

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 8 June 2020.

++Please note that the meeting was held remotely++

Ray Martin (Chair); Councillor Carmen Appich,
Councillor Chris Collier, Stephen Osborn, Diana Pogson,
Niki Palermo and Lynda Walker

Cllr Gerard Fox, Chair of the Pension Committee
Cllr Nick Bennett, Lead Member for Resources
Kevin Foster, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Michelle King, Interim Head of Pensions
Russell Wood, Principal Pensions Officer
Nigel Chilcott, Audit Manager
Danny Simpson, Principal Auditor
Martin Jenks, Senior Democratic Services Adviser
Harvey Winder, Democratic Services Officer
Ian Colvin, Hymans Robertson
Robert McInroy, Hymans Robertson
Sue McKenzie, Hymans Robertson
Richard Warden, Fund Actuary
Daniel Kanaris, Public Sector Senior Consultant

1 MINUTES

1.1 The minutes of the previous meeting were agreed as a correct record.

2 APOLOGIES FOR ABSENCE

2.1 There were no apologies for absence.

3 DISCLOSURE OF INTERESTS

3.1 There were no declarations of interest

4 URGENT ITEMS

4.1 There were no urgent items.

5 PENSION BOARD - UPDATES

5.1. The Board considered a verbal update on Pension Board activities.

5.2. The Chair announced that he had completed training and an accreditation process that meant he was now an Accredited Professional Pension Trustee. Councillor Carmen Appich (CA) added that she had undertaken some training provided by the Scheme Advisory Board and had found it interesting.

5.3. The Board RESOLVED to request that a list of websites where pension training is offered be circulated by email.

6 PENSION COMMITTEE AGENDA

6.1. The Board considered the draft agenda of the Pension Committee.

6.2. The Chair of the Pension Committee, Cllr Gerard Fox (GF) advised that the consultant appointed to conduct the review of the East Sussex Pension Fund's (ESPF or "the Fund") approach to Environmental, Social and Governance (ESG) matters was nearing completion. The review had included measuring the carbon footprint of the Fund and could potentially lead to the need to review the Fund's asset allocations, particularly its holdings in passive equities, where the majority of fossil fuel exposure is to be found. A report would be brought to the Pension Committee in September. GF stressed the need for any review to be thorough and any actions well evidenced.

6.3. CA asked whether East Sussex was the lead authority in the ACCESS Pool regarding ESG matters.

6.4. GF said that investments held in the ACCESS pool are allocated via Link to investment managers based on the request of two or more of the participating funds, so there is a need for Funds to collaboratively agree to invest with ESG-focused investment managers. East Sussex representatives are encouraging other pension funds to do so, as well as have ACCESS dedicate more resources to investigating the return of ESG-focused investments.

7 GOOD GOVERNANCE REVIEW

7.1. The Board considered a report providing an update on the Good Governance review of the ESPF.

7.2. The Chair reminded the Board that they had been through the documents in detail at an earlier briefing and were pleased with their content.

7.3. Diana Pogson (DP) requested that a briefing be provided on the documents planned for consideration at the September Board and Committee meetings, preferably in July. Kevin Foster (KF) agreed that it would be a good idea to do so.

7.4. The Chair asked how recruitment was progressing for the new Head of Pensions. Ian Gutsell (IG) explained that interviews were held on 3 June and an offer had been made (subsequent to the meeting IG confirmed that the individual had now accepted the offer). Work is ongoing to develop the new team structure and recruit to roles during the summer. Dave Kellond had been appointed to the Compliance and Local Improvement Partner role and will start on 3 August.

7.5. The Board RESOLVED to:

1) note the report

2) request a joint briefing with the Committee is arranged on the additional documents being produced for the governance review.

