

ES East Sussex
PF Pension Fund

2023/24
Business Plan and Budget



Introduction

This Business plan and Budget set out the key activities to be delivered by the East Sussex Pension Fund (the Fund) in 2023/24 and associated budget to deliver these targets and the day-to-day administration activities of running the Fund.

This report includes

- business plan themes,
- budget for 2023/24 compared against 2022/23 forecast spend,
- key assumptions in setting the budget and
- key deliverables of the budget plan themes.

Business Plan

It is anticipated that 2023/24 will see key activities within the following themes:

- **Team Investment:** With success in recruiting to many of the vacant posts held through 2022/23 the team will continue to expand to the full establishment while considering the best team structure as the team becomes established. New starters will be trained, supported in understanding and delivering their responsibilities and integrated into the team. Existing staff will be provided development opportunities, through formal qualifications, conferences and training courses.
- **Oversight and Governance activities:** Development of specific Fund Business Continuity Plan and focus on Cyber resilience. Appointment, integration and training for new Pension Board members to ensure the Board can assist the Administering Authority. Production of the Fund Annual Report and Accounts with improvements in cash management and financial control activities for the Fund. ESCC, who provide ancillary systems and property services to the Fund, will also be implementing a new ERP Finance system that will require Fund officers to ensure the Fund can be financially administered effectively and robustly with clear reporting.
- **Investment advice:** Monitor the Fund's investments and effectiveness of investment managers, implementation of strategic investment decisions, full review of investment strategy in light of the valuation results. Review consequences regarding fossil fuel divestment including financial and regulatory risk. Submission of Stewardship code following feedback on first submission to FRC. Development of TCFD reporting and Environmental, Social and Governance (ESG) and climate risk management information.
- **ACCESS activities:** Joint Committee support, review of ACCESS support unit (ASU), participation in the officer working group and smaller working groups, participation in section 151 group including representing S151 officers on relevant projects and appointments. Continue to actively invest more through the pool in line with government guidelines where Investment strategy can be effectively implemented.

- **Administration to members and employers:** Focus will be on data management activities from employers including the last onboarding of employers to i-Connect. There will continue to be a focus on process mapping to ensure complete and clear procedures are in place following best practice and ensuring a high customer service is provided to members. From a projects perspective the Fund will be looking to finalise GMP reconciliation, implement data collection and processing for the McCloud project, carry out address tracing, development of robotics.

Each theme within the Business Plan includes activities planned for the year. The strategic nature of the Fund objectives means that a number of the 2023/24 activities build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

Budget

The detailed budget to support the Business plan themes and to carry out day to day administration of the Fund has been assessed at **£4,463K** (£4,269K 2022/23) is detailed in the table below.

| Item | 2022/23 | 2022/23 | 2023/24 |
|--|----------------|-----------------------------|----------------|
| | Budget £000 | Forecast Outturn £000 | Budget £000 |
| Fund Staff Costs | | | |
| Fund Officers | 1,905 | 1,435 | 2,023 |
| Sub Total | 1,905 | 1,435 | 2,023 |
| Oversight and Governance Expenses | | | |
| Investment advice | 310 | 299 | 392 |
| Actuarial Fund Work | 200 | 133 | 87 |
| Actuarial Employer Work | 80 | 76 | 81 |
| Employer reimbursement | (80) | (77) | (81) |
| Legal | 78 | 55 | 69 |
| Governance Costs | 50 | 60 | 70 |
| Audit (internal and external) | 72 | 61 | 71 |
| Sub Total | 710 | 607 | 689 |
| Investment Expenses | | | |
| Custodian | 136 | 97 | 97 |
| Sub Total | 136 | 97 | 97 |
| Administration Expenses | | | |
| IT Systems licenses costs and Hardware | 438 | 480 | 572 |
| Overheads | 383 | 263 | 475 |
| Admin operational support services | 289 | 269 | 279 |
| Improvement projects | 150 | 65 | 100 |
| Consultancy | 88 | 218 | 45 |
| Communications | 32 | 1 | 47 |
| Training | 20 | 20 | 20 |
| Subscriptions | 72 | 81 | 75 |
| Other Expenses | 50 | 52 | 60 |
| Sub Total | 1,522 | 1,449 | 1,673 |
| Income | | | |
| Income | (4) | (3) | (19) |
| Sub Total | (4) | (3) | (19) |
| Total | 4,269 | 3,585 | 4,463 |

Budget Coverage

The Budget covers expenditure and income that is accounted for directly by the Fund where the fund has control. It does not include the income and expenditure relating to member contributions, transfers in or benefits paid out.

The Fund has not included a budget line for investment manager fee invoices as this is based on the assets under management and the Fund cannot predict the market volatility. The line item previously reported on only included the directly invoiced investment management fees. The majority of investment management fees are deducted from the investment assets so this figure is not comparable year on year and is not complete. The true complete position for investment management fees are assessed at year end and accounted for in the Financial Accounts. This is a change of reporting methodology to the budget from the 2022/23 Business Plan.

