

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 14 September 2021.

PRESENT Councillors Ray Martin (Chair) Councillors Toby Illingworth, Stephen Osborn, Diana Pogson, Niki Palermo and Lynda Walker

ALSO PRESENT Councillor Gerard Fox, Chair of the Pension Committee
Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Tim Hillman, Pensions Manager - Employer Engagement
Michael Burton, Pensions Manager - Governance and Compliance
Paul Punter, Head of Pensions Administration
Dave Kellond, Compliance and Local Improvement Partner
Nigel Chilcott, Audit Manager
Danny Simpson, Principal Auditor
Harvey Winder, Democratic Services Officer

36 MINUTES

36.1. The minutes of the meeting held on 1st June 2021 were agreed as a correct record.

37 APOLOGIES FOR ABSENCE

37.1. Apologies for absence were received from Cllr Tom DrUITt.

38 DISCLOSURE OF INTERESTS

38.1. There were no disclosures of interest.

39 URGENT ITEMS

39.1. There were no urgent items

40 PENSION COMMITTEE AGENDA

40.1. The Pension Board considered a report containing the draft agenda of the Pension Committee meeting for 28th September 2021.

40.2. The Board RESOLVED to note the report.

41 GOVERNANCE REPORT

41.1. The Board considered a report providing an update on various governance workstreams completed and changes effecting the Local Government Pension Scheme (LGPS) and East Sussex Pension Fund (ESPF or the Fund).

Regulatory change

41.2. The Chair asked how the Department of Work and Pensions “Stronger Nudge” regulations could be explained to Members of the Fund.

41.3. Michael Burton (MB) said that the Communications Working Group (CWG) would consider how best to inform members about the Regulations, however, this would most likely be at the time the Regulations are issued, as they are currently only out for consultation.

Changes to the Pension Board and Committee

41.4. The Board welcomed Cllr Toby Illingworth as a new employer representative of the Board following the resignation of Cllr Chris Collier. He explained he is a Wealden District Council councillor and has a professional background in finance.

Abatement Policy

41.5. Stephen Osborn (SO) asked whether the new abatement policy had been clearly communicated to employers.

41.6. Sian Kunert (SK) said that it will appear in the new employer newsletter that is due to be issued after the Communications Working Group (CWG) meeting later today. It is also on the Fund website. In addition, the Pensions Administration Team (PAT) has been in contact with some of the members known to have been affected.

Communicating with Pension Board Representatives

41.7. The Chair asked whether the Board was happy with the new Pension Board mailbox as a method of being contacted via email by employees, members of the public and other outside organisations.

41.8. Lynda Walker (LW) said she is part of the CWG so is happy with the approach taken, as it is important that people can contact Board Members to ensure transparency. Doing it this way rather than publishing private emails ensures there are fewer issues.

41.9. The Chair asked who monitors the Pension Board inbox.

41.10. MB confirmed it is monitored by several staff across the Pension Fund Team.

41.11. The Chair advised that he had received an email from Divest East Sussex and had responded to it via the new email address, advising that the Board did not have responsibility for the investment strategy of the fund..

Privacy Statement and Data Retention

41.12. The Chair asked why the summary privacy notice published on the Fund’s website was still three pages long (compared to six for the full version) and whether it could be shortened.

41.13. MB said both were based on templates supplied by Local Government Association (LGA).

41.14. The Board RESOLVED to note the report and its appendices

42 PENSIONS ADMINISTRATION REPORT

42.1. The Board considered a report providing an update to the Pension Board on matters relating to Pensions Administration activities.

Key Performance Indicators (KPIs)

42.2. PP outlined how the PAT performance had improved over Q2, 2021 to 95.4% of key tasks being completed within target date, compared to 92% in the previous quarter. He added that the Board should note that for Q3, 2021 service levels are expected to fall due to resources being diverted to the ABS project and high holidays levels and high volumes of post/enquiries being received, both as a result of the pandemic.

42.3. The Chair asked why there had been a higher than average number of leave days taken by staff from the PAT during August.

42.4. Paul Punter (PP) explained that staff had been encouraged to take this leave during August and September in part because they had TUPED over from Orbis with a lot of carried forward leave plus the leave accrued through their position on the new in-house team; and also because many had wanted a holiday to improve their wellbeing after the COVID-19 lockdown.

42.5. The Chair asked whether the PAT will be able to provide a report to the Board, as previously requested for the November meeting, on service level targets for the Fund compared to other administering authorities of the LGPS.

42.6. PP confirmed that the PAT will be rolling out new fund specific Key Performance Indicators (KPIs) from 1st October, along with comparisons with statutory disclosure deadlines and those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). This will be as in addition to making comparisons with other administering authorities through various Groups.

42.7. The Chair asked whether the higher percentage of abandoned calls by the helpdesk, resulting in the team missing the gold standard, is a result of lockdown.

42.8. PP said that abandonment rates relate to the call answer time. Whilst a lot of calls are answered in the target of 20 seconds, some people are left on the call for a number of minutes and some of them will abandon the call as a result. PP clarified this waiting time was significantly lower than many utility firms where people may wait hours. The PAT is monitoring this performance and working towards the target of 75% of calls answered within 20 seconds.

Internal Audit

42.9. The Chair asked whether there was anything the PAT wished to highlight about its response to last year's Internal Audit review in light of the PAT now receiving reasonable assurance from Internal Audit following its latest review.

42.10. PP said the PAT is in a better place than last year in relation to the number and severity of issues, with all major issues resolved and the only outstanding being minor and largely in the process of being achieved. He said there will be other audits later in the year on other aspects of the PAT that should also be positive.

Annual Benefit Statement for 2020/21

42.11. PP clarified the latest Annual Benefit Statement (ABS) figures. He said he was impressed with the performance of the PAT in its first year as an in-house team, even if there could be improvements. PP said the number of deferred members who received their statement was 99.7% by the end of August, which is the same as last year, albeit last year the deadline had been extended to October due to COVID-19, so the same figure was achieved in less time. Active members, who are more challenging to send ABS to in time, because they are dependent on quality data being received from the employers as part of the year end process, saw a figure of 95.9% compared to 97.2% last year, again over a longer period. PP said there are 22,816 active members and 21,871 ABS were issued on time. There are 125 employers

with active members and the Fund managed to get an end of year return from i-Connect or paper for all of them. This data generated 2,500 queries, of which majority had been cleared, however, circa 900 queries, remain outstanding in part due to some of the queries not being raised by the PAT until mid-August.

42.12. PP said that the final queries are being assessed and the Board will be given an update via email, including a breakdown of which employers the data is from and any error codes. The PAT will continue to resolve these outstanding issues over the next few weeks and has one member of staff dedicated to carry out this task to completion. This mean the total number of ABS issued will improve beyond 95.9%, however, the remainder will be prepared after the statutory deadline.

42.13. The Chair asked whether these outstanding queries were related to employer errors rather than problems with the Fund's system miscalculating pension entitlements.

42.14. PP said the majority of the queries were related to late provision of data and queries thereon supplied by employers. The largest number were from Brighton & Hove City Council (BHCC), who had around 1,000 queries, although the employer has improved since last year. The East Sussex College Group, another previous poor performer, are now on i-Connect and this has reduced the number of outstanding queries from the Group to a respectable 30-40, albeit with a full time PAT member assisting them. The 900 figure also includes casual workers where it is not clear from the data if they are still employed or have left. PP said there are at least 125 such 'casuals'. This issue should be resolved when the agreed two-year limit on retaining members in the system as casuals is reviewed. After that point, they will be changed in the system to leavers.

42.15. PP added that a few of the queries were due to ABS needing to be manually recalculated, but only where they were very complex, for example, issues around divorce calculations. These were fed back to Aquila Heywood, but the software provider felt the issue is not widespread enough to make any changes to their system. This is partly because many pension funds only state whether a pension has a divorce debit or credit rather than provide the actual figures like the PAT tries to do.

42.16. SO asked whether the ABS would need to be reported as a breach of the regulations as the number issued was not 100%.

42.17. PP said no Administering authority will achieve 100%. Last year's figures had been reported to the Pensions Regulator, but as more of an update to the Regulator from the Chair of the Board. The numbers are remarkably similar this year and, on that basis, PP felt that, although it was a breach, it was not a reportable breach. The Chair clarified it is up to the Board Members to determine whether a breach was reportable by them to the Regulator as a material breach. He suggested that the Board should consider this at the next meeting once they had received the full report, but it sounded like the PAT was in a good place and on top of the issues with employers. The Board agreed to consider it at the next meeting.

Abatement Policy

42.18. The Chair asked for an update on the number of employees who had been affected by the new Abatement Policy.

42.19. PP said that it was a work in progress. The new abatement policy was now in place and any new employees re-joining the Council will be told there is no abatement in place for their pension. There are two historical categories of abatements – those who had their pension stopped (suspended) totally, and those who had it partially reduced. The PAT has now identified

the 20 members who had their pension abated fully and have reinstated it, backdated to April 2021. The second category is being looked at now and the PAT believes it is a bigger group but significantly more difficult to identify. The PAT has had conversations with Aquila Heywood about how to identify them and will do so over the next couple of months. There will also be communications to all employees (via newsletters) in the meantime about the abatement policy and how to contact the PAT if they believe it had been applied to them in the past.

