

Report to: **Governance Committee**

Date: **5 March 2019**

By: **Chief Finance Officer**

Title of report: **East Sussex Pension Board**

Purpose of report: **To consider the steps being taken in relation to the membership of the Pension Board.**

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**RECOMMENDATIONS – The Governance Committee is recommended to:**

- 1. note the report to, and the minutes of, the Pension Board meeting of 4 February 2019 (appendices 1 and 2);**
  - 2. note the request from the Pension Committee meeting of 25 February 2019 to refer the plans for making appointments to the Pensions Board to this Committee; and**
  - 3. note the proposals to seek employer and scheme member nominations for their representation on the Pension Board.**
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## **1. Background**

1.1 Following the Better Governance and Improved Accountability in the Local Government Pension Scheme consultation by the Ministry of Housing, Communities and Local Government, the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 required each Administering Authority to establish a Local Pension Board by 1 April 2015 for the purposes of “assisting” the Scheme Manager (East Sussex County Council (ESCC)).

1.2 The East Sussex Pension Board was established in April 2015 under the provisions of Section 5 of the Public Service Pensions Act and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended). The County Council agreed to delegate authority to the Governance Committee to (i) determine the selection process for appointment to the Pension Board and (ii) appoint to, and remove from, the Pension Board. At its meetings on 16 December 2014 and 10 March 2015, the Governance Committee agreed the appointment process for the Board.

1.3 The Pension Board, at its meeting held on 4 February 2019, considered a report (attached as appendix 1) regarding the membership of the Board in light of the fact that the initial four year appointment period for four members of the Board and the Independent Chair was nearing an end.

## **2. Pension Board Membership Appointment - Proposal**

2.1 The methodology for appointing employer and member representatives is not prescribed by the Regulations. It is therefore up to the Administrative Body's (ESCC) discretion to establish an appropriate process. This is contained within the East Sussex Pension Board constitution and terms of reference. In summary, all appointments to the Board, including the Independent Chair, are made by the Governance Committee. The term of office for Board members shall be 4 years or such time as agreed by the Governance Committee.

2.2 The Pension Committee, at its meeting on 25 February 2019, considered the draft minutes of the Pension Board meeting held on 4 February (appendix 2) and requested the appointment process be referred to the next meeting of the Governance Committee in order for their feedback to be considered. The minutes of the Pension Committee meeting are attached to this report at appendix 3.

2.3 The planned actions, following the Governance Committee's confirmation, are to write to the employer and scheme member representative organisations asking for their nominations for the next 4 year term of office and to start the recruitment process for the Independent Chair position. If the employer and scheme member bodies want to ensure consistency in their representation they are able to do so by re-nominating existing representatives for appointment by the Governance Committee. Whether or not they wish to do this is a matter for the representative organisations.

2.4 Following responses from employer and scheme member representative organisations regarding their nominations for the Pension Board, a further report will be submitted to the Committee recommending appointments to the Board. Likewise, once the recruitment process for the Independent Chair has been undertaken, a report will be submitted to the Committee with a proposal for the appointment of the Chair. The degree of change to Board membership will not be known until this process is completed. Officers will ensure that appropriate training/induction sessions are held for new and any existing members of the Board.

### **3. Conclusion and recommendations**

3.1 The Administrative Body is seeking employer and scheme member nominations for their representation on the East Sussex Pension Board in line with the agreed constitution and terms of reference for the Board.

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

Contact Officer: Ola Owolabi, Head of Pensions, 01273 482017  
[ola.owolabi@eastsussex.gov.uk](mailto:ola.owolabi@eastsussex.gov.uk)

#### Local Members

All

#### Background Documents

None

Report to: **Pension Board**

Date: **4 February 2019**

By: **Chief Finance Officer**

Title of report: **Review of the East Sussex Pension Board**

Purpose of report: **To provide an on update on the Board key activities and to consider future appointment of Pension Board representatives in compliance Pension Board terms of reference.**

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## **RECOMMENDATIONS – The Board is requested to note -**

- 1. The commencement of Pension Board representative’s appointment process for a new 4 year terms of office.**
  - 2. Commencement of the Independent Chair appointment process.**
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### **1. Background**

1.1 The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 require each Administering Authority to establish a Local Pension Board for the purposes of “assisting” the Scheme Manager (East Sussex County Council). The East Sussex Pension Board was established in April 2015 under the provisions of Section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended).

