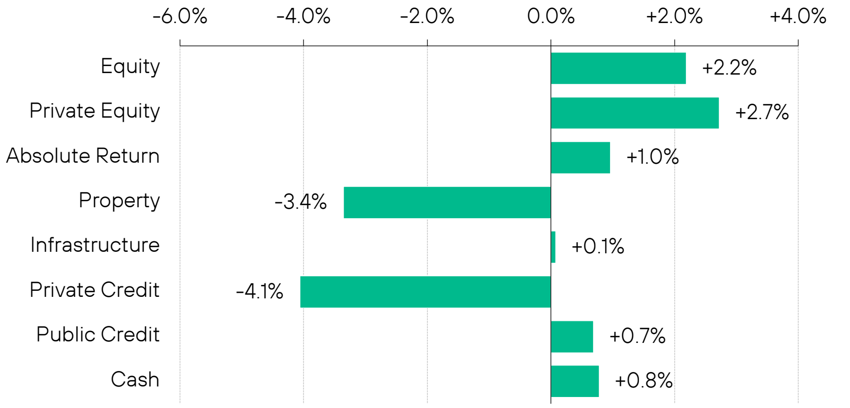
Asset Allocation Changes Since 31 March 2022



Assets Relative to Benchmark – 31 March 2022



Note: Totals may not sum due to rounding.
Source: Investment managers, Isio calculations.

Commentary

- As at March 2023, the Fund's asset allocation remained off-benchmark relative to the target asset allocation; though steps are being taken to address this through continued implementation of the agreed target investment strategy.
- The absolute return, equity (public and private) and cash allocations continue to be overweight; while the property and private credit allocations remain underweight.
- The allocations will be brought more closely in line with the strategic benchmark as the new mandates are agreed and implemented going forward. More specifically:
  - Infrastructure equity allocation increased by c5% to the target allocation due to the investment in the IFM Global Infrastructure mandate in January 2023.
  - A commitment to private credit is expected to be made over Q3/Q4 2023, with capital drawn into the chosen fund following this.
  - For property, the Committee continue to explore the implementation options available to them with the view to progressing this allocation over 2023.
- A formal asset allocation review is due to take place in July where it is possible the target asset allocation could change.

Summary

As at March 2023, the Fund's asset allocation was off-benchmark following strategic changes to the Fund's asset allocation agreed by the Committee but which are yet to be implemented.

Allocations will be brought more closely in-line to the revised benchmark as managers for the new mandates are agreed and implemented over the coming quarters.

Total Assets

Start of quarter £4,496m
End of quarter £4,564m

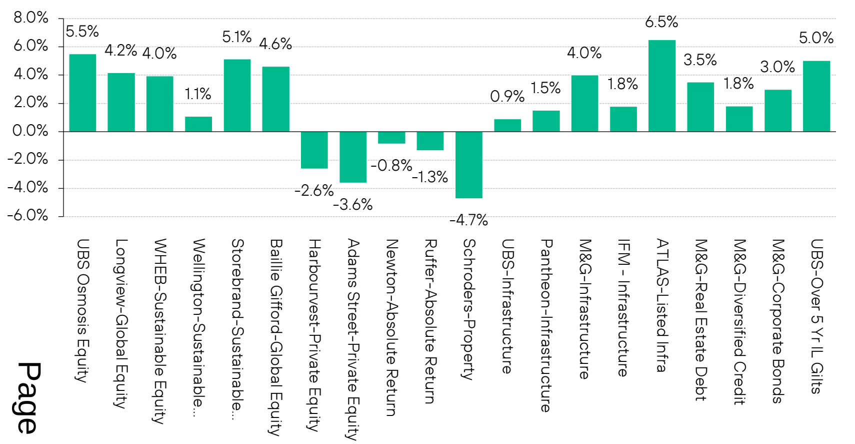
Agreed long-term allocation

Equity	40.0%
Private Equity	5.5%
Absolute Return	17.0%
Balanced Property	7.0%
Inflation-Linked Property	4.0%
Infrastructure	11.0%
Public (Diversified) Credit	10.5%
Private Credit	5.0%

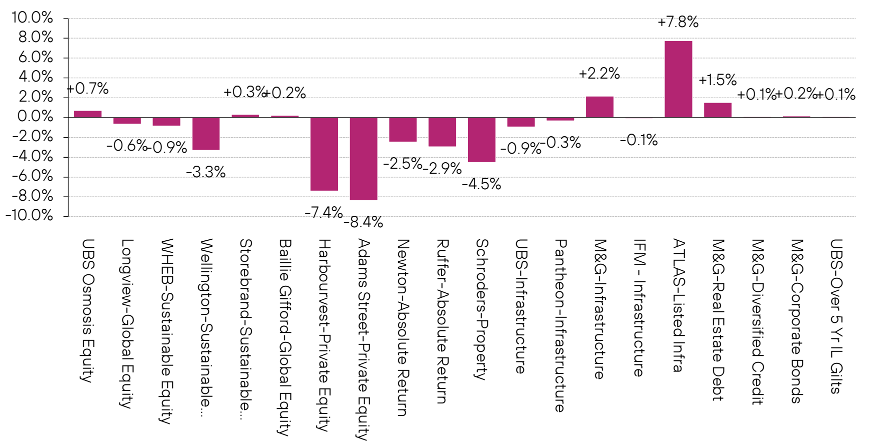
Investment Managers

Performance Summary – to 31 March 2023

Absolute Return – Q1 2023



Relative Return – Q1 2023



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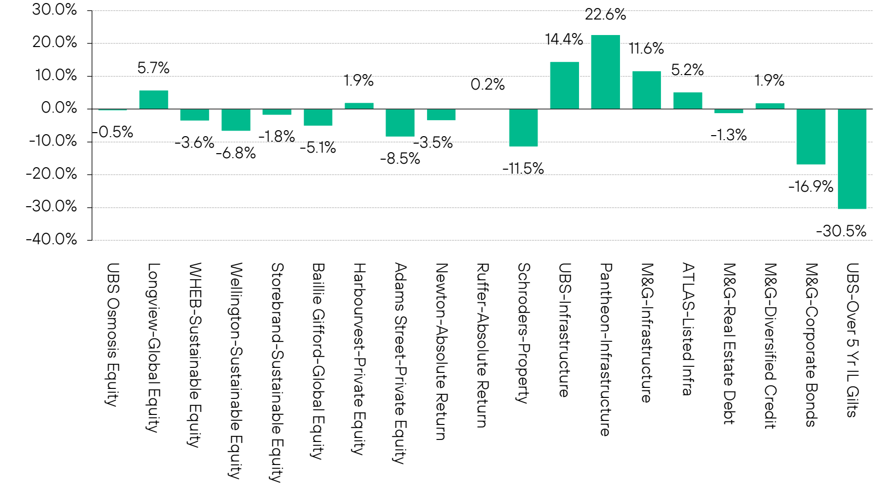
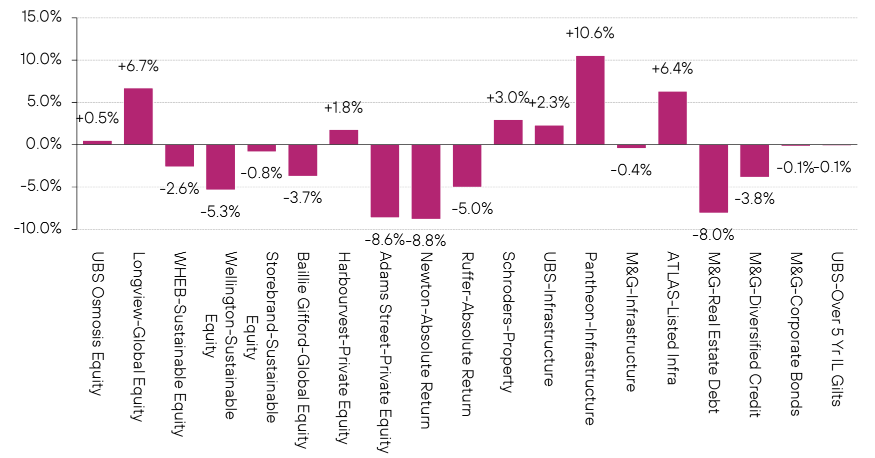
Absolute Return – 12 months



Relative Return – 12 months



Summary

The Fund's mandates delivered mixed absolute performance over Q1, with private equity funds delivering the most notable negative absolute returns as valuations were marked to market on a lagged basis relative to public markets.

The Fund's listed equity and liquid credit mandates produced solid positive contributions within the portfolio over Q1 in terms of absolute return levels.

On a relative basis over Q1 Wellington equity, Newton and Ruffer absolute return and UBS infrastructure all underperformed and Atlas was the stand out outperformer.

Note: Returns net of fees. 12 month relative and absolute returns are not available for the UBS Osmosis mandate as it was incepted post 30 September 2021.
Source: Investment Managers, Northern Trust, Isio calculations.

UBS / Osmosis – Sustainable Equity

Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.

Process	Bottom Up		Top Down
Stock Selection	Low		High
Active Share	Low		High

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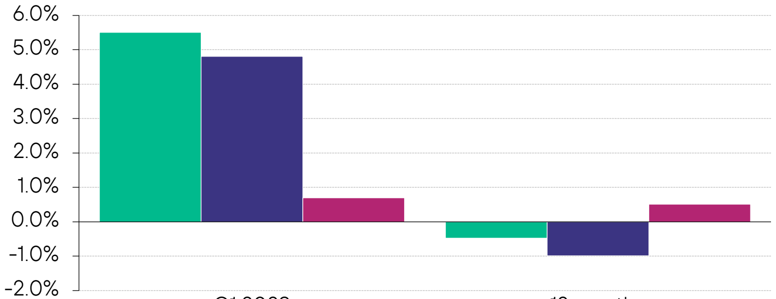
Key area	Comments
Key contributors/ detractors	• Strongest contributors were Advanced Micro Devices (US IT), Apple (US IT),and Nvidia (US IT). • Key detractors were Salesforce (US IT), United Health Group and CVS Health Group (US Health Care).
Portfolio positioning	• Masco Corp (US industrials) and Toast Inc (US Financials) were added to the portfolio. US Industrials firm Paccar Inc, and Genuine Parts (US Consumer Discretionary) were sold. • The overall sector and country weights have remained similar to the previous quarter, maintaining the targeted tight factor exposures to the MSCI World benchmark.
Outlook	• Low active risk means that future relative returns will continue to be low, with performance versus the index driven by fossil fuel returns and the success of the resource efficiency signal (which has added value in line with expectations since the Fund's inception).

Performance to 31 March 2023



	Q1 2023	12 months
Return	5.5%	-0.5%
Benchmark	4.8%	-1.0%
Relative	+0.7%	+0.5%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	511	550	Material decrease, but in line with quant process
12m turnover	24%	24%	Remained constant
Active share	49%	52%	Low, in line with expectations
Top 3 sectors	Information Technology (22%), Financials (15%), Health Care (14%).		
Top 3 stocks	Apple Inc (6%), Microsoft Corp (4%), UnitedHealth Group Inc (2%).		
Top 3 regions	North America (71%), Europe (19%), Asia (10%).		

Mandate: ESG Focused Global Equities

Current Value: £237.0m

Current Weighting: 5.2%

Inception: March 2022

Benchmark: MSCI World

Objective: Achieve superior risk-adjusted returns by targeting maximum resource efficiency exposure while maintaining a tight tracking error to the MSCI World.

Pooled: Via Access Pool

Note: Totals may not sum due to rounding. Performance quoted net of fees. Performance shown since inception of the Fund's investment on 3 March 2022.
Source: Investment manager, Northern Trust, Isio calculations.

Longview - Global Equity

Overview

The strategy utilises a bottom-up approach to invest in 30-35 high quality global companies which have strong business fundamentals and a market capitalisation greater than $5 billion.

Process	Bottom Up		Top Down
Stock Selection	Low		High
Active Share	Low		High

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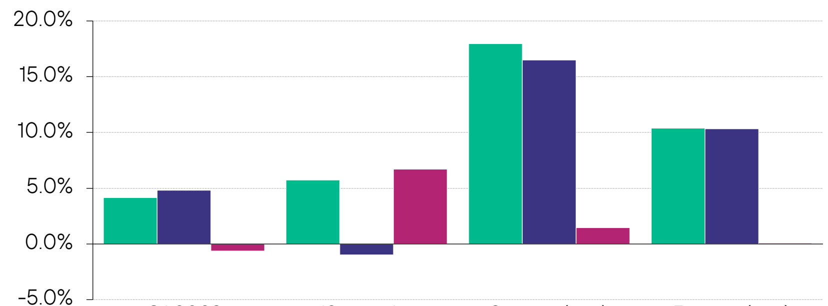
Key area	Comments
Key contributors/ detractors	• The small relative underperformance was driven by lack exposure to large growth stocks, which drove market returns. • Stock selection added 1.3% of value over the quarter, with relative returns driven by an overweight position in healthcare and financial stocks, as well as an underweight to IT.
Portfolio positioning	• During the quarter, one new holding was added to the portfolio – Visa; this is based on the firm's strong position within its industry, and track record of effective capital allocation. • The positions in Charter Communications, Whitebread and WW Grainger were sold.
Outlook	• The portfolio remains concentrated, with a high active share, and therefore investors should expect periods of material out or under performance. • The team continues to focus on what they perceive as high quality companies which trade at reasonable valuations.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	4.2%	5.7%	18.0%	10.4%
Benchmark	4.8%	-1.0%	16.5%	10.3%
Relative	-0.6%	+6.7%	+1.5%	+0.1%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	30	32	In line with expectations
12m turnover	24%	22%	Low relative to peers
Active share	91%	91%	High relative to peers
Top 3 sectors	Financials (30%), Health Care (26%), Consumer Staples (12%)		
Top 3 stocks	Booking (4%), Oracle (4%), HCA Healthcare (4%)		
Top 3 regions	US (83%), UK (7%), Netherlands (6%)		

Mandate: Active Global Equities

Current Value: £555.7m

Current Weighting: 12.2%

Inception: April 2013

Objective: Outperform benchmark by 3% (gross) p.a. over rolling 3 year periods.

Benchmark: MSCI AC World

Pooled: Via Access Pool

WHEB – Sustainable Equity

Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies capitalising on opportunities created by the transition to healthy, low carbon and sustainable economies, across nine broad sustainability themes.

Process	Bottom Up	Top Down
Stock Selection	Low	High
Active Share	Low	High

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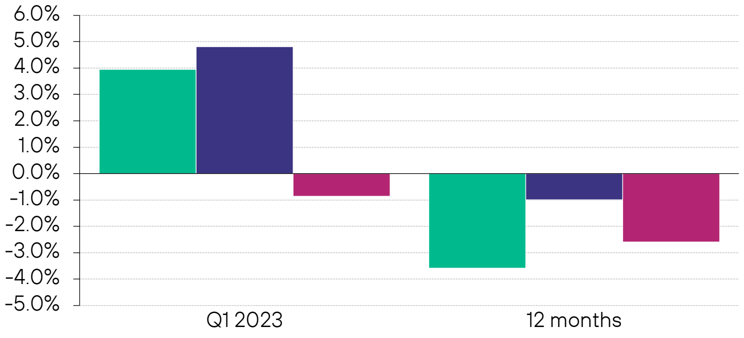
Key area	Comments
Key contributors/ detractors	• Underperformance is somewhat disappointing, given the strong relative returns of 'growth' stocks (to which the fund has significant exposure) over the quarter. • Health and Environmental services were the weakest performing themes over the quarter, with DSM and Smurfit Kappa particular detractors.
Portfolio positioning	• 2 new additions: TOMRA Systems (a manufacturer of reverse vending machines with a 70% market share) and Enphase Energy (a provider of services in relation to solar energy). • 2 exits: Globus Medical (a manufacturer of surgical instruments) and Sonova (a provider of hearing solutions).
Outlook	• WHEB are cautious about imminent market volatility, but remain confident in their holdings in the long-term • With the mandate's higher active share, we expect it to continue to deliver relative return volatility.