Suspensions of pensions in payment

42.20. LW asked how many of the 16 pensions suspended in payment last year, due to the recipient being overseas and having not responded to attempts at contact, had resulted in the pensioner making contact.

42.21. PP said nine responded but the others remain suspended but on the system.

42.22. The Board RESOLVED to:

1) note the report;

2) congratulate the Pensions Administration Team on the ABS results, particularly due to the difficulties caused by COVID-19; and

3) request that details of the ABS performance be circulated to the Board by email.

43 INTERNAL AUDIT

43.1. The Board considered The Pension Fund Administration - People, Processes and Systems 2020/21 Internal Audit report.

43.2. The Board RESOLVED to note the report.

44 ENGAGEMENT REPORT

44.1. The Board considered a report providing updates on employer engagement activities including communications and the collection of employer and member contributions up to June 2021 which were due on 19 July 2021.

44.2. The Board asked when BHCC may be added to i-Connect.

44.3. Tim Hillman (TH) said it was hoped BHCC would be on the system by the end of the year. When BHCC eventually joins, an automatic comparison of data sets will be run and a data cleanse will be carried out. TH said this can be an arduous task, but the PAT is getting more proficient at it each time and from then on, the monthly data provided through iConnect will be more accurate. When East Sussex County Council was added to i-Connect, there were around 1,000 such queries and BHCC should have a similar number. PP added that BHCC is keen to resolve its data issues and has committed to upgrading its payroll systems, including agreeing to cover the cost of adding i-Connect back in March 2021.

44.4. LW agreed that the new website is much improved and clearer and more accessible than before, based on seeing a draft of it during the CWG. LW said clearly accessible answers on the website should help reduce officers' workload by enabling people to find the answers to their queries without needing to contact someone. She asked whether people can still give feedback on the site's accessibility when it is live.

44.5. TH confirmed that would be possible as the first step had been to move the old website information to the new format and the next step would be continuing to improve the presentation of the information once it is live.

44.6. The Chair asked why there had been a slight increase in the number of employers paying their contributions late in April.

44.7. TH explained that this was due to various reasons such as mistakenly paying the old contribution rates, as they increased on 31st March; one employer carrying out the payroll of several other employers and paying late, adding a further two late employers to the list; and some employers still paying by cheque and because of COVID-19 working practices the cheques not being picked up straight away in the office. TH said the team is in a better position with resolving employer contribution issues than it was in January 2021. The next step will involve being more proactive with nudging and chasing employers more promptly if they do not pay their contributions ahead of the deadline of the 19th. When a late or wrong payment occurs, the team will start chasing employers to find out why. The team will also encourage those employers paying by cheque to adopt electronic banking.

44.8. The Board RESOLVED to note the report.

45 REPORT OF THE PENSION BOARD TO THE PENSION COMMITTEE

45.1. The Board considered a report on the work it had completed over the previous year and considered whether to agree to submit it to the Pension Committee for consideration.

45.2. The Chair asked where the report would be published.

45.3. SK confirmed that it would be included in the Annual Report.

45.4. The Board RESOLVED to endorse the report for submission to the Pension Committee at its meeting on 28th September 2021.

46 PENSION FUND RISK REGISTER

46.1. The Board considered the Fund's Risk Register.

46.2. The Board RESOLVED to note the report.

47 WORK PROGRAMME

47.1. The Board considered its work programme.

47.2. SK confirmed the Employer Forum will take place virtually and likely on the 24th November. The proposal is to split the day into sections with breakout groups in the afternoon, rather than try to have it all take place in the morning. SK said this should improve attendance.

47.3. The Chair asked about the recruitment of vacancies in the Pensions Team. SK said the Governance Compliance Team is fully recruited; there is a Pension Fund Accountancy role vacant in the Pensions Investment Team that has proved difficult to fill due to the pay grades of finance positions in local authorities; and 10 vacancies in the PAT, which are being reviewed to ensure they are graded properly before being advertised.

47.4. The Board RESOLVED to agree its work programme.

48 EXCLUSION OF THE PUBLIC AND PRESS

48.1. The Board RESOLVED to exclude the press and public 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).

49 PENSION FUND BREACHES LOG

49.1. The Board considered a report providing an update on the Fund's Breaches Log.

49.2. The Board RESOLVED to agree the recommendations as set out in the report

50 EMPLOYER ADMISSIONS AND CESSATIONS REPORT

50.1. The Board considered an update on the latest admissions and cessations of employers within the Fund.

50.2. The Board RESOLVED to note the report.

The meeting ended at 12.15 pm.

Ray Martin (Chair)