

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 19 June 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, Head of Pensions
Dave Kellond, Compliance and Local Improvement Partner
Paul Linfield, Pensions Communications Manager
Paul Punter, Head of Pensions Administration
Danny Simpson, Principal Auditor
Russell Wood, Pensions Manager: Investments and Accounting
James Sweeny, Pensions Investment Officer
Mya Khine, Pensions Accountant
Iain Campbell, Head of LGPS Investment, Hymans Robertson
William Bourne, Independent Investment Adviser
Bekki Freeman, Solicitor
Sophie Webb, Governance and Democracy Manager

Trevor Redmond, Pension Board Scheme Member Representative
Neil Simpson, Pension Board Scheme Member Representative
Councillor Andrew Wilson, Pension Board Employer Representative

Councillor Nick Bennett, Lead Member for Resources and Climate Change

1. MINUTES OF THE MEETING OF 27 FEBRUARY 2025

1.1 The Committee RESOLVED to agree the minutes of the meeting held on 27 February 2025 as a correct record.

2. APOLOGIES FOR ABSENCE

2.1 There were no apologies for absence.

3. DISCLOSURE OF INTERESTS

3.1 Councillor Fox declared that he has recently been appointed as the vice chair of the ACCESS pool joint committee he did not consider this to be prejudicial.

3.2 Councillor Tutt declared a personal interest in item 14 as the Director of Cyber Centre for Excellence. He did not consider this to be prejudicial.

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 BOARD MINUTES

6.1 The Committee considered the minutes of the Pension Board meeting held on 5 June 2025.

6.2 The Committee RESOLVED to note the minutes of the Pension Board meeting held on 5 June 2025.

7. PENSION REFORM AGENDA

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

7.2 The following points were highlighted to the Committee:

- 1) Following Government's response to the 'Fit for the Future' consultation, officers are working to understand the implications for the East Sussex Pension Fund (the 'Fund') from a governance perspective.
- 2) 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).
- 3) 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.
- 4) The Government requires that the authority evaluates options in relation to pooling are options are being explored at both the authority level and in conjunction with other members of the ACCESS pool.
- 5) Officers met with civil servants in June to discuss progress and the authority is required to write by the end of September to advise of the authority's intentions for pooling in the future to meet the requirements of the consultation.
- 6) Out of the 8 investment pools in the UK, the government supported 6 pools leaving 2 pools with 21 funds needing to seek alternative pooling arrangements.
- 7) Governance arrangements are being reviewed noting changes will be required and a report to Pension Committee will set out a plan to ensure the Fund is compliant to the requirements.

- 8) The two key changes to the proposed governance arrangements since the consultation include recommending appointment of an independent expert to the Pension Committee as a non-voting member instead of a member with voting rights; and requiring independent governance reviews are carried out every 3 years instead of every 2 years.

7.3 The Committee discussed the timescales in terms of assessing options, formulating a position and proposed governance framework to comply with the deadlines set by Government and noted that while there is a need to be pooled with an alternative by March 2026, Government have recognised the short timescales and have indicated a level of flexibility for Funds who need to seek alternative pooling arrangements.

7.4 The Committee requested that Pension Board and Pension Committee Members are updated in terms of progress before a final proposal is considered by the Pension Committee in September.

7.5 The Committee noted that there will be costs incurred in relation to reorganisation of assets however this cost is unknown due to the uncertainty of the current position.

7.6 The Committee discussed that the proposed direction pursued by the Funds within the ACCESS pool collectively or by the East Sussex Pension Fund individually should consider what is best for scheme members.

7.7 The Committee noted the potential effect on existing pools supported by the Government in terms of potentially having to join with the 21 Funds currently seeking alternative options for pooling and the effect of the consultation on the entire sector.

7.8 The Committee RESOLVED 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.

8. GOVERNANCE REPORT

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

8.2 The following points were highlighted to the Committee:

- 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 Scheme Advisory Board (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 grants, gender pensions gap, forfeiture regulations and opt-outs.
- 5) The Pension Schemes Bill was published on 15 June along with a roadmap document and references the Local Government Pension Scheme in the context of reforms to asset pools.
- 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 Pension Board have received an annual request to review their register of interests for publication.
- 8) An updated full privacy notice and summary privacy notice have been drafted following 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.
- 10) The Fund Actuary has prepared the indicative quarterly funding update which shows a funding position increase over the last quarter.

8.3 The Committee requested clarity regarding the SAB commissioned summary note of Nigel Giffin's opinion in terms of whether endorsement was actively sought.

8.4 The Committee RESOLVED 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'; and

(2) Agree the revised full privacy notice (as set out in Appendix 3 of the report) and the template summary privacy notice (as set out in Appendix 4 of the report) be adopted and used by the East Sussex Pension Fund.

