

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 4 February 2019.

PRESENT Richard Harbord (Chair); Councillor Kevin Allen,
Angie Embury, Rezia Amin, Sue McHugh and
Councillor Brian Redman

ALSO PRESENT Councillor Richard Stogdon, Chair of the Pension Committee
Ian Gutsell, Chief Finance Officer
Ola Owolabi, Head of Pensions
Nigel Chilcott, Audit Manager
Harvey Winder, Democratic Services Officer

32 MINUTES

32.1 The Board agreed the minutes as a correct record of the meeting held on 5 November 2018.

32.2 The Chair pointed out in reference to paragraph 22.8 that the requested report by Business Operations providing an update on the progress against the Internal Audit agreed actions had not been provided.

33 APOLOGIES FOR ABSENCE

33.1 Apologies for absence were received from Diana Pogson.

34 DISCLOSURE OF INTERESTS

34.1 There were no disclosures of interest.

35 URGENT ITEMS

35.1 There were no urgent items.

36 PENSION COMMITTEE AGENDA

36.1 The Board considered the draft agenda of the Pension Committee's next meeting.

36.2 The Board RESOLVED to note the report.

37 EXTERNAL AUDIT PLAN FOR EAST SUSSEX PENSION FUND 2018/19

37.1. The Board considered a report on the East Sussex Pension Fund (ESPF or 'the Fund') External Audit Plan for 2018/19.

37.2. The Chair asked whether the decrease in the core external audit fee from £26,607 in the previous year to £20,487 for 2018/19 meant that there would be a corresponding decrease in the service that the Fund could expect to receive.

37.3. Ola Owolabi (OO) explained that the fee is set by the Public Sector Audit Appointments (PSAA) Board rather than being agreed between the Fund and Grant Thornton (the external auditors). He added that the core fee was based on the assumption of the Fund being rated 'excellent' and there were no plans for additional audit work, which would incur additional fees.

37.4. The Chair observed that the level of materiality being set at £33m appeared high and so too did 'clearly trivial' uncorrected omissions or misstatements being set at £1.65m. Sue McHugh (SM) said that the role of the external auditor was to express an opinion of the Fund's financial statements and that it was the role of internal audit to pick up on any lack of internal control processes or governance arrangements that lead to Fund assets being wasted or lost. Nigel Chilcott (NC) confirmed that the revised draft pension fund internal audit strategy would be available for consideration by the Board in June.

37.5. The Board RESOLVED to note the report.

38 FUNDING STRATEGY STATEMENT

38.1. The Board considered a report on a revised Funding Strategy Statement (FSS) for the ESPