



# PENSION COMMITTEE

THURSDAY, 19 JUNE 2025

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

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

## A G E N D A

1. Minutes of the meeting of 27 February 2025 *(Pages 3 - 20)*
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 21 - 32)*
6. Pension Reform Agenda *(Pages 33 - 104)*
7. Governance Report *(Pages 105 - 138)*
8. Communications Report *(Pages 139 - 166)*
9. Report of Pension Board to Pension Committee *(Pages 167 - 170)*
10. Pension Administration Report *(Pages 171 - 186)*
11. East Sussex Pension Fund Financial Outturn Report 2024/25 *(Pages 187 - 190)*
12. Internal Audit Report *(Pages 191 - 222)*
13. External Audit Plan for the East Sussex Pension Fund 2024/25 *(Pages 223 - 262)*
14. Pension Fund Risk Register *(Pages 263 - 274)*
15. Investment Report *(Pages 275 - 302)*
16. Work programme *(Pages 303 - 322)*
17. Any non-exempt items previously notified under agenda item 4

18. 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 Schedule 12A 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).
19. Pension Reform Agenda - Next Steps (*Pages 323 - 324*)
20. Investment Report - Exempt Information (*Pages 325 - 350*)
21. Governance Report - Exempt Information (*Pages 351 - 354*)
22. Pension Fund Breaches Log and Internal Dispute Resolution Procedure Case Report (*Pages 355 - 358*)
23. Employer Admissions and Cessations (*Pages 359 - 366*)
24. Any other exempt items previously notified under agenda item 4

PHILIP BAKER  
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11 June 2025

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# Agenda Item 1

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 27 February 2025.

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

ALSO PRESENT

Ian Gutsell, Chief Finance Officer  
Susan Greenwood, Acting Head of Pensions  
George Norval, Interim Deputy Head of Pensions  
Russell Wood, Pensions Manager: Investment and Accounting  
Iain Campbell, Head of LGPS Investment, Hymans Robertson  
William Bourne, Independent Investment Adviser  
Paul Punter, Head of Pensions Administration  
Paul Linfield, Pensions Communications Manager  
Mya Khine, Pensions Accountant  
Dave Kellond, Compliance and Local Improvement Partner  
James Sweeney, Pensions Investment Officer  
Bekki Freeman, Solicitor  
Neil Simpson, Pension Board  
Cllr Andrew Wilson, Pension Board  
Trevor Redmon, Pension Board  
Lynda Hughes, Pension Board

57. MINUTES OF THE MEETING OF 21 NOVEMBER 2024

57.1 The Committee RESOLVED to agree the minutes of the meeting held on 21 November 2024 as a correct record.

## 58. DISCLOSURE OF INTERESTS

58.1 Councillor Tutt declared his role as the Director of the Cyber Centre of Excellence in relation to item 11 of the agenda.

## 59. PENSION BOARD MINUTES

59.1 The Committee RESOLVED to note the minutes of the Pension Board meeting held on 13 February 2025.

## 60. PENSION REFORM AGENDA

60.1 The Committee considered a report on the Pension Reform Agenda introduced by Susan Greenwood (SG) who drew the Committee's attention to the following points:

- 1) Further to the announcement of a pensions' review in July 2024, the Chancellor announced in her Mansion House speech on 14 November 2024 that the government would launch a consultation to ensure that the LGPS was "Fit for the Future" with a view

to accelerating pooling of assets by March 2026 and supporting the Chancellor's aims of accelerating growth and investment in the UK.

- 2) The consultation has thirty questions and is focussed on three key areas:
  - Reforming the LGPS asset pools: with a single model, whereby LGPS Administering Authorities (AAs) will delegate investment strategy implementation to the pool; Financial Conduct Authority (FCA) registration of pools;
  - Boosting LGPS investment in their localities and regions in the UK: by having a target allocation to local investment that supports local economic priorities; working with Mayoral offices and local authorities.
  - Strengthening the governance of both AAs and LGPS pools: building on the 2021 Good Governance review.
- 3) The Fund has prepared an extensive response to this lengthy consultation as set out in Appendix 2 of the report.
- 4) Officers have undertaken extensive work on this and the report sets out the key areas of governance reform and the assessments of where the Fund currently complies.
- 5) Changes will be required to strategies and policies however the detail of this is not yet known.
- 6) Details of how the Fund will respond are set out within the exempt report at item 17 of the agenda.
- 7) A high-level Governance overview has been provided within the report, overall, the Fund is largely in line with what is expected to be required, however until the response is received the detail of further changes is not yet known.
- 8) Local investment is a key focus of the proposal and officers will need to consider how this will be incorporated but require more detail.
- 9) In response to Committee concerns regarding how decisions about local investments may conflict with their Fiduciary Duty, officers highlighted that the KC opinion published in January stated that any local investment would be considered a non-financial investment. However, this could be subject to challenge but noted that the proposals present fiduciary duty challenges for Committee members.

60.2 The Committee RESOLVED to note the report.

## 61. GOVERNANCE REPORT

61.1 The Committee considered a report providing an update on various governance workstreams completed and changes affecting the LGPS and the ESPF introduced by Dave Kellond (DK) and drew the Committee's attention to the following:

### Legal and regulatory changes

- 1) The Education and Skills Funding Agency published a policy paper in November 2024 announcing that they will guarantee outstanding LGPS liabilities when a further education body closes, but not higher education body, in line with the existing guarantee



in place for academies. As a result, the Fund may consider whether the funding approach for the employers to whom the guarantee has now been extended should be revised.

- 2) This will strengthen the covenant in the Fund for those employers identified as being affected. The Fund will communicate with those employers and review the implications of these changes as part of the next actuarial valuation cycle.
- 3) The Scheme Advisory Board recently sought an update to Counsel's opinion on fiduciary duty, having last done so in 2014.
- 4) In January the Scheme Advisory Board published the updated opinion of Nigel Giffin KC. This is intended as a review and update of the opinion given in 2014 and it considered financial and non-financial matters.
- 5) It is the intention that from April 2027 most unused pension funds and death benefits will be included within the value of a person's estate for Inheritance Tax purposes and pension scheme administrators will become liable for reporting and paying any Inheritance Tax due on pensions to HMRC. In the context of the Local Government Pension Scheme this will mean that any death grant payable would always fall within the estate of the deceased member for inheritance tax purposes, and as a result scheme administrators will be responsible for reporting and paying any inheritance tax due.
- 6) A consultation seeking views on the processes required to implement the Inheritance Tax changes closed on 22 January 2025. The response only addressed the process for implementing the changes, and not the issue of the change itself as that was not within the focus of the consultation.
- 7) The Officers response provided to the Inheritance Tax consultation makes clear the view that accounting for and paying of inheritance tax, should be the responsibility of the personal representative (executor) and not be that of the pension scheme administrator. The response is consistent with that of the National Pension Officer Group and other LGPS funds.
- 8) In response to questions from the Committee, officers confirmed that all death grants would likely be delayed as officers would need information from the personal representative about the Estate before benefits could be settled. There was an expectation that only a very small percent of deceased members pension fund death grant benefits would be liable for any Inheritance Tax

#### Funding

- 9) The Fund Actuary has prepared the indicative quarterly funding update as at 31 December 2024, rolling forward assumptions from the valuation and reflecting actual experience since March 2022, included as Appendix 5. The indicative funding report shows the funding position increase from 120% in June 2024 to 122.4% in December 2024. This does, however, represent a minor decrease from the position in March 2022 of 122.8%.

61.2 The Committee RESOLVED to note the Governance report.

## 62. PENSIONS ADMINISTRATION REPORT

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

### KPIs

- 1) The volume numbers of tasks received are extraordinarily high compared to the historical position and are unsustainable. 82% for Q4, 2024 performance, so below what officers are aiming for. However, the table in Appendix 1 of the report demonstrates that performance has improved over the quarter as the workload has decreased through clearing the backlog, which is encouraging. Further, death and retirement requests were processed on time which is key.
- 2) The Admin Working Group met on 2 December 2024 and went through the October 2024 Admin Performance in detail. Full explanations were provided about the cases with the longest number of days taken and where the average number of days were high. The attendees were appropriately reassured the data was accurate and being reported correctly and most importantly that the PAT were working tirelessly and effectively to clear the backlog and improve the reported team performance. The impact of uneven spikes in post received (like following the issue of ABS) were much better understood. November and December 2024 KPIs demonstrated a significant improvement, and the Admin Working Group will look at the detail of this at their next meeting.
- 3) January 2025 saw further admin performance improvement (91%), however, poorer numbers are anticipated in February and March 2025 due to the mid-year bulk file from BHCC. The BHCC i-Connect January 2025 data file was run in early February 2025 and overall went well which is very positive and indicates that the BHCC monthly i-Connect files should be treated as BAU like other onboarded employers. Officers will not support BHCC with the February 2025 i-Connect file upload.
- 4) In response to questions from the Committee about capacity, officers confirmed that based on the January 2025 i-Connect file and through regular calls with BHCC that there is confidence that this work can be done effectively without support from the Fund's officers.

### Helpdesk

- 5) The Fund aims to achieve a gold standard service provision for the Pensions Helpdesk. The team is working effectively, and members of the Helpdesk are taking on more work from the administration team and there are no concerns.

### Staff

- 6) Since the last meeting there has been one resignation, and a staff member will be beginning maternity leave, so some redeployment of staff required.

### Projects

- 7) Pensions Dashboard: Officers continue to focus on getting the data ready using a Heywood Altair Insights dashboard report to identify gaps. Heywood are our Integrated Service Provider, and a project plan has been created, with a two-phase approach pencilled in. Phase one was completed in January 2025. Reconciliation of data from the Altair system and Prudential is ongoing to ensure it is consistent. All schemes must onboard by 31 October 2026, but the LGPS formal staging date is 31 October 2025. It is not yet known when the pension dashboards will go live to the public.
- 8) I-Connect: Officers had targeted the last 10 employers (who had historically had data issues or been less engaging) to be onboarded by 31 March 2025. All have had their

initial meetings and discussions about our specifications and requirements, two of the employers won't progress at this point as they are changing their payroll software on 1 April 2025. University of Brighton is almost ready to be onboarded which represents good progress. The increased volume of employers now onboarded to i-Connect should reduce the number of queries when officers start the ABS work.

#### Pension software

- 9) A paper on the Pensions Admin Software tender was presented to the Pensions Committee on 21 November 2024 advising Officers had evaluated the LGPS Framework bid and were happy with the quality of the submission. Officers recommended that Heywood Limited would continue to provide a robust and comprehensive service to the Fund and further system enhancements should be taken on as part of a new contract. The Pensions Committee authorized the Chief Finance Officer to complete the appropriate due diligence to award the contract. The award was made on 23 January 2025. The contract will commence on 28 April 2026 for a five-year term, with an option to extend up to 26 April 2034.

62.2 The Committee welcomed the detailed information and thanked the officers for their continued hard work and transparent reporting.

62.3 The Committee RESOLVED to note the report.

#### 63. QUARTERLY BUDGET MONITORING REPORT AND 2025/26 BUSINESS PLAN AND BUDGET

63.1 The Committee considered the Quarterly Budget report presented by Russell Wood and noted the following points:

##### 2024/25 Q3 Forecast Outturn as at 31 December 2024

- 1) The budget requirements for 2024/25 were set at £4.561m (£4.463m 2023/24 excluding investment manager fees) to support the Business Plan activities and administration of the Fund. The forecast outturn at the third quarter of 2024/25 is £4.314m (£4.400m last quarter), this is a slight decrease from the last projected position of £85k and reflects an underspend to the approved budget of £247k.

#### The Business Plan and Budget

- 2) Total 2025/26 budget proposed is £4.645m (£4.561m 2024/25) to support the Business Plan activities and administration of the Fund. This represents an increase of £84k on the 2024/25 budget. There has been a full review of the costs for 2025/26 and the budget for individual lines have changed. The overall result was a budget which was slightly above the previous years. This did not include a budget for any additional expenditure which relates to activity undertaken by ACCESS in response to the Governments fit for the future consultation this will be provided at the next meeting when the direction of travel is clearer.

63.2 The Committee RESOLVED to note:

- 1) the 2024/25 Q3 forecast financial outturn position; and
- 2) approve the Business Plan and Budget for 2025/26 in Appendix 1 of the report.

## 64. INTERNAL AUDIT REPORT

64.1 The Committee considered the internal audit report presented by Danny Simpson (DS) and noted the following points:

- 1) The review of the Fund's Financial Controls was completed as part of the Internal Audit Strategy and Plan for Pensions 2024/25 and provides assurance on the overall effectiveness of controls.
- 2) An opinion of Substantial Assurance over the controls in place was provided.

Annual strategy plan

- 3) Officers will be reviewing the preparedness for the pooling reforms and ensuring that the required pace can be achieved. It was agreed that these pieces of work could be done in parallel towards the end of Q1, 2026 and into Q2, 2026 whilst noting that the full scope of what is required may not be fully known at Q1, 2026.
- 4) The administration of pension benefits will be audited every year as the volume of transactional work is so significant.
- 5) The KPIs are looked at as part of the pension admin audit which is a long-established standard practice. A future training session on the Pensions Dashboards is planned for the Committee in September 2025.

64.2 The Pension Committee RESOLVED to:

- 1) note the Pension Fund – Financial Controls Audit Report (Appendix 1 of the report); and
- 2) approve the Internal Audit Strategy for Pensions and Annual Plan 2025/26 (Appendix 2 of the report).

## 65. RISK REGISTER

65.1 The Committee considered the risk register presented by George Norval (GN).

65.2 The Committee considered the following risks:

- 1) Risk I5 - which focuses on the changes that will be required to Investment Pooling in relation to the "Fit for the Future" government consultation proposals. The risk here is around the government's proposals and/or the arrangements of ACCESS being insufficient for the needs of ESPF, which could cause a reduction in funding level among other negative impacts. Until the proposals are finalised, the risk score is high, although it is mitigated slightly to a moderate risk by ESPF continuing to engage with and shape the proposals.
- 2) Risk G1, key person risk, has also been reduced. The Fund now has in place an Acting Head of Pensions and has extended the contract of the Interim Deputy Head of Pensions, ensuring the continuation of service.
- 3) Risk G3, there is still one outstanding question from the Pension Committee meeting on 25 September 2024 regarding whether system back-ups were immutable and assessment of third-party provider backs up. The Fund are in liaison with Information Security team on the query about back-ups and will continue to assess the risk around Cyber Security. Officers acknowledged that the Committee are very keen to know the

outcome of a review of the system back-ups. It is anticipated that the Information Security team will provide an update ahead of the next meeting.

#### Risk Register Workshop

- 4) Officers will be holding a Risk Register workshop towards the end of March 25 via Teams. This will focus on reviewing the Risk Register and its mitigating actions and adding, removing or amending risks as is deemed necessary. Committee members are encouraged to attend.

65.3 The Committee RESOLVED to note the report.

#### 66. INVESTMENT REPORT

66.1 The Committee considered a report introduced by Russell Wood drew the Committees attention to the following points:

##### PRI

- 1) The Summary Scorecard gives an overview of the Fund's scores against the PRI median score. The Scorecard is shown below and indicates that there are still areas where the Fund can improve but that it is currently performing above the median PRI score on all areas. One item which couldn't be completed but this will be resolved for next year's submission.

##### Stewardship Report

- 2) The Fund is pleased to confirm that it has maintained its status as a UK stewardship code signatory. The Stewardship report is now on our website along with notification that the Fund are still signatories.

##### CMA

- 3) With the introduction of the new Investment Consultancy contract with Hymans Robertson, the Pension Committee are asked to review and approve the strategic objectives that have been set for Hymans Robertson under their new contract which are set out at Appendix 4 of the report.

##### Scheme Advisory Board

- 4) Counsel Opinion was sought in on the implications of the current events in Gaza on LGPS, the opinion sets out that there is no potential prosecution that can be made with regard to the Fund's investments.
- 5) The SAB has now received Nigel Griffin KC's updated opinion on the fiduciary duty in the context of the LGPS, there have not been any changes in respect of what has been published so far in respect of the reforms.

66.2 Iain Campbell (IC) drew the Committees attention to the following points:

- 1) The Committee welcomed the new format and noted that Hymans are happy to tailor the report as required.
- 2) Since the last reported position, the valuation of the Fund has increased from £4.917bn as at 30 September 2024 to £5.070bn as at 31 December 2024 (an increase of £95m). This performance reflects a positive absolute return of 2.0% in the quarter to December 2024. The Fund, however, underperformed the benchmark in the period by 1.6%.
- 3) Performance of Fund assets is similarly behind benchmark over longer time periods. Over the past 12 months and 3 years the Fund has relative returns of - 4.3% and - 3.1%

p.a. respectively.

- 4) Year-on-year headline CPI inflation rose in Q4,2024 to 2.9%, 2.5% and 2.4%, in the US, UK and eurozone, respectively, largely due to a smaller negative impact from energy prices relative to last year's sharp declines. Core inflation, which excludes volatile energy and food prices, was little changed, but remains above headline measures, at 3.2% in the US and UK, and 2.7% in the eurozone.
- 5) US 10-year yields rose 0.8% pa to 4.5% pa, driven by strong growth, expectations of a more inflationary policy mix under Trump, and anticipated higher bond issuance to fund tax cuts. UK 10-year gilt yields rose 0.6% pa to 4.6% pa, spiking after the Autumn 24 Budget, as investors digested a likely slower pace of rate cuts and higher gilt issuance. French 10-year yields rose 0.3% pa to 3.2% pa as political ructions led Moody's to downgrade the country's debt. Equivalent German and Japanese yields rose 0.2% pa to 2.4% pa and 1.1% pa, respectively.
- 6) Credits spreads fell further in Q4,2024 leaving both investment and speculative grade spreads near historic lows. Global investment grade credit spreads remained at 0.9% pa while speculative grade credit spreads fell 0.2% pa to 3.1% pa.
- 7) The results of the quarter mask a lot of volatility, stocks like the magnificent seven continued to outperform and commercial property is recovering with a return to normal conditions.
- 8) The Committee noted that the global equity market index is mainly US based and magnificent seven stocks with high valuations placed on some markets and therefore they could be vulnerable to big drops in the market if expectations are not met.
- 9) The independent advisor advised of three potential challenges; that tariffs will not be positive for growth and returns, if the magnificent seven stocks are broken up this could cause challenges to valuations, also valuations are much higher in US, and if they were brought down this would have an effect on markets.
- 10) The Fund is a longer-term investor with a diversified portfolio which provides protection if there is a crash in the market and managers have convictions which they adhere to but there will be careful consideration of these matters as part of the strategy planning for next year.
- 11) Benchmarks are set to give an indication of relative performance of the investment managers against the broad equity market and there are some outliers who are currently struggling which is bringing down the overall relative figures.
- 12) In response to questions about underperforming funds, IC confirmed that he meet with WHEB Active Impact Equity which underperformed the MSCI World benchmark by 7.8% over the quarter. Active sustainable equity funds want to invest in companies who transition to a more sustainable position, they have a small sub-set of companies who meet their criteria and are therefore all invested in a small concentration which results in volatility from the benchmark in the short term. Additionally, these stocks screen out the magnificent seven which has led to underperformance across these funds.
- 13) IC noted that there have been some unsuccessful stock picks as small growth style companies tend to be selected but there are risks of overpaying. An example is Hello Fresh which did well during the pandemic but struggled afterwards which is a good example of an error in judgement.

- 14) Hymans will provide the necessary constructive challenge to the managers and there are no actions proposed at this point particularly with the uncertainty around pooling and the Committee noted that the fund will be kept under close review.
- 15) Further to this WHEB announced last month that they are being acquired by another impact focused manager, Foresight group, WHEB will retain the brand and the team and this is considered to be a good match and there are no concerns at this point.
- 16) IFM have informed the Fund that IFM Investors, and the UK's largest profit-to-member pension provider, Nest, have entered a binding agreement that will see Nest take a 10% ultimate ownership stake in IFM and provide foundation investments to help launch three new IFM products over the next 12-18 months, with presumptive support for new products into the future.
- 17) In response to a question about how Hymans can influence the stewardship function of the different managers, IC confirmed that the Responsible Investment team research the fund management teams so that there can be regular review and challenge, this is something that is taken seriously and more information can be provided on this to the Committee in future.
- 18) IC agreed to provide further information about the red rating for Baillie Gifford on a follow up e-mail.

66.3 The Committee RESOLVED to note the investment report.

#### 67. WORK PROGRAMME

67.1 The Committee considered its work programme, introduced by SG, and noted the following points:

- 1) This is a valuation year, and this is reflected in the work programme;
- 2) The June 2025 training will now focus on valuation training rather than member induction following the announcement of the postponement of the elections in May 2025;
- 3) In June there will be income generation training and understanding the position of the Fund and managing cashflow;
- 4) It was agreed that Business continuity will be reviewed and then either addressed in the workplan or within the risk register.

67.2 The Committee RESOLVED to agree the work programme.

#### 68. EXCLUSION OF THE PUBLIC AND PRESS

68.1 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 Schedule 12A 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).

#### 69. AVC REPORT - EXEMPT INFORMATION

69.1 The Committee considered the Exempt Additional Voluntary Contributions (AVC) report.

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

69.3 The Board RESOLVED to note the report.

70. PENSION REFORM AGENDA (EXEMPT ITEMS)

70.1 The Committee considered the exempt Pension Reform Agenda report.

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

70.3 The Committee RESOLVED to agree the recommendations set out in the exempt report.

71. INVESTMENT REPORT - EXEMPT INFORMATION

71.1 The Committee considered the exempt Investment report.

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

71.3 The Committee REOLVED to agree the recommendation set out in the exempt report.

72. GOVERNANCE REPORT - EXEMPT INFORMATION

72.1 Committee considered the exempt risk register.

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

72.3 The Committee RESOLVED to agree the recommendations within the exempt report.

73. EAST SUSSEX PENSION FUND (ESPF) BREACHES LOG - EXEMPT INFORMATION

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

73.2 A Summary of the discussion is set out in the exempt minute.

73.3 The Committee RESOLVED to:

- 1) Note the breaches of law and steps being taken;
- 2) Note the new IDRP complaint raised in the relevant period; and
- 3) Note the update on cases being considered by The Pensions Ombudsman.

74. EMPLOYER ADMISSIONS AND CESSATIONS - EXEMPT INFORMATION

74.1 The Committee considered a report providing an update on the latest admissions and cessations of employers within the Fund.

74.2 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; and
- 3) Agree the recommendations within the exempt report.

The meeting ended at 13.14

Councillor Gerard Fox (Chair)



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## PENSION BOARD

MINUTES of a meeting of the Pension Board held at Council Chamber, County Hall, Lewes on 5 June 2025.

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PRESENT Ray Martin (Chair), Zoe O'Sullivan, Neil Simpson, Linda Hughes and Councillor Andrew Wilson

ALSO PRESENT

Ian Gutsell, Chief Finance Officer  
Susan Greenwood, Head of Pensions  
George Norval, Interim Deputy Head of Pensions  
Paul Punter, Head of Pensions Administration  
Russell Wood, Pensions Manager: Investments and Accounting  
Paul Linfield, Pensions Communications Manager  
Dave Kellond, Compliance and Local Improvement Partner  
Danny Simpson, Principal Auditor  
Matthew Hunt, Pensions Employer Engagement Officer  
Sophie Webb, Governance and Democracy Manager  
Councillor Gerard Fox  
Councillor Ian Hollidge  
Councillor Paul Redstone

1. MINUTES OF THE MEETING HELD ON 13 FEBRUARY 2025

1.1 The Board approved the minutes of the meeting held on 13 February 2025 as a correct record.

2. APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Trevor Redmond.

2.2 It was noted that Neil Simpson was appointed as Vice Chair for the meeting.

3. DISCLOSURE OF INTERESTS

3.1 There were no disclosures of interest.

4. URGENT ITEMS

4.1 There were no urgent items.

## 5. REPORTS

5.1 Reports referred to in the minutes below are contained in the minute book.

## 6. PENSION COMMITTEE AGENDA

6.1 The Board considered the draft agenda for the Pension Committee meeting due to be held on 19 June 2025 together with a summary of the minutes of the previous Pension Committee meeting held on 27 February 2025.

6.2 The Board noted that:

- In addition to the reports considered by the Board, the Committee will receive an Investment Report.
- The Committee will consider additional exempt information regarding the Pension Reform Agenda in relation to challenges faced for the future of ACCESS and pooling.

6.3 The Board RESOLVED to note the Pension Committee agenda and summary of previous minutes.

## 7. PENSION REFORM AGENDA

7.1 The Board considered a report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pension Fund.

7.2 The following points were highlighted to the Board:

- 1) On 10 April 2025 both the ACCESS Pool and the Fund received a letter from Ministers advising that government did not support the proposal put forward by ACCESS.
- 2) ACCESS subsequently responded to the letter from Ministers requesting further clarity in relation to the decision, particularly in relation to the consistency with regard to the decisions made in relation to other LGPS Pools.
- 3) Government has outlined that it wishes to meet with officers from the Fund at the end of June to receive an update on the work done to assess the likely direction of travel for the Fund with regard to pooling. A further written letter is required by the end of September 2025, formally setting out the Fund's intentions.
- 4) Government has requested that each member authority of the ACCESS pool looks to merge with another investment pool whose plans have been supported by government.
- 5) A formal response to the consultation was received following publication of the Pension Board agenda and will be broadly outlined as part of the exempt Governance Report later in the agenda.
- 6) Officers will report back to the Pension Board and Pension Committee in September setting out how the Fund will comply with requirements in relation to investment pooling and governance.
- 7) It is expected that a governance framework will be drafted for consideration by September 2025 to ensure compliance by March 2026.

7.3 The Board discussed the resources required to support the work to meet government's expectations and timelines and noted the approach in terms of the different workstreams to carry out evaluation at the pool level and at the Fund level.

7.4 The Board RESOLVED to note the report.

## 8. GOVERNANCE REPORT

8.1 The Board considered a report by the Chief Finance Officer introduced by Dave Kellond (DK), Compliance and Local Improvement Partner, together with exempt information contained in a later agenda item.

8.2 The following points were highlighted to the Board:

- 1) A letter issued by Ministry of Housing, Communities and Local Government (MHCLG) on 10 March 2025, addressing the issue of mid-valuation assessment of contribution rates in light of apparent surpluses.
- 2) Government makes clear it was not intended for use in order to manage surpluses or deficits and there will be a consultation that will follow later in the year.
- 3) The SAB Secretariat published a summary note of Nigel Giffin's opinion noting that the summary has not been drafted or endorsed by Nigel Giffin KC.
- 4) Government launched a consultation regarding Access and Fairness. The consultation relates to a range of proposals including survivor benefits, death benefits, gender pensions gap and opt-outs.
- 5) A draft response will be presented to the Pension Board and Pension Committee ahead of submission to government.
- 6) Following Nigel Manvell's retirement, there is now an employer representative vacancy on the Pension Board. Communications were sent to all Fund employers rather than targeted communications. Two expressions of interest have been submitted, and both will have an interview discussion on 30 June with a view to appointment by the Governance Committee in July ahead of the next Pension Board meeting.
- 7) Members of the Board will shortly receive an annual request to review their register of interests for publication.
- 8) An updated full privacy notice and summary privacy notice will be reported to Pension Committee to account for changes in respect to McCloud.
- 9) A revised version of the Fund's Governance and Compliance statement was due to be considered by the Pension Board and Pension Committee in June however in light of the significant upcoming changes, approval has been deferred to September 2025.

8.3 The Board discussed the Full Privacy Notice at Appendix 3 of the report and requested the notice be updated to reflect the following:

- 1) Clarification of the statement "the Administering Authority may provide information about your pension benefits to your employer and to potential bidders for that contract when it ends or is renewed" be considered in terms of personal / anonymised data.

- 2) Clarification around the statement “If this occurs, additional safeguards must be implemented with a view to protecting your personal data in accordance with applicable laws” in terms of wording to relay what will happen rather than what must happen.

8.4 The Board RESOLVED to note the report.

## 9. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

9.1 The Board considered a report by the Chief Finance Officer introduced by Matthew Hunt, Pensions Employer Engagement Officer and Paul Linfield, Pensions Communications Manager.

9.2 The following points were highlighted to the Board:

- 1) The March 2025 data as set out in the table at paragraph 2.1 of the report is not finalised due to the migration of data to Oracle.
- 2) There is an upward trend of employers in the Fund in terms of payments due.
- 3) From May 2024 until March 2025 there were 33 late payments of contributions out of 1,665 expected payments. Some of these were due to confusion of the dates therefore the issue is being addressed through rewriting the forms to make the dates clearer.
- 4) Booking levels of Scheme Member Training noting that the dropout rate on average was 25% for each session and 98% of attendee feedback said that they had learnt something from the session.
- 5) The revised communications strategy including proposed updates to reflect changes over the last 3 years such as the use of electronic systems, rebranding and training. The updated strategy sets out the gradual move to a digitally focused approach which fits with the available resources and budget.
- 6) Benchmarking has been undertaken with other local authority pension fund communications strategies when drafting the updated strategy for East Sussex.
- 7) The website continues to be updated with relevant and engaging information for members and employers including brand new content for members who are looking to increase their pension via Additional Pension Contributions or AVCs providing a far more detailed summary of this subject.
- 8) New material has also been produced to support employers and work continues on ‘My Pension’, the online self-service website for scheme members whereby 43.5% of contributing members have registered.
- 9) It is anticipated, registration with ‘My Pension’ will increase upon receipt of the Annual Benefit Statements which will require log-in to view.

9.3 The Board discussed the effect of Oracle implementation on reporting of late payments, the effectiveness of and response rate for the scheme member training sessions, the focus of the communications strategy in relation to those who are eligible but have opted out.

9.4 The Board requested that in light of new legislation regarding fairness, targeted communication is considered for those eligible but have opted out of being a scheme member and work is undertaken to achieve a greater understanding of the reasons why those who have opted out have chosen to do so. This work could also help identify any employers who have a significantly higher number of opt outs and therefore could benefit from more targeted communication.

9.5 The Board discussed the Heywood's Standard used for some Annual Benefit Statements nationally and how the communication of the Annual Benefit Statement can ensure clear and concise wording when presented to scheme members. It was noted that there are still challenges with McCloud in terms of the Annual Benefit Statements which will need to be resolved.

9.6 The Board RESOLVED to note the report.

## 10. PENSION ADMINISTRATION REPORT

10.1 The Board considered a report by the Chief Finance Officer introduced by Paul Punter, Head of Pensions Administration.

10.2 The following points were highlighted to the Board:

- 1) The performance for quarter 1 has improved slightly from quarter 4 however most tasks are rated red for the quarter which is likely due to the bulk upload from Brighton & Hove City Council in January which has taken a number of months to process.
- 2) The performance figures for April 2025 and forecast May 2025 show improvement to the figures shown within the report for quarter 1.
- 3) Turnover in staff within pension administration team has slowed the rate of recovery in terms of performance.
- 4) Resource allocated to i-Connect onboarding has seen recent change seeing a decrease in one member of staff from the i-Connect administration team.
- 5) The administration team are aware of potential spikes in workload which will be brought about by backdated pay awards meaning adjustment of annual benefit statements, work around McCloud and work following legislation updates.
- 6) The bulk i-Connect data file for the period June to December 2024 was successfully uploaded on 9 January 2025 with a small number of omitted members.
- 7) More work is ongoing to combine data from McCloud with employer data to be able produce the Annual Benefit Statements. As this is a valuation year, data from McCloud will need to be sent to the actuaries as soon as possible.

10.3 The Board discussed the risk relating to turnover of pension administration staff and its potential inclusion on the Pension Risk Register. It was noted that should there be challenges to appoint to vacancies in the administration team arise, it would be considered for inclusion in the Risk Register however the Board were reassured that recruitment to administration vacancies continues to be successful.

10.4 The Board RESOLVED to note the updates within the report.

## 11. EAST SUSSEX PENSION FUND FINANCIAL OUTTURN REPORT 2024/25

11.1 The Board considered a report by the Chief Finance Officer introduced by Russell Wood, Pensions Manager: Investments and Accounting.

11.2 The following points were highlighted to the Board:

- 1) The final outturn position of 2024/25 is £4.3m which is a decrease from the last projected position of £38,000.
- 2) The outturn for improvement projects was reduced due to the slippage of the Integrated Service Provider (ISP) Dashboard project that officers budgeted for in 2024/25 now taking place in the 2025/26 financial year.
- 3) The outturn for Communication costs was reduced as a planned activity was not taken forward, rendering this provision unnecessary.
- 4) The Admin Operational Costs have offset these reductions slightly as clarification has been provided around East Sussex County Council Charges for printing and posting increasing the cost of these services.
- 5) The Actuarial Fund work was slightly higher than the previous forecast due to additional work on cessations taking place.
- 6) ACCESS costs for work in preparing the response to the Fit for the Future consultation increased the Investment Advice costs.

11.3 The Board discussed the charging framework for actuarial costs for cessations in terms of costs to the Employers' account or the Fund account.

11.4 The Board RESOLVED to note the report.

## 12. INTERNAL AUDIT REPORT

12.1 The Board considered a report by the Chief Internal Auditor introduced by Danny Simpson, Principal Auditor.

12.2 The following points were highlighted to the Board:

- 1) Substantial assurance opinion was provided for both Administration of Pension Benefits and Investments and Accounting.
- 2) Reasonable assurance opinion was provided for Compliance with Regulatory Requirements.

12.3 The Board discussed the Service Level Agreement between East Sussex County Council and the Fund to provide corporate services including internal audit services to the Fund and the importance of recognising the separate entities and the requirements of the Fund for East Sussex County Council as administering authority, to deliver those services.

12.4 The Board RESOLVED to note the Pension Fund audit reports as set out at Appendices 1 to 3 of the report.

## 13. EXTERNAL AUDIT PLAN FOR THE EAST SUSSEX PENSION FUND 2024/25

13.1 The Board considered a report by the Chief Finance Officer introduced by Ian Gutsell, the Chief Finance Officer.



13.2 The following points were highlighted to the Board:

- 1) The external audit of the Pension Fund is due to commence next week and has been reviewed by the County Council's Audit Committee.
- 2) The fees for the external audit have been through a national procurement exercise. The fees for the external audit of the East Sussex Pension Fund are £101,515.

13.3 The Board RESOLVED to note the report.

#### 14. PENSION FUND RISK REGISTER

14.1 The Board considered a report by the Chief Finance Officer introduced by George Norval, Interim Deputy Head of Pensions.

14.2 The following points were highlighted to the Board:

- 1) A workshop was held on 31 March to review and reinforce the Fund's risk management approach. Updates from the workshop have been incorporated within the risk register including clearer risk triggers and consistency in terms of formatting.
- 2) Officers will shortly be exploring external advice in relation to business continuity planning ("BCP") and cyber risk. A procurement exercise will be initiated, with a view to appointing a provider over the summer. Outputs will be used to support a joint officer and Pension Board/Pension Committee session, with learning incorporated into the Fund's updated Business Continuity Plan, expected to be brought forward later in the year.

14.3 The Board discussed the following points:

- 1) The risk rating for Risk I4 Investment Pooling and whether the recent changes to pooling will increase the risk rating within the risk register.
- 2) Concern around the developing Business Continuity Plan's robustness in the face of cyberattack and business disruption arising from other risks on the risk register.

14.4 The Board RESOLVED to note the Pension Fund Risk Register.

#### 15. WORK PROGRAMME

15.1 The Board considered a report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pensions.

15.2 The following points were highlighted to the Board:

- 1) The Governance and Compliance statement was originally due to be reviewed in June however will be deferred to September given the outcome of the Fit for the Future consultation.
- 2) The valuation timetable will be a busy period especially around changes to pooling.
- 3) Training opportunities available to Board members and the importance of training and development of members.

15.3 The Board RESOLVED to note the work programme.

16. EXCLUSION OF THE PUBLIC AND PRESS

16.1 It was RESOLVED to exclude the public and press for the remaining agenda items 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 Schedule 12A of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

17. GOVERNANCE REPORT - EXEMPT INFORMATION

17.1 The Board considered a report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pensions which contained exempt information in relation to an earlier item on the agenda regarding the Governance Report.

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

17.3 The Board RESOLVED to note the exempt information within the report.

18. PENSION FUND BREACHES LOG AND INTERNAL DISPUTE RESOLUTION PROCEDURE CASE REPORT

18.1 The Board considered an exempt report by the Chief Finance Officer introduced by Dave Kellond, Compliance and Local Improvement Partner regarding the Breaches Log and update on outstanding or new Internal Dispute Resolution Procedure (IDRP) cases.

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

18.3 The Board RESOLVED to note the report.

19. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

19.1 The Board considered an exempt report by the Chief Finance Officer introduced by Susan Greenwood, Head of Pensions regarding an update on the latest admission and cessations of employers within the Fund.

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

19.3 The Board RESOLVED to note the report.

(The meeting ended at 1.03 pm)

CHAIRMAN

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**Report to:** Pension Committee

**Date of meeting:** 19 June 2025

**By:** Chief Finance Officer

**Title:** Pension Reform Agenda

**Purpose:** To provide an update on changes affecting Local Government Pension Schemes and the East Sussex Pension Fund

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## **RECOMMENDATIONS:**

**The Pension Committee is recommended to:**

- 1) note the current position in relation to the ACCESS pool's submission in respect of the Government's 'Fit for the Future' consultation; and**
  - 2) delegate authority to the Chief Finance Officer, in consultation with the Chair of the Pension Committee, to continue work to assess the options available to the Fund regarding investment pooling.**
- 

## **1. Background**

- 1.1 The report has been prepared to update the Pension Committee on the government's proposed changes to pension fund pooling, highlighting the key proposals and the government's response to the proposal put forward by the ACCESS pool.
- 1.2 In July 2024, the Chancellor of the Exchequer, announced a pensions review to boost investment and tackle waste in the pensions system, stating that action will be taken to unleash the full investment might of the c£360bn Local Government Pension Scheme (LGPS) to make it an engine for growth and tackle the £2bn that is being spent on fees. The work announced, focusing on investments, was stated to be the first phase in reviewing the pensions landscape.
- 1.3 Following further liaison with LGPS funds, pools and officers, the Chancellor announced in her Mansion House speech on 14 November 2024 that the government would launch a consultation to ensure that the LGPS was "Fit for the Future" with a view to accelerating pooling of assets by March 2026 and supporting the Chancellor's aims of accelerating growth and investment in the UK.
- 1.4 The consultation had 30 questions and is focussed on 3 key areas:
  - Reforming the LGPS asset pools: with a single model Financial Conduct Authority (FCA) registration of pools, whereby LGPS Administering Authorities (AAs) will delegate investment strategy implementation to the pool;
  - Boosting LGPS investment in their localities and regions in the UK: by having a target allocation to local investment that supports local economic priorities; working with local authorities;
  - Strengthening the governance of both AAs and LGPS pools: building on the 2021 Good Governance review.

Both the Fund and the ACCESS Pool prepared an extensive and detailed response to the proposals which were presented to the Pension Committee at the February meeting.

1.5 The Government's response to the 'Fit for the Future' consultation was published on 29 May 2025 received and is included as Appendix 3 to this report. Officers are working to understand the implications of this for the East Sussex Pension Fund (the 'Fund') from a governance perspective. It is clear from the Government's response to the consultation, however, that the following will become minimum standards of pooling moving forward:

- (i) *Authorities to delegate implementation of investment strategy to their pool;*
- (ii) *Authorities to take their principal advice on their investment strategy from the pool;*
- (iii) *Authorities to transfer legacy assets to the management of the pool; and*
- (iv) *Pools required to be investment management companies authorised and regulated by the Financial Conduct Authority (FCA),*

## **2 Response from Government to ACCESS Pool Proposals**

2.1 It is clear from the 'Fit for the Future' Consultation and the Government's response that the current regulatory structure of ACCESS will not be permitted by government from March 2026. Government has advised that ACCESS (along with other similarly structured pools) must either restructure to become FCA regulated entities, merge with other Pools who are already FCA regulated or are becoming FCA regulated or disband.

2.2 Officers worked extensively with ACCESS and other ACCESS authorities to evaluate the options available to ACCESS and, thereby, the Fund. Taking no action is not an option as the government has clearly outlined that changes will be required. Following an extensive option appraisal process the conclusion was that the most appropriate option for ACCESS was to "Build" the Pool to become compliant with the details outlined by the government in the 'Fit for the Future' consultation.

2.3 The ACCESS Support Unit (ASU), in conjunction with its advisors, submitted a detailed proposal to government outlining how it would comply with the requirements of the consultation in line with the end of February 2025 deadline. Representatives from ACCESS subsequently met with civil servants and the Minister for Pensions across two 30-minute meetings to discuss the submission.

2.4 On 10 April 2025 both the ACCESS Pool and the Fund received a letter from Ministers advising that government did not support the proposal put forward by ACCESS. Details of the letter to the Fund can be found in Appendix 1. This is a disappointing result for both the Fund and the ACCESS Pool.

2.5 ACCESS subsequently responded to the letter from Ministers requesting further clarity in relation to the decision, particularly in relation to the consistency of the decision with decisions made regarding other LGPS Pools. The response can be found in Appendix 2. As at the date of writing, no further response has yet been received from government.

## **3 Moving Forward**

3.1 The impact of Government's assessment of the proposal for the Fund is currently unclear. Government has advised that ACCESS authorities must seek to merge with another investment pool, which has been supported by government in their initial response, either as part of the ACCESS collective or on an individual Fund level.

3.2 Officers of the Fund have been working closely with ACCESS to evaluate the options available to ACCESS and, de facto, the Fund. As set out above, taking no action is not an option as the Government has clearly outlined that changes are required. The Government's response to the

Consultation indicates that new legislation will be introduced giving Government power to force pension funds to merge.

3.3 Government has outlined that it wishes to meet with officers from the Fund at the end of June to receive an update on the work done to assess the Fund's likely direction of travel with regard to pooling. A further written letter is required to be submitted to Government by the end of September 2025 formally setting out the Fund's intentions.

3.4 The deadlines the government has indicated are tight and significant work is required to meet the Government's deadline. However, Government has stated that some flexibility can be shown with regard to merger of pools.

3.5 Officers are also working to consider wider investment implications in relation to the Government's decision in relation to ACCESS. Further information in this regard is set out in a separate report later on the agenda.

#### **4. Conclusion**

4.1 The Pension Committee is recommended to note the current position in relation to the ACCESS pool's proposal in response to the Government's 'Fit for the Future' consultation, as set out in this report.

4.2 The Government's response to the 'Fit for the Future' consultation has only very recently been published. Officers are working through the response from both a governance and investment perspective. Officers will continue to explore the available options for the Fund to meet the requirements set out by Government. To enable this work to continue at pace, and ensure the September deadline can be achieved, the Pension Committee is recommended to delegate authority to the Chief Finance Officer, in consultation with the Chair of the Pension Committee, to continue work to assess the options available to the Fund regarding investment pooling.

4.3 A further update will be presented to the Committee in September.

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

Contact Officer: Susan Greenwood, Head of Pensions  
Email: [Susan.Greenwood@eastsussex.gov.uk](mailto:Susan.Greenwood@eastsussex.gov.uk)

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Administering Authorities  
Access

9 April 2025

Dear Administering Authority,

### **LOCAL GOVERNMENT PENSION SCHEME (ENGLAND & WALES)**

We are writing with regard to the Government's proposed reforms to the Local Government Pension Scheme in England and Wales (LGPS) and its approach to asset pooling as part of the Pensions Review. This letter is addressed to all Administering Authorities in the ACCESS pool.

In November, Government set out its proposed reforms in our *Fit for the Future* consultation with the aim of establishing a world-class LGPS made up of large pools of professionally managed capital, held to account by Authorities who have confidence in robust and transparent governance structures and who are delivering the best value to members and their communities. We want to see strong and resilient foundations for a scheme projected to reach £1tn by 2040 and have been clear that this is the moment for creative and collaborative proposals to that end.

Government wrote to each pool, asking for transition proposals setting out how they would seek to achieve the minimum standards proposed in the consultation by March 2026, focusing on the benefits of scale, long-term resilience, value for money and viability against the deadline, with considerations given to the opportunity for closer collaboration across the scheme and the merger of pools. We recognise how significant an undertaking this has been for each pool in a short space of time and are grateful for the spirit in which ACCESS has participated in this process. Your submission and engagement have formed a critical part of our assessment of the viability and strength of the proposals set out in the consultation. Government has considered the responses to the consultation and is currently preparing next steps, including our consultation response and the implementation of the reforms via legislation.

We have carefully reviewed the proposal submitted by the ACCESS pool and further considered the points made in our meeting with pool and Authority representatives. As we have made clear, we collectively have a duty to ensure every penny of members' hard-earned money is well invested, and that the full scope of benefits that can be derived from the LGPS's extraordinary scale are being harnessed and maximised. Analysis of the ACCESS proposal and further discussion at subsequent meetings has raised significant concerns as to whether the proposal is in the best interests of the scheme. We do not believe that the proposal put forward by the ACCESS pool meets the ambitious intent of the

consultation nor our ask to consider alternative approaches in the best interests of members, employers and local taxpayers.

The ACCESS proposal is to set up a new FCA-authorised company and to transition existing externally managed mandates across to it. The deliverability of this to the proposed timeline concerns us: it would involve setting up a new organisation and building significant new capacity, not least to manage the significant legacy assets. ACCESS's current costs are among the highest in the LGPS relative to other pools despite being one of the largest by assets under management, and while the proposal indicates some reduction in costs over time, this is still high for a pool of ACCESS's scale. We are also mindful that the ACCESS proposal continues to be heavily reliant on the use of external managers and consultants, despite internal management being a key benefit of scale, a driver of efficiency and readily available at existing pool companies.

ACCESS has set out the case against merger by primarily focusing on transition costs and other pools' recent performance on specific asset classes. On costs, ACCESS's assessment treats the host pool as a fixed offering in which ACCESS Authorities must participate. However, if another pool were to take on additional Administering Authorities, it should be clear that the new pool entity would act in the best interests of all Administering Authorities and review their joint structures accordingly. Therefore, it is highly likely not to be the case that up to 100% of ACCESS's existing portfolio, as the proposal suggests, would be subject to transition costs – a pool would work to ensure that costs are minimised by assessing both structures and taking beneficial features from both in forming a new partnership.

The proposal maintains that the current ACCESS model enables the appointment of best-in-market investment managers which may compare favourably to other pools on performance, and that the investment products offered by other pools do not justify the estimated transition costs. While it is right to consider performance, we see no reason why a merged pool could not continue to appoint the best managers where appropriate as well as develop internal capacity. Further, recent short-term performance, largely driven by global trends, is not a reliable measure of long-term effectiveness.

**For these reasons, we have concluded that ACCESS's proposal does not meet the Government's vision for the future of the LGPS.** Government is of the view that the best interests of the scheme are best met by ACCESS Authorities working with another LGPS pool to form a new partnership. We therefore invite your Authority to consider and identify which pool you wish to partner with going forward, taking into account the capabilities and capacity of each to take on additional partner Authorities. This is a decision for each Administering Authority to make – Government recognises that ACCESS Authorities may choose to partner with the same pool, or different pools and this is a decision each Authority will wish to take individually.

We would be grateful if you could please respond with an in-principle decision between yourselves and the pool you wish to work with by 30 September 2025. We recognise you and your new pool will require further time to work through the detail of the transition towards a new partnership. Our officials stand ready to convene and support discussions wherever helpful until new arrangements are in place. As you know, the government has formally invited unitary proposals from all councils in two-tier areas and their neighbouring authorities

to take part in local government reorganisation. You will wish to consider your decision on pooling alongside reorganisation as councils develop plans and decisions are made next year. You will be invited to a check-in discussion on your progress in June. We recognise that the March 2026 deadline may be more difficult for Authorities which move pools, and we will remain in discussion with affected Authorities and their new pool partners throughout this process.

This is not a decision we have taken lightly, and we appreciate that this assessment of the proposal may be different from your own and may not be the outcome you wanted. We are particularly mindful of the immediate impact this will have on yourself and your team - it is our strong desire to see the LGPS continue to benefit from the expertise and knowledge in your team going forward and expect other pools to be of a similar mind. The creation of one or more new partnerships may bring some short-term challenges, but we hope you will agree also brings great opportunity, not least establishing world-class investment management across the LGPS, protecting its long-term sustainability, and acting in the interests of members, employers and local taxpayers.



**TORSTEN BELL MP**

Minister for Pensions



**JIM MCMAHON OBE MP**

Minister for Local Government

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**Torsten Bell MP, Minister for Pensions**  
**Jim McMahon MP, Minister for Local Government & English Devolution**

17 April 2025

Dear Ministers,

Thank you for your letter of Wednesday 9<sup>th</sup> April, which the ACCESS Authorities have now discussed collectively. Following those discussions they have asked me to raise a range of concerns and questions we share.

Whilst you will not be surprised to learn that we were disappointed to read the contents of your letter, it should be emphasised that this applies to your rationale as well as your intended outcome. We are left with the impression that the reasons given for the government's decision are based on assertions that are open to question or appear to lack supporting evidence.

In preparing its submission, the ACCESS pool undertook a significant range and depth of evidence-based work to support a detailed option appraisal in order to demonstrate how it will comply with the requirements of *LGPS: Fit for the Future*. The output was a 60+ page proposal, supported by all 11 ACCESS Authorities and submitted in accordance with the specified deadline. In response we were invited to two 30-minute meetings, one in person with yourselves, the other virtual with your civil servants.

We have a number of concerns about several aspects of your letter. These, along with our remarks and questions are detailed below.

*1. "The deliverability of this [proposal to set up an FCA-authorised company] to the proposed timeline concerns us"*

- Chapter 8 of our proposal detailed our implementation plan and demonstrates how we would meet the March 2026 deadline. It was developed in consultation with Alpha FMC, the consultants who have advised other pools who have built FCA regulated investment management companies
- On 24 March, Alpha's Joe Sproul was part of the ACCESS delegation who came to meet with you. Neither yourselves nor your civil servants chose to question him or any of us on this matter.
- We have reviewed the publicly available submission of Wales Pension Partnership and, materially, it is very similar to the proposal of ACCESS on this point.

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2. *“ACCESS’s current costs are among the highest in the LGPS relative to other pools”*

- We do not recognise this characterisation and would ask that you share your data source.
- The ACCESS submission highlighted the independent cost benchmarking undertaken by Dr Chris Sier, at ClearGlass which demonstrated that ACCESS made annual savings of £49mn on listed asset management fees, situating our pool at the 7th percentile in the ClearGlass universe (which comprises not just LGPS pools but the entire pensions universe including comparable private sector schemes and other asset owners).
- To ensure you are appropriately sighted on this key aspect, I would urge Ministers to talk directly to Dr Sier. With his ClearGlass colleagues he analysed, in detail, the costs associated with ACCESS and several other LGPS pools. His contact details are below, or we would be happy to facilitate a meeting:

Dr Chris Sier, CEO & co-Founder, ClearGlass Analytics  
[chris@clearglass.com](mailto:chris@clearglass.com) Tel: 07976 887642

- The LAPF magazine published a complete investment management cost data set for the entire LGPS<sup>1</sup>. This analysis of each Authority, grouped by their respective pool shows ACCESS Authorities with an aggregate total of 52bps - comparable costs to most other pools.

3. *“We are also mindful that the ACCESS proposal continues to be heavily reliant on the use of external managers and consultants, despite internal management being a key benefit of scale”.*

- ACCESS has a significant, but achievable, distance to travel to comply with the minimum standards of Fit for the Future and so we were realistic in our submission about what would be achievable by March 2026. Launching internal management capabilities in that time frame is simply not possible.
- Furthermore, the statement appears not to acknowledge two fundamentals:
  - that LGPS: Fit for Future does not require internal management as a “day 1” requirement as of March 2026; and
  - as set out within Chapters 2, 5 and 7, our proposal includes internal management is a business plan requirement for the company to consider and deliver by 31 March 2030.
- The ACCESS submission is wholly aligned with government requirements and timescales. All pools continue to use external management alongside any internal management capabilities, where this is beneficial, tapping into the global scale benefits (low cost and opportunity set) of third-party partners.