1.2 The Governance Committee and Full Council agreed the establishment of the Pension Board and its terms of reference. The County Council agreed to delegate authority to the Governance Committee to -

- a. determine the selection process for appointment to the Pension Board;
- b. appointment process and removal of representatives on the Pension Board.

1.3 Regulation 106 specifies that each Administering Authority should establish its own Local Pension Board with responsibility for assisting the Administering Authority as set out below:

- a. securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- b. securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
- c. such other matters as the LGPS scheme regulations may specify.
- d. must have regard to the desirability of securing the effective and efficient governance and administration of the LGPS scheme.

1.4 In addition, the regulatory powers of the Pensions Regulator (tPR) were extended under section 17 and Schedule 4 of the 2013 Act to cover some aspects of public service pension schemes, including the LGPS. The launch of tPR’s 21st century trusteeship campaign marks a significant step forward in the level of and approach to the regulator’s engagement with pension schemes on governance and trusteeship.

### **2 East Sussex Pension Board**

2.1 The regulations requirement is that the Pension Board membership must include an equal number of employers and employee representatives, which must not be less than 4 in total. **Regulation 107** was amended to allow elected members, i.e. ESCC members to become members of a local pension board. However, **Regulation 107(3)** qualifies this provision by not allowing elected members or officers of ESCC (an administering authority) who are responsible for the discharge of any function under the Principal 2013 Regulations to become a member of the local pension board. Additional members can be added to this board, for example three other people (including an Independent Chair) could be appointed if only 4 employer and employee representatives were appointed but these additional members must not form the majority.

2.2 The East Sussex Pension Board consist of 3 employer representatives; 3 scheme member representatives and a non-voting independent Chair as shown below –

	<b>Representing</b>	<b>Organisation</b>	<b>Board Members</b>	<b>Years on Board</b>
1	Employer	University of Brighton	Sue McHugh	4
2	Employer	Wealden District Council	Cllr. Brian Redman	4
3	Employer	Brighton & Hove C. C.	Cllr. Cllr Kevin Allen	4
4	Scheme Members	UNISON	Angie Embury	4
5	Scheme Members	GMB	Rezia Amin	0.5
6	Scheme Members	Pensioners representative	Diana Pogson	1
7	Independent Chair	-	Richard Harbord	4

2.3 The Pension Board has a monitoring, assisting and reviewing roles and it could be seen as being a critical friend. As such, the general approach of the Pension Board is to seek assurances with evidence from the Pension Fund that the Fund is meeting its objectives, producing the required statements and managing risks so as to achieve the overall objectives as set out above.

2.4 The Board has a legal responsibility to "assist the scheme manager" in securing compliance with its obligations, however it does not have decision making powers for areas of administration and governance of the scheme. The Board is expected to work closely with Pension Officers to ensure that those responsibilities are met. A key part of the Board's role is also ensuring that the Pension Regulator's requirements are met, many of which are focused on efficient and effective administration.

2.5 The Board meetings were scheduled to take place in advance of the Pension Committee meetings to provide the Board with the opportunity to review, discuss, and comment on the Committee agenda and fund policies. In so doing, the Pension Board has been helping to manage the reputational risk of the Pension Fund, and of the Administering Authority, which is more critical now that the LGPS in England and Wales has the Ministry of Housing, Communities and Local Government (MHCLG) and The Pensions Regulator (TPR) as regulators.

2.6 The establishment and initial meetings of the Pension Board coincided with the period of possibly the greatest pressure on Pension Officers, with the Administering Authority having to respond to the MHCLG on the critical consultation documents regarding the proposed pooling of LGPS investments, and also on revised Investment and Management of Funds Regulations. Given the pressure on the Administering Authority, the Pension Board has been able to assist with the Fund decision to be part of the ACCESS Pool.

2.7 The key work of the Pension Board has been about improving Fund governance through refreshing and drafting policy documentation and in ensuring compliance with the Pension Regulator's code of practice. Pension Board have undertaken some significant pieces of work since inception including:

- Monitoring and reviewing of the Pension Committee meetings agenda;
- Development of a policy to Report Breaches of the Law;
- Development of a refreshed Communication Strategy;
- Annual review of the investment managers fees;
- Supporting the development of an Administration Strategy;
- Monitoring and reviewing progress with regard to the LGPS pooling;
- Monitoring and reviewing the triennial actuarial valuation conducted by Hymans Robertson;
- Monitoring and reviewing administration of the Fund, etc.

