

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 16 November 2023.

PRESENT Councillors Gerard Fox (Chair) Councillors Ian Hollidge, Paul Redstone, Georgia Taylor and Colin Swansborough

ALSO PRESENT Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Russell Wood, Pensions Manager: Investment and Accounting
Andrew Singh, ISIO
Colin Bibb, Pensions Systems, Projects and Technical Manager
Michael Burton, Pensions Manager: Governance and Compliance
Mya Khine, Pensions Accountant
Paul Linfield, Pensions Communications Manager
Paula Jenner, Employer Engagement Officer
Dave Kellond, Compliance and Local Improvement Partner
James Sweeney, Pensions Investment Officer
Bekki Freeman, Solicitor
Ray Martin, Chair of the Pension Board
Cllr Andrew Wilson, Pension Board
Councillor Nick Bennett, online
Neil Simpson, Pension Board
Georgina Seligmann, Governance and Democracy Manager

35. MINUTES

35.1 The Committee RESOLVED to agree the minutes of the meeting held on 19 September 2023 as a correct record.

36. APOLOGIES FOR ABSENCE

36.1 Cllr David Tutt sent his apologies.

36.2 Cllr Colin Swansborough substituted for Cllr David Tutt.

37. DISCLOSURE OF INTERESTS

37.1 The Committee considered an update report on the Governance of the East Sussex Pension Fund.

37.2 The Pension Committee RESOLVED to note the report.

38. URGENT ITEMS

38.1 There were no urgent items.

39. PENSION BOARD MINUTES

39.1 The Committee RESOLVED to note the minutes of the Pension Board meeting held on 02 November 2023.

40. GOVERNANCE REPORT

40.1 The Committee considered an update report on the Governance of the East Sussex Pension Fund.

40.2 The Pension Committee RESOLVED to note the report.

41. PENSIONS ADMINISTRATION REPORT

41.1 The Committee considered a report introduced by Colin Bibb who drew the Committee's attention to the following points:

KPIs:

- 1) PAT performance numbers are 88% which is lower than the target at 95% with the impact of completing the B&H CC work now being felt, however performance is high and targets are stretching. Lower performance figures are expected for the next quarter with various projects requiring resources including GMP and McCloud but expecting to be back on track in the new year.
- 2) The printing and postage project went live in September and has been progressing well.
- 3) The team had to process over 2000 new starters following a large volume of data from one employer in August and there is still some way to go to process these. The prioritisation of tasks is key to ensure queries are responded to and issues addressed appropriately.
- 4) The self-service portal for members has been identified as requiring some attention, there is a new version being launched by the software supplier and officer will look to implement in 2024, the change in system will improve the login process to be more secure in order to strengthen data protection.
- 5) Information regarding AVCs will be available at the next meeting as the data requires verification.
- 6) Staffing is much more settled with key vacancies filled which should support the work of the team in addition to overtime being taken up.
- 7) Just over 400 ABS queries to resolve mainly relating to Brighton and Hove and University of Brighton.
- 8) Additional Contributions take up and 50/50 membership over last few years was included in the report following the Pension Board request for an update on the position.

41.2 The Committee RESOLVED to note the updates.

42. ANNUAL REPORT AND ACCOUNTS REPORT

42.1 The Committee considered a report containing a draft Annual Report and Accounts 2022/23 for approval introduced by Sian Kunnert Head of Pensions, who thanked the team for the hard work on the report and drew the Committee's attention to the following points:

- 1) The annual report will be published on 1 December 2023 subject to the Committee's approval and will include the policies when published.
- 2) The Audit was positive for the team and officers have not been made aware of any concerns at this stage. The Audit Committee will receive the final audit report at their meeting of 24 November 2023. Auditing is a commissioned service, the dedicated Pensions team added value to this year's process.
- 3) The level 3 investments valuations as described as highly subjective which is the appropriate terminology.
- 4) The TCFD data in the report included the scenario work required for the triennial valuation and Committee members noted that the parameters are not set by the Fund and that the scenarios were consistent across all Actuaries. Officers advised that it is not mandatory to include the data but that it could be next year and in future the Fund would consider commissioning a Stewardship expert to help provide information required when DLUHC puts in place the Climate reporting statutory guidance.

42.2 The Committee RESOLVED to:

- 1) note the draft Independent Auditor's (Grant Thornton – GT) report to those charged with governance on Pension Fund Accounts 2022/23;
- 2) approve the draft Pension Fund Annual Report and Accounts 2022/23.

43. Q2 BUDGET MONITORING REPORT

43.1 The Committee considered a report providing an update on the 2022/23 Quarter 2 Forecast Outturn Position and 2023/24 Outturn.

43.2 The Committee RESOLVED to note the report.

44. INTERNAL AUDIT REPORT

44.1 The Committee considered the Internal Audit Report of the outcome of the Pension Fund - Collection of Contributions audit.

44.2 The Committee RESOLVED to note the report.

45. ANNUAL TRAINING PLAN

45.1 The Committee considered a report providing an update on training needs, opportunities undertaken and planned events introduced by Michael Burton and noted the following points:

- 1) The majority of Board and Committee members have completed the self-assessment and officers have analysed results and the training undertaken this year. The diverse training offer reflects the survey outcome.

- 2) Procurement and Admissions and Cessations training will be undertaken in December.
- 3) Officers are in discussion with IT to develop a unique training offer for committee members and officers to address the Business Continuity and Cyber Security risks.
- 4) The Committee discussed the benefits of asking regular committee substitutes to undertake training though noted the challenge of widening the training offer to all Councillors. Officers agreed to consider the points raised and to bring a short report back to a future meeting.