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<sup>1</sup> pp60-62 [LAPF Investments Magazine, Issue 02 - LAPF Investments](#)

4. *“It is highly likely not to be the case, that up to 100% of ACCESS’s existing portfolio, as the proposal suggests, would be subject to transition costs”.*

- In Minister McMahon’s and Minister Reynold’s letter of 2<sup>nd</sup> December 2024, it was acknowledged that transition costs would be significant in nature. Given the request to evaluate transition costs it was logical to assume that transition costs were properly understood but additional background information as well as further supporting evidence around costs was supplied in the email of Thursday 27<sup>th</sup> March. We would note:
  - it is market standard in the transition management industry to express pre and post transition costs as a percentage, in basis points (bps), of the total portfolio value of the legacy portfolio, i.e. 100% of the total AUM in the ACCESS ACS in a merger;
  - the basis points cost estimate was sourced from a range of data independently analysed by a market leading expert in this area. The supporting paper also explained why this was an appropriate approach to estimating what potential costs could be; and
  - in specie costs are included in the 36-bps cost range and we estimated these down to show a range of possible outcomes and so as not to risk overstating the costs.
- Your letter suggests *“a (merged) pool would work to ensure that costs are minimised by assessing both structures and taking beneficial features from both in forming a new partnership”*. This logic is flawed and not aligned to the legal and market-based principles that govern costs incurred by transitioning assets between different pooled vehicles. It also feels contrary to the fact that you have written to all ACCESS Authorities individually directing them to find a new pool, not to pursue a pool level merger.
- We remain concerned that Government has dismissed transition costs from its consideration. Having already navigated initial setup and transition costs in the establishment of the ACCESS ACS and pooling structures, the Government’s response, if implemented, would impose a further set of costs against the wishes of individual Administering Authorities. This is perceived as unfair. The Authorities have, perfectly rationally, all chosen to pursue a more cost-effective option, which they feel meets both the Government’s wishes, whilst at the same time representing the best value for their members.
- Your letter references a collective duty in relation to *“every penny of members’ hard-earned money”*. Whilst Government naturally has responsibility for the LGPS as a whole, you will appreciate that Administering Authorities only have a duty to their own fund and its members. As a consequence, in the event that Government continues with this course of action against the reasoned decisions by Administering Authorities with legal and fiduciary obligations to their own funds, questions around cost being indemnified are likely to arise.

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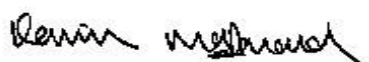
5. *“recent short term performance, largely driven by global trends, is not a reliable measure of long-term effectiveness”.*

- Where comparable data exists, ACCESS has considered long term investment management effectiveness of existing pool companies specifically, not short-term market volatility or global trends. This assertion suggests that Government has misunderstood our objective approach to the analysis.
- In chapter 5 of our proposal, we cite the performance track record supplied by LPPI and Borders to Coast around global equities, the largest asset allocation of each pool. ACCESS Authorities could not justify transferring assets to poorer performing investment managers’ products. We feel this would contravene our fiduciary duty to scheme members.

As your letter notes, the ACCESS pool has engaged fully and with an open mind in the Government’s consultation. This has been a detailed process, and one which has required all ACCESS Authorities to incur significant costs at government’s behest. ACCESS believes that our proposals fully meet the Government’s vision for the future of the LGPS.

We therefore find your direction to be confusing as it appears to be somewhat contradictory to the evidence we have provided. However, we are still keen to find a way forward which reconciles your *LGPS: Fit for the Future* ambition with our fiduciary constraints, and therefore, as a matter of urgency, we request further engagement with ministers and civil servants, in order to clarify the points raised above. Before considering our next steps, and to cover off any of our proposals which have been misunderstood, we would like the opportunity to explain more fully why we believe that our proposals do meet with the Government’s vision for the future of the LGPS and, more importantly, do not put us in conflict with our fiduciary duties.

Your sincerely,



Kevin McDonald  
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on behalf of the ACCESS Authorities

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Ministry of Housing,  
Communities &  
Local Government

Consultation outcome

# **Local Government Pension Scheme (England and Wales): Fit for the future – government response**

Updated 29 May 2025

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# 1. Summary and introduction

1. The Local Government Pension Scheme in England and Wales (LGPS) is set to grow to £1 trillion by 2040. It is critical that strong and sustainable foundations are embedded, and assets invested effectively to deliver a sustainable scheme in the best interest of scheme members, employers and local taxpayers. Pension funds are also critical as a major source of domestic investment, and the local nature of the LGPS means that the scheme has a unique role to play in supporting the economic development of local communities.

2. In July 2024 the government launched a landmark Pensions Review of workplace defined contribution pensions schemes and the LGPS. The Pensions Review's objectives for the LGPS are to consider how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through asset consolidation and enhanced governance, while strengthening the focus on local investment.

3. On 14 November 2024 the government launched its consultation on proposals to reform the LGPS and put it on a clearer, firmer trajectory to scale and consolidation. The consultation included proposals in three areas:

- **reforming asset pooling** by mandating certain minimum standards deemed necessary to strengthen the foundations of the scheme in line with international best practice. These minimum standards are:
  - a requirement on administering authorities (AAs) to delegate the implementation of their investment strategy to their asset pool
  - a requirement for AAs to take their principal advice on their investment strategy from their pool
  - a requirement on asset pools to be investment management companies authorised and regulated by the Financial Conduct Authority (FCA) with the expertise and capacity to implement investment strategies
  - a requirement for all AAs to transfer all investments to the management of their pool
  - a requirement for pools to develop the capability to carry out due diligence on local investments and to manage such investments
- **boosting investment in local areas and regions** of the UK by requiring that:
  - AAs set out their approach to local investment in their investment strategy including a target range for the allocation, and to have regard to local growth plans and priorities in developing their investment strategy

- AAs work with strategic authorities (Combined Authorities, Mayoral Combined Authorities, Combined County Authorities and the Greater London Authority), or in areas where there are none of the above another designated authority, to identify local investment opportunities. In Wales, AAs would work with relevant Corporate Joint Committees on their proposed economic development priorities and plans, and with local authorities more broadly to identify investment opportunities
- pools conduct appropriate due diligence on potential local investments and make the final decision on whether to invest
- AAs set out their local investment and its impact in their annual reports
- **strengthening the governance of LGPS AAs and LGPS pools** in the following ways, building on the recommendations of the Scheme Advisory Board (SAB) in their 2021 Good Governance Review:
  - committee members would be required to have the appropriate knowledge and skills
  - AAs would be required to publish a governance and training strategy (including a conflicts of interest policy) and an administration strategy, to appoint a senior LGPS officer, and to undertake independent biennial reviews to consider whether AAs are fully equipped to fulfil their responsibilities
  - pool boards would be required to include representatives of their shareholders and to improve transparency. The consultation also asked for views on how best to ensure the views of scheme members are taken into account by the pools

4. A total of 220 responses were received, including from all 86 AAs and 8 pools, as well as scheme members, trade unions, advisors, industry representatives, and campaign groups. The government is grateful for all the responses received and has considered these carefully in arriving at the conclusions set out in this document.

5. The government notes that many of the scheme members who responded to the consultation were concerned about the security of their pensions. For the avoidance of doubt and to reassure members, LGPS members' benefits and pensions are guaranteed in law and will not be affected by these policy measures.

6. Responses to the proposals on pooling were varied. Many were supportive of the government's vision for pooling, but responses ranged from significant concern over the direction of travel to those who felt the proposals did not go far enough. Particular areas of concern were loss of local autonomy on investments, the requirement for AAs to take their principal investment advice from their pool, a perceived lack of ways for AAs to hold an underperforming pool to account, and transition costs. Among respondents who did not agree with the direction of travel there was

nonetheless general agreement that the minimum standards proposed are an appropriate way of delivering the government's vision.

7. There was strong support for the proposals on local investment. Most respondents felt that local investment was an important part of the LGPS's role and were supportive of protecting it, though there were some concerns raised regarding conflicts of interest and fiduciary duty. In the context of the reforms to pooling, there was a broad acceptance that pools should have the ability to make such investments and to carry out due diligence on such projects. Some were concerned that the pools may be less likely to take account of the non-financial benefits of local investment than AAs when making allocations. Most responses were supportive of active collaboration between the LGPS and strategic authorities.

8. The proposals on fund governance were welcomed. Respondents generally supported the move to bring the governance standards of the whole scheme up to a common baseline and were pleased that government had listened to the recommendations of the SAB. Similarly, respondents agreed that asset pools should report consistently and transparently on performance and costs, and shareholders should be appropriately represented in pool governance.

## **Final policy measures**

9. Following consideration of the consultation responses and engagement with stakeholders during the course of consultation, the government will implement the proposals as set out below.

### **Pooling**

10. The following proposals will be implemented as consulted upon:

- Requirement on AAs to delegate the implementation of their investment strategy to their pool in line with the illustration at Figure 1. The investment strategy set by AAs may include a high-level strategic asset allocation (SAA) that is no more detailed than the template in Figure 3, which government intends to publish in guidance.
- Requirement on AAs to take their principal investment advice from the pool.
- Requirement for pools to be established as investment management companies authorised and regulated by the FCA, with the expertise and capacity to implement investment strategies.
- Requirement for AAs to transfer all assets to the management of their pool.

11. Following consideration of consultation responses the government will not now require that listed assets are managed through collective investment vehicles. Instead, it will require that all LGPS investments, listed and unlisted, are transferred to the management of the pool. This means that the pool has full oversight of the assets and will make all investment decisions including on whether to buy, hold or sell. It will be the responsibility of the pool to determine how the investment strategies of its partner AAs are implemented, including consideration of whether assets are managed via pooled vehicles or otherwise. The government's strong expectation is that the default position will be management through pooled or collective investment vehicles.

12. The minimum standards for pooling will be introduced in the Pension Schemes Bill. Subsequent regulations and statutory guidance will provide further detail on implementation.

### **Local investment**

13. The following proposals will be implemented as consulted upon:

- Requirement on AAs to set out their approach to local investment, including a target range for investment, in their Investment Strategy Statement, and to have regard to local growth plans and local economic priorities in setting their investment strategy.
- Requirement on AAs to work with relevant Strategic Authorities (Combined Authorities, Mayoral Combined Authorities, Combined County Authorities, and the Greater London Authority) or Corporate Joint Committees to identify suitable local investment opportunities.
- Requirement for the pools to develop the capability to carry out due diligence on local investment opportunities, take the final decision on whether to invest and manage those investments.
- Requirement on AAs to include in their annual report a report on the extent and impact of their local investments.

14. Following consideration of the consultation responses pools will now be required to report annually on total local investments made on behalf of their AAs and their impact. This will simplify reporting for AAs, who will not need to undertake or commission their own report on their local investments but can draw on the pool's report.

### **Fund governance**

15. The following proposals will be implemented as consulted upon:

- Requirement to appoint a senior LGPS officer with overall delegated responsibility for the management and administration of the Scheme.
- Requirement to prepare and publish an administration strategy.

- Changes to the way in which strategies on governance and training, funding, administration and investments are published.
- Requirement for pension committee members, the senior officer, and officers to have the appropriate level of knowledge and understanding for their roles, with requirements for pension committee members and local pension board members aligned.
- Requirement for AAs to set out within their government and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge requirements within a reasonable period from appointment.
- Requirement for AAs to participate in an independent governance review and, if applicable, produce an improvement plan to address any issues identified.

16. Following consideration of consultation responses, the government has decided to:

- require an independent governance review to take place once in every three-year period rather than every two years. This will align the reviews with the valuation cycle
- require AAs to have an independent advisor without voting rights, rather than an independent member of the committee
- require AAs to prepare strategies on governance, knowledge and training (replacing the governance compliance statement), and administration, and publish these either as separate strategies or as a single document. The knowledge and training strategy will be required to include a conflicts of interest policy

17. The Pension Schemes Bill will include provision for the independent governance review. The other governance policy measures will be dealt with under existing powers. Subsequent regulations and statutory guidance will provide further detail on implementation of all the new requirements.

### **Pool governance**

18. The government intends to proceed with the requirement for pools to publish performance and transaction costs and will work with the SAB, the Government Actuary's Department (GAD) and others to explore ways to deliver this.

19. On the question of how pool shareholders are represented in pool governance the government will not require a specific number or model for shareholder representation on pool boards. This is in recognition of concerns raised that the different composition of the various asset pools means that a single model for how shareholders are represented in the governance of their pool is not in the scheme's best interest. Instead, pools will be required to establish a governance model that works for their

shareholders and any clients, with flexibility in how this is delivered. Government has received requests from AAs for greater clarity on how to hold their pools to account as shareholders in a pool company, and will work with the SAB, pools and AAs to develop guidance.

20. The government has also considered the responses it received on the issue of member representation on pool boards. The government does not intend to introduce requirements for scheme members to be represented on pool boards and agrees that it is for pools and AAs to work together to ensure member views are taken into account by pools.

## **Implementation**

21. The forthcoming Pension Schemes Bill will put asset pooling on a statutory basis, and will mandate the minimum standards for pooling whilst providing for the detail to be set out in regulations. Those powers will enable regulations to be made requiring all AAs to participate in an asset pool either as a shareholder or as a client, and for AAs to delegate the implementation of their investment strategy to the asset pool.

22. The requirement for AAs to work with relevant strategic authorities, local authorities, or Corporate Joint Committees will be implemented through regulations made under new, mandatory powers in the Pension Schemes Bill, while a reciprocal duty on strategic authorities will be delivered under the English Devolution Bill. The Pension Schemes Bill will also include powers for regulations to make provision about triennial independent governance reviews of AAs. Regulations will put the detail of the proposals into legislation and we will consult on draft regulations in due course.

23. Respondents to the consultation flagged two potential barriers to maximising the benefits of scale through asset pooling and collaboration across pools. Firstly, that Stamp Duty Land Tax (SDLT) has implications for transferring property investments from an AA to a pool investment vehicle where the seeding relief period for that vehicle has closed. The government acknowledges the concerns regarding SDLT and tax officials will engage with pools shortly to discuss this in further detail.

24. Secondly, that the Procurement Act 2023 prevents pools from collaborating to their full potential by requiring demonstration that a significant majority of a single pool's activity is in the interest of its own partner Authorities only. Government legislation should not act as a barrier to pool collaboration especially where it can benefit multiple groups of AAs. As such, the Pension Schemes Bill will include provision such that the relevant procurement exemptions are satisfied as long as a pool is acting in the interests of any LGPS AA. This means that a pool will no longer be



limited when investing through another pool, thereby harnessing even greater benefits of scale.

25. Finally, the Pension Schemes Bill will also clarify the existing provision in the Public Service Pensions Act 2013 to allow for the winding-up of pension funds so that it explicitly includes the merger, including compulsory merger, of pension funds. This will ensure there are sufficient powers in place to facilitate the merger of pension funds if needed, for example any mergers that are needed as a consequence of local government reorganisation. The government's strong preference is that mergers take place by agreement between AAs, but the power to merge pension funds will allow government to intervene in the event that local decision making is not effective in bringing about satisfactory arrangements.

26. The government's intention is to lay regulations and guidance to come into force at the same time as the powers in the Pensions Scheme Bill. We will consult on draft regulations in due course.

### **Progress on pooling proposals**

27. Alongside the consultation process asset pools were invited to submit transition proposals setting out how they would seek to meet the proposed minimum standards. The government recognises that this was a significant undertaking and thanks all the pools and their partner AAs for their extensive engagement.

28. The proposals were assessed against a set of clear criteria including the benefits of scale, resilience, value for money, viability of meeting the proposed implementation deadline, and an options analysis of different means of meeting the minimum standards. Delivering the benefits of scale is not simply about the size of assets under management but includes accessing a wider range of asset classes including private markets, the ability to bring investment capacity in-house and make investments directly rather than via an intermediary, and the opportunity to negotiate lower management and performance fees.

29. Following this assessment the government has expressed support for the proposals from six pools and has invited the AAs of two pools to engage with other pools to determine which they wish to form a new partnership with. The government stands ready to support these decisions and will help to facilitate as required. The decision on which pool to work with is for each affected AA to make individually. The government recognises that AAs may wish to move to a new pool together with their existing pool partners, or may wish to move to different pools, and this is a decision for each AA.

30. The government recognises the significant upheaval and resource involved in moving pools. The current reforms are intended to shape the scheme for the long term and the government has no plans to intervene to reduce the number of pools further.

31. Government has asked the affected AAs to provide an in-principle decision between themselves and the pool they wish to work with by 30 September 2025. Government will continue to engage with AAs and all the pools over the coming months to discuss progress. The government's firm preference is for pool membership to be determined on a voluntary basis at a local level. In order to ensure the process of moving from eight LGPS pools to six does not result in any AA being left without a pool, and to protect the scheme in the long term, the government will take a power in the Pension Schemes Bill to direct an AA to participate in a specific pool.

### **Timing**

32. The Pension Schemes Bill will be introduced during this parliamentary session, and secondary legislation will follow in due course. The government's expectation is that, for all asset pools that are continuing with their existing partner AAs, the minimum standards and all other requirements will be met by the end of March 2026. The government will be in touch with each pool to commission data on progress against this deadline.

33. For those AAs seeking a new asset pool and for pools taking on new partner AAs, the government expects the deadline to be adhered to as closely as possible, with new partnerships to aim to have shareholder or client agreements in place by March 2026. The government recognises that the process of developing new pool arrangements will take time and may allow some limited flexibility on this deadline for those AAs and pools affected, if required. However, decisions on timing will be balanced with the need to keep the period of disruption across the LGPS to a minimum.

34. The government is grateful for the ongoing input and expertise of the SAB in developing proposals. The government will continue to engage with the SAB and wider LGPS stakeholders as it implements the consultation proposals.

## **2. Pooling**

35. The government believes that to deliver successfully for members and employers, LGPS asset pools will need to develop further as powerful global and local investors, able to deliver strong performance, value for money and resilience over the long term. The proposals in this chapter drew on the evidence and experience of the benefits and drawbacks of the differing models of pooling developed in the LGPS to date, as well as international best practice.

36. This chapter considers the responses to those proposals, taking each consultation question in turn.

## **Question 1: Do you agree that all pools should be required to meet the minimum standards of pooling set out above?**

37. The consultation proposed that all AAs and pools should be required to adopt an operating model that meets the following minimum standards:

- AAs would remain responsible for setting an investment strategy for their fund and would be required to delegate the implementation of that strategy to the pool.
- AAs would be required to take principal advice on their investment strategy from the pool.
- Pools would be required to be established as investment management companies, authorised and regulated by the Financial Conduct Authority (FCA), with the expertise and capacity to implement investment strategies.
- AAs would be required to transfer legacy assets to the management of the pool.
- Pools would be required to develop the capability to carry out due diligence on local investments and to manage such investments.

### **Summary of responses**

38. There were 197 responses to this question, of which 42% were supportive of the proposal and 35% were opposed.

39. Responses to this question were varied, with some being supportive of the proposals, some believing they should go further, and others being opposed to the government's proposed vision for pooling. Nonetheless, even among respondents who opposed the pooling model put forward by government there was often an acceptance of the direction of travel expressed and a willingness to comply with policy direction.

40. A number of AAs welcomed the clarity and supported the direction of travel, but often with caveats on particular proposals. The standard most opposed by respondents was the proposal for AAs to be required to take principal advice on their investment strategy from their pool, citing conflict of interest concerns. Many responses noted that overhauls to fund and pool governance would be crucial to the success of the new model, with those opposed often pointing to a lack of recourse options in the event of pool underperformance.

41. While the delegation of investment strategy implementation was mostly supported, some were concerned that the proposal would result in a loss of

local control and would undermine democratic accountability for the performance of investments. Some respondents felt the investment strategy and SAA template should be more granular: in particular, many wanted decisions on the use of passive or active management to remain with AAs. Some respondents, especially campaign groups, also questioned how pools would be able to effectively deliver varied environmental, social and governance (ESG) or responsible investment (RI) strategies set by their partner AAs if these diverged significantly within a pool.

42. The proposal for legacy illiquid investments to be under the management of the pool was unpopular, with many struggling to see the benefits and expressing doubt that pools would be able to deliver the capacity and capability needed to manage all these investments. Some external advisors and pressure groups also raised concerns that greater scale could reduce local investment, and expressed doubt that pools would be able to deliver local investment as effectively as AAs.

43. The deliverability of the timeline was another key concern of respondents, especially those in non-FCA regulated pools. Some suggested a staged approach to implementation.

### **Our response**

44. The government recognises that the proposed reforms represent a significant cultural shift for some in the LGPS, and that delegating the implementation of the investment strategy to pools will markedly change the focus of many local pension committees. Nonetheless, the government does not agree that this undermines democratic accountability or diminishes local control. Instead, it frees up the capacity of pension committees to focus on the overarching objectives for their funds, rather than implementation decisions to achieve their aims.

45. These reforms are necessary to build on the success of pooling in the LGPS to date, and to strengthen its foundations to enable the scheme to reach its full potential as an institutional investor globally, domestically, and in local communities. The government acknowledges that for some pools and their AAs meeting the proposed minimum standards will require significant upheaval and additional transition costs in the short-term but believes that this is justified by the longer-term benefits of increased scale and greater efficiency.

46. Detailed responses to concerns raised in response to this question can be found in response to the following questions below, including Questions 2 and 4 on the investment strategy and SAA, Question 5 on advice, Questions 7 and 8 on the requirement for investments to be managed by the pool, and Question 10 on the implementation timeline.

47. The government intends to legislate to enact the proposals as consulted on, with the exception that it will be for the asset pool to decide the best way of implementing an AA's investment strategy. The pool will decide for both

listed and unlisted assets whether to invest through collective investment vehicles, or through other arrangements. The government expects that the default investment type will be collective investment vehicles.

**Question 2: Do you agree that the investment strategy set by the AA should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?**

48. The consultation proposed that AAs delegate investment implementation activity to the pool, and retain responsibility for setting a high-level investment strategy for their fund, defined as an investment strategy consisting of:

- the high-level investment objectives including on:
  - funding, for example target funding level, return and risk objectives, income requirements and stability of contributions
  - ESG matters and RI
  - local investments, with a target range

49. In addition, this could include a high-level SAA – although the government believes that expertise in the pools makes them best placed to set the SAA and that funds may wish to delegate this to the pool.

50. The division of responsibilities proposed is illustrated in figure 1:

**Figure 1: The division of responsibilities between administering authority and pool**

	Task	Impact on overall investment outcome of the fund	AA Role	Pool role	Definitions
Strategy	Investment objectives	<div>High</div> <div>↓</div> <div>Low</div>	Decide	Advise	Return objectives, risk tolerances, investment preferences, constraints and limitations, and the approaches to local investment and responsible investment.
	Strategic asset allocation		Decide (optional)	Advise/Decide	Long-term, stable allocation based on overall investment objectives and risk tolerance
Implementation	Tactical asset allocation		Monitor	Decide	Adjustments to the asset mix, such as in respect of geographic allocation, consistent with the asset allocation strategy.
	Investment manager selection		Monitor	Decide	Appointment of external (or in-house) managers of specific investment mandates
	Stock selection		Monitor	Decide	Choosing individual investment opportunities based on detailed analysis of the opportunity
	Investment stewardship		Monitor	Decide	Engagement with the invested companies in line with Investment Objectives.
	Cashflow management		Monitor	Decide	Management of the disinvestment (or investment of contributions) in collaboration with administrators and Fund Actuary

**Figure 1: The division of responsibilities between administering authority and pool - accessible version**

Task	Strategy or Implementation	Impact on overall investment outcome of the Fund	Administering Authority role	Pool role
Investment objectives	Strategy	High	Decide	Advise

<b>Task</b>	<b>Strategy or Implementation</b>	<b>Impact on overall investment outcome of the Fund</b>	<b>Administering Authority role</b>	<b>Pool role</b>
Strategic asset allocation	Strategy	High	Decide or Monitor	Advise or Decide
Tactical asset allocation	Implementation	Med	Monitor	Decide
Investment manager selection	Implementation	Med	Monitor	Decide
Stock selection	Implementation	Med	Monitor	Decide

<b>Task</b>	<b>Strategy or Implementation</b>	<b>Impact on overall investment outcome of the Fund</b>	<b>Administering Authority role</b>	<b>Pool role</b>
Investment stewardship	Implementation	Low	Monitor	Decide
Cashflow management	Implementation	Low	Monitor	Decide

### **Summary of responses**

51. There were 194 responses to this question, of which 41% were supportive of the proposal and 39% were opposed.

52. It was widely agreed that setting investment objectives, including the overall return target and risk appetite/budget, and SAA are the most impactful decisions affecting overall investment outcomes and should remain with the AA. However, views varied on delegating the implementation of the investment strategy to the pool. Some respondents supported full delegation of all investment strategy implementation decisions beyond this, while others, typically the AAs, believed AAs need to retain greater control over strategy implementation. These respondents often argued that investment strategy implementation reflects the ultimate accountability resting with the pension committee or equivalent decision-makers, and felt that it was necessary for pension committees to be taking these decisions directly.



53. Some respondents considered that fund decision-makers would need the ability to control or influence investment management style (i.e. active management styles and index-tracking decisions) and the implementation of RI and ESG preferences and constraints. Some respondents felt control over these factors was necessary for effective risk management and alignment with the fund's unique objectives.

54. Some respondents also raised concerns with delegating cashflow management to the pool, observing that AAs would need oversight in order to ensure that they can pay pensions on time. It was noted that pools would need to be able to respond quickly to AAs changing cashflow needs, and that cashflow management was an area that would require regular engagement between pool and AA.

55. A minority of respondents acknowledged the potential role of effective and consistent delegation in reducing fragmentation across the 86 authorities and creating favourable outcomes for the scheme as a whole.

### **Our response**

56. The government has considered responses to this question carefully and agrees with respondents that the high-level investment objectives, including the overall return and risk appetite, and the SAA are the most impactful decisions for a pension fund because they have the greatest bearing on the investment return achieved by the fund overall. By clearly defining the financial goals and long-term asset mix these decisions ensure that the portfolio is aligned with fund objectives, ultimately driving its sustainability and stability.

57. The government has considered representations on the issue of whether decisions on investment management style (for example the split between passive and active management) should sit with the AA or with the pool. It remains the view of the government that choices of investment management style, including active or passive, are a function of the required rates of return and risk appetite, and are therefore an implementation rather than strategic decision. For these reasons decisions on investment management style, including decisions on active or passive management, should be the responsibility of the pool rather than the AA.

58. On the topic of cashflow management, the government wishes to clarify that what it intends to be delegated to the pool is the consideration of income from investments and whether this is sufficient to meet the cashflow requirements of the funds. It is for the funds to set their cashflow requirements in the income section of their investment strategy and to manage the income from contributions and investment income received via the pool.

59. The government intends to legislate to require AAs to set an investment strategy in accordance with the model consulted on, and to delegate the implementation of that strategy to the pool. AAs will be required to include a

SAA in their investment strategy statement in line with the template provided. AAs may choose to complete the SAA themselves or delegate this responsibility to their pool to set allocations in line with their investment strategy (see also Question 4). This is in keeping with the delegation model illustrated in the above table.

### **Question 3: Do you agree that an investment strategy on this basis would be sufficient to meet the AA's fiduciary duty?**

60. This question asked whether the AA's fiduciary duty would be met by retaining responsibility for an investment strategy, including the high-level objectives on:

- funding, for example funding level, return, risk, income and stability of contributions
- environmental, social and governance (ESG) matters and responsible investment (RI)
- local investments, with a target range (further discussed in chapter 3)
- optionally, a high-level SAA

#### **Summary of responses**

61. There were 182 responses to this question, of which 29% were supportive of the proposal and 51% were opposed.

62. Some respondents agreed with the model proposed and observed that it is widely used in the private pensions sector in the UK and globally, as well as within some parts of the LGPS.

63. Many respondents raised concerns that AAs had limited ability to hold the pools to account for their performance, and that their options were limited if the performance of the pool meant they were not able to discharge their fiduciary duty. Pool partnerships were perceived by some as fixed and inflexible compared to private sector equivalents who can more easily end contracts with their investment managers.

64. A number of respondents felt that the investment strategy and SAA framework proposed were too high-level, and that to be able to satisfy their fiduciary duty AAs needed to be able to decide additional details. These included cashflow and liquidity requirements, investment style choices, whether index-tracking investments should be “conventional” or “ESG enhanced”, whether to set “red lines” on investment types that the AA did not want held in its name, and a position on RI and net zero.

65. Some respondents were concerned that there was a potential tension between AAs having differing or contradictory ESG and RI policies and pools seeking to minimise the number of products they offered. Proposed solutions to this included allowing AAs to allocate to sub-funds with specific ESG profiles, by the pool balancing investments between sub-funds with different ESG profiles in order to meet each AAs specific stance on average (e.g. on net zero), or by the pools explicitly meeting divergent ESG stances by tailoring products to groups of partner AAs with similar stances.

66. Some respondents believed that AAs needed to be free to seek external advice on their investment strategy as they saw necessary in order to satisfy their fiduciary duty, and others raised concerns about reliance on advice provided by the pool before the pools had developed experience in providing this service.

67. A number of respondents felt they needed to consider legal advice on the issue of fiduciary duty in order to be reassured and noted that the SAB had sought such advice on behalf of the scheme.

### **Our response**

68. The government notes the concerns raised in responses to this question, but remains of the opinion that the proposals are sufficiently flexible to allow AAs to meet their fiduciary duty to scheme members and employers.

69. Many of the additional factors that respondents told us they would need to be able to include in the investment strategy in order to satisfy their fiduciary duty already form part of the proposed investment strategy (e.g. cashflow and liquidity requirements, which form a part of the high-level objectives on funding, and a position on ESG matters, RI and net zero). Other factors derive directly from the investment strategy (e.g. the decision on whether index-linked investments should be conventional or modified to take account of ESG considerations derives from the ESG stance in the investment strategy).

70. As outlined in response to Question 2, the government has considered the question of whether the investment style (active, style of active management, index-tracking, what index to track etc) should form part of the investment strategy set by AAs. The government remains of the opinion that the investment style is an implementation decision that derives from the investment strategy and that pools are best placed to consider alongside other implementation decisions. The government is therefore of the opinion that the high-level stance set out in the investment strategy is sufficient for an AA to satisfy its fiduciary duty to scheme members and employers.

71. In order to enable the pool to invest at scale it is important that pools are not expected to create bespoke arrangements for each AA's ESG and RI requirements. This is in the interest of AAs, who should endeavour to work with their pool to reach a common approach and thereby maximise the

benefits of scale. Government expects each pool will facilitate discussions among their partner AAs to establish a common approach. However, the government recognises that this will not always be possible, for example where there are particularly divergent or conflicting stances between AAs in a pool. In these cases pools may need to consider alternative options such as offering more than one ESG standard. The appropriate solution may depend on the number of AAs in a pool and the degree of divergence between ESG and RI stances. The government does not intend to proscribe a single solution, but does not expect to see bespoke arrangements for each AA.

72. The government has considered the point that AAs feel they have limited recourse options if their pool fails to implement their investment strategy effectively. AA shareholder and client groups have a much greater influence on their pools than private sector schemes have on their fiduciary managers. Indeed, as pools are not profit generating organisations, their interests are much better aligned with their shareholders and clients than their private sector counterparts. It is for pool shareholders to ensure that their governance arrangements are sufficiently robust to enable them to adequately hold their pool to account, noting that pool shareholders have previously been able to effect leadership changes in LGPS pools. A fiduciary oversight service may provide additional assurance to AAs – government would expect that where shareholder/client groups are interested in procuring an oversight service that they do so collectively as a group of partner AAs and in conversation with their pool to ensure the service provided meets the needs of the group and avoid unnecessary duplication of costs and effort.

73. In response to concerns that the proposed requirement for AAs to take principal advice on their investment strategy from their pool would be insufficient for AAs to satisfy their fiduciary duty, the government notes that the proposals do not preclude AAs from taking advice from external sources ‘in exceptional circumstances’, nor does it prevent pools from considering or procuring advice from other sources if they wish to rather than solely providing it using an internal function. This could include situations where the pool may wish to seek specialist advice on a specific asset class or a pool wishes to seek a second opinion. The key point is that the government believes that these situations should be the exception, rather than the norm, given that pools are set-up to meet their shareholder’s needs and do not stand to benefit financially from poor quality advice. The government is therefore satisfied that AAs will have access to the ‘proper advice’ needed to satisfy their fiduciary duty. More detailed discussion of the proposed requirement for AAs to take principal advice on their investment strategy from their pool can be found in the response to Question 5 below.

74. The government notes that many respondents said that they wanted to consider legal advice on the issue of fiduciary duty and suggested that this should be sought on behalf of the scheme. The LGA sought advice on this issue which was published on the SAB website on 15 January 2025: [LGPS](#)

[Scheme Advisory Board - Legal Opinions \(https://lgpsboard.org/index.php/legal-opinions\)](https://lgpsboard.org/index.php/legal-opinions). The SAB have also published a [document summarising their understanding of the advice \(https://lgpsboard.org/images/LegalAdviceandSummaries/20250325\\_SAB\\_Summary\\_of\\_Advice.pdf\)](https://lgpsboard.org/images/LegalAdviceandSummaries/20250325_SAB_Summary_of_Advice.pdf).

## Question 4: What are your views on the proposed template for strategic asset allocation in the investment strategy statement?

75. The question asked for views on the following template for SAA which would be used in the investment strategy statement:

**Figure 2: Proposed SAA template in consultation**

Asset class	Strategic asset allocation (%)	Tolerance range (± %)
Listed equity		
Private equity		
Private credit		
Property / Real estate		
Infrastructure		
Other alternatives		
Credit (i)		
UK Government bonds		
Cash (ii)		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.

(ii) For the purposes of this table this refers to cash held by the pool. AAs would still be expected to hold cash for the purpose of paying benefits outside the pool.

76. AAs would have the option of completing the template themselves or delegating to the pool to choose an appropriate allocation in line with their investment strategy.

### **Summary of responses**

77. There were 165 responses that expressed a view on the template for SAA.

78. Many were supportive of the template, arguing that high-level asset classes were adequate to fulfil AA needs while enabling pools to develop scale, and that further granularity would be an unhelpful distraction. Many respondents also agreed with the approach of allowing tolerance ranges alongside each, as this allows pools to take advantage of short-term, tactical investment opportunities and mitigate the risk of excessive trading to stick closely to the long-term SAA.

79. Some respondents argued that AAs should not set allocations to specific asset classes but instead wanted a template that would allow the AA to set objectives around categories such as growth, income and diversification. It was argued that this would allow the AA to more accurately express its objectives to the pool without being overly prescriptive on asset allocations.

80. Most responses requested additional granularity to the SAA, with some arguing that the high-level approach was incompatible with an AA's ability to discharge its fiduciary duty and would not accommodate different responsible investment policies. Some respondents requested the flexibility to set more detailed categories, though some of the suggested categories already form part of the proposed investment strategy, such as ESG policies and local investment. Other respondents proposed including active and passive equity allocations; geographical allocations including UK, global, and regional allocations; liability related investments such as buy-in policies; and more detailed breakdowns of private credit, private equity, alternatives, property, and UK government bonds categories. Many responses also set out their view that cash is not a strategic allocation and should not be included in the table.

81. A small number of respondents were concerned that the table may have an unintended consequence on the calculation of the discount rate used for funding purposes, which could lead to increased contributions. Some responses observed that fostering meaningful collaboration between partner AAs was the most important factor to make pooling work, and that a strict table would not be a shortcut to this end.

82. Some respondents requested that the government should set out its approach towards reviewing the table.

### **Our response**

83. As set out in response to Question 2, the government intends to proceed with its proposal to require AAs to include a SAA in their investment

strategy statement. AAs would be able to set this themselves or delegate to their pool to choose an appropriate allocation based on their investment strategy.

84. The government has carefully considered views on whether the proposed template is appropriate and will bring forward guidance to establish an SAA template in line with Figure 3. This breakdown of asset classes is a clear and recognisable set of categories, which provides a common vocabulary for AAs and pools to use when considering their investment strategy. However, if there is collective agreement between a pool and their AAs, it will also be permitted to use a less granular asset allocation such as allocations to growth and matching assets only. The government agrees that AAs will need to foster strong working relationships with their pool in order to make a success of pooling. The government does not see the SAA template as an alternative to this and expects that AAs and their pool will work closely in the development of each SAA.

85. The government notes the feedback about cash and intends to describe this category as 'investment cash' to be clear that this refers to cash for investment purposes which the pool requires to meet portfolio demands. This is different to operational cash for paying pensions which remains within the purview of the AA.

86. In terms of the additional detail requested in the template, the government is of the view that everything requested either already forms part of the proposed investment strategy, or represents investment strategy implementation decisions which should be the remit of the pool rather than the AA. This includes decisions on geographic allocation within each asset class including global and UK exposure. As outlined in the response to Question 3 above, the government does not believe it is necessary for AAs to have decision making power at this more granular level in order to satisfy its fiduciary duty to its members. Therefore, the government will be requiring the SAA agreed between AAs and pools to be no more granular than that in the template at Figure 3 below.

87. The government does not agree that the template needs to impact the discount rate. The funding strategy should reflect the investment strategy, and these should be considered together in calculation of the discount rate. The government also wishes to emphasise that pool investment vehicles or sub funds do not need to map to the template SAA; these can be created, continued and closed as the pool considers necessary to deliver on the investment objectives and SAAs set by the partner AAs.

88. The government will publish guidance on the SAA that will include the following template:

**Figure 3: Template SAA to be published in guidance**

Asset class	Strategic asset allocation (%)	Tolerance range ( $\pm$ %)
Listed equity		
Private equity		
Private credit		
Property / Real estate		
Infrastructure		
Other alternatives		
Credit (i)		
UK Government bonds		
Investment cash		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.

### **Question 5: Do you agree that the pool should provide investment advice on the investment strategies of its partner AAs? Do you see that further advice or input would be necessary to be able to consider advice provided by the pool – if so, what form do you envisage this taking?**

89. The consultation proposed that pools should be required to provide advice on investment strategies of their partner AAs, and asked whether AAs may wish to seek additional advice, and what form this might take. The consultation proposed that AAs take the principal advice on investment strategy from their pool, although they could seek additional advice from external investment advisors in exceptional circumstances to help them consider the advice given to them by the pool.

### **Summary of responses**



90. There were 185 responses to the first part of this question, of which 30% were supportive of the proposal and 54% were opposed. 155 respondents commented on whether it would be necessary to take further advice or input, of which 87% of responses were in favour of further advice. Many respondents were concerned that the proposed changes could create an unmanageable conflict of interest, potentially disincentivising pools from acting in the best interests of partner funds.

91. Many respondents emphasised the importance of pension committees having the necessary ability, knowledge, and information to effectively hold their investment managers, and therefore the pool, accountable. It was noted that independent investment consultants and advisors currently play a crucial role in this function. The majority saw this as a vital measure to provide checks and balances if the pool were to become the principal advisor. Some respondents also highlighted the success of the current investment consulting framework, citing its modest costs and long track record of delivering results. They expressed concerns about the risks of adopting an untested model, given that capability and capacity are not yet well established across the current pools.

92. A minority of respondents held a contrary view, believing that conflicts of interest could be effectively managed. They pointed to examples from UK corporate defined benefit schemes and international cases where such models are operating successfully.

### **Our response**

93. The government remains of the view that there is no conflict of interest in the pools advising on the investment strategies of partner AAs, because the pools are solely owned by LGPS AAs, exist to provide services in their interest, and do not stand to gain financially from the partner funds taking their advice nor from providing poor quality advice.

94. The government agrees that it is important for Pension Committee members to have appropriate ability and knowledge to effectively hold their pools to account for their advice. It is envisaged that it will be part of the role of the independent advisor to the pensions committee (see response to Question 26) to support pension committees in challenging and testing the advice from the pool. The government recognise that there will be situations where AAs may feel that the advice of the pools needs supplementing with or testing against advice from other sources, however the government is clear that these cases should be exceptional rather than routine. In the vast majority of circumstances the pool should be the sole source of the AA's investment advice.

95. Pools will have the option of procuring investment advice if they wish to, but the government expects that most will wish to establish their own advisory services. Advisory services are one area where pools may wish to collaborate or procure from each other, as noted in response to Question

## **Question 6: Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?**

96. The consultation proposed that all pools should be established as investment management companies, with the full range of expertise and capacity to deliver the following requirements as envisaged by our proposals:

- Implementation of the investment strategies of their partner AAs, including any SAA
- Provision of advice on investment strategies
- Management of legacy assets
- Due diligence on local opportunities and management of such investments.

97. All such companies would require FCA authorisation for regulated activities. They would need to meet the threshold conditions for authorisation and demonstrate that staff have relevant skills and competence.

### **Summary of responses**

98. There were 186 responses to this question, of which 59% were supportive of the proposal and 26% were opposed.

99. There were a wide range of responses to this question. Support was stronger on the general issue of pools being FCA-regulated than it was on the specific issue of pools being authorised to provide relevant advice.

100. Some respondents thought FCA regulation was a positive move that would align standards across the LGPS, and that it would provide reassurance of the quality of services provided to partner AAs. Many, whether or not they agreed with the government's wider proposals on pooling, felt that FCA regulation was a necessary and appropriate step to facilitate those aims effectively.

101. Conversely, a small number of respondents felt that it was possible for the pools to achieve the government's minimum standards without FCA regulation, and believed the government should focus on the wider objectives of pooling rather than the models through which they are achieved. It was also suggested by a small number of respondents that FCA regulation would inhibit local investment.

102. On the question of whether pools should be authorised to provide advice, some respondents commented that pools should be able to provide advice, but that it should be for AAs to decide where they take advice from. Others felt that pools should not provide advice at all.

103. Many respondents were concerned about the timetable for the pools to achieve FCA authorisation and for them to develop capability to provide advice. Respondents felt a March 2026 deadline would be unachievable, and that attempting to achieve authorisation within this timeframe would lead to poorly thought through decisions and increased costs.

### **Our response**

104. The government notes the majority support for the pools to be authorised by the FCA, and intends to legislate to require this in order to support the wider pooling proposals. Government is of the view that FCA authorisation provides a robust platform for managing the growing volume of assets in the LGPS. FCA authorisation and supervision provides vital assurance to members and employers that very large pools of capital will be properly managed.

105. The government notes that most of the opposition to the pools being authorised to provide advice is grounded in opposition to the general principle of pools providing advice, rather than whether FCA regulation is appropriate. As set out in the response to Question 5 above, the government intends to implement the requirement for AAs to take their principal advice on their investment strategy from their pool, and as such intends to require that the pools are authorised to provide this advice. AAs will not be prohibited from seeking supplementary advice from other sources in exceptional circumstances where there is an appropriate justification for doing so, but the pools should be the default source of advice.

106. The government rejects the suggestion that FCA-regulation will prevent the LGPS from investing locally. This is evidenced by the existing FCA-regulated pools successfully investing locally. FCA regulation does not prevent the pools from considering the non-financial benefits of investment nor from accepting lower returns in order to invest in projects with a local impact, provided the investment is in line with the investment strategy of the AA. As set out in response to question 15, AAs will be responsible for setting their objectives on local investment, including a target range, in their investment strategy, which pools will then be required to implement.

107. The government notes the concerns over timing. The government has sought assurance from the FCA and is confident that pools will be able to achieve authorisation within the required timeframe. Each pool seeking authorisation is in touch with the relevant FCA team for pre-application discussions.

## **Question 7: Do you agree that AAs should be required to transfer all listed assets into pooled vehicles managed by their pool company?**

108. The consultation proposed that AAs should be required to transfer any remaining listed assets invested outside the pool to pooled vehicles (collective investment vehicles with assets from multiple AAs in a pool) managed by their pool. This follows on from an expectation set out by the previous government in November 2023, that AAs should pool all listed assets as a minimum, by March 2025, on a comply or explain basis.

### **Summary of responses**

109. There were 177 responses to this question, of which 36% were supportive of the proposal and 50% were opposed.

110. Most respondents were supportive of the idea of AAs investing listed assets via their pool. Many noted the benefits that could be derived from the pools, including economies of scale leading to reduced fees. Some were supportive of government compulsion for listed assets to be transferred, as this would drive quicker change towards establishing investment at the appropriate scale for the LGPS.

111. Some were concerned that the compulsion to pool listed assets would be incompatible with an AA's fiduciary duty, as pool products may perform worse than their existing products after costs. More broadly, some felt that requiring assets to be pooled amounted to government mandating investment decisions, which was considered inappropriate since it because it would undermine local democratic accountability for paying benefits.

112. Many were concerned that this proposal could compromise the RI policies of AAs. They argued that to achieve scale, AAs would have to meet common agreement on RI, which may in practice lead to a lowest common denominator solution, inhibiting the AAs with the most ambitious targets. There were concerns that it might not always be possible to accommodate AA-specific requirements on responsible investment in a pooled vehicle.

113. Many respondents were broadly supportive of the policy intent, but were concerned that pools do not have suitable products or operational readiness to be able to take on all listed assets, especially given the March 2026 deadline. Respondents argued that being required to invest all listed assets in pooled vehicles could lead to the forced liquidation or sale of assets without corresponding benefits to justify the costs incurred. A common concern was the treatment of index-tracking equity funds, where costs are already very low outside the pool. Some respondents noted that in some cases there are small-scale local investments that are listed.

## **Our response**

114. The government's view is that it is preferable for listed assets to be invested in pooled investment vehicles, that is collective investment vehicles with assets from more than one investor.

115. The government does not agree this is incompatible with the AA holding fiduciary duty or that it undermines local democratic accountability. As outlined in response to Question 3, the government considers that setting the parameters in the high-level investment strategy is sufficient for AAs to satisfy their fiduciary duty to scheme members and employers. Deciding how the investment mandate should be delivered is an implementation decision rather than a strategic one and should sit with the pool. AAs remain responsible for their investment strategy and for their role as a pool shareholder or client, and therefore remain accountable for the management of their pension fund.

116. The government also recognises that balancing individual AAs' responsible investment positions, and particularly specific exclusions, can present challenges when seeking to invest at scale. However, the government does not believe these challenges are insurmountable, or should be a barrier to investing via the pool, or require investments to be held outside the pool. Indeed, existing pools are already achieving an effective balance between scale and delivering differing ESG/RI objectives through pragmatic discussions with their partner AAs.

117. During the course of the consultation further evidence from stakeholders indicated that there are some exceptional circumstances in addition to those noted above where it is not value for money for listed assets to be transitioned into pooled vehicles. This includes where transition costs are sufficiently high to erode savings in the longer term, where pooled vehicles cannot achieve the same risk-adjusted return as could be achieved through an alternative implementation route, or where transitioning assets by the March 2026 deadline would require multiple sales in a short period of time.

118. The government therefore no longer intends to require that all listed assets are invested in pooled investment vehicles. Instead it will require that all LGPS investments, listed and unlisted, are transferred to the management of the pool. This means that the pool has full oversight of the assets and will make all investment decisions including on whether to buy, hold or sell. It will be the responsibility of the pool to determine how the investment strategies of its partner AAs are implemented in their collective best interests, including consideration of whether assets are managed via pooled vehicles or otherwise. The government's strong expectation is that the default position will be management through pooled or collective investment vehicles, with the vast majority of assets managed in this way. However, the government believes it is appropriate for the pool to have responsibility for determining the best implementation route in the interests of its partner AAs, and for making changes to implementation over time if

needed. The March 2026 deadline for all assets to be under the management of the pool will still apply.

## **Question 8: Do you agree that AAs should be required to transfer legacy illiquid investments to the management of the pool?**

119. This consultation proposed that funds transfer legacy illiquid investments to the management of their pool, but not necessarily into pooled vehicles managed by the pool.

### **Summary of responses**

120. There were 177 responses to this question, of which 25% were supportive of the proposal and 54% were opposed.

121. The majority of respondents to this question disagreed with transferring the management of legacy illiquid assets to the pool or argued that certain assets should be excluded from pool management. Suggestions included assets that do not meet a minimum size threshold and assets that have a specific link to fund liabilities such as assets in runoff and direct property investments. One respondent also raised the issue of investments where the pension fund is not the outright owner of the investment, and therefore not able to legally transfer the management of the investment to the pool.

122. It was frequently commented that these are a diverse range of niche investments that would take the pools significant resource and expertise to manage, but which are a small proportion of total LGPS assets, many of which are in run-off. It was argued that there would not be cost savings from the pools managing these assets, and that transition costs could be high. There were some concerns raised about the potential SDLT implications of transferring property investments to the pool following the close of seeding relief windows in pool real estate sub-funds.

123. Some respondents were concerned that having the pools manage these assets would lead to a loss of asset diversification within the LGPS as pools would seek to simplify their portfolios and make them more efficient over time. There were also concerns raised about a loss of local accountability for these assets, and the ability of AAs to exercise their fiduciary duty due to a perceived lack of recourse options should the pools fail to manage these assets in the interest of the fund. Some were concerned that pools may underperform relative to existing arrangements. Some respondents were concerned that the loss of autonomy could inhibit a fund's ability to implement their responsible investment policies.

124. The government recognises the difficulties highlighted by responses to this question. The government wishes to clarify that it does not intend to mandate that legacy illiquid assets should be sold and transferred to pool ownership, but rather that they should be managed by the pool. This means that the pool has full oversight of the asset and is responsible for making the decision on whether to buy, sell or reinvest. This should create efficiencies at the pool level as all of the AAs' illiquid assets can be managed by the pool, instead of each illiquid investment being managed by individuals at the AAs.

125. Some of the concerns raised were to do with the pool selling an asset when it was not in the AA's interest to do so. The government does not recognise this concern; pools are acting in the sole interest of their shareholders and clients and it is difficult to see what the pool would gain from selling an asset when it was not in the AA's best interest to do so.

126. The government does not agree with the concern of respondents around a lack of asset diversification if the investments are to be managed by the pool. The pools will seek sufficient diversification within their illiquid investments to meet their risk tolerances as they do for liquid investments. Indeed, by virtue of the pool having larger mandates than the individual AAs, more diversification of illiquid investments may be possible.

127. As with the response to Question 7 above, the government does not agree that the requirement for investments to be managed by the fund will undermine local accountability or an AA's fiduciary duty. AAs will retain responsibility for their investment strategy and will be responsible for their role as shareholder or client of their pool, giving sufficient flexibility for them to satisfy their fiduciary duty and to be democratically accountable for the management of their fund.

128. The government recognises that transferring the management of niche illiquid investments is not straightforward, and that there may not always be an immediate cost efficiency from doing so. However, the government believes that while managing assets in the pool might incur initial costs, continuing to manage them outside the pool will limit efficiency in the long term by reducing scale and limiting the pool's comprehensive oversight of a fund's assets. The costs of management would also still be incurred, but by the AAs instead of the investment experts at the pool. Some increase in costs may be due to managing assets within an FCA-regulated environment but the government's view is that this is justifiable to ensure appropriate standards and assurance.

129. The government acknowledges the concerns regarding SDLT in the context of real estate asset pooling. Tax officials will engage with pools shortly to discuss this matter in further detail.

## **Question 9: What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds and when could this be delivered?**

130. This question asked what capacity and expertise the pools would need to develop to take on management of legacy assets from the partner funds, and asked about timelines for delivery recognising that pools vary in the capacity and expertise that they currently have to take on this role. As set out in response to Question 8, the government's requirement is that the pool will be responsible for managing all assets which includes being responsible for decisions on whether to buy, sell or reinvest legacy illiquid assets.

### **Summary of responses**

131. The majority of respondents said that pools would need to develop additional capabilities, although a minority felt that their pool already had the capability and expertise but would have to increase capacity. The additional capabilities required included specialist expertise in diverse illiquid asset classes and the processes for managing them, including significant relationship management capabilities. Other issues raised included the ability to manage cashflow requirements and to be able to handle cash calls on legacy investments, the need to upgrade or enhance IT systems to manage these assets, the need to improve data sharing, and the need to develop legal agreements between the pools and AAs that clearly set out roles and responsibilities of each in managing legacy investments. Many respondents also flagged that historic knowledge of specific investments would be required to manage these asset classes well.

132. A number of respondents raised concerns that developing appropriate capabilities and capacity would incur substantial additional costs but that there was little benefit to the AA of transferring management of these assets to the pool. Concerns were also raised that insufficient understanding of legacy assets would increase risk.

133. Some respondents were concerned that the pools would be in competition with each other for appropriately skilled staff, which could both drive up salaries and leave pools unable to recruit in time. Conversely, others were confident there were sufficient appropriately skilled individuals in the pensions sector. Many respondents also suggested the most workable solution would be for the pools to outsource management of niche asset classes to specialist investment management companies, at least in the short-term, rather than attempting to develop these capabilities in house.



134. A number of respondents proposed a model in which legacy assets would remain allocated to the individual AA until such a time as they mature and are transferred to pooled solutions. The pool would appoint a pool officer with responsibility for legacy assets, who would decide on the appropriate timing and means of disposal in consultation with the asset owner, specialist consultants, and the pool's investment managers.