Performance to 31 March 2023



	Q1 2023	12 months
Return	4.0%	-3.6%
Benchmark	4.8%	-1.0%
Relative	-0.9%	-2.6%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	41	41	Relatively concentrated – low end of target
12m turnover	28%	42%*	Further detail on right
Active share	97%	97%	High relative to peers
Top 3 sectors	IT (30%), Healthcare (27%), Industrials (24%)		
Top 3 stocks	Autodesk (3%), Linde (3%), Thermo Fisher Scientific (3%)		
Top 3 regions	North America (64%), Western Europe (18%), Japan (8%)		

Mandate: ESG focused Global Equity

Current Value: £221.8m

Current Weighting: 4.9%

Inception: December 2020

Benchmark: MSCI World

Objective: To achieve capital growth over the medium to longer term.

Pooled: No

***12m turnover:** The manager has confirmed that the higher turnover was as a result of the higher market volatility, which led to more upgrades and downgrades and ad hoc redemptions, which resulted in higher trading activity. WHEB expect it to come down in future.

Wellington – Sustainable Equity

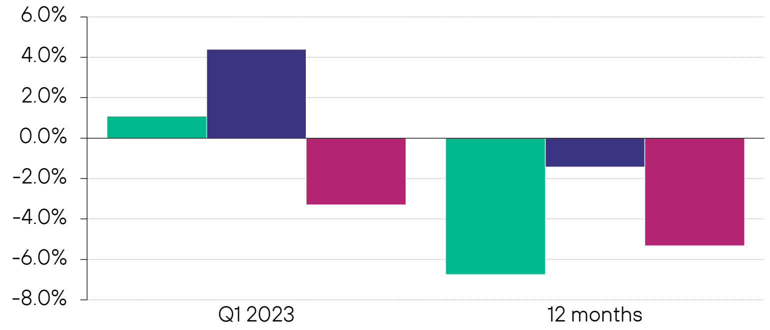
Overview

The Fund aims to invest in innovative companies whose core products and services addresses the world's major social and environmental challenges. Wellington choose stocks from the universe list which has been derived from a number of sources such as internal and field research, company meetings, conferences or third party research.

Process	Bottom Up	Top Down
Stock Selection	Low	High
Active Share	Low	High

Key area	Comments
Key contributors/ detractors	• The Fund's lack of exposure to mega cap tech names such as Apple and Nvidia weighed on relative returns. • Stock selection was the key detractor from performance (relative to sector or regional allocation), with National Vision the key underperforming holding. The price of the stock fell sharply in light of weakening consumer demand.
Portfolio positioning	• Wellington completed four sales whilst adding five new positions. • In light of economic uncertainty, the team are placing increasing emphasis on companies with stable revenue and accounting practices, as well as relatively low leverage.
Outlook	• The Fund continues to be overweight to smaller, fast growing companies, and as such is likely to underperform in an environment in which these firms are out-of-favour.

Performance to 31 March 2023



	Q1 2023	12 months
Return	1.1%	-6.8%
Benchmark	4.4%	-1.4%
Relative	-3.3%	-5.3%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	66*	68	High end of 50-70 range
12m turnover	27%	17%	Higher than typical, to be monitored.
Active share	98%	98%	High, in line with expectations
Top 3 sectors	Industrials (25%), IT (23%), Healthcare (21%		
Top 3 stocks	Boston Scientific (3%), Globe Life (3%), GoDaddy (3%)		
Top 3 regions	North America (60%), Emerging Markets (17%), Europe ex UK (15%)		

Mandate: Global Impact Equities

Current Value: £222.1m

Current Weighting: 4.9%

Inception: December 2020

Benchmark: MSCI AC World

Objective: To outperform the MSCI All Country World Index over the long-term.

Pooled: No

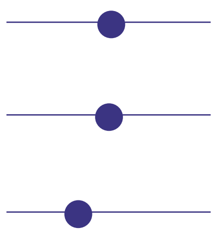
Sources: Investment manager, Isio calculations.
Notes: Returns net of fees. *Please note this may include sales/purchases which were in the process of being completed as at the quarter end.

Storebrand – Sustainable Equity

Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.

Process	Bottom Up		Top Down
Stock Selection	Low		High
Active Share	Low		High



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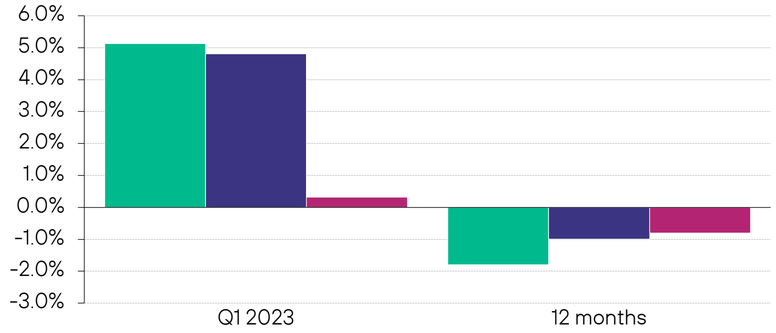
Key area	Comments
Key contributors/ detractors	• Not investing in the fossil fuel value chain delivered a positive contribution to relative returns of 1.0% over Q1. Other climate-related exclusions added 0.2% relative to the index, while excluding companies screened by the Storebrand Standard added another 0.4%. • The rest of the portfolio positioning delivered a negative 1.0% contribution overall in relative terms.
Portfolio positioning	• New positions in the fund during Q1 2023 in sum had a weight of 1.8% at quarter end. The two largest were both climate solutions companies: Valmont and First Solar. • 9 companies were sold from the portfolio, with the two largest being Fujitus and Somfy
Outlook	• Store brand is working on carbon intensity data and implementing change into how this information is used in portfolio construction.

Performance to 31 March 2023



	Q1 2023	12 months
Return	5.1%	-1.8%
Benchmark	4.8%	-1.0%
Relative	+0.3%	-0.8%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	710	685	Slight increase
12m turnover	11%	9%	Stable
Active share	44%	45%	Low, as expected
Top 3 sectors	IT (23%), Industrials (14%), Financials (14%)		
Top 3 stocks	Apple (5%), Microsoft (4%), Amazon (2%)		
Top 3 regions	United States (66%), Japan (7%), France (4%)		

Mandate: ESG Focused Global Equities

Current Value: £501.2m

Current Weighting: 11.0%

Inception: December 2020

Benchmark: MSCI World

Objective: Reproduce risk-return profile of the MSCI World Index

Pooled: No

Baillie Gifford – Global Equity

Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies displaying above average earnings growth and sustainable competitive advantages in their respective industries, whilst aligning to the UN Paris Agreement climate commitments.

Process	Bottom Up	Top Down
Stock Selection	Low	High
Active Share	Low	High

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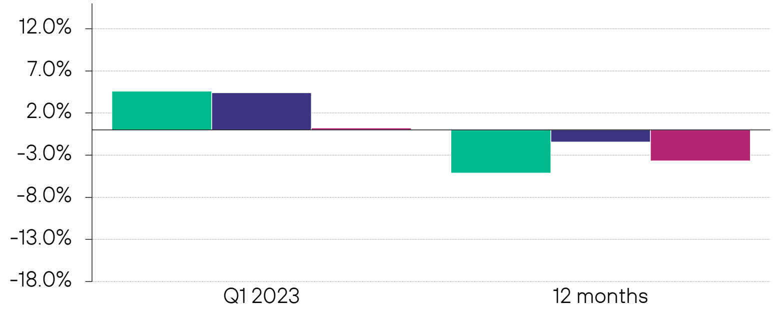
Key area	Comments
Key contributors/ detractors	• The Fund performed broadly in line with the parent Global Alpha Fund, which marginally outperformed the index. • Negative stock selection in the US weighed on relative returns. Exposure to high growth stocks such as Farfetch (e-commerce) and Twilio (communication platform) were key detractors due to significant valuation compression following tighter macroeconomic conditions.
Portfolio positioning / transactions	• BG made 4 purchases (Advance Drainage Systems, Floor & Decor Holdings, SCP Pool Corp and Signature Bank) and 4 sales (Chegg, Iac/Interactivecorp, Signature Bank and Twilio). • BG had conducted material due diligence on Signature Bank prior to investment, and believed it was a strong risk/reward idea, given its expected future growth prospects.
Outlook	• BG note that they are seeing attractive opportunities in earlier stage 'Disruptor' companies, in favour of 'Compounder' stocks.

Performance to 31 March 2023



	Q1 2023	12 months
Return	4.6%	-5.1%
Benchmark	4.4%	-1.4%
Relative	+0.2%	-3.7%

Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	88	87	Broadly unchanged
12m turnover	23%	17%	In line with expectation
Active share	86%	87%	In line with expectation
Top 3 sectors	Consumer Disc (20%), IT (17%), Financials (17%)		
Top 3 stocks	Microsoft (4%), Prosus (4%), Elevance Health (4%),		
Top 3 regions	North America (60%), Europe ex UK (17%), Emerging Markets (10%)		

Mandate: Global Equities

Current Value: £187.3m

Current Weighting: 4.1%

Inception: August 2021

Benchmark: MSCI AC World

Objective: Outperform benchmark by 2.0% p.a. (net of fees) over rolling 5-year periods

Pooled: Via Access Pool

Note: Totals may not sum due to rounding. Performance quoted net of fees. The Fund switched into the Paris-aligned version of the Global Alpha Fund over Q2 2022 and performance is combined.
Source: Investment manager, Northern Trust, Isio calculations.

Harbourvest – Private Equity

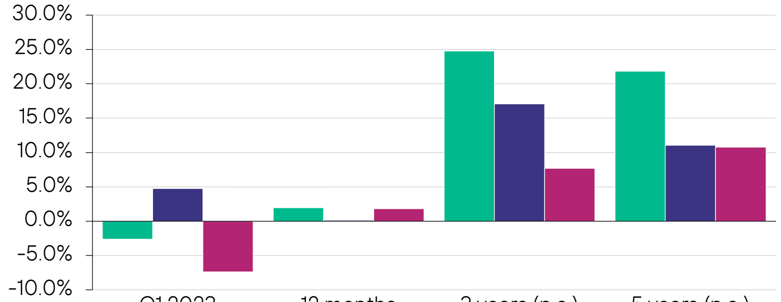
Overview

HarbourVest manage a global private equity portfolio for the Fund, invested globally across a range of subclasses (buyout, venture, debt/credit, among others).

Style	Multiple: Buyout, venture, credit
Stage	Multiple: Primary, secondary
Access	Fund-of-Funds
Vintage Year	Multiple: 2004-2021
Regional Focus	Global

Key area	Comments (3 month lagged)
Performance	• Deal and exit volume trended downwards across private equity over the second half of 2022, as general partners reacted to the macro-economic uncertainty present. • The portfolio produced negative returns over the quarter as private valuations were marked down; however long term performance remains very strong.
Developments over quarter	• Several funds distributed proceeds back to investors during Q4, with the most sizeable distributions coming from HIPEP VIII Partnership and Cleantech II.
Outlook	• HarbourVest have not provided specific outlook for the portfolio.

Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	-2.6%	1.9%	24.7%	21.8%
Benchmark	4.8%	0.1%	17.1%	11.1%
Relative	-7.4%	+1.8%	+7.7%	+10.8%

Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	10.8%	11.0%	As expected
Capital Deployed/Raised	68%	66%	Slight increase
DPI	1.0x	1.0x	No change
TVPI	1.7x	1.8x	Slight decrease
Top 3 subclasses	Buyout (52%), Venture (46%), Credit (1%)		
Top 3 regions	North America (59%), Europe (23%), Asia (14%)		

Mandate: Private Equity

Current Value: £179.5m

Current Weighting: 3.9%

Inception: January 2003

Benchmark: MSCI World + 1.5%

Objective: MSCI World + 3.0%

Pooled: No

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

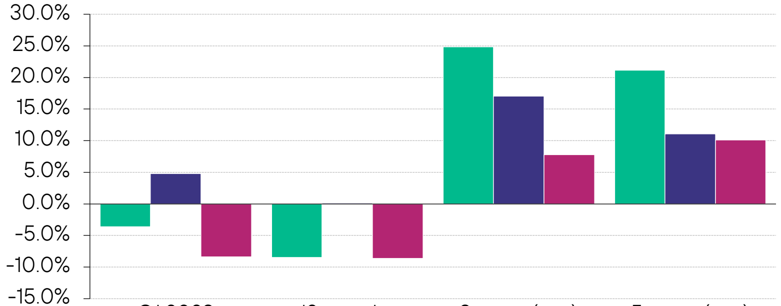
Adams Street – Private Equity

Overview

Adams Street manage a global private equity portfolio for the Fund, combining Partnerships and Co-investments, invested globally across a range of subclasses (buyout, venture, energy, debt/credit, among others).

Style	Multiple: Buyout, venture, debt
Stage	Multiple: Primary, secondary, co-investment
Access	Fund-of-Funds
Vintage Year	Multiple: 2003-2021
Regional Focus	Global

Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	-3.6%	-8.5%	24.8%	21.2%
Benchmark	4.8%	0.1%	17.1%	11.1%
Relative	-8.4%	-8.6%	+7.8%	+10.1%

Mandate: Private Equity

Current Value: £195.7m

Current Weighting: 4.3%

Inception: March 2003

Benchmark: MSCI World + 1.5%

Objective: MSCI World + 3.0%

Pooled: No

Key area	Comments (3 month lagged)
Performance	• Similarly to previous quarter, there was a small reduction in IRR, which is in line with expectations as private equity valuations continue to be adjusted downwards in line with public markets.
Developments over quarter	• No significant developments over the quarter • c. $3.6m in distributions over Q4 • c. $6.0m capital called over Q4
Outlook	• Adams Street have highlighted that there is a current disconnect between buyer and seller valuation expectations; coupled with broader market uncertainty, this is making buyers more hesitant and slowing deal flow. However, they do expect activity to pick up towards the second half of 2023.

Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	11.9%	12.1%	Slight reduction
Capital Deployed/Raised	80%	77%	Slight increase
DPI	1.1x	1.1x	Unchanged
TVPI	1.8x	1.9x	Slight reduction
Top 3 subclasses (Partnerships)	Buyout (49%), Venture (45%), Other (5%)		
Top 3 regions (Partnerships)	United States (65%), Western Europe (19%), Asia (12%)		

Source: Investment manager, Northern Trust, Isio calculations.

Newton – Absolute Return

Overview

The Fund aims to generate returns by investing in a wide universe of global securities. The Fund allocates between return seeking, and risk reducing positions, dynamically changing asset allocations over time in order to add value. The primary aim is to deliver positive risk adjusted returns in all market economic environments.