2.8 There is a budget for the Pension Board within the overall budget of the Pension Fund for travelling and training expenses relating to Scheme Member and Employer representatives, as are the annual salary and expenses of the Independent Chair. The Pension Board is mindful of delivering value for money without compromising the functionality of the Pension Board.

### **3. Terms of Reference**

3.1 The Pension Board operates under Terms of Reference which were agreed by East Sussex County Council (attached as Appendix A below) that set out how the Board has been constituted and operates on a day to day basis, which include: Objectives of the Pension Board; Management and operation; Membership; Term of office; Standards of Conduct, etc. Extracts from the terms of reference are that –

- *The term of office for Board members shall be 4 years or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted.*
- *The Independent Chair will be the independent member appointed for a term of 4 years by Governance Committee or such time as resolved by the Governance Committee.*

### **4. Future Board Membership Appointment - Proposal**

4.1 The methodology for appointing employer and member representatives is not prescribed by the Regulations. It is therefore up to the Scheme Manager (ESCC) discretion to establish an appropriate process. In accordance with Regulation 107 of the LGPS Regulations 2014, a Local Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In considering the size of the East Sussex Pension Board, the Council has taken into consideration number of factors including:

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

4.2 Taking into consideration the expiration of the Board members 4 years term on 31<sup>st</sup> March 2019, and in line with the Pension Board Terms of Reference, it is proposed that –

- The 4 years term of office for existing Board members will be ending on 31<sup>st</sup> March 2019, which will be followed with the commencement of a new appointment process.
- The Independent Chair four years term of office be ended on 31<sup>st</sup> March 2019, and the position is re-filled by seeking nominations through advertisement in local newspapers and on ESPF website.
- The Independent Chairman annual allowance to be determined by the Scheme Manager. The Chair will be entitled to claim travel and subsistence allowances for the Pension Board business (including attending training) at rates contained in the Scheme of Members' Allowances within the East Sussex Council's Constitution.

### **5. Conclusion and recommendations**

5.1 The Board is requested to note the Board key activities and the proposal as set-out in para 4.2 of this report.

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

Contact Officers: Ola Owolabi, Head of Pensions, 01273 482017  
[ola.owolabi@eastsussex.gov.uk](mailto:ola.owolabi@eastsussex.gov.uk)

Local Member(s): All

Background Documents –  
None

### Constitution and terms of reference of the East Sussex Pension Board

#### 1. Introduction

- 1.1 The Public Service Pensions Act 2013 requires the establishment of a Pension Board with the responsibility for “assisting the Scheme Manager” in securing compliance with all relevant pensions law, regulations and directions – as well as the relevant Pension Regulator’s codes of practice. This role is one of providing assurance in and governance of the scheme administration.
- 1.2 The \*scheme manager (East Sussex County Council – ESCC) will provide the necessary input into the Pension Board to support the Board to deliver on its assurance responsibilities. This may require their attendance at meetings at the request of the Board.
- 1.3 The terms of reference, membership of the Pension Board and any variations thereof are determined by the Scheme Manager, i.e. ESCC.

#### 2. Objectives of the Pension Board

- 2.1 To help to ensure that the East Sussex Pension Fund (ESPF) is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- 2.2 To provide assistance to East Sussex County Council as the LGPS Scheme Manager in securing compliance with:
  - LGPS Regulations and any other legislation relating to the governance and administration of the LGPS
  - requirements imposed in relation to the LGPS by the Pensions Regulator
  - the agreed investment strategy
  - any other matters as the LGPS regulations may specify.
- 2.3 To assist with securing effective and efficient governance and administration of the LGPS for the East Sussex Pension Fund by:
  - Seeking assurance that due process is followed with regard to Pension Committee, and any identified issues raised by Board members.
  - Retaining an overview of LGPS policy and strategy and business plan timetable.
  - Making representations and recommendations to the Pension Committee as appropriate.
  - Considering and, as required, responding to any Government / Responsible Authority performance data concerning the local fund.
- 2.4. The role of the Board will be oversight of these matters and not decision making.