135. Some respondents felt the timeline for implementation should be extended to allow the AAs more time to ensure that they had appropriate expertise and capability before taking on the management of assets, to avoid competition in recruiting, and to stagger the administrative demands on AAs so that it does not coincide with the valuation. Some felt that government should not set a deadline and allow AAs and pools to agree a date for transition, whilst others suggested dates in 2027.

### **Our response**

136. The government recognises that managing legacy illiquid assets will require pools to develop new capacity and capabilities, however, as set out in response to Question 8 it believes that achieving the broader benefits of pooling requires that legacy assets are managed by the pool. The government encourages the pools to consider whether this is a potential area where they can collaborate with each other, with different pools establishing specialisms on different types of illiquid asset and offering management services to each other. Alternatively, pools may wish to procure services for the management of some illiquid asset types to specialist investment management companies. This enables flexibility in how this requirement is delivered to ensure these investments are managed with sufficient expertise.

## **Question 10: Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?**

137. The consultation proposed an indicative timeline to become compliant with all the minimum standards by March 2026. The government requested each pool to consider the viability of meeting this timescale in their pooling proposal. The timescale is broadly aligned with the point at which reviews of investment strategy would be completed following the 2025 fund valuations. It also takes account of the timescale over which the FCA may consider applications for investment management companies and authorisation to provide investment advice.

### **Summary of responses**

138. There were 175 responses to this question, of which 5% were supportive of the proposal and 65% were opposed.

139. The significant majority of respondents to this question disagreed with the implementation timeline and expressed concerns about the proposed pace of transition, commenting that there were additional costs and risks associated with it. They argued that the substantial governance and resource demands on AAs of delivering this transition alongside other projects like the 2025 fund valuation risks rendering the proposal unrealistic.

140. Many respondents commented that typical timeframes required for FCA authorisation were longer than the proposed implementation deadline allowed for, which would impact the plans for non-FCA authorised asset pools to develop the necessary capabilities.

141. Alternative implementation timelines proposed by respondents included modifying the proposal to allow the new capabilities to be phased in over several years or adopting a “comply or explain” approach for the March 2026 deadline.

### **Our response**

142. The government has carefully considered the proposed implementation timeline in the light of responses but has concluded that meeting this the March 2026 deadline is critical to drive progress in the scheme, and to minimise the period of disruption. Government believes the deadline should be achievable given that it has previously communicated its expectations on asset pooling and stated that it would consider legislating if insufficient progress was made by March 2025 ([Chancellor vows ‘big bang on growth’ to boost investment and savings](https://www.gov.uk/government/news/chancellor-vows-big-bang-on-growth-to-boost-investment-and-savings) (<https://www.gov.uk/government/news/chancellor-vows-big-bang-on-growth-to-boost-investment-and-savings>)).

143. The government recognises that it may take time for those pools that do not already have an advisory capability to develop it in order to be able to advise on investment strategy. As set out in the response to Question 5, pools may procure advisory capacity in the immediate term if necessary to meet this requirement.

144. In terms of the timeline for achieving FCA authorisation, the government is liaising with the FCA and is confident that authorisation can be achieved by March 2026 for the pools seeking to apply.

145. Following receipt of the pooling proposals requested alongside the consultation the government has expressed support for the proposals from six pools and has invited the AAs of two pools to engage with other pools to determine which they wish to form a new partnership with. The government stands ready to support these decisions and will help to facilitate as required. The decision on which pool to work with is for each affected AA to make individually. The government recognises that the AAs may wish to

move to a new pool together with their existing pool partners, or may wish to move to different pools, and this is a decision for each AA.

146. The government's expectation is that, for all asset pools that are continuing with their existing partner AAs, the minimum standards and all other requirements will be met by the end of March 2026. The government will be in touch with each pool to commission data on progress against this deadline.

147. For those AAs seeking a new asset pool and for pools taking on new partner AAs, the government expects the deadline to be adhered to as closely as possible, with new partnerships aiming to have shareholder or client agreements in place by March 2026. The government recognises that the process of developing new pool arrangements will take time and may allow some limited flexibility on this deadline - for those AAs and pools affected - if required. However, decisions on timing will be balanced with the need to keep the period of disruption across the LGPS to a minimum.

148. Failure to comply with legal requirements by the deadline and subsequently on an ongoing basis, could lead to AAs being directed by the Secretary of State to undertake a governance review with immediate effect. In cases where the governance review process and any peer support are not successful at delivering change, it would be open to the Secretary of State to make use of powers under the Public Service Pensions Act 2013 and the Investment Regulations 2016 to issue a direction or to wind up a fund.

## **Question 11: What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?**

149. This question asked about the scope to increase collaboration between pools, and about potential barriers. Areas where specialisation or collaboration may be particularly attractive include in specialist assets such as private equity, private debt and venture capital, as well as infrastructure and specific local or regional investments.

### **Summary of responses**

150. The majority of respondents who answered this question were enthusiastic about increasing collaboration between pools and felt it would benefit the scheme as a whole. The main areas flagged for potential collaboration were developing "centres of excellence" in specialist asset classes such as private equity and infrastructure, particularly where it would be detrimental to the scheme as a whole for pools to develop separate

capabilities. Some respondents also suggested there could be pool-led centres of excellence on local investment, so that non-regional pools could benefit from the local knowledge of regional pools, or a single local investment capability jointly owned by all pools. The sharing of advice capabilities was another area of potential collaboration raised.

151. Potential barriers to collaboration raised included both structural and cultural factors. Some respondents flagged that the governance arrangements of a cross-pool investment vehicle need to be carefully considered and noted that the perceived increased distance between AAs and fund managers could make it harder to hold managers to account for performance. Respondents had differing views as to whether AAs of a pool investing in the vehicle of another pool should be treated equally to those of the 'lead' pool, for example in terms of fees. They commented that pools were setup in the long-term interests of shareholders, and that it could be detrimental to the lead pool's partner AAs if the partner AAs of another pool influenced mandates in the interest of their short-term objectives.

152. Some respondents were concerned that the Procurement Act 2023 could be a barrier to pool collaboration. Respondents were concerned that a pool they own investing in a vehicle owned by a different pool could potentially contravene the Act, and some respondents raised questions around how pools and AAs should interpret the Act's joint control test when considering their governance structures.

153. Some respondents raised concerns that the government's focus on pooling standards risked slowing or disincentivising collaboration. It was suggested that the focus on pooling standards had introduced a sense of competitiveness between pools, and that pools may be concerned that investing in the vehicle of another pool could be perceived as them being a weaker pool, or that it could result in them being targeted for a merger into another pool. It was also suggested that timelines meant pools were focussed on meeting the minimum pooling standards by the deadline rather than considering collaboration options which were harder to deliver.

## **Our response**

154. The government welcomes the interest and enthusiasm from respondents for collaboration between pools. The government agrees that each pool developing as a centre of excellence in particular specialist asset classes would be beneficial to the scheme as a whole, and that further joint ventures such as for example GLIL and the London Fund could help unleash the full potential of the scheme to invest in UK assets.

155. The government agrees that the Procurement Act 2023 should not be a barrier to collaboration between pools. The existing FCA-regulated pools were all established under the Teckal exemption (set out in the Public Contracts Regulations 2015 and relevant to the "vertical arrangements exemption" within the 2023 Procurement Act), which allows public authorities to award contracts to entities they control without going through

full procurement procedures. The vertical arrangements exemption currently allows AAs to procure contracts from their pool without going through full procurement exercises, provided that the contract satisfies a number of tests. To meet the vertical arrangements exemption's activities test LGPS pools must demonstrate that 80% of their activity is undertaken for the benefit of their own partner AAs only (as per paragraph 2(2)(c) of Schedule 2 to the Procurement Act 2023). Government recognises this may prevent pools from collaborating to their full potential especially where it can benefit multiple groups of AAs.

156. The Pension Schemes Bill will therefore include measures to modify the Procurement Act 2023 for the LGPS, so that the vertical arrangements exemption is satisfied as long as 80% of the pool's activity is undertaken for the benefit of any LGPS Authority (rather than solely their partner Authorities). This means that a pool will no longer be limited when investing through other pools' investment vehicles, to the benefit of both groups of AAs. This change further enables close collaboration between pools and possible specialisation by pools in certain asset classes, thereby harnessing even greater benefits of scale. Government will also provide guidance in due course to support interpretation of the vertical arrangements exemption's joint control test, as outlined in paragraph 2(2)(d) of Schedule 2 to the Procurement Act 2023.

157. It is understood that the deadline for meeting the minimum standards of March 2026 may be the focus over collaborating in the short term, but over the medium term putting pools on a consistent footing should make collaboration easier. The government is clear that that pools should be working together wherever this can improve outcomes for scheme members, employers, and the taxpayer.

## **Question 12: What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?**

158. This question asked for views on whether there potential for collaboration between partner AAs in the same pool in the administration of the LGPS, or whether there could be greater collaboration and cooperation between AAs on any other issues, for example shared service arrangements and the training of officers, councillors, and pension board members.

### **Summary of responses**

159. There were 151 responses to this question, of which 83% were supportive of the proposal and 7% were opposed.

160. The majority of respondents who answered this question were supportive of the benefits of collaboration between partner funds in the same pool on issues such as administration and training. Many also considered that there was potential for collaboration in shared back-office services and other areas such as governance, investment strategy, environmental, social and governance matters and actuarial services. Others flagged that integrating technology and artificial intelligence (AI) tools into these systems had the potential to enhance data analysis and improve decision-making processes.

161. Many respondents highlighted the potential benefits of collaboration between funds including the potential for improved service quality, shared expertise, the potential for cost savings and for better collective negotiating capability.

162. Many highlighted existing collaborations between funds that are already delivering cost savings and efficiencies beneficial to both funds and their pools. These included collaboration models such as the “Tri-Borough” arrangement in London, and outsourced administration services provided by West Yorkshire Pension Fund. Others commented that there is already considerable informal collaboration within local pension officer groups where administration issues are discussed and good practice shared. In addition, collaboration occurs through membership of the Local Government Association and the Pensions and Lifetime Savings Association (PLSA), and briefings organised by the SAB.

163. A minority of respondents commented that there were barriers locally to further cooperation and integration of shared services and resources. These could occur where there were differing governance arrangements or differing local priorities and objectives.

### **Our response**

164. The government was pleased to see the level of support for collaboration between AAs and believes that this is a valuable tool for reducing duplication, sharing best practice, and fostering innovation across the scheme. The government wishes to encourage and support collaboration initiatives across the scheme wherever possible.

165. It is anticipated that standardising the model of pooling and governance across the scheme will help to remove some local barriers to collaboration. However, government will remain alert to any remaining barriers and will seek to identify what action can be taken to remove them.

166. The government is looking at ways to make it easier to setup standalone pensions authorities, which it anticipates may be useful in cases of Local Government Reorganisation where new authorities do not map straightforwardly to underlying AAs.

### 3. Local investment

167. The LGPS already invests approximately 30% of its assets in the UK, as part of its duty to invest to pay pensions. The government believes that as an institutional investor the LGPS can make a distinctive contribution to UK and local growth, building on its local role and networks, through increasing its long-term investment in what matters to local communities. The LGPS can play an important role in providing anchor investment in local and regional projects, which can make them more attractive to private sector investors including pension schemes. This includes affordable housing, clean energy, physical and digital infrastructure, and support for new and established local enterprises, which can deliver positive local impacts, as well as financial return. ‘Local investment’ has been used throughout this chapter to refer to both local and regional investment.

168. Many AAs have already deeply embedded these wider considerations into their investments. They recognise that it is in the interest of the 6.7 million hard-working LGPS members that LGPS investments support the prosperity and wellbeing of their local communities, just as members did throughout their working lives.

169. This consultation focussed on local investment by LGPS funds, but there are other aims which AAs may wish to pursue, including boosting UK economic growth and taking into account other environmental, social and governance issues. These may contribute to the government’s key missions including making Britain a clean energy superpower and accelerating to net zero.

#### **Question 13: What are your views on the appropriate definition of ‘local investment’ for reporting purposes?**

170. This question invited views on the appropriate definition of ‘local investment’, for the purposes of reporting by AAs in their annual report on the extent and impact of their local investments.

#### **Summary of responses**

171. There were a range of views from respondents on the appropriate definition of ‘local investment’ for reporting purposes. A number of respondents considered that ‘local investment’ should be defined geographically as investment within an administering authority area or region. Others considered that the definition should be set at a UK-wide

scale that includes investments that benefit local economies regardless of geographic location.

172. A number of respondents said that a broad and flexible definition could enable AAs to maximise investment opportunities and avoid limiting returns. Other respondents felt that the definition should not be based on pool areas, as defining local as the pool area could potentially restrict opportunities. They also noted that a wider definition could be helpful as AAs may wish to invest in projects in a neighbouring authority area which is outside the pool area. Some respondents also considered that the definition should accommodate investments outside pool areas which have a clear economic, environmental or social impact on the region by delivering regeneration, employment or supply chain benefits.

### **Our response**

173. The government has considered the responses and believes that local investment should be defined as broadly local or regional to the AA or pool. It should have some quantifiable external benefits to the area in question, including economic growth, environmental benefits or positive social impacts. Such investment may include investment in affordable housing, small and medium size enterprises, clean energy investment, local infrastructure, and physical regeneration. AA should work with their pool to agree any specific requirements in order to ensure their strategy can be implemented effectively.

174. The government expects most local investments will be made through private markets, although the use of external fund managers specialising in local or regional investments may be appropriate in some cases. The government will work with the SAB to develop guidance.

**Question 14: Do you agree that AAs should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?**

175. The consultation proposed that AAs work with Combined Authorities (CAs), Mayoral Combined Authorities (MCAs), Combined County Authorities (CCAs) or the Greater London Authority (GLA), or local authorities in other



areas, with a view to identifying potential local investment opportunities for consideration by their pool. In Wales, AAs would be required to work with the relevant Corporate Joint Committee or Committees and with local authorities more broadly to identify investment opportunities.

### **Summary of responses**

176. There were 177 responses to this question, of which 56% were supportive of the proposal and 26% were opposed.

177. Many responses pointed to existing joint work on investment opportunities. Examples given included the South Yorkshire Pensions Authority, Durham, Tyne and Wear, and Greater Manchester, who work closely with CAs in those areas. Respondents were generally supportive as the new requirement would establish an important route for AAs to connect with opportunities which are the most beneficial to their region. Some respondents argued that pools, rather than AAs, should be working with strategic authorities to identify investment opportunities. Many argued that a clear and consistent process for pools to evaluate such proposals would be important.

178. Some respondents were concerned about resource pressures and argued that pools and AAs should be allowed to decide where to focus resource rather than being compelled to work with strategic authorities. Some were concerned that this proposal could lead to the LGPS investing in projects which have failed to raise finance from private sector investors and might be unsuitable, or considered that local growth is not a relevant consideration for a pension fund. Some were concerned that pools would be less able to take account of non-financial factors than their AAs.

### **Our response**

179. Government has considered responses to this question, noting that there was broad support overall mixed with some concerns. The government's view is that the new requirement will be important in building collaboration between strategic authorities and AAs and pools across the scheme to deliver local and regional investment which aligns with local growth plans and local priorities growth.

180. The government agrees that pools may be well placed to work with strategic authorities on behalf of their AAs to identify investment opportunities. It will be for pools and their partners AAs to decide whether AAs will approach strategic authorities directly or work through their pool.

181. With regard to the pool conducting due diligence on local opportunities, government recognises that each pool will wish to consider the process with their partner AAs. In particular, in order to ensure the pool's resources are deployed effectively, AAs should work with their pool to agree criteria for determining which local investment opportunities will be prioritised for due diligence.

## **Question 15: Do you agree that AAs should set out their objectives on local investment, including a target range in their investment strategy statement?**

182. The consultation proposed that AAs should be required by regulations to set out their high-level objective on local investment in their investment strategy statement, including a target range for local investment as a proportion of the fund.

### **Summary of responses**

183. There were 171 responses to this question, of which 66% were supportive of the proposal and 24% were opposed.

184. The majority of respondents were supportive of the proposals, and noted that it was a sensible approach for AAs to ensure their local investment objectives are incorporated into their strategy and delegated to the pool. Many responses agreed that AAs should not be required to set a minimum or target level of investment in local projects. Others proposed that AAs should be able to set a minimum level of local investment, or an interim or indicative target range of 0%, pending identification of suitable local investments. A number of responses suggested that asset pools should take on the role of setting objectives and targets.

185. A number of respondents raised concerns about fiduciary duty, suggesting that setting target ranges could potentially lead to undue pressure to prioritise local investments over other opportunities with higher returns or lower risk. They argued that AAs have had mixed levels of success investing locally, and that local investment was not appropriate for all AAs. There were also comments that where AAs cover multiple local authorities, there is the potential for differing local and economic growth priorities for local investment.

### **Our response**

186. The government has considered the points raised and notes that the proposal was broadly supported. The purpose of this proposal and the others on local investment is not to direct investments, but to ensure that local investment continues and is strengthened under the new minimum standards for pooling. The government will require AAs to set a target range for local investment, but will not restrict the ability of AAs to set a target of their choice.

## **Question 16: Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?**

187. The consultation proposed that pools be required to build capability to assess the suitability of local investments, as well as to manage such assets.

### **Summary of responses**

188. There were 181 responses to this question, of which 62% were supportive of the proposal and 22% were opposed.

189. Most responses agreed that it would be important for the pools to develop capability to carry out due diligence on local investments. Many responses said that this capability could be outsourced to fund managers with expertise in local investments, or that a clear, standardised process at the pool level would be important for greater efficiency. Some argued that collaboration between pools would be beneficial. Many were concerned that AAs should still have a role in recommending local projects to their pool.

190. Some were concerned that this would be highly resource intensive for pools to carry out, and that imposing this requirement would divert capacity away from more important pool functions. They argued that it should be up to pools and AAs to allocate resources.

191. Some argued that this function should be at AA level, given they are the ultimate risk-taker and bear fiduciary responsibility. They were concerned that pools could invest in local assets against the AA's wishes, or that pools would be less able to take account of non-financial benefits of local investment, particularly given the proposed requirement for pools to be FCA regulated.

### **Our response**

192. The government has noted the points raised by respondents, and that the proposal was broadly supported. The government's view is that it is essential for all pools to have the capacity to conduct due diligence on local projects to enable the LGPS to deliver on its potential to contribute to local growth. Pools may use external managers, where appropriate, to assist, but in the long run value will be added by using internal management. AAs should leverage their local knowledge and networks by passing on potential investment opportunities to their pool.

193. The government does not consider FCA regulation as an obstacle to pools making decisions to invest in local assets with benefits for the local

area. Impact investing is an established practice among regulated investors, including existing LGPS asset pools, and pools exist to deliver the investment strategy of their partner AAs, including in relation to local investment, which may include lower requirements on risk and return. Pools will need to ensure they deliver the outcomes set by their partner AAs on local investment.

## **Question 17: Do you agree that AAs should report on their local investments and their impact in their annual reports? What should be included in this reporting?**

194. The consultation proposed that AAs include in their annual report, as part of the report on the fund's investments, the extent and impact of their local investments and asked what should be included in this reporting. The government intends to work with the SAB to include guidance on reporting of local investment reporting in statutory guidance on annual reports.

### **Summary of responses**

195. There were 165 responses to this question, of which 76% were supportive of the proposal and 19% were opposed.

196. The majority of respondents were supportive of proposals that AAs should report on their local investments and their impact in annual reports. Respondents considered that the proposal could provide greater consistency, transparency and accountability across the scheme. They also provided a range of views on what should be included in reports.

197. Some respondents considered that AAs could report on key local metrics on economic impact of local investments such as the numbers of affordable homes provided, number of local jobs created, new businesses set up, and the units of renewable electricity generated. Some respondents pointed to examples of impact metrics already in use, such as the Good Economy's annual assessment of the place-based impact of Greater Manchester Pension Fund's local investment portfolio. Some respondents were concerned that imposing a requirement to report against metrics would be unnecessarily costly, and asked that any additional reporting should be for a clear audience, a specific purpose, and with adequate funding. A number of respondents suggested that AAs could publish qualitative case studies as part of their reporting on local investment.

198. Other respondents raised concerns on local variation in reporting by AAs and suggested that this reporting should be done by the pools. They suggested that it may be more appropriate for pools to produce a single report for all their constituent funds, as pools may be better placed to develop and apply a standardised methodology.

## **Our response**

199. The government will require AAs to report on their local investments, including the total in relation to their target range, and on their impact in their annual reports, as proposed. However, following consideration of responses, pools will now be required to report annually on total local investments made on behalf of their AAs and their impact. The government does not intend to prescribe metrics or other methods for assessing and reporting local impact by either pools or AAs. This will simplify reporting for AAs, who will not need to undertake or commission their own report on their local investments but can draw on the pool's report. It will also enable costs associated with impact reporting to be shared.

# **4. Governance of funds and pools**

## **Fund governance**

### **Question 18: Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?**

200. This question asked for views on the government's overall approach to governance, which aims to ensure that the LGPS has robust and resilient governance appropriate to its scale and continues to deliver to a high standard for members and employers in every AA. It builds on the recommendations of the SAB's 2021 Good Governance Review.

## **Summary of responses**

201. There were 159 responses to this question, of which 86% were supportive of the proposal and 12% were opposed. The majority of respondents who answered this question supported the overall approach to governance building on the SAB's 2021 Good Governance review.

202. The main request was for more detail about the proposals. In particular, respondents asked for detailed guidance and for that guidance to be developed in collaboration with the SAB and the sector. A minority of respondents asked for further proposals to reflect the new pooling landscape. There were also questions about when the new requirements would come into force, and some made points about the additional resources that would be required to meet new governance standards.

## **Our response**

203. The government welcomes the broad support for the governance proposals and intends to proceed, with adjustments to the governance and training strategy (Question 19), the independent governance review (Question 23) and the independent member proposal (Question 26).

204. The government understands the call for more detail and will collaborate with the SAB and the Pensions Regulator as appropriate to develop and publish statutory guidance, covering many of the points raised at consultation. In particular, the government believes that the proposals take account of the new pooling landscape, but recognises that there are further specific governance issues, such as how AAs hold their pools to account in the new arrangement, where additional guidance would be helpful. We intend to provide further clarity on those points through guidance, working with the SAB.

205. On timing, our ambition is put the new framework in place as soon as possible so that new requirements are in place for the 2026-27 scheme year. We aim to introduce legislation on the independent governance review later this year, followed by regulations and guidance on all of the proposals that are being implemented.

206. On the cost of the governance proposals, the government's view is that good governance has financial and wider benefits through a governance premium for well governed pension schemes, which benefit from sustained and resilient returns compared to less well governed schemes. Well governed schemes are likely to be more effective and agile, and therefore better managing risk and picking up opportunities. Research from the [Pensions Policy Institute](https://www.pensionspolicyinstitute.org.uk/media/t2djxcca/201702-bn89-db-the-role-of-governance.pdf) (<https://www.pensionspolicyinstitute.org.uk/media/t2djxcca/201702-bn89-db-the-role-of-governance.pdf>) suggests that this premium could be as high as 2% greater returns a year.

## **Question 19: Do you agree that AAs should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?**

207. The government proposed that AAs should be required to prepare and publish a governance and training strategy, to replace the governance compliance statement. This new strategy would set out the AAs' approach to governance, knowledge and training, member representation, and conflicts of interest; and set out objectives and planned actions in these areas, to be reviewed at least once every valuation period.

## **Summary of responses**

208. There were 170 responses to this question, of which 94% were supportive of the proposal and 4% were opposed. Many respondents said that the proposals were best practice, and many AAs have already started to implement them. The conflict of interest policy was highlighted as being particularly important. Some respondents asked how governance and training strategies would be monitored and how AAs would report against them.

209. Some respondents were concerned about the administrative burden of creating a strategy, and many thought that a single document would be too long and unwieldy. Most respondents agreed with the proposal that the strategy must be updated at least once in every valuation period, although many said that it should not clash with the triennial revaluation. Opinion was divided between requests for a central template or guidance and the desire for local flexibility on format. Respondents requested that new strategies align with current reporting requirements where possible.

210. Many respondents said that the training strategy should cover both Local Pension Boards and pension committees. Some also asked for the requirement to extend to pools, particularly the conflict of interest policy. Some individuals and campaign groups asked for a focus on climate issues and ESG in training.

## **Our response**

211. The government welcomes the broad support for this proposal and intends to proceed. Recognising the concerns about the potential length of a single document, the government will require a strategy for governance (including member representation), a training strategy, and a conflicts of interest policy, which may be combined. We recognise that AAs will want to carry out the review of strategies at a different time to the triennial revaluation and will not prescribe when reviews should happen during a valuation cycle.

212. As to extending the requirements to pools, the government does not believe this is necessary. Pool governance is a matter for partner AAs subject to the framework set by government. All LGPS pools will be established as investment management companies, regulated and authorised by the FCA. FCA regulation already requires pools to consider conflicts of interest and disclose these to their partner AAs.

## **Question 20: Do you agree with the proposals regarding the appointment of a senior LGPS officer?**

213. The government proposed that every AA must have a single named officer (the senior LGPS officer) who has overall delegated responsibility for the management, strategy and administration of the fund. The role of the senior officer would be set out in the AA's governance and training strategy, and would be expected to ensure that the LGPS function has sufficient resourcing to meet its duties, including through the administering authority's budget-setting process.

### **Summary of responses**

214. There were 157 responses to this question, of which 92% were supportive of the proposal and 6% were opposed. Many respondents asked for more detail, in particular about the responsibilities of the senior officer role, as well as how the role would fit into existing structures. Questions were also asked about how the new role would interact with the statutory role of the section 151 (s151) officer, as well as how the new role would interact with the pool.

215. Several respondents were concerned about the statement in the consultation that the senior LGPS officer should be involved in the AA's budget-setting process, given the separation between the pension fund's budget and the AA's budget. There were also concerns about the time and cost of creating and appointing to these roles. This was a particular concern for smaller authorities.

### **Our response**

216. Considering the broad support, the government intends to proceed with this proposal, through an update to the 2013 LGPS Regulations, with accompanying statutory guidance. This will include guidance on the responsibilities of the role in relation to the s151 officer and the pool.

217. The government's view is that pension fund budget-setting should be seen as separate from that of the AA as a whole and should not be subject to resource restrictions which may apply across other functions. The government intends to set this out in the guidance.

218. The government recognises the resource impacts of creating and appointing to the senior LGPS officer role. These are high profile roles with overall responsibility for the management, business planning, strategy and administration of the fund. That will require a robust appointment process and adequate remuneration, but as set out in the consultation, we consider the potential benefits to be much greater than the cost of investing in better governance.

## **Question 21: Do you agree that AAs should be required to prepare and publish an administration**



## **strategy?**

219. The government proposed that AAs should be required to prepare and publish an administration strategy, reviewing it at least every three years (once in every valuation period), in line with the requirement for other strategies.

### **Summary of responses**

220. There were 154 responses to this question, of which 82% were supportive of the proposal and 11% were opposed. The proposals were largely welcomed, with responses highlighting the importance of transparency and a focus on member experience. Most respondents said that their fund already had an administration strategy.

221. There was a mix of views on how prescriptive guidance should be. Many respondents called for consistency across the scheme, but some asked for flexibility to reflect that each fund has its own portfolio of employers and members. Several respondents called for the administration strategy to set out how employers would be held to account for their role in providing good quality data on time.

222. There was also a mix of views on the proposal for the administration strategy to be reviewed at least once every three years. Most respondents supported this, but some were concerned about the cost and time required.

### **Our response**

223. The government intends to proceed with this proposal, through an update to the 2013 LGPS Regulations. As with the governance and training strategy, we will not prescribe when a review of the administration strategy must happen in a valuation cycle. The government intends to work with the SAB to develop accompanying guidance, taking account of points made in consultation.

## **Question 22: Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?**

224. The government proposed that, in line with the LGPS in Scotland, AAs should no longer be required to include the full texts of any strategy, including the governance and administration strategies proposed in the consultation, in their annual reports, but should ensure accessibility.

### **Summary of responses**

225. There were 149 responses to this question, of which 87% were supportive of the proposal and 11% were opposed. Respondents were supportive of this proposal to improve accessibility and reduce the complexity of annual reports. Some AAs are already using hyperlinks and have already removed the requirement for policies and strategies to be included in full within the annual report.

226. Some respondents requested a single set of guidance on reporting, noting existing guidance from both The Pension Regulator and the SAB. Some respondents went further, requesting a further review by the Department and SAB of the contents of annual reports, with a view to providing guidance on a summary or streamlined annual report with the metrics of most interest to members. The removal of pension fund accounts from main local authority accounts was also mentioned as a means to improve the accessibility of information to members. Respondents who were opposed suggested that there is no issue with the current publications, or that the changes would be unlikely to lead to improved readability or transparency.

### **Our response**

227. The government intends to proceed with this proposal, and will continue to work with the SAB to provide and maintain guidance.

## **Question 23: Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?**

228. The government proposed that each AA should participate in an independent governance review every two years, carried out by independent experts with a good understanding of the LGPS. The consultation proposed that the draft report would go to the senior LGPS officer, pensions committee and local pension board. The pension committee would be required to add commentary and an action plan in the final report. AAs would be required to publish a summary of the final report and submit it to MHCLG.

### **Summary of responses**

229. There were 159 responses to this question, of which 76% were supportive of the proposal and 19% were opposed. The consensus was that a review every two years was unrealistic. Most respondents asked for a three-year cycle in line with the valuation cycle, whilst a few asked for a three or five-year cycle.

230. Several respondents commented on the burden of such a review, both in terms of cost and time. There was a strong desire for the review to be peer-led, rather than by consultants. Many respondents asked for more detail of what the reviews would include, as well as an agreed template. There were also some concerns on the possible use of the Secretary of State's powers to issue directions following a review. A minority of respondents thought that the review might duplicate work already undertaken, or clash with the role of the local pension board.

### **Our response**

231. The government welcomes the strong support for the proposal and intends to proceed. However, the government recognises the strength of feeling about the interval between reviews and intends to require the reviews to take place on a three-year cycle, rather than every two years. AAs will have the flexibility to carry out the review at any point during each valuation period, unless subject to a new power that the government will take, which allows for the Secretary of State to direct that a governance review is carried out of an AA at a specific time. This power will be exercised if there is concern that an AA has significant weaknesses in governance or is not in compliance with scheme regulations.

232. The government accepts that such a review requires time and money, but, as with all the governance proposals, believes the investment in better governance is in the best interest of the scheme and its stakeholders. We are aware that some AAs already carry out governance reviews and intend to ensure consistency across the scheme.

233. After the reviews are completed and submitted to MHCLG, the government envisages that for most AAs, the review will have identified recommendations to be taken forward locally. For some, the LGA's peer support offer, which is currently being developed, may be appropriate. If government has concerns about certain cases, they may bring them to the attention of TPR, who will consider the information in line with their usual approach. For the most serious cases, intervention may come through direction by the Secretary of State under the Public Service Pensions Act 2013, including the power clarified in the Pensions Bill to allow for compulsory merger.

234. The government intends to take a new power in the Pension Schemes Bill to make regulations relating to the independent governance review. The government intends to publish statutory guidance to accompany regulations, including on the points raised in consultation. The government will work with the SAB, the Pensions Regulator and AAs as appropriate to design the review process in detail.

## **Question 24: Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?**

235. The government proposed to require that pension committee members, the senior officer and officers should have the appropriate level of knowledge and understanding for their roles, and that the requirements for pension committee members and local pension board members should be aligned.

### **Summary of responses**

236. There were 172 responses to this question, of which 95% were supportive of the proposal and 5% were opposed. Many respondents had views on what training would be included, and who would provide it. As with other governance proposals, there was a mix of views between a desire for local flexibility and a desire for a standardised programme. Specific skill gaps were raised – climate risks in particular – and many respondents highlighted existing resources, most notably the Pensions Regulator toolkit.

237. Respondents agreed that the requirement on knowledge and understanding should apply after a reasonable period of time, such as six months. Many respondents said that the turnover of members was a particular problem and suggested any knowledge requirement be based on the committee as a whole rather than individual members.

238. More detail was requested on what a minimum standard of knowledge would be, to ensure consistency between AAs, and there were questions about how ‘appropriate’ would be defined. Some respondents wanted more clarity about what level of training substitute members would require before being allowed to take part in decision making.

239. Some respondents said that the training requirement should only apply to s.151 officers and the senior LGPS officer, with the senior LGPS officer responsible for setting the training requirement for other officers. Some of those opposed to the proposal were concerned that the requirements might be too onerous and discourage councillors from serving on pensions committees.

240. Many respondents wanted more detail on how members would be held accountable and what action would be taken if a committee member failed to gain or maintain a level of knowledge and understanding. Some suggested that the training undertaken by members should be published each year.

241. Considering the broad support, the government intends to proceed with this proposal but recognises that there are a range of views on implementation.

242. Government considers that it is important that all members of the pension committee are held to account and have a high level of knowledge and understanding to contribute to the decision making of the committee. Therefore, we will continue with a knowledge and training requirement that applies to individuals, rather than the committee as a whole. We will consider further how this will apply to substitute members, and how members can be held to account for non-compliance. We intend to work with the SAB on guidance, which will address the points raised at consultation.

**Question 25: Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?**

243. The government proposed to require AAs to set out within their governance and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge and understanding requirements.

**Summary of responses**

244. There were 161 responses to this question, of which 95% were supportive of the proposal and 4% were opposed. The overall response was very supportive of this proposal, especially welcoming improved accountability for AAs through a published strategy, although similar concerns were raised to those in response to question 24.

**Our response**

245. Considering the broad support, the government intends to implement this proposal, through an update to the 2013 LGPS Regulations. The government's response to the concerns raised is covered in the response to Question 24. The government will work with the SAB to develop guidance.

**Question 26: What are your views on whether to require AAs to appoint an independent person as**

## **adviser or member of the pension committee, or other ways to achieve the aim?**

246. The government invited views on securing professional and independent expertise for AAs and pension committees, including through requiring AAs to appoint an independent person who is a pensions professional, whether as a voting member of the pensions committee or as an adviser. The role would encompass supporting the committee on investment strategy, governance and administration.

### **Summary of responses**

247. There were 157 responses to this question, of which 71% were supportive of the proposal and 18% were opposed. Almost all respondents saw the value of independent expertise, but for most of those opposed to the proposal, their view was that it should be for AAs to decide themselves what expertise they require.

248. There was also significant concern about the suggestion in the consultation that an independent person could be appointed as a voting member. Many respondents thought that having an independent person as a voting member on a pension committee would undermine the principle of democratic accountability in the LGPS. Opinion was divided on whether an adviser would have little or no influence on the voting members of the committee, or too much. Others felt that there was an inconsistency in approach with the proposals to increase knowledge and understanding for members of pension committees.

249. Several respondents said that they were not sure if there were enough qualified people to be independent members, or expressed the view that the market for professional trustees in private sector schemes was much more developed. If there were a lack of available talent, some respondents made the point that funds would have to pay a premium to retain an independent member. Some also asked for more detail about the criteria for people to qualify as independent members.

### **Our response**

250. The government recognises that, of the governance proposals, this proposal received the least support, although the majority of those who responded were supportive. In particular, the point about voting rights was raised by almost all respondents.

251. The government has concluded that AAs should be required to have an independent adviser without voting rights rather than an independent member, as some funds already do. This advisor would be required to have one or more of the following qualifications and experience: qualifications from Pensions Management Institute (PMI) – the award in pension trusteeship, diploma in professional trusteeship, certificate in professional trusteeship, accreditation for professional trustee; member of, and

accredited by, the Association of Professional Pension Trustees (APPT); and significant experience of pensions and/or investments.

252. Noting the perceived clash between this requirement and that on knowledge and understanding of committee members, the government's view is that the adviser as a qualified pensions professional would have a different role to the members of the committee.

## **Pool governance**

### **Question 27: Do you agree that pool company boards should include one or two shareholder representatives?**

253. The government proposed that in addition to meeting the requirements of the FCA, boards should also include one or two representatives of the group of shareholder AAs, such as the chair of the shareholder committee or equivalent. These representatives would require the appropriate skills and training.

#### **Summary of responses**

254. There were 156 responses to this question, of which 68% were supportive of the proposal and 12% were opposed. There was a strong consensus on the necessity of partner AA representation on pool boards to ensure accountability and alignment of interests. While many agreed that shareholder representatives could fulfil this role, opinions varied on whether shareholder representatives should be nominated as external non-executive directors or should be councillors and officers from the partner AAs. Several responses noted the requirement for executive directors to comply with the FCA's Senior Managers and Certification Regime.

255. Concerns were primarily focused on whether shareholder representation alone might be insufficient to hold pools accountable to partner AAs. Respondents suggested that additional measures would be needed to enhance transparency and build trust among stakeholders, including the government and scheme members. Responses indicated that different solutions might be appropriate for different pools, particularly where the number of partner AAs varies significantly (e.g., London CIV with 33 funds, LPP with 3).

#### **Our response**

256. The government has concluded that it is not necessary to impose a single model for how pool shareholders should be represented on the board, recognising that different models will work for different pools and partner AAs. In particular, variation in the number of partner AAs in each pool may require that pools adopt differing governance models to ensure that AA views are adequately represented. Further, while the government believes that in the majority of cases AAs will want to be shareholders of a pool, there may be situations where it is preferable for an AA to participate in a pool as a client. In these cases governance arrangements will need to ensure both shareholder and client views are adequately represented.

257. The government notes that in many cases a valid governance arrangement will be to have non-executive directors with appropriate professional expertise on the pool board who have responsibility for representing shareholder interests, as such professionals can bring considerable expertise and experience to the benefit of all AAs. This may be preferable to having AA pensions committee members from a couple of shareholder AAs to represent the full body of partner AAs.

258. The government will not therefore require a specific model of pool governance, but will work with the SAB, pools and AAs to develop guidance on ensuring that governance works for pool shareholders and clients.

## **Question 28: What are your views on the best way to ensure that members' views and interests are taken into account by the pools?**

259. The government sought views on the best way of ensuring that scheme members' views and interests are properly understood and taken into account by the pools. Scheme members must be represented on the local pension boards, and in many cases they also participate in decision making through the pension committee or sub-committees, but this is not mandatory.

### **Summary of responses**

260. There were 141 responses to this question. There was a split between those who believed that this should be achieved at least in part by scheme member representation at the pool (45%) and those who explicitly stated that member representation at the participating AAs was sufficient (34%).

261. Among those who believed scheme members should be involved in pool governance, views differed on how this should be achieved. Although some respondents felt that scheme members or trade union representatives should have a place on the board with full voting rights, this was not the majority view. The SAB and others suggested that member representation



would be more appropriate in the oversight of the pool, rather than the board itself.

262. Some responses from pools described how scheme members are part of their existing governance structures. This includes through oversight boards which have non-voting member representatives, pension committee members attending some pool meetings as observers, or the pool holding public meetings that scheme members can attend. Other suggestions from respondents included establishing a pool advisory body with member representatives or having a representative of the local pensions boards of partner AAs as a voting or non-voting member of the pool board. Some respondents raised the issue of how to ensure that any decision making body – even if it does not have direct member representation – reflects the diversity of the scheme membership.

263. Many of those who did not agree with members being part of the pool governance or decision making felt that the appropriate place for scheme member and trade union representation was at the local pension board and pension committee level in the partner AAs, because these are the bodies responsible for holding the pool to account and for setting the investment strategy. Some respondents also requested that the government implement a recommendation from the SAB Good Governance Review to require AAs to publish a policy setting out how scheme members and employers are represented.

264. The importance of good communication between pools and AAs was raised by many respondents. Pools actively engaging with AAs by attending committee meetings was highlighted as a good example. Many scheme members who responded said that active engagement by the pools with members was important to them, both so they could offer their views to the pools, and to understand what the pools were delivering. It was noted that it requires work and resource to do this well.

265. Most responses from AAs suggested that members would predominantly continue to communicate with the AA rather than the pool, although some said that questions on investment implementation should be addressed to and answered directly by the pool. There were concerns from some respondents that the extension of pooling arrangements would distance scheme members further from decision making and could weaken the relationship between members and the AAs.

266. A number of responses expressed disappointment that there was not a question that explicitly asked about how scheme employer views and interest should be accounted for given that, unlike the benefits received by members, their contribution rates would be sensitive to the investment decisions of the pool. Similarly, some responses noted that the ultimate owner of the assets remains the AAs.

267. The government notes that member representation in the governance of AAs provides an important route for scheme member views to be part of the process of developing investment strategies, and that AAs will continue to hold their pool to account for the implementation of investment strategies. The government has concluded pools and AAs should work together to ensure that scheme members' views are understood and taken into account by the pools, and should publish their policy on how this is done. We will work with the SAB to highlight good practice and provide guidance.

## **Question 29: Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?**

268. The government proposed to introduce new requirements for pool transparency and reporting, including publication of performance and costs. This question also asked for views on other data which could be included in this reporting requirement.

### **Summary of responses**

269. There were 171 responses to this question, of which 95% were supportive of the proposal and 5% were opposed.

270. There was strong support for enhanced transparency and consistency to facilitate effective oversight of asset pools. Many highlighted the importance of clarity and the ability to compare like-for-like performance and costs across pools as crucial, allowing AAs to monitor the performance of their pool compared to others. Some respondents also said that the pools collaborating in achieving consistency would be a good outcome.

271. In terms of the standards and content of reports, some respondents pointed to existing reporting frameworks such as the SAB Cost Transparency Initiative. Many suggested reporting total fees as a proportion of assets under management, including internal and external management fees and transaction costs, along with administration costs. They also emphasised the need for performance reporting over various time horizons, both net and gross of fees. A significant minority also called for reporting against climate targets, for example by making disclosures compliant with the Taskforce on Climate-related Financial Disclosures guidance.

### **Our response**

272. The government notes the strong support for consistent and transparent reporting by pools and is grateful for the suggestions received as to what should be included in reporting requirements.

273. The government will work with the SAB to develop guidance on pool reporting to support transparency and accountability to scheme members, employers and others, including on cost and performance metrics. The government will continue to engage with the pools, AAs, and other users of these metrics in the development of this guidance.

274. The government is also considering formalising its existing voluntary data collection from asset pools, with the intention that this will include performance data. This will not be implemented for the 2024/25 reporting year, and MHCLG intends to collect data on a voluntary basis as usual this year.

## **5. Equality impacts**

**Question 30: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.**

275. The government invited views on the impact of the proposals on people who share a protected characteristic.

### **Summary of responses**

276. The majority of respondents considered that no particular groups with protected characteristics would either benefit or be disadvantaged by any of the proposals.

277. Some responses pointed out the impact of climate change on protected groups, which may be affected by pensions investments. Others noted that the proposals could impact on intergenerational equity within the pension system. Some respondents commented that the government should take account of the interests of Welsh speakers when considering its response.

### **Our response**

278. The government considers that the package of reforms will not affect any particular group with protected characteristics adversely. It has considered carefully all of the responses and the specific concerns raised. There will be no change to member contributions or benefits as a result of the proposals in the consultation.



**Report to:** Pension Committee

**Date of meeting:** 19 June 2025

**By:** Chief Finance Officer

**Title:** Governance Report

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

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## **RECOMMENDATION:**

The Pension Committee is recommended to:

- (1) Delegate authority to the Chief Finance Officer in consultation with the Chair of the Pension Committee to finalise and submit on behalf of the East Sussex Pension Fund a response to the Government Consultation ‘Local Government Pension Scheme in England and Wales: Access and fairness’;**
  - (2) Agree the revised full privacy notice (as set out in Appendix 3) and the template summary privacy notice (as set out in Appendix 4) be adopted and used by the East Sussex Pension Fund;**
- 

## **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).

## **2 Legal and regulatory changes**

2.1 A letter issued by the Ministry of Housing, Communities and Local Government (MHCLG) on 10 March 2025 (Appendix 1), set out plans to consult on changes to the LGPS Regulations 2013, regarding the application of regulation 64A. This relates to mid-valuation cycle changes to employer contribution rates. The letter confirms the Government view of when the provisions of regulation 64A may be appropriately used; namely, in response to changes in an employer’s liabilities or its ability to meet its obligations. Government makes clear it was not intended for use in order to manage surpluses or deficits.

2.2 At its meeting on 13 February 2025, the Board were informed that on 15 January 2025 the Scheme Advisory Board (SAB) published the updated opinion of Nigel Giffin KC, titled ‘Local Government Pension Scheme: Investments and Non-Financial Considerations’. On 16 April 2025, the SAB Secretariat published a summary note of the opinion (Appendix 2). The summary note represents the views of the Secretariat based on their current understanding of the law and policy only. It should not be treated as a complete and authoritative statement of the law, and readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation quoted. For clarity, the summary has not been drafted nor endorsed by Nigel Giffin KC.

2.3 On 15 May 2025 Government launched a consultation titled [‘Local Government Pension Scheme in England and Wales: Access and fairness’](#). The consultation relates to a range of proposals including the gender pensions gap, forfeiture concerns, and opt out rates. The consultation will remain open for 12 weeks, closing on 7 August 2025. As the consultation closes before the next Pension Committee meeting in September, it is recommended that the Pension Committee delegates authority to the Chief Finance Officer, in consultation with the Chair of the

Pension Committee, to agree the final response for submission on behalf of the Fund. If agreed, officers will prepare a draft response which will be shared with the Chairs of the Pension Board and Pension Committee for comment prior to finalising the response.

2.4 On 5 June 2025 Government published the new [Pension Schemes Bill](#). Government have also published [Workplace Pensions: a roadmap](#) to be considered alongside the Bill itself. The Bill specifically references the LGPS in the context of reforms to asset pools.

### **3 Pension Board Vacancy**

3.1 Following Nigel Manvell's retirement from Brighton & Hove City Council, as required by the Constitution and terms of reference of the East Sussex Pension Board, his appointment as an employer representative on the Board also ceased.

3.2 The 'Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales' requires that all employers within a Fund must have equal opportunity to be nominated for the role of employer or member representative through an open and transparent process. All Fund employers were contacted in April 2025 and asked to provide expressions of interest to be considered for the vacant position. The Fund received only 2 expressions of interest by the deadline of 9 May 2025.

3.3 At the time of writing, officers are in the process of inviting each of the 2 candidates to attend a meeting with the Pension Board Chair and officers. Following the meetings a recommendation will be made to the East Sussex County Council Governance Committee regarding who should be appointed and the length of their term. The Governance Committee is the body which has the authority to make appointments to the Pension Board.

### **4. Register of Interests**

4.1 Consistent with the guidance provided within The Pensions Regulator General Code and the commitments made by the Pension Board at its meeting in June 2024, Board members are required to complete an annual review of their register of interests. This process is managed by the Council's Democratic Services team to ensure there is an audit trail of the reviews being carried out and completed, and that the register of interests is published. Board Members are also required to update their register of interests within 28 days of becoming aware of any change to their interests. Publication and regular review of Board Members' register of interests improves the transparency of the Pension Board and further illustrates good governance.

### **5 Pension Fund Policies and Statements**

5.1 At the request of the Local Government Association Pensions Teams, Eversheds Sutherland conducted a general review of both the template full privacy notice and the template summary privacy notice. These templates are provided to administering authorities for use. The review made few significant changes, other than those added to take account of the McCloud remedy. Accordingly, the Fund has updated both the full privacy notice (Appendix 3) and the template summary privacy notice (Appendix 4) in use to reflect the amendments made. The Pension Committee are asked to agree that these privacy notices be adopted and used by the East Sussex Pension Fund moving forward.

5.2 A revised version of the Fund's Governance and Compliance Statement was initially scheduled to be presented to the Pension Committee for consideration in June 2025. However, in light of the significant upcoming governance changes (as set out in a previous report on the agenda), this has been deferred to September 2025.

## **6 Interim Valuation Update**

6.1 The Fund Actuary has prepared the indicative quarterly funding update as at 31 March 2025, rolling forward assumptions from the valuation and reflecting actual experience since March 2022; this is set out in Appendix 5. The indicative funding report shows a funding position increase over the last quarter, from 122.4% in December 2024 to 123.9% in March 2025. This represents a small increase on the funding position in March 2022 (22.8%).

## **7 Conclusion**

7.1 The Government are currently consulting on a proposals relating to the gender pensions gap, forfeiture concerns, and opt out rates through the 'Local Government Pension Scheme in England and Wales: Access and fairness' consultation. So that the views of the Fund can be considered as part of this consultation, the Pension Committee is recommended to delegate authority to the Chief Finance Officer in consultation with the Chair of the Pension Committee to finalise and submit a response to the consultation on behalf of the East Sussex Pension Fund.

7.2 The Fund's privacy notices have been updated in light of a review carried out by external legal advisors, Eversheds Sutherland. The revised notices are set out in Appendices 3 and 4. The Pension Committee are recommended to agree that these updated privacy notices are adopted and used by the Fund.

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

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Michelle Warbis, Deputy Director for  
the Local Government Pension  
Scheme  
Ministry of Housing, Communities  
and Local Government  
2 Marsham Street  
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10 March 2025

The Administering Authorities of the  
Local Government Pension Scheme in  
England and Wales

To the LGPS Administering Authorities,

Regulation 64A of the LGPS Regulations 2013 sets out a process under which an administering authority may, on its own initiative or following a request from a scheme employer, obtain a revision of its rates and adjustments certificate (subject to conditions). As stewards of the LGPS, MHCLG monitors use of the Regulations and provides comment when it deems necessary.

The use of 64A as a tool for scheme employers to request a review of contribution rates (whether local authority or non-local authority employer) in the context of a fund surplus, is not in line with the original context and intention. Scheme Advisory Board (SAB)-issued [guidance](#) on 64A sets out the intended principles and best practice when applying the powers provided. 64A was intended to allow flexibility for administering authorities in managing employer contribution rates in response to changes in employers' liabilities (except those relating to changes in market conditions) or a change in the ability of the employer to meet its obligations (which typically does not apply to local authorities and other tax-backed employers – see relevant [Scheme Advisory Board Statement](#) from December 2023). It was not intended to allow administering authorities to modify contribution rates for scheme employers as a way to manage pension fund surpluses or deficits outside of the triennial valuation cycle.

At the 2025 triennial valuation (and at all triennial valuations), we expect actuaries to set funding strategies which reflect employers' funding positions. The Government Actuary's Department conducts analysis of the actuarial valuations of funds in line with Section 13 of the Public Service Pensions Act 2013. This review considers the process and outcomes when setting contribution rates, including whether rates are appropriate to deliver long term cost efficiency and solvency, which includes the utilisation of surpluses. MHCLG considers that revised contribution rates should not be applied to local authority employers in order to manage surpluses or deficits that have not yet been confirmed as part of the valuation process.

As it is clear that the intended and actual usage of 64A are not aligned, the Government intends to consult on changes to the Regulations as they apply to revision of contribution rates (including on the role of the Fund Actuary).

Yours sincerely,

A handwritten signature in black ink, consisting of a series of connected loops and a long horizontal stroke at the end.

Michelle Warbis  
Deputy Director, Local Taxation and Local Government Pensions  
Ministry of Housing, Communities and Local Government

## SCHEME ADVISORY BOARD COMMENTARY ON THE UPDATED LEGAL OPINION FROM NIGEL GIFFIN KC DATED 13 JANUARY 2025

### Introduction

1. The full updated legal opinion can be found on the [Legal Opinions and Summaries page](#) of the Board's website.
2. The advice is a substantial document at 36 pages in length and expands on the previous advice in several areas, for example:
  - In clarifying how the fiduciary duty owed to employers differs from that owed to scheme members (paragraph 19)
  - How far administering authorities are required to consider environmental, social and governance (ESG) factors in decision making, and state this within the Investment Strategy Statement (ISS) (paragraph 37)
  - A reminder of the need for administering authorities to apply the policies set out in their ISS when making investment decisions, and the need to keep the ISS up to date (paragraphs 43-44)
  - Some discussion of the implications for ESG policy where administering authorities have devolved the implementation of their investment strategy to pools, while confirming that they may not be able to delegate the strategy-setting duty itself to the pool company (paragraphs 46-51)
  - The requirements around consulting members and how their views can be considered when deciding how and which ESG factors are applied (paragraphs 38-42 and 56-62).
3. The Secretariat have been asked to produce the following note which summarises their understanding of the main content of the opinion.
4. It represents the views of the Secretariat based on their current understanding of the law and policy. It should not be treated as a complete and authoritative statement of the law, and readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation quoted. No responsibility whatsoever will be assumed by the Board or the Board Secretariat for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this note.