The budget does not include items of future pension liability.

Fund staff costs include the Pension Fund team, a percentage of S151 officer time, the recharge of an ESCC IT Business Analyst and ESCC IT staff costs for Robotics.

Investment advice include, investment consultancy, independent adviser, ESG consultancy and costs associated with ACCESS.

Governance cost include the administration of the Pension Board and Committee.

Overheads are recharges from ESCC for ancillary services such as Accounts Payable, Accounts Receivable, Treasury management, IT helpdesk and infrastructure, office space and other associated property costs.

Admin operational support service include procured services to the Fund to support the pensions administration team such as the Helpdesk and payment of the monthly Pensions payroll.

Improvement projects for 2023/24 budget include McCloud, Dashboard and MSS

Other expenses include a contingency amount to cover anticipated interest and penalties relating to incorrect Annual Allowance calculations by the Funds previous administrator from 2014 when there was a change in methodology to reflect tax year. The project identified various data inconsistencies as data was checked manually rather than placing reliance on employers to provide correct data at the outset.

Key budget assumptions

The key budget assumptions are set out below

- Staffing assumes full establishment for the full year
- The 23/24 Pay Award is forecast to be 5% in line with the ESCC expectations.
- No change to NI rates (13.8%) or thresholds (£9,100).

- Pension employer contribution set to 19.7%.
- Increments will be applied to staff who are not at the top of their scale.
- ACCESS cost based on the budget set by the ACCESS Joint Committee.
- Non-valuation year so a reduction expected in actuarial costs
- The overhead rate from ESCC for property, IT, business administration and other ancillary services will stay at its current rate

Business plan deliverables by key theme

| Theme | Tasks | 2023/24 activity |
|--|------------------------------------|--|
| Team Investment | Staffing | Recruit to remaining vacancies in all teams Establish roles and where responsibilities sit across teams and individuals as the new team structure embeds and the department become fully staffed |
| | Training | Train new staff in their roles and responsibilities, help team members integrate with staff in a hybrid world. Promote competency-based training for all staff Review qualifications that will help staff in their career progression Promote conferences and training events where relevant to ensuring staff are kept up to date on all new regulations and guidance to ensure the Fund provides best practice and high customer service. |
| Oversight and Governance activities | Business Continuity Planning (BCP) | Engage with IT Team to discuss existing levels of protection Identify ways to improve liaison with key BCP contacts across the Local Authority Fully documented procedures for the Fund rolled out to all staff and decision makers to enact if required. Test BCP |
| | Cyber Resilience | Alongside the BCP work ensure all key systems are mapped for data transfers internally and externally to understand risk points. Continue engagement with IT team for testing resilience of systems Continue to support staff in identifying cyber risk and phishing scams |

| Theme | Tasks | 2023/24 activity |
|---------------------------------|---|--|
| | <p>Pension Board</p> <p>Pension Fund Annual Report and Accounts</p> <p>Contribution monitoring</p> <p>Review internal controls</p> | <p>Ensure the Fund can evidence all steps as per the TPR cyber security checklist.</p> <p>Document cyber security credentials for all systems where data is held.</p> <p>Appointment to vacant posts due to term ends in the year. Induct new members and provide training to allow members to understand their role and ensure the Board can assist the Administering Authority.</p> <p>Production of Fund's Financial Statements and Audit Working papers and creation of the Annual Report</p> <p>Liaise with external auditor as appropriate.</p> <p>Develop and maintain accounting controls to ensure correct financial records are held.</p> <p>Report quarterly budget monitoring reports to Pension Board and Committee.</p> <p>Create the Budget for 2024/25 to be approved by the Pension Committee.</p> <p>Cash Management Strategy development</p> <p>Work with ESCC and their project team to implement the new financial system and ensure that the Fund is able to record all relevant information to create its accounts and perform budget monitoring.</p> <p>Continue to develop contribution monitoring and reconciliation in conjunction with the roll out of i-Connect.</p> <p>Carry out a review of existing internal controls against the requirements of any new Code of Practice produced by The Pensions Regulator.</p> |
| <p>Investment advice</p> | <p>Investment monitoring</p> | <p>Provide reporting on the performance of the Fund on a strategic asset allocation level and individual mandate basis.</p> <p>Develop our understanding of the costs that the Fund incurs within its investments via the cost transparency initiative</p> <p>Monitor the costs of the investments are in line with the agreements that the Fund has entered.</p> <p>To meet with all the Fund's investment manager to ensure we are aware of how they are managing the Fund's assets and that they are investing in line with the expectations of the Fund when appointed.</p> |