### **3. Management and operation of the Pension Board**

#### 3.1 The Pension Board shall:

- meet at least 4 times per year
- have the power to establish sub committees or panels as required
- agree a programme of training and development for its members.
- provide the Scheme Manager (ESCC) with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.
- ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- consider any issue raised by any Board Member in connection with the Board's work.
- produce an annual report outlining the work of the Board throughout the scheme year, which will help to -
  - inform all interested parties about the work undertaken by the Panel
  - assist the panel in reviewing its effectiveness and identifying improvements in its future operations.
- help to ensure that decisions made by ESCC are fully legally compliant, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary;
- monitor administrative processes and supporting continuous improvements;
- ensure the scheme administrator supports employers to communicate the benefits of the LGPS Pension Scheme to scheme members and potential new members.

### **4. Membership - composition of the Pension Board**

#### 4.1 The Pension Board shall consist of:

- a) **3 employer representatives** - employer representatives that can offer the breadth of employer representation for the ESPF. (Regulation 107 of the Pension Act permits elected members to sit on a local pension board. However, under Regulation 107(3), elected members or officers of ESCC (as the Scheme Manager), who are responsible for the discharge of any function under the Principal 2013 Regulations, may not sit on the Pension Board.)
- b) **3 scheme member representatives** - member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners).
- c) **1 Independent Chair**

#### 4.2 The Pension Board shall be chaired by an Independent Chair.

### **5. Appointment of members of the Pension Board**

#### 5.1 The appointment process has been approved by the Governance committee

#### 5.2 All appointments to the Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair and Vice Chair.

## **6. Term of office**

- 6.1 The term of office for Board members shall be 4 years or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted.
- 6.2 A Board member who wishes to resign shall submit their resignation in writing to the Pension Board Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.
- 6.3 The role of the Pension Board members requires the highest standards of conduct and the Code of Conduct of the East Sussex County Council will apply to the Board's members. The County Council's Standards Committee will monitor and act in relation to the application of the Code.
- 6.4 Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Board member, which will be in accordance with the Code of Conduct of the East Sussex County Council.

## **7. Independent Chair**

- 7.1 The Independent Chair will be the independent member appointed for a term of 4 years by Governance Committee or such time as resolved by the Governance Committee. A job description approved by the Committee will be used to identify the candidate best suited to the role.
- 7.2 It will be the role of the Chair to -
- Settle with officers the agenda for a meeting of the Board
  - Manage the meetings to ensure that the business of the meeting is completed
  - Ensure that all members of the Board show due respect for process and that all views are fully heard and considered
  - Strive as far as possible to achieve a consensus as an outcome
  - Ensure that the actions and rationale for decisions taken are clear and properly recorded.
- 7.3 Removal of the independent chair will be in accordance with the Code of Conduct of the East Sussex County Council and the County Council's Standards Committee decision.

## **8. Support arrangements**

- 8.1 ESCC will provide secretariat, administrative and professional support to the Pension Board and as such will ensure that:
- meetings are timetabled for at least four times per year
  - adequate facilities are available to hold meetings
  - an annual schedule of meetings is produced
  - suitable arrangements are in place to hold additional meetings if required papers are distributed 7 days before each meeting except in exceptional circumstances
  - minutes of each meeting are normally circulated 7 working days following each meeting.

## **9. Expert advice and information**

- 9.1 The Board will have access to professional advice and support provided by officers of East Sussex Pension Fund and, via them and where appropriate, advisers to the East Sussex Pension Fund.
- 9.2 Insofar as it relates to its role, the Pension Board may also:
- request information and reports from the Pension Committee or any other body or officer responsible for the management of the Fund
  - examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.
  - access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major decisions, i.e., investment strategy, triennial valuation, etc.,
  - access to professional advice regarding non major decisions will require the approval of the Pension Committee for additional resources.

## **10. Knowledge and Skills**

- 10.1 Board members will be required to have the 'capacity' to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:
- the scheme rules
  - the schemes administration policies
  - the Public Service Pensions Act (i.e. being conversant with pension matters relating to their role).
- 10.2 A programme of updates and training events will be organised. Board members will be encouraged to undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters.