### Main conclusions

5. The main conclusions of the [previous opinion](#) are reaffirmed in the revised opinion:
  - (i) An administering authority, although not strictly a trustee, owes fiduciary duties both to scheme employers and to scheme members
  - (ii) Those duties are broadly similar to those that arise as a matter of public law.

- (iii) "ESG" issues or non-financial factors can be taken into account when making investment decisions, where to do so would not involve significant risk of financial detriment to the fund and where there is good reason to think that scheme members would support the decision.
  - (iv) An administering authority must not prefer its own particular interests to those of other scheme employers.
6. The updated advice takes account of:
- (i) The Law Commission report [Fiduciary Duties of Investment Intermediaries](#) (Law Com No 350, 2014)
  - (ii) the Supreme Court's [decision](#) in a challenge brought by the Palestine Solidarity Campaign against parts of the content of [investment guidance](#) issued by the Secretary of State ("the PSC case"),
- both of which reached similar conclusions to the initial advice.
7. The revised opinion also considers the LGPS Investment Regulations 2016 and the associated statutory guidance "Local Government Pension Scheme – Guidance on Preparing and Maintaining an Investment Strategy Statement". These were made after the previous opinion was issued.
8. The Supreme Court's conclusion in *PSC* held that the Secretary of State (SoS) was not entitled to use guidance to usurp the responsible investment role of the administering authority. The statutory power to give guidance could be used to address topics such as, for example, what factors the administering authority should take into account when formulating its policy but could not dictate the substantive conclusions which the authority should reach or prevent the authority from acting upon those conclusions.
9. However, after the *PSC* case was decided the Public Service Pensions Act 2013 has been amended to broaden the power of the SoS to make such scheme regulations as she considers appropriate in the area below (new text underlined below):
- "The administration and management of the scheme, including – (a) the giving of guidance or directions by the responsible authority [i.e. the Secretary of State, in the case of the LGPS] to the scheme manager [i.e. the administering authority] including guidance or directions on investment decisions which it is not proper for the scheme manager to make in light of UK foreign and defense policy".*
10. In the light of this amendment, it is very probable that the SoS could now lawfully issue new guidance to achieve the same effect as that challenged in *PSC*. However, in doing so she may need to change the Investment Regulations first.
11. As a fiduciary, the administering authority should not pursue its own views of what was or was not desirable or acceptable as an investment from an ESG perspective. It had to give effect to the wishes of scheme members about how

their pension funds should be invested, and consistent with a proper "pensions purpose".

12. As it was endorsed in *PSC*, the Law Commission approach to non-financial considerations can be regarded both as an authoritative statement of the general law and applicable to investment decisions made by LGPS administering authorities.
13. Lord Wilson said in *PSC* that LGPS funds represent "their [i.e. the members'] money". The money in an LGPS fund is not the members' money in a literal or legal sense. It is a fund held for the specific purpose of paying pension benefits to members and scheme employers also have a legitimate interest in the financial health of the fund, in particular, the contribution rates they are required to pay (or, on exit whether there is a surplus or a deficit). The views of scheme employers are relevant to the potential financial implications of ESG policies.
14. Central government has, via the Chancellor of the Exchequer's 2024 Mansion House speech, stated an intention to introduce a Pension Schemes Bill in 2025. The Bill could be a vehicle for amendments to primary legislation and could bring about such changes in administering authorities' investment duties as the government considers appropriate.
15. The [Fit for the Future consultation](#) proposes a new model of pooling from March 2026 (although one of the consultation questions invites comments on the viability of this timescale). The indicative timetable for pools to submit proposals for meeting the new requirements was by 1 March 2025.
16. The *PSC* judgment raises a considerable question as to whether it is currently lawful for pooling to be made mandatory. However, the government could mandate such requirements in the new Bill. Proposals in regulations could in principle be challenged if they were outside the powers conferred by the new legislation, or potentially on other public law grounds. However, until the detail of the Bill is known it is impossible to say whether there would be grounds for any such challenge.

### **What should administering authorities do about non-financial factors?**

17. The revised opinion considers how far a clear dividing line can be drawn between financial and non-financial factors. It also provides advice on how an administering authority should apply the Law Commission criteria, what is meant by "significant risk of financial detriment" (the "financial criterion"), and by scheme member support (the "member support criterion"). It also looks at whether an administering authority is *obliged* to ask itself whether any, or any particular, non-financial factors should be considered
18. In his revised opinion, Nigel Giffin KC concludes that:
  - (i) An investment strategy ought to say something about ESG considerations, because the authority is required to state its policy on those matters. It could however state that the current policy is not to take any account of such considerations when making investment decisions. There are many other possibilities.

- (ii) All investment decisions should be consistent with the investment strategy for the time being in force. If the investment strategy has not identified how ESG will be considered, then it should not normally be taken into account without the strategy first being reviewed and amended.
  - (iii) When the authority comes to formulate or review its investment strategy (at least once every three years) it should give specific thought to what the policy on non-financial factors ought to be.
19. Funds should consult scheme members about the policy on the use of non-financial factors. That does not necessarily mean consulting all the individual members. Consultation could be directed to members generally or limited to representative bodies such as trade unions. It could be part of consultation on the overall investment strategy or done separately.
  20. In consulting, it would probably be helpful to consultees to be reminded of the existing policy and to explain the legal test for it being permissible to take account of such factors. Beyond that, some authorities might prefer simply to ask in an open-ended way for views on what the policy on using such factors should be; others might specifically canvass high level views on topical issues thought to be serious potential candidates for being made the subject of a policy; others might make specific proposals, and provide information about the reasons for them, or the authority's current assessment of their likely financial impact. Consultation could be conducted online.
  21. Employer interests are financial, so their views on the merits of a particular approach to non-financial factors are of only marginal significance, and an administering authority is not obliged to solicit such views.
  22. The triennial review of the investment strategy is a logical and convenient point at which to assess whether scheme member support exists for a particular policy. The authority must be open to reviewing the policy before the next 3-year deadline, but it will not normally be under any positive legal obligation to consider policy changes outside of its triennial cycle.
  23. Exceptional cases where it might be necessary to think in more detail about a request to review the policy early could include ones where a particular issue has only newly emerged as a significant concern, and/or where there is good evidence of a high level of member demand for action on a particular issue, or that the facts have changed very materially since the issue was last considered. Ultimately it is for the administering authority to judge whether early review of the investment strategy is appropriate.
  24. Although the function of making and reviewing the investment strategy is one that could in principle be delegated in the same way as other non-executive functions, not all the current investment pools would be permissible delegates (those structured as joint committees might be).
  25. If the Fit for the Future proposals are implemented, then the separation between formulation and implementation of the responsible investment strategy may



become a legal requirement. That will make the formulation of the strategy especially important.

26. The investment strategy might need, for example, to give a clear definition of the type of investments which are or are not to be made; where the policy is a negative one (i.e. not to invest in some specified category), whether it is calling for disinvestment from existing investments (and on what timescale, and within what parameters as to the disposal price).

### Applying the financial criterion

27. When considering the “positive social impact” of an investment decision, the Law Commission report is clear that in making such decisions there cannot be a “risk of significant financial detriment” to the fund.
28. The “significant financial detriment” phrase seems to have been first used in this context by Sir Donald Nicholls V-C in *Harries v Church Commissioners for England* [1992] 1 WLR 1241. The underlying idea is that an administering authority ought not to be pursuing a policy which, for non-financial reasons, creates a realistic possibility of the fund suffering financial detriment which is material in the context of the fund’s size and nature. The likelihood of the financial disadvantage materialising, and its potential scale of impact if it does, are relevant to whether the policy is one which it is legitimate to adopt.
29. The advice emphasises that the administering authority does not balance the risk of significant financial detriment against the perceived strength of member support for a particular investment policy. Such risks should simply not be undertaken, on non-financial grounds, however much members might support it. It will normally be appropriate to obtain professional advice before an administering authority concludes that there is no such risk, although there may be particular cases where the absence of such risk is obvious.
30. Although there has been no ruling on precisely what level of perceived support is required, caselaw suggests that it would need to be something tantamount to consent given by the body of members as a whole. This would mean that there needed to be a very high proportion of members who would either positively support the reliance placed upon the non-financial factor in question, or at any rate have no objection to it. Administering authorities do not need to be convinced that there is no one amongst the membership who would object but if a non-financial factor is likely to be significantly controversial amongst members, then it would not be sufficient just to believe that a bare majority would support the decision.
31. Equally, if the vast majority of the scheme members simply had no opinion on a subject, one way or the other, then relying on that as a non-financial factor would seem to represent the administering authority (or the pension committee members) using the fund as a vehicle to advance their own personal views, which would not be a correct use of their fiduciary position.
32. An administering authority is not obliged to give effect to the widely held non-financial views of scheme members, even where they could. However, if it was

positively demonstrated that there was widespread support amongst members for a particular approach and that this was a particularly pressing concern amongst members and that there did not appear to be significant opposition to such a policy, the authority might need to ask itself specifically whether effect should be given to that concern, and to have at least some legitimate reason if it decided not to act upon it. The range of legitimate reasons might, however, be wide – they could include, for example, practical difficulties in formulating and implementing the precise policy to be followed.

33. The most obvious way to gauge member opinion is through the statutory consultation on the investment strategy. However, the views of trade unions, other employee representatives or Councillor understanding of scheme members' views may be relevant. Councillors are elected to represent their local communities and will no doubt have their own understanding of scheme members' opinions and their strength. It is a subtle distinction, but elected members need to be careful in doing so not to just give effect to their own views about what is morally or socially right.
34. Formulation of the investment strategy is, like most local authority functions, subject to the public sector equality duty. Administering authorities should therefore have regard e.g. to the need to protect community cohesion in appropriate cases.

### **The distinction between financial and non-financial factors**

35. The Investment Guidance, and to an extent the caselaw, tend to assume that there is a sharp divide between financial and non-financial factors when it comes to decision-making. The revised opinion considers two specific areas where this distinction may not be so clearly drawn.
36. The opinion suggests that the targeting of economic growth, either in the local or the national economy is likely to represent a non-financial factor, so that the normal financial and member support criteria will need to be satisfied.
37. The climate crisis, on the other hand, may be considered a particular and pervasive systemic financial risk. It has the potential to cause economic disruption so profound that no pension scheme, whatever its specific investments, could hope to escape the adverse impact upon its ability to fund its commitments to pay benefits (or the cost in contributions of doing so). This view is clearly summarised in (for example) [\*Climate scenario analysis: an illustration of potential long-term economic and financial market impacts\*](#), produced by an Institute and Faculty of Actuaries (IFoA) working party in collaboration with Ortec Finance Ltd. Page 7 of the paper states:

*“Climate change will almost certainly fundamentally impact how economies perform as a whole. It will affect macro-economic variables such as GDP growth, and in turn have significant influence over the resulting performance of asset classes and industry sectors. Since the risks associated with climate change are systemic in nature, they will affect all assets to some extent and so cannot be avoided completely through careful selection of investments.”*



38. That means that action could be held to be financially motivated even if the intention was to encourage behavioural change by relevant undertakings, rather than to avoid the risk that specific assets will represent a poor investment.
39. The opinion suggests that in such circumstances, if a pension scheme believes that its divestment from fossil fuels would contribute towards encouraging the energy sector to leave such fuels in the ground, and that this will in turn contribute towards keeping climate change under control, then that could be regarded as promoting the long-term financial health of the pension fund, and not simply because of a political or moral belief that it is wrong to jeopardise the earth's environment.
40. Any decision to divest on such grounds as opposed to more conventional financial analysis would need to be properly reasoned and evidenced. The authority would also need to ask itself whether it could realistically influence how the undertakings in question behaved. It would also need to ask why divestment would be more effective than other measures, like stewardship or engagement. An authority may use its judgement about how it deals with "fossil fuel risk", subject to that judgement being a reasonable one in the public law sense.
41. Government guidance [Governance and reporting of climate change risk](#) (DWP, June 2021) already suggests that trustees' legal duty to consider financially material matters extends not just to the kinds of financial risks which might affect investments, but also to how action to address climate change "might contribute positively to anticipated returns or to reduced risk.". Similar arguments can be found in the climate risk guidance contained in CIPFA's [Managing Risk in the LGPS](#).
42. If an authority obtains advice from a suitably qualified advisor, and that advice contains no suggestion that the authority ought to think specifically about climate risk, then not having done so is unlikely to be a breach of the authority's public law duty of reasonableness (certainly if the authority has asked that the advice should cover any climate-related financial risks). On the other hand, an authority which is professionally advised that it should consider or act upon particular risks, yet fails to do so, is likely to be in a position of some difficulty if challenged.

**March 2025**

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## FULL PRIVACY NOTICE

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

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

This Notice has been prepared by East Sussex County Council (the “**Administering Authority**”, or “**we**”) in its capacity as the administering authority of the Fund. This privacy notice describes how we collect and use personal data in accordance with data protection legislation

This privacy notice is also provided on the website of East Sussex Pension Fund and can be found using the following link:

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

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

### Why we are providing this notice to you

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

### The technical bit

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

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

- a) we need to process your personal data to satisfy our legal obligations as the Administering Authority of the Fund; and/or
- b) we need to process your personal data to carry out a task in the public interest or in the exercise of official authority in our capacity as a public body; and/or
- c) we need to process your personal data for the legitimate interests of administering and managing the Fund and liabilities under it, calculating, securing and paying benefits and performing our obligations and exercising any rights, duties and discretions the Administering Authority has in relation to the Fund; and/or

- d) because we need to process your personal data to meet our contractual obligations to you in relation to the Fund (for example, under an agreement that you will pay additional voluntary contributions to the Fund), or to take steps, at your request, before entering into a contract.

Please note that where we indicate that our processing of your personal data is necessary for us to comply with a legal obligation, or for us to take steps, at your request, to potentially enter into an employment contract with you, or to perform it, and you choose not to provide the relevant personal data to us, we may not be able to enter into or continue our contract with you.

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

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

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth, national insurance number and employee and membership numbers.
- Information that is used to calculate and assess eligibility for benefits, for example, length of service or membership and salary information.
- Financial information relevant to the calculation or payment of benefits, for example, bank account and tax details.
- Financial Information relevant to any assessment of whether a fee charged for non-standard information can be waived.
- Information about your family, dependents or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Information about your health, for example, to assess eligibility for benefits payable on ill health, or where your health is relevant to a claim for benefits following the death of a member of the Fund.
- Information about a criminal conviction if this has resulted in you owing money to your employer or the Fund and the employer or Fund may be reimbursed from your benefits.
- Information about any previous membership of other public service pension schemes and other LGPS administering authorities, including your date of leaving and whether the previous scheme /authority has assessed your eligibility for underpin protection (see “How we will use your information” below).

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

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

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

## How we will use your personal data

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

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

## Organisations that we may share your personal data with

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

Whenever one of our advisers or service providers acts as a joint controller with us in respect of your personal data, because we jointly determine the purposes and means of processing it, we will agree with them how we are each going to meet our respective and collective obligations under the data protection legislation. If you would like more information about how such an arrangement works please contact us using the contact details below

The organisations that we may share your personal data with may include the following advisers and service providers:

<b>Data processors</b>	<b>Data controllers</b>
<ul style="list-style-type: none"> <li>• Administrator – (East Sussex County Council)</li> <li>• Tracing bureaux for mortality screening and locating members – (ITM Limited)</li> <li>• Overseas payments provider to transmit payments to scheme member with non-UK accounts – (currently HSBC)</li> <li>• Printing companies – (East Sussex County Council Postal Hub)</li> <li>• Pensions software provider – (currently Aquila Heywood)</li> <li>• Suppliers of IT, document production and distribution services (Orbis)</li> <li>• Legal adviser – (currently Eversheds Sutherland)</li> <li>• Scheme benefit consultants – (Hymans Robertson, Mercer, Aon, Barnett Waddingham)</li> <li>• External auditor – (currently Grant Thornton)</li> <li>• Internal auditor – (currently Orbis)</li> </ul>	<ul style="list-style-type: none"> <li>• Additional Voluntary Contribution providers – (currently Prudential)</li> <li>• Fund Actuary – (currently Barnett Waddingham)</li> <li>• Insurance companies in connection with ill health benefits – (currently Legal and General)</li> <li>• LGPS National Insurance database – (South Yorkshire Pensions Authority)</li> <li>• The Pensions Ombudsman</li> <li>• Administering authorities of other LGPS funds (or their agents, such as third party administrators) where you have been a member of another LGPS fund and the information is needed to determine the benefits to which you or your dependants are entitled</li> <li>• Administrators of other public service pension schemes where you have been a member of another public service pension scheme and the information is needed to determine if you qualify for underpin protection</li> <li>• The Department for Work and Pensions</li> <li>• The Government Actuary's Department</li> <li>• The Cabinet Office – for the purposes of the National Fraud Initiative</li> <li>• HM Revenue and Customs</li> <li>• The Courts of England and Wales – for the purpose of processing pension sharing orders on divorce</li> </ul>

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

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

Where requested or if we consider that it is reasonably required, we may also provide your data to government bodies and dispute resolution and law enforcement organisations, including those listed

above, The Pensions Regulator, the Pensions Ombudsman and His Majesty's Revenue and Customs (HMRC). They may then use the data to carry out their legal functions.

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

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

### **Transferring information outside the UK**

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

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

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

### **Your rights**

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

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

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

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

As explained in the section above headed "How we will use your personal data", one of the reasons we collect and hold your personal data is to administer your Fund benefits. If you do not provide the information we request, or ask that the personal data we already hold is deleted or that the processing of the personal data be restricted, this may affect our ability to administer your benefits, including the payment of benefits from the Fund. In some cases it could mean the Administering Authority is unable to put your pension into payment or has to stop your pension (if already in payment).

## Updates

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

## Contacting us

Please contact the Fund for further information.

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

## Data Protection Officer

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

Data Protection Officer  
East Sussex County Council  
County Hall  
Lewes  
BN7 1UE

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

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

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

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



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

[Email ICO](#)

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

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## PRIVACY NOTICE (SUMMARY)

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

This privacy notice explains how and for what purpose(s) East Sussex County Council (the **"Administering Authority"**, or **"we"**) uses personal data about members and beneficiaries (referred to as **"you"**) of East Sussex Pension Fund (the **"Fund"**). As the Administering Authority of the Fund we hold certain information about you and from which you can be identified (**"personal data"**) which we need to administer the Fund.

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

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

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

### What personal data do we hold?

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

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

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

Where we obtain information concerning certain "special categories" of particularly sensitive data, such as health information, extra protections apply under the data protection legislation. We will only process your personal data falling within one of the special categories with your consent, unless we

can lawfully process this data for another reason permitted by that legislation. You have the right to withdraw your consent to the processing at any time by notifying the Administering Authority in writing<sup>1</sup>. However, if you do not give consent, or subsequently withdraw it, the Administering Authority may not be able to process the relevant information to make decisions based on it, including decisions regarding the payment of your benefits.

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

We will use this personal data to administer the Fund and to calculate and provide you (and, if you are a member of the Fund, your beneficiaries if you die) with benefits. We will also use this personal data for statistical and financial modelling and reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested), and to comply with our legal obligations. For more details about the purposes for which we process your personal data, please see the Full Privacy Notice within 'Policies and Strategies' at [Forms and Publications | East Sussex Pension Fund](#).

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

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

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

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

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

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

Please note that where we indicate that our processing of your personal data is necessary for us to comply with a legal obligation, or for us to take steps, at your request, to potentially enter into an

employment contract with you, or to perform it, and you choose not to provide the relevant personal data to us, we may not be able to enter into or continue our contract with you.

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

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

### **Your rights**

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

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

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

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

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

### **Contacting us**

Please contact the Fund for further information.

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

### **Data Protection Officer**

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

Data Protection Officer  
East Sussex County Council  
County Hall  
Lewes  
BN7 1UE

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

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

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

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

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

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

# East Sussex Pension Fund

## Funding update as at 31 March 2025

### Background

This schedule is provided to East Sussex County Council as administering authority to the East Sussex Pension Fund (the Fund). Its purpose is to provide an approximate update on the funding position of the Fund as at 31 March 2025. The results in this schedule should be considered alongside the report on the valuation of the Fund as at 31 March 2022. This schedule has been generated from our online monitoring tool **Illuminate: LGPS Monitor**.

The results contained within this schedule are approximate. In particular, the results should not be used by the administering authority to make any significant decisions without our express permission. The schedule may be shared with other interested parties but it does not constitute advice to them. Barnett Waddingham LLP shall not accept liability should the schedule be relied upon for any purpose other than that stated above.

This advice is provided in our capacity as Fund Actuary. This schedule complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). This is the only TAS that applies to this work.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with the 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.

### Valuation method, process and assumptions

#### Roll-forward method

To assess the estimated funding position at 31 March 2025, the following calculations have been carried out:

- The value of the Fund's liabilities calculated for the funding valuation at 31 March 2022 have been rolled forward allowing for:
  - Changes in market conditions to 31 March 2025.
  - Cashflows paid to and from the Fund, as provided to 31 March 2025 by the administering authority (estimated thereafter).

- The value of the Fund's assets are based on the latest asset data provided by the administering authority to 31 March 2025, rolled forward and estimated where necessary.

In particular, no allowance for actual member experience since the last valuation has been made (for example, membership movements (e.g. retirements, leavers or deaths). If there have been significant changes to the membership (such as a large number of transfers or deaths) the results of a full valuation could be materially different from this estimate. The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and we are happy that the data is sufficient for the purposes of this advice.

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 likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

We also assess the funding position on an unsmoothed basis where assets are taken at market value and the financial assumptions are taken to be the spot rates at the reporting date (and no smoothing is applied).

## Assumptions

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 update 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 latest actuarial valuation report and the Funding Strategy Statement, both of which are available on the Fund's website.

A summary of the key financial assumptions used for this funding update are shown below, alongside the corresponding assumptions at the last triennial valuation date.

Key assumptions	31 March 2025	31 March 2022
CPI inflation	2.35% p.a.	2.88% p.a.
Salary increases	3.35% p.a. (CPI plus 1.00% p.a.)	3.88% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.93% p.a. (CPI plus 2.58% p.a.)	4.60% p.a. (CPI plus 1.72% p.a.)



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 and incorporates an explicit prudence allowance consistent with the method adopted for the 31 March 2022 valuation. In particular, the investment strategy in place at the previous actuarial valuation has been used to set the assumption.

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 more than at the 31 March 2022 valuation, decreasing the value of liabilities used for funding purposes

The ongoing demographic assumptions are as set out in the actuarial valuation report as at 31 March 2022 and the Funding Strategy Statement, both of which are available on the Fund's website.

The following table shows the equivalent unsmoothed financial assumptions at the same dates. These are provided for information, however, please note that the unsmoothed basis has no bearing on the calculation of the ongoing funding position or the contribution rates.

Key assumptions	31 March 2025	31 March 2022
CPI inflation	2.36% p.a.	3.02% p.a.
Salary increases	3.36% p.a. (CPI plus 1.00% p.a.)	4.02% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.98% p.a. (CPI plus 2.62% p.a.)	4.63% p.a. (CPI plus 1.61% p.a.)

## Results

The table below shows the approximate updated funding position of the Fund as at 31 March 2025. The results of the previous actuarial valuation are also shown for comparison. Charts showing the full funding level progression and an analysis of change since the last valuation date are included in the appendix to this schedule.

The ongoing assets for the purposes of this update are calculated as a six-month smoothed market value straddling the valuation date.

Ongoing results	31 March 2025	31 March 2022
Liabilities	£4.074bn	£3.760bn
Assets	£5.048bn	£4.619bn
Surplus / (Deficit)	£974m	£859m
Funding level	123.9%	122.8%

The Fund has a funding surplus of £974m at 31 March 2025 relating to a funding level of 123.9%. This compares to a funding surplus of £859m at 31 March 2022, relating to a funding level of 122.8%.

## 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 and financial risks (including inflation and investment risk). There is more detail on this contained within the Fund's Funding Strategy Statement and the latest actuarial valuation report.

The following points should be noted and are shown in the chart in Appendix 2:

**Although these results are as at 31 March 2025 they do not incorporate the updated 2025 valuation assumptions, nor do they allow for any membership changes since 31 March 2022.**

- Actual investment returns have been lower than assumed over the period (actual circa 6.3% vs 14.5% expected) from 31 March 2022 to 31 March 2025 (using known returns to 31 March 2025). This has resulted in an experience loss of £218m, decreasing the funding level by around 5.1%.
- The discount rate has increased from 4.6% p.a. at 31 March 2022 to 4.9% p.a. at 31 March 2025. This increased the funding level by around 6.4%.
- The long-term expectations for CPI inflation has reduced since the last valuation from 2.9% p.a. to 2.4% p.a. This was anticipated as the CPI inflation assumptions at 31 March 2022 allowed for the known and expected short-term higher inflation. The CPI assumptions of 2.9% p.a. over a 20-year period is broadly consistent with inflation of 10% in year 1, 6% in year 2 and 2.4% thereafter. This reduces the liabilities by around 11.9%.
- CPI increases have been awarded to the appropriate members at 31 March 2023 of 10.1%, 31 March 2024 of 6.7% and 31 March 2025 of 1.7%. This impact can be seen in the graph in Appendix 1. In aggregate the impact is materially higher than the long-term assumption adopted for the last valuation (but see point above) and so this has increased the liabilities and reduced the funding level by around 11.7%.

The funding position at future dates will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

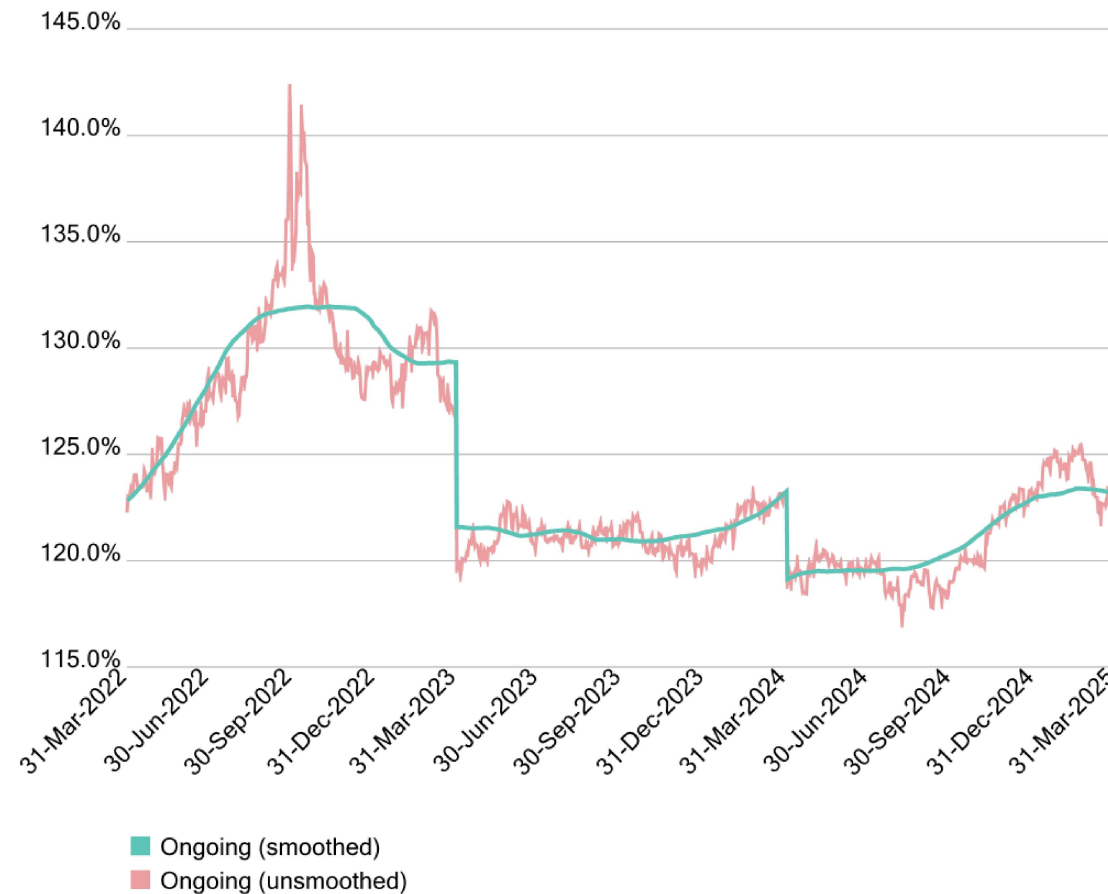
If you have any questions arising from this schedule, please contact the team in the usual way and we will be happy to help.

**Barnett Waddingham LLP**

## Appendix 1 Funding level progression

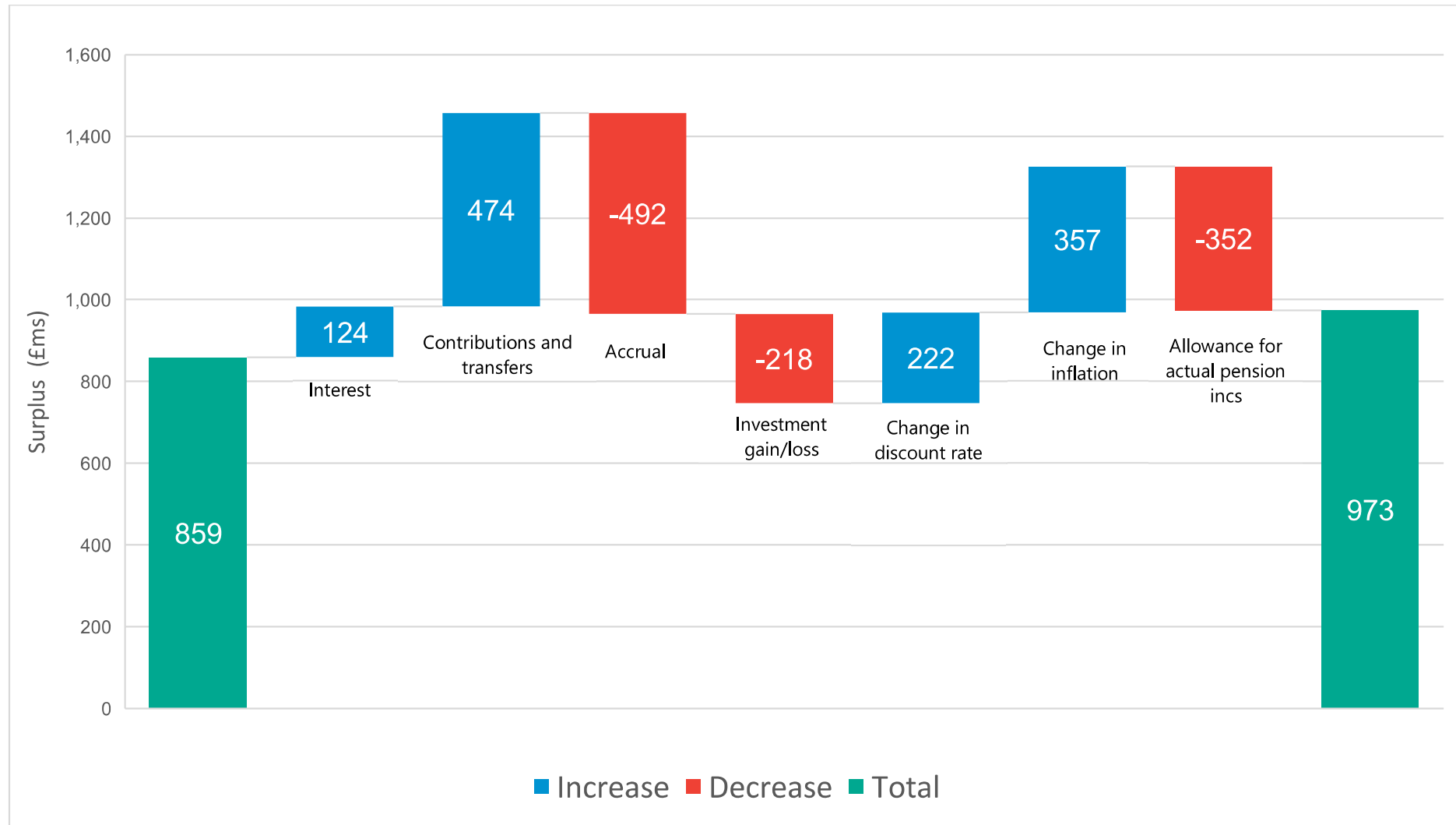
The chart below illustrates the approximate development of the Fund's ongoing funding levels from 31 March 2022 to 31 March 2025. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are likely to change up until three months after the reporting date.

The chart also illustrates the approximate development of the unsmoothed position over the same time period for comparison.



## Appendix 2 Analysis of change

The chart below shows the analysis of the change in the ongoing funding position from 31 March 2022 to 31 March 2025.



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Report to:	Pension Committee
Date:	19 June 2025
By:	Chief Finance Officer
Title:	Communications Report
Purpose:	This report provides an update on Fund Communication

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**RECOMMENDATIONS:**

**The Pension Committee is recommended to approve the updated Communications Strategy for 2025, as detailed in Appendix 1 of the report.**

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**1. Background**

- 1.1 This report is brought to the Pension Committee to provide an update on the communications activities of the East Sussex Pension Fund (the Fund).
- 1.2 The Fund has a Communications Strategy which defines the main methods of communication we provide for our key stakeholders. This paper includes a revised version of that document for consideration by the Pension Committee.

**2. Scheme Member Training**

- 2.1. The Fund re-ran the 3-part member level training series (twice per session) in May 2025. These consisted of:
1. **Introduction to LGPS** - this course covers the benefits of being in the LGPS.
  2. **Your Pension MOT** - a course designed to help members keep up to date and engaged with their pension.
  3. **Preparing for Retirement** - this course will help members who are thinking ahead to retirement and want to know more about the process, how their benefits are calculated and answers to key retirement questions.

There were 194 members booked on course 1, of whom 142 (73.2%) attended; 219 booked on course 2, of whom 176 (80.4%) attended; and 164 booked on course 3, of whom 131 (79.9%) attended.

- 2.2 The communications team continue to work closely with the Employer Engagement team in putting together a booking process, promotion via Scheme employers, scripts, YouTube videos (the videos for parts 1 and 2 are available online, whilst part 3 is recorded, edited and awaiting uploading); and sending out and collating feedback.
- 2.3 All slide decks have been updated to reflect 2025/26 limits and tweak content based on feedback from earlier sessions in January.
- 2.4 Further promotion via employers will take place for the events in October.

**3. Communication Strategy refresh**

- 3.1 The Communication Strategy outlines how the Fund will engage, educate, and fulfil the needs of its stakeholders, including members and employers, in line with Regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013. The Strategy must be reviewed and updated every 3 years. Officers have reviewed the Strategy and a proposed updated version is set out in Appendix 1.
- 3.2 The main means of communication with key stakeholders are outlined in the Strategy. These include making the best use of technology where appropriate, to provide quicker, more efficient, cost-effective, accessible communications.

3.3 The Strategy makes it clear from the start what the aims and objectives of the Fund are and how those will be measured. The Fund is becoming a more digitally focussed entity, but this journey takes time. The Strategy therefore strikes the right balance between ambition and practicality. Any superfluous content has been removed resulting in 242 fewer lines of text compared to the 2022 version.

3.4 The Committee are asked to approve the updated Communications Strategy, as set out in Appendix 1.

**4. East Sussex Pension Fund main website**

4.1 The website continues to be updated with relevant and engaging information for members and employers. Following the end of the tax year, content that includes limits (such as member contribution rates) have been updated.

4.2 Brand new content has been prepared for members who are looking to increase their pension via Additional Pension Contributions or AVCs. This now provides a far more detailed summary of this subject and can be found at the following link: [Increase my pension | East Sussex Pension Fund](#).

4.3 Website analytics data are detailed Appendix 2.

**5. Employer support material**

5.1 The communications team have produced new material to support employers / the Fund’s own engagement team, including:

- [Appointing a payroll provider guide](#);
- [Employer Fact Card 25/26](#);
- [Becoming an employer in the Fund](#);
- A presentation to support employers going through redundancy exercises is now complete together with a fact sheet for employees - [Redundancy fact sheet](#)
- [Transfer of your job to another employer](#);
- Updated members guides: 1. ‘A brief guide to the LGPS’, 2. ‘Retirement Planning Guide’ and 3. ‘AVCs and the LGPS’.

5.2 A set of presentations have been drafted covering the main processes and procedures employers have responsibility for under the LGPS. The Communications team will now collaborate with the Employer Engagement Team to refine content and work out a plan for promotion and delivery later in 2025.

**6. Supporting end of tax year P60 and pension increase communications**

6.1 Emails and letters were sent to support the issuing of the first payslip of the new tax year, pension increase and P60 notifications. Unless a pensioner had opted out of electronic communications, they were directed to the ‘My Pension’ website to pick up the documents.

**7. ‘My Pension - member self-service website**

7.1 An updated version of the member self-service website, ‘My Pension’ went live on 17 July 2024. The launch of this updated functionality is helping transform the way members access and engage with vital pension information online. The Fund will continue to promote ‘My Pension’ through newsletters, the website and through employers.

7.2 Since the previous paper, employers (with 50+ members) have been written to, offering personalised support in promoting ‘My Pension’. Any employer with a take-up rate less than the average of the top 20 employers (48%) received an email alerting them to this fact and providing avenues of support.

Shown below (as of 30 April 2025) are current registration levels (excluding electronic opt outs):

Type of member	On Engage (number)	% registered for ‘My Pensions’
Contributing	9278	43.5
No longer contributing	7134	32.6
Pensioners	7190	56.8
Widow/dependant	521	33.1



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

8.1 The Pension Committee is recommended to approve the updated Communications Strategy for 2025, as set out in Appendix 1.

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

Contact Officer: Susan Greenwood, Head of Pensions  
Email: [Susan.Greenwood@eastsussex.gov.uk](mailto:Susan.Greenwood@eastsussex.gov.uk)

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# Communication Strategy

June 2025



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### Introduction

The Communication Strategy outlines how the East Sussex Pension Fund (the Fund) will engage, educate, and fulfil the needs of its stakeholders including members and employers in line with [Regulation 61 of the Local Government Pension Scheme \(LGPS\) Regulations 2013](#). The Fund is committed to developing communication, which is relevant, engaging and easy to understand.

In consultation with Fund employers and members through their representatives on the Pension Board or other feedback mechanisms, this strategy will be reviewed every three years and updated as appropriate following each review.

East Sussex County Council (the administering authority) is responsible for the administration of the Fund, which is part of the LGPS. The Fund works with circa 150 Scheme employers to provide a valuable package of benefits to over 85,000 members. The Fund has identified a range of key stakeholders each with different communication needs.

The main means of communication with our key stakeholders are outlined in this statement, which includes making the best use of technology where appropriate, to provide quicker, more efficient, cost-effective communications. The Fund will ensure that communications are accessible to all.

The Fund will provide content designed to be relevant based on membership type. We will look to segment communications so that people only get information that's of interest to them. For example, communication needs will be different for prospective joiners, members paying in, members no longer paying in, pensioners and those nearing retirement. Where appropriate material will be produced according to life stage, by looking at areas such as career stage, age and retirement readiness.



## Our Aims and Objectives

**To ensure that we are communicating effectively and continue to enhance the service we offer, we have the following objectives.**

### Members

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

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

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

To improve member access to their Local Government Pension Scheme records by promoting online use of our self-service website - 'My Pension'. This includes working towards members being able to carry out tasks online thereby making processes quicker, simpler and more secure and use of video content to explain use of features

### Employers

Provide information which enables employers to carry out their duties effectively.

Work with employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the Scheme.

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

### Applies to all

To ensure stakeholders are kept up to date with any changes in regulations and processes.

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

To use the most appropriate means of communication, including greater use of technology where appropriate.

To provide a clear understanding to all stakeholders about what we will provide and what these methods set out to achieve.

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

To enable communications to be evaluated and challenged and use the results to shape future communications.

## East Sussex Pension Fund Communication Strategy

To ensure we meet any statutory obligations related to communications.

To treat information security with importance and in line with current data protection legislation along with the requirements of the Pensions Regulator.

To reduce queries and complaints because of improved communication.

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

The Fund will identify if there are any opportunities to segment the customer base (for example by age, membership status, size of pension etc.) and design communications to increase relevance and usefulness to drive member engagement (subject to cost analysis).

To ensure that all communications are accessible in order that all Scheme members and other stakeholders can access the Fund's services, online content, and communications equally.

To ensure that communications are cost effective: to help save resources, time and expenditure.

To ensure that all Pension Board and Pension Committee members are fully informed on pensions matters including investment, funding, audit, governance, administration and risk, to ensure they have sufficient knowledge to fulfil their duties and responsibilities.



## Measurement of our communication objectives

The Fund will evaluate the effectiveness of our communication objectives via the measures below.

### **‘My Pension’ – member self-service website**

Registration levels, feedback given to the administration team, online survey, number of cases processed through ‘My Pension’, analysis of usage of ‘My Pension’ features (promotion success).

### **Valuable benefit (LGPS) / sufficient information for decision making**

Trying to improve satisfaction levels achieved in member, helpdesk and customer satisfaction surveys related to communication.

Feedback from communications issued to members and employers received through the administration team, helpdesk or employer engagement teams.

Website visits, including new visitors, document downloads, overall page views, key page views and success of key communications such as newsletters, annual benefit statements etc.

Review guides / support material / website to ensure members are armed with the tools required to make effective decisions.

Promote retirement planning tool and benefit calculators within ‘My Pension’ and ensure members have an awareness of external support mechanisms, such as MoneyHelper.

### **Clear, simple, plain English communication / communication support methods**

Employer and member satisfaction levels from surveys conducted with both groups.

Feedback from the Pension Board and Pension Committee.

Monitor enquiries/engagement from stakeholders following key events and communications.

Ensure documents are checked for accessibility, make use of Microsoft Editor and tools like Hemingway.

Analyse results of regular external assessment of the Fund’s website (including documents) for accessibility.

Work with Joint communications Group to ensure mid-year active and deferred newsletter content is accredited by the Plain Language Commission.

Evidence of utilising communications produced nationally or in partnership with other administering authorities.

### **Evaluation of communication survey results to shape improvements**

Undertaking a member satisfaction survey every two years, using results to identify areas to improve communications in future (look at trends from previous years).

Use Helpdesk and email signature survey results to aid communication improvements.

Compliments and complaints are recorded and trends analysed.



### Investment awareness

Ensure that the investment section of the website has current information on investment strategy, responsible investment principles, stewardship, asset allocation and performance. This will include information on the Access Pool the Fund is part of (Government guidance states that LGPS Funds should work together to pool investments to reduce costs, while maintaining investment performance).

### East Sussex Pension Fund 'Team' knowledge

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

Communicate key Scheme changes via email and ensure regular attendance of pension and project meetings/training events where appropriate.

Ensure team members have personal development plans, regular performance management meetings and access to professional qualifications.

Conduct an annual assessment of officer's skills against CIPFA's Knowledge and Skills Framework and ensure gaps are rectified and improvement noted. All training is logged by the Funds training coordinator.



### Member communication methods

#### Contacting the Fund

We have a dedicated Pensions Helpdesk. Telephone lines are open 9am to 4pm Monday to Friday (except bank holidays and between Christmas and the New Year). Phone number: 0300 200 1022 for general enquiries or 0300 200 1027 for 'My Pension' - member self-service website queries.

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

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

**Newsletters** – The Fund will promote newsletters via email which will direct members to our website to view content. The newsletter will cover current pension topics linked to the LGPS and the wider pensions industry. Further communications may be sent to members highlighting issues of importance, such as changes in Scheme regulation or operation as they arise.

Active members – two newsletters a year

Deferred and Pensioner members – one newsletter a year

#### Website

The Fund has its own website (<https://www.eastsussexpensionfund.org/>) which provides extensive information about the LGPS, guides, factsheets, forms and up to date news about the Fund's activities. The website will act as the bedrock and basis of the content of many of the Fund's other communication channels.

There are specific sections dedicated to different types of members.

[Joining the Scheme](#)

[Paying in](#)

[No longer paying in](#)

[Retirement](#)

[Pensioners](#)

The Fund is in the process of setting up a Digital Assistant on key pages of the website (likely launch in October 2025). This is designed to offer automated responses to key questions, together with links for further information.

In addition, members have access to the [LGPS website](#). This site is for members of the Local Government Pension Scheme (LGPS) in England and Wales and their families. Content includes easy to use tools and calculators, useful links, hints and tips, videos and other LGPS information.

The Fund offer Scheme guides for members which set out the conditions of membership and the main Scheme benefits that apply under the LGPS. The guides can be found on the main East Sussex Pension Fund website at [www.eastsussexpensionfund.org/forms-and-publications/](http://www.eastsussexpensionfund.org/forms-and-publications/).

#### Annual Report and Accounts

The audited accounts of the Fund are prepared as of 31 March each year and published on our website, usually in early December. The report details the management and financial performance of the Pension Fund during the year.

### Annual benefit statement

Annual benefit statements are provided to active and deferred members by 31st August each year. The statements are made available online via 'My Pension' the Fund's member self-service website or posted to members who have opted out of electronic communications.

**Active members** - Statements are provided which details a pension forecast to the member's normal pension age (assuming they continue to contribute to the LGPS), a pension breakdown of benefits accrued over the last Scheme year (to 31<sup>st</sup> March) and benefits payable on death.

**Deferred members** - Statements are provided which detail member's current deferred pension (to 31<sup>st</sup> March) and benefits payable on death.

### 'My Pension' - member self-service website

Members have online access (once registered) to their East Sussex Pension Fund records through 'My Pension' - a secure online self-service website. Substantial improvements were made in July 2024 including:

- Simple registration and log in.
- Enhanced security including multi-factor authentication, ensuring safe access to pension information.
- Updated look and design – making the site easier to understand and navigate around.
- Online annual benefit statements (**active and deferred members only**) – broken down into simpler chunks using visual aids to help members understand their pension benefits.
- View the latest estimated pension valuation (**active and deferred members only**).
- The ability to update personal details such as email address, home address, expression of wish nomination(s) and communication preferences.
- New retirement planner - which allows members to set retirement goals and identify whether they are on track to reach them (**active and deferred members only**).
- A range of benefit calculators.

**Active members only** - The deferred benefit calculator details estimated benefits if a member leaves the LGPS. The voluntary retirement calculator details benefits payable based on a specified retirement date (early, normal or late). There's also a death in service calculator.

**Deferred members only** – The deferred pension payment calculator details the benefits payable to members based on them taking retirement (early, normal or late). There is also a calculator which provides an illustration of death benefits payable.

- Online access to pay slips and P60s - Pensioners can view and print all pay slips\* and P60s and access a calculator showing what their pension would be worth if they were to die whilst in receipt of a pension (**Pensioner members only**).

\* Pensioners who have opted out of electronic communication will only receive pay slips in the post in March, April and May or when net pay changes by more than £5.

The Fund will be looking to implement further developments to 'My Pension' including allowing members to carry out administrative processes online, thereby making processes quicker, simpler and more secure.

### Member training – active members only

East Sussex Pension Fund offer free online Local Government Pension Scheme training to contributing members. This is promoted via Scheme employers with courses run three times per year.

There are three courses available:

- 1) Introduction to the LGPS – this session covers the benefits of being in the LGPS.
- 2) Your Pension MOT – A course designed to help members keep up to date and engaged with their pension.
- 3) Preparing for retirement -This course will help members who are thinking ahead to retirement and want to know more about the process, how benefits are calculated and answers to key retirement questions.

### Pension increase statements – pensioner members only

A letter is made available via 'My Pension' each year to all pensioners informing them of changes to their pensions in payment (pensions are adjusted each April in line with the cost of living). For pensioners who have opted out of electronic communications, this will be sent by post. The pension increase percentage is also posted on the pensioner page of our website.

## Prospective member communication

The Fund works with Scheme employers to assist in the joining arrangements for the LGPS. We hold general information and literature for prospective pension Fund members on the ESPF website. There is a specific section dedicated to new joiners - [Joining the Scheme](#). Upon joining the Fund, members are sent a welcome letter confirming their membership in the LGPS. This includes links to a Scheme guide, details of how to access 'My Pension' – our member self-service website and encourages members to complete a nomination form and consider transferring in any pensions from elsewhere within a 12-month window..

### Power of attorney/guardian of a child pensioner

The Fund will communicate with these people in the same way as it would with the member, as outlined already in this strategy, subject to receiving sufficient evidence of the arrangement or relationship.



### Communication with Scheme Employers

To assist Scheme employers participating in the LGPS, the Fund has a range of communication materials and methods that aims to:

- increase their understanding of pension issues, and
- help them fulfil their responsibilities as Scheme employers.

### Administration Strategy

The [Pension Administration strategy](#) sets out the quality and performance standards expected of the Fund as Administering Authority and Administrator and its Scheme Employers. This ensures that both the Administering Authority and the Scheme Employers are fully aware of their responsibilities under the LGPS and any consequences of non-compliance. The strategy helps support the delivery of a high-quality, timely and professional administration service.

This strategy document is updated at least every three years, considering changes made to the regulations and feedback from the Fund's Scheme employers. All the Fund's Scheme employers are consulted on the administrative strategy where revisions are made that are meaningful or significant to ensure they acknowledge their responsibilities.

### Annual Report and Accounts

The audited accounts of the Fund are prepared as of 31 March each year and published on our website, usually in early December. The report details the management and financial performance of the Pension Fund during the year.

### Designated employer contact(s)

The Fund will request each Scheme employer designate individuals to fulfill roles related to employer engagement with delegations where appropriate. For example, this includes providing a named payroll contact, HR contact and contacts for financial management/strategy. Employers do so by completing (and regularly updating) an 'Authorised signatories form'.

### Employer forum

An annual forum for all Scheme employers to provide information and training on administration activity, investment performance, actuarial insights and any Scheme changes and current issues impacting the Fund and the LGPS. The Forum is either held online or face to face and provides employers with the opportunity to network with other employers and meet key Fund officers.

### Employer newsletter

The Fund publishes a regular employer newsletter. It covers topical issues, technical information requiring employer attention and changes to regulations that impact on their duties and responsibilities. The newsletters are issued at least twice per year and are available on the employer section of our website.

### Funding and investment

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

### General Guidance and Assistance

The Pension Administration Team or Employer Engagement Team can be contacted during normal office hours and are on hand to answer any questions raised by Scheme employers. For example, we can support new employers with the admission process or provide guidance on how to onboard to i-Connect when changing payroll software provider. The Employer Engagement Team can arrange face to face or virtual meetings with employers on request.

### Guides

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

### Training

The Fund are happy to support both group and individual training sessions for employers. For example, training on how to submit end of year returns, i-connect support, the responsibilities of a new employer to the Fund and support in preparing policies such as Discretion Policies. The Fund can also provide training for members on request from employers.

### Valuation Reports

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

### Website

There is an [employer page on the ESPF website](#) with the latest employer information, links to forms and guides, an employer toolkit, i-Connect support and employer newsletters.



### Communication - The Pension Committee and Pension Board

The Pension Committee has delegated power (from East Sussex County Council) to review, administer and monitor the Fund. The Pension Board's role is one of providing assurance in the governance of the Fund and helping to ensure that the Fund complies with the code of practice issued by the Pension Regulator.

The Fund works closely with the Pension Committee and the Pension Board, and the core communication objective is to ensure that all Scheme members are fully informed on pensions matters including investment, funding, audit, governance, administration and risk. They have regular training to ensure they have sufficient knowledge to fulfil their duties and responsibilities. Following the Chancellor's Mansion House speech in November 2024 the Government published several documents relating to the Pensions Review including a consultation for the LGPS titled 'Fit for the future'. The stated aims of the consultation are 1) Reforming the LGPS asset pools by mandating certain minimum standards deemed necessary for an optimal and consistent model, 2) Boosting LGPS investment in their localities and regions in the UK, 3) Strengthening the governance of both LGPS Administering Authorities and LGPS pools. The Fund will ensure that the Pensions Committee are fully briefed on any changes and communications will be planned accordingly.

ESPF will provide elected members with information about the LGPS through online and face to face presentations delivered at meetings or through written reports. Both Board and Committee members will make a self-assessment of their knowledge and understanding through completion of an annual 'training needs analysis'. ESPF will provide or facilitate any training needs identified or requested and will log any training completed. We will also circulate news updates and other relevant information to enable them to make effective decisions on communications and offer support on key risks and responsibilities. Officers of the Fund will contribute to Committee and Board papers ahead of meetings. The agenda, reports and minutes of the meeting are available on the East Sussex County Council website.