9. COMMUNICATIONS REPORT

9.1 The Committee considered a report by the Chief Finance Officer introduced by Paul Linfield, Communications Manager.

9.2 The following points were highlighted to the Committee:

- 1) Since May 2025, the Fund has run 3 member training sessions to over 400 active scheme Members and 98% of attendee feedback said that they had learnt something from the session.
- 2) 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.

- 3) New material has been produced to support employers and work continues on 'My Pension', the online self-service website for scheme members whereby approximately 40% of contributing members have registered.
- 4) It is anticipated, registration with 'My Pension' will increase upon receipt of the Annual Benefit Statements which will require log-in to view.
- 5) The Employer Newsletter was sent out this week and the active and deferred Member letters will be sent out next week which is a joint communication with other Funds.
- 6) The Communication strategy is due its 3-year review and an updated strategy for consideration of the Committee includes updates to reflect the technological changes that the Fund has seen since the previous strategy was agreed.

9.3 The Committee RESOLVED to approve the updated Communications Strategy for 2025, as detailed in Appendix 1 of the report.

10. REPORT OF PENSION BOARD TO PENSION COMMITTEE

10.1 The Committee considered a Report by the Chair of the East Sussex Pension Board.

10.2 The Committee RESOLVED to note the report covering the work completed in year by the Pension Board.

11. PENSION ADMINISTRATION REPORT

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

11.2 The following points were highlighted to the Committee:

- 1) The performance for quarter 1 has improved slightly from quarter 4 and Key Performance Indicators now include all administration tasks.
- 2) The performance figures for April 2025 and May 2025 show improvement to the figures shown within the report for quarter 1.
- 3) 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.
- 4) Turnover in staff within pension administration team has slowed the rate of recovery in terms of performance.
- 5) 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.
- 6) Work is concluding in terms of combining data from McCloud with employer data to be able produce the Annual Benefit Statements and a report from Heywood was received highlighting errors which will need to be corrected before statements are finalised.
- 7) Following changes to the telephony technology used by the Helpdesk, more data will be available to report in the future. The statistics will likely show a performance decrease during the period of telephony switch over due to implementation of new working practices around the new technology.
- 8) The Pensions Dashboard implementation is due to commence in September 2025 and a training session for Pension Board and Pension Committee Members has been arranged for 16 September.

11.3 The Committee discussed statistics in terms of contact centre cases which could have been resolved through accessing information provided on the Pension Fund website and noted that the five most common reasons for contact centre cases are recorded and a system of answering frequently asked questions via chatbot is in development.

11.4 The Committee discussed the resource and time allocated to the McCloud project and noted that while external staff were not employed to support the project, responsibility in terms of data is shared between administration staff and Heywood.

11.5 The Committee RESOLVED to note the report.

12. EAST SUSSEX PENSION FUND FINANCIAL OUTTURN REPORT 2024/25

12.1 The Committee considered a report by the Chief Finance Officer.

12.2 The Committee RESOLVED to note the report.

13. INTERNAL AUDIT REPORT

13.1 The Committee considered a report by the Chief Internal Auditor introduced by Danny Simpson, Principal Auditor.

13.2 The following points were highlighted to the Committee:

- 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.

13.3 The Committee RESOLVED to note the Pension Fund audit reports as set out in Appendices 1 to 3 of the report.

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

14.1 The Committee considered a report by the Chief Finance Officer.

14.2 The Committee RESOLVED to note the report.

15. PENSION FUND RISK REGISTER

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

15.2 The following points were highlighted to the Committee:

- 1) On 31 March 2025, a workshop for Pension Board and Pension Committee Members was held focussing on the Risk Register and Business Continuity Plan. Updates from the workshop have been incorporated within the risk register including clearer risk triggers and consistency in terms of formatting.

- 2) All those who attended the workshop agreed that a further review around cyber risk would be beneficial to understand the specific implications to the Fund in the event of cyber-attack.
- 3) It is proposed that external advice is procured to ensure that the Business Continuity Plan is as effective as possible and outputs from the external advice will support further training for officers and Members of the Pension Board and Pension Committee.
- 4) It is anticipated that an enhanced approach to business continuity will be reported to the Pension Board and Pension Committee in the autumn.

15.3 The Committee discussed the value of the proposed procurement of external advice in terms of supporting the development of a more robust Business Continuity Plan noting that the procurement cost to the Fund is minimal compared to the potential risk to the Fund in the event of cyber-attack and immaterial in terms of the overall value of the Fund.