45.2 The Committee RESOLVED to:

- 1) Note the outcome of the self-assessment knowledge and survey skills;
- 2) Note the training made available in the past year;
- 3) Note the type of events planned for the year ahead;
- 4) Identify areas Committee members would like training on as a priority and produce a report around the governance of substitutes for the committee.

46. RISK REGISTER

46.1 The Committee considered a report introduced by Sian Kunert who drew the Committee's attention to the following risks:

- 1) Risk G3: Cyber security risk has been heightened to a red risk post mitigation. This is to ensure the Pension Fund reporting is aligned to the wider Council. The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure, with elevated levels of Cyber Crime being reported against all areas of government, particularly in light of the current Ukrainian situation. Cyber attacks are growing more frequent, sophisticated, and damaging when they succeed. The risk mitigation commentary has also been updated to reflect the findings of an extensive review of the systems used by the Pension Team. No material weaknesses were identified with some minor suggestions on improvements that can be made and these recommendations are being acted upon. A standalone meeting on this matter is recommended for the Committee and Board.
- 2) Risks G2 and G4: these risks have been reduced in their severity, these risks relate to Governance. In February 2023 the risk scores were increased due to the uncertainty caused by a significant number of expected vacancies on the Pension Board. As these positions are now filled it is recommended the risk levels be returned to previous levels.
- 3) Risk I4 – Officers recommended the risk level be reduced to an amber risk. There has been progress in relation to ACCESS pool and an Operator has now been put in place.

46.2 The Committee RESOLVED to review and note the Pension Fund Risk Register.

47. INVESTMENT REPORT

47.1 The Committee considered a report introduced by Sian Kunert and Andrew Singh who drew the Committees attention to the following points:

- 1) The Investment work plan sets out plan for next 12 months
- 2) Due to the timing of the November meeting the usual Quarterly Performance Report for Q3 2023 is not ready. Isio have provided a summarised version of the report for Pension Committee attached as Appendix 2 of the report.
- 3) The Quarterly performance report was disappointing and the response and plans covered in the report.
- 4) Interest rates have been rising, the last two chances to increase have been held and inflation is reducing however the Bank of England will keep interest rates high to support this and markets have now accepted this.
- 5) The various credit mandates posted mixed results in both absolute and relative terms as UK Gilt yields rose and spreads widened by varying degrees across credit sectors.
- 6) A number of the benchmarks are linked to interest rates and inflation so benchmarks are structurally higher and returns haven't kept pace
- 7) The longer term returns at Fund level remain robust, with private equity assets adding significant value.
- 8) The private equity mandates have delivered very strong performance over the 3 and 5 year periods, however the performance has been largely negative over the last 12 months, however we saw an upturn in the most recent quarter.
- 9) UK equities performed well, largely driven by the energy market, with the sector benefitting from a rise in the oil price.
- 10) An allocation to private credit needs to be implemented and more information will come to the Committee.
- 11) UBS Infrastructure is of concern given the very weak performance which was driven by one particular investment, Archmore Fund I. Osmosis and Storebrand showed an unusual level of underperformance and more detail will be provided in the next report to Committee.
- 12) Sustainable mandates have underperformed but this is common, WHEB and Wellington are both high conviction and therefore can be impacted by the performance of one holding.
- 13) The benchmark of the current asset allocation of the Fund has now been updated following the strategy day.
- 14) More recent acquisitions are judged against a different benchmark which makes it hard judge performance consistently. Some funds are thematic which makes it hard to measure them against traditional benchmarks the consultants were asked to look into suitable benchmarks for performance monitoring.
- 15) There are a variety of ESG mandates on the market with more expected, driven by assumption that this will be the default way to invest. If ESG is well managed then it has the ability to add value.

16) This is a diversified portfolio so not everything will do well at the same time; the focus is on good long term performance e.g. Baillie Gifford have now recovered from a challenging period. Rational is that asset allocation is key as this dictates performance.

17) The Carbon Foot printing data was previously produced by a difficult company so it is very difficult to compare data however the Committee should have sight of it. In future some analysis of the data will be provided with the report but hard to demonstrate the position of the Fund. ISIO will also ask managers for better data on this so that the Committee can better understand the context of what companies are doing to become more sustainable.

47.2 The Committee REVOLVED to note the investment report.

48. WORK PROGRAMME

48.1 The Committee considered its work programme, introduced by Sian Kunnert.

48.2 The Committee noted that the Pension Board now receive a summary of the meetings to increase their oversight of the governance framework and that training items are included and members should inform officers of any training attended.

48.3 The Committee RESOLVED to agree the work programme.

49. EXCLUSION OF THE PUBLIC AND PRESS

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).

50. INVESTMENT REPORT - EXEMPT INFORMATION

50.1 The Committee considered the exempt Investment report.

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

50.3 The Committee RESOLVED to note the report.

51. GOVERNANCE REPORT - EXEMPT INFORMATION

51.1 The Committee considered the exempt risk register.

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

51.3 The Committee REOLVED to:

- 1) Note the report; and
- 2) Approve the revised Death Grant Policy.

52. EAST SUSSEX PENSION FUND (ESPF) BREACHES LOG

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

52.2 A Summary of the discussion is set out in the exempt minute.

52.3 The Committee RESOLVED to:

- 1) Note the breaches of law and steps being taken; and
- 2) Note that no new IDRP complaints have been raised in the relevant period.

53. EMPLOYER ADMISSIONS AND CESSATIONS

53.1 The Committee considered a report providing an update on the latest admissions and cessations of employers within the Fund.

53.2 The Committee RESOLVED to:

- 1) Note the ongoing proceedings for the admission of admitted bodies to the Fund;
and
- 2) Note the ongoing proceedings for the cessation of employers from the Fund

The meeting ended at 12.54

Councillor Gerard Fox (Chair)