### Communication – Pension Fund staff

It's critical that Fund staff are kept up to date with important information on the LGPS, changes to policy and procedures within the Fund and the wider legislative and regulatory pensions industry. The Fund ensure that all staff have access to the relevant information and technical knowledge to enable them to perform their duties.

This is achieved via email, personal development plans, skills matrix, performance management meetings, internal meetings, access to professional qualifications, training events and access to our 3<sup>rd</sup> party administration supplier's training material and seminars.



### Communication with other Key Stakeholders

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

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

**AVC Provider** - Additional Voluntary Contributions (AVC) are held and invested separately from the LGPS. The Fund's current AVC provider is Prudential Limited. Prudential provide communications directly to AVC members. Communication with the Fund include assurance that records are complete, accounting information, range of products available and service review discussions. Fund officers provide an annual assurance report to the Pensions Committee. There are two guides available to members. 1. [A guide to AVCs in the LGPS](#), and 2. [Prudential Fund Guide for Local Government AVC Scheme](#). The Prudential also offer a [website](#) for members with AVCs which allows them to view investment performance and make fund switches.

**Financial advisers** – The Fund will communicate with a member-appointed financial adviser subject to receiving the relevant authorisation. The Fund will not complete generic templates from financial advisers requesting member information.

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

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

**Ministry of Housing, Communities and Local Government (MHCLG)** - The Fund has regular contact with MHCLG as a responsible LGPS Fund, participating and responding to consultations, as required.

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

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



**Pensions Dashboard** - Pension dashboards will be a free service allowing individuals to see all their pensions in one place, securely online, reconnecting people with their pensions. This includes all pensions at the savings or accumulation stage not yet in payment – including individual, workplace, private and public sector, defined benefit and defined contribution, as well as State Pensions. All pension schemes in the UK, including the LGPS need to connect to the dashboard ecosystem to provide pension members information in a secure way. The Fund will be connecting to the dashboard eco-system via an Internet Service Provider (Heywood).

**Other** - The Fund may also communicate with other stakeholders such as HMRC, Information Commissioner, National Insurance database, Tell us once service, Pensions Ombudsman, MoneyHelper, Ill health insurers.

\*The Independent Adviser and Investment Adviser attend all Pension Committee meetings with the Fund Actuary attending meetings where subject matter dictates.

## Communication with council taxpayers and members of the public

The Fund will rarely issue any proactive communication to either council taxpayers or members of the public. However, where the Fund is asked specific questions, receives freedom of information requests or has news which affects the wider community, reactive commentary will be provided. Any specific questions should be sent to [pensionfundinvestments@eastsussex.gov.uk](mailto:pensionfundinvestments@eastsussex.gov.uk) where a response will be provided within 30 working days.



### Delivery of Communications

East Sussex County Council acts as the Scheme Manager and Administering Authority for the East Sussex Pension Fund. The Council has delegated all powers and duties in relation to Fund management to the Pension Committee, taking into consideration advice from the Pension Board. The Committee will seek to monitor the implementation of this Strategy on a regular basis. The day-to-day delivery of member communication and associated administration related communications and information governance is undertaken by the Fund's Communication Manager alongside our administration team (supported by other pension officers). The delivery of Scheme employer support (including payroll and data) is jointly provided by the administration team and Employer Engagement Team, with communication guidance from the Communications Manager.

### Branding

Our brand tells people who we are and influences how they remember and relate to us. The Fund has a detailed set of branding guidelines it adheres to. The Fund has a distinctive identity which captures what people think about the Scheme - achieved by tone, language, visuals, and style of communication. The Fund expresses a modern and distinctive brand image that asserts a trusted, supportive professional authority which is open and accessible.

### Accessibility

The Fund is committed to ensuring that all stakeholders can access services equally and knows that some individuals may require information to be provided in specific formats. While demand for alternative formats remains low, the Fund can issue documents in braille, large print, or audio format on request. For our websites we have made every reasonable effort to adhere to the Web Content Accessibility Guidelines WCAG 2.2 or AAA. Accessibility is an evolving requirement because technology and user needs constantly evolve, and the Fund will necessitate ongoing adjustments to ensure inclusivity. The Fund uses a tool called Silktide which helps ensure we perform in line with accessibility guidelines. Our external partners (from whom we source our websites) use Government approved tools such as AxeDev and WAVE to scan for any accessibility issues.

### Complaints

We make every effort to get our communications right, so you do not have to complain. If you have a problem or question, please [contact us](#). We will seek to clarify any misunderstandings or put right any errors efficiently. If we cannot resolve your complaint informally and you are not satisfied, you have the right to make a complaint. The Fund will review your complaint under the Scheme's [Internal disputes resolutions procedure](#).

### General Data Protection Regulations (GDPR)

GDPR came into force on 25 May 2018 and requires Privacy Notices to be published by the Fund, so we are transparent on how personal data is used. The Fund has both full and summary Privacy Notices which explain how the Pension Fund collects personal data, what that data is used for, with whom that data is shared and the rights of individuals regarding their data. For more information - <https://www.eastsussexpensionfund.org/about-the-scheme/gdpr/>

### Key Risks

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

#### Staffing

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff
- Risk of loss of key / senior staff resulting in lost knowledge and skills in the Pensions Team
- Staff absence due to sickness
- Significant increase in workloads causing strain on day-to-day service
- Failure to communicate with staff members in relation to Scheme changes
- Loss of Pension Committee/Pension Board member(s) causing delays to decision making

#### IT and Infrastructure

- Lack of adequate software or IT solutions – particularly in the digital communications area
- Inability to deliver a service to members due to system downtime or failure

#### Legislation and change in external markets/environment/employer

- Significant external factors, such as national change, impacting on workload
- A major change to the LGPS legislative environment
- Significant increase in the number of employing bodies causing strain on day-to-day delivery

#### Communication errors

- Issuing incorrect or inaccurate communications
- Failure to adequately maintain employer or member details leading to data issues
- Lack of clear communication to Scheme employers or Scheme members

### Approval, Review and Consultation

This Communications Strategy was approved on 19 June 2025 by the East Sussex Pension Committee. It will be formally reviewed annually and updated at least every three years, or sooner if appropriate.

### Further Information

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

Susan Greenwood, Head of Pensions    or  
East Sussex Pension Fund

Paul Linfield, Pension Communication Manager  
East Sussex Pension Fund

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

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

## Appendix I – documentation type, usage and review

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

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

\*\*Employer training on demand.

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

## Appendix 2 - Communication approval schedule

Document	Head of Admin	Investment Manager	Employer Engagement / Governance Manager	Communication Manager	Head of Pensions	Pension Committee	Section 151 Officer
Administration strategy*	✓	x	✓	✓	✓	Final approval	x
Annual Report and Accounts	x	✓	✓	✓	✓	Final approval	✓
Annual Benefit Statements	✓	x	✓	✓	✓	x	x
Breaches/privacy	x	x	✓	✓	x	Final approval	x
Communications Strategy	✓	✓	✓	✓	✓	Final approval	x
Employer Forum	✓	✓	✓	✓	✓	x	x
Funding strategy*	x	✓	✓	✓	✓	Final approval	✓
Investment related comm's	x	✓	✓	✓	✓	x	x
Investment Strategy incl Responsible investment	x	✓	✓	✓	✓	Final approval	✓
Literature / guides	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	✓ - based on content incl	x	x
Media enquiries	x	x	x	✓	✓	x	Final approval
My Pension communications	✓	x	✓	✓	✓	x	x
Newsletters	✓	X except if inv info incl	✓	✓	✓	x	x
P60 mailing	✓	x	x	✓	x	x	x
Pension increase letter	✓	x	x	✓	x	x	x
Survey	✓	X except if inv info incl	✓	✓	✓	x	x
Website	✓ -approval based on content type	✓ -approval based on content type	✓ -approval based on content type	✓ -approval based on content type	✓ -approval based on content type	x	x

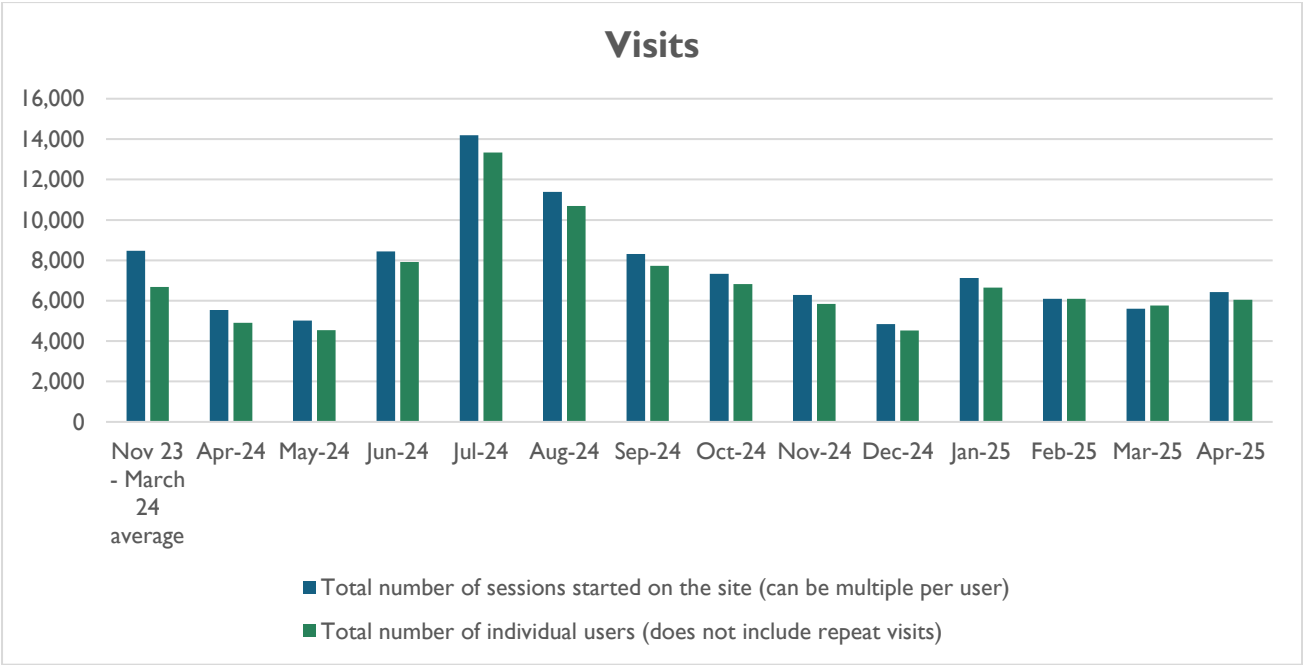
\*Employers must be consulted.

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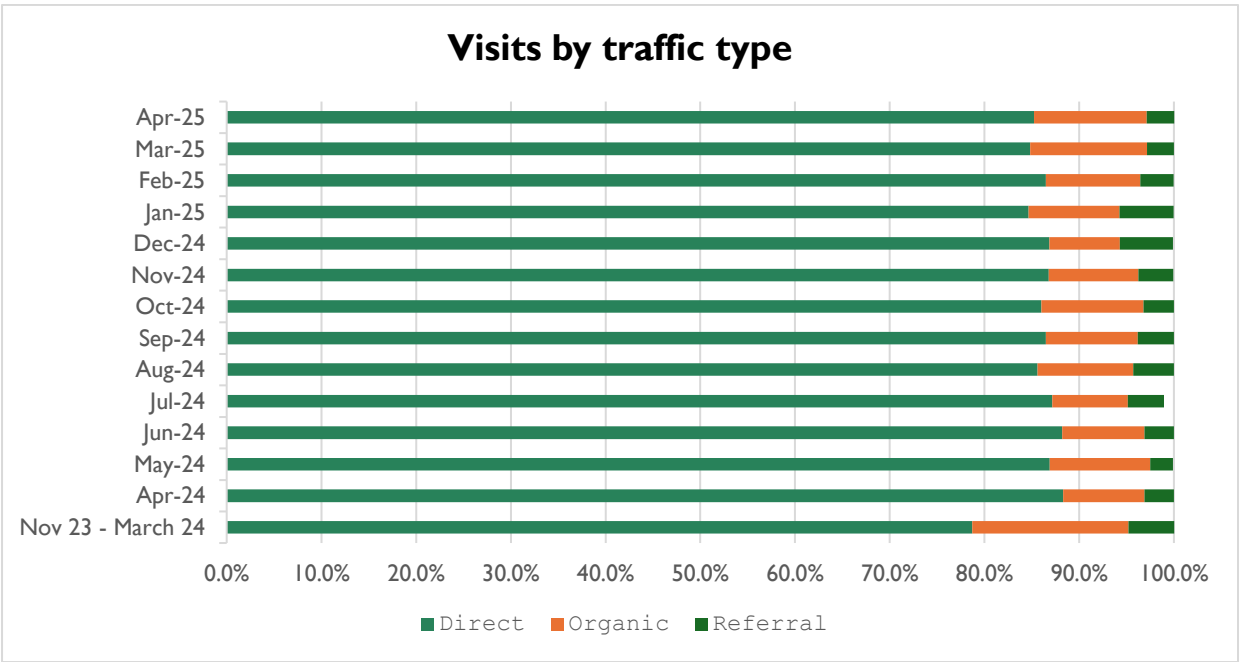


Appendix 2 – [East Sussex Pension Fund website](#)

Total number of visitors to the website

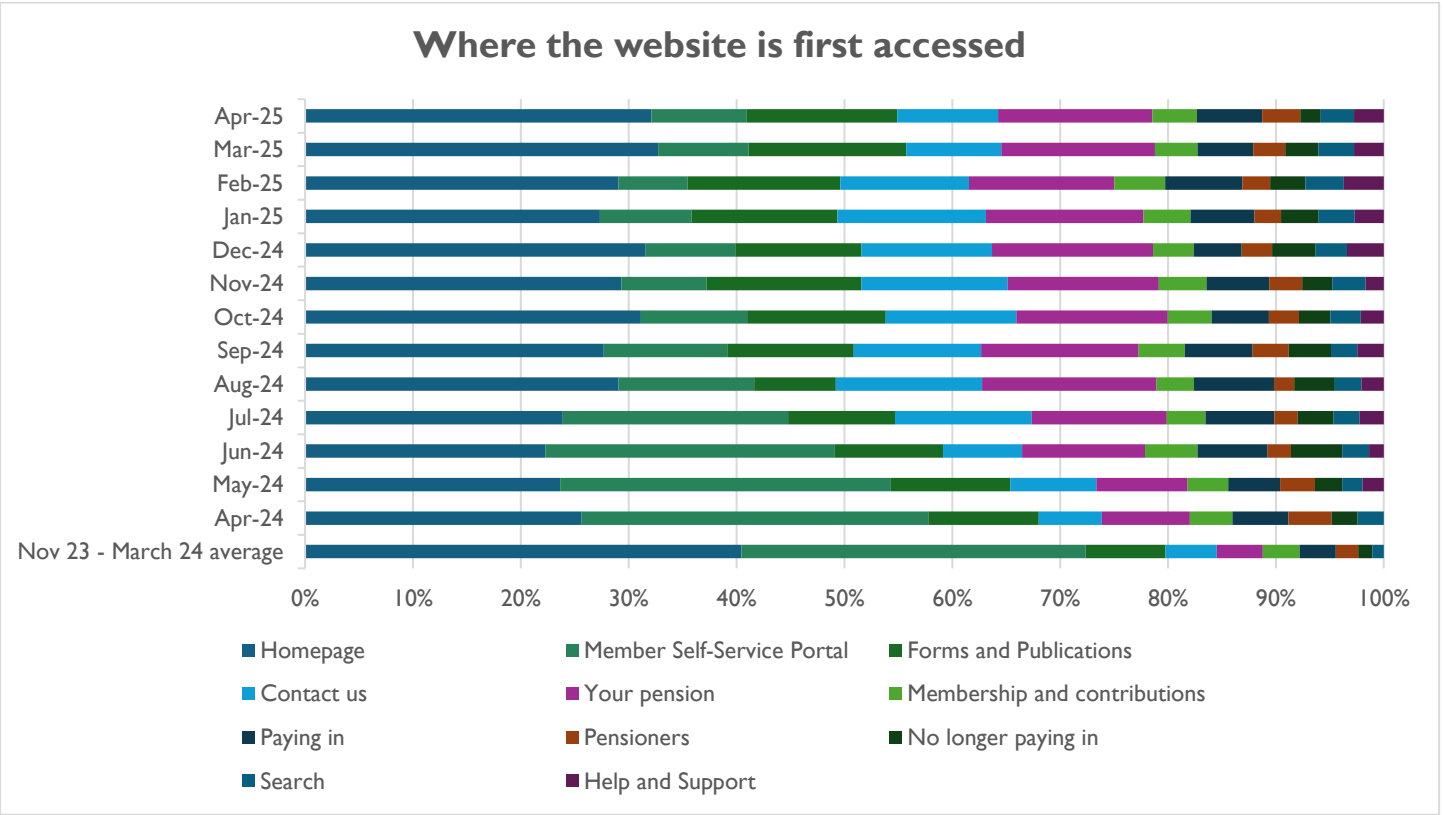


How do people reach the website

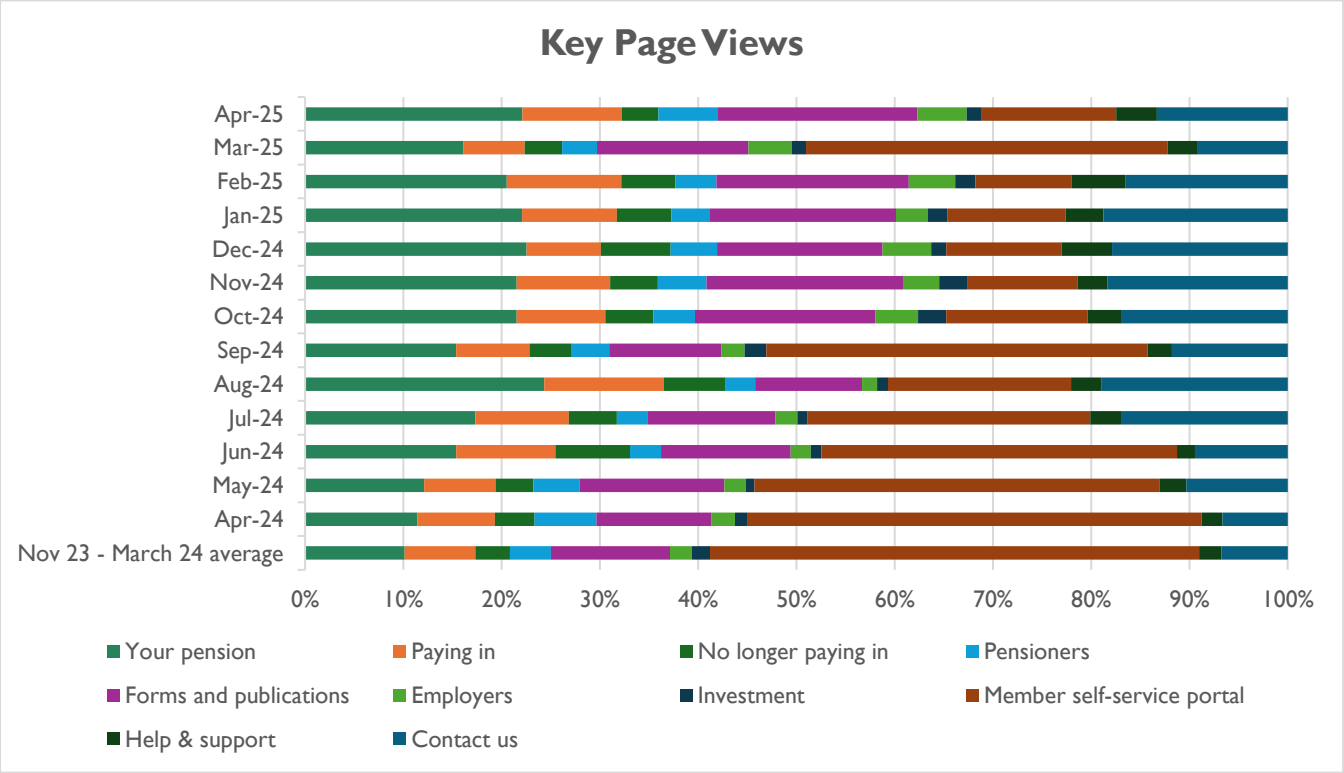


- Direct**
- Visited the site by typing the URL directly into their browser or clicked on links
- Organic**
- Visitors referred by an unpaid search engine listing, e.g. a Google.com search.
- Referral**
- The number of people who click external links to visit your site (for example employer intranet sites).

Where the website is first accessed



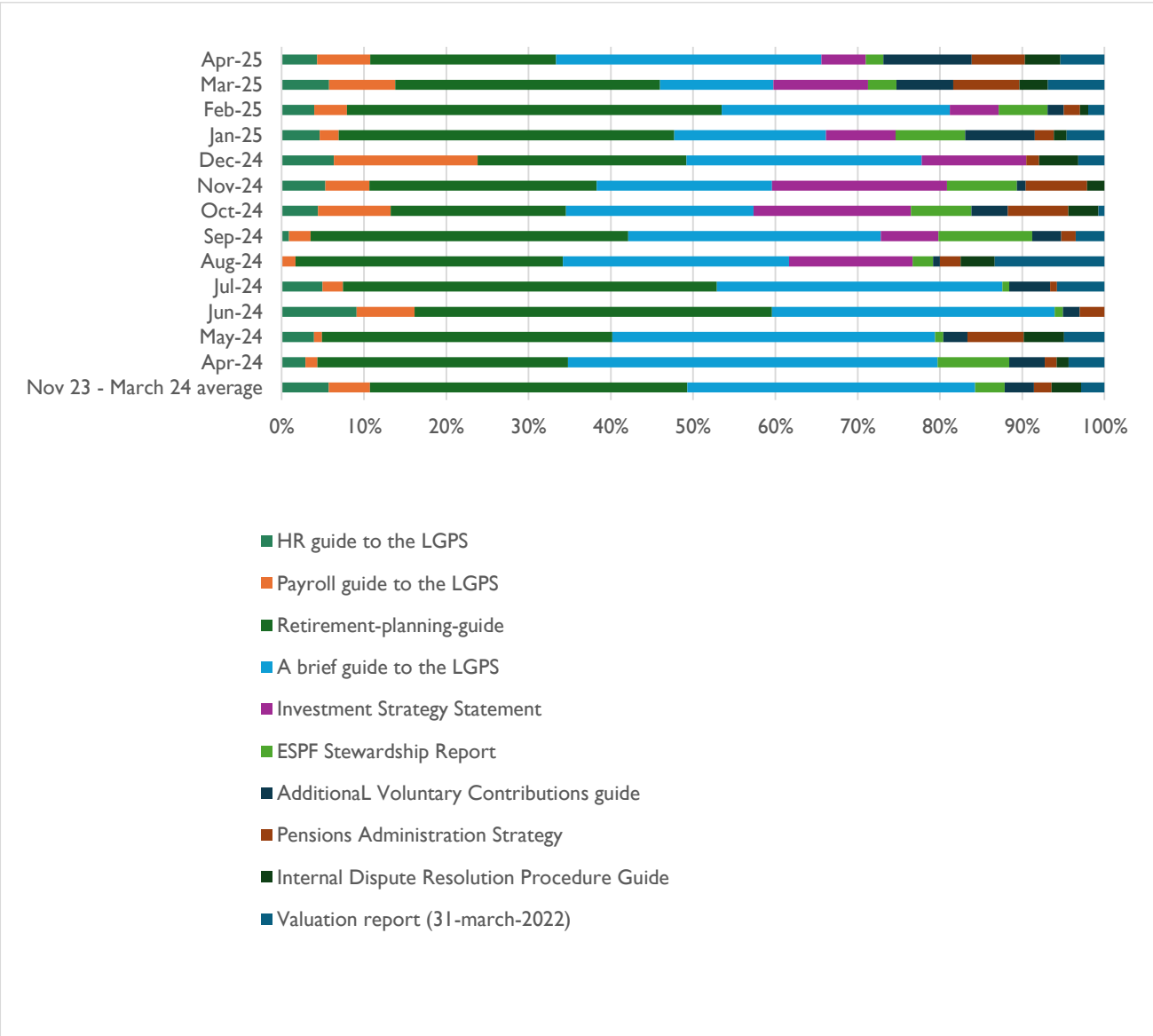
Key page views



Shown above is a graph which shows how a selection of key website pages are being used month on month.



Usage of key documents



The graph above concentrates on the main guides we promote via members and employers.

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**Report to:** Pension Committee

**Date of meeting:** 19 June 2025

**By:** Chair of the East Sussex Pension Board

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

**Purpose:** Report to Pension Committee, to understand work completed by the Pension Board

---

**RECOMMENDATIONS:** The Pension Committee is recommended to note the report covering the work completed in year by the Pension Board.

---

## **1. Background**

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

1.2 This document allows the Pension Committee to understand the work being done by the Pension Board to improve the operation of the Fund.

## **2. Membership and attendance**

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

Employer Representatives:

- Councillor Andrew Wilson – Borough and District Councils (From July 2023)
- Nigel Manvell – Brighton and Hove City Council (Until March 2025)
- Linda Hughes – The Southfield Trust (From June 2024)

Member Representatives:

- Trevor Redmond – UNISON (From September 2023)
- Zoe O’Sullivan – Active/Deferred representative (From July 2023)
- Neil Simpson – Pensioners’ representative

Independent Chair

- Ray Martin

2.2 There have been some changes to the membership. Tim Oliver left his role at Brighton University and was replaced on the Pension Board by Linda Hughes from the Southfield trust in June 2024. Nigel Manvell left employment in March 2025 and subsequently left the Pension Board (replacement to be advised). Sian Kunnert resigned as Head of Pensions in December 2024 and has been replaced by Susan Greenwood. George Norval was appointed as interim deputy Head of Pensions in September 2024.

#### Attendance at Pension Board meetings:

	5 June 2024	11 September 2024	7 November 2024	13 February 2025
N. Manvell	N	Y	Y	Y
R. Martin	Y	Y	Y	Y
Z. O'Sullivan	Y	Y	Y	N
T. Redmond	N	Y	Y	Y
N. Simpson	Y	Y	Y	Y
A Wilson	Y	Y	Y	Y
L. Hughes		Y	Y	N
Cllr A. Wilson	Y	Y	Y	Y
Cllr G. Fox	Y			
Cllr P. Redstone			Y	
Cllr I. Hollidge	Y			
Cllr N. Bennett		Y		
	1 employer vacancy			

(Y = attended, N = did not attend)

### 3. Work of the Pension Board

3.1 Meetings are scheduled to be held prior to each Pension Committee meeting (no less than 2 weeks). Papers relating to administration, governance, policy, audit and communications are 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 Scheme members and Scheme employers prior to Committee approval.

3.2 Members of the Pension Board also act as observers at Joint Committee meetings of the ACCESS Investment Pool. The role of observer is on a rotating basis with each of the 11 Administering Authorities providing Pension Board observers in turn. This process is designed to support governance standards within the ACCESS Pool.

3.3 The Pension Board considers its work programme at each meeting:

- taking into account regular items
- what is planned for upcoming Pension Committee meetings, and
- are able to request areas of focus be added to the Board work plan.

### 4. Actions

4.1 The Board supported updates to the Fund's risk register and requested further detail and review time to enhance scrutiny. A Risk Register workshop was held in March 2025.

4.2 The Board reviewed governance changes resulting from national pensions reform. They engaged with officers around any potential impact on the Fund's operations, including pooling and local investment strategies.

4.3 Board members reviewed and endorsed key policy changes, including revised Privacy Notices, Exit Credit Policy wording, and participated in the Additional Voluntary Contributions (AVC) review process to improve member outcomes.

## **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. In addition, reading material and relevant podcasts are provided.

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

- Internal Audit and transfers in/out of the Pension Fund
- The role of the internal audit and measuring governance standards
- Additional pension contributions (APC) and additional voluntary contributions (AVC)

## **6. Year ahead**

6.1 It is anticipated that the year ahead will see a consistent membership of the Pension Board (barring the vacancy detailed in 2.2 above).

6.2 The Fund will undergo a triennial valuation as of March 2025. Training and analysis will be a major focus of Pension Board activity.

6.3 The Pension Board will continue to provide oversight on regulatory change implementation, risk management, the valuation process, and administrative performance.

## **7. Conclusion**

7.1 The Committee is recommended to note the report.

**RAY MARTIN**

**Chair of East Sussex Pension Board**

Contact Officer: Susan Greenwood, Head of Pensions

Email: Susan.Greenwood@EastSussex.gov.uk

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**Report to:** Pension Committee

**Date of meeting:** 19 June 2025

**By:** Chief Finance Officer

**Title:** Pension Administration - updates

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

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## RECOMMENDATION:

The Committee is recommended to note the report.

---

### 1. Background

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

### 2. Key Performance Indicators (KPI)

2.1 The Performance Reports for the months of January, February and March 2025 can be found at Appendices 1 to 3. The report now includes all tasks performed by the PAT and is reported directly from the Altair Insights system. A summary is included in the table below:

Month	o/s* at start	Post received	Post completed	Completed in SLA**	% within SLA	Outside SLA**	Total o/s* at end	Open tasks at end
Oct 24	2,549	2,347	2,518	2,015	80.0%	503	2,341	707
Nov 24	2,090	2,015	1,963	1,596	81.3%	367	2,080	423
Dec 24	1,919	1,541	1,522	1,360	89.4%	162	1,892	398
<b>Q4, 24</b>		<b>5,903</b>	<b>6,003</b>	<b>4,971</b>	<b>82.8%</b>	<b>1,032</b>		
Jan 25	1,719	3,126	2,279	2,078	91.2%	201	1,892	1,069
Feb 25	2,372	2,368	2,148	1,793	83.5%	355	2,557	1,034
Mar 25	2,283	2,364	2,355	1,977	83.9%	378	2,251	740
<b>Q1, 25</b>		<b>7,858</b>	<b>6,782</b>	<b>5,848</b>	<b>86.2%</b>	<b>934</b>		

\*o/s = outstanding      \*\*SLA = Service Level Agreement

2.2 The main reasons for the increase in tasks include a move from reporting on just KPIs to reporting on all PAT tasks. In addition, fully utilising the i-Connect system results in many more recalculations (both due to late payments of pay [overtime/holiday] and late pay awards) plus the Brighton & Hove City Council (BHCC) bulk data files.

2.3 On 27 March 2025 the Admin Working Group were provided with both a history of the average and longest day data for the period August 2024 to February 2025, and commentary about all cases that missed the SLA during December 2024. There remain some ongoing issues with PAT staff not setting up the 'reply due' and 'radio' buttons correctly. A further training session was provided on 13 March 2025 so further improvements are expected going forward.

2.4 To aid visibility of the work being undertaken by the PAT team, Appendix 4 provides a high-level view of performance achieved (as presented to Pension Board and Pension Committee) over several years. The volume of tasks received being reported have increased – 9,629 in 2022, 15,411 in 2023 and 23,898 in 2024.

2.5 The Fund aims to achieve a gold standard service provision for the Pensions Helpdesk and the results for January to March 2025 are included in Appendix 5. From April 2024 the Helpdesk has been delivered by an in-house team within PAT. Due to the transition into an in-house team, the reportable information relating to service delivery has reduced. The roll out of the East Sussex County Council (ESCC) telephony upgrade was completed mid-May 2025. As a result, the helpdesk has access to call centre technology, so from July 2025 will again review the Management information available.

### **3. Pension Administration Staffing Update**

3.1 There have been 2 resignations since the last meeting. An Apprentice left on 1 May 2025 and the temporary Administrator left earlier than planned on 31 May 2025.

### **4. Projects update**

#### McCloud remedy

4.1 The data collection aspect for the 140 active employers is complete and the data has been uploaded into the Altair test system. The final data validation has unearthed several new issues and errors, and these have been investigated and are not easily resolved. In the main bulk, solutions are not possible (examples are duplicate lines, overlapping and gaps in dates, American date formatting, concurrent combining cases). These are being corrected where possible, but some are likely to be excluded for now. Once resolved, the data will be moved into the live system. The McCloud data (where loaded) will be accounted for in the 2025 Annual Benefit Statement (ABS).

4.2 The data for 37 non-active employers has been through the Heywood validation tool and is back with officers to manage and resolve the queries found. These changes will not be made by 2025 Annual Benefit Statement.

4.3 Heywood is working closely with the CLASS Group to prioritise the McCloud functionality, which could take up to 2 years to fully implement.

#### Pensions Dashboards

4.4 Heywood are the Fund's Integrated Service Provider, and a project plan has been created, with a 2-phase approach pencilled in:

Phase 1 – created the Integrated Service Providers (ISP) data console and data transfer tested. Additional testing of the "view" data completed and the "find" data being assessed in May 2025. In June we will be documenting the 'how to resolve a "partial" match' procedure.

Phase 2 – starting in August 2025 for 5 weeks to implement and onboard before 31 October 2025.



4.5 Officers are looking to create a new Prudential Additional Voluntary Contribution (AVC) data screen on Altair, to hold the annual data that can be submitted to the ISP via a single source.

4.6 A training session for Pension Board and Pension Committee members has been arranged for 16 September 2025.

4.7 Onboarding date – all schemes must onboard by 31 October 2026, but it is not yet known when the pension dashboards will go live to the public.

#### i-Connect onboarding

4.8 Officers had targeted the last 10 employers (who had historically had data issues or been less engaging) to be onboarded ahead of the 2025 ABS. All have had their initial meetings, discussions about the Fund's specifications and requirements and new payroll extract files built. Officers are actively engaging with the employers and their payroll software providers to create and review tests files ready for onboarding:

Employer	No. of active members	Test File received	Project RAG Status
Aquinas Trust	41	29/10/24	onboarded
Bexhill College	97	25/07/24	Reviewed Feb file, awaiting March
Beacon Academy	77	04/03/25	Jan test file rec'd 30/03/25 – maybe EOY
Uplands	52	04/03/25	Jan test file rec'd 30/03/25 – maybe EOY
SABDEN	117	20/12/24	onboarded
Varndean College	97	05/11/24	End of Year return received
UoBAT	478	17/01/25	onboarded
Uni of Brighton	1,304	06/12/24	onboarded
Hailsham Academy	126	13/01/25	Received Mar 2025 file but Feb issues remain
DCAT	464		End of Year return received

4.9 There are a number of employers who changed their payroll software providers before 31 March 2025 where the new provider needs to be onboarded:

Employer	No. of active members	Date of change	Project RAG Status
TKAT		01/09/24	Onboarding call booked with Mar 2025 data
Gildredge House		01/02/25	Reviewed Feb file, awaiting March
Benfield Primary Sch		01/09/24	EOY return received – Strictly Education
Hangleton Prim Sch		01/09/24	EOY return received – Strictly Education
Robertsbridge		01/01/25	EOY return received – EPM for 12 months

4.10 There is one employer (Varndean School) with resourcing issues who have not uploaded files since September 2024. Officers are looking to jump to March 2025 (status red).

4.11 In addition, there are some potential employers yet to be admitted whose members' date of joining could be backdated before 1 April 2025.

#### BHCC i-Connect data collection

4.12 Officers are pleased to advise that the bulk i-Connect data file for the period June to December 2024 was successfully uploaded on 9 January 2025 with a small number of omitted members. The file produced an equally small number of errors and suppressions as well as creating 1,056 i-Starter tasks and 1,091 i-Leaver tasks. The PAT will look to process the last 150

backlog of aggregation tasks in May and June 2025.

4.13 The BHCC payroll team have uploaded their March 2025 i-Connect data file in April 2025, effectively making the employer up-to-date and live.

#### Pension increases as at 1 April 2025

4.14 Officers have completed the pension increase routine using the Consumer Price Index (CPI) figure of 1.7% (based on September 2024 inflation index).

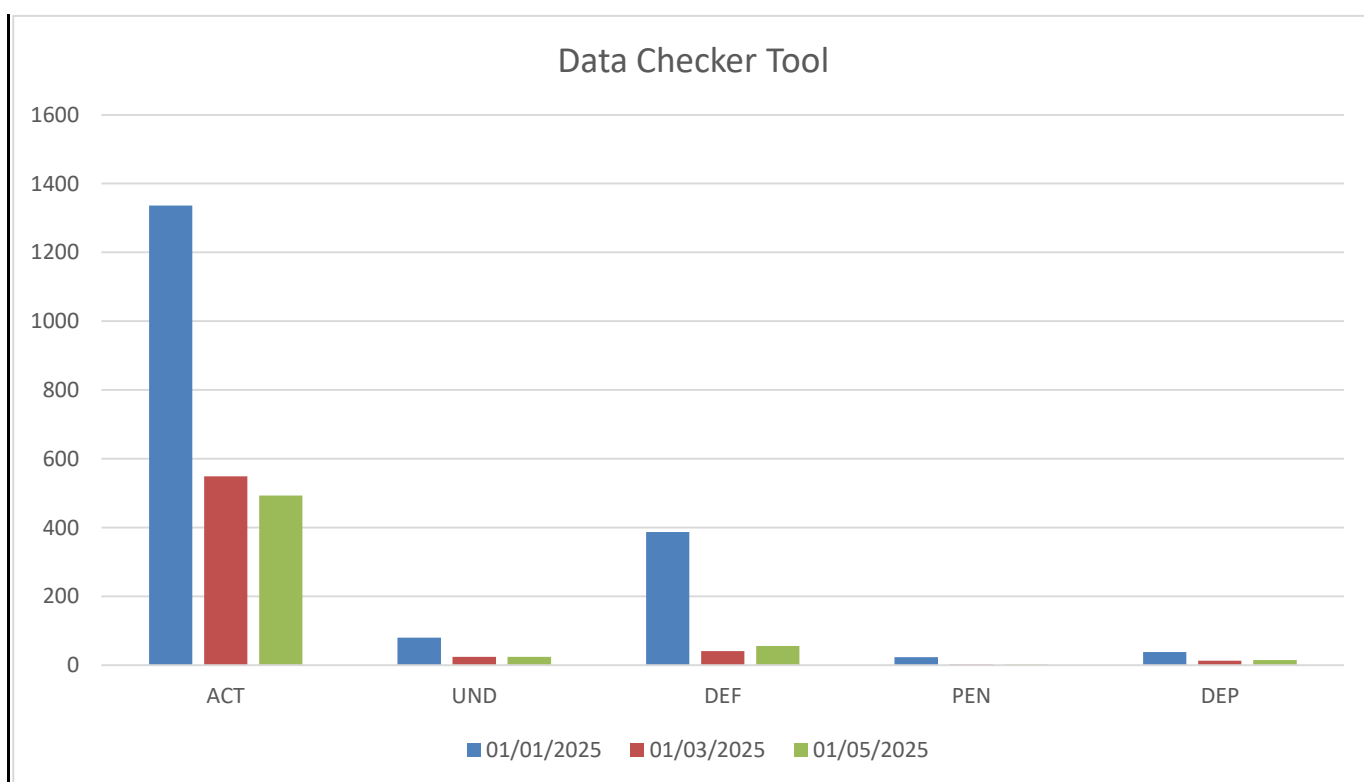
#### Pension Administration Software contract

4.15 The Pension Committee authorised the Chief Finance Officer to complete the appropriate due diligence to award the contract. The award was made on 23 January 2025 and the contract was sealed on 25 April 2025.

4.16 The contract will start on 28 April 2026 for a 5-year term, with an option to extend up to 26 April 2034.

#### Data Quality

4.17 Officers continue to monitor various data quality reports using Altair Insight reports. The current priority is the data quality for the 2025 Actuarial Valuation. Below is the table of Barnett Waddingham (BW) errors based on the 2024 data:



4.18 Officers aim to provide the final 2025 data to BW by July 2025.

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

5.1 The Pension Committee is asked to note the report.

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

Contact Officer:  
Email:

Paul Punter, Head of Pensions Administration  
[paul.punter@eastsussex.gov.uk](mailto:paul.punter@eastsussex.gov.uk)

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APPENDIX 1

East Sussex Pensions Administration - Member Experience / Performance Indicators

Jan-25

Activity	Items outstanding at start of period	Post received	Post completed	Completed within KPI	% Complete within KPI	Completed outside KPI	Average No. days taken	Longest No. days taken	Items outstanding at end of period	open tasks at end of period
Aggregation- Payment	114	507	238	149	62.60%	89	11.3	579	132	334
Aggregation- Quote	72	286	101	79	78.20%	22	11.2	165	90	225
APC/AVC's	27	53	53	52	98.10%	1	0.7	1	28	7
Deaths – initial letter acknowledging death of member	1	54	54	54	100.00%	0	0	N/A	1	0
Deaths- With Benefits	131	67	63	58	92.10%	5	3	19	141	20
Deaths-No Further Benefits	31	71	63	60	95.20%	3	2.8	3	33	13
Deferred Benefits	219	347	306	286	93.50%	20	7.9	360	230	95
Divorce Quotes	2	3	3	3	100.00%	0	1.3	N/A	2	1
Divorce - Proceeding	4	17	10	10	100.00%	0	4.8	N/A	4	6
General Enquiries	71	360	340	332	97.60%	8	1.2	22	73	33
Interfund in- Payment	115	95	63	63	100.00%	0	1.5	N/A	115	4
Interfund In- Quote	343	106	41	28	68.30%	13	12.2	66	378	82
Interfund Out- Payment	33	32	19	19	100.00%	0	4.2	N/A	37	23
Interfund Out- Quote	13	41	25	25	100.00%	0	4.5	N/A	18	17
Refunds- Frozen	86	236	164	155	94.50%	9	4.1	35	105	84
Refunds- Payment	9	63	61	60	98.40%	1	1.1	2	9	7
Retirements – letter notifying actual retirement benefits	16	223	179	166	92.70%	13	3.2	28	20	42
Retirements – letter notifying estimate of retirement benefits	9	208	206	206	100.00%	0	3.9	N/A	11	7
Retirements – process and pay pension benefits on time	227	243	208	200	96.20%	8	2.1	83	253	43
Transfer In- Payment	39	29	14	14	100.00%	0	0.9	N/A	38	0
Transfer In- Quote	114	19	19	10	52.60%	9	31	95	121	6
Transfer Out- Payment	15	10	7	7	100.00%	0	3	N/A	17	0
Transfer Out- Quote	26	48	32	32	100.00%	0	3.7	N/A	34	20
Trivial Commutation	2	8	10	10	100.00%	0	1.9	N/A	2	0
Grand Totals	1,719	3,126	2,279	2,078	91.2%	201			1,892	1,069

Priority 1

Priority 2

Priority 3

Priority 4

Priority 5

The Admin Strategy is a mixture of 90% or 95% KPI targets and these can vary within the task list

92%+

87%+

<87%

<1K

1k to 1.5k

>1.5k

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## APPENDIX 2

### East Sussex Pensions Administration - Member Experience / Performance Indicators

Feb-25

Activity	Items outstanding at start of period	Post received	Post completed	Completed within KPI	% Complete within KPI	Completed outside KPI	Average No. days taken	Longest No. days taken	Items outstanding at end of period	open tasks at end of period
Aggregation- Payment	340	194	277	125	45.10%	152	14.5	265	257	189
Aggregation- Quote	219	174	116	94	81.00%	22	9.5	107	277	243
APC/AVC's	24	8	11	10	90.90%	1	7.1	48	21	2
Deaths – initial letter acknowledging death of member	1	29	29	29	100.00%	0	0.1	n/a	1	0
Deaths- With Benefits	126	60	49	41	83.70%	8	3.3	13	137	16
Deaths-No Further Benefits	39	48	53	49	92.50%	4	3.4	20	34	11
Deferred Benefits	257	369	272	239	87.90%	33	7.9	179	354	174
Divorce Quotes	2	3	0	0		0		n/a	5	5
Divorce - Proceeding	11	15	22	22	100.00%	0	3.3	n/a	4	2
General Enquiries	84	267	266	265	99.60%	1	1.1	8	85	16
Interfund in- Payment	106	69	36	36	100.00%	0	1.3	n/a	118	4
Interfund In- Quote	365	76	37	22	59.50%	15	14.3	98	404	37
Interfund Out- Payment	39	20	19	18	94.70%	1	10.7	2	40	19
Interfund Out- Quote	21	34	31	30	96.80%	1	5.2	1	24	14
Refunds- Frozen	234	225	248	175	70.60%	73	12.9	648	211	143
Refunds- Payment	10	70	69	61	88.40%	8	1.7	3	11	5
Retirements – letter notifying actual retirement benefits	53	169	173	162	93.60%	11	3.7	17	49	34
Retirements – letter notifying estimate of retirement benefits	10	192	162	159	98.10%	3	4	5	40	38
Retirements – process and pay pension benefits on time	232	242	193	176	91.20%	17	2.2	15	281	61
Transfer In- Payment	46	27	17	17	100.00%	0	1.7	n/a	42	1
Transfer In- Quote	101	29	11	7	63.60%	4	13.8	44	119	8
Transfer Out- Payment	15	10	7	7	100.00%	0	3.9	n/a	18	0
Transfer Out- Quote	37	22	36	35	97.20%	1	4.5	4	23	10
Trivial Commutation	0	16	14	14	100.00%	0	2.4	n/a	2	2
Grand Totals	2,372	2,368	2,148	1,793	83.5%	355			2,557	1,034

Priority 1
Priority 2
Priority 3
Priority 4
Priority 5

The Admin Strategy is a mixture of 90% or 95% KPI targets and these can vary within the task list

92%+
87%+
<87%

<1K
1k to 1.5k
>1.5k

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APPENDIX 3  
East Sussex Pensions Administration - Member Experience / Performance Indicators  
Mar-25

Activity	Items outstanding at start of period	Post received	Post completed	Completed within KPI	% Complete within KPI	Completed outside KPI	Average No. days taken	Longest No. days taken	Items outstanding at end of period	open tasks at end of period
Aggregation- Payment	209	158	227	124	54.60%	103	18.3	54	140	69
Aggregation- Quote	228	162	177	147	83.10%	30	8.5	125	213	181
APC/AVC's	20	65	55	55	100.00%	0	0.7	n/a	30	2
Deaths – initial letter acknowledging death of member	1	29	29	29	100.00%	0	0	n/a	1	0
Deaths- With Benefits	134	53	57	50	87.70%	7	2.4	6	130	20
Deaths-No Further Benefits	34	39	50	39	78.00%	11	6	135	23	2
Deferred Benefits	314	399	381	328	86.10%	53	9.2	119	332	139
Divorce Quotes	5	1	2	2	100.00%	0	3	n/a	4	4
Divorce - Proceeding	3	16	15	15	100.00%	0	0.9	n/a	4	2
General Enquiries	79	240	222	219	98.60%	3	1.3	45	97	29
Interfund in- Payment	122	76	51	51	100.00%	0	0.7	n/a	118	4
Interfund In- Quote	363	49	35	25	71.40%	10	14.7	149	377	16
Interfund Out- Payment	36	22	26	23	88.50%	3	9.7	17	32	9
Interfund Out- Quote	18	40	32	31	96.90%	1	5.8	35	26	14
Refunds- Frozen	193	203	229	138	60.30%	91	16	103	167	98
Refunds- Payment	9	76	64	54	84.40%	10	2.2	4	21	17
Retirements – letter notifying actual retirement benefits	46	183	190	175	92.10%	15	3	5	39	22
Retirements – letter notifying estimate of retirement benefits	40	231	253	239	94.50%	14	4.5	2	18	16
Retirements – process and pay pension benefits on time	235	229	197	177	89.80%	20	2.6	29	267	56
Transfer In- Payment	42	23	15	15	100.00%	0	0.9	n/a	38	6
Transfer In- Quote	114	15	13	7	53.80%	6	22	68	116	11
Transfer Out- Payment	18	12	5	5	100.00%	0	2.6	n/a	25	4
Transfer Out- Quote	20	32	22	21	95.50%	1	4.8	12	30	18
Trivial Commutation	0	11	8	8	100.00%	0	1.8	n/a	3	1
Grand Totals	2,283	2,364	2,355	1,977	83.9%	378			2,251	740

Priority 1
Priority 2
Priority 3
Priority 4
Priority 5

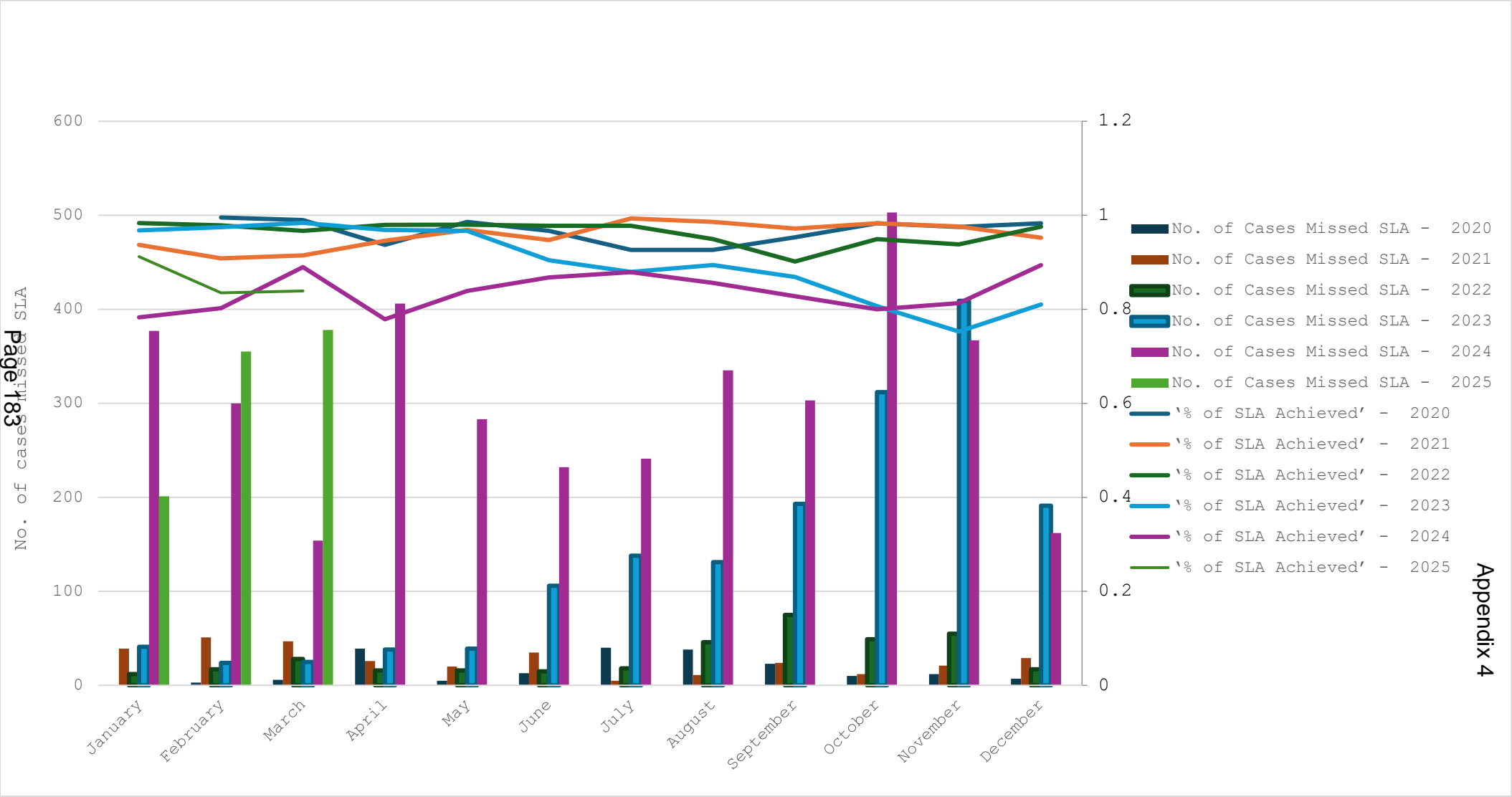
The Admin Strategy is a mixture of 90% or 95% KPI targets and these can vary within the task list

92%+	<1K
87%+	1k to 1.5k
<87%	>1.5k

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APPENDIX 4

East Sussex Pension Fund – Historical Overall Performance since February 2020



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## Appendix 5

### Helpdesk performance

Since 1st April 24 the Fund no longer have access to Achiever software so can no longer determine the Call Answer Time or the Abandoned Call Rate. Although members can still dial both the Main Helpline and Website Helpline numbers, they both feed into one Hunt Group resulting in no differentiation between call types.

On 17 May 25 new ESCC telephony project goes live - the helpdesk will be treated as a Contact Centre.

#### Combined Main & Website Helpline for ESPF

Service level	% enquires dealt with at 1 <sup>st</sup> point of contact	Email response time
GOLD TARGETS	85%	100% < 3 days
SILVER TARGETS	80%	75% < 3 days
BRONZE TARGETS	70%	75% < 10 days
BELOW BRONZE	<70%	<75% < 10 days
Period	% enquires dealt with at 1 <sup>st</sup> point of contact	Email response time
Jan 25	80%	100% < 3 Days
Feb 25	78%	100% < 3 Days
Mar 25	77%	100% < 3 Days

#### Monthly transaction volumes

Month	Telephone Calls	Email's Processed	Call Back's	Tasks	Total
Jan 25	1,166	1,561	33	283	3,043
Feb 25	1,009	1,371	19	369	2,768
Mar 25	908	1,261	0	435	2,604

#### Top five reasons for calls

Month	Activation keys to self-serve	Receipt of claim form	Claim form guidance	TV in request	Document / Form enquiry	Progress Update	Retirement projection	Leaver Forms
Jan 25	2 <sup>nd</sup>	4 <sup>th</sup>	3 <sup>rd</sup>			5 <sup>th</sup>	1 <sup>st</sup>	
Feb 25		3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	1 <sup>st</sup>	2 <sup>nd</sup>		
Mar 25		4 <sup>th</sup>	5 <sup>th</sup>		2 <sup>nd</sup>	3 <sup>rd</sup>		1 <sup>st</sup>

#### Telephone survey

Jan to Mar 2025	1 Star	2 Star	3 Star	4 Star	5 Star
1. How easy was it for you to contact the Pensions Helpdesk today?	3	3	8	35	272
2. How confident are you that your question was resolved or will be resolved in the relevant timelines?	15	5	23	52	226
3. Based on your recent experience how strongly would you recommend using the Helpdesk to a colleague?	6	6	15	46	252
4. How satisfied were you with your overall experience today?	8	8	15	41	251
5. How many times have you called the helpdesk about the request / issue?	Once = 274	Twice = 24	Three = 15	Four+ = 15	

#### Customer Thermometer (email feedback)

Month	Excellent	Good	OK	Poor
Jan 25	81%	13%	3%	3%
Feb 25	78%	6%	2%	14%
Mar 25	69%	27%	2%	2%

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**Report to:** Pension Committee

**Date of meeting:** 19 June 2025

**By:** Chief Finance Officer

**Title:** East Sussex Pension Fund (ESPF) 2024/25 Outturn report

**Purpose:** This report provides the financial outturn of the ESPF for the 2024/25 financial year.

---

## **RECOMMENDATION:**

**The Pension Committee is recommended to note the report.**

---

### **1. Background**

1.1 The East Sussex Pension Fund's (the Fund) business plan and budget sets out the direction of travel, objectives and targets to be achieved in the financial management for the administering authority to carry out its statutory duties in a structured way. The Pension Committee is charged with meeting the duties of the Council as administering authority in respect of the Fund.

1.2 At its meeting on 22 February 2024 the Pension Committee agreed a budget of £4.561m to support the business plan for 2024/25. The budget estimates do not incorporate any provision for investment fees earned by the investment managers since there is limited scope for the Fund to influence these costs. This is due to the nature of the fees being based on factors outside the control of the Fund, such as market movements, strategic asset allocation changes and ownership of mandates at pool level.

### **2. 2024/25 Outturn Position**

2.1 The budget requirements for 2024/25 were set at **£4.561m** (£4.463m 2023/24 excluding manager fees) to support the Business Plan activities and administration of the Fund.

2.2 The final outturn position of 2024/25 is **£4.276m**. This is a decrease from the last projected position of £0.038m and also reflects an underspend against the approved budget of £0.325m. The 2024/25 outturn against budget line items is shown in the table below.

2.3 The underspend since the last reported position mostly relates to decrease in the improvement projects costs. In paragraph 2.4 to 2.9 more detail has been provided around the items that have resulted in this reduction.

## 2024/25 Outturn Report

2023/24 Outturn £000	Item	2024/25 Budget £000	2024/25 Actual Outturn £000	Previous Forecast Outturn £000	Variance to Previous Quarter £000
	<b>Pension Fund Staff Costs</b>				
1,958	Fund Officers	2,436	2,334	2,318	16
<b>1,958</b>	<b>Sub Total</b>	<b>2,436</b>	<b>2,334</b>	<b>2,318</b>	<b>16</b>
	<b>Oversight and Governance Expenses</b>				
365	Investment Advice	448	384	357	27
39	Actuarial Fund Work	51	71	53	18
118	Actuarial Employer Work	89	92	90	2
(119)	Employer reimbursement	(89)	(92)	(90)	(2)
38	Legal Fees	57	24	28	(4)
42	Governance consultancy costs	60	42	50	(8)
115	Audit	120	144	126	18
<b>598</b>	<b>Sub Total</b>	<b>736</b>	<b>665</b>	<b>614</b>	<b>51</b>
	<b>Investment Expenses</b>				
107	Custodian	100	102	101	1
<b>107</b>	<b>Sub Total</b>	<b>100</b>	<b>102</b>	<b>101</b>	<b>1</b>
	<b>Administration Expenses</b>				
489	IT Systems licenses costs and Hardware	487	524	529	(5)
315	Overheads	531	344	353	(9)
246	Admin operational support services	18	91	66	25
106	Improvement projects	87	92	165	(73)
61	Consultancy	20	30	40	(10)
60	Communications	37	7	33	(26)
26	Training	33	13	20	(7)
84	Subscriptions	80	83	79	4
53	Other Expenses	11	12	11	1
<b>1,440</b>	<b>Sub Total</b>	<b>1,304</b>	<b>1,196</b>	<b>1,296</b>	<b>(100)</b>
	<b>Income</b>				
(21)	Other Income	(15)	(21)	(15)	(6)
<b>(21)</b>	<b>Sub Total</b>	<b>(15)</b>	<b>(21)</b>	<b>(15)</b>	<b>(6)</b>
<b>4,082</b>	<b>Total</b>	<b>4,561</b>	<b>4,276</b>	<b>4,314</b>	<b>(38)</b>

2.4 The outturn for improvement projects was reduced primarily due to the slippage of the Integrated Service Provider (ISP) Dashboard project. This was budgeted for in this year but is now not taking place until the next financial year. This is reflected by a saving of £73,000 since the last projected outturn and will be incorporated into forecast outturns for 2025/26.

2.5 The outturn for Communication costs was reduced as a planned activity (that would have required sending physical documents to members) was reconsidered and it was ultimately decided not to take this forward, rendering this provision unnecessary. This is reflected by a reduction in costs of £26,000 since the last projected outturn.



2.6 The Admin Operational Costs have offset these reductions slightly, as clarification has been provided around East Sussex County Council (ESCC) Charges for printing and posting, increasing the cost of these services. This is reflected by an increased cost of £25,000 since the last projected outturn.

2.7 The Actuarial Fund work was slightly higher than the previous forecast, due to additional work on cessations taking place, which is reflected by an increase in cost of £18,000 since the last projected outturn.

2.8 ACCESS costs for work in preparing the response to the Government's 'Fit for the Future' consultation increased the Investment Advice costs by £27,000 since the last projected outturn.

2.9 There were further low value movements across the remaining budget lines which together resulted in an additional £9,000 reduction to the reported outturn forecast.

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

3.1 The Committee is recommended to note the final 2024/25 outturn position.

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

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

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**Report to:** Pension Committee

**Date of meeting:** 19 June 2025

**By:** Chief Internal Auditor

**Title:** Internal Audit Reports

**Purpose:** This report advises the Board of the outcomes of the following Pension Fund audits:

- The Administration of Pension Benefits;
- Compliance with Regulatory Requirements; and
- Investments and Accounting.

---

## RECOMMENDATION:

The Committee is recommended to note the Pension Fund audit reports (Appendices 1 - 3).

---

### 1. Background

1.1 The reviews of Pension Fund Administration of Pension Benefits; Compliance with Regulatory Requirements; and Investments and Accounting were completed as part of the Internal Audit Strategy for Pensions 2024/25 and provide assurance on the overall effectiveness of these systems' controls. These audits complete our work for 2024/25.

1.2 As a result of our work on the Administration of Pension Benefits, we were able to provide an opinion of **Substantial Assurance** over the controls in place.

1.3 As a result of our work on Compliance with Regulatory Requirements, we were able to provide an opinion of **Reasonable Assurance** over the controls in place.

1.4 As a result of our work on Investments and Accounting, we were able to provide an opinion of **Substantial Assurance** over the controls in place.

### 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

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

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

BACKGROUND DOCUMENTS:  
None

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# **Internal Audit Report**

## **Pension Fund Investments and Accounting**

### **Final**

Assignment Lead: Sue Coleman, Principal Auditor

Assignment Manager: Danny Simpson, Principal Auditor

Prepared for: East Sussex County Council

Date: May 2025

## Internal Audit Report – Pension Fund Investments and Accounting

### Report Distribution List

#### Draft Report

Susan Greenwood, Head of Pensions

Russell Wood, Pensions Manager: Investments & Accounting

#### Final Report

Susan Greenwood, Head of Pensions

Russell Wood, Pensions Manager: Investments & Accounting

Ros Parker, Chief Operating Officer

Ian Gutsell, Chief Finance Officer

Pension Committee Members

Pension Board Members

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.

**Chief Internal Auditor:** Russell Banks, ☎ 07824 362739, ✉ [Russell.Banks@eastsussex.gov.uk](mailto:Russell.Banks@eastsussex.gov.uk)

**Audit Manager:** Nigel Chilcott, ☎ 07557 541803, ✉ [nigel.chilcott@eastsussex.gov.uk](mailto:nigel.chilcott@eastsussex.gov.uk)

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

### 1. Introduction

- 1.1. The East Sussex Pension Fund (ESPF) is part of the national Local Government Pension Scheme (LGPS). East Sussex County Council (ESCC) administers and manages the ESPF on behalf of 140 employers.
- 1.2. The governance of the ESPF is the responsibility of the East Sussex Pension Committee and the Pension Board supported by the Chief Finance Officer for ESCC.
- 1.3. The ESPF 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.
- 1.4. As of 30 September 2024, East Sussex had a total of £3.0bn (59.6%) in ACCESS governed investments, £2.1bn across 7 ACS sub-funds and a further £0.6bn through the UBS passive arrangement along with £0.3bn in a pool aligned infrastructure investment.
- 1.5. This review is part of the agreed Internal Audit Plan for 2024/25.
- 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:
  - The Fund's assets are safeguarded and managed in accordance with regulatory requirements.
  - The performance of the Fund's investments meets its objectives.
  - Investment returns are received in full in a timely manner.
  - Implementation of previous actions.

### 3. Audit Opinion

- 3.1 **Substantial assurance is provided in respect of Pension Fund Investments and Accounting 2024/25.** This opinion means 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 give an opinion of **Substantial Assurance** because:
- 4.2. The ESCC Pension'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.
- 4.4. The Fund's custodian, Northern Trust, ensures that all investment returns are received timeously and in full.
- 4.5. Regular reconciliations take place to provide assurance that transactions are accurately reflected in the general ledger and within a reasonable timeframe.
- 4.6. However, there are minor areas where controls could be strengthened further.
- 4.7. The documenting of accounting processes could offer more complete coverage to improve resilience in the event of the loss or absence of key officers.
- 4.8. Although the Pensions Team are in the process of creating a locally maintained spreadsheet to monitor the expanding receipt of cash investments, implementing this would create a consolidated record and provide improved transparency.

### 5. Action Summary

- 5.1. The table below summarises the actions that have been agreed together with the risk rating in the context of the area under review:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.	0	
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	0	
Low	This represents good practice; implementation is not fundamental to internal control.	2	1 & 2
Total number of agreed actions		2	



- 5.2. Full details of the audit findings and agreed actions are contained in the detailed findings section below.
- 5.3. As part of our quarterly progress reports to Audit Committee we 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 the audit.

## Internal Audit Report – Pension Fund Investments and Accounting 2024/25

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p><b>Process Notes</b></p> <p>The last three audit reviews reported a finding (and agreed management action) to review, update and ensure that process notes exist for all key procedures.</p> <p>We acknowledge that progress has been made and that this is an ongoing task. The introduction of the new Council wide accounting system, Oracle, has impacted on fully implementing this action.</p> <p>However, we were provided with evidence to demonstrate that the Pensions Team capture and report on a list of key procedures for the accounts and the investment side. This includes the date they were last updated and responsible people assigned to these at their monthly team meetings. This indicates that there are outstanding documents that are either required to be written or are in need of review.</p>	Without fully documented processes, there is an increased risk of error and/or inconsistency in the absence of key personnel.	Low	<p>The quality of written key procedure notes has been improving along with the coverage across our activities.</p> <p>The expectations around the need to create and maintain good quality key procedures is communicated regularly to the team.</p> <p>We have developed a basic template to structure the key procedure documents in a consistent form.</p> <p>The team are currently going through the year-end processes and starting to understand the new financial system so updates to key procedures are being reassessed while we develop a working understanding of the new system and how to best utilise its functions.</p> <p>The intention is to have revised and developed all key procedure notes by the end of the year.</p>
<b>Responsible Officer:</b>		Russell Wood, Pensions Manager: Investments & Accounting	<b>Target Implementation Date:</b>	31 March 2026

## Internal Audit Report – Pension Fund Investments and Accounting 2024/25

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p><b>Investment Income</b></p> <p>The Pension Committee has made the decision to switch from receiving income in the form of extra units, which are added to the existing holdings, to receiving cash income instead.</p> <p>Northern Trust and ESPF receive a distribution notice that gives details of the amount to be received and the expected date the income will be received. In 2024/25 there were 16 transactions and a total of £47.5m received.</p> <p>The Pensions Team intends to set up an internal spreadsheet to monitor the amount of cash due, date of receipt and corresponding journal entry to ensure the correct amount has been received and coded correctly within the ESCC accounting system. However, it has not yet been completed.</p>	Without a consolidated record of income due, there is an increased risk that investment income is not received and accounted for in full and in a timely manner.	Low	<p>As part of the work around managing the change in the way the investment income is received and recorded, the team has determined that a better system needs to be created to allow the monitoring of this activity to take place and improve reporting.</p> <p>The Fund has now been receiving this income in cash for most of the year and the way in which this is communicated and transacted and recoded is better understood.</p> <p>This information is informing how we create an internal spreadsheet to monitor the process and corresponding journal entry ensuring the Fund understands that all transactions have happened and are accounted correctly.</p>
<b>Responsible Officer:</b>		Russell Wood, Pensions Manager: Investments & Accounting	<b>Target Implementation Date:</b>	30 June 2025

# Appendix A

## Audit Opinions and Definitions

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

## Management Responsibilities

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

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

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

# Internal Audit Report

## Pension Fund - Administration of Pension Benefits

### Final

Assignment Lead: Steven Duly, Auditor  
Assignment Manager: Danny Simpson, Principal Auditor  
Prepared for: East Sussex County Council  
Date: February 2025

### Report Distribution List

Draft Report:

- Paul Punter, Head of Pensions Administration

Final Report:

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

- Susan Greenwood, Deputy 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.

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

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

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

### 1. Introduction

- 1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has statutory responsibility to administer and manage the fund in accordance with the Local Government Pension Scheme (LGPS) regulations.
- 1.2. The 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 2024, the Fund comprised 144 scheme employers, with 24,888 active employees, 35,240 deferred pensioners, and 25,288 pensioners.
- 1.4. 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 £858m, compared with a funding surplus of £247m in 2019.
- 1.5. During the financial year 2023/24, the scheme made benefit payments of approximately £169.5m. A total of £166.1m was received by the fund by way of members' and employers' contributions and transfers in from other pension funds.
- 1.6. This audit tested the controls employed by management over the calculation and payment of pension benefits and transfers to and from the Pension Fund.
- 1.7. This review was part of the agreed Internal Audit Plan for 2024/25.
- 1.8. 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:
  - Data quality is sufficiently accurate to support transactions and reporting requirements.
  - The calculation of pension benefit entitlements is accurate.
  - Delivery of the pension administration service complies with statutory & regulatory requirements.

### 3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Pension Fund - Administration of Pension Benefits.** 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. Based on testing undertaken, we have been able to provide an opinion of **Substantial Assurance** over the controls in place. This is because:
- 4.2. Data validation is embedded throughout i-Connect, the Pension Fund's employer portal, and predominant method of employer data provision. In addition, data quality is monitored and forms part of the reporting requirements to The Pensions Regulator. The data accuracy levels reported at the time of the audit averaged 95%.
- 4.3. The service has implemented the use of robots to perform more straightforward tasks. Automation of these tasks reduces the potential for human error and releases staff capacity to perform more complex tasks.
- 4.4. Key processes are clearly defined and documented within process maps that accurately reflect the processes being defined.
- 4.5. Pension entitlements are processed accurately and are paid in a timely manner. The required supporting documentation is obtained and retained, with checks in place performed by a second officer to provide further assurance.
- 4.6. All agreed actions identified under the previous audit have been implemented in full.
- 4.7. Reporting of Key Performance Indicators (KPIs) to the Pension Board and Committee is accurate and transparent. Whilst performance is currently lower than KPI expected levels, this is largely attributable to a new, more stringent reporting methodology, that has increased transparency. Appropriate rationale is provided where expected performance levels have not been attained.
- 4.8. There were, however, some areas where controls could be strengthened.
- 4.9. The checklists utilised by the service for a range of transactions are not always completed in full to confirm they have received review and sign-off by an officer independent of the officer who processed the transaction.
- 4.10. Records of members' addresses are occasionally rendered inaccurate when they are over-written by incorrect information, received via i-Connect, from employers whose records are out of date.
- 4.11. Review of users' access to the administration software, Altair, is not sufficiently robust to facilitate removal of users' accounts in a timely manner.



### 5. Action Summary

- 5.1. The table below summarises the actions that have been agreed together with the risk rating in the context of the area under review:

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.	N/A	N/A
Low	This represents good practice; implementation is not fundamental to internal control.	3	1 - 3
Total number of agreed actions		3	

- 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.

## Internal Audit Report – Pension Fund - Administration of Pension Benefits

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p><b>Changes of Address</b></p> <p>Members' changes of address can be notified by the member directly (by post, email or Member Self Service (MSS)), or via the records held by employers.</p> <p>A sample of members' changes of address was reviewed for accuracy, timeliness and to identify if Pension Administration Officers followed the correct process for the changes.</p> <p>The review identified cases where members had informed the Pension Fund Administration Team of a change of address, and this being updated accordingly, only for the new address to be overwritten by outdated records subsequently uploaded via i-Connect by employers, whose own records were out of date.</p>	Where the address held for a member is not accurate, there is an increased likelihood of inadequate delivery of service, and regulatory fine due to breaches of the General Data Protection Regulations (GDPR). There is also an increased risk of reputational damage and financial loss.	Low	<p>At the monthly PAT meeting on 13/03/25, the minutes will reflect that the internal audit findings were discussed with the Team. The Team will be reminded that any change of address by letter / email requires a wet signature and should be acknowledged.</p> <p>The i-Connect team will be asked to be vigilant at trying to spot change of address that are overwriting recently updated addresses. Any identified cases should be investigated further.</p>
<b>Responsible Officer:</b>		Paul Punter – Head of Pensions Administration	<b>Target Implementation Date:</b>	April 2025

## Internal Audit Report – Pension Fund - Administration of Pension Benefits

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p><b>Altair Users' Access Review</b></p> <p>A review of users with access to Altair, identified a user who had retained access rights despite having left the Council's employment. The user's access was revoked during the audit, upon the Pensions Administration Team becoming aware.</p> <p>Whilst users' access is reviewed, this is not undertaken at set intervals throughout the year but can be seen to be performed on at least an annual basis.</p> <p>It was found that some users retain access, authorised appropriately, yet have been inactive in Altair for more than two years.</p>	Where users retain access when it is not appropriate, there is increased risk of unauthorised or fraudulent activity occurring. There is also an increased likelihood of reputational damage and financial loss resultant from fraud and regulatory fines, for breach of General Data Protection Regulations (GDPR).	Low	<p>Access for this former employee was removed immediately upon becoming aware. There are regular audits of Altair access to ensure we pick up unreported leavers.</p> <p>The point about users not actively using the Altair system for an extended period is a good observation. This will be addressed in the next Altair access review expected to happen in April 25.</p>
<b>Responsible Officer:</b>		Paul Punter – Head of Pensions Administration	<b>Target Implementation Date:</b>	May 2025

## Internal Audit Report – Pension Fund - Administration of Pension Benefits

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	<p><b>Independent Reviews of Checklists</b></p> <p>Testing across a range of different processes identified two instances where the checklists, used to guide officers through the processing of transactions, had not been signed off by an officer independent of the officer processing the transactions.</p> <p>Testing identified that, in the instances where checklists were not fully completed, the processes had been followed correctly, with appropriate checks having taken place, despite the checklists not recording this.</p> <p>In a separate case, it was found that an independent officer's checks had taken place and were recorded, but that the checks had failed to identify that incorrect bank details had been input for a member.</p>	Where checklists do not record that independent checks have been completed, there is increased risk that the process has not been followed and an increased risk of fraud or error.	Low	<p>At the monthly PAT meeting on 13/03/25, the minutes will reflect that the internal audit findings were discussed with the Team. The Team will be reminded of the importance of all checklists being fully completed by both the doers and checkers.</p> <p>When approximately 25k tasks are processed there is an expectation of human error occasionally happening. In the case of the bank account issue, two numbers were transposed, the payment was returned and repaid correctly within a few days.</p>
<b>Responsible Officer:</b>		Paul Punter – Head of Pensions Administration	<b>Target Implementation Date:</b>	April 2025

# Appendix A

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
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## Management Responsibilities

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

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

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

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# Internal Audit Report

## Pension Fund Compliance with Regulatory Requirements

### Final

Assignment Lead: Jodie Hadley, Principal Auditor

Assignment Manager: Danny Simpson, Principal Auditor

Prepared for: East Sussex County Council

Date: May 2025

## Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

### Report Distribution List

#### Draft Report

Susan Greenwood, Head of Pensions  
Russell Wood, Pensions Manager: Investments & Accounting  
Dave Kellond, Compliance and Local Improvement Partner  
Paul Punter, Head of Pensions Administration

#### Final Report

As per draft report, with the inclusion of:  
Ros Parker, Chief Operating Officer  
Ian Gutsell, Chief Finance Officer  
Pension Committee  
Pension Board

<p>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.</p>
---

**Chief Internal Auditor:** Russell Banks, ☎ 07824 362739, ✉ Russell.Banks@eastsussex.gov.uk  
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**Anti-Fraud Hotline:** ☎ 01273 481995, ✉ fraudhotline@eastsussex.gov.uk



### 1. Introduction

- 1.1. East Sussex County Council (The Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has a statutory responsibility to administer and manage the Fund in accordance with the rules of the Local Government Pension Scheme (LGPS), which are set out in the following regulations:
  - The Local Government Pension Scheme Regulations 2013;
  - The Local Government Pension Scheme Transitional Provisions, Savings and Amendment Regulations 2014; and
  - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 1.2. The governance of the Fund is the responsibility of the East Sussex Pension Committee supported by the Pension Board, the ESCC Chief Finance Officer and the Pension Fund officer team. The day-to-day administration of the Fund is provided by East Sussex County Council.
- 1.3. This review was part of the agreed Internal Audit Plan for 2024/25.
- 1.4. This report has been issued on an exception basis, whereby only weaknesses in the control environment have been highlighted within the detailed findings section.

### 2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place and operating effectively in order to support the following objectives:
  - Scheme governance arrangements, including clear separation between the Council's and Fund's responsibilities, meet regulatory requirements.
  - Employers' responsibilities are fulfilled to ensure the Fund complies with regulatory requirements

### 3. Audit Opinion

- 3.1 **Reasonable assurance is provided in respect of Pension Fund Compliance with Regulatory Requirements 2024/25.** This opinion means 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. Based on the testing undertaken, we have been able to provide an opinion of **Reasonable Assurance** in relation to the controls in place surrounding Pension Fund Compliance because:
- 4.2. The Pension Fund and Council are financially separate, with independent bank accounts and no borrowing or lending taking place between the two organisations.
- 4.3. Both the Pension Board and Committee are regularly presented with the Complaints, Breaches and IDRP Log, and are able to comment on or raise challenge in relation to its content, as required.
- 4.4. There is an appointed Investment Manager in place with appropriate skills to provide the required advice, supporting the Fund to make appropriate investment decisions which will benefit members and the Fund as a whole.
- 4.5. Payments to Fund Managers are subject to robust checking and paid in a timely manner, where receipt of these from Fund Managers is timeous.
- 4.6. There are, however, areas where improvements are required to aid and ensure compliance with regulatory requirements, including:
- 4.7. There is no Service Level Agreement in place between The Fund and The Council, as the administering authority. It is anticipated that a draft agreement will be in place soon, however, there has been an extended period during which the Fund has operated without any defined or documented agreement.
- 4.8. Whilst there are a range of processes in place to improve and ensure the quality of data held by the Fund, these are not formally documented in a Data Assurance Plan to ensure they are regularly implemented in line with expectations.
- 4.9. Not all Pension Board members have up to date conflict of interest declarations published in line with the Pension Regulator's Code of Conduct for Board Members, increasing the risk of conflicts materialising to the detriment of the Fund. There are also a number of officers working within the Fund who do not have conflict of interest declarations in place, as required by the Council's Code of Conduct and Conflict of Interest Policy.
- 4.10. Although there are a wide range of training courses available for Board and Committee members, uptake of these varies significantly, with some members participating in many more than others. There are no mandatory training elements defined within policies, increasing the risk of decisions being made without appropriate knowledge or understanding.
- 4.11. Policies in place and published on the Fund's website contain contact details for the previous Head of Pensions who is no longer in post. This may delay responses should members or pensioners make contact using these details, increasing reputational risks and the escalation of complaints.

## Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

- 4.12. Whilst the Board and Committee have appropriate Terms of Reference within the Constitution, the versions contained within the Governance and Compliance Statement do not provide detail of the quorum for the Pension Committee which would aid transparency and clarity.

### 5. Action Summary

- 5.1. The table below summarises the actions that have been agreed together with the risk rating in the context of the area under review:

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.	5	1-5
Low	This represents good practice; implementation is not fundamental to internal control.	1	6
Total number of agreed actions		6	

- 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 the audit.

## Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p><b>Service Level Agreement</b></p> <p>As the administering authority, East Sussex County Council is responsible for a range of tasks including:</p> <ul style="list-style-type: none"> <li>• The calculation and provision of pension projections and estimates;</li> <li>• Onboarding of new starters;</li> <li>• Handling, recording, and reporting of breaches, complaints, errors and omissions;</li> <li>• Production and publication of relevant communications;</li> <li>• Provision of quarterly and annual reports; and</li> <li>• Responding to general enquiries from scheme members and pensioners.</li> </ul> <p>There is currently no Service Level Agreement in place between the Pension Fund and East Sussex County Council, to support the provision of these functions. Although the document is currently being worked on, with a draft expected soon, there has been an extended period during which the Fund has operated without any defined or documented agreement.</p>	Where the Fund is operating without an agreement in place with the administering authority, performance standards are not clearly defined and cannot be enforced, increasing the risk of non-compliance with regulatory requirements.	Medium	Work is in progress to establish this agreement. The Head of the Pension Fund is working with the Deputy S151 Officer to finalise this agreement.
<b>Responsible Officer:</b>		Susan Greenwood, Deputy Head of Pensions	<b>Target Implementation Date:</b>	30 September 2025

## Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<b>Documentation of Key Functions</b> There is knowledge within the team that is not clearly documented in policy or procedure documents, including: <ul style="list-style-type: none"> <li>No formally documented Data Assurance Plan or policy is in place to support the implementation of current data assurance processes.</li> <li>The Discretionary Functions Policy states that there is 'no policy' for 16(10) of the LGPS Regs 2013, in relation to the requirement for a satisfactory medical before the payment of additional or shared cost pension contributions. No additional supporting information about the threshold for requiring medical assessments or how the decision would be made in these instances has been provided.</li> </ul>	Where key functions undertaken by the team are not adequately and accurately documented, there is an increased risk of local practice and knowledge being lost, resulting in changes in service delivery, and increasing the risk of non-compliance.	Medium	A full review of governance is due to take place in Q4 of the 2025-26 financial year, which will include review of the policies and documentation detailed within this finding, amongst many other key governance processes.
<b>Responsible Officer:</b>		Susan Greenwood, Deputy Head of Pensions	<b>Target Implementation Date:</b>	30 April 2026

## Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	<p><b>Pension Board and Committee</b></p> <p>A wide range of training opportunities are available to members of both the Pension Board and Pension Committee in order to support the robust governance of the Pension Fund. Analysis of training records, however, identify that training is not always sufficiently well attended and there is no mandatory training that individuals must undertake in order to ensure a sufficient spread of skills across the Board and Committee.</p> <p>In addition, analysis also identified that not all members of the Pension Board have a published declaration of interest in place in line with the Pensions Regulator's Code of Conduct for Board Members.</p>	<p>Where declarations of interest are not clearly documented, there is an increased risk that personal or business conflicts may materialise to the detriment of the Fund or its members, or perception of such conflict may result in reputational damage.</p> <p>Where training courses are not mandated or well-attended, there is an increased risk that members of the Committee or Board are unable to exercise adequate oversight of the Fund.</p>	Medium	<p>We will continue to regularly remind members of the Pension Board and Committee of the availability of training and the need to ensure they are seeking and utilising available training.</p> <p>We will review training requirements for Members as part of the governance review later in the year.</p> <p>We will seek clarifications in relation to declarations of interest for Pension Board Members.</p>
<b>Responsible Officer:</b>		Mariana Obetzanova, Pensions Training Coordinator	<b>Target Implementation Date:</b>	31 December 2025

## Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
4	<b>Pension Administration Strategy</b> LGPS Regulation 59 (6) requires that, where an administering authority publishes its pension administration strategy, or if strategy is revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable. There is no evidence that the most recent iteration of the Pension Administration Strategy was shared with the Secretary of State, and no knowledge within the team as to whether this was completed.	Non-compliance with LGPS regulations increases the risk of regulatory penalty, resulting in financial loss and reputational damage to the Fund.	Medium	We will review this and if no evidence can be found we will submit the Pensions Administration Strategy to the Secretary of State.
<b>Responsible Officer:</b>		Paul Punter, Head of Pensions Administration	<b>Target Implementation Date:</b>	1 July 2025

## Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
5	<b>Breach Reporting and Documentation</b> The Fund hold a central log of breaches on which they record any breaches that have occurred and the action taken in relation to them; breach reports are then provided to the Pension Board and Committee on a regular basis. Detail provided in relation to the steps taken on breaches differs between these two documents, with the record provided to Board and Committee demonstrating that some breaches have been reported to TPR, whilst the log held by the team states that the same breaches haven't been reported, reducing clarity and increasing the risk of duplicate or non-reports, where these should be made.	Where the centrally held breaches log is not maintained appropriately, the risk of detail reported to Board and Committee being inaccurate is increased, and breaches may be subject to duplicate reports to the Pension Regulator where their reporting status is not clearly documented.	Medium	We have reviewed these two documents and have identified some discrepancies. This has now been addressed.
<b>Responsible Officer:</b>		Dave Kellond, Compliance and Local Improvement Partner	<b>Target Implementation Date:</b>	Implemented



## Internal Audit Report – Pension Fund Compliance with Regulatory Requirements

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
6	<p><b>Internal Dispute Resolution Procedure</b></p> <p>The Internal Dispute Resolution Procedure (IDRP) provides members with a formal complaints mechanism if they are not satisfied with any decision affecting their pension benefits held within the scheme, or where a decision has not been made by their employer or the Administering Authority when it should have been.</p> <p>Due to the nature of this policy, it is important to ensure that the Pension Board and / or Committee are sighted on and approve its contents; there is currently no evidence that this has been undertaken for the most recent policy version.</p>	Where the IDRP has not been subject to review and approval by the Pension Board and / or Committee, there is an increased risk of this not being suitable or adhered to in full, increasing the risk of further complaints or regulatory penalty.	Low	We will look further into this to ascertain if any approval has been given and, if required, schedule a review by Committee.
<b>Responsible Officer:</b>		Dave Kellond, Compliance and Local Improvement Partner	<b>Target Implementation Date:</b>	1 July 2025

# Appendix A

## Audit Opinions and Definitions

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

## Management Responsibilities

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

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

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

**Report to:** Pension Committee

**Date of meeting:** 19 June 2025

**By:** Chief Finance Officer

**Title:** External Audit Plan

**Purpose:** To provide information on the External Audit Plan for 2024/25

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**RECOMMENDATION:**

**The Pension Committee is recommended to note this report.**

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**1. Background**

- 1.1 Grant Thornton (GT), as the External Auditor for the East Sussex Pension Fund (the Fund), have provided the external audit plan for the year 2024/25 (Appendix 1) which provides an overview of the planned scope and timing of the statutory audit of the ESPF Annual Report and accounts and identifies any significant risks.
- 1.2 The external audit plan was considered by the Audit Committee on 28 March 2025. It was not available for consideration and discussion at the February Pension Board meeting (22 February 2025) and Pension Committee meeting (27 February 2025).

**2. Supporting Information**

- 2.1 The External Audit Plan for 2024/25 identifies a number of risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:
  - Management override of controls (journals, estimates and transactions);
  - Valuation of level 3 investments;
  - Valuation of level 2 investments;
  - Actuarial Present Value of Promised Retirement Benefits Disclosures – IAS26;
  - Cash and Cash Equivalents;
  - Benefits Payable;
  - Contributions Receivable;
  - Financial Instruments Disclosure.
- 2.2 The Fund is working with GT to ensure that the audit is completed as close to the original 30 September 2025 deadline as possible.
- 2.3 Assessment of both the SAP and Altair systems will also be carried out from an IT controls perspective. The implementation of the new Oracle system took place following the end of the financial year under review.
- 2.4 The planned audit fees for 2024/25 are £101,515.

### **3. Conclusion**

3.1 The Committee is recommended to note this report.

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

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# The Audit Plan for East Sussex Pension Fund

Year ending 31 March 2025

April 2025



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# 01 Key developments impacting our audit approach

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# Local Audit Reform

## External factors

### Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

- The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:
  - Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
  - Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

### Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market.

We have also signed **83%** of our 2023/24 Audits, by the backstop date with the residual audits being unable to signed due to external factors. We will be keen to work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.



# Key developments impacting our audit approach

## National Context

### Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator’s (TPR) General Code of Practice came into effect on 28 March 2024. It replaces the Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the ‘connection deadline’ 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should ‘connect by’ 31 October 2025.
  - The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund’s annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

## Local Context

### Administration and Governance

- The Fund has continued to work through the processes for connecting to the Pensions Dashboard ecosystem and is on track to meet the October 2025 deadline.
- The Fund has continued to implement the McCloud remedy. No significant issues have been encountered.
- The Fund and Local Pension Board are reviewing the TPR’s General Code of Practice to identify if there are any gaps or improvements required in current arrangements.
- The Council and the Pension Fund have continued their diligent preparations for the implementation of the new Oracle system, anticipated to be operational from the start of the 2025/26 financial year.

# Key developments impacting our audit approach (continued)

National and International Context	Local Context
<p><b>Investments and Funding</b></p> <p>Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary’s Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.</p> <p>At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.</p> <p>The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.</p> <p>In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government’s proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS AAs and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited.</p> <p>In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.</p>	<p><b>Investments and Funding</b></p> <p>For East Sussex Pension Fund, the 2022 triennial valuation was undertaken by Barnett Waddingham. The valuation reported that the funding level had increased from 107% to 123% and had excess assets amounting to £858m over liabilities, thus recording a surplus. The next triennial valuation will be performed as at March 2025. The results of this valuation are scheduled to be reported by the end of the year.</p> <ul style="list-style-type: none"><li>• We expect requests to be received from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process. If these are received then this will be additional work outside the normal course of our audit work and will be the subject of additional fees/fee variations. We will discuss the scope and timing of this work with the Fund should it arise.</li><li>• There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk in relation to management override of controls.</li></ul>

# Key developments impacting our audit approach (continued)

## Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Chief Finance Officer.
  - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. We continued to be in discussions with your finance team to explore the most effective approach for ensuring close collaboration and conducting an efficient audit process.
  - We would like to offer a formal meeting with the Chair of Pension Committee and with the Chief Finance Officer twice yearly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to:
- meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date, and
  - In line with best practice, offer to meet in private with the full Audit Committee.
- 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 via our Audit Committee updates.
  - We hold annual financial reporting workshops for our audited bodies 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.

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# 02 Introduction and Headlines

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# 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 Fund') for those charged with governance.

## Respective responsibilities

- The National Audit Office ('the NAO') has issued the 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 the Fund. We draw your attention to these documents in the links below.
- [Terms of Appointment from 2023/24 - PSAA](#)
- [Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA](#)

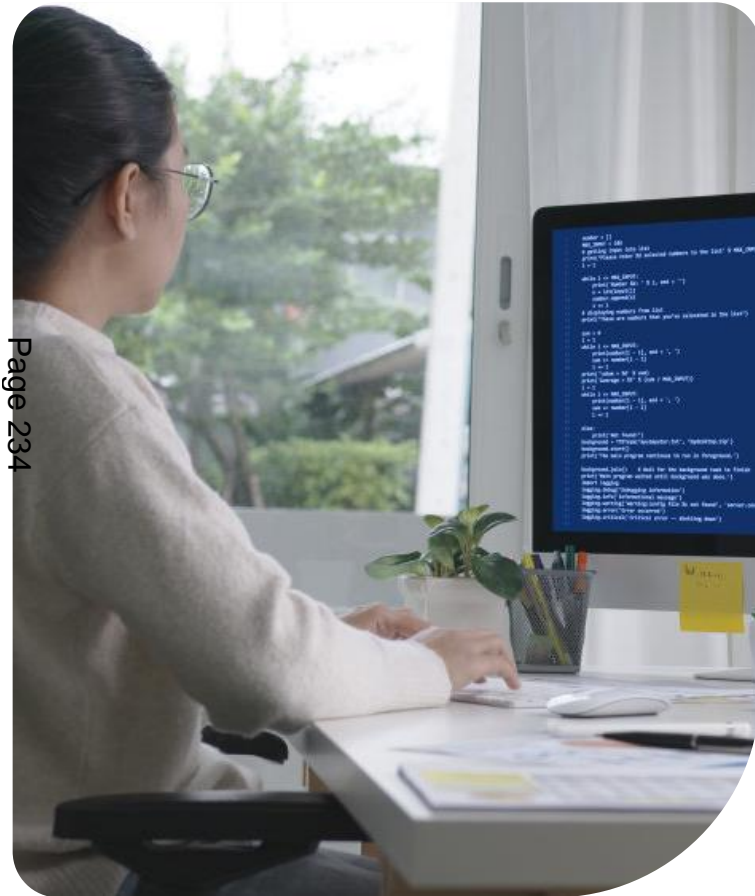
## Scope of our Audit

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 Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Fund.

The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities. It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.

# Introduction and headlines (continued)



## 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 control
- 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 £63.8m (PY £54.7m) for the Pension Fund, which equates to 1.3% of your gross investment assets as at 31 March 2024.

We have determined a lower specific planning materiality for the Fund Account of £14.6m (PY £13.3m), which equates to 10% of prior year gross expenditure on the fund account.

Clearly trivial has been set at £3.1m (PY £2.7m).

## Audit logistics

Our interim visit took place between February to March 2025 and our final visit will take place from June to September 2025 (see page 27). We have also initiated advanced testing as outlined on the Page 25 (Interim testing). This proactive approach is aimed at reducing the pressure during the year-end fieldwork visit. Our key deliverables are this Audit Plan, Auditor's Report and our Audit Findings Report.

Our proposed fee for the audit is £101,515 (PY: £97,867) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Fund's Custodian does not independently value the Pension Fund's (Level 2 & 3) Investments, meaning we are not able to triangulate valuations included in the financial statements to investment manager and custodian confirmations for these investments. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments. For Level 2 investments that have quoted unit prices we will agree the values to published data. For those pooled investments that are not directly quoted we will obtain a breakdown of investments within the pooled fund and test the underlying assets to quoted prices. See page 15 for further details regarding our approach to auditing the valuation of Level 3 Investments.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

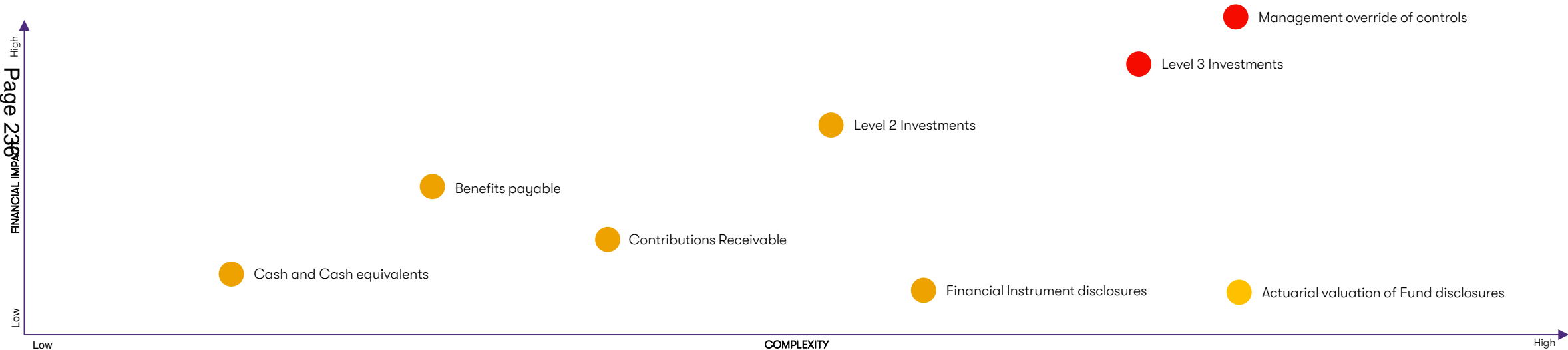
# 03 Overview of audit risks

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# Overview of audit risks

We have prepared our Audit Plan to reflect any changes and developments that have occurred within the year. We have assessed any developments identified during our initial planning processes and, along with our prior knowledge and understanding of the Fund, have determined the audit risks over the following pages. These audit risks have been determined ahead of receipt of a first draft of the financial statements and so, should anything come to light that may change this risk assessment, we will highlight this within our Audit Findings Report issued at the end of the audit.

Where the assertions relating to a balance span two categories of risk the balance is shown below in the highest risk category.



Glossary		
<div></div>	Significant risk	A financial statement or assertion level risk that in the engagement team’s professional judgement requires 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.
<div></div>	Significant classes of transactions, account balances or disclosures	Significant classes of transactions, account balances, and disclosures, associated with risks of material misstatement but are not always significant risks
<div></div>	Material only	Material financial statement line items not associated with risks of material misstatement
<div></div>	Other audit risks	Other accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.



# 04 Identified risks

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# 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.

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls Significant	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: <ul style="list-style-type: none"><li>• evaluate the design and implementation effectiveness of management relevant controls over journals;</li><li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li><li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li><li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li><li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul>

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“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide 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.

# Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
<p>Valuation of Level 3 investments (PY £1,145 m)</p> <p><b>Significant</b></p> <p>Relevant Assertion(s) Valuation, Existence</p> <p>Applicable Assertion(s) Rights &amp; Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error.</p>	<p>The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature level 3 investment valuation lack observable inputs. These valuation therefore represents a significant estimates by management in the financial statement due to the size of the numbers involved and the sensitivity of this estimates to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2025</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Obtain understanding of management's processes for valuing Level 3 investments;</li> <li>Evaluate the design and implementation effectiveness of the associated relevant controls;</li> <li>Obtain and review the corresponding investment manager report as at 31 March 2025 comparing the balance with the Fund's financial statements;</li> <li>For a sample of Level 3 investments, test the valuation by obtaining and reviewing the audited accounts, (where available these are predominantly private equity and infrastructure funds) at the latest available date for individual investments and compare these to the fund manager reports and accounts stated valuations;</li> <li>Note that the latest audit accounts for the individual investments are often not at the balance sheet date and so are not a satisfactory comparable for the valuation. In these cases we will reconcile those values to the values at 31 March 2025 with reference to known movements in the intervening period (such as purchases and sales, and other cash movements on the fund) in order to arrive at an appropriate comparable to test against;</li> <li>Where no audited statements are available to test a sampled investment the audit team will devise alternative procedures to obtain an appropriate comparable to test the valuation.</li> <li>Review purchase and sale transactions of the investment near the reporting date where appropriate;</li> <li>Review the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts;</li> <li>Review the methods and assumptions applied by the Fund managers;</li> <li>Review management's classification of the assets; and</li> <li>Obtain and review investment manager service auditor report on design and operating effectiveness of internal controls where appropriate.</li> </ul>
<p>Risk of Fraud in Revenue recognition (Rebutted)</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate revenue recognition;</li> <li>opportunities to manipulate revenue recognition are very limited; and</li> <li>the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	<p>We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p>

# Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an 'other risk' is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
<p>Valuation of Level 2 Investments (PY £3,305 m)</p> <p><b>Significant class of transactions</b></p> <p>Relevant Assertion(s) Existence, Valuation</p> <p>Applicable Assertion(s) Rights &amp; Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>Level 2 investments do not carry the same level of inherent risks associated with level 3 investments, however there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. As a result, the valuation of the Fund's Level 2 investments have been identified as 'other risk' of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Gain an understanding of the Fund's process for valuing Level 2 investments;</li> <li>• Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments;</li> <li>• Agree the valuation to the confirmation received from the investment manager;</li> <li>• Agree the valuation to the confirmation received from the custodian;</li> <li>• Review the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances;</li> <li>• Test a sample of the underlying investments to independent sources of pricing information; and</li> <li>• Obtain and review a service auditor's report on internal controls for the custodian;</li> <li>• Review management's classification in the fair value hierarchy for a sample of level 2 investments.</li> </ul>
<p>Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26 (PY £4,916m)</p> <p><b>Significant class of transactions</b></p> <p>Relevant Assertion(s) Valuation</p> <p>Applicable Assertion(s) Presentation</p> <p>Planned level of control reliance None</p>	<p>The disclosure of the Fund's Actuarial Present Value of Promised Retirement Benefits is an accounting estimate (gross liability of £4,916m as at 31<sup>st</sup> March 2024) and is sensitive to changes in key assumptions. The Pension Fund engage the services of a qualified actuary to develop an IAS 26 compliant estimate of the disclosure. As a result, the disclosure of the Fund's Actuarial Present Value of Promised Retirement Benefits have been identified as 'other risk' of material misstatement. Note that the 2024/25 year is not a triennial valuation year. In the intervening years between triennial valuations the actuary applies roll forward assumptions to update the valuation of liabilities as opposed to a full revaluation based on detailed membership data. The roll forward method is simpler and the triennial valuation approach with roll forward assumptions in intervening years is recommended by CIPFA. We therefore do not regard this as a significant risk of material misstatement for the 2024/25 year.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Update our understanding of the processes put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated;</li> <li>• Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• Assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation;</li> <li>• Assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability;</li> <li>• Test the consistency of disclosures with the actuarial report from the actuary;</li> <li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• Review whether the judgement made by management that the application of the roll forward method in the intervening year within the triennial valuation cycle remains appropriate, and consider whether we continue to have sufficient assurance from our cyclical triennial membership testing.</li> </ul>

# Other risks identified

Risk	Description	Planned audit procedures
<p>Cash and cash equivalents (PY £70m)</p> <p><b>Significant class of transactions</b></p> <p>Relevant Assertion(s) Completeness, Existence</p> <p>Applicable Assertion(s) Rights &amp; Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the Net Asset Statement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Obtain direct confirmations for all bank accounts</li> <li>Obtain monthly bank reconciliations as at the year-end and for one month post year-end, and</li> <li>Where material, reconciling items will be tested to confirm clearance through the bank account after the year-end</li> </ul>
<p>Benefits payable (PY £155m)</p> <p><b>Significant class of transactions</b></p> <p>Relevant Assertion(s) Completeness, Accuracy, Occurrence</p> <p>Applicable Assertion(s) Presentation</p> <p>Planned level of control reliance None</p>	<p>Pension benefits payable represents a significant percentage of the Fund's expenditure.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;</li> <li>Gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls;</li> <li>Test a sample of lump sums and associated individual pensions in payment by reference to member files; and</li> <li>Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.</li> </ul>
<p>Contributions receivable (PY £155m)</p> <p><b>Significant class of transactions</b></p> <p>Relevant Assertion(s) Completeness, Accuracy, Occurrence</p> <p>Applicable Assertion(s) Presentation</p> <p>Planned level of control reliance None</p>	<p>Contributions from employers and employees represents a significant percentage of the Fund's revenue.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate the Fund's accounting policy for recognition of contributions for appropriateness;</li> <li>Gain an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls;</li> <li>Test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and</li> <li>Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.</li> </ul>

# Other risks identified

Risk	Description	Planned audit procedures
Financial instrument disclosures <div>Significant class of transactions</div> Relevant Assertion(s) Accuracy, Completeness, Valuation, Presentation Applicable Assertion(s) None Planned level of control reliance None	Financial instrument and associated risk disclosures provide assisting users in understanding and evaluating: <ul style="list-style-type: none"><li>The significance of financial instruments to the entity’s financial position and performance.</li><li>The nature and extent of risks from financial instruments during, and at the close of, the reporting period.</li><li>How the Fund manages these risks.</li></ul>	We will: <ul style="list-style-type: none"><li>Update our understanding of the processes and controls put in place by management to prepare the financial instrument disclosures</li><li>Document and evaluate the Fund’s accounting policies for appropriateness and consistency</li><li>Evaluate the instructions issued by management to their management expert/information provider for these disclosures</li><li>Test the consistency of disclosures with the actuarial report from the actuary;</li><li>For all material financial instrument disclosures confirm they are disclosed in accordance with IFRS 7, measured in accordance with IFRS 9 and classified in accordance with CIPFA guidance on IFRS 9 Financial Instruments</li></ul>

# Other matters

## Other work

The Pension Fund is administered by East Sussex Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- 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 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 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.

# 05 Our approach to materiality

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# 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
01	<b>Determination</b> We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"> <li>We determine planning materiality in order to:               <ul style="list-style-type: none"> <li>establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li> <li>assist in establishing the scope of our audit engagement and audit tests</li> <li>determine sample sizes and</li> <li>assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul> </li> </ul>
02	<b>Other factors</b> An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"> <li>An item may be considered to be material by nature when it relates to instances where greater precision is required.</li> <li>Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.</li> </ul>
03	<b>Reassessment of materiality</b> Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"> <li>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</li> </ul>
04	<b>Matters we will report to the Audit Committee</b> 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.	<ul style="list-style-type: none"> <li>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</li> <li>In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than £3.1m (PY £2.7m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</li> </ul>



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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

# 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.

	Amount (£)	Qualitative factors considered
Headline materiality for the Fund’s financial statements	63,800,000	<p>In determining materiality, we have considered the following key factors:</p> <ul style="list-style-type: none"><li>- Business environment: the Pension Fund operates in a generally stable, regulated environment.</li><li>- Other sensitivities – There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced.</li></ul> <p>This benchmark is determined as a percentage of the Fund’s Net Assets, and headline materiality equates to 1.3% of the Gross Net Assets per the prior year audited financial statements. Note that our firm approach is that materiality for the PF financial statements as a whole should not exceed the admitted body auditor’s materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the PF admitted bodies in determining materiality which has resulted in the value being end at 1.3%.</p>
Performance materiality	47,900,000	<p>We determine a lower performance materiality as an amount less than materiality for the financial statements as a whole (i.e., planning materiality) to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.</p> <p>In determining performance materiality the main considerations are our view and understanding of the pension fund control environment, whether there have been significant levels of errors in prior year audits. There is not a history of significant deficiencies or a high number of deficiencies in the control environment, and in prior years there have not been a large number or significant misstatements identified. Our performance materiality is therefore calculated at 75% of our headline materiality.</p>
Triviality	3,100,000	<p>We are obliged to report uncorrected omissions or misstatements other than those which are “clearly trivial” to those charged with governance. We have calculated our “clearly trivial” threshold as 5% of the headline materiality.</p>
Specific Materiality for Fund Account The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.	19,500,000	<p>This benchmark is determined as a percentage of the Fund’s expenditure, which has been determined as 10%.</p>
Fund account performance materiality	14,600,000	<p>Performance materiality is based on a percentage (75%) of the overall materiality of the fund account.</p> <p>The key considerations in determining this percentage are the same as those for our headline performance materiality.</p>

# 07 IT audit strategy

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# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

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:

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
SAP	Financial reporting	<ul style="list-style-type: none"><li>ITGC assessment (design, implementation)</li></ul>
Altair	Pensions Administration Data, Benefits Payable.	<ul style="list-style-type: none"><li>ITGC assessment (design, implementation)</li></ul>

Both of these assessments are conducted by our IT audit team, and the team has identified certain deficiencies in the 22/23 and 23/24 reviews. These areas will be revisited to corroborate the actions taken by management since the recommendations were issued.

# 08 Interim audit work

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# Interim Audit Work

## Details of work conducted at interim:

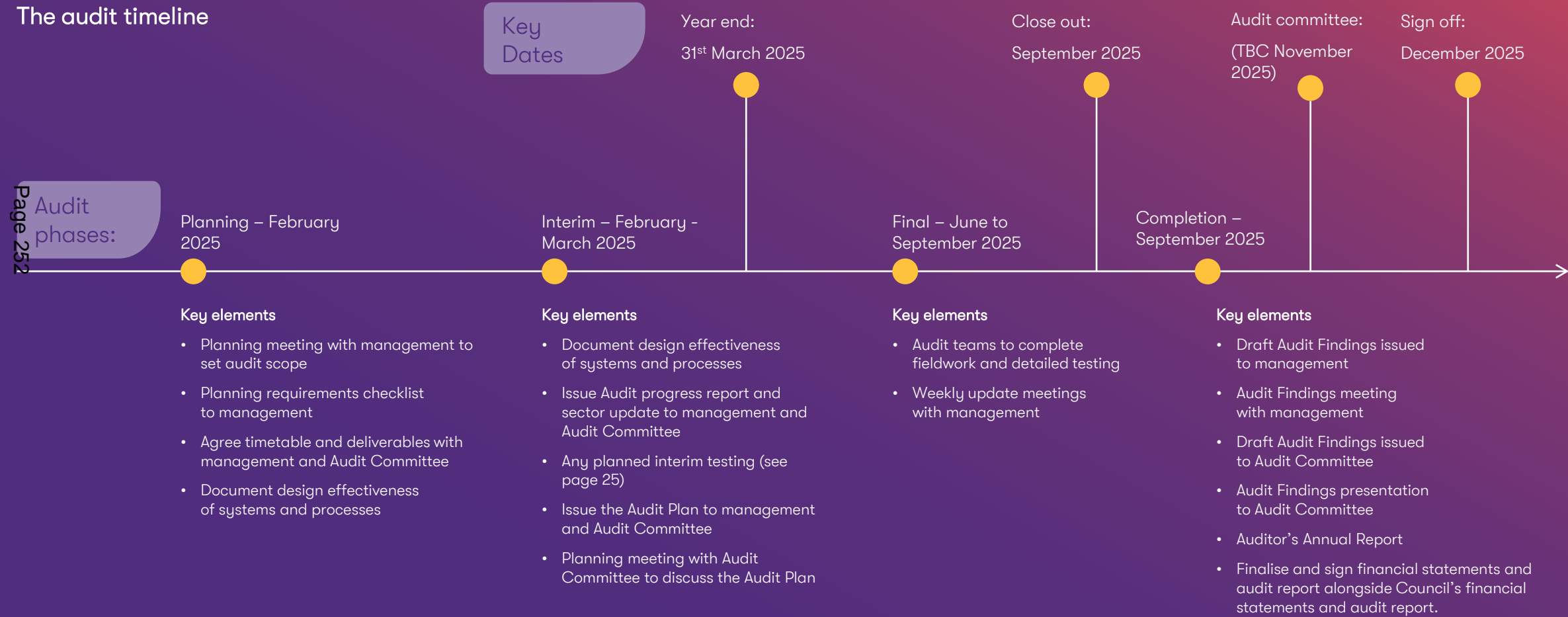
Description	Work commentary
Starter, Leavers and Changes in Circumstances	<p>We have:</p> <ul style="list-style-type: none"><li>• Requested the Listings of Starters, Leavers and Changes in circumstances for 9 months</li><li>• Selected and Sent a sample for testing based on interim data provided</li><li>• Obtained assurance on the interim data based on evidences provided.</li></ul> <p>At the date of issuing this audit plan, this work is being completed and is still subject to senior engagement review. There are no matters identified to date which we need to bring to your attention.</p>
Contributions – Admitted, Scheduled and Administrating bodies	<p>We have:</p> <ul style="list-style-type: none"><li>• Request the Listings of Contributions for Admitted, Scheduled and Administrating bodies for 9 months</li><li>• Selected and Sent a sample for testing based on interim data provided</li><li>• Obtained assurance on the interim data based on evidences provided.</li></ul> <p>At the date of issuing this audit plan, this work is being completed and is still subject to senior engagement review. There are no matters identified to date which we need to bring to your attention.</p>
Benefits payable	<p>We have:</p> <ul style="list-style-type: none"><li>• Requested the Listings of Benefits payable and lump sums for 9 months</li><li>• Selected and Sent a sample for testing based on interim data provided</li><li>• Obtained assurance on the interim data based on evidences provided.</li></ul> <p>At the date of issuing this audit plan, this work is being completed and is still subject to senior engagement review. There are no matters identified to date which we need to bring to your attention.</p>

# 09 Logistics

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# Logistics

## The audit timeline





# Our team and communications

## Grant Thornton core team

### Parris Williams

Key Audit Partner

- Key contact for Audit Committee, Chief Executive, and Chief Finance Officer
  - Oversees quality control, accounts opinions, and report authorization
  - Shares sector knowledge and experience, providing challenge and sharing best practices
- Ensures the audit is tailored to the client and maintains overall audit quality

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Pool of specialists and other technical specialists (eg IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"><li>• Client Surveys</li></ul>	<ul style="list-style-type: none"><li>• The Audit Plan</li><li>• Audit Progress and Sector Update Reports</li><li>• The Audit Findings Report</li><li>• Auditor’s Annual Report</li></ul>	<ul style="list-style-type: none"><li>• Audit planning meetings</li><li>• Audit clearance meetings</li><li>• Communication of issues log</li></ul>	<ul style="list-style-type: none"><li>• Technical updates</li></ul>
Informal communications	<ul style="list-style-type: none"><li>• Open channel for discussion</li></ul>		<ul style="list-style-type: none"><li>• Communication of audit issues as they arise</li></ul>	<ul style="list-style-type: none"><li>• Notification of up-coming issues</li></ul>

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

# 10 Fees and related matters

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# Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

### 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 \(revised 2024\)](#) 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.

### PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for East Sussex Pension fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2024/25 audit is £101,515.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

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- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
  - Production of the draft audit planning report to Audited Body
  - 50% of planned hours of an audit have been completed
  - 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Description	Audit Fee for 2023/24	Proposed fee for 2024/25
	(£)	(£)
East Sussex Pension Fund Audit	90,337	101,515
ISA 315	7,530	Included in scale fee
Total (Exc. VAT)	97,867	101,515

\*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

### Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

### Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the 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 while preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

### Previous year

In 2023/24 the fee paid was £97,867.

# 11 Independence considerations

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# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no matters that we are required to report.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and the Administering Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund and the Administering Authority and investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund and Administering Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund and Administering Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's and the Administering Authority's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and 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 February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

### Other services

No other services provided by Grant Thornton were identified.

# **12 Communication of audit matters with those charged with governance**

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# 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	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
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	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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 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		●

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.

# 13 Delivering audit quality



# Delivering audit quality

## Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

### Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

### Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

### Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

## How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

## The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

## Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

## Oversight and control

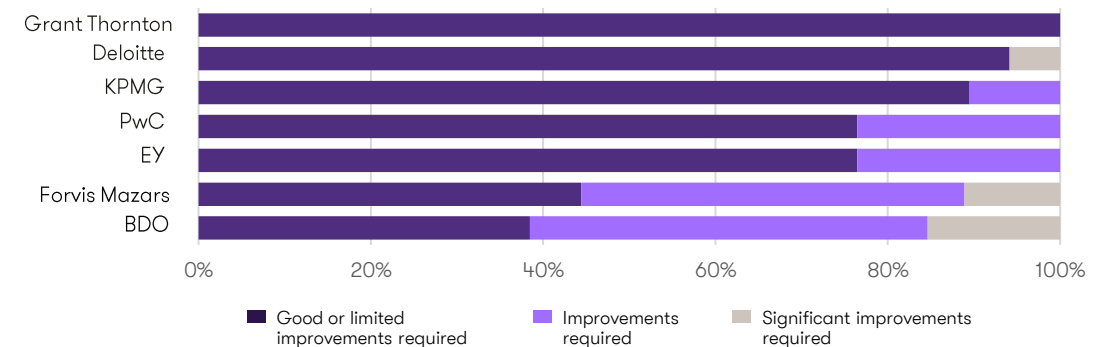
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell  
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection  
(% of files awarded in each grading, in the most recent report for each firm)





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**Report to:** Pension Committee

**Date of meeting:** 19 June 2025

**By:** Chief Finance Officer

**Title:** Pension Fund Risk Register

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

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## **RECOMMENDATION:**

The Pension Committee is recommended to:

- (1) review and note the Pension Fund Risk Register; and**
  - (2) delegate authority to the Chief Finance Officer to take all actions necessary to procure and appoint an external adviser to provide support in relation to business continuity planning and cyber risk, including the provision of training to Officers and members of the Pension Committee and Board.**
- 

## **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. As noted below, a detailed risk register workshop was undertaken in March 2025 and a full review of the risk register was carried out at this point.

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 Supporting information is included at Appendix 1.

### **3 Changes to the Risk Register**

3.1 Following the Risk Register Workshop held on 31 March 2025, which was attended by members of the Pension Board, several updates have now been incorporated in the Fund's Risk Register to reflect emerging risks, strengthen controls and improve overall clarity.

Key updates included:

- Typographical clean-up for consistency;
- Clearer articulation of risk triggers; and
- Enhanced descriptions in the "Consequences" and "Controls" columns.

3.2 While the full revised Risk Register is not published in this meeting pack, it remains available to Board members upon request.

### **4 Risk Register Workshop**

4.1 As mentioned in section 3 above, the Pension Board attended a virtual workshop on 31 March 2025 to review and reinforce the Fund's risk management approach. The session covered core pension risk principles, real-world LGPS examples, and a walkthrough of the updated Risk Register. Key improvements to the register include clearer risk triggers, refined consequences and controls, improved scoring consistency, and enhanced formatting.

4.2 Officers will shortly be exploring external advice in relation to business continuity planning ("BCP") and cyber risk. It is proposed that a procurement exercise is initiated with a view to appointing a provider over the summer. Outputs would then be used to support a joint officer and Pension Board/Pension Committee training session, with learning incorporated into the Fund's updated BCP, expected to be brought forward later in the year.

### **5 Conclusion**

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

5.2 In addition, to facilitate the Fund accessing external advice in relation to BCP and cyber risk, the Pension Committee is recommended to delegate authority to the Chief Finance Officer to take all actions necessary to procure and appoint an external advisor for this purpose and to facilitate a training session for officers as well as Pension Committee and Pension Board members.

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

Contact Officer:  
Email:

Susan Greenwood, Head of Pensions  
[Susan.Greenwood@eastsussex.gov.uk](mailto:Susan.Greenwood@eastsussex.gov.uk)

# Appendix 1

## Summary Post Mitigation Risk scores

Reference Strategic Risk		Sep-23	Nov-23	Feb-24	Jun-24	Sep-24	Nov-24	Feb-25	Jun-25	Change from Sept 23
<b>Employer</b>										
E1	<b>Contributions Funding</b> Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	4	4	4	4	4	4	4	4	↔
E2	<b>Employer data</b> Employers fail to provide accurate and timely data to the PAT team	9	9	9	9	9	9	9	9	↔
E3	<b>Employer Covenant</b> Delay in employers agreeing Admission Agreement, risk of insufficient security	4	4	6	6	6	6	6	6	↔
<b>Administration</b>										
A1	<b>Pensions service Delivery</b> Inadequate delivery of Pensions Administration	6	6	6	6	6	6	6	6	↔
A2	<b>Regulatory Change</b> Risk that new benefit structures can not be set up correctly or in time	6	6	6	6	6	6	6	6	↔
A3	<b>Production of Statutory member returns</b> Risk of failure to produce ABS, annual allowance and event reports	6	6	6	6	4	4	4	4	↔
A5	<b>Transfer Scams</b> Failure to comply with CETV anti scam checks	2	2	2	2	2	2	2	2	↔
A7	<b>MBOS Project</b> Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	6	6	6	6	6	6	6	6	↔
<b>Governance</b>										
G1	<b>Key Person risk</b> Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	4	4	6	6	8	8	6	6	↔
G2	<b>Committee / Board Member</b> Lack of decision making caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	9	6	6	6	6	6	6	6	↔
G3	<b>Cyber Security</b> Risk of Loss of data or systems breaches through cyber attacks	8	12	12	12	12	12	12	12	↔
G4	<b>Governance and Compliance</b> Inadequate governance arrangements and controls to discharge powers & duties	6	3	3	3	3	3	3	3	↔
G5	<b>Data Breach</b> Failure to comply with General Data Protection Regulations	4	4	4	4	4	4	4	4	↔
G6	<b>Fraud</b> Internal and External fraud risk	4	4	2	2	2	2	2	2	↔
<b>Investment/Funding</b>										
I1	<b>Funding risk - poor investment returns</b> Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	4	4	4	4	4	4	4	4	↔
I3	<b>Regulatory risk</b> Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	2	2	2	4	4	4	4	4	↔
I4	<b>Investment Pooling</b> Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	12	9	9	9	9	9	9	9	↔
I5	<b>Funding risk - higher inflation</b> Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	6	6	6	6	6	6	9	6	↓
I6	<b>Environmental, Social and Governance</b> Risk of ESG factors within Investment strategy, underlying holdings and implementations of investment decisions	4	4	6	6	6	6	6	6	↔
I7	<b>Climate change</b> Risk to assets and liabilities associated with Climate Change	4	4	6	6	6	6	6	6	↔
I8	<b>Liquidity</b> Insufficient cash to pay benefits as they fall due	4	4	4	4	4	4	6	4	↓
I9	<b>Money Purchase Additional Voluntary Contributions</b> Inadequate offering to Scheme Members	2	2	2	2	2	2	2	2	↔

Ref	Strategic Risks	Pre-mitigati on RAG	Risk Control / Response	Post-mitigati on RAG	Risk Owner
<b>Employer Risk</b>					
E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	9	<ul style="list-style-type: none"> <li>•Monthly Employer contribution monitoring completed</li> <li>•Monitoring of late payments by Employer engagement team to address breaches for late payment, following an escalation process. Chasers are sent out during the lead up to the deadline to prompt employers providing information and payment on time</li> <li>•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</li> <li>•Pension Administration strategy refreshed in February 2023 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.</li> <li>•Implementation of i-Connect is improving the quality of contribution data received to better aid reconciliation of payments and drill into the accuracy of employers' contribution payments, however functionality is still being improved by the software provider</li> <li>•Regular reporting to Pensions Board on any late payment of contributions</li> <li>•Covenant review undertaken helps identify employers most likely to have financial difficulties. This will be renewed in 2025.</li> <li>•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.</li> <li>•Guide to Employers on implications of Pensions on Outsourcing published and issued to all employers</li> <li>•Contribution deferral policy approved by Committee in June 2020</li> <li>•Deferred debt and debt spreading policies approved in June 2023</li> <li>•Employer engagement team are confirming the correct signatories for contribution submissions to ensure they are signed off at an appropriate management level</li> <li>•Regular communication with Employers through Employer engagement team</li> <li>•Cash Management covered by internal audit in 2022/23 and 2023/24 looking at contribution collection and cash management strategy with substantial assurance</li> </ul>	4	Head of Pensions
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	12	<ul style="list-style-type: none"> <li>•Pension Administration Strategy in place and last reviewed in 2023</li> <li>•Employing authorities are contacted for outstanding/accurate information</li> <li>•User Guide and Training provided to Employers for outsourcing implications with LGPS</li> <li>•Regular communication and meeting with administration services regarding service updates and additional data, when required</li> <li>•Employer engagement team established from January 2021 to support employers and provide training where required</li> <li>•Issuance of a quarterly employer newsletter to support employers in their understanding of current pensions issues and activity for the Pension Fund</li> <li>•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</li> <li>•i-Connect system limits employer ability to submit incorrect data. Data is received monthly rather than annually to allow for regular cleansing and discussion with employers</li> <li>•Meetings held between senior pensions Management team and employers where there are current or historic data concerns</li> <li>•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. Work will commence on data cleansing for both Dashboard and the 2025 triennial valuation.</li> </ul>	9	Head of Pensions

E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security	8	<ul style="list-style-type: none"> <li>•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</li> <li>•Guide to outsourcing is publicly available and distributed to all employers. This guide directs employers of all the activities and considerations they need to take on any outsourcing arrangement with TUPE staff implications. New employers are given a copy as part of Admission Agreement process</li> <li>•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</li> <li>•A data flow and process map is in place 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</li> <li>•Admissions in progress are reported quarterly to Board and Committee to ensure awareness of status</li> <li>•Security obtained for new admissions in form of bond or a guarantee from an appropriate body which has the means to support the guarantee</li> </ul>	6	Head of Pensions
<b>Administration</b>					
A1	Pensions service Delivery The scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including the result of poor data	9	<ul style="list-style-type: none"> <li>•The PAT team is in-house provision and enables the management team to have complete control over service delivery</li> <li>•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 bringing inhouse with no red recommendations.</li> <li>•Quarterly Reports to Pension Board and Committee on areas of work and KPIs</li> <li>•New service level KPI's now reportable within the Administration software</li> <li>•Awareness of the Pension Regulator Guidance by all team members, with training provided at team meetings or through provision of courses</li> <li>•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.</li> <li>•Checklists in place and all activity impacting members recorded on member records for other teams members to access</li> <li>•All tasks are peer reviewed. Constant monitoring / checking by team managers and senior officers for more junior staff members</li> <li>•In house risk logs covering projects</li> <li>•SAP / Altair reconciliation monthly to ensure pension payment records complete and correct</li> <li>•Most calculations automated to reduce manual error risk</li> <li>•Task management systems built into Altair to ensure activity is completed and monitored</li> <li>•Regular meetings with payroll, HR, ICT and PAT</li> <li>•Pensions Admin working group in place to discuss service delivery issues on a regular basis</li> <li>•Pensions Admin Team has skills matrix to identify training needs for particular processes</li> </ul>	6	Head of Pensions Administration
A2	Regulatory Change - Risk that new benefit structures can not be set up correctly or in time. - LTA replaced with max cash limits. - Introducing inheritance tax. - Change in minimum retirement age	9	<ul style="list-style-type: none"> <li>•Projects and/or working groups in place to deal with current regulatorily benefit changes</li> <li>•Attendance at networks and officer groups to stay on top of upcoming changes in regulation</li> <li>•Reports to Pension Board and Committee to ensure knowledge is shared to decision makers</li> <li>•Oversight via Pension Admin Working Group</li> </ul>	6	Head of Pensions Administration

A3	Production of Statutory member returns Risk of failure to produce ABS, annual allowance and event reports	15	<ul style="list-style-type: none"> <li>•Regular contact with employers to get data</li> <li>•Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for distribution to staff</li> <li>•Less than 10 employers are now to be onboarded to i-Connect, thus ensuring better quality &amp; speedy data including joiners/leavers. Annual Allowance data will continue for cases deemed in scope annually but with the limit increasing to £60k, those impacted are significantly reduced</li> <li>•Breaches policy in place and Breach reporting to Committee and Board quarterly to raise and consider breach reporting levels</li> </ul>	4	Head of Pensions Administration
A5	Transfer Scams Failure to comply with CETV anti scam checks	6	<ul style="list-style-type: none"> <li>•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</li> <li>•Process mapping process has taken place to ensure transfers are fully documented with clear guidance to staff in carrying out this activity</li> <li>•Member informed of "red flags" identified</li> <li>•Scorpion campaign material provided to members seeking a CETV</li> <li>•Quality assurance checks ensure appropriate checks carried out</li> <li>•We are now reinstating deferred benefits for scammed cases</li> </ul>	2	Head of Pensions Administration
A7	Implementation of Oracle Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	9	<ul style="list-style-type: none"> <li>•Officers are part of the project roll out and involved in testing. Needs of the Pension Fund are therefore being considered</li> <li>•Officers produced process mapping for all functions within the existing finance system</li> <li>•A specific stream of planning has been identified in the project for the interface with Altair</li> <li>•S151 officer on the programme board and will make go/no go decision</li> <li>•Heywood's paid to produce a scheme specific payroll data output report for transfer to Oracle</li> </ul>	6	Head of Pensions
<b>Governance</b>					
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	9	<ul style="list-style-type: none"> <li>•Diversified staff / team</li> <li>•Attendance at pension officers' user groups to network and exchange information</li> <li>•Procedural notes which include new systems, section meetings / appraisals</li> <li>•Succession planning within team structure, building from within the team</li> <li>•Robust business continuity processes in place around key business processes, including a disaster recovery plan</li> <li>•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</li> <li>•Training requirements are set out in training strategy, job descriptions and reviewed prior to recruitment processes</li> <li>•Training officer post</li> <li>•Training strategy in place and regularly reviewed with training log where required</li> <li>•Recruitment project to fill to vacant positions coming to an end with nearly all posts now filled</li> <li>•Utilisation of apprenticeships allow for bring new staff into to train in advance of vacancies</li> <li>•Team responsibilities being reviewed to ensure appropriate coverage of workstreams</li> <li>•An interim has been appointed for 6 months to support the senior leadership team and the new Deputy Head of Pensions has now started (November 2024)</li> </ul>	6	Head of Pensions / Head of Pensions Administration
G2	Committee / Board Member Lack of decision making/functionality caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	9	<ul style="list-style-type: none"> <li>•Record kept of terms of Office</li> <li>•Pension Board terms of Office staggered</li> <li>•Vice Chairs in place to cover chair absence</li> <li>•Officers aware of election cycles and request for officers as a preference over elected members is communicated to employers</li> <li>•Robust Terms of reference in place that is clear and comprehensive</li> <li>•Training plans in place for new members to build knowledge to required levels</li> </ul>	6	Head of Pensions



G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	16	<ul style="list-style-type: none"> <li>• ICT defence - in-depth approach.</li> <li>• Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols. Network activity is monitored to identify security threats.</li> <li>• Email and content scanners</li> <li>• Using anti-malware which is regularly updated, together with other protective software</li> <li>• ICT performs penetration and security tests on regular basis</li> <li>• Encryption used on all data transfers</li> <li>• Service level agreement with termination clause</li> <li>• Regular reports SAS 70/AAF0106</li> <li>• Industry leaders providing services to the fund with data protection and cyber defence systems</li> <li>• Risk assessment completed with all new contracts with data transfer and new associated systems including penetration testing at outset</li> <li>• Pensions Team specific BCP being finalised and rolled out</li> <li>• Information security report no material vulnerabilities. Recommendations to be implemented.</li> <li>• Cyber training is provided to all staff around techniques and methods used to launch cyber attacks</li> <li>• Officers undertook a war games training session with IT in August 2024</li> </ul>	12	Head of Pensions
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	9	<ul style="list-style-type: none"> <li>• Training strategy in place which covers Pension Committee, Pensions Board and officers</li> <li>• 75 days of internal audit commissioned for each calendar year with regular reporting from IA to committee and board, including areas Governance and Compliance</li> <li>• 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</li> <li>• Investment regulations require proper advice</li> <li>• Procurement processes in place to ensure quality within replacement advisers</li> <li>• Review carried out against TPR General Code requirements to identify any governance gaps</li> <li>• Specialist legal advisers and governance advisers to provide clear and accurate advice to the Fund on point of law or regulation</li> <li>• Publication of annual Governance and Compliance Statement explaining governance arrangements and reviewed and approved by Board / Committee</li> <li>• Training coordinator appointed. This officer liaises with chair of Pension Board and Committee to identify training needs</li> <li>• Working groups in place, with own terms of reference, which report findings to full Board and Committee</li> <li>• Governance of meetings supported by Democratic Services</li> <li>• Governance structures held within ESCC constitution</li> <li>• Conflict of interest policy in place</li> </ul>	3	Head of Pensions
G5	Data Breach Failure to comply with General Data Protection Regulations and Disclosure Regulations	9	<ul style="list-style-type: none"> <li>• Contracts with external parties where there is a data role have clear terms and conditions as part of the data processing agreements</li> <li>• Data Impact assessment is carried out on all new tenders where data is involved</li> <li>• DPO is in place via ESCC</li> <li>• Privacy notice is on the website - the privacy statements have been refreshed each year</li> <li>• Memorandum of Understanding in place with employers within the fund</li> <li>• All staff are required to complete an information governance course on joining the Council and this is refreshed annually</li> <li>• Information governance Internal audit completed in Q4 2020/21 with a reasonable assurance level and all recommendations were completed</li> <li>• 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</li> </ul>	4	Head of Pensions
G6	Fraud Internal and External fraud risk	12	<ul style="list-style-type: none"> <li>• Quarterly review of log in credentials</li> <li>• Senior officers have sight of bank account</li> <li>• Senior officers are signatories to bank account</li> <li>• Multiple sign off needed to make payment, with appropriate seniority levels</li> <li>• Mortality checks, Tell us once and NFI data</li> <li>• Contract in place with a third party to support with mortality and address training</li> <li>• Journals over £1m have to be signed off by Head of Pensions</li> </ul>	2	Head of Pensions

Investment/Funding					
I1	Funding risk - poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	9	<ul style="list-style-type: none"> <li>•Strategy is supported by expert Investment consultants. Challenge to Consultants through Independent Adviser</li> <li>•Triennial valuation ensures funding position is known and contribution rates are stabilised</li> <li>•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</li> <li>•Annual Investment Strategy Review, with interim rebalancing</li> <li>•Quarterly Reporting to Pensions Committee, with decisions approved by committee, including Fund Manager performance</li> <li>•Training strategy in place to ensure officers and committee members have sufficient knowledge and skills to implement and change the investment strategy</li> <li>•Investment decisions are made in compliance with the ISS/FSS</li> <li>•All investment decisions made, based on proper advice</li> <li>•Diversified strategy to reduce correlation of manager volatility</li> <li>•Changes to investment strategy are discussed with the actuary to ensure anticipated implications on funding aligned</li> <li>•Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation</li> </ul>	4	Head of Pensions
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	9	<ul style="list-style-type: none"> <li>•Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures</li> <li>•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</li> <li>•Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers</li> <li>•Internal Audits - carried out in line with the Pension Audit strategy</li> <li>•External Audit review the Pension Fund's accounts annually</li> <li>•Specialist legal advisers to provide clear and accurate advice to the Fund on point of law or regulation</li> <li>•Breaches policy in place to ensure breaches mapped and reported</li> </ul>	4	Head of Pensions
I4	Investment Pooling Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	16	<ul style="list-style-type: none"> <li>•ACCESS Support Unit team provide support to the pool</li> <li>•Operator contract provided by Waystone for assets held within the ACS. Operator novation imminent.</li> <li>•The ACCESS Contracts Manager will monitor Waystone's progress closely.</li> <li>•KPI's introduced within revised operator agreements</li> <li>•Consultants involved in analysing the creation of sub-funds and transitioning of assets into the pool, under a variety of scenarios</li> <li>•Opportunities to transfer securities in 'specie'. Reducing cost on transition</li> <li>•Transition manager in place to preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled</li> <li>•Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest</li> <li>•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</li> <li>•Regular meetings between officers and ACCESS pool with officers on a number of working groups to ensure involvement in decision making</li> <li>•ACCESS governance review completed</li> <li>•ACCESS have secured a stewardship consultant to support development in RI activities for the pool</li> <li>•Illiquid assets are in progress for pooling</li> <li>•Fund has responded to key government consultations to ensure its view is shared with policy makers on recommended future changes in pooling.</li> </ul>	9	Head of Pensions
I5	Investment Pooling Arrangements agreed via ACCESS do not meet the needs of East Sussex Pension Fund (in respect of Mansion House proposals)	12	<ul style="list-style-type: none"> <li>Continued strong involvement in the work of the ACCESS Group at officer and at Fund Chairman level.</li> <li>Involvement in the procurement work and the Pool's governance work.</li> <li>Engagement with external advisers.</li> <li>Senior officers keeping up to date with legislation and proposals/ongoing consultation.</li> </ul>	9	Head of Pensions

16	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	12	<ul style="list-style-type: none"> <li>•Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation</li> <li>•Potential to further increase infrastructure weightings</li> <li>•Fund monitor portfolio sensitivity to inflation via expert investment consultants</li> <li>•Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation</li> <li>•Flexibility in the DGF mandates to react to the market and adapt the investment portfolio</li> <li>•Quarterly monitoring of funding position helps identify risk early</li> <li>•2022 Triennial Valuation completed - inflation models used to estimate the average inflation across a 20 year time horizon, including consideration of the current high inflation environment. Index linked gilt triggers introduced to benefit from market opportunities which provide alignment with changing liabilities</li> </ul>	6	Head of Pensions
17	Environmental, Social and Governance Risk of ESG factors within Investment strategy not being properly considered affecting underlying holdings and implementations of investment decisions	8	<ul style="list-style-type: none"> <li>•Statement of Responsible Investment Principles outline responsible investment beliefs, implementation of decisions and monitoring of ESG factors</li> <li>•ESG is in the heart of all investment decisions and not a separate function or workign group</li> <li>•The Fund has trimmed unconscious exposure to companies with poor ESG rating through removal of traditional index funds ensuring active managers have a strong conviction in the underlying companies including on ESG matters and less traditional passive indexes / smart beta funds have robust screening processes in place to ensure ESG principles are taken into account</li> <li>•Tracking of the portfolio as underweight in fossil fuel exposure to benchmarks</li> <li>•Production of annual reports on the carbon footprint of the Fund and review of managers from ESG perspective including transition pathway of underlying companies</li> <li>•Stewardship code submission approved in February 2024 for the 2022 reporting year</li> <li>•Membership of collaborative groups to help drive policy change</li> <li>•Officers challenge managers on their holdings with regard ESG issues and query voting decsions.</li> <li>•Annual ESG impact assessment for all managers, including improvement actions on ESG methodology, reporting or collaboration.</li> <li>•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</li> <li>•ESG factors incorporated into all decision making</li> </ul>	6	Head of Pensions
18	Climate change Risk to assets and liabilities associated with Climate Change	12	<ul style="list-style-type: none"> <li>•Statement of Responsible Investment Principles (SRIP) outlines investment beliefs including Climate Risk. The Fund take the SRIP into account for implementation of decisions and monitoring of investment managers, carbon emissions and climate risk to the Fund</li> <li>•Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective and minises stranded asst risk from direct holdings in underlying portfolios.</li> <li>•The Fund are able to exploit opportunities from the low energy transition by investing in climate impact funds and resource efficient companies</li> <li>•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</li> <li>•Member of Institutional Investors group on climate change (IIGCC), the Fund also expects its managers to be IIGCC members</li> <li>•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.</li> <li>•Signatory to UN PRI</li> <li>•Report in line with the TCFD farmework</li> <li>•The Fund is investigating climate scenario modelling which will help better understand this risk and allow further consider approaches in tackling these risks</li> <li>•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.</li> <li>•Focus on Climate change through training to committee and officers</li> <li>•Focus on Climate Change in decision making and strategy changes</li> <li>•Limited 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.</li> </ul>	6	Head of Pensions

I9	Liquidity Insufficient cash to pay benefits as they fall due	8	<ul style="list-style-type: none"> <li>•Contributions monitored on monthly basis</li> <li>•Monitoring of members close to retirement</li> <li>•Daily cash position monitored</li> <li>•Distributing investments to ensure stream of income from investment activity</li> <li>•Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed</li> <li>•Liaison between administration and investment team on cash requirements</li> <li>•Cash Management internal audit completed in Q3 2022/23 and will be picked up in the 2023/24 IA plan for further review</li> <li>•Cash Management strategy in place</li> </ul>	4	Head of Pensions
I10	Money purchase AVC Inadequate offering for the scheme members on cost, return and/or risk grounds	4	<ul style="list-style-type: none"> <li>•A range of fund options provided, catering for different levels of member risk and return so they can design investment strategy for own circumstances</li> <li>•Continuing suitability of AVC offering is reviewed regularly</li> <li>•Implementation plan in place with regular monitoring and oversight. Escalation process agreed for any delays or operational issues arising during implementation</li> </ul>	2	Head of Pensions

## Risk Register Risk Scores

The risk scores are calculated using the risk matrix below:

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

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**Report to:** Pension Committee

**Date:** 19 June 2025

**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.

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## RECOMMENDATION

The Pension Committee is recommended to:

- 1) note the report;
- 2) Agree in principle for the Fund to enter into 'Beneficial Owner' Power of Attorney arrangements, managed by Broadbridge on behalf of the Fund's custodian, with sub custodian organisations for proxy voting service purposes; and
- 3) Delegate authority to the Chief Finance Officer to authorise entering into such arrangements on behalf of the Fund with individual sub-custodian organisations.

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## 1. Background

1.1 Under the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations'), the Council is required to maintain a Pension Fund for its employees and other 'scheduled bodies' as defined in the LGPS Regulations. The Pension Committee is required to maintain an Investment Strategy Statement (ISS) to govern the Fund's investments and receives a quarterly investment monitoring report, from its investment consultant.

1.2 The ACCESS Joint Committee was established as the result of changes implemented in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to facilitate arrangements relating to the use of collective investment vehicles to allow 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 focus over the next 12 months is:

- LGPS Pooling;
- Implement the strategic changes;
- Income considerations report;

- Engage with investment managers on the engagement priorities defined in the Statement of Responsible Investment Principles.

### **3. Quarterly Performance Report**

3.1 The Quarterly Performance Report for Q1 2025 is detailed at Appendix 2. Since the last reported position, the valuation of the Fund has decreased from £5.1bn as at 31 December 2024 to £5.0bn as at 31 March 2025 (a decrease of £0.9bn). This performance reflects a negative return of -2.1% in the quarter to March. The Fund underperformed the benchmark over the period by 0.8%. Performance of Fund assets is similarly behind benchmark over longer time periods. Over the past 12 months and 3-years, to 31 March 2025 the Fund has relative returns of -4.2% and -3.2% p.a. respectively.

3.2 The asset allocation has an overweight position to Growth, Protection and Cash of +2.8%, +3.2% and +1.5% respectively, with Income being underweight by -7.5%. This is mostly driven by the unfulfilled private debt allocation.

3.3 Most notably, global equities significantly detracted from performance over Q1 2025. Ongoing macroeconomic and geopolitical uncertainty caused a reversal in investor risk-appetite, with sentiment impacted by the anticipation and implementation of new tariffs. This volatility has exacerbated post-quarter-end, amidst global tariff negotiations.

3.4 On a relative basis, the stand-out detractors were:

- The Fund's 'growth-orientated' equity mandates, Baillie Gifford Global Alpha and WHEB Active Impact Equity, underperformed their respective benchmarks by 2.7% and 3.5% respectively. This reflects the broader challenges faced by 'growth' stocks over the quarter, which are inherently more susceptible to the volatility seen in the quarter.
- The M&G and Pantheon Infrastructure strategies underperformed their CPI + 2% benchmark by 4.9% and 4.1% respectively over the quarter. Whilst the Pantheon's longer-term absolute and relative performance remains strong, the persistent underperformance of the M&G Infrastructure mandate (lagging the benchmark by 11.1% p.a. over the past three years) remains a cause for concern.

3.5 Over Q1 2025 real yields rose, due to concerns around stagflation and the UK's fiscal position. Consequently, the Fund's Inflation-Linked Gilts mandate posted negative returns. Although this contributed negatively to overall performance, the Fund performed broadly in-line with its index-linked gilt benchmark.

### **4. Power of Attorney**

4.1 The Fund's Custodian, Northern Trust, utilises a separate company, Broadridge, to solicit and manage the Beneficial Owner Power of Attorney (PoA) service for proxy voting purposes. The way in which Northern Trust are operating this service has changed and the Fund is now required to deal directly with Broadridge, whereas Northern Trust did this on the behalf of the Fund previously. There are several markets where a Beneficial Owner PoA is



required in order for voting instructions to be accepted in the local market. Broadridge has requested that the Fund complete PoAs for markets where the Fund may expect to have a position at any point in the near future, not only for markets where the Fund has a current position. This ensures the Fund's PoA documentation is valid and in place for all applicable markets before any voting is submitted.

4.2 This change affects the UBS Osmosis mandate of the Fund. Other mandates are held in a different structure and voting is managed by the manager and custodian of those structures.

4.3 As the Broadridge relationship is with the Fund's custodian, the Fund currently does not have the authority to enter into the PoA arrangements they are managing. To enable the Fund to continue being a strong steward of all its assets it needs to provide PoA to the sub custodian organisations which are arranged by Broadridge.

4.4 The Pension Committee is recommended to agree, in principle, that the Fund enters into 'Beneficial Owner' Power of Attorney arrangements, managed by Broadbridge on behalf of the Fund's custodian, with sub custodian organisations for proxy voting service purposes. In addition, the Pension Committee is recommended to delegate authority to the Chief Finance Officer to authorise entering into such arrangements on behalf of the Fund with individual sub-custodian organisations as and when this is required.

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

5.1 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.

5.2 The Pension Committee is recommended to note this report. In addition, the Pension Committee is recommended to agree in principle for the Fund to enter into 'Beneficial Owner' Power of Attorney arrangements, managed by Broadbridge on behalf of the Fund's custodian, with sub custodian organisations for proxy voting service purposes and delegate authority to the Chief Finance Officer to authorise entering into such arrangements on behalf of the Fund with individual sub-custodian organisations.

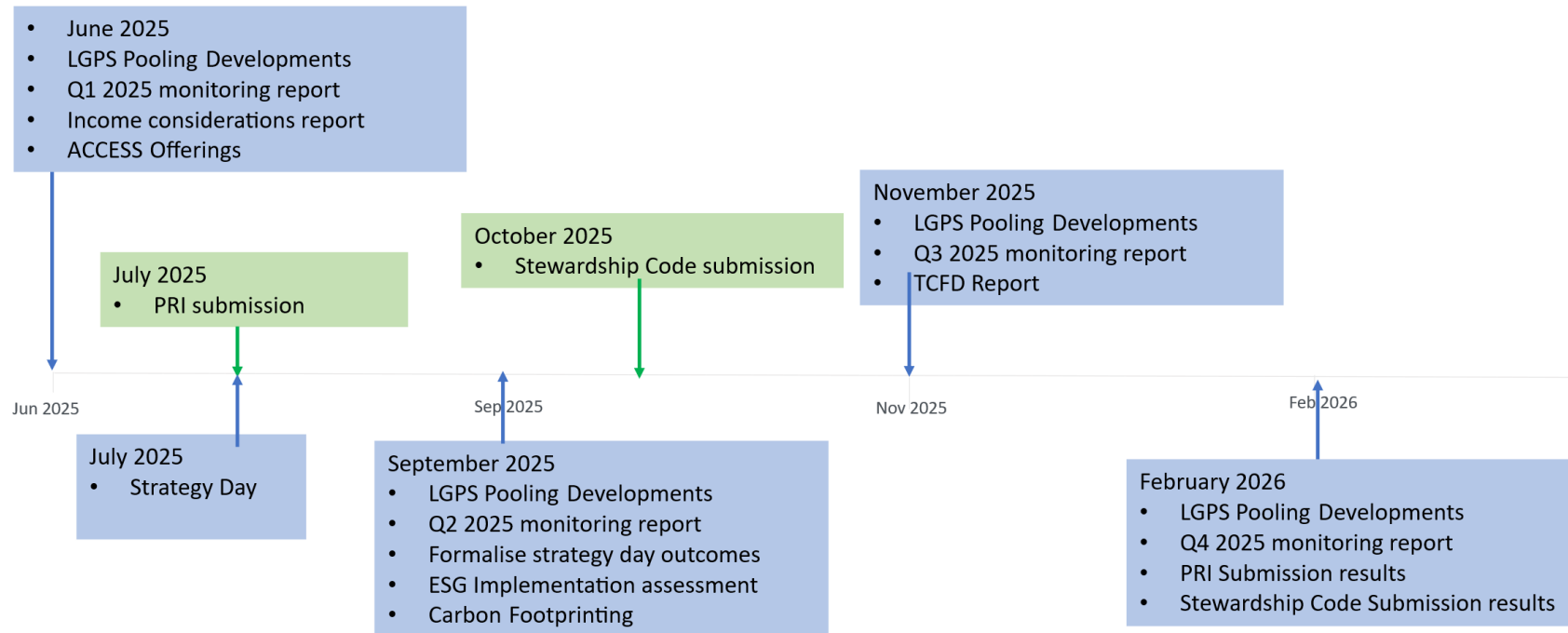
**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer:  
Email:

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

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# 12 month workplan



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# East Sussex Pension Fund

## Q1 2025 Investment Monitoring Report

Iain Campbell – Senior Investment Consultant

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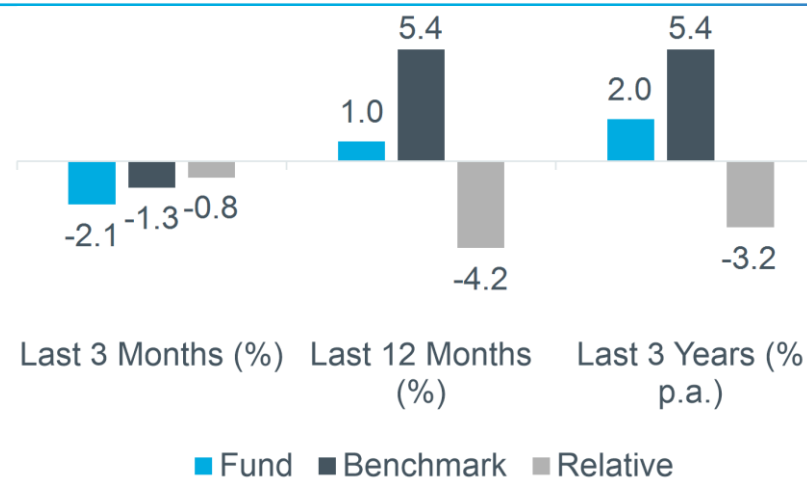
**Fund Value**  
**£4,976,482,872**

Over the quarter, the Fund's asset value decreased by c. £94.3m.

**Total Net Return**  
**-2.1%**

Over the quarter, the Fund returned -2.1% against its benchmark of -1.3%.

### Total fund performance



### Commentary

- Total Fund performance was -2.1% in absolute terms, underperforming the composite benchmark by 0.8%.
- Performance of Fund assets is similarly behind benchmark over longer time periods. Over the past 12 months and 3-years, the Fund has relative returns of -4.2% and -3.2% p.a. respectively.
- The Fund's income portfolio is under-weight relative to the strategic asset allocation.

### High-level asset allocation

	Actual	Benchmark	Relative
<b>Growth</b>	48.3%	45.5%	2.8%
<b>Income</b>	43.0%	50.5%	-7.5%
<b>Protection</b>	7.2%	4.0%	3.2%

# Market Background

## Market update

Annualised US GDP grew 2.4% in Q4, supported by consumer and government spending. Early Q1 surveys suggest a slower start to 2025 due to tariff uncertainty. European growth stayed muted, but recent PMIs improved amid optimism around defence and infrastructure investment.

In March, annual headline CPI inflation cooled in the US, UK, and eurozone – to 2.4%, 2.6%, and 2.2%, respectively. Forecasts suggest UK inflation will quicken temporarily before easing towards 2%. Core inflation remained higher: at 2.8%, 3.4%, and 2.4% in the US, UK, and eurozone.

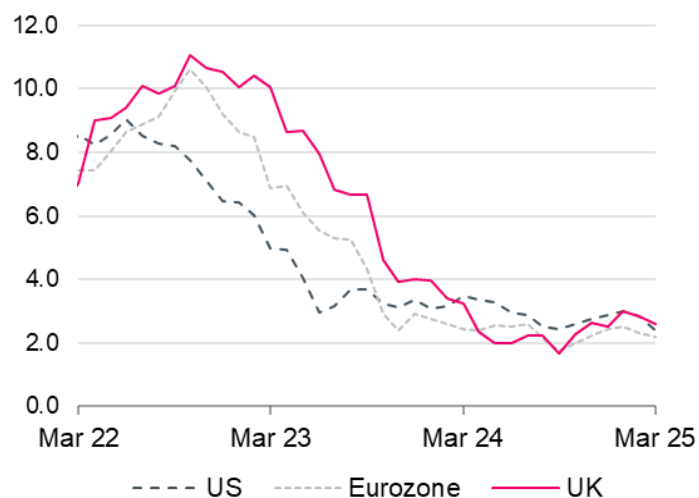
Page 283

The European Central Bank cut rates twice, to 2.5% pa, while the Bank of England reduced rates 0.25% pa, to 4.5% pa. The US Federal Reserve held rates at 4.5% pa. However, by quarter-end, expectations for US cuts had risen to three in 2025.

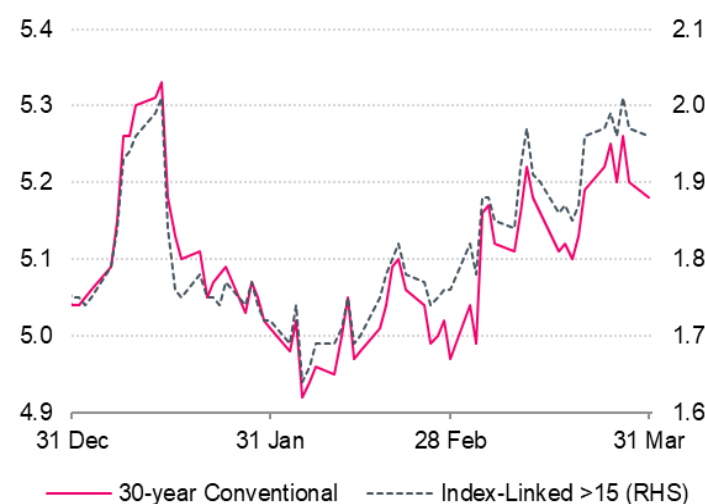
The prospect of further cuts dragged the trade-weighted US dollar down 2.3%. The equivalent yen measure gained 3.3% as interest-rate differentials narrowed. Gold surged 19% in Q1, to record highs, supported by economic uncertainty, a weaker dollar, and falling US treasury yields.

US 10-year yields fell 0.4% pa, to 4.2%, as investors focused on tariffs' growth risks. European sovereign bond yields rose as investors anticipated higher issuance and defence and infrastructure spending. German bond yields climbed 0.4% pa, to 2.7% pa, while UK yields edged up 0.1% pa, to 4.7% pa. Japanese yields also rose 0.4% pa, to 1.5% pa, reflecting moderate economic recovery and expectations of monetary policy normalisation. at quarter-end.

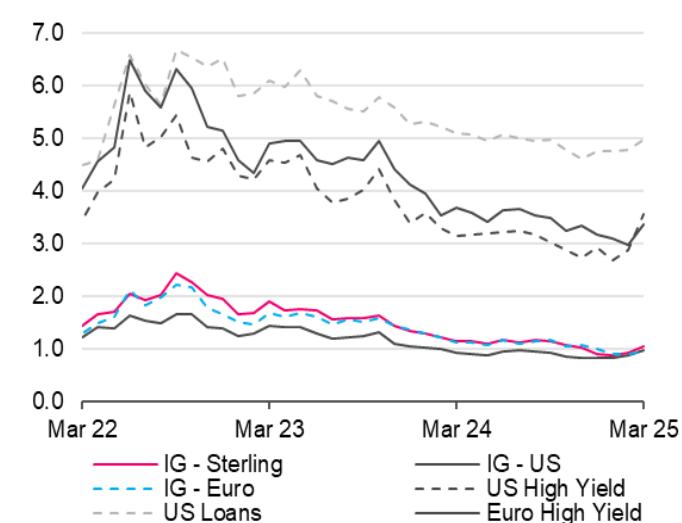
Annual CPI Inflation (% year on year)



Gilt yields chart (% p.a.)

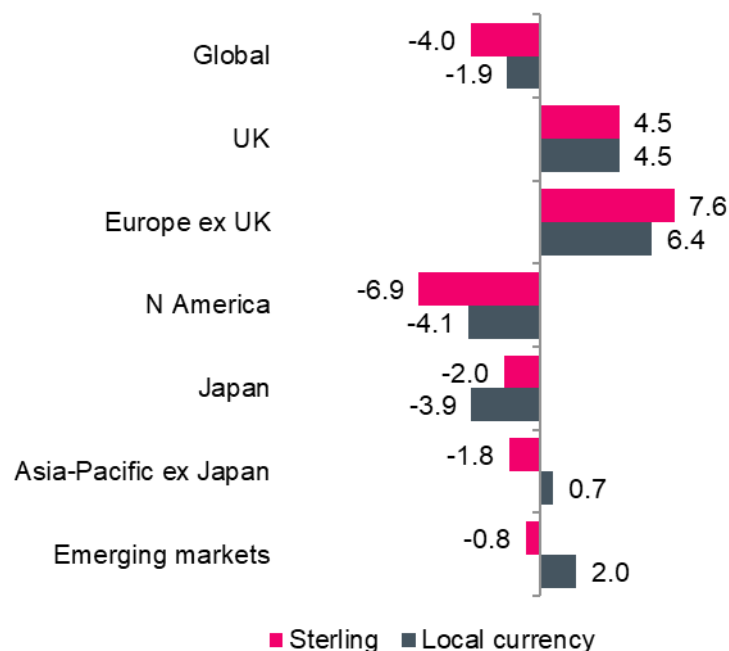


Investment and speculative grade credit spreads (% p.a.)

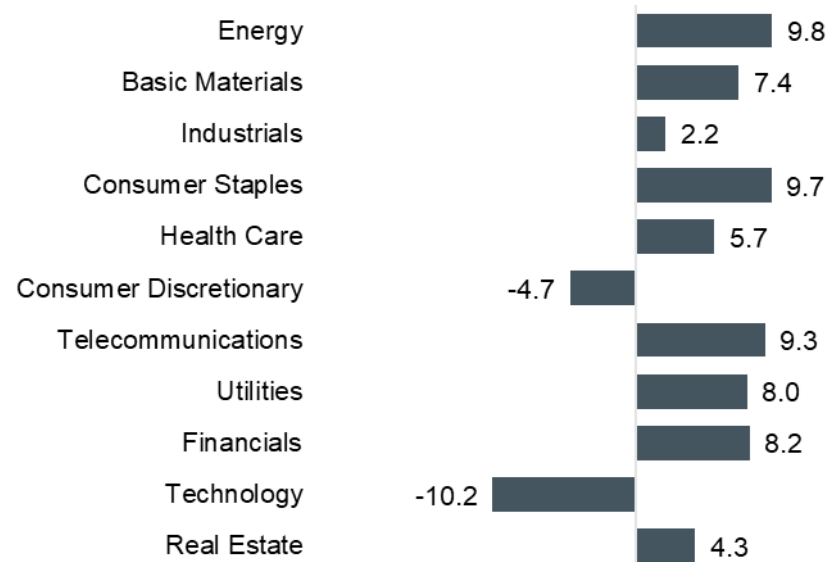


## Market Background

### Regional equity returns <sup>[1]</sup>



### Global equity sector returns <sup>[2]</sup>



### Market commentary

UK investment-grade credit spreads widened 0.1% pa, to 1.1% pa, in sympathy with their US counterparts. Meanwhile, European investment-grade spreads fell. US speculative-grade credit spreads rose 0.6% pa, to 3.6% pa, while equivalent European spreads rose less, by 0.2% pa, to 3.3% pa. Spreads remained low relative to longer-term averages at quarter-end.

