

PENSION BOARD

MINUTES of a meeting of the Pension Board held via Microsoft Teams on 5 November 2021.

PRESENT Ray Martin (Chair) Councillor Tom Druitt, Stephen Osborn and Diana Pogson

ALSO PRESENT Councillor Gerard Fox, Chair of Pension Committee
Sian Kunert, Head of Pensions
Paul Punter, Head of Pensions Administration
Michael Burton, Pensions Manager - Governance and Compliance
Tim Hillman, Pensions Manager - Employer Engagement
Martin Jenks, Senior Scrutiny Adviser
Harvey Winder, Democratic Services Officer

51. MINUTES

51.1. The Board agreed the minutes were a correct record of the previous meeting.

52. APOLOGIES FOR ABSENCE

52.1. Apologies for absence were received from Niki Palermo. Cllr Toby Illingworth and Lynda Walker were not in attendance.

53. DISCLOSURE OF INTERESTS

53.1. There were no disclosures of interest.

54. URGENT ITEMS

54.1. There were no urgent items.

55. PENSION COMMITTEE AGENDA

55.1. The Board considered a report containing the draft agenda for the Pension Board meeting due to be held on 25th November 2021.

55.2. The Board RESOLVED to note the report.

56. GOVERNANCE REPORT

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

56.2. The Chair asked whether there had been any developments on the Code of Practice that had been subject to consultation recently.

56.3. Michael Burton (MB), Pensions Manager - Governance and Compliance, said the consultation had shown there were quite a few concerns from consultees about certain areas of the Code and that the Pensions Regulator had decided to review it and re-publish in the new year. In the meantime, the Pensions Team is making preparations to be ready for any changes that might be expected in the Code.

56.4. Cllr Tom Druitt (TD) said he was happy with the terms of reference of the Communications Working Group but questioned whether it should be time limited and wind down once the current projects that it was set up to oversee were completed. Diana Pogson (DP) suggested that the Terms of Reference could include a clause to review the need for the working group every two years, as it is unlikely there will ever be a point where there are no communications issues that need to be looked at. Sian Kunert (SK), Head of Pensions, added that the Administration Working Group had evolved out of the Data Improvement Group, which was initially a time-limited group, so there could well be a continued need to review communications issues too.

56.5. The Chair, recognising that DP was due to leave her position on the Board, requested that officers write to her replacement and the other two employee representatives to see whether they wish to replace DP on the Administration Working Group.

56.6. The Chair asked whether there should be an employer representative on the Communications Working Group, as currently it was the Chair and Lynda Walker, an employee representative. SK said that all Board Members are invited to each meeting of the working group, but some of the draft communications planned for discussion might be more appropriate for employers and other times for employees, and this would likely determine attendance. TD offered to be the permanent employer representative, subject to availability, but he suggested that Cllr Illingworth was also offered the opportunity in case he preferred to hold the position.

56.7. The Board RESOLVED to:

- 1) note the report;
- 2) agree the draft terms of reference of the Communications Working Group subject to the addition of an agreement to review the terms of reference every two years;
- 3) endorse the draft terms of reference of the Administration Working Group;
- 4) request that officers contact the employee representatives to see if any wish to be members of the Administration Working Group;
- 5) note the interest of Cllr Druitt to be a permanent member of the Communications Working Group and request that officers contact Cllr Illingworth to see if he wishes to be member also;
- 6) thank Diana Pogson for her work as a Pension Board Member and wish her well in all future endeavours.

57. EMPLOYER AND CONTRIBUTIONS REPORT

57.1. The Board considered a report providing updates on Employer Engagement activities including communications and the collection of Employer contributions up to August 2021 which were due on 19 September 2021.

57.2. CD asked whether i-Connect is carrying out the functions it was expected to perform.

57.3. Tim Hillman (TH), Pensions Manager – Employer Engagement, said that it is broadly performing how expected in cleansing employer data and providing monthly updates, however, some issues have been encountered, for example, where employee IDs are entered differently by different payrolls and the system does not reconcile these properly. Paul Punter (PP), Head of Pensions Administration, said i-Connect offered more positives than negatives but the software provider, Aquila Heywood, has acknowledged there are issues with the software that it is planning to resolve next year, including how it reconciles different payroll numbers, but a workaround will be needed until then. There is also an issue where i-Connect receives payroll data so promptly that it will process the final pensions calculation of someone marked as a leaver by the employer and cleanses them from the system only for the employer to inform the Pensions Administration Team (PAT) that the employee still has unpaid holiday, meaning they need recreating in the system and their final benefits recalculated. There is also an issue with how i-Connect records top up employer contribution rates paid by employers. These issues are also due to be addressed by Aquila Heywood, but the PAT is exploring how best to deal with them in the interim.

57.4. TD asked whether these issues would mean it necessary to advise employers to send data in a different way.

57.5. PP said the PAT is keen to avoid changing how data is collected from employers at the moment, because i-Connect is being rolled out and it would cause confusion if a new way of collecting employer contributions was imposed on employers still getting used to how i-Connect works. The PAT plans to advise employers that the issues are known about, but Aquila Heywood is developing solutions to them in the new year

57.6. The Chair asked for confirmation that this meant the PAT would not be looking at a new software supplier for the purposes of monthly data collection.

57.7. TH agreed that there were no plans to look for alternative software and that i-Connect had been beneficial, especially for small employers. It had also enabled the PAT to engage with these small employers more generally as part of the onboarding process. It would also make the Annual Benefit Statement (ABS) process more straightforward as data is received monthly throughout the year and data queries can be dealt with in a more timely manner; dealing with these queries from onboarded smaller employers at the moment is also why the PAT is pausing onboarding bigger employers for now.

57.8. The Chair asked whether the members self-service link on the new website was working.

57.9. TH confirmed the member self-service section is working and will be made a real focal point of the website in the future to enable people to get the answers they need to their queries online.

57.10. The Chair asked why the number of later employer contributions has increased steadily since March.

57.11. TH explained that some small employers are paying their contributions via cheque, for example, seven of ten during August were late cheques. These cheques are being sent to County Hall, where post is currently being reviewed weekly, so they are often not picked up until after the bank deadline of the 19th of each month. The PAT is speaking with these employers to see whether they can send via recorded delivery or electronic payment instead. Another late payment in August had been due to the employer changing payroll the month before, whilst another had not pressed the 'pay' button to send the payment through to ESPF. The PAT is making sure the process of payment is more efficient and reminders are sent early in the month.

57.12. The Chair of the Pension Committee asked whether there are any common characteristics to the late paying employers.

57.13. TH said the late payers are mostly small employers that pay by cheque, typically parish councils, who need more than one signatory for the cheque before it can be sent, making delays more likely. It is not the same employers each time, however, as a warning is sent after a late payment that an administration charge will be applied if there are any further late payments in the next 12 months, and so far no employer has been given this charge.

57.14. The Board RESOLVED to note the report

58. PENSIONS ADMINISTRATION REPORT

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

58.2. The Chair asked whether a target to pick up 75% of calls within 20 seconds was quite short compared to the industry standard, especially given how low the performance against the Key Performance Indicator (KPIs) was in September.

58.3. PP said that the point of that KPI was to make a challenging, aspirational target for the Helpdesk that would not be easy to achieve and he accepted it would be difficult to achieve. PP said that the Helpdesk was disappointed with the Quarter 3 performance so far, however, August and September were the team's busiest period and some slippage in performance was expected. There is currently no capacity in the PAT to assist the Helpdesk due to the team's own capacity issues. He said performance in August and September did not represent a downwards spiral in performance and that the call performance for September was being reviewed manually as the data provided by BT is believed to be inaccurate and performance is believed to have improved compared to August.

58.4. The Chair asked whether a decision had been made on how inactive casual workers would be dealt with on the system.

58.5. PP said that the number of inactive casual workers was still being calculated from the list of undecided leavers on the system. Once the exact number is known, the PAT intends to write to those employers for whom the casual workers are employed by to let them know they have been inactive for more than two years and ask whether they should continue as employees, and that the ESPF is minded to class them as leavers. PP said this was difficult if they have an open-ended contract to remove them.

58.6. TD asked whether it was the responsibility of employers to do something about inactive casual workers and what if any influence the ESPF could have in this area.

58.7. PP agreed that the employment status of an ESPF member is the result of their contract with their employer and they have the final say whether an employee should remain employed or not. The Fund could not legally force them to change an employee's status but will challenge employers where they have an employee who has not worked for two or more years and question whether it is really the case they are employed and could be called upon to work if they were required, due to the length of inactivity. The PAT will also remind employers about the purpose of the Fund and how it is meant for permanent workers and that there are potentially better options for casual workers available. PP added that they will be marked on the system as leavers, but if they were to begin working again, they can re-join the scheme easily.

58.8. The Chair added that employers may not realise the issues keeping these workers on their books causes the Fund, particularly with regard to producing an ABS, which is why there is clearly a need for the Fund to make these employers think about these employee's status. PP reminded the Board that current inactive casuals are marked with a nominal income of £1 as an ABS cannot be issued without a salary.

58.9. The Board RESOLVED to:

- 1) note the report; and
- 2) congratulate the PAT for their excellent performance.

59. TRAINING REPORT

59.1. The Board considered a report providing an update on training needs, opportunities undertaken and planned events.

59.2. DP clarified that the Public Service Toolkit did also contain the 'fraudulent activity targeting members' module that the covering report claimed was only available in the Trustee Toolkit (for private sector pensions), as she had filled it out herself.

59.3. The Chair expressed disappointment that three Board Members had not completed the Public Service Toolkit and that only one had filled out the self-assessment form. He asked whether it was a legal requirement to complete the toolkit.

59.4. TB said that it is not a legal requirement, but it is a useful tool for building a foundation of knowledge of pensions. There is also a high expectation that trustees of private pension schemes complete the Trustee Toolkit within six months of appointment and, whilst there is not such a strict requirement in the public sector, it is a useful goal to aim for. DP added that the toolkit is not very onerous to complete and can help provide a useful refresher for various topics.

59.5. The Chair asked the Pensions Team to contact all Pension Board members requesting they fill out both the self-assessment form and the Public Service Toolkit.

59.6. The Board RESOLVED to:

- 1) note the report; and
- 2) request that Board Members are reminded to fill out the self-assessment form and the Public Service Toolkit

60. ANNUAL REPORT AND ACCOUNTS 2020/21

60.1. The Board considered a report containing a draft Annual Report and Grant Thornton's (the external auditor) report offering an unqualified audit opinion on the 2020/21 Pension Fund Accounts.

60.2. TD asked whether the Annual Report could be produced in a more accessible format to ensure more people read its contents.

60.3. The Chair suggested it was common for trustees of private pensions to produce an abridged version and send it out to members, for example, alongside the ABS. DP said she is a member of the BBC Fund and gets an 8-10 page booklet once per year containing basic information such as how much money is in the fund and how it is spent. SK added that some Local Government Pension Scheme (LGPS) produced an annual pamphlet for distribution at their Annual General Meeting covering the key topics and highlights of the main report and this, or a newsletter, could be replicated for the ESPF. She clarified that the Annual Report is a statutory document and is so prescribed that the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance document it is based on is almost as long. The version seen by the Board is itself shorter than the final version, as documents such as the Statement of Investment Principles were not included for brevity. SK said the Communications Manager position, which is currently being advertised, will play a key role in helping to produce an abridged version.

60.4. The Board RESOLVED to:

- 1) note the draft Independent Auditor's (Grant Thornton) report to those charged with governance on Pension Fund Accounts 2020/21; and
- 2) note the draft Pension Fund Annual Report and Accounts 2020/21; and
- 3) agree that the Communications Working Group consider whether an abridged annual report should be produced for the ESPF and what it should look like.

61. EAST SUSSEX PENSION FUND 2020/21 BUDGET QUARTERLY REPORT

61.1. The Board considered a report providing an update on the 2021/22 Forecast Financial Outturn.

61.2. The Board RESOLVED to note the report.

62. PENSION FUND RISK REGISTER

62.1. The Board considered the ESPF Risk Register.

62.2. TD welcomed the revised risk register and agreed it showed really good analysis of control measures and gave a high level of assurance.

62.3. The Chair asked for further details of the awards the Fund had been nominated for.

62.4. SK said that the Fund has been shortlisted for two awards at the Local Authority Pension Fund Forum (LAPFF) investments awards – one for its climate change strategy and one for "Fund of the Year" for a large fund. The results will be announced in the middle of December.

62.5. The Board RESOLVED to:

1) note the new International Trade risk; and

2) note climate risk will be considered further once the scenario modelling is underway and producing data

63. WORK PROGRAMME

63.1. The Board considered its work programme.

63.2. The Board RESOLVED to agree its work programme.

64. EXCLUSION OF THE PUBLIC AND PRESS

64.1 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).

65. PENSION FUND BREACHES LOG

65.1 The Board considered a report providing an update on the Breaches Log and outstanding or new Internal Dispute Resolution Procedure (IDRP) cases.

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

65.3 The Board RESOLVED to agree actions which are set out in an exempt minute.

66. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

66.1. The Board considered a report on the latest admissions and cessations of employers within the Fund.

66.2. The Board RESOLVED to note the report.

The meeting ended at 12.35 pm.

Ray Martin (Chair)