| Theme | Tasks | 2023/24 activity |
|---------------|---|---|
| | <p>Implementation of strategic allocation changes</p> <p>Review investment strategy</p> <p>Develop the Fund's Environmental Social Governance (ESG) credentials</p> | <p>Challenge investment managers on holdings and stewardship activity to evidence managers activities are in line with the Funds SIRP and expected RI activities.</p> <p>Implement strategic changes previously agreed which have not yet been enacted. With a focus on the liquid credit changes and developing the private credit and inflation linked property investments.</p> <p>Develop a plan to implement any changes to the investment strategy decided upon during the year.</p> <p>Review effectiveness of the current strategy at the strategy meeting with a look at the results from the valuation to ensure consistency with the revised Funding Strategy Statement.</p> <p>Build on the submission provided to UK Stewardship Code with a view to the Fund becoming and maintaining signatory status.</p> <p>Reporting of Fund Activities to Principle of Responsible Investment (PRI) as part of requirements of being a signatory.</p> <p>Annual review of the ESG credentials of all managers and develop appropriate analytic metrics to monitor the Fund.</p> <p>Collate quarterly analysis of fossil fuel exposure and voting & engagement records.</p> <p>Undertake an annual review of the carbon footprint of the Fund and to assess the transition position of the investments.</p> <p>Continue to develop the Funds reporting in line with Taskforce for Climate related Financial Disclosures (TCFD) requirements including scenario analysis</p> |
| ACCESS | <p>Joint Committee support</p> <p>Review of ACCESS support unit (ASU)</p> | <p>Providing support to the Fund's representatives to attend the joint committee of ACCESS so that they are able to positively contribute to the decision making of ACCESS.</p> <p>A 3rd party review of the ASU is planned for this year to identify strengths and weaknesses within the ACCESS Pool activities. Support the appointment of a consultant to carry out the review.</p> <p>Officers to support the contractor in obtaining evidence and provide opinion on the pools activities and governance.</p> |

| Theme | Tasks | 2023/24 activity |
|-----------------------|---|--|
| | Officer working group, section 151 group and representation on sub-groups | <p>Implementation of any amendments to the operation of the ASU including the re-procurement of the ACS operator and illiquid implementation allocators or managers.</p> <p>Support the implementation of the ACCESS business plan and S151 approval of business plan and budget.</p> <p>Monitoring the listed assets offering from ACCESS looking at how the operator of the ACS is performing and the performance of the ACCESS passive manager.</p> <p>Support the completion of the launch of the original contracted 35 sub-funds.</p> <p>Consider the need for further sub-funds including sustainable offerings.</p> <p>Develop plan for implementing the non-listed asset pooling options. Monitoring of the performance of the implementation advisor. Monitoring any pooled non-listed asset solutions that are being run by ACCESS.</p> <p>Assess and consider how the Fund will transition the property allocation to the new Real Estate manager on the ACCESS pool.</p> <p>Rolling program of engagement with the investment managers on the ACCESS platform.</p> <p>To develop consistency across ACCESS Funds and to implement best practice.</p> <p>Support the review and development of the ACCESS voting policy and how this is administered by investment managers. Support discussions in consideration of LAPFF membership and submission of a stewardship code for the pool.</p> |
| Administration | <p>Member Data</p> <p>Data Improvement</p> | <p>Management of data submitted through i-Connect, forms, MSS and other input sources. Ensuring task lists are managed effectively and KPI's achieved.</p> <p>Roll out the i-Connect employer interface module to all remaining employers to simplify data submission and validation</p> <p>Development of timeline for i-Connect file submissions including management of the submissions to ensure the uploads can be spread over the month for the work load to be managed effectively. Assess the team structure and individual workloads on the development of i-Connect as a primary source of data into the Fund to ensure the staff are used effectively.</p> |

| Theme | Tasks | 2023/24 activity |
|-------|--|--|
| | <p data-bbox="411 656 592 689">Data projects</p> <p data-bbox="411 925 627 992">Development of Robotics</p> <p data-bbox="411 1059 647 1093">Employer training</p> | <p data-bbox="678 219 1401 253">Update policies and procedures with process mapping.</p> <p data-bbox="678 286 1401 353">Identifying areas where data within the pension system can be improved and developing plan of redress.</p> <p data-bbox="678 387 1385 454">Full roll out of new Key Performance Indicators (KPIs) through utilisation of Altair Insights.</p> <p data-bbox="678 488 1445 622">Annual Benefit Statements produced by statutory deadline ensuring nay enhancements to the member experience are made where possible. Ensuring the data is up to date to be able to provide an accurate statement to Members.</p> <p data-bbox="678 656 1425 757">Complete the project work through the redress of benefit calculations in relation to the Guaranteed Minimum Pension (GMP)</p> <p data-bbox="678 790 1066 824">Mortality and Address tracing</p> <p data-bbox="678 857 1161 891">Preparation for Pensions Dashboard</p> <p data-bbox="678 925 1425 992">Investigation of and development of robotics to automate processes and provide improved functionality.</p> <p data-bbox="678 1059 1393 1126">Continued rollout of the employer toolkit and roll out of training to employers.</p> |