8 PENSION ADMINISTRATION UPDATES

- 8.1. The Board considered a report providing an update on matters relating to the Orbis Pension Administration Team (PAT), including an update on the implementation of agreed actions arising from the two internal audit reports
- 8.2. The Chair asked whether the PAT had noticed an increase in the number of deaths of pensioners in the ESPF scheme as a result of COVID-19.
- 8.3. Claire Chambers (CC) confirmed that the number of deaths of pensioners had tripled during one week around a month ago. The Government's new Tell Us Once death certification scheme meant, however, that the PAT was being informed rapidly of deaths and was able to take action, for example, award dependent benefits, without needing to wait for the death certificate.
- 8.4. Stephen Osborn (SO) asked when iConnect – the system used by employers to upload member details electronically to the PAT on a monthly basis – would begin to be available to all employers.
- 8.5. CC said that the first employer it would be available to would be East Sussex County Council and the aim was to finalise testing and training during June to go live in July. There was no date confirmed yet for other employers in the Fund. Nick Weaver (NW) added that iConnect roll out would focus on the employers with the highest volume of scheme members, as 15 employers represent 80% of scheme members. For small employers with only a few members, iConnect would not offer such a significant benefit. It will help identify issues with the data held by employers, however, PAT resources would be required to monitor the quality of data being provided to the Fund.
- 8.6. SO asked when ITM would identify the addresses of the remainder of the deferred records with no address or confirmation of correct address.
- 8.7. CC explained that the initial tracing exercise had focussed on members reaching retirement age or with frozen benefits. The next project being planned would be to expand the scope to focus on other deferred members. The Chair said that it is possible to send the National Insurance number of employees to the HM Revenue & Customs (HMRC) seeking the last known address of that person, however, this is a long and resource intensive process. He suggested that there is an obligation on ex-employees to contact the Fund when they change address and particularly to keep the Fund informed of their address as they approach retirement age.
- 8.8. CA noted that the completion dates of a number of outstanding management actions from the Internal Audit report had passed without the action being completed.
- 8.9. NW accepted this and said he would speak to the owners of the actions to find out what the current status was and suggest more realistic dates, following the impact of COVID-19 on the various workstreams.
- 8.10. The Chair asked for the comments of Internal Audit in relation to the implementation of agreed actions.
- 8.11. Nigel Chilcott (NC) explained that this is Pension Fund management's update to the Board explaining where they are with the implementation of the agreed actions arising from the audit reports, and that it is their responsibility to ensure these are implemented by the agreed due dates.
- 8.12. He explained that we will be completing formal follow-up reviews where Internal Audit seeks evidence that the agreed actions have been implemented. The follow-ups were originally scheduled for June/July, once the originally agreed dates for implementation had passed, but the team was now reviewing when to do these in light of this report by management.
- 8.13. The Chair extended the thanks of the Board to the PAT for the work they had undertaken during the COVID-19 outbreak to maintain strong performance against Key

Performance Indicators (KPIs) and noted the strong positive feedback from scheme members on the self-service system.

8.14. The Board RESOLVED to note the report

9 DATA IMPROVEMENT PROGRAMME AND ANNUAL BENEFIT STATEMENT (ABS) WORKING GROUP UPDATE

9.1. The Board considered a progress report on the Data Improvement Project

9.2. The Chair asked whether the Pensions Regulator is enforcing the 31 August deadline for the Annual Benefit Statement (ABS) this year due to COVID-19.

9.3. Ian Colvin (IC) said that the Regulator has not set a new date for the ABS deadline but has taken a more relaxed view of statutory deadlines. Some pension funds, therefore, are likely to push back the date for issuing their ABS.

9.4. Lynda Walker (LW) asked how incorrect data held by an employer on a scheme member would be corrected, whether this would cause data protection issues, and whether the scheme member is informed.

9.5. Sue McKenzie (SM) said that data held by the Fund on a scheme member, where it was known to be correct compared to the data held by the employer, would be fed back to the employer using a secure portal or encrypted emails. The employee in question would not be informed. The Chair added that there was a presumption that the employer always held correct information and the PAT did not, however, the Data Improvement Programme has shown that this is not always the case.

9.6. The Board RESOLVED to note the report.

10 TRAINING STRATEGY

10.1. The Board considered a report outlining a draft training strategy for the Pension Board, Pension Committee and officers of the ESPF.

10.2. The Chair noted some comments that he and William Bourne, the Independent Adviser to the Committee, had made. These included that there should not be a separate role description for scheme member and employer representatives on the Board, as they did not perform a different role; that there were two Vice Chairs of the Board who alternated their role; and the decision making matrix should be simplified to four columns containing who is responsible for making a recommendation before decision is taken, who is responsible for approving a decision, who is consulted beforehand, and who is informed afterwards. (i.e a RACI model – Responsible, Approve, Consult, Inform)

10.3. DP said a separate table each for the Board and Committee would be helpful so members could focus on their specific training requirements.

10.4. LW added that it would be helpful to include how long it will take to complete each training course to help Board members decide whether they have the capacity to undertake it.

10.5. CA asked whether the training is paid by individual members of the ESPF.

10.6. Michelle King (MK) confirmed that all costs are covered by the ESPF.

10.7. The Board RESOLVED to:

1) Endorse the Training Strategy subject to the decision making matrix being simplified and separate training plans for the Board and Committee included; and

2) request that the revised decision-making matrix is circulated for information.

11 EAST SUSSEX PENSION FUND: 2020/21 BUDGET, BUSINESS PLAN & WORK PROGRAMME AND ANNUAL TRAINING PLAN

11.1. The Board considered a report on the ESPF Budget for 20/21 and on ill-health early retirement risk.

11.2. The Chair noted that the budget of 30k for training had not been spent for 19/20.

11.3. MK agreed that this would not happen again, as it was important the training budget was spent in full each year.

11.4. MK explained that Link is not providing details of management fees for the funds pooled under ACCESS, as they are now deducted at source and the individual LGPS provided with a statement of assets only. This means it is not possible to provide an accurate figure on the cost of Investment Managers to the Fund. She said this was not transparent, but the Scheme Advisory Board's Cost Transparency Code is expected to require them to provide this information. GF agreed with this assessment.

11.5. GF said that the Committee is likely to be recommended to agree additional resources for the pension team as a result of the governance review. This would be 'investing to save', as the current resource is insufficient to provide all services needed to run the Fund effectively, resulting in additional costs incurred hiring consultants. The Chair agreed that budget for the Fund management team of 0.01% of its total assets was exceptionally low. CA added that she would want there to be a competent and able team managing the Fund.