15.4 The Committee noted that it would be beneficial for work to develop the Business Continuity Plan considers the proposed external advice to ensure the plan is specific to the Fund together with advice from East Sussex County Council information security officers to ensure the plan includes corporate systems and devices used by the pension team.

15.5 The Committee were advised that the Pensions Regulator will look to ensure that the Fund has a specific and separate Business Continuity Plan to the County Council's Business Continuity Plan.

15.6 The Committee discussed the risk ratings for I4 Investment Pooling and I7 Climate Change and requested that these risk ratings are reviewed with consideration to the potential cost to the Fund regarding pensions reform and the effect of climate change on the global economy in terms of predicted loss of GDP (Gross Domestic Product) and predicted fall in pension fund returns.

15.7 The Committee were assured that the risk rating I4 Investment Pooling was reviewed ahead of being reported to the Committee and reflects the current position however the Committee noted that the nature of the risks in relation to pooling will need to be revised following the changes expected following implementation of the consultation in March 2026.

15.8 The Committee RESOLVED 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.

16. INVESTMENT REPORT

16.1 The Committee considered a report by the Chief Finance Officer introduced by Russell Wood, Pensions Manager: Investments and Accounting and Iain Campbell, Head of Local Government Pension Scheme Investment (Hymans Robertson) together with exempt information set out in a later agenda item.

16.2 The following points were highlighted to the Committee:

- 1) The arrangement between the Fund and its custodian (Northern Trust) have changed, requiring the Fund to directly enter into 'Beneficial Owner' Power of Attorney

arrangements with the sub-custodian (Broadridge), appointed by Northern Trust, for proxy-voting services which will allow the Fund to be able to continue voting in various jurisdictions.

- 2) During the quarter, markets were challenging returning -2.1% meaning the Fund value has reduced to below £5 billion and the Fund income portfolio is under-weight relative to the strategic asset allocation largely due to an under-weight position in private debt.
- 3) The spike in inflation seen in 2022/23 has decreased and has remained between 2% and 3% in 2024/25 in line with the target that central banks set. There is concern that inflation may start to rise again with particular potential drivers such as new American tariffs.
- 4) Gilt yields have fluctuated considerably within the reported quarter highlighting the uncertainty in markets in terms of tariffs and how they could affect the global economy.
- 5) In terms of credit spreads which give a good measure of the market's perception of the risks in the market. An increase at March 2025 highlights that the market perceives a higher market risk.
- 6) Global equity market fell in quarter 1 with the largest fall in regional equity returns in North America and largest fall in sector equity returns in technology which were largely driven by American tariffs.
- 7) There has been more volatility in the market since the end of quarter 1 due to a further announcement regarding American import tariffs however implementation of some tariffs has been delayed and trade deals have been agreed in order to calm the market.
- 8) Some strong returns were seen in Europe due to defence company share prices following European Governments announcing that they would be spending more on defence whereas challenges for Bonds were seen as returns for Bonds are more affected by higher inflation and higher interest rates.
- 9) 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.

16.3 The Committee discussed the underperformance of index bonds Storebrand and Osmosis and whether the underperformance compared to the benchmark is due to tracking errors or due to the general market and requested that the Storebrand tracking error is reported to the Committee in future investment reports.

16.4 The Committee RESOLVED to:

(1) note the report;

(2) Agree in principle for the Fund to enter into 'Beneficial Owner' Power of Attorney arrangements, managed by Broadridge 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.

17. WORK PROGRAMME

17.1 The Committee considered a report by the Chief Finance.

17.2 The Committee RESOLVED to note the work programme.

18. EXCLUSION OF THE PUBLIC AND PRESS

18.1 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) and that the public interest in withholding the exempt information outweighs the public interest in disclosing it.

19. PENSION REFORM AGENDA - NEXT STEPS

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

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

19.3 The Committee RESOLVED to note the report.

20. INVESTMENT REPORT - EXEMPT INFORMATION

20.1 The Committee considered a report by the Chief Finance Officer introduced by Russell Wood, Pensions Manager: Investments and Accounting and Iain Campbell, Head of Local Government Pension Scheme Investment (Hymans Robertson) which contained exempt information in relation to an earlier item on the agenda.

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

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

21. GOVERNANCE REPORT - EXEMPT INFORMATION

21.1 The Committee 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.

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

21.3 The Committee RESOLVED to note the report.

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

22.1 The Committee considered a Report by the Chief Finance Officer introduced by Dave Kellond, Compliance and Local Improvement Partner.

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

22.3 The Committee RESOLVED to note the report.

23. EMPLOYER ADMISSIONS AND CESSATIONS

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

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

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

The meeting ended at 1.20 pm.

Councillor Gerard Fox (Chair)

Document is Restricted

This page is intentionally left blank