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Target Return	Low		High
Return Drivers	Market beta		Active management
Diversification	Low		High

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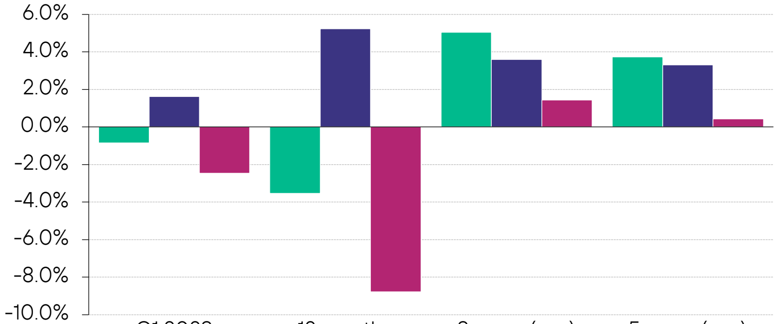
Key area	Comments
Key contributors/ detractors	• Negative absolute return was driven by the stabilising layer, with the equity hedges in place detracting from overall returns as markets began to rebound over the period. • Growth assets, in particular equity exposure was beneficial over the period, however the allocations lagged the broader market due to the underweight position in technology. .
Portfolio positioning	• Newton rotated equity positions over the period towards a more cyclical nature by adding index exposure to the Hang Seng (Hong Kong) and emerging markets. • The team have a positive view on gold and hence added to this within the stabilising layer.
Outlook	• The team retain a cautious stance and believe that whilst recent 'mini-crisis' have been contained, there are more to come which will cause issues for valuations.

Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	-0.8%	-3.5%	5.0%	3.7%
Benchmark	1.6%	5.2%	3.6%	3.3%
Relative	-2.5%	-8.8%	+1.4%	+0.4%

Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year)	61%	59%	In line with expectations
Volatility (1 year)	5.7%	6.5%	In line with expectations
Top 3 asset-classes	Equities (36%), Alternatives (19%), Corporate Bonds (10%)		
Equity sector breakdown	Healthcare (7.5%), Financials (6.3%), Consumer Discretionary (5.8%),		

Mandate: Diversified Growth Fund

Current Value: £340.9m

Current Weighting: 7.5%

Inception: April 2010

Benchmark: 3-month SONIA + 2.5%

Objective: 3-month SONIA + 4% p.a. (gross) over rolling 5 years

Pooled: Via Access Pool

Sources: Investment manager, Isio calculations.

Ruffer – Total Return Fund

Overview

The Fund has two investment aims; to deliver positive returns in any rolling twelve month period and ahead of the risk-free rate. The strategy has a strong focus on capital preservation, the core investment objective of the Fund.

Target Return	Low		High
Return Drivers	Market beta		Active management
Diversification	Low		High

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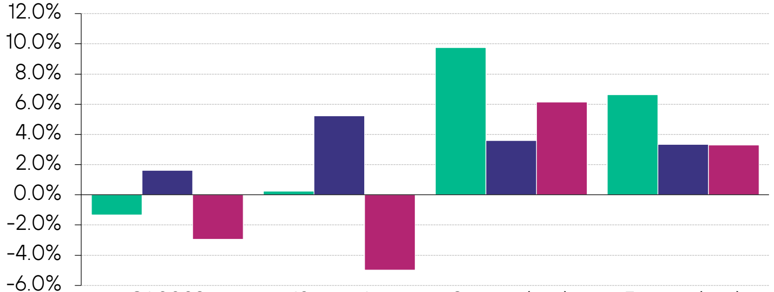
Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	-1.3%	0.2%	9.7%	6.6%
Benchmark	1.6%	5.2%	3.6%	3.3%
Relative	-2.9%	-5.0%	+6.1%	+3.3%

Mandate: Diversified Growth Fund

Current Value: £478.9m

Current Weighting: 10.5%

Inception: April 2010

Benchmark: 3-month SONIA + 2.5%

Objective: 3-month SONIA + 4% p.a. (gross) over rolling 5 years

Pooled: Via Access Pool

Key area	Comments
Key contributors/ detractors	• Equity options, a position which is designed to protect the portfolio in times of market stress, was the key detractor, as despite volatility, valuations increased. • Index-linked bond exposure was the biggest contributor as yields fell over the period.
Portfolio positioning	• The Fund remains defensively positioned, with a high allocation to index linked gilts reflecting the view that inflation will remain above-target over the medium term.
Outlook	• Believe inflation will fall over the short-term but expect this to be temporary and inflationary pressures to persist. • Expect unstable correlations between asset classes to persist for some time yet.

Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year)	41%	31%	Lower than expected
Volatility (1 year)	5.9%	6.2%	In line with expectations
Top 3 asset-classes	Short-dated bonds (24.6%), Index linked gilts (11.0%) Cash (10.3%)		
Top 3 contributors to return	Equity (1.0%), inflation linked bonds (1.0%), Gold exposure and gold equities (0.6%)		

Notes: Returns net of fees. Inception date 29 September 2000
Sources: Investment manager, Isio calculations.

Schroders - Property

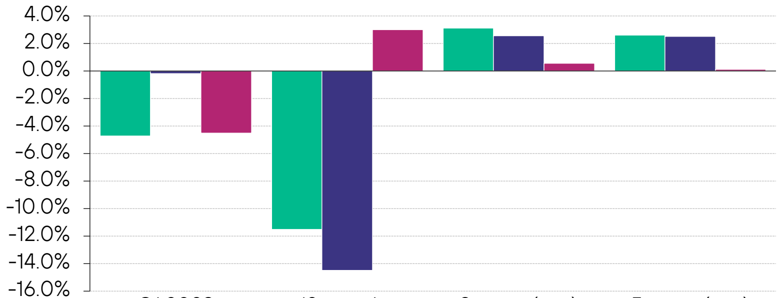
Overview

The Schroders Property Fund is a medium risk balanced property fund investing across the retail, offices, industrials and alternative property sectors.

Expected volatility	Low	High
Lease Length	Short	Long
Shape of outcomes	0% Contractual	100% Contractual
Diversification	Low	High

Key area	Comments
Key contributors / detractors	• Based on the latest figures available from Schroders, East Sussex's portfolio outperformed the benchmark due to it's defensive relative positioning. • Opportunistic funds, value add holdings and cash made positive contributions, which were offset by the contribution from core funds. • The Industrial Property Investment Fund and Schroders Special Situations Fund were the strongest performing funds over the quarter.
Portfolio positioning	• Over the last few years, the Portfolio has been structured with downside protection provided via the defensive holdings in convenience retail. There is an overweight to alternative sectors and underweight to retail sectors.
Outlook	• Schroders expects opportunities at the luxury end of the hotels market, driven by the end of Covid restrictions in China boosting overseas visitors and raising capital for refurbishments.

Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	-4.7%	-11.5%	3.1%	2.6%
Benchmark	-0.2%	-14.5%	2.6%	2.5%
Relative	-4.5%	+3.0%	+0.5%	+0.1%

Metrics	Current Quarter	Last Quarter	View/Change
Net acquisitions / (Sales)	£0.4m	(£7.5m)	Decrease
Cash yield	3.1%	3.3%	Decreased yield as valuations rise
No of assets	18	18	No change
Top 3 sectors	Industrial, Alternatives (via student accommodation, social supported housing, retirement living and care homes) and Regional Offices.		

Note: Totals may not sum due to rounding. Performance quoted net of fees
Source: Investment manager, Northern Trust, Isio calculations.

Mandate: Balanced Property

Current Value: £348.8m

Current Weighting: 7.6%

Inception: December 2009

Benchmark: IPD All Balanced Fund Index

Objective: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years

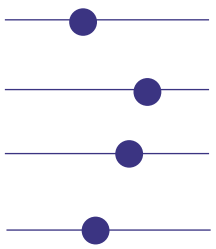
Pooled: No

UBS – Infrastructure

Overview

The fund provides investors with access to a diversified portfolio across Fund I and Fund III infrastructure assets. Fund I remains in the value realisation phase and is paying capital back to Investors, whilst Fund III is in its investment phase and continues to draw capital for investment.

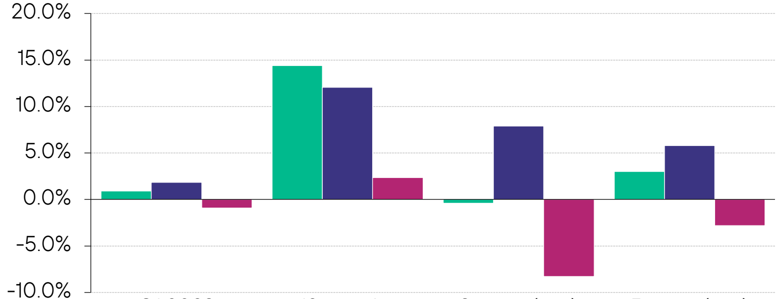
Expected volatility	Low	High
Lease Length	Short	Long
Shape of outcomes	0% Contractual	100% Contractual
Diversification	Low	High



Key area	Comments (3m lag)
Portfolio positioning	• Net return since inception for Fund I reached 3.0% (significantly below target) with Southern Water's continued negative returns being the largest contributor. • Northern Star Generation (NSG)'s returns were in line with expectations. • Saubermacher performed positively, supported by increased volumes, price increases and commodities compensating for a more expensive operating environment.
Outlook	• Fund III continues to draw down the committed capital, having now drawn \$139.3m of the total \$185.0m committed. • Fund III is also continue to distribute as well, having distributed \$42.9m during the quarter.

Note: Totals may not sum due to rounding. Performance quoted net of fees. SI is since inception.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	0.9%	14.4%	-0.4%	3.0%
Benchmark	1.8%	12.1%	7.9%	5.8%
Relative	-0.9%	+2.3%	-8.3%	-2.8%

Metrics (3m lag)	31 Dec 2022	30 Sept 2022	View/Change
Net SI return (Fund I)	3.0%	2.9%	+0.1%
Net SI return (Fund III)	18.3%	19.4%	-1.1%
Total value to paid-in (Fund I)	1.28x	1.27x	Unchanged
Total value to paid-in (Fund III)	1.25x	1.28x	Unchanged
Top 3 sectors (Fund I – current quarter)	Power generation (60%), Water (24%), Wastewater (16%)		

Mandate: Infrastructure

Current Value: £36.3m

Current Weighting: 0.80%

Inception: January 2008

Benchmark: CPI + 2%

Objective: CPI + 3%

Pooled: No

Notable Actions

The UBS infrastructure funds should be monitored closely going forward given weak historical performance especially over the 3 and 5 year period.

Isio have engaged UBS to present a summary of the additional monitoring they are able to provide.

UBS have discussed with Officers and are in the process of implementation of a final version of this.

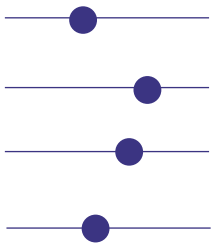
Pantheon – Infrastructure

Overview

The fund provides investors with access to a diversified portfolio of infrastructure assets.

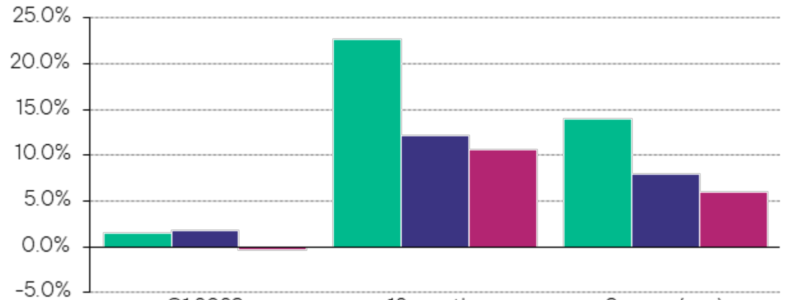
It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility	Low		High
Lease Length	Short		Long
Shape of outcomes	0% Contractual		100% Contractual
Diversification	Low		High



Key area	Comments (3 month lag)
Key contributors/ detractors	• Since inception performance has been strong (12.7% net IRR). • Over Q4 2022, the Fund's valuation was up 5.2%, with largest contributors being Springbank secondaries (34.8%), Pantheon Strategic Primaries (24%) and VTG co-investment (20.7%). • There were 9 detractors over the period – co-investments Covanta (-7.6%) and Parallel Infrastructure (-4.9%), with the remaining detractions all suffering valuation falls less than 2%.
Portfolio positioning	• The majority of distributions over the quarter were driven by 3 co-investments (Parallel Infrastructure, Proxiserve, VTG). • There were 4 exits of underlying portfolio companies within the Fund and $784,000 of commitments drawn over the quarter.
Outlook	• The Fund has $117.0m committed, and $12.5m undrawn capital. • The assets in the portfolio with highest inflation linkage are expected to continue to perform strongly going forward.

Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)
Return	1.5%	22.6%	13.9%
Benchmark	1.8%	12.1%	7.9%
Relative	-0.3%	+10.6%	+6.0%

Metrics (3m lag)	Current Quarter	Last Quarter	View/change
Cash yield	20.8%	16.1%	Strong increase of +4.7%
Net acquisitions/sales	$242.3m	$22.4m	Fund is winding down (lower calls and higher distributions)
Average discount rate	2.96%	2.96%	0.0%
Number of assets	45	45	0
Top 3 sectors	Digital, Transport and Logistics, Renewables / Efficiency		

Mandate: Infrastructure

Current Value: £81.2m

Current Weighting: 1.8%

Inception: May 2018

Benchmark: CPI + 2%

Objective: CPI + 3%

Pooled: No

Note: Totals may not sum due to rounding. Performance quoted net of fees. Manager data is lagged by one quarter.
Source: Investment manager, Northern Trust, Isio calculations.

M&G - Infrastructure

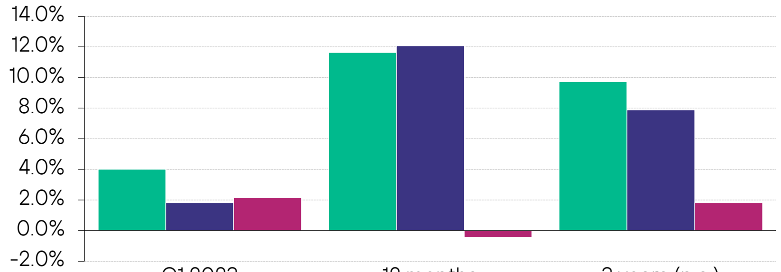
Overview

The fund provides investors with access to a diversified portfolio, Brownfield III and Greenfield II, infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility	Low	High
Lease Length	Short	Long
Shape of outcomes	0% Contractual	100% Contractual
Diversification	Low	High

Key area	Comments (3 month lag)
Key contributors/ detractors	• The Brownfield Fund returned 3.7% over Q4, with valuation uplifts driven by macro economic updates. Inland Terminal Group and Infrafibre Germany were the largest contributors. • The Greenfield Fund returned 4.6% over Q4, driven by Fibrus (Incorporating Northern Ireland inflation and plan) and Speed Connect Austria (uplift due to roll forward).
Portfolio positioning	• The Greenfield Fund has been focusing on value creation over the quarter with all assets continuing to progress on construction milestones or winning new contracts. • Over 83% of the Brownfield Fund is committed. The manager is considering rebalancing the portfolio to reduce sterling exposure and provide additional funding to existing assets for growth.
Outlook	• Both funds are expected to continue to draw capital over the coming quarters

Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)
Return	4.0%	11.6%	9.7%
Benchmark	1.8%	12.1%	7.9%
Relative	+2.2%	-0.4%	+1.8%

Metrics (3m lag)	Brownfield	Greenfield
Portfolio Value to current paid in capital	1.2x	1.5x
Number of assets	6 investments	7 investments
Top sectors	Transport, Fibre Telecoms, Energy and Utilities	Telecoms and Energy Transition

Mandate: Infrastructure

Current Value: £53.0m

Current Weighting: 1.2%

Inception: October 2018

Benchmark: CPI + 2%

Objective: CPI + 3%

Pooled: No

Note: Totals may not sum due to rounding. Performance quoted net of fees

Source: Investment manager, Northern Trust, Isio calculations. Manager information has a one quarter lag.

IFM Global Infrastructure Fund

Overview

The Fund is a large, global open-ended infrastructure fund, launched on 1 December 2004. Due to the scale of the Fund and strong existing sourcing relationships, IFM are able to focus on investing in larger deals or deals with high barriers to entry.

The Fund has a diverse portfolio of 24 companies across a variety of sectors, largely focussed on North America and Europe. The Fund focusses on purchasing primarily operational assets with strong contractual income-producing characteristics, and the team aim to add value across financing, operations and business strategy.

Expected volatility	Low	High
Lease Length	Short	Long
Shape of outcomes	0% Contractual	100% Contractual
Diversification	Low	High

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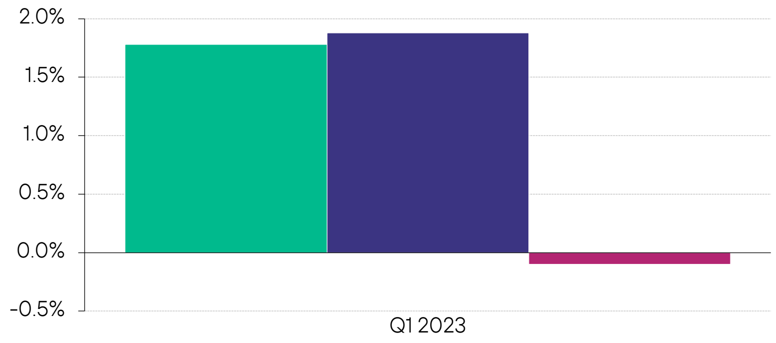
Key area	Comments
Key contributors/ detractors	• Q1 returns were driven by outperformance of assets such as Vienna Airport (+21.6%; growth in travel demand) and Naturgy Energy Group S.A (+20.6%; increase in share price). • Assets such as GCT Global Container Terminals (-3.2%), and Atlas Arteria (-3.1%) delivered the negative returns.
Portfolio positioning	• IFM completed the voluntary tender offer / acquisition of a further 3.4% stake in Vienna Airport for c.$103m (total ownership now c.43.4%), and sold a 25% stake in the M6 toll to GLIL Infrastructure, at a premium to the September 2022 independant valuation (total stake now 75%).
Outlook	• IFM expects infrastructure assets to remain resilient across key sectors due to positive inflation links and steady demand profile, with continued attention on energy security, transition and social factors boosting investment and interest in infrastructure assets.

Performance to 31 March 2023



	Q1 2023
Return	1.8%
Benchmark	1.9%
Relative	-0.1%

Metrics	Q1 2023	Q4 2022	View/change
Cash yield	1.1% current annual yield 5.4% p.a. SI	1.4% current annual yield 5.6% p.a. SI	Slight decrease
Net acquisitions/sales	-$0.3bn	$2.5bn	Vienna Airport - $103m follow-on investment; M6toll - $379m partial disinvestment
Average discount rate	10%	10%	No change
Number of assets	24 investments 100+ assets	24 investments 100+ assets	
Top 3 sectors	Utilities, Transport, Energy (14+ underlying sub sectors)		

Notes: Returns net of fees and in local currency terms (fee assumed as 0.77% p.a. ie <$300m invested.
The Fund was launched on 1 December 2004.
Sources: Investment manager, Isio calculations.

Mandate: Infrastructure Equity (higher risk)
Current Value: £234.1m

Current Weighting: 5.1%

Inception: January 2023

Benchmark: 10% p.a. net of all fees over the long term

Objective: CPI +2%

Pooled: No

Notable Changes

- Executive Director Jamie Cemm has left IFM and has been appointed as CEO of Buckeye Partners, a portfolio company and subsidiary of IFM. Jamie's departure is a loss given his involvement in a number of transactions, however, IFM's deep team structure, and Jamie's ongoing role at Buckeye, give us comfort with IFM's approach

Atlas - Listed Infrastructure

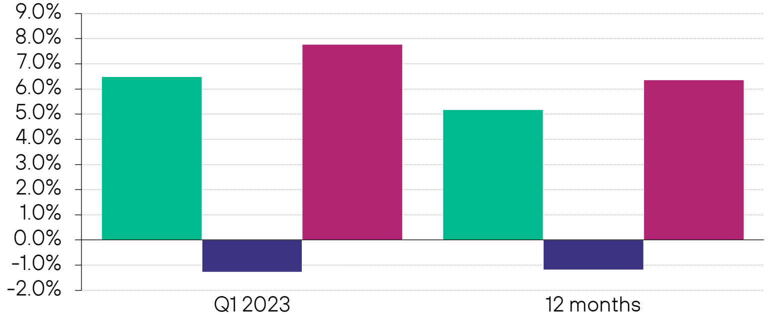
Overview

The fund provides investors with access to a diversified portfolio of brownfield and greenfield infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility	Low	High
Lease Length	Short	Long
Shape of outcomes	0% Contractual	100% Contractual
Diversification	Low	High

Key area	Comments
Key contributors/ detractors	• At a stock level, there were also strong positive returns from holdings in Enel (European Utilities), Aena (European Airport) and E.ON (European Utility). • Norfolk Southern Corporation (US Railway) and Eutelsat (European Communications) were key detractors.
Portfolio positioning	• Atlas took a position in National Grid (European Electric Utilities) via a reduction in Cellnex (European Communications), resulting in improved inflation protection. • After a reduction in Atlas Arteria (Asia-Pacific Toll Roads) last quarter, this was subsequently exited over Q1 2023, due to lower returns and higher risk following the Chicago Skyway acquisition.
Outlook	• Atlas have made changes to the portfolio with the aim of increasing base case returns and reducing climate transition scenario risk, whilst aiming to maintain inflation protection.

Performance to 31 March 2023



	Q1 2023	12 months
Return	6.5%	5.2%
Benchmark	-1.3%	-1.2%
Relative	+7.8%	+6.4%

Metrics	Current Quarter	Last Quarter	View/change
Cash yield	4.4%	4.5%	Within expectations
Net acquisitions/sales	1 new position established / 2 positions exited and 3 reduced.	1 new position established / 2 positions increased/ 1 position exited and 2 reduced.	Within expectations
Number of individual positions in portfolio	21	22	Within expectations
Top 3 sectors	Electric utilities (45%), Airports (14%), Water (12%)		

Mandate: Global Infrastructure Equity

Current Value: £100.9m

Current Weighting: 2.2%

Inception: December 2020

Benchmark: FTSE Developed Core 50/50 Infrastructure Index

Objective: CPI + 3%

Pooled: No

Note: Totals may not sum due to rounding. Performance quoted net of fees. Cash yield is Prospective portfolio yield, pre cash, pre withholding

Source: Investment manager, Northern Trust, Isio calculations.

M&G – Real Estate Debt

Overview

The Funds directly originate private loans that are secured by commercial real estate. REDF VI invests directly in whole loans, while REDF IV and V obtain senior and junior exposure, respectively. The Funds are UK and Europe focused but have scope to invest in the US. The Funds' investment periods ended in June 2021 and reinvestment periods ended December 2022. Wind up is expected in December 2027.

Target Return	Low	REDF IV, Both Funds/REDF VI, REDF V	High
Target Exposure	Senior only	REDF IV, Both Funds/REDF VI, REDF V	Mezzanine
Size of Borrower	Large-cap	Both Funds/REDF VI	Small-cap
Target Fund Size	Small	Both Funds/REDF VI	Large

REDF IV ● REDF V ● Both Funds/REDF VI ●

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Key area	Comments
Capital Deployment	• **Project Lewisham** (student accommodation, UK, REDF IV/V/VI) was repaid on time. **Project All Star** (office, Italy, REDF IV/VI) and **Project OMS** (residential, USA, REDF IV/V/VI) prepaid. • **Project Sapphire** (logistics, Germany) added to REDF IV/VI.
Minor/Major Watchlist Names	• **Project Charlie** (Minor): The lease signed in Q3 brought the loan back into compliance and triggered the extension option. The position was removed from the watchlist during Q1 2023. • **Project Carlton** (Minor): M&G continue to monitor developments given that construction delays may mean the loan remains beyond current maturity in Q2 2023. • **Project Genesis** (Major): M&G continue to progress their plans to make the asset more attractive ahead of initiating a sale.
Outlook	• The funds called capital for their final new positions in Q1 2023. • M&G are confident that they are on the stronger side of the capital structure given the fall in real estate valuations.

Performance to 31 March 2023

	Q1 2023	12 months	3 years (p.a.)
Return	3.5%	-1.3%	1.9%
Benchmark	2.0%	6.7%	5.1%
Relative	+1.5%	-8.0%	-3.2%

(IV / V / VI)	Q4 2022	Q3 2022	View/change
IRR (gross projected)	3.7% / 11.9% / 6.2%	3.8% / 11.9% / 6.3%	Stable
Total capital invested	119% / 104% / 105%	118% / 104% / 105%	One new position added to IV/VI
Total Positions	29 / 15 / 51	32 / 17 / 56	Several positions repaid
Watchlist	3 / 3 / 3	3 / 3 / 3	No change
Top 3 sectors	REDF IV: Office (26%), Retail (26%), Residential (20%) REDF V: Retail (53%), Office (26%), Residential (12%) REDF VI: Office (34%), Retail (32%), Residential (15%)		
Phase	Distribution period – due to end December 2027. Reinvestment period has now ended.		

Mandate: Private Debt

Current Value: £43.0m

Current Weighting: 0.9%

Inception: April 2019

Benchmark: 3-month SONIA + 4%

Objective: 3-month SONIA + 5%

Pooled: No

Notable Developments

•We downgraded the Funds to Partially Meets Criteria in mid-2021 following the resignation of four senior members within M&G's Real Estate Debt business in April 2021.

•M&G plc have announced that Andrea Rossi (previously CEO of AXA IM) has been appointed CEO, replacing John Foley. We are continuing to monitor the situation with regards to stability in the leadership following the change in CEO and other senior departures

Notes: REDF VI figures are inclusive of this Fund's allocations to REDF IV and V (and vice versa). Gross projected IRRs are based on M&G's assumptions on performance of the existing portfolios. Total Capital Invested includes capital drawn from investors, capital used to fund investments by way of the subline, and capital expected to be drawn over time. *Cashflow profile is an estimate using analysis produced in May 2023, including actual capital called during Q1 2023.

Sources: M&G, Isio calculations.

M&G – Diversified Credit

Overview

The Fund aims to take advantage of diversified opportunities in public credit markets, such as investment grade bonds, high yield bonds, leveraged loans and asset backed securities. M&G will seek to protect capital when the Fund is not being adequately compensated for taking risk. Currency and interest rate risks are typically hedged out of the portfolio.

Target Return	Low		High
Return Drivers	Sector Allocation		Credit Selection
Interest Rate Sensitivity	Low		High
Diversification	Low		High

Key area	Comments
Key contributors/ detractors	• Industrial corporate bonds were the main driver of returns over the quarter (+0.6%) with leveraged loans also contributing +0.3% as they provided good carry. • Financials were flat over the quarter (+0.01%) on the back of heightened volatility across the wider banking sector.
Portfolio positioning	• M&G took profits on industrials and utilities following strong performance, rotating into opportunities in the financials sector as a result of the banking sector volatility. • Cash levels reduced over the quarter (from c.22% to c.6%). as M&G met the initial large flow of redemptions following the gilts crisis in Q4 2022.
Outlook	• M&G continue to seek attractive entry points in credit markets and continue to favour European credit valuations over the US.

Performance to 31 March 2023

	Q1 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	1.8%	1.9%	6.9%	3.0%
Benchmark	1.7%	5.7%	4.1%	3.8%
Relative	+0.1%	-3.8%	+2.7%	-0.8%

Metrics	Current Quarter	Last Quarter	View/change
Yield	8.7%	6.8%	Increased due to rising gilt yields
Average credit rating	BBB	BBB+	No significant change
Modified duration (years)	0.02	-0.05	Slight increase
Spread duration (years)	4.1	3.8	No significant change
Number of issuers	396	416	Decreased as expected

Mandate: Multi Asset Credit

Current Value: £293.2m

Current Weighting: 6.4%

Inception: November 2009

Benchmark: 3-month SONIA +3%

Objective: 3-month SONIA +5% (gross)

Pooled: Via Access Pool

Note: Returns net of fees (based on share class A (GBP)). Benchmark used is 1 month LIBOR from fund inception to 30 June 2021 and 1 month SONIA thereafter. Objective shown is benchmark +2.5% p.a. The Fund was launched on 26 April 2007. Performance attribution based on the performance of the Euro denominated A share class gross of fees.

Source: Investment manager, Northern Trust, Isio calculations.

M&G - Corporate Bonds

Overview

The Fund invests in a variety of UK Corporate Bonds, including but not limited to Industrial, Financial, Sovereign and Utility bonds.

Target Return	Low		High
Return Drivers	Sector Allocation		Credit Selection
Interest Rate Sensitivity	Low		High
Diversification	Low		High

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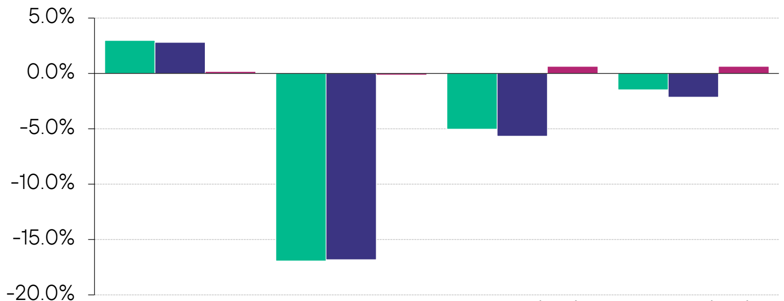
Key area	Comments
Key contributors/ detractors	• Financials were the strongest contributor to performance, from both a sector and security selection perspective, whilst Quasi and Foreign Government detracted.
Portfolio positioning	• The manager selectively reduced the level of risk in the portfolio and continued to hold an underweight position in credit spread duration relative to the benchmark. • The manager reduced the portfolio's exposure to names, including Lloyds, where credit spreads were trading at expensive multi-year levels.
Outlook	• M&G note that increased volatility in markets will likely remain with inflation and recession risk dominating markets. • The risk of a recession remains high as financial conditions are tightened by central banks.

Note: Totals may not sum due to rounding. Performance quoted net of fees
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	3.0%	-16.9%	-5.0%	-1.5%
Benchmark	2.8%	-16.8%	-5.7%	-2.1%
Relative	+0.2%	-0.1%	0.6%	+0.7%

Metrics	Current Quarter	Last Quarter	View/change
Yield	6.0%	6.1%	In line with expectations
Average credit rating	BBB	BBB	No change
Modified duration	9.7	9.4	In line with expectations

Mandate: Corporate Bonds

Current Value: £123.6m

Current Weighting: 2.7%

Inception: December 1996

Benchmark: Benchmark: - 50% iBoxx Non-Gilts Over 15Y - 50% iBoxx Non-Gilts

Objective: Outperform benchmark by 0.8% p.a. (gross)

Pooled: Via Access Pool

UBS – Over 5 Year Index-linked Gilts

Overview

The Fund has defensive characteristics, providing the Fund with protection against the impact of both interest rates and inflation expectations on the value placed on the liabilities.

Target Return	Low	●————	High
Return Drivers	Sector Allocation	—●———	Credit Selection
Interest Rate Sensitivity	Low	————●—	High
Diversification	Low	—●———	High

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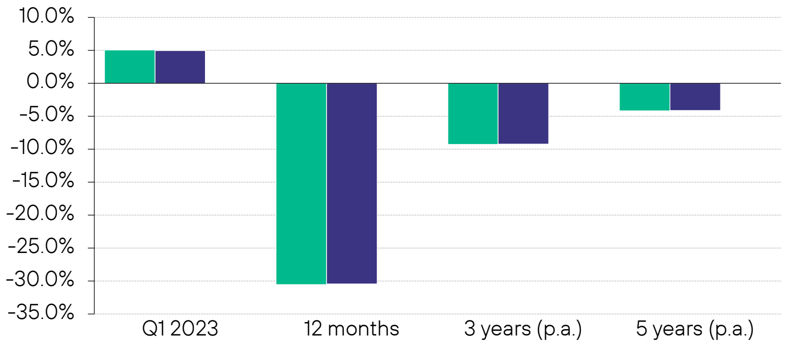
Real Gilt Yields – Last 12 months

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 March 2023



	Q1 2023	12 months	3 years (p.a.)	5 years (p.a.)
Return	5.0%	-30.5%	-9.3%	-4.2%
Benchmark	4.9%	-30.4%	-9.2%	-4.1%
Relative	+0.1%	-0.1%	-0.0%	0.0%

Mandate: Index Linked Gilts

Current Value: £93.8m

Current Weighting: 2.1%

Inception: February 2018

Benchmark: FTSE Index-Linked Gilts Over 5 Years

Objective: Match benchmark

Pooled: Via Access Pool

Appendices

A1: Market Background: Global Equity, Absolute Return, Real Assets, Credit & Yields

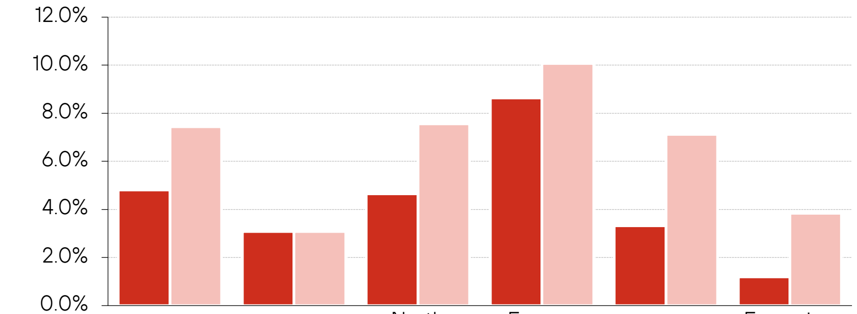
A2: Explanation of Market Background

A3; How to Read the Fund Manager Pages

A4: Disclaimers

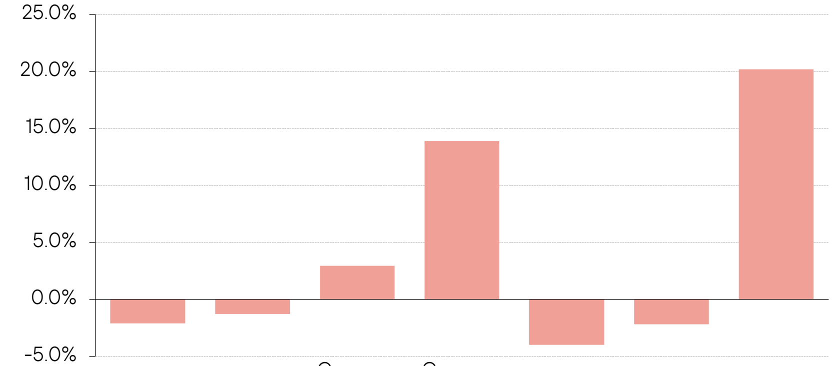
Market Background – Global Equity

Regional Returns – Q1 2023



	World	UK	North America	Europe exc UK	Japan	Emerging Markets
Sterling	4.8%	3.1%	4.6%	8.6%	3.3%	1.2%
Local	7.4%	3.1%	7.6%	10.1%	7.1%	3.8%

Sector Returns – Q1 2023 (Local)



	Financial	Utilities	Consum. Staples	Consum. Discret.	Energy	Health	Tech
Sector	-2.1%	-1.3%	2.9%	13.9%	-4.0%	-2.2%	20.2%

VIX Volatility Index – Last 12 months

Commentary

- The impact of tightening financial conditions on balance sheets drove the collapse of a number of second tier US Banks (including Silicon Valley Bank), resulting in elevated volatility across the sector. Despite this, global equity markets provided positive performance, as recession fears abated across developed markets.
- Both European and US equity markets posted positive returns, with cooling inflation data and the impact of banking sector issues underpinning expectations that the peak in global interest rates may be lower then previously expected.
- The UK market underperformed, but did add value in absolute terms over the period. The more domestic-focussed sectors contributed positively, with the consumer discretionary sector posting particularly strong returns.
- Emerging Markets lagged developed counterparts, with a re-emergence of US-China tensions impacting performance. Brazil and India underperformed, with weak GDP data, and allegations of fraud at a major firm, weighing on the respective markets.

Summary

Global equity markets provided positive performance over the quarter, with investors reacting positively to expectations that interest rate hikes may slow sooner then previously expected.

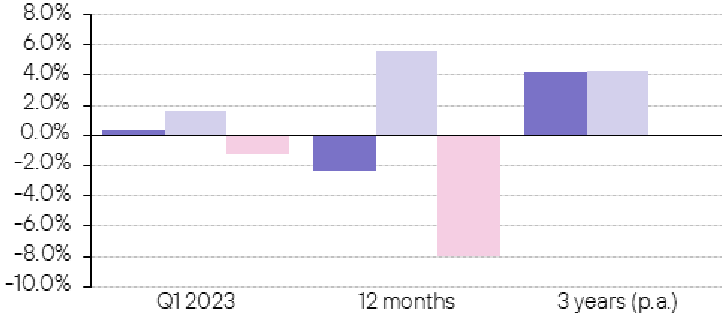
European equities outperformed over the period due to a combination of easing inflation and a positive outlook for manufacturing and services industries.

Emerging Markets lagged other markets, with strained relations between the world's two largest economies – the US and China – negatively impacting sentiment.

Notes: Please see the 'Explanation of Market Background' appendix for details of the underlying indices. Please note that sector returns are based on local USD pricing.
Sources: Refinitiv.

Market Background – Absolute Return

Sample Manager Average Returns– Q1 2023



	Q1 2023	12 months	3 years (p.a.)
Average DGF	0.3%	-2.4%	4.2%
Cash +3.5%	1.6%	5.6%	4.3%
Relative	-1.3%	-8.0%	-0.1%

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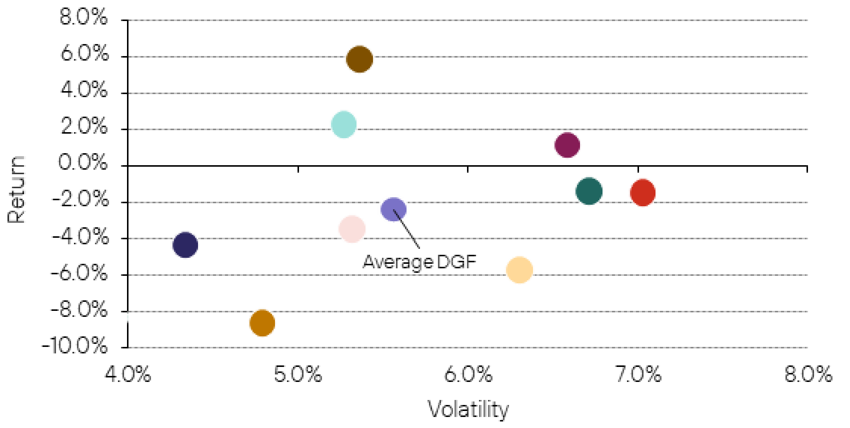
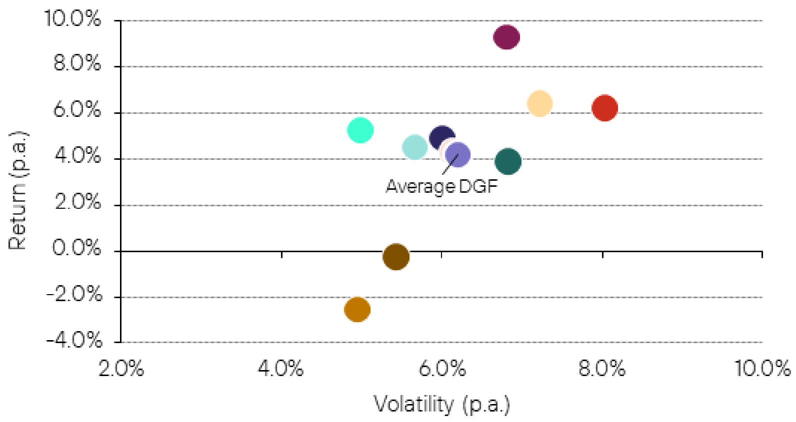
Sample Manager Returns and Volatility – 12 months



Summary

Within our sample of managers we have incorporated the performance of ten Absolute Return Funds with various manager styles, aiming to give a balanced view of the market.

Sample Manager Returns and Volatility – 3 years (p.a.)



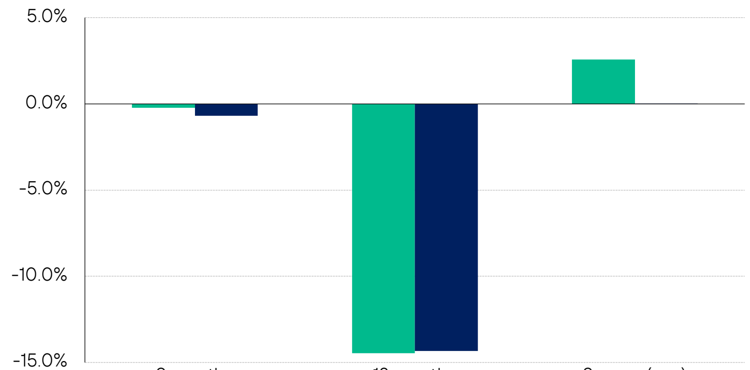
Commentary

- The average Absolute Return Fund underperformed the cash plus target over Q1 2023, however is broadly tracking this comparator over a 3 year period.
- Most broad equity markets offered positive returns for the first period this year, as investor sentiment improved over hopes that inflation has peaked. Whilst the muted movement in credit spreads resulted in fixed income having a marginal impact on performance, real asset exposure (i.e. property) continued to be weak.
- Returns over the longer term have suffered from the sell-off over 2022 with managers finding it difficult to source positive returns from most asset classes. Whilst the broad market backdrop posed significant challenges, some managers fared better than others in terms of providing downside protection.
- The majority of Absolute Return Fund managers remain aware to geopolitical tensions, as well as the potential impact of moving into a recessionary economic environment.

Note: Please see the 'Explanation of Market Background' appendix for details of the underlying indices. All returns quoted are net of management fees.
Source: Investment Managers, Isio calculations

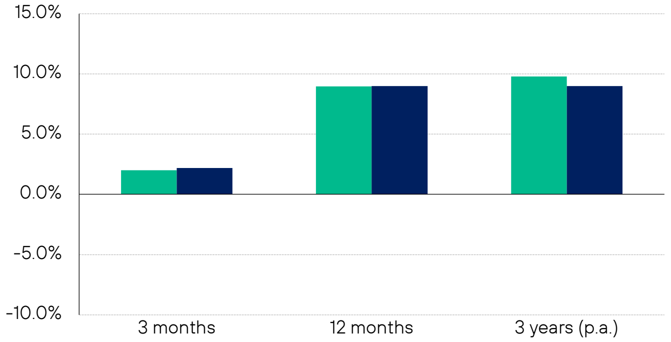
Market Background – Real Assets – Q1 2023

UK Commercial Property - Balanced and Long Lease



	3 months	12 months	3 years (p.a.)
Balanced Index	-0.2%	-14.5%	2.6%
Long Income Index	-0.7%	-14.3%	0.0%

Global Core Unlisted Infrastructure



	3 months	12 months	3 years (p.a.)
Illustrative Infrastructure Manager	2.0%	9.0%	9.8%
Objective	2.2%	9.0%	9.0%

- Objective: 9.0% p.a. net of all fees over the long term, ranging between 8%-12% depending on market cycle stage.

Commentary

- Following the significant decline in valuations experienced in Q4 2022, some stability returned in commercial property, though returns were still marginally negative over Q1.
- The main drivers of negative returns were continued market uncertainty and the collapse of Silicon Valley Bank / Credit Suisse in March. This lead to a lack of transactions, higher financing costs (post rising rates) and weaker occupancy/rental growth rates, though the majority of the impact was incorporated into Q4 valuations.
- Within commercial property, industrials (followed by retail warehouses) saw the strongest relative performance, while the office and standard retail sectors struggled.
- Balanced property outperformed long lease property over Q1 2023, largely due to a higher exposure to industrials on average (particularly the more cyclical areas such as factories, plants and retail warehouses), which outperformed, given strong long-term fundamentals and the steepest valuation decline in Q4 2022 already priced in.
- The aftermath of the mini-budget led to a wave of redemptions requests in late Q3 and Q4 2022. Managers have continued to defer requests to protect value for investors and this has lead to a number of asset sales to support such liquidity needs.

Commentary

- Infrastructure performed well over the quarter and continued to outperform its benchmark over the long term, on the back of declining energy prices, positive global economic data and lowered expectations of further rate hikes following issues in the banking sector.
- The continued re-emergence of mobility and travel (particularly with the re-opening of China) supported the transportation sector, with airports, toll roads and seaports performing positively over Q1 2023. Bond yields coming off recent highs also helped support longer-duration assets such as renewables.
- Laggards include the rail sector (due to increasing recession expectations and fuel/labour costs) and the energy inc. midstream sector (easing prices due to an abnormally warmer winter and signs of a softening in global fuel demand). Assets focused on energy transition appeared to be resilient to such issues.
- Despite the banking issues over the quarter, infrastructure companies raising debt in March priced deals at lower rates than expected, suggesting these companies should continue to have access to credit, unlike the situation in real estate, where financing has been harder to come by. The demand for infrastructure assets continues to be strong, supporting its resilience in tough and uncertain market conditions.

Summary

UK Commercial Property

After a significant valuation decline in Q4 2022, the first quarter of 2023 saw valuations stabilising somewhat, though commercial property markets continued to experience small negative performance. This was driven by continued rising interest rates, and uncertainty related to inflation.

We believe capital values for property sectors are now close to or have stabilised, having fallen by 10-20% since mid-2022.

Going forward, Isio believe property markets will continue to recover and begin to move upwards and sectors that will drive this are those with strong, long-term fundamentals such as industrials, logistics and retail warehouses.

Infrastructure

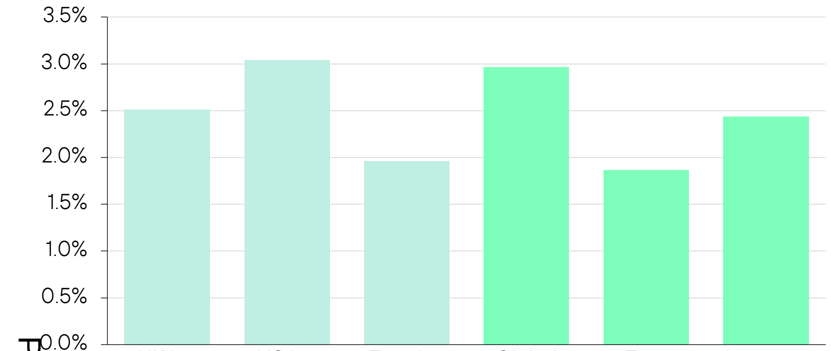
Following a strong 2022, where infrastructure displayed its robust nature amidst an economic downturn, the asset class continued to perform positively in Q1 2023. Lifted travel restrictions, stabilising energy prices, as well as positive economic data and diminishing rate hike expectations continued to support the asset class.

Given the current environment, we continue to believe a focus on a prudent approach, targeting assets that are well underwritten, with high inflation-linkage in contracted revenues and low levels of leverage will serve investors well.

Note: Please see the 'Explanation of Market Background' appendix for details of the underlying indices. Source: MSCI / IPD and Investment Managers.

Market Background – Credit

Credit Market Returns – Q1 2023



	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets	Leverag. Loans
£ Hedged	2.5%	3.0%	2.0%	3.0%	1.9%	2.4%

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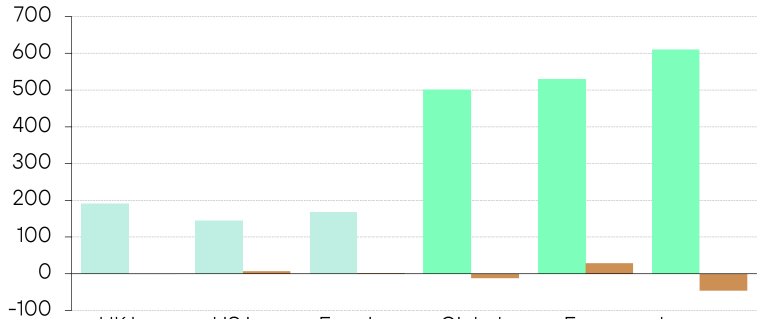
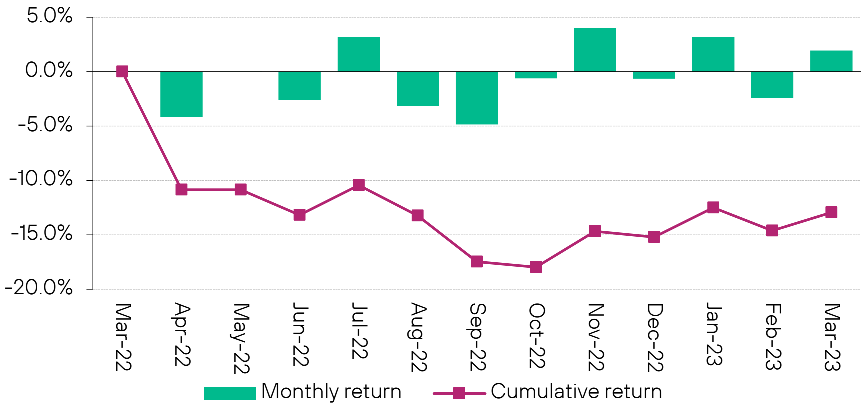
Credit Spreads – Q1 2023



	UK Inv Grade	US Inv Grade	Euro Inv Grade	Global High Yld	Emg Markets	Leverag. Loans
End of qtr	191	145	168	501	530	610
Qtr change	-1	7	2	-12	29	-46

Global Broad Credit Market Return – Last 12 Months



Commentary

In contrast to 2022, bond market performance was generally positive overall in Q1 2023, but volatility remained. While early signs global inflation may have peaked supported yields and tightened spreads, subsequent inflation data and banking sector issues provided headwinds.

- Though **investment grade ('IG') bond** spreads ended Q1 fairly unchanged, IG performance was supported by its sensitivity to falling government bond yields. The attractive IG yields coming into Q1 also contributed to Q1 performance.
- **High yield ('HY') bonds** also produced positive returns over the quarter. Similar to IG, this was partially driven by ongoing yield income, but was supported by HY spreads tightening slightly overall. This was particularly true in January, as markets reacted positively to central bank messaging following signs inflation may have peaked.
- **Emerging market ('EM') debt** also posted positive returns over the quarter, benefitting from the above risk-on sentiment early in Q1. While EM credit spreads widened overall in Q1, the high starting yield was sufficient to still generate positive returns.

Summary

Overall, Q1 2023 saw credit markets generate positive returns, but each month was characterised by different factors.

January saw a strong market rally, driven by falling government bond yields and tightening credit spreads. This was due to initial signs global inflation may have peaked, easing pressure on central banks to increase interest rates further.

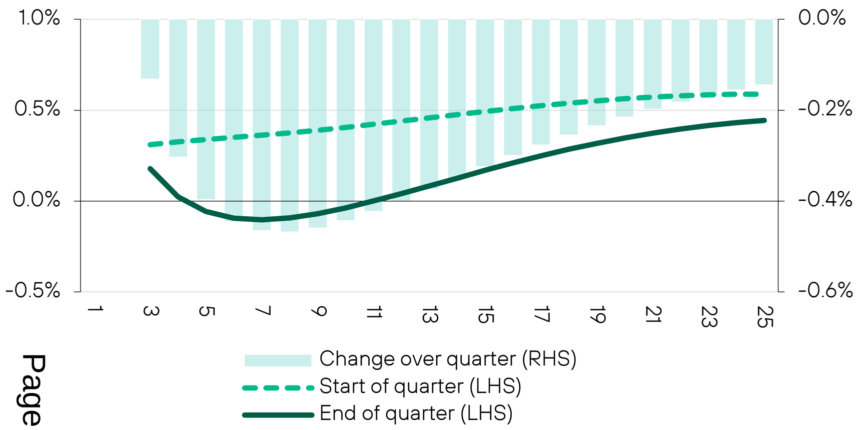
However, this reversed somewhat in February due to higher than expected inflation prints and strong jobs market data. In March, banking sector issues also led to a risk-off sentiment in markets. IG bonds were however supported by lower yields as markets expected banking sector fragility to lead to lower future rates than what was previously priced in.

Overall, despite the volatility, broad credit markets delivered positive returns, largely due to high yields heading into Q1. More interest rate sensitive bonds were also supported by government bond yields falling overall.

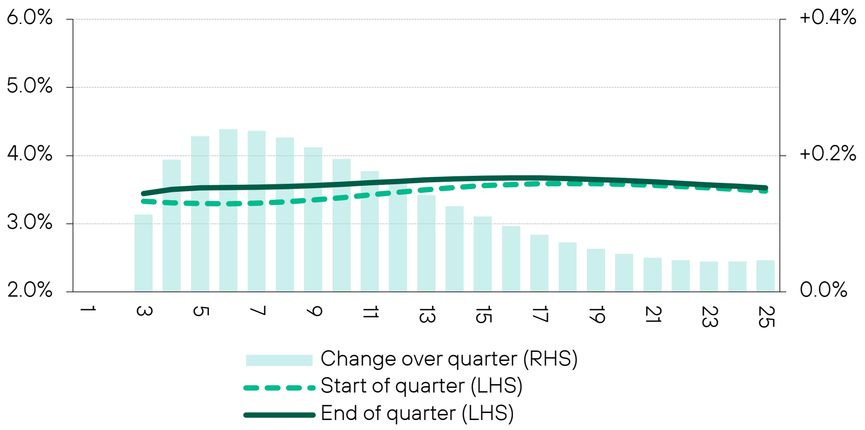
Notes: Please see the 'Explanation of Market Background' appendix for details on the underlying indices shown. Credit spreads are shown in basis points (100bps = 1%) and correspond to the incremental yield available on corporate bonds above government bonds of a similar maturity.
Sources: Thomson Reuters, PIMCO, Fidelity.

Market Background – Yields

Real Gilt Yields – Q1 2023



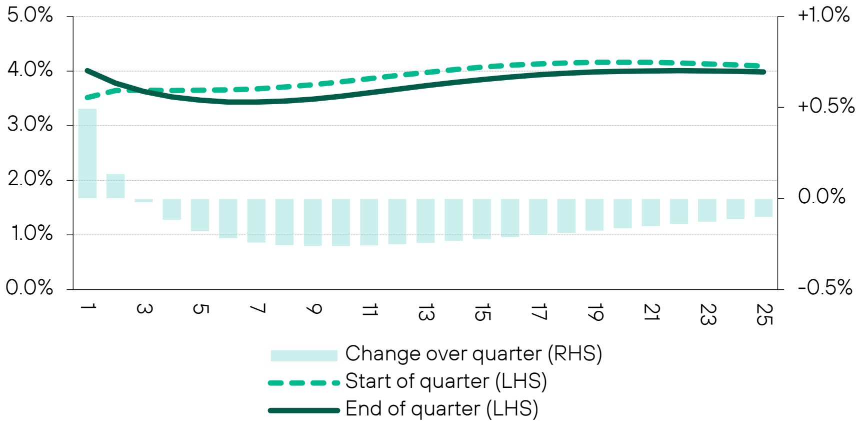
Gilt-Implied Inflation – Q1 2023



Summary

These curves show gilt yields and inflation expectations at varying time horizons. The horizontal axis represents the number of years.

Nominal Gilt Yields – Q1 2023



Commentary

- Long-dated (20-year) yields at the quarter-end were:
  - Real gilt yield: 0.3%
  - Nominal gilt yield: 4.0%
  - Gilt-implied inflation expectation: 3.6%

Sources: Bank of England, Isio calculations.

Explanation of Market Background

Market Background – Overview

- Returns by Asset Class – The market indices underlying this chart are as follows:
  - UK Equity: FTSE All-Share
  - Global Equity: FTSE World (Unhedged and Hedged)
  - Emerging Market Equity: MSCI Emerging Markets
  - Absolute Return Funds: mean of a sample of managers
  - Property: IPD Monthly UK
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - UK Inv. Grade Credit: BoAML Sterling Non-Gilt
  - Over 15 Years Gilts: FTSE Over 15 Year Gilt
  - Over 5 Years Index-Linked Gilts: FTSE Over 5 Year Index-Linked Gilt
  - Example Liabilities: a simplified calculation illustrating how a typical pension scheme's past-service liabilities may have moved

Market Background – Global Equity

- Regional Returns – The market indices underlying this chart are as follows:
  - World: FTSE World
  - UK: FTSE All Share
  - North America: FTSE North America
  - Europe ex UK: FTSE Europe ex UK
  - Japan: FTSE Japan
  - Emg Mkts: MSCI Emerging Markets
- Sector Returns – The market indices underlying this chart are the relevant sectors from the MSCI All-Countries index.
- VIX Volatility Index – This is a forward-looking indicator. It represents the expected range of movement (in percentage terms) in the S&P 500 index (i.e. US equities in dollar terms) over the next year, at a 68% confidence level. It is calculated using options prices over a 30-day horizon.

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Explanation of Market Background (cont.)

Market Background – Absolute Return

- **Absolute Return Funds** – Due to the lack of a market index for Absolute Return, we illustrate the performance of this by showing the returns of 10 of the largest funds by assets under management. Specifically:
  - Aberdeen Standard Global Absolute Return Strategies
  - Aviva Multi-Strategy Target Return
  - Baillie Gifford Diversified Growth
  - BlackRock Dynamic Diversified Growth
  - Invesco Perpetual Global Targeted Returns
  - L&G Diversified
  - Newton Real Return
  - Nordea Stable Return
  - Ruffer Absolute Return
  - Schroder Diversified Growth
- The 'Average Absolute Return Fund' performance is an equally-weighted average of the sample of 10 managers' performance figures.
- Returns are shown net of each manager's standard fee. While every effort has been taken to select vehicles with institutional/clean fee structures, the impact may not necessarily reflect any particular client's fee arrangements.
- Volatility is calculated by annualising the volatility of daily returns.
- As clients have specific selection criteria, the managers listed here may not meet any given client's criteria.
- Absolute Return encompass a range of investment approaches, return targets, and risk profiles. Consequently, different managers' returns are not necessarily a like-for-like comparison.

Market Background – Real Assets

- Real Assets – The market indices underlying these charts are:
  - Core UK Property: IPD Monthly UK Index
  - Long Lease UK Property: IPD Long Income Property Fund Index

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Explanation of Market Background (cont.)

Market Background – Credit

- Sector Returns and Credit Spreads – The market indices underlying this chart are as follows:
  - UK Inv Grade: BoAML Sterling Non-Gilt
  - US Inv Grade: BoAML US Corporate (GBP Hedged)
  - Euro Inv Grade: BoAML Euro Corporate (GBP Hedged)
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - Emerging Markets: JP Morgan EMBI Global (GBP Hedged)
  - Leveraged Loans: S&P/LSTA US Leveraged Loan Equity (GBP Hedged)
- Global broad credit market return – The market index underlying this chart is the BoAML Global Broad Market Corporate Index (GBP Hedged):
  - The Global Broad Market Index tracks the performance of investment grade public debt issued in the major domestic and eurobond markets, including 'global' bonds.
  - Qualifying bonds must have at least one year remaining term to maturity and a fixed coupon schedule. Bonds must be rated investment grade and be domiciled in a country having an investment grade foreign currency long-term debt rating (based on a composite of Moody's and S&P).

Market Background – Yields

- Yields – Yields shown are annual yields (i.e. they have been converted from the “continuously compounded” basis quoted by the Bank of England).
- Example Liabilities – This illustrates how a typical scheme’s past-service liabilities may have moved.
  - It is based on a simplified calculation assuming a scheme with duration 20 years and liabilities split 70% inflation-linked and 30% fixed.
  - Liability movement is calculated using yield changes and unwinding (short-term interest rate with no premium) only, with no accrual, outgo, or inflation experience.
  - A rise in yields equates to a fall in the calculated value of the liabilities (due to the higher discount rate at which the future cashflows are valued); conversely, a fall in yields means a rise in liabilities.

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where “hedged” returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

How to Read the Fund Manager Pages

How to Read the "Overview" Section

Expected Volatility Low High

— This is a standard quantitative measure of our expectation of absolute annual volatility of the fund.

— The measure ranges from 1% p.a. for the least volatile strategies (e.g. Cash) to 30% p.a. for the most volatile strategies (e.g. Emerging Markets Equity).

Shape of Outcomes 0% Contractual 100% Contractual

— This is an Isio-specific measure of how "contractual" the expected return from the fund is.

— The measure ranges from 0% for strategies that have no fixed return component and are instead based on a share of any profits (e.g. Global Equity) to 100% for strategies where the return in normal conditions is fixed and predictable (e.g. Corporate Bonds).

Diversification Low High

— This Isio-specific measure shows how diversified we consider the fund to be, in terms of broad market risk drivers.

— The measure ranges from "low" for mandates that invest in a single asset class that is concentrated in other respects, such as geography (e.g. European Direct Lending) to "high" for mandates that invest in a wide range of diversified asset classes (e.g. Diversified Growth Funds).

Manager Ratings

We show two ratings for a manager:

Research View: This comprises our opinion of the manager as a whole, judged against the client's specific selection criteria (which usually include ESG considerations). The possible ratings are:

— Meets Criteria

— Partially Meets Criteria

— Significantly Fails to Meet the Criteria

— Not Evaluated

ESG View: This is a narrower opinion focusing specifically on the manager's treatment of ESG (Environmental, Social, and Governance) issues. The possible ratings are:

— Green

— Amber

— Red

— Not Evaluated

This page contains guidance on how to read the fund manager pages

Disclaimers

Performance, Opinions, and Estimated Liabilities

- This report sets out the past performance of various asset classes and fund managers. It should be noted that past performance is not a guide to the future.
- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio's research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
- Our opinions of investment products are based on information provided by the investment management firms and other sources. This report does not imply any guarantee as to the accuracy of that information and Isio cannot be held responsible for any inaccuracies therein. The opinions contained in this report do not constitute any guarantees as to the future stability of investment managers which may have an effect on the performance of funds.
- Funds that make use of derivatives are exposed to additional forms of risk and can result in losses greater than the amount of invested capital.
- The estimated liabilities (where quoted) have been "rolled forward" from the last actuarial valuation and/or funding update, by taking current bond yields and inflation expectations into account. The methodology underlying the actuarial assumptions (e.g. discount-rate premium, mortality, real salary growth etc.) is assumed to remain constant for this estimate. Due to the approximate nature of the calculations, the Fund's actual experience and changes in future valuation assumptions may mean that the liabilities and funding position calculated at the next actuarial valuation (or funding update) could be significantly different from the quoted estimate.

Addressee and Isio Relationships

- This report has been prepared for the sole benefit of the East Sussex County Council as Administering Authority of the East Sussex Pension Fund and based on their specific facts and circumstances and pursuant to the terms of Isio Group/Isio Services Ltd's Services Contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group/Isio Services Ltd accepts no responsibility or liability to that party in connection with the Services.
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- The information contained within the report is available only to relevant persons, and any invitation, offer or agreement to purchase or otherwise acquire investments referred to within the report will be engaged in only with relevant persons. Any other person to whom this communication is directed, must not act upon it.
- Isio Services Limited is authorised and regulated by the Financial Conduct Authority FRN 922376.

This report has been prepared for the sole benefit of East Sussex County Council as Administering Authority of the East Sussex Pension Fund

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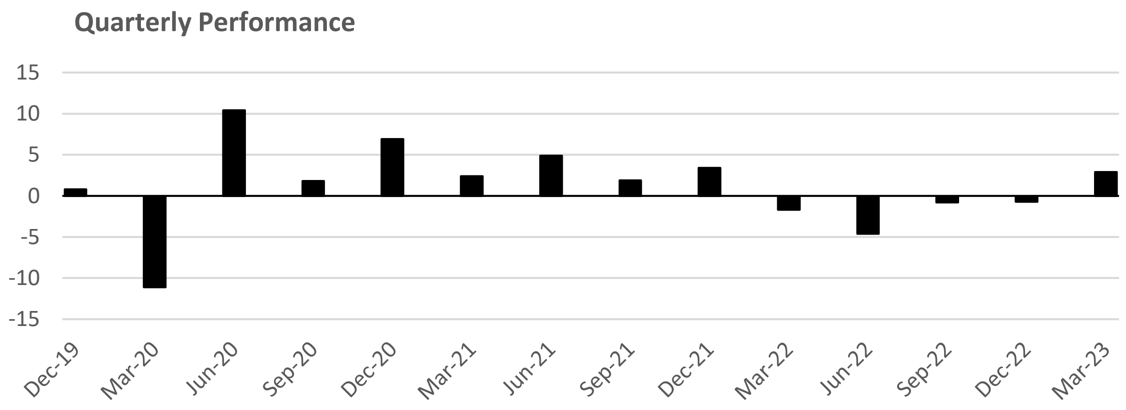
Local Authority Pension Performance Initial Indicators to March 2023

Latest Quarter

After four successive quarters of negative returns the latest period should deliver some respite for many funds. However, with inflation remaining stubbornly high in the UK and sentiment shifting, it remains a difficult time for investors.

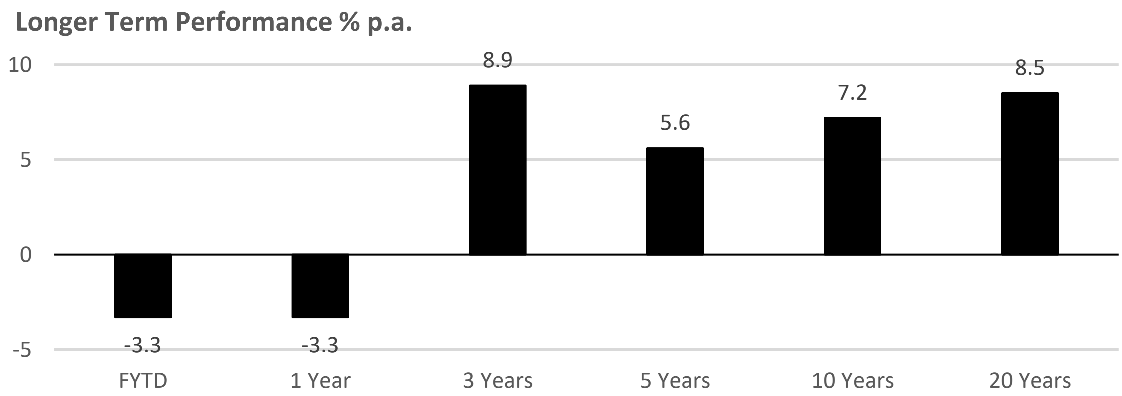
Equity markets rallied over the period, falling back towards the end of the Quarter as worries about financial security caused by the latest banking failures took hold. Against this backdrop bond prices rose as investors sought safety.

The average local authority fund could expect to achieve a return for the Quarter of around 2.9%.



Longer Term

The one-year result is now -3.3%, the positive result in the latest period being insufficient to offset the prior three quarters of negative performance. Funds have, in aggregate failed to achieve Index performance within their equity investments over this period.
Over the last ten years the average fund delivered a return of 7% p.a.



The returns for the latest period are based on the asset allocation of the PIRC Local Authority Universe with index returns applied. The previous periods are updated to include actual Universe returns.

The PIRC Local Authority Universe is currently comprised of 63 funds with a combined value of £250bn.

For further details or for information about subscribing to this service please contact:

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East Sussex County Council Pension Fund

Funding update report as at 31 March 2023

Barnett Waddingham LLP

24 May 2023

Contents

BARNETT WADDINGHAM
beyond the expected

Introduction

East Sussex County Council, as administering authority for the East Sussex County Council Pension Fund (the Fund), has asked that we carry out an annual monitoring assessment of the Fund as at 31 March 2023. The purpose of this assessment is to provide an update on the funding position.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with Local Government Pension Scheme Regulations 2013 (the Regulations).

We have taken account of current LGPS Regulations (as amended) as at the date of this report.

On 13 May 2021 the Government issued a ministerial statement on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases relating to age discrimination. The statement confirms that changes will be made to the LGPS Regulations to compensate members directly affected by the change to career average benefits from 1 April 2014. The Government's intention is that regulations will come into force on 1 October 2023, and draft regulations are expected later in 2023. At the Fund's 31 March 2022 valuation, the cost of the McCloud remedy was estimated and incorporated into the value of liabilities.

The information in this report is addressed to and is provided for use by East Sussex County Council as the administering authority to the Fund. This report may be shared with other interested parties but it does not constitute advice to them.

This report complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 300: Pensions (TAS 300) as issued by the Financial Reporting Council (FRC).

We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are projected numbers and likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

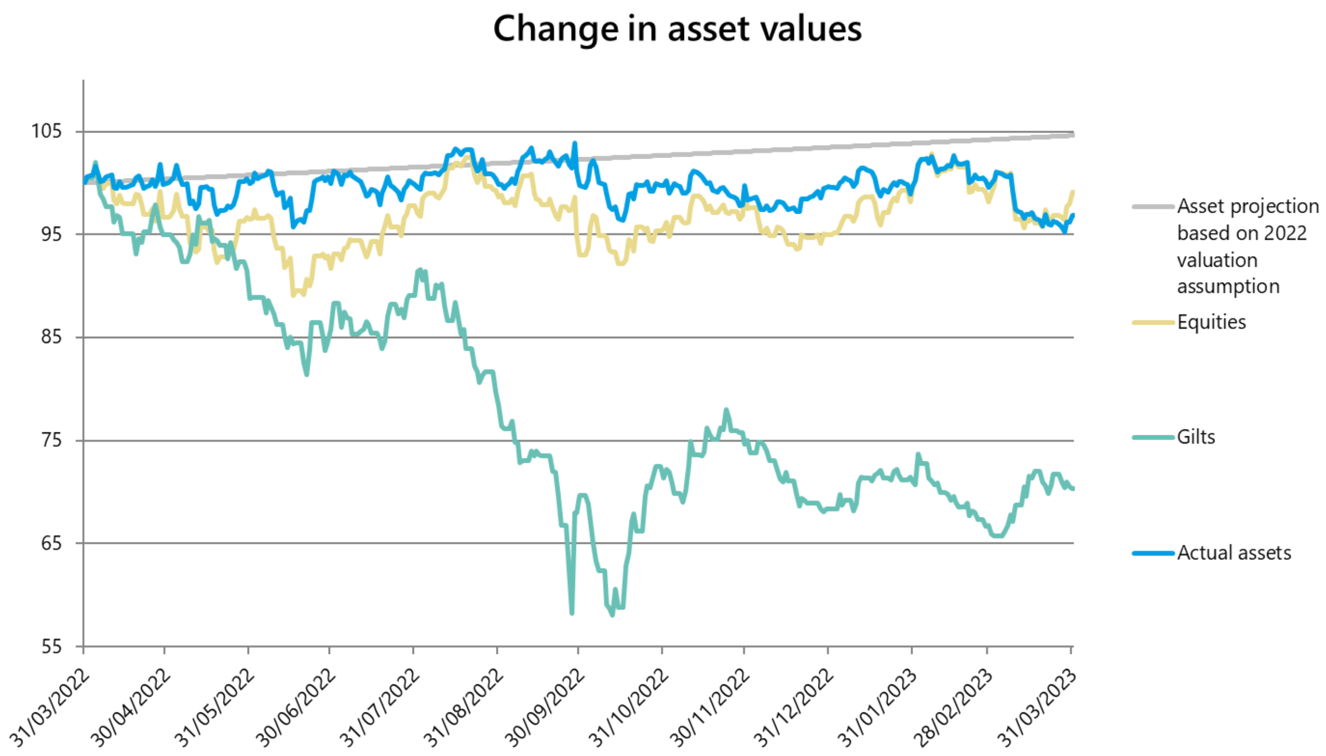
Assets

The estimated (unsmoothed) asset allocation of the East Sussex County Council Pension Fund as at 31 March 2023, based on data received from East Sussex County Council, is as follows:

Assets (market value)	31 March 2023		31 March 2022	
	£000s	%	£000s	%
Equities	3,219,201	71%	3,445,081	73%
Bonds	553,606	12%	611,239	13%
Property	733,175	16%	530,822	11%
Cash	54,520	1%	100,525	2%
Total assets	**4,560,502**	**100%**	**4,687,667**	**100%**

The investment return achieved by the Fund's assets in market value terms for the year to 31 March 2023 is estimated to be -2.9%.

The following chart shows the changes in equity and bond markets since the previous actuarial valuation and compares them with the estimated actual fund returns and the expected fund returns assumed at the previous valuation:



As we can see the asset value as at 31 March 2023 in market value terms is less than where it was projected to be at the previous valuation.

For funding purposes, we use a smoothed value of the assets rather than the market value. The financial assumptions that we use in valuing the liabilities are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the six month period around 31 March 2023. Therefore, we value the assets in a consistent way and apply the same smoothing adjustment to the market value of the assets.

Changes in market conditions – market yields and discount rates

The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable.

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2022 actuarial valuation, updated where necessary to reflect market conditions. Further details of the derivation of the financial and demographic assumptions can be found in the relevant actuarial valuation report.

The following table show how the main financial assumptions have changed since the last triennial valuation:

Assumptions (smoothed)	31 March 2023		31 March 2022	
	Nominal	Real	Nominal	Real
	% p.a.		% p.a.	
Pension increases (CPI)	2.46%	-	2.90%	-
Salary increases	3.46%	1.00%	3.90%	1.00%
Discount rate	4.82%	2.36%	4.60%	1.70%

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As we see, the real discount rate is higher than at the 31 March 2022 valuation, reducing the value of liabilities used for funding purposes.

Results

The funding position for each month has been rolled forward from the formal valuation and is shown in Appendix 1. It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position.

The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 31 March 2023 is 121% and the average required employer contribution would be 16.5% of payroll.
- This compares with the reported (smoothed) funding level of 122.8% and average required employer contribution of 20.2% of payroll at the 31 March 2022 funding valuation.

The discount rate underlying the smoothed funding level as at 31 March 2023 is 4.8% p.a. The investment return required to target the funding level to 100% by 31 March 2042, if employers were to pay the primary rate only, would be 3.8% p.a.

Since the previous report the 2022 triennial valuation has been completed and the assets and liabilities calculated as part of this valuation have been allowed for in the results of this report.

We have also allowed for the 10.1% pension increase order as at 31 March 2023 to reflect the increases applied to the CARE pensions, deferred pensions and pensions in payment in April 2023. The increase associated with this, however, has been more than offset by a reduction in the long-term inflation assumption. This short-term high inflation and longer term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Over the year to 31 March 2023, investment returns have been lower than assumed at the 2022 valuation, with an actual return of around -2.4% compared with an assumed return of 4.6%, which has led to a reduction in the funding level at the reporting date.

Final comments

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund include longevity risk, financial risks (including inflation and investment risk) and regulatory risks. There is more detail on this contained within the Fund's Funding Strategy Statement and the 31 March 2022 actuarial valuation report.

Note that the funding position at a future date will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

We would be pleased to answer any questions arising from this report.

Barry McKay

Barry McKay FFA
Partner
Barnett Waddingham LLP

Appendix 1 Financial position since previous valuation

Below we show the financial position on a smoothed basis for each month since the previous full valuation. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures for the previous three months are projected numbers and likely to change up until three months after the reporting date.

Please note that the results shown below are sensitive to the underlying assumptions. For example, increasing the discount rate assumption by 0.5% will increase the funding level by about 2%, and increasing the CPI inflation assumption by 0.5% will reduce the funding level by about 17%.

Smoothed results	Assets	Liabilities	Surplus / (Deficit)	Funding level	CARE ongoing cost	Past service ctbn	Total ctbn	Discount rate	Return required to restore funding level
Valuation date	£000s	£000s	£000s	%	% of pay	% of pay	% of pay	% p.a.	% p.a.
31 Mar 2022	4,618,065	3,760,344	857,721	123%	20.2%	(9.2%)	11.0%	4.6%	3.6%
30 Apr 2022	4,664,308	3,704,131	960,177	126%	19.5%	(9.6%)	9.9%	4.6%	3.5%
31 May 2022	4,698,524	3,663,466	1,035,058	128%	19.0%	(10.5%)	8.5%	4.7%	3.4%
30 Jun 2022	4,808,662	3,593,884	1,214,778	134%	18.3%	(12.5%)	5.8%	4.8%	3.3%
31 Jul 2022	4,582,619	3,512,612	1,070,007	130%	17.4%	(11.3%)	6.1%	4.9%	3.5%
31 Aug 2022	4,623,697	3,479,727	1,143,970	133%	17.0%	(12.2%)	4.8%	4.9%	3.5%
30 Sep 2022	4,866,214	3,468,740	1,397,474	140%	16.7%	(15.0%)	1.7%	4.9%	3.2%
31 Oct 2022	4,757,029	3,467,026	1,290,003	137%	16.6%	(13.9%)	2.7%	4.9%	3.3%
30 Nov 2022	4,623,850	3,450,941	1,172,909	134%	16.4%	(12.7%)	3.7%	5.0%	3.5%
31 Dec 2022	4,772,380	3,462,419	1,309,961	138%	16.3%	(14.3%)	2.0%	4.9%	3.3%
31 Jan 2023	4,653,549	3,505,249	1,148,300	133%	16.6%	(12.5%)	4.1%	4.8%	3.4%
28 Feb 2023	4,708,354	3,511,785	1,196,569	134%	16.6%	(13.1%)	3.5%	4.8%	3.3%
31 Mar 2023	4,543,399	3,748,414	794,985	121%	16.6%	(8.7%)	7.9%	4.8%	3.8%

Appendix 2 Data, method and assumptions

Data

In completing our calculations we have used the following items of data, which we received from East Sussex County Council:

- The results of the valuation as at 31 March 2022 which was carried out for funding purposes;
- Actual whole Fund income and expenditure items for the period to 31 March 2023; and
- Estimated Fund returns based on Fund asset statements provided to 31 March 2023, and Fund income and expenditure as noted above.

The data has been checked for reasonableness and we are happy that the data is sufficient for the purpose of this report.

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

Method

To assess the value of the Fund's liabilities as at 31 March 2023, we have rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2022 using the financial assumptions below and actual cashflows paid to and from the Fund.

It is not possible to assess the accuracy of the estimated value of the liabilities as at 31 March 2023 without completing a full valuation. However, we are satisifed that the approach of rolling forward the previous valuation data to 31 March 2023 should not introduce any material assumptions in the results provided that the actual experience of the Fund is broadly in line with the underlying assumptions and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

We have been provided with the Fund assets at various dates but for dates that these are not available, we calculate the Fund assets by rolling forward the previous assets provided allowing for investment returns (estimated where necessary), and actual cashflows paid to and from the Fund. The latest date that we have been provided with the Fund assets is 31 March 2023.

Assumptions

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2022 actuarial valuation, updated where necessary to reflect market conditions.

A summary of the main financial assumptions adopted is set out in the main body of this report.

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. The temporary dividend yield adjustment made at the valuation date to account for market distortion following the COVID-19 pandemic, has been fully removed with effect from 31 March 2023. Consistent with the method adopted for the 31 March 2022 valuation, we have included in the discount rate assumption an explicit prudence allowance of 1.1%.

The post retirement mortality assumptions are:

- for members, base tables constructed using Club Vita analysis;
- for dependants, base tables constructed using Club Vita analysis.

These base tables are then projected using the CMI 2021 Model, allowing for a long-term rate of improvement of 1.25% p.a, a smoothing parameter of 7.0, an initial addition parameter of 0.0% p.a., and a weighting parameter of 5% for 2020 and 2021.

The other key demographic assumptions are:

- members retire at a single age, based on the average age at which they can take each tranche of their pension at; and; and
- it is assumed that members will exchange 50% of their commutable pension for cash at retirement.

Further details of the derivation of the financial and demographic assumptions can be found in the relevant actuarial valuation report.

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Agenda Item 13

Report to: **Pension Committee**

Date of meeting: **16 June 2023**

By: **Chief Finance Officer**

Title: **Work Programme**

Purpose: **To note the Board and Committee work programme**

RECOMMENDATION

The Pension Committee is recommended to note the work programme.

---

1 Background & Supporting information

1.1 The work programme contains the proposed agenda items for future Pension Board and Pension Committee meetings over the next year and beyond. It is included on the agenda for each Committee meeting.

1.2 The work programme also provides an update on other work going on outside the Board and Committee's main meetings, including working groups, upcoming training and a list of any information requested by the Board or Committee that is circulated via email.

1.3 This item also provides an opportunity for Members to reflect on any training they have attended since the last meeting.

2 Conclusion and reasons for recommendations

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

IAN GUTSELL
Chief Finance Officer

Contact Officer: Sian Kunert, Head of Pensions

Email: Sian.Kunert@EastSussex.gov.uk

Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	**Description**	**Author**
Standing items (items that appear on each agenda)		
Pension Committee Agenda	A consideration of the draft agenda of the Pension Committee.	Head of Pensions
Governance Report	A report on governance issues effecting the fund, developments in the LGPS, policy amendments and McCloud working group update	Pensions Manager – Governance and Compliance
Employer Engagement and Contributions Report	A report on Employer Engagement matters to note, Employer Contributions update, Communications from the Fund and Communications working group update	Pensions Manager – Employer Engagement
Pensions Administration report	An update on the performance of the Pensions Administration Team.	Head of Pensions Administration
Internal Audit reports	All internal audit reports on the ESPF are reported to the Board	Head of Internal Audit

Appendix 1

East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the ESPF's budget. This is reported in Q2-4 only.	Head of Pensions
East Sussex Pension Fund (ESPF) Risk Register	A report on the ESPF's Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions
East Sussex Pension Fund (ESPF) Breaches Log	A report on the ESPF breaches log	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the ESPF.	Head of Pensions
4 September 2023		
Independent Auditors Report on the Pension Fund Accounts 2021/22	A report on the External Audit findings of the Pension Fund financial Statements for 2021/22	Head of Pensions
Additional Voluntary Contributions (AVC) Report	AVC update report on AVC offerings to members	Head of Pensions
2 November 2023		

Pension Fund Annual Report and Accounts 2021/22	2020/21 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	Head of Pensions
8 February 2024		
Business Plan and Budget 2024/25	Report to set the Budget for the Pension Fund for the Financial Year 2024/25 including the Business Plan with key deliverables for the year.	Head of Pensions
External Audit Plan for the East Sussex Pension Fund 2024/25	Draft External Audit Plan for 2024/25 Pension Fund Financial Statements	Head of Pensions
5 June 2024		
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
11 September 2024		
7 November 2024		
13 February 2025		

Actions requested by the Pensions Board		
Subject Area	**Detail**	**Status**
Internal Audit reports	The Board requested that internal audit consider an audit of the common data sets provided to the Pensions Regulator	TBC
Scheme administration	The Board requested a report on potential recommendations from the Scheme Advisory Board (SAB) that the Scheme Manager role is removed from local authority control.	Ongoing discussions

Future Pension Committee Agenda		
Item	**Description**	**Author**
Standing items (items that appear on each agenda)		
Governance Report	A report on governance issues effecting the fund, developments in the LGPS, approval of policy amendments and McCloud working group update	Pensions Manager – Governance and Compliance
Pensions Administration report	An update on the performance of the Pensions Administration Team.	Head of Pensions Administration
Internal Audit reports	Internal audit reports on the ESPF and annual audit plan.	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the ESPF's budget - *reported Q2-4 only*	Head of Pensions
East Sussex Pension Fund (ESPF) Risk Register	A report on the ESPF's Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions
Investment Report	A Quarterly performance report of the investment managers	Head of Pensions and Investment Consultant

East Sussex Pension Fund (ESPF) Breaches Log	A report on the ESPF breaches log – *reported only when a new breach is recognised, or status changed. Report goes quarterly to Board.*	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the ESPF - *reported only when outstanding admissions or cessations.*	Head of Pensions
16 June 2023 (Revised date)		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Governance and Compliance Pensions Manager
Annual Report of the Pension Board	Annual report of the Pension Board to the Scheme manager outlining the work throughout the year	Head of Pensions with the Chair of the Board
External Audit Plan for the East Sussex Pension Fund 2022/23	Draft External Audit Plan for 2021/22 Pension Fund Financial Statements	Head of Pensions
Privacy Notice and Memorandum of Understanding	Annual review of Funds Privacy Notice (summary and full) and Memorandum of Understanding to check for any changes. This will be reported as a note in the governance report if no required changes.	Governance and Compliance Pensions Manager
Breaches Policy refresh	3 year review of the Breaches policy to ensure up to date and representing best practice	Governance and Compliance Pensions Manager
20 July 2023 Investment Strategy review and training day (not a formal Committee meeting unless urgent decisions required)		

19 September 2023		
Independent Auditors Report on the Pension Fund Accounts 2021/22	A report on the External Audit findings of the Pension Fund financial Statements for 2021/22	Head of Pensions
Additional Voluntary Contributions (AVC) Report	AVC update report on AVC offerings to members	Head of Pensions
Carbon Footprinting	A report on the carbon footprint of the portfolio of ESPF including whether investments are in line with transition pathways. (Note this may slip to September depending on supplier turnaround times)	Head of Pensions
Investment Strategy Statement	Refresh of the Investment Strategy Statement following Strategy review day in July to formalise and approve the new strategy post triennial valuation. Review to include Statement of Investment Principles.	Head of Pensions
Stewardship Code submission for 2022	Second annual submission to FRC for Stewardship activities for calendar year 2022 prior to October submission date	Head of Pensions
16 November 2023		
Pension Fund Annual Report and Accounts 2021/22	2020/21 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	Head of Pensions
22 February 2024		
Business Plan and Budget 2024/25	Report to set the Budget for the Pension Fund for the Financial Year 2024/25 including the Business Plan with key deliverables for the year.	Head of Pensions
External Audit Plan for the East Sussex Pension Fund 2024/25	Draft External Audit Plan for 2024/25 Pension Fund Financial Statements	Head of Pensions
19 June 2024		
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 Review and training day		

25 September 2024
21 November 2024
27 February 2025

Actions requested by the Committee		
Subject Area	**Detail**	**Status**
The case for Divestment and implications on Investment Strategy	Committee agreed in July 2022 to ask officers and the Fund's external advisers to conduct a piece of work concurrent with the completion of the triennial valuation which: 1. Assesses the fiduciary and legal consequences of fossil fuel divestment for the Fund; 2. Examines how such a move aligns with relevant guidance and advice; 3. Explores how practical an act it would be within the context of the ACCESS pool; and 4. Reviews evidence on the efficacy of such an approach in promoting the energy transition.	In progress - planned for discussion to aid the strategy review in July 2023, in advance of the September committee for investment strategy approval

Current working groups		
Title of working group	**Detail and meetings since last Pensions Board and Committee meetings**	**Membership**
Investment Implementation Working Group (IIWG)	The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020. The IIWG has an advisory role to 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. Recent IIWG meetings • 27 February 2023 (private debt, inflation linked property) • 5 April 2023 *Officers and Advisers only* – progress on Divestment project • 24 April 2023 *Officers and Advisers only* – progress on Divestment project • 11 May 2023 (Gilt triggers, property pooling, performance, strategy review progress, PE valuations, liquid asset pooling) • 24 May 2023 *Officers and Advisers only* – progress on Divestment project Scheduled • 29 June 2023 *Officers and Advisers only* – progress on Divestment project	William Bourne, Russell Wood, Sian Kunert, Representative from Investment Consultant Cllr Fox or substitute committee member is invited to attend
Administration Working Group	The Administration Working Group was set up in 2021 following the conclusion of the ABS and Data Improvement Working Group. The group discuss ongoing administration projects and areas of administration focus Recent meetings • 20 March 2023 • 16 May 2023 Scheduled	Cllr Fox, Ray Martin, Neil Simpson, Paul Punter, Sian Kunert, Ian Gutsell

	• 4 July 2023 • 24 August 2023 • 9 October 2023 • 5 December 2023	
McCloud Working Group	The McCloud Working Group has been established to oversee the implementation of the McCloud ruling within a prescribed timeframe and addressing any gaps and barriers preventing progress and ultimately delivery of the project. A high-level impact assessment has been completed to identify those members of the scheme that will be affected by this ruling. The Group have acknowledged there are many data requests of employers and this project needs to be managed carefully with other demands on employers time. Recent meetings • 5 January 2023	Cllr Fox, Lynda Walker, Paul Punter, Sian Kunert, Dave Kellond, Mike Burton
Communications Working Group	The Communications Working Group was established by the Pensions Board in February 2021 to drive forward improvements in communications with stakeholders with support from employee and employer representatives. Recent meetings • 21 February 2023 – Summary accounts and ABS changes • 17 May 2023 – TME/MSS, Member booklet Scheduled meetings • 12 September 2023 • 12 December 2023	Lynda Walker, Ray Martin, Sian Kunert, Tim Hillman, Paul Linfield, employer rep vacancy Note - All Board members invited to attend

Training and Development – attendance at recent events				
Invited	**Date**	**Topic**	**Committee**	**Board**
PB&PC	28-Mar	Implementing TPR's New Code of Practice - Codes and conversations with Nick Gannon		Neil
PB&PC	30-Mar	Structure and powers of TPR	Cllrs Redstone, Hollidge	Ray, Neil
PC	28-Apr	Fiduciary Duties, the power to invest and MiFID II	Cllrs Fox, Hollidge, Redstone, Tutt, Taylor	

Upcoming Training Offered to Pension Board

Training and Development – Upcoming Training Offered to Pension Board	
Date	Topic
21 June Organiser: PensionsAge Time: 08:55 – 15:10 Location: Leeds Cost: Free	Pensions Age Northern Conference The organisers are saying why should we attend: Hear the views of key associations and spokespeople in the industry Understand the hot topics and current issues facing UK pension schemes in the current environment Understand what the changes in pensions regulation mean for you and how you can best address the changes Learn about new and effective investment and asset allocation trends in both the DB and DC space Understand how to generate returns while managing your risk Learn how to effectively communicate to your members Learn from case studies and experience Network with other pension professionals • Gain up to 7 CPD hours with some accrediting bodies

Training and Development – Upcoming Training Offered to Pension Committee

Date	Topic
6-8 June Organisation: PLSA Time: Location: Edinburgh Cost: Free	Investment Conference 2023 This year pensions industry leaders and aspiring leaders will discuss: The impact of macroeconomic and political instability on the investment climate The way we identify, understand and manage the next big risks The investment outlook for an industry searching for growth opportunities How pension funds can support positive growth for the national economy and society
14 June Organiser: PMI Time: 10:00 - 11:00 Location: Online Cost: Free	Using Dormant Assets to Transform Communities and Change Lives More details to follow.
14-15 June Time: 08:50 – 16:50 Location: London Cost: Free	Sustainable Investment Festival The Sustainable Investment Festival (SIF) will take impactful engagement and positive social change as key themes. This will include: Exploring best practice in how asset managers engage with companies How advisers engage with clients on sustainable investing How fund selectors and pension professionals engage with fund managers to drive positive social and environmental change
21 June Organiser: Pensions Age Time: 08:55 – 15:10 Location: Leeds Cost: Free	Pensions Age Northern Conference The organisers are saying why should we attend: Hear the views of key associations and spokespeople in the industry Understand the hot topics and current issues facing UK pension schemes in the current environment Understand what the changes in pensions regulation mean for you and how you can best address the changes Learn about new and effective investment and asset allocation trends in both the DB and DC space Understand how to generate returns while managing your risk Learn how to effectively communicate to your members Learn from case studies and experience Network with other pension professionals • Gain up to 7 CPD hours with some accrediting bodies
26-28 June	Local Authority Conference

Organisation: PLSA Time: Location: Gloucestershire Cost: £495	We ask what's the investment outlook for schemes amid recent market turmoil and the continued threat of recession? How can we ensure operational sustainability of the LGPS when schemes are continually pushed to do more with less? How should funds communicate with employers and savers during the cost-of-living crisis? What's next on ESG, pensions dashboards and the levelling up debate? Come to conference to find out more.
4-6 July Organiser: DG Publishing Time: 19:00 – 13:05 Location: The Grove, Hertfordshire Cost: Free	LAPF Strategic Investment Forum This is a leading investment conference and dinner for senior LGPS fund investment officers and their advisers. The event will cover wide variety topics such as: Geopolitical Risks, Fixed Income Returns, Real Estate Long Income, Biodiversity, Private Equity, Private Debt, Social Housing, Commercial property

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Agenda Item 16

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Agenda Item 17

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Appendix 1

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Appendix 2

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