## **11. Minutes**

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

## **12. Standards of Conduct**

- 12.1 The main elements of East Sussex County Council's Code of Conduct shall apply to Board members.

## **13. Access to the Public and Publication of Pension Board information**

- 13.1 Members of the public may attend the Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in East Sussex County Council's Constitution.
- 13.2 Up-to-date information will be posted on the East Sussex Pension Fund website showing:
- Names and information of the Pension Board members
  - How the scheme members and employers are represented on the Pension Board
  - Responsibilities of the Pension Board as a whole
  - Full terms of reference and policies of the Pension Board and how it operates.

#### **14. Expense reimbursement, remuneration and allowances**

- 14.1 All Pension Board members will be entitled to claim travel and subsistence allowances for attending meetings relating to Pension Board business (including attending training) at rates contained in the Members' Allowances Scheme in the East Sussex Council's Constitution. The Chair's remuneration will be agreed on appointment. All costs will be recharged to the Pension Fund.

#### **15. Accountability**

- 15.1 The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions Regulator, and the National Scheme Advisory Board. The National Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the DCLG) and the Scheme Manager (in this case East Sussex County Council). The Pensions Regulator will report to the Responsible Authority (again, DCLG) but will also be a point of escalation for whistle blowing or similar issues.
- 15.2 In addition the Pension Board will continue to provide regular updates to the Pension Committee governance process. ESPF officers will be responsible for the contractual arrangements.

#### **16. Decision Making Process**

- 16.1 Employer representatives and scheme member representatives have voting rights albeit the Board is expected to operate on a consensus basis.
- 16.2 In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote but the proposal shall be considered to have been rejected. The scheme manager shall be alerted when a decision is reached in this manner.

#### **17. Attendance and quorum**

- 17.1 Four of the voting members of the Pension Board shall represent the quorum for Board meetings to discharge business. The Chair or Vice Chair must be present for any meeting to proceed.
- 17.2 Advisors and co-opted persons do not count towards the quorum.
- 17.3 No alternate representation or substitution is allowed in the event that a member is unable to attend a meeting of the Board, due to skill requirements and level of training required.

#### **18. Conflicts of Interest**

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

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 4 February 2019.

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PRESENT Richard Harbord (Chair); Councillor Kevin Allen,  
Angie Embury, Rezia Amin, Sue McHugh and  
Councillor Brian Redman

ALSO PRESENT Councillor Richard Stogdon, Chair of the Pension Committee  
Ian Gutsell, Chief Finance Officer  
Ola Owolabi, Head of Pensions  
Nigel Chilcott, Audit Manager  
Harvey Winder, Democratic Services Officer

32 MINUTES

32.1 The Board agreed the minutes as a correct record of the meeting held on 5 November 2018.

32.2 The Chair pointed out in reference to paragraph 22.8 that the requested report by Business Operations providing an update on the progress against the Internal Audit agreed actions had not been provided.

33 APOLOGIES FOR ABSENCE

33.1 Apologies for absence were received from Diana Pogson.

34 DISCLOSURE OF INTERESTS

34.1 There were no disclosures of interest.

35 URGENT ITEMS

35.1 There were no urgent items.

36 PENSION COMMITTEE AGENDA

36.1 The Board considered the draft agenda of the Pension Committee's next meeting.

36.2 The Board RESOLVED to note the report.

37 EXTERNAL AUDIT PLAN FOR EAST SUSSEX PENSION FUND 2018/19

37.1. The Board considered a report on the East Sussex Pension Fund (ESPF or 'the Fund') External Audit Plan for 2018/19.

37.2. The Chair asked whether the decrease in the core external audit fee from £26,607 in the previous year to £20,487 for 2018/19 meant that there would be a corresponding decrease in the service that the Fund could expect to receive.

37.3. Ola Owolabi (OO) explained that the fee is set by the Public Sector Audit Appointments (PSAA) Board rather than being agreed between the Fund and Grant Thornton (the external auditors). He added that the core fee was based on the assumption of the Fund being rated 'excellent' and there were no plans for additional audit work, which would incur additional fees.