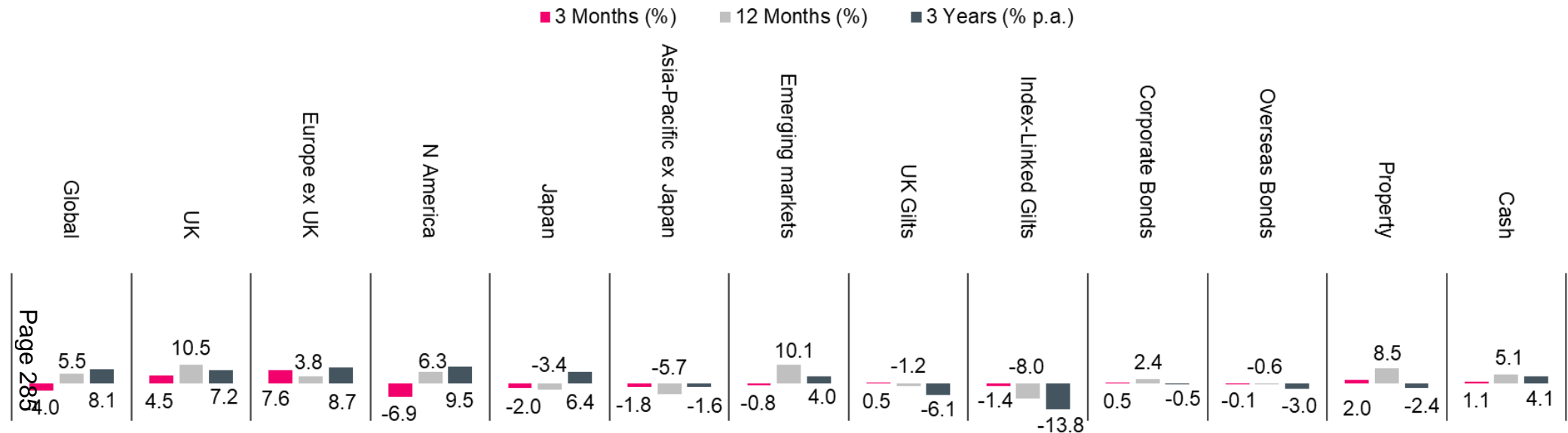
Global equities fell in Q1, with the FTSE All World down 1.9%, as tariff-driven uncertainty affected sentiment. Investors favoured lower-valued stocks over expensive US tech, with value outperforming growth. US equities underperformed, marking their weakest quarter since 2022. Japanese equities lagged as yen strength weighed on exports. Europe ex-UK outperformed globally, buoyed by its value tilt, and optimism around fiscal spending. UK equities similarly benefited from value outperformance. Emerging markets and Asia Pacific ex Japan outperformed.

The MSCI UK Property Total Return index rose 2.0% in Q1, supported by income and capital growth. Over 12- months, the index gained 8.5%, including a 2.5% rise in aggregate capital values. Industrial and retail capital values rose 5.1% and 3.9% in 12 months, while offices fell 3.1%.



## Market Background

### Historical returns for world markets



Data source: LSEG DataStream. <sup>[1]</sup> FTSE All World Indices. Commentary compares regional equity returns in local currency. <sup>[2]</sup> Returns shown in Sterling terms and relative to FTSE All World. <sup>[3]</sup> Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK SONIA.

## Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q4 24	Q1 25			
Longview Global Equity	535.9	510.2	10.3%	40.0%	1.1%
Storebrand Smart Beta And ESG	479.0	450.3	9.0%		
UBS Osmosis	435.1	415.7	8.4%		
Baillie Gifford Global Alpha	230.3	213.5	4.3%		
WHEB Active Impact Equity	223.6	200.7	4.0%		
Wellington Active Impact Equity	263.3	253.4	5.1%	5.5%	1.7%
Adams Street Private Equity	182.6	174.1	3.5%		
HarbourVest Private Equity	185.3	185.5	3.7%		
<b>Total Growth</b>	<b>2,535.0</b>	<b>2,403.3</b>	<b>48.3%</b>	<b>45.5%</b>	<b>2.8%</b>

## Asset allocation

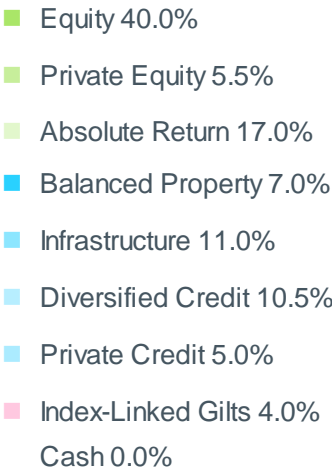
	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q4 24	Q1 25			
Bluebay Total Return	173.9	171.4	3.4%	10.5%	-0.6%
M&G Corporate Bonds	129.9	124.5	2.5%		
M&G Alpha Opportunities	191.1	195.1	3.9%		
M&G Real Estate Debt VI	29.1	28.4	0.6%	5.0%	-4.4%
Newton Real Return Fund	329.1	292.8	5.9%	17.0%	-2.0%
Buffer Absolute Return	445.5	455.2	9.1%		
Atlas Infrastructure	97.8	104.4	2.1%		
IFM Global Infrastructure Fund	262.5	267.9	5.4%	11.0%	-0.4%
M&G Infrastructure	44.6	42.8	0.9%		
Pantheon Infrastructure	80.7	77.3	1.6%		
UBS Infrastructure	33.9	35.3	0.7%		
CBRE Real Estate Fund	339.0	340.1	6.8%	7.0%	-0.1%
Schroders Property	0.0	3.5	0.1%		
<b>Total Income</b>	<b>2,157.1</b>	<b>2,138.8</b>	<b>43.0%</b>	<b>50.5%</b>	<b>-7.5%</b>
UBS Index Linked Gilts	313.1	357.5	7.2%	4.0%	3.2%
<b>Total Protection</b>	<b>313.1</b>	<b>357.5</b>	<b>7.2%</b>	<b>4.0%</b>	<b>3.2%</b>
Cash	65.5	76.9	1.5%	0.0%	1.5%
<b>Total Fund</b>	<b>5,070.8</b>	<b>4,976.5</b>	<b>100.0%</b>	<b>100.0%</b>	

Asset allocation commentary

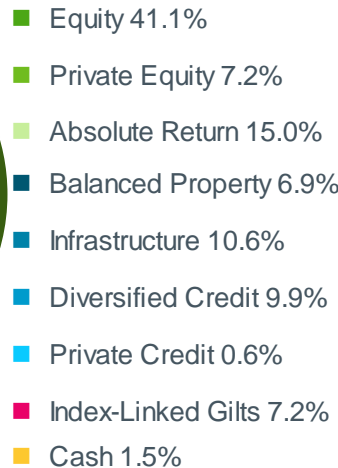
- Following a c.£101m top-up to the UBS Index-Linked Gilts mandate in December 2024, the Fund invested a further c.£51m into the strategy during Q1 2025. This was partly funded by a c.£35m disinvestment from the Newton Real Return fund over the quarter, which followed a c.£43m disinvestment from the same mandate in Q4 2024.
- Once again, the increased allocation to index-linked gilts was dampened by negative performance over the quarter. Consequently, despite the £51m investment, the UBS Index-Linked Gilts allocation only rose by c.£44m quarter-on-quarter. For more information, please see the performance commentary on slide 11.
- Other notable transitions over Q1 2025 include:
  - c.£5.6m distribution from the M&G Corporate Bonds mandate.
  - c.£3.4m net distribution from Adams Street Private Equity.
  - c.£3.2m net capital call to Harbour Vest Private Equity.
  - c.£2.0m distribution from CBRE Real Estate.

Asset allocation vs benchmark (agreed long-term allocation)

Benchmark

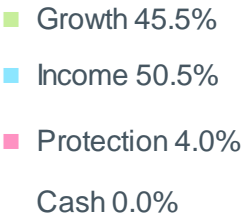


Actual

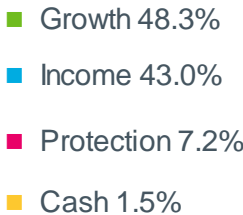


Asset allocation vs benchmark (GrIP)

Benchmark



Actual



## Manager performance vs benchmark

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
Longview Global Equity	-4.9	-4.7	-0.2	-1.8	4.8	-6.3	7.0	8.3	-1.2	12.0	11.1	0.7
Storebrand Smart Beta And ESG	-6.0	-4.7	-1.3	3.1	4.8	-1.5	6.9	8.3	-1.3	8.9	10.6	-1.5
UBS Osmosis	-4.5	-4.7	0.3	4.4	4.8	-0.3	8.4	8.3	0.1	9.7	9.9	-0.2
Baillie Gifford Global Alpha	-6.9	-4.3	-2.7	-1.3	4.9	-5.9	2.8	7.6	-4.5	-1.8	7.1	-8.4
WHEB Active Impact Equity	-8.0	-4.7	-3.5	-15.7	4.8	-19.5	-4.5	8.3	-11.8	-2.0	10.4	-11.3
Wellington Active Impact Equity	-3.8	-4.3	0.5	2.2	4.9	-2.5	2.1	7.6	-5.1	3.8	9.2	-5.0
Adams Street Private Equity	-2.8	-3.9	1.1	0.7	6.2	-5.2	-3.3	9.1	-11.3	10.5	10.6	0.0
HarbourVest Private Equity	-1.6	-3.9	2.3	2.6	6.2	-3.4	1.4	9.1	-7.1	9.0	11.1	-1.9

Growth











































## Manager performance vs benchmark

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
M&G Corporate Bonds	0.1	-0.3	0.4	-0.9	-1.5	0.6	-4.4	-4.6	0.2	5.9	5.0	0.8
M&G Alpha Opportunities	2.1	1.8	0.3	8.6	7.8	0.7	7.5	7.2	0.3	4.5	2.6	1.8
M&G Real Estate Debt VI	1.7	2.1	-0.3	7.8	8.8	-1.0	5.3	8.2	-2.7	4.0	6.4	-2.2
Bluebay Total Return	-0.6	1.8	-2.4	-	-	-	-	-	-	5.7	7.5	-1.6
Newton Real Return Fund	-0.4	1.7	-2.1	1.8	7.3	-5.2	2.0	6.7	-4.5	3.9	2.4	1.5
Prudential Absolute Return	2.3	1.7	0.6	2.4	7.3	-4.6	-1.2	6.7	-7.4	4.5	2.4	2.0
Aviva Infrastructure	6.7	2.8	3.8	4.5	13.4	-7.9	2.8	4.0	-1.1	6.5	7.5	-0.9
IFM Global Infrastructure Fund	2.0	1.2	0.9	8.5	4.6	3.7	-	-	-	7.3	5.2	1.9
M&G Infrastructure	-3.8	1.2	-4.9	-3.9	4.6	-8.1	-4.7	7.2	-11.1	1.9	5.9	-3.8
Pantheon Infrastructure	-3.0	1.2	-4.1	1.6	4.6	-2.9	10.7	7.2	3.2	9.1	5.8	3.2
UBS Infrastructure	-1.5	1.2	-2.6	-5.0	4.6	-9.2	2.5	7.2	-4.5	4.3	2.9	1.3
CBRE Real Estate Fund	1.0	1.5	-0.5	-	-	-	-	-	-	-0.5	4.0	-4.2
<b>Income</b>												
UBS Index Linked Gilts	-2.0	-2.0	0.0	-10.5	-10.4	0.0	-16.6	-16.6	-0.1	-4.7	-4.6	0.0
<b>Protection</b>												
<b>Total Fund</b>	-2.1	-1.3	-0.8	1.0	5.4	-4.2	2.0	5.4	-3.2	7.9	-	-

## Manager performance commentary

- Most notably, global equities significantly detracted from performance over Q1 2025. Ongoing macroeconomic and geopolitical uncertainty caused a reversal in investor risk-appetite, with sentiment impacted by the anticipation and implementation of new tariffs. This volatility has exacerbated post-quarter-end, amidst global tariff negotiations.
- Total Fund performance over Q1 2025 was -2.1%, underperforming the composite benchmark of -1.3%.
- On a relative basis, the stand-out detractors were:
  - The Fund's 'growth-orientated' equity mandates, Baillie Gifford Global Alpha and WHEB Active Impact Equity, underperformed their respective benchmarks by 2.7% and 3.5% respectively. This reflects the broader challenges faced by 'growth' stocks over the quarter, which are inherently more susceptible to the volatility described in the first paragraph.
  - The M&G and Pantheon Infrastructure strategies underperformed their CPI + 2% benchmark by 4.9% and 4.1% respectively over the quarter. Whilst the Pantheon's longer-term absolute and relative performance remains strong, the persistent underperformance of the M&G Infrastructure mandate (lagging the benchmark by 11.1% p.a. over the past three years) remains a cause for concern.
- Over Q1 2025 real yields rose, due to concerns around stagflation and the UK's fiscal position. Consequently, the Fund's Inflation-Linked Gilts mandate posted negative returns. Although this contributed negatively to overall performance, the fund performed broadly in-line with its index-linked gilt benchmark.

## Manager ratings

Mandate	Performance vs target	Manager developments	Hymans manager ratings	Hymans RI ratings
Longview Global Equity			Preferred	Acceptable
Storebrand Smart Beta And ESG			Preferred	Strong
UBS Osmosis			Not Rated	Good
Baillie Gifford Global Alpha			Preferred	Good
WHEB Active Impact Equity			Not Rated	Not Rated
Wellington Active Impact Equity			Preferred	Good
M&G Corporate Bonds			Preferred	Good
M&G Real Estate Debt VI			Preferred	Good
Adams Street Private Equity			Preferred	Acceptable
HarbourVest Private Equity			Preferred	Acceptable
Bluebay Total Return			Positive	Not Rated
M&G Alpha Opportunities			Not Rated	Good
Newton Real Return Fund			Not Rated	Good
Ruffer Absolute Return			Positive	Acceptable
Atlas Infrastructure			Positive	Not Rated
IFM Global Infrastructure Fund			Preferred	Good
M&G Infrastructure			Not Rated	Good
Pantheon Infrastructure			Not Rated	Good
UBS Infrastructure			Suitable	Good
CBRE Real Estate Fund			Suitable	Good
UBS Index Linked Gilts			Preferred	Good



## Performance RAG key

Green	broadly in line with/ahead of Hymans' expectations
Amber	slightly behind expectations over an appropriate time horizon
Red	significantly behind expectations over an appropriate time horizon

## Manager developments RAG key

Green	no ongoing concerns to raise to the Committee
Amber	moderate concerns over recent developments with further investigation required
Red	material concern where action (client discussion) required

## Manager business updates

**Schroders** - Oliver Gregson was appointed as CEO of Schroders Wealth Management. Philip Chandler has been appointed CIO of Schroder Investment Solutions and will straddle this with his Head of UK Multi-Asset position. Sophie Van Oosterom decided to leave Schroders in 2025, Nick Montgomery will replace her as Schroders Capital's Global Head of Real Estate. Peter Lowe has also been promoted to Head of UK Real Estate Investment.

**HarbourVest** - In Q1, it was confirmed that Managing Director in institutional EMEA IR Olav König will retire at the end of June 2025 after 12 years at HarbourVest, and Managing Director in Institutional EMEA IR Ilan Rosen will retire at the end of 2025 after 22 years at HarbourVest.

**IFM** - In Q1, IFM Investors have announced that they have entered into a binding agreement with NEST, one of the UK's largest pension schemes. NEST will take a 10% ownership stake in IFM, joining the existing Australian pension scheme shareholders, who will maintain their current ownership.

## Current issues in LGPS – March 2025 edition

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With responses to the ‘fit for the future’ consultation out of the way, funds have been turning their attention to other matters. Our webinar about the English devolution programme is worth a listen. And our investment team has pulled together its outlook for 2025, highlighting the key themes facing the LGPS. Other topics include a new regime for exit credits in Scotland and fresh longevity projections.

### LGPS investment outlook

Welcome to our [LGPS Investment Outlook](#) – a bit later than usual, as our focus at the start of the year was [responding](#) to the Government’s *Fit for the Future* consultation. This year’s outlook explores key investment topics as we move into the 2025 England & Wales actuarial valuation year. Elsewhere, political interest in the LGPS remains strong, with continued pressure to invest in UK growth, despite shifts in terminology. Other important areas of focus include defining ‘local’ investment, implementing Mansion House reforms, and advancing net-zero commitments within the LGPS.

### A revolution in Local Government devolution

Interest continues to grow around Local Government devolution and reorganisation in England. Regular pieces are appearing in the press, with the first Authorities to go through the re-organisation process being announced. On 28 February, we hosted a webinar, with input from Jeremy Hughes (LGA), to discuss what this means for LGPS funds. You can watch the webinar on-demand [here](#). Our accompanying [briefing note](#) explores the actuarial, governance and investment implications of devolution.

### A new Scottish exit credit regime

Following a recent consultation, Scottish Minsters have [confirmed](#) the expected changes to the LGPS Regulations (Scotland) to allow funds to exercise discretion when making exit credit payments. The factors that funds should consider mirror the requirements for funds in England in Wales, with an additional requirement to follow any guidance provided by Scottish Ministers for this purpose (no guidance exists at time of writing). The required [amendment Regulations](#) have been laid and come into effect from 2 April 2025. They will apply retrospectively to cessation valuations from 1 June 2018 (except in the case of exit credits already paid on or before 1 April 2025).

### InflationWatch

With [headline CPI](#) ticking up to 3.0%, and the Bank of England [expecting](#) further hikes this year, our latest [edition](#) of InflationWatch considers consensus forecasts and indicators around future inflation rates and where the balance of risk lies in the outlook for inflation and interest rates. Factors affecting the outlook include food and energy prices, upcoming increases to employer National Insurance contributions and potential increases to tariffs.

## Current issues in LGPS – March 2025 edition

### Accounting update:

#### Virgin Media ruling on pension benefit amendments

The Institute of Chartered Accountants in England and Wales (ICAEW) has published an [article](#) about the 2024 Virgin Media ruling. The case had raised concerns about the validity of past amendments to ‘contracted out’ pension benefits where the required actuarial certification was not in place. The article confirms it remains unclear whether remeasurement of the ‘defined benefit obligation’ will be necessary. Most employer accounts are therefore unlikely to recognise a change in accounting obligations meantime due to the ongoing legal and regulatory uncertainty. HM Treasury had stated previously that it does not believe that the ruling expressly addresses whether actuarial certifications are required for public service pension schemes such as the LGPS. We await the results of their assessment.

#### Market conditions yield further accounting surpluses

Corporate bond yields continue to drive high discount rate assumptions for year-end accounting purposes, meaning net asset (surplus) positions are expected to continue at 31 March 2025. Recent market conditions have led to more employers than ever before having accounting surpluses. If you want further information on how to deal with these, please reach out to our accounting experts at [LGPSCentralAccountingTeam@hymans.co.uk](mailto:LGPSCentralAccountingTeam@hymans.co.uk).

### Environmental, social and governance (ESG) update:

#### RI news & views

Our [latest edition](#) covers the ESG backlash and what it means for investors. Companies and asset managers alike have stepped away from climate and DEI commitments, leaving investors to challenge whether these changes are in their best long-term interest. We believe stewardship is more important than ever in this environment. We also cover reflections on the previous proxy voting season as we look ahead to 2025 and include ESG snippets to bring investors up to speed on an already eventful year to date.

#### UK Stewardship Code (2020) review

The FRC published a [consultation](#) in November about its review of the UK Stewardship Code. Many LGPS funds and their asset managers or pools are signatories to the Code, which sets high standards for stewardship across the industry. The consultation proposes a change to the definition of Stewardship, addressed in our [response](#) to the consultation. The updated Code is expected to be published in the early summer of 2025, and go live from 2026 – please speak to our team about steps to transition reporting to the updated Code once this is available.

## Current issues in LGPS – March 2025 edition

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### Longevity update:

#### Climate change

The human impact of climate change is highly visible. Catastrophic fires, floods and other weather events regularly hit the news. However, the impact of climate change on our lives is much broader than the weather. Club Vita's climate change longevity scenarios take a holistic approach to its impact on longevity. First published in 2018, Vita has revised and updated its scenarios to allow for subsequent events and to readily align with other frameworks that may be used in scenario modelling. Their new paper includes the potential impact on future life expectancy and LGPS pension fund liabilities under each scenario. It's available now to LGPS funds – please look out for an email from your Fund Actuary.

#### New projections from the actuarial profession

The profession's Continuous Mortality Investigation ([CMI](#)) has released a consultation on proposed methods and core parameters for 'CMI\_2024', the next version of its Mortality Projections Model. As well as the usual updates to the calibration data, it proposes to make four changes to how it calibrates the model to historical data. These changes aim to provide a better fit to recent data across the age range during and after the pandemic. This [blog](#) from the CMI provides further details. The consultation is open until 25 March. The CMI intends to provide an update on its plans for CMI\_2024, after considering consultation responses, in April.

## Manager details

Mandate	Date appointed	Benchmark description
Longview Global Equity	30/04/2013	MSCI World
Storebrand Smart Beta And ESG	03/12/2020	MSCI World Index
UBS Osmosis	03/03/2022	MSCI World
Baillie Gifford Global Alpha	11/08/2021	MSCI ACWI
WHEB Active Impact Equity	01/12/2020	MSCI World Index
Wellington Active Impact Equity	02/12/2020	MSCI ACWI
M&G Corporate Bonds	31/12/1996	Composite Benchmark
M&G Real Estate Debt VI	11/04/2019	3 Month SONIA +4%
Adams Street Private Equity	31/03/2003	MSCI ACWI +1.5%
HarbourVest Private Equity	31/01/2003	MSCI ACWI +1.5%
Bluebay Total Return	17/04/2024	3 Month SONIA +3%
M&G Alpha Opportunities	30/11/2009	3 Month SONIA +3%
Newton Real Return Fund	30/04/2010	3 Month SONIA +2.5%
Ruffer Absolute Return	30/04/2010	3 Month SONIA +2.5% p.a.
Atlas Infrastructure	02/12/2020	FTSE Developed Core Infrastructure 50/50
IFM Global Infrastructure Fund	03/01/2023	CPI +2%
M&G Infrastructure	31/10/2018	CPI +2%
Pantheon Infrastructure	04/05/2018	CPI +2%
UBS Infrastructure	31/01/2008	CPI +2%
CBRE Real Estate Fund	01/10/2024	IPD All Balanced Fund Index
UBS Index Linked Gilts	31/01/2018	FTSE Index-Linked Over 5 Years
Cash	31/12/2002	1 Month SONIA

## Hymans manager ratings

Page 298	<b>Preferred</b>	Our highest-rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
	<b>Positive</b>	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
	<b>Suitable</b>	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
	<b>Negative</b>	The strategy is not suitable for continued or future investment and alternatives should be explored.
	<b>Not Rated</b>	Insufficient knowledge or due diligence to be able to form an opinion.

## Hymans Responsible Investment ratings

<b>Strong</b>	Strong evidence that the manager consistently demonstrates leading practices across all criteria assessed.
<b>Good</b>	Manager demonstrates that they surpass acceptable standards but fall short of leading practices.
<b>Acceptable</b>	Manager demonstrates that they meet acceptable standards.
<b>Weak</b>	Manager does not meet acceptable standards.
<b>Not Rated</b>	Insufficient knowledge to be able to form an opinion on.

## Glossary – equity manager styles

‘Style’ refers to the type of stocks a manager will typically research and select for portfolios. It is important to diversify these ‘styles’ in order to manage concentration risks.

- **Value** – this style tilt considers whether stocks held within the portfolio are discounted relative to their fundamentals, i.e. whether stocks have low market valuations versus current earnings or book value.
- **Growth** – this style tilt considers companies earning potential relative to its industry and the overall market. The key consideration within this factor is a company’s potential for growth and therefore commonly used metrics include historical earnings growth and forward earnings growth.
- **Quality** – this style tilt considers companies financial stability. A company’s quality can be evaluated using various metrics including: profitability, earnings quality, financial leverage and corporate governance.
- **Volatility** – this style tilt considers the systematic risk of the portfolio relative to the market.
- **Momentum** – this style tilt is based on the premise that stocks that have recently risen or fallen in price will continue to do so in the future.
- **Low volatility** – A low volatility equity manager will aim to construct a portfolio that exhibits significantly lower volatility than the benchmark index (low volatility is a relative, not absolute, term). A low volatility manager will generally target a volatility of around 15% p.a. versus a benchmark that exhibits a 20% p.a. volatility. A low volatility portfolio will generally be constructed through a quantitative assessment of past stock performance and correlation to select stocks that have historically exhibited low levels of volatility.
- **Neutral** - A neutral manager will aim to construct portfolios that have no significant sector or style biases relative to the benchmark index. This is more common in bottom up, in-depth research, managers (sometimes referred to as ‘stock pickers’) who aim to isolate stocks that are undervalued relative to their peers whilst avoiding taking a position on whether a country or industry itself will out or underperform. For example they might take an overweight position in BP if they believe the stock is fundamentally undervalued but remove their exposure to the more general oil market by compensating with an underweight position in Shell.

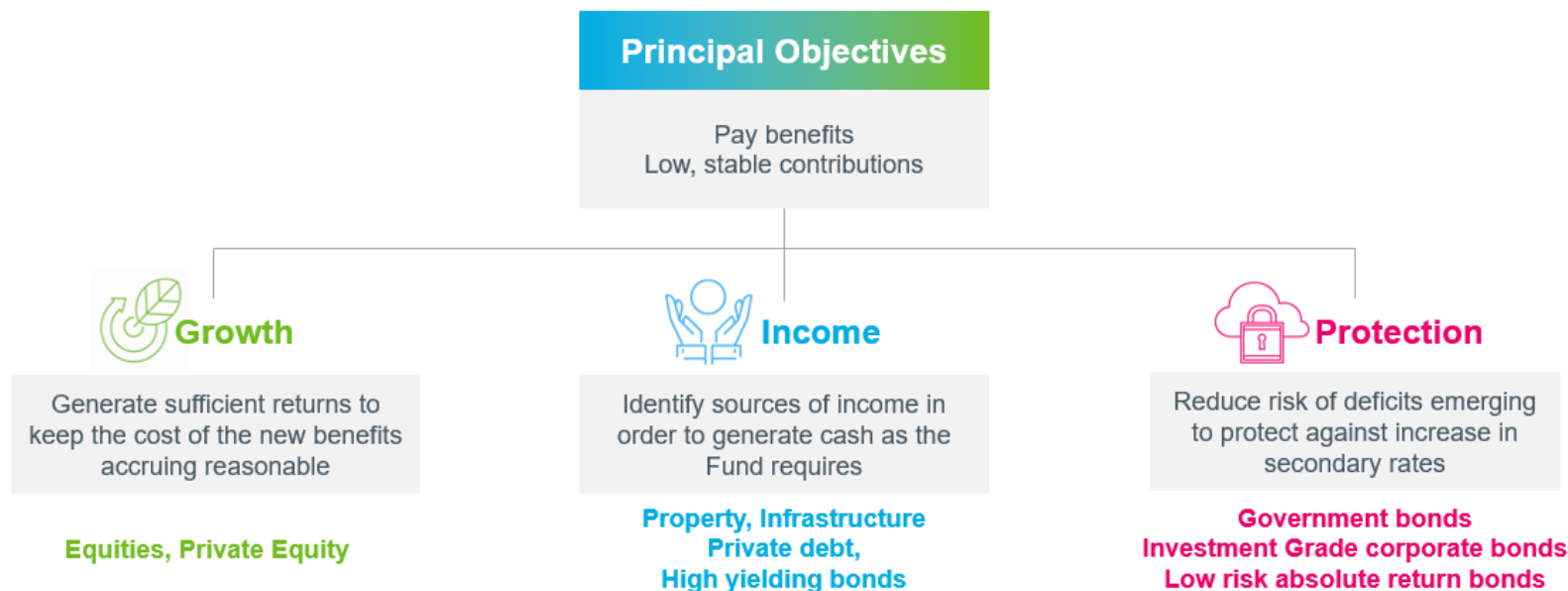
## Glossary - other

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- **Buy-out** – purchase of a more mature company usually as part of a private equity deal.
- **Capital structure** – how a company is financed through equity and debt.
- **Closed-ended** - When an investment fund has a finite lifecycle, money is invested and returned in full to the investor over a defined period (usually 5 – 8 years for private debt)
- **Commitment** – The investment amount initially made to a fund, this is then drawn by the manager over time and invested.
- **Dividend** – Annual income paid through holding an equity.
- **Duration** – A measure of the average expected life of an investment that indicates sensitivity to interest rate changes.
- **Indirect** – Access and asset via other funds rather than directly.
- **Information ratio** - This measures the risk-adjusted returns of a fund relative to its respective benchmarks. For active funds, a higher information ratio is better.
- **IRR** - a measure of performance taking into account cashflow.
- **Liquidity** – ability to sell a stock quickly at a known price.
- **MAC** – Multi Asset Credit, an investment fund made up of a mix of different types of debt/credit.
- **Mid-market** – focus on mid-sized companies.
- **Open (closed) ended investment** – Open ended investments have no end date and can be traded. Closed ended cannot usually be traded and have a finite life.
- **Senior secured** - Debt issued at a high level in a company's capital structure secured against company assets.
- **Sub-investment grade** – bond assets rated below investment grade (and therefore higher risk).
- **Tracking error** – This shows the difference in actual performance between a fund and its respective benchmark. This should be lower for passive funds tracking an index compared to active funds where the manager is trying to outperform a benchmark.
- **TVPI** - Total value (distributions plus residual values) divided by paid-in capital. An alternative measure of the return on investment for closed-end funds
- **Volatility** – a measure or risk based on 'ups and downs' of stock/portfolio over a period of time.



## Growth, Income and Protection



## Geometric v arithmetic performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases

## Risk warning

This report (and any contained advice) is provided to the Pension Fund Investment Panel ('the Panel') and Officers of the East Sussex Pension Fund ('the Fund') in our capacity as your investment adviser. It should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We accept no liability where the report is used by, or released or otherwise disclosed to, a third party unless we have expressly accepted such liability in writing. Where this is permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

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In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

This report may contain fund and fund manager specific research ratings and comments based on the views of our investment research team. Please speak to your investment adviser before taking any investment decisions or actions. They will advise whether formal investment advice is necessary, including a risk assessment and investment suitability information where appropriate.

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**Report to:** Pension Committee

**Date of meeting:** 19 June 2025

**By:** Chief Finance Officer

**Title:** Work Programme

**Purpose:** To note the Board and Committee work programme

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## RECOMMENDATIONS:

The Pension Committee is recommended to:

- 1) note the work programme; and
  - 2) advise of training completed, not recorded in the training log.
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### 1 Background & Supporting information

1.1 The work programme contains the proposed agenda items for future Pension Board and Pension Committee meetings over the next year and beyond. It is included on the agenda for each quarterly meeting.

1.2 The work programme also provides an update on other work going on outside the Board and Committee's main meetings, including working groups, upcoming training and a list of any information requested by the Board or Committee that is circulated via email.

1.3 This item also provides an opportunity for Board and Committee members to reflect on any training they have attended since the last meeting.

### 2 Conclusion and reasons for recommendations

2.1 The work programme sets out the Board and Committee's work both during formal meetings and outside of them. The Committee is recommended to consider the updated work programme including regularity of agenda items to ensure effective governance of the Fund at the scheduled meetings and advise of training completed, not recorded in the training log.

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

Contact Officer: Susan Greenwood, Head of Pension Fund

Email: [Susan.Greenwood@EastSussex.gov.uk](mailto:Susan.Greenwood@EastSussex.gov.uk)

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## Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	Description	Author/Owner
Standing items (items that appear on each agenda)		
Pension Committee Update	A consideration of the draft agenda of the Pension Committee and summary minutes of the last Pension Committee meeting decisions.	Head of Pensions
Pension Reform Agenda	A report on progress of the Fund with regard to the reforms set out in the governments' "Fit for the Future" consultation with regard to asset pooling and consideration of the potential future impact of local democratic reforms on the Fund.	Head of Pensions
Governance Report	A report on governance issues affecting the fund, developments in the LGPS and regulatory environment, policy amendments and ACCESS pool updates	Deputy Head of Pensions
Employer Engagement and Communications Report	A report on Employer Engagement matters to note, Employer Contributions update and Communications from the Fund	Deputy Head of Pensions
Pensions Administration report	An update on the performance of the Pensions Administration Team covering KPI's and projects.	Head of Pensions Administration

Internal Audit reports	All internal audit reports on the Fund are reported to the Board	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the Funds budget. This is reported in Q2-4 only.	Pensions Manager – Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions
East Sussex Pension Fund (ESPF) Breaches Log	A report on the Funds breaches log	Deputy Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund	Deputy Head of Pensions
<b>5 June 2025</b>		
External Audit Plan for the East Sussex Pension Fund 2024/25	Draft External Audit Plan for 2024/25 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
Communications Strategy	3 Year review of the Funds Communications Strategy	Communications 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.	Deputy Head of Pensions
<b>11 September 2025</b>		
Supplier Update	Update on supplier contracts and procurements	Head of Pensions
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Deputy Head of Pensions
<b>4 November 2025</b>		
Independent Auditors Report on the Pension Fund Accounts 2024/25	A report on the External Audit findings of the Pension Fund financial Statements for 2024/25	Pensions Manager – Investment and Accounting
Pension Fund Annual Report and Accounts 2024/25	2024/25 Annual Report and Accounts for approval	Pensions Manager – Investment and Accounting
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Deputy Head of Pensions
2025 Actuarial Valuation and Funding Strategy Statement	Report from the Fund Actuary on the March 2022 triennial valuation process, methodology and assumptions with a draft Funding Strategy Statement for approval prior to consultation	Head of Pensions

Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Deputy Head of Pensions
<b>4 February 2026</b>		
Business Plan and Budget 2026/27	Report to set the Budget for the Pension Fund for the Financial Year 2026/27 including the Business Plan with key deliverables for the year.	Head of Pensions
External Audit Plan for the East Sussex Pension Fund 2025/26	Draft External Audit Plan for 2025/26 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
2025 Valuation report and results and Final Funding Strategy Statement (FSS)	Final report and results from the Fund Actuary of the 31 March 2025 triennial valuation with the final FSS for approval post consultation.	Head of Pensions
Additional Funding Strategies	Triennial review of policies that support the FSS and funding position. This includes the Exit Credit Policy, Contribution Rate review Policy and Deferred Debt and Debt Spreading agreement policies.	Deputy Head of Pensions
<b>TBC June 2026</b>		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Deputy Head of Pensions
Communications Strategy	3 Year review of the Funds Communications Strategy	Communications Manager



Actions requested by the Pensions Board		
Subject Area	Detail	Status
Ill Health insurance review	The Board requested a review to be carried out on the Ill Health Insurance provision in place in terms of commercial arrangements.	Ongoing 2025
Risk Register Full review	The Board have requested for a meeting to walk through all risks on the risk register as detail is usually only discussed on changes to the register, although the register is provided in full at each meeting for questions.	Completed in March 2025
AVC – Default fund/ review of option	Further investigation into the best default option for AVC investors through the Prudential.	Report completed and presented in February 2025. Work to implement recommend changes ongoing.

Future Pension Committee Agenda		
Item	Description	Author
<b>Standing items (items that appear on each agenda)</b>		
Governance Report	A report on governance issues effecting the fund, developments in the LGPS and regulatory environment, policy amendments and ACCESS pool updates	Deputy Head of Pensions

Pension Reform Agenda	A report on progress of the Fund with regard to the reforms set out in the governments' "Fit for the Future" consultation with regard to asset pooling and consideration of the potential future impact of local democratic reforms on the Fund.	Head of Pensions
Pensions Administration report	An update on the performance of the Pensions Administration Team covering KPI's and projects.	Head of Pensions Administration
Internal Audit reports	Internal audit reports on the Fund and annual audit plan.	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the Funds budget - <i>reported Q2-4 only</i>	Pensions Manager – Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Deputy Head of Pensions
Investment Report	A Quarterly performance report of the investment managers	Pensions Manager – Investment and Accounting and Investment Consultant
East Sussex Pension Fund (ESPF) Breaches Log	A report on the Funds breaches log – <i>reported only when a new breach is recognised, or status changed. Report goes quarterly to Board.</i>	Deputy Head of Pensions

Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund - <i>reported only when outstanding admissions or cessations.</i>	Deputy Head of Pensions
<b>19 June 2025</b>		
External Audit Plan for the East Sussex Pension Fund 2024/25	Draft External Audit Plan for 2024/25 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
Communications Strategy	3 Year review of the Funds Communications Strategy	Communications 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.	Deputy Head of Pensions
Income Generation	Review of income portfolio in anticipation of Fund's becoming cashflow negative in coming years	Pensions Manager – Investment and Accounting
<b>24 July 2025 – Strategy training day</b>		
<b>25 September 2025</b>		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Deputy Head of Pensions

External Audit Report for the East Sussex Pension Fund 2024/25	Draft External Audit Report for 2024/25 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
Carbon Footprinting	A report on the carbon footprint of the portfolio of ESPF including whether investments are in line with transition pathways.	Pensions Manager – Investment and Accounting
ESG Impact Assessment	Annual assessment by Investment consultants on the ESG standing of Investment managers with action plan	Pensions Manager – Investment and Accounting
Investment Strategy Statement	Review of the Investment Strategy Statement to take into account any revisions to the investment strategy.  Review to include Statement of Investment Principles.	Pensions Manager – Investment and Accounting
Stewardship Reporting	Update on status for submitting annual submission to FRC for Stewardship activities for calendar year 2025	Pensions Manager – Investment and Accounting
Supplier Update	Update on supplier contracts and procurements	Head of Pensions
<b>18 November 2025</b>		
Independent Auditors Report on the Pension Fund Accounts 2024/25	A report on the External Audit findings of the Pension Fund financial Statements for 2024/25	Pensions Manager – Investment and Accounting
Pension Fund Annual Report and Accounts 2024/25	2024/25 Annual Report and Accounts for approval	Pensions Manager – Investment and Accounting

Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Deputy Head of Pensions
2025 Actuarial Valuation and Funding Strategy Statement	Report from the Fund Actuary on the March 2025 triennial valuation process, methodology and assumptions with a draft Funding Strategy Statement for approval prior to consultation	Head of Pensions
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Deputy Head of Pensions
<b>26 February 2026</b>		
External Audit Plan for the East Sussex Pension Fund 2025/26	Draft External Audit Plan for 2025/6 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
2025 Valuation report and results and Final Funding Strategy Statement (FSS)	Final report and results from the Fund Actuary of the 31 March 2025 triennial valuation with the final FSS for approval post consultation.	Head of Pensions
Additional Funding Strategies	Triennial review of policies that support the FSS and funding position. This includes the Exit Credit Policy, Contribution Rate review Policy and Deferred Debt and Debt Spreading agreement policies.	Deputy Head of Pensions
Business Plan and Budget 2026/27	Report to set the Budget for the Pension Fund for the Financial Year 2026/27 including the Business Plan with key deliverables for the year.	Pensions Manager – Investment and Accounting

TBC June 2026		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Deputy Head of Pensions
Annual Report of the Pension Board	Annual report of the Pension Board to the Scheme manager outlining the work throughout the year	Head of Pensions with the Chair of the Board
Privacy Notice and Memorandum of Understanding	Annual review of Funds Privacy Notice (summary and full) and Memorandum of Understanding to check for any changes. This will be reported as a note in the governance report if no required changes.	Deputy Head of Pensions

Actions requested by the Committee		
Subject Area	Detail	Status
Training	<p>Requests were made, following the July 2023 investment workshop day for various training items</p> <p>The items still to arrange are</p> <ul style="list-style-type: none"> <li>• How to invest in the energy transition. Eg electric storage/batteries, renewables, nuclear, hydrogen, EV's. What is cost and access to markets for these investments.</li> <li>• Cost benefit implications of de-risking the portfolio</li> <li>• Core responsibilities of Councillors in their role on the pension committee to ensure proper exercise of its responsibilities and powers. Readdressing the need for Governance framework role of the Committee and considering strategic investment change recommendations from expert advisers, rather than directing underlying investment holdings.</li> </ul>	In progress

Current working groups		
Title of working group	Detail and meetings since last Pensions Board and Committee meetings	Membership
Investment Implementation Working Group (IIWG)	<p>The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020.</p> <p>The IIWG has an advisory role to over oversee the implementation of decisions by the Pension Committee in relation to investment decisions and carry out detailed research and analysis for Pensions Committee.</p>	<p>William Bourne, Russell Wood, Susan Greenwood, James Sweeney, Representatives from Investment Consultant</p> <p>Cllr Fox or substitute committee member is invited to attend</p>
Administration Working Group	The Administration Working Group was set up in 2021 following the conclusion of the ABS and Data Improvement Working Group. The group discuss ongoing administration projects and areas of administration focus including McCloud implementation.	Cllr Fox, Ray Martin, Neil Simpson, Zoe O'Sullivan, Paul Punter, Susan Greenwood, Ian Gutsell

Training and Development – attendance at recent events			
Date	Topic	Committee	Board
21-Jan-25	<b>Additional Pension Contributions (APC) and Additional Voluntary Contributions (AVC)</b>	Cllrs Redstone Hollidge, Taylor	Neil, Andrew
30&31/01/2025	<b>LGPS Governance Conference 2025</b> This event is for councillors and others who attend pension committees and local pension boards. The programme is designed to cover the key issues for the Local Government Pension Scheme (LGPS). The programme included sessions on: <ul style="list-style-type: none"> <li>• Tomorrow's World - panel session</li> <li>• The administration challenge - panel session</li> <li>• Legal update</li> <li>• Funding strategy statement guidance</li> <li>• An update from MHCLG</li> <li>• Fund valuations - panel session</li> <li>• Pensions Adequacy</li> <li>• Being an effective pension committee or board member</li> <li>• Investment outlook</li> </ul>	Cllr Redstone	
12-Feb-25	<b>Scheme Advisory Board Update</b> <b>What lies ahead in 2025</b> The panel looked at what 2025 is likely to hold for the LGPS – one significant element is the triennial valuation, so there was a focus on that, but the panel also discussed what comes next after the “Fit for the Future” consultation, particularly in the context of the new pensions minister’s appointment.		Neil
28-Feb-25	<b>Local Government devolution and reorganisation</b> During the webinar, experts covered: <ul style="list-style-type: none"> <li>• What is devolution?</li> <li>• Expected timescales.</li> <li>• What does this mean for LGPS funds?</li> <li>• The interplay with the wider regulatory position.</li> <li>• A look at an industry case study.</li> </ul>	Cllrs Hollidge, Redstone	Zoe



29-Apr-25	<p><b>The Impact of Trump's Tariffs: What Pension Funds Need to Know.</b> Analysis of the greatest financial fallout since the Covid-19 pandemic</p> <p>Donald Trump's extensive tariffs announced on "Liberation Day" have sent shockwaves through the markets, causing the FTSE 100 and S&amp;P 500 to suffer their worst trading losses since the nation-wide lockdowns of 2020. What does that mean for pension schemes in the UK?</p> <p>In this Policy Insights Webinar, hear more about the impact these changes may have on the pensions industry, the issues arising for schemes and the questions you should be putting to your advisers.</p>	Cllr Taylor	
01-May-25	<p><b>LGPS Governance - is the current model fit for the future?</b></p> <p>With the LGPS under the spotlight like never before, we are delighted to host Neil Mason, Senior Officer at Surrey Pension Fund and Alison Murray, LGPS Governance lead at BW in discussing key governance themes, from setting a strategic plan, to the Fit for the Future governance proposals and their thoughts on whether the current governance model is fit for the future.</p>		Neil, Andrew
<b>Training and Development – members registered to attend future events</b>			

Training and Development – Future Training Offered to Pension Board	
01-May-25	<p><b>LGPS Governance - is the current model fit for the future?</b></p> <p>With the LGPS under the spotlight like never before, we are delighted to host Neil Mason, Senior Officer at Surrey Pension Fund and Alison Murray, LGPS Governance lead at BW in discussing key governance themes, from setting a strategic plan, to the Fit for the Future governance proposals and their thoughts on whether the current governance model is fit for the future.</p>
07-May-25	<p><b>Strengthening risk governance for sustainable success</b></p> <p>This webinar shared actionable strategies to improve resilience and risk reporting, with a 30-minute expert discussion followed by a 15-minute Q&amp;A session. In today's world of rapid technological, societal, and geopolitical change, effective risk governance is more critical than ever. What was covered:</p> <ul style="list-style-type: none"> <li>• Align strategy and risk management for greater resilience.</li> <li>• Identify and seize emerging opportunities faster.</li> <li>• Strengthen operational and financial performance.</li> <li>• Enhance risk reporting and board assurance.</li> <li>• Drive long-term sustainability and success</li> </ul>
14-May-25	<p><b>Scheme Advisory Board Update</b></p> <p><b>A year in the life: 12th LGPS Scheme Annual Report</b></p>
20-May-25	<p><b>Public Sector – Cyber Webinar</b></p> <p>To help you find out more about the market, and protect organisations, Aon's webinar cyber broking and consulting specialists looked at how the market is changing and how public sector organisations can benefit from this.</p> <p>As well as finding out how the market and risks are evolving, everyone attending the webinar received additional market information and also some valuable risk management tools to help you mitigate cyber risk across organisations.</p>
21-May-25	<p><b>Navigating a dynamic pensions landscape - Conference</b></p> <p>The event offers a range of content with keynotes, case studies, fireside chats, and panels to keep you informed. Our specialised streams cover 'DB', 'DC', 'Admin &amp; Data', and 'Governance &amp; People'.</p> <p>Topics to be discussed:</p> <ul style="list-style-type: none"> <li>• The future of UK pensions: An update from The Pensions Regulator</li> <li>• Making expectations a reality: Investing in the UK</li> </ul>

	<ul style="list-style-type: none"> <li>• Marathon journey: Preparing for longer term run-on</li> <li>• Pensions Prophets: The pensions review and beyond</li> <li>• The Grand Finale: Navigating geopolitical change.</li> </ul>
9-13 Jun-25	<p><b>Cybersecurity</b></p> <p>The course is designed to equip pension professionals with the knowledge and skills needed to navigate the evolving landscape of cyber risk. Through five one-hour sessions, participants will gain a solid understanding of cyber threats, how to manage them effectively, and the legal and operational responsibilities involved. Each session includes interactive Q&amp;A segments to reinforce learning and ensure practical understanding. Topics to be covered:</p> <ul style="list-style-type: none"> <li>• Introducing cyber risk</li> <li>• Protecting your scheme</li> <li>• Dealing with an incident</li> <li>• Legal obligations</li> </ul> <p>Incorporating cyber risk management into your scheme</p>

## Training and Development – Future Training Offered to Pension Committee

01-May-25	<p><b>DB Forum - Shaping tomorrow's pensions landscape</b></p> <p>PLSA explained what's on the horizon for DB schemes in 2025 and beyond, before discussing the best use for surpluses in a group conversation. Plus, the Regulator was put on the spot on the DB Funding Code and other areas of interest in their popular Ask the Regulator segment.</p>
6-7 May 2025	<p><b>LGPS Pooling Symposium</b></p> <p>The Symposium analysed the evolution of LGPS Pooling and assess the progress made to date. What was covered: Implementing government policy for pooling assets – a pool perspective</p> <ul style="list-style-type: none"> <li>• Local investment projects in practice</li> <li>• Investment trends and the impact on strategy</li> <li>• Strategy perspective - Fixed income; Equities; Property; Private markets;</li> <li>• Improving pool administration, communication &amp; governance</li> <li>• Building local impact solutions across the private asset classes</li> <li>• Making effective strategic asset allocation decisions</li> </ul>

	<ul style="list-style-type: none"> <li>• Private debt</li> </ul>
14-May-25	<b>Scheme Advisory Board Update</b> <b>A year in the life: 12th LGPS Scheme Annual Report</b>
20-May-25	<b>Public Sector – Cyber Webinar</b> To help to find out more about the market, and protect organisations, Aon's cyber broking and consulting specialists looked at how the market is changing and how public sector organisations can benefit from this. As well as finding out how the market and risks are evolving, everyone attending the webinar will receive free additional market information and also some valuable risk management tools to help you mitigate cyber risk across your organisation.
21-May-25	<b>Navigating a dynamic pensions landscape - Conference</b> The event offers a range of content with keynotes, case studies, fireside chats, and panels to keep you informed. Our specialised streams cover 'DB', 'DC', 'Admin & Data', and 'Governance & People'. Topics to be discussed: <ul style="list-style-type: none"> <li>• The future of UK pensions: An update from The Pensions Regulator</li> <li>• Making expectations a reality: Investing in the UK</li> <li>• Marathon journey: Preparing for longer term run-on</li> <li>• Pensions Prophets: The pensions review and beyond</li> <li>• The Grand Finale: Navigating geopolitical change</li> </ul>
3-Jun-25	<b>Real estate and infrastructure debt: exploring the integration and impact of ESG</b> The session will explore the evolving landscape of ESG into real estate debt and infrastructure debt. They will discuss the importance of obtaining meaningful data and engaging in dialogue with issuers to drive improvements on financially material risks. Additionally, the conversation will emphasise the importance of transparency in reporting ESG outcomes in these markets – in particular, how demonstrating where outcomes are occurring can pave the way for more intentional investments in the future.
4-Jun-25	<b>Future of Investment Festival - For sustainable, forward-thinking investment professionals</b> The Festival will showcase a variety of sustainable funds and solutions, with specialist fund managers sharing their investment processes, their insights into where investors should look for opportunities, their response to regulatory change, as well as how they are tackling sector challenges. It will also focus on how investors can sustainably take advantage of global megatrends such as the energy transition, societal change and digitalisation, including the rapid development of AI. In addition, the festival will explore how investment strategies are changing to meet investor demand and how major themes may play out in portfolios over the decades ahead.

10-Jun-25	<b>Global Alpha Forum</b> Baillie Gifford's investment team will discuss how lessons from the past can help navigate a changing world. They will provide their view on the themes that matter to investors, and their stock picks for the next decade.
9-13-Jun-25	<b>Cybersecurity</b> The course is designed to equip pension professionals with the knowledge and skills needed to navigate the evolving landscape of cyber risk. Through five one-hour sessions, participants will gain a solid understanding of cyber threats, how to manage them effectively, and the legal and operational responsibilities involved. Each session includes interactive Q&A segments to reinforce learning and ensure practical understanding. Topics to be covered: <ul style="list-style-type: none"> <li>• Introducing cyber risk</li> <li>• Protecting your scheme</li> <li>• Dealing with an incident</li> <li>• Legal obligations</li> <li>• Incorporating cyber risk management into your scheme</li> </ul>
12-Jun-25	<b>Pensions asset allocation summit</b> Presentations will address the importance of asset class returns for LGPS, corporate DB and DC schemes. The conference will be highly interactive, with free and frank exchanges of views, a focus on original and thought-provoking content, and with participants encouraged to engage and contribute proactively throughout.
12-Jun-25	<b>Creating impact through public fixed income - Masterclass</b> This asset class, describe how it has evolved and present their proprietary approach to investing and measuring impact in public fixed income markets. Learn about new and exciting developments in fixed income including how blended finance and other innovative approaches are catalysing financing into the GSS market.
16-18 June	<b>Local Authority Conference - The LGPS: another year of challenge and change</b> This year's programme addressed the latest practical and big picture challenges for the scheme. What was covered: <ul style="list-style-type: none"> <li>• What to expect from the latest Government reforms and where they will take us in the future, with perspectives from Government, funds, pools and the Scheme Advisory Board.</li> <li>• How pensions dashboards could inspire a digital-first approach for funds and employers.</li> <li>• Why strong funding brings new challenges, and what to do about managing the effects of surpluses.</li> </ul> The full programme included a variety of plenaries, streams, roundtables and social activities.
23-Jun-25	<b>Climate innovation: investing in the net-zero economy</b>

	<p>This masterclass will examine where climate innovation is taking root locally and internationally, and highlight the next wave of investable opportunities. These insights are especially relevant for asset owners navigating physical and transition risks while upholding their fiduciary duty to deliver long-term, sustainable value.</p>
30 Jun-1 Jul-25	<p><b>Strategic Investment Forum</b></p> <p>The LAPF Strategic Investment Forum is the leading investment conference and dinner for senior LGPS fund investment officers and their advisers. Some of the topics to be covered:</p> <ul style="list-style-type: none"> <li>• Investment trends – global equities</li> <li>• Fixed income</li> <li>• Roundtable Discussions on: Pool mergers; Improving Pool/LGPS communication</li> <li>• Global infrastructure trends</li> <li>• LGPS post Mansion House</li> </ul> <p>And more</p>
9-Jul-25	<p><b>Harnessing DB surpluses for a stronger pension future</b></p> <p>This evening event offer a collaborative forum for challenge, fresh insight and forward-thinking opportunity. It will examine how surplus assets can be mobilised, not just for scheme sustainability but for the broader benefit of pension members and society. Themes will include:</p> <ul style="list-style-type: none"> <li>• Unlocking the potential of DB surpluses amid a shifting regulatory and economic landscape.</li> <li>• Practical pathways to align surplus deployment with improved DC outcomes.</li> <li>• Broader societal implications and the role of leadership in driving innovative solutions.</li> </ul>

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