11.6. DP asked for the current Quarter 1 outturn figures for the Data Improvement Programme to see how the costs were progressing.

11.7. MK introduced the matter of the funding of ill-health retirement cases, and Robert McInroy (RM) from Hymans Robertson explained the financial issues employers faced, which would be particularly acute for a small employer, if one of their employees became eligible for an ill-health benefit.

11.8. The Chair asked whether the Committee would be recommended to make a decision in the future about whether ill-health retirement costs should continue to be paid directly by each employer or via a small portion of the contribution rate of all employers covering the cost – or whether external ill-health insurance should be sought.

11.9. MK said that a proposal would be presented to the Committee in the future, after the views of the Board had been sought.

11.10. LW said she would be concerned about leaving the decision whether to insure themselves for ill-health payouts up to the individual employers, as this could lead to them not taking out insurance. This would leave the whole Fund at risk if the employer could not meet the costs of having to pay an employee for ill health early retirement out of current income.

11.11. The Board RESOLVED to:

1) note the report on the 2020/21 Budget, Business Plan, Work Programme and Annual Training Plan;

2) request the quarter 1 outturn figures for the Data Improvement Programme are provided; and

3) Support the review of the ill-health retirement funding by the Pensions Committee.

12 DRAFT EAST SUSSEX PENSION FUND INTERNAL AUDIT STRATEGY

12.1. The Board considered a report setting out the Internal Audit Strategy for the ESPF.

12.2. DP said that strategy looked good but was missing a plan for how it would be implemented.

12.3. NC explained that COVID-19 had somewhat disrupted Internal Audit's resources and timetable, but the team would produce a plan and send it to the Board.

12.4. The Chair asked for confirmation that Internal Audit would focus on major issues identified last year and whether Internal Audit actions were being embedded by management.

12.5. Danny Simpson (DS) confirmed that the first step of the plan would be to revisit the work of the previous audits to ensure actions had been satisfactorily resolved.

12.6. The Board RESOLVED to:

1) endorse East Sussex Local Government Pension Scheme Internal Audit Strategy and Plan 2020/21 subject to the inclusion of a plan to deliver the strategy during 20/21; and

2) request that the plan is circulated to the Board for information.

13 EXTERNAL AUDIT PLAN FOR THE EAST SUSSEX PENSION FUND 2019/20 AND PSAA FEE SCALES 2020/21

13.1. The Board considered a report on the External Audit Plan for the ESPF for 2019/20 and the Public Sector Audit Appointments (PSAA) Fee Scales 2020/21.

13.2. CA asked whether the ongoing negotiations with Grant Thornton, the External Auditor, were still ongoing due to COVID-19.

13.3. IG said that there had been a general increase in public sector audit fees, not just for pension funds, due in part to an increase in the requirements for audit work by the Financial Reporting Council. The process of negotiating the fee via the PSAA was ongoing and last year had resulted in a reduction of the additional fee sought by Grant Thornton from £5k to £3k.

The Board RESOLVED to note the report.

14 PENSION FUND RISK REGISTER

14.1. The Board considered the risk register of the ESPF.

14.2. The Chair observed that COVID-19 had resulted in the biggest change to a risk register he had ever seen.

14.3. CA recommended a report be provided in September on the risks to ESPF from the ACCESS pooled fund.

14.4. The Board RESOLVED to:

1) note the report; and

2) request a report in September on risks to the ESPF from the ACCESS pooled fund.

15 EXCLUSION OF THE PUBLIC AND PRESS

15.1 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).

16 COVID 19 POLICY ON DEFERRAL OF EMPLOYER CONTRIBUTIONS

16.1 The Board considered a report on the proposed policy in relation to the deferral of employer contributions due to COVID-19.

- 16.2 A summary of the discussion is set out in an exempt minute.
- 16.3 The Board RESOLVED to agree actions which are set out in an exempt minute.

17 PENSION FUND BREACHES LOG

- 17.1 The Board considered the Breaches Log of the ESPF.
- 17.2 The Board RESOLVED to agree actions which are set out in an exempt minute.

18 PENSION ADMINISTRATION - SYSTEMS PROCUREMENT

- 18.1 The Board considered an update on Pension Administration System Procurement
- 18.2 A summary of the discussion is set out in an exempt minute.
- 18.3 The Board RESOLVED to agree actions which are set out in an exempt minute.

19 EMPLOYER ADMISSIONS AND CESSATIONS REPORT

- 19.1 The Board considered a report on employer admissions and cessations to the Fund, including a draft Exit Credit Policy.
- 19.2 A summary of the discussion is set out in an exempt minute.
- 19.3 The Board RESOLVED to agree actions which are set out in an exempt minute.

20 DATA IMPROVEMENT PROGRAMME AND ANNUAL BENEFIT STATEMENT (ABS) WORKING GROUP UPDATE - ADDITIONAL INFORMATION (EXEMPT)

- 20.1 The Board considered additional exempt information regarding the Data Improvement Programme and ABS Working Group.
- 20.2 The Board RESOLVED to note the report.

The meeting ended at 1.15 pm.

Ray Martin (Chair)