37.4. The Chair observed that the level of materiality being set at £33m appeared high and so too did 'clearly trivial' uncorrected omissions or misstatements being set at £1.65m. Sue McHugh (SM) said that the role of the external auditor was to express an opinion of the Fund's financial statements and that it was the role of internal audit to pick up on any lack of internal control processes or governance arrangements that lead to Fund assets being wasted or lost. Nigel Chilcott (NC) confirmed that the revised draft pension fund internal audit strategy would be available for consideration by the Board in June.

37.5. The Board RESOLVED to note the report.

### 38 FUNDING STRATEGY STATEMENT

38.1. The Board considered a report on a revised Funding Strategy Statement (FSS) for the ESPF.

38.2. The Chair asked whether new employers will be able to negotiate pass-through arrangements with ESPF, or whether they will be offered the fixed contribution rate only. OO said that contractors are likely to want to accept the fixed contribution rate as the ESPF is a well performing fund that is close to 100% funded, meaning employer contribution rates are relatively low.

38.3. SM observed that a fixed contribution rate would enable contractors to include it in their tender price and prevent any 'gaming of the system' by estimating a lower contribution rate in order to claim to be able to provide a service for a lower price.

38.4. Councillor Brian Redman (BR) asked whether the fixed contribution rate would apply to scheduled bodies, such as academies, which are entitled to join a Local Government Pension Scheme (LGPS), but that could face financial difficulties. OO confirmed it would only apply to services that have be outsourced by academies and admitted bodies such as contractors providing services on behalf of the Council. Rezia Amin (RA) added that the non-teaching staff of schools converting to academies would be able to join the ESPF regardless of whether or not the academy chose to, and their pensions would not be affected by any financial difficulties the academy may find itself in.

38.5. The Board RESOLVED to note the report.

### 39 EAST SUSSEX PENSION BOARD - TERMS OF REFERENCE

39.1. The Board considered a report on future appointments of Board members and the independent Chair.

39.2. The Chair observed that this would likely be the final meeting of the Board as currently constituted as four members were reaching the end of their four year term and his role would need to be re-advertised. He said that it would be unfortunate to disrupt the Board's composition given the good work it had done and the accumulated knowledge the Board members now possessed. Councillor Kevin Allen (KA) agreed that the Board had performed well and said that it had been well chaired too. He reminded the board he was not standing as a Councillor in the

Brighton & Hove City Council elections in May so would also no longer be a member of the Board.

39.3. The Chair commented that it was not clear whether the Governance Committee would be recommended to agree to a two year extension of board members' appointments or to reappointment them (or an alternative representative) for a new four year term. OO said that the two year extension would be at the discretion of the Governance Committee and that the current members of the Board were able to seek reappointment to the Board.

39.4. BR said that he had been aware that he had been appointed for four years but was disappointed the Board members had been informed about it in this way. He said that he had agreed with the Leader of Wealden District Council that he would not seek reappointment to the Pension Board.

39.5. The Board RESOLVED to note the report.

#### 40 EAST SUSSEX PENSION FUND 2018/19 BUDGET MONITORING AND 2019/20 BUDGET REPORT

40.1 The Board considered a report on the 2018/19 Budget Monitoring and an outline of the 2019/20 budget for the East Sussex Pension Fund.

40.2 The Board resolved to note the report.

#### 41 OFFICERS' REPORT - GOVERNANCE AND PENSIONS ADMINISTRATION UPDATE

41.1. The Board considered a report providing a general update on matters related to the Board's activity including the pension administration.

41.2. The Chair said he understood that a lot of effort had been made to retain the Pension Administration Manager appointed in October, but that he had decided to leave for personal reasons.

41.3. Angie Embury (AE) expressed serious concerns about the pension administration of the ESPF by Orbis and said that she would raise these with both Unison and CIPFA.

41.4. SM said that the Board and Pension Committee have been expressing serious concerns about pensions administration for a long time and had hoped that the new appointment would have started to resolve these issues. She said she felt that there was not sufficient evidence that the situation would be resolved and that further assurance was needed.

41.5. BR noted that ESPF employers had been informed in January about the potential significant liabilities the Fund could face if Guaranteed Minimum Pension (GMP) Reconciliation process was not resolved correctly. He was concerned that the Fund was in this situation given that the Board had asked for several years for the GMP process to be completed in a timely manner to avoid this uncertainty.

41.6. Ian Gutsell (IG) clarified that HM Revenues & Customs (HMRC) had moved its deadline to respond to GMP queries raised by Local Government Pension Schemes (LGPS) from 21 December to April 2019. The Fund would therefore not expect to hear any responses to queries until after that date, meaning that liabilities to the Fund would not be known until later than anticipated. OO explained that JLT was being asked for an update on how they were progressing towards the deadline of April 2019 and that the Board would be updated once this was known. He said that there was no significant difference in JLT's progress against the company's own agreed timeline since the previous update in November.

41.7. The Chair said he suspected that HMRC had moved the deadline as a number of LGPSs had submitted their queries at the last minute. He felt it likely that the Fund would not know its liabilities for several more months.

41.8. OO confirmed that there will be a dedicated resource based in Lewes focussing on achieving the Annual Benefit Statement deadline by 31 August. The Chair observed that this was a step forward but would reserve judgement until after the deadline passed.

41.9. OO explained that three full-time temporary employees had been hired to perform the Membership Data Cleansing exercise in order to provide accurate data ahead of the triennial evaluation, ensuring that employer contribution rates are set accurately. AE expressed concern that additional Fund monies were being spent given the ongoing concerns about Orbis' ability to deliver the service it was required to.

41.10. The Chair asked what sanction the Pensions Regulator had imposed for the data cleansing breach in September 2018. OO said that he would confirm this via email.

41.11. The Board RESOLVED to:

1) note the report;

2) request a report to the 10 June Board meeting on the organisational arrangements for the pension administration service.

## 42 PENSION FUND - RISK REGISTER

42.1. The Board considered a report on the ESPF Risk Register.

42.2. OO clarified that the risk register only included risks still rated as amber or red post-mitigation.

42.3. The Chair observed that some risks only reduced slightly post-mitigation, for example, paying pension contributions correctly.

42.4. BR said that there was little value in expending so much that all risks were reduced to 1, and that a certain amount of risk should be expected given the prohibitive cost to Fund members of eliminating it. OO agreed that there would always be some element of risk when managing £3.5bn worth of assets.

42.5. The Board RESOLVED to note the report.

## 43 WORK PROGRAMME

43.1. The Board considered its future work programme.

43.2. AE said that the training schedule would need to be adjusted to take account of the new Board members. OO said that induction sessions would be provided to any new members between now and the 10 June Board meeting.

43.3. The Board RESOLVED to note the report.

## 44 EXCLUSION OF THE PUBLIC AND PRESS

44.1 The Board RESOLVED to exclude the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local

Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

45 LOCAL GOVERNMENT PENSION SCHEME (LGPS) POOLING - ACCESS UPDATE

45.1 The Board considered an update on the activities undertaken by the ACCESS Pool group and the MHCLG draft statutory guidance on asset pooling

45.2 The Board RESOLVED to:

- 1) note the report;
- 2) recommend to the Pension Committee that Officers are authorised to consult with a wide range of parties and sign-up to the ACCESS Pool joint consultation response to the draft statutory guidance.

The meeting ended at 11.45 am.

Richard Harbord (Chair)  
Chair

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PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at County Hall, Lewes on 25 February 2019.

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PRESENT Councillors Richard Stogdon (Chair), Simon Elford,  
Gerard Fox, David Tutt and Trevor Webb

ALSO PRESENT Richard Harbord, Independent Chair  
William Marshall, Hymans Robertson  
Ben Fox, Hymans Robertson  
William Bourne, Independent Adviser  
Kevin Foster, Chief Operating Officer  
Ola Owolabi, Head of Pensions  
Wendy Neller, Pensions Strategy and Governance Manager  
Russell Wood, Principal Pensions Officer  
Harvey Winder, Democratic Services Officer

59 MINUTES

59.1 The Committee RESOLVED to agree the minutes of the meeting held on 26 November 2018.

60 APOLOGIES FOR ABSENCE

60.1 There were no apologies for absence.

61 DISCLOSURE OF INTERESTS

61.1 Cllr Fox declared a personal interest as the trustee of a small endowment fund.

62 URGENT ITEMS

62.1 There were no urgent items.

63 PENSION BOARD MINUTES

63.1 The Committee considered the draft minutes of the Pension Board meeting held on 4 February.

63.2 The Committee RESOLVED to:

1) recommend that the Governance Committee consider a report at its 5 March meeting setting out the risk generated by the proposed reappointments to the Pension Board of not appointing four of the Board members and an Independent Chair before the end of their current term of office on 31 March; the associated risk of losing trained Pension Board members if they are not re-appointed; and recommending that Board succession planning in the future involves

appointing in a staggered way to avoid the need to reappoint members in a single tranche and to maintain knowledge within the Board ; and  
2) Thank the Board for their work over the previous four years.

#### 64 QUARTERLY PERFORMANCE REPORT - HYMANS ROBERTSON

64.1 The Committee considered a quarterly performance report by the East Sussex Pension Fund's actuary, Hyman's Robertson.

64.2 The Committee RESOLVED to note the report.

#### 65 FUND PERFORMANCE - SCHRODER

65.1 The Committee considered a presentation by Schroder, an investment fund manager of the East Sussex Pension Fund.

#### 66 INVESTMENT STRATEGY STATEMENT

66.1 The Committee considered report recommending the approval of a revised Investment Strategy Statement (ISS).

66.2 The Committee considered a presentation on the East Sussex Pension Fund (ESPF) equity portfolio, including discussion about the Fund's current approach as a responsible investor and the potential for sub-funds within ACCESS that reflect the Fund's commitment as a responsible investor.

66.3 The Committee RESOLVED to:

- 1) approve the revised ISS;
- 2) approve the commitment of £60m to M&G's Real Estate Debt VI Fund ("RED VI"); and
- 3) approve the additional commitment to Pantheon of £40m.

#### 67 EXTERNAL AUDIT PLAN FOR THE EAST SUSSEX PENSION FUND 2018/19

67.1 The Committee considered a report on the External Audit Plan for the East Sussex Pension Fund 2018/19.

67.2 The Committee RESOLVED to note the report.

#### 68 EAST SUSSEX PENSION FUND 2018/19 BUDGET MONITORING AND 2019/20 BUDGET REPORT

68.1 The Committee considered a report on the East Sussex Pension Fund Budget monitoring for 2018/19 and the 2019/20 budget report.

68.2 The Committee RESOLVED to:

- 1) note the 2018/19 projected outturn; and
- 2) approve the revenue budget for 2019/20.

#### 69 FUNDING STRATEGY STATEMENT

69.1 The Committee considered a report on a new version of the East Sussex Pension Fund's Funding Strategy Statement.

69.2 The Committee RESOLVED to approve the revised Funding Strategy Statement (FSS) as set out in paragraph 3.4 of the report.

## 70 OFFICERS' REPORT - GOVERNANCE AND PENSIONS ADMINISTRATION

70.1 The Committee considered a general update on matters relating to the Committee activities including Pensions Administration.

70.2 The Committee RESOLVED to:

- 1) note the report;
- 2) request confirmation via email the potential extent of Guaranteed Minimum Pension (GMP) Reconciliation liabilities as soon as practicable to understand the Fund's financial position on GMP before the deadline of April 2019 and confirmation that all applicable queries were submitted to the HMRC within HMRC deadlines;
- 3) request details on the amount of liability other Local Government Pension Scheme Fund's have faced following the completion of the GMP process; and
- 4) request that a copy of the Gantt chart or Microsoft project plan being used for the Administration System Procurement Plan is circulated by email; and
- 5) request an update on the progress of the Administration System Procurement Plan by email.

## 71 FORWARD PLAN

71.1 The Committee considered its forward plan.

71.2 The Committee RESOLVED to note the report.

## 72 EXCLUSION OF THE PUBLIC AND PRESS

72.1 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 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).

## 73 LOCAL GOVERNMENT PENSION SCHEME (LGPS) POOLING - ACCESS UPDATE

73.1 The Committee considered a report providing the Committee with an update on the activities undertaken by the ACCESS Pool group and the Ministry of Housing, Communities and Local Government's (MHCLG) draft statutory guidance on asset pooling

73.2 The Committee RESOLVED to:

- 1) note the report;
- 2) note the MHCLG statutory guidance on asset pooling in the Local Government Pension Scheme;
- 3) delegate authority to the Chair of the Committee to sign-up to the ACCESS Pool Joint Committee response to the MHCLG consultation in conjunction with the other 10 ACCESS Chairs.

The meeting ended at 2.25 pm.

Councillor Richard Stogdon (Chair)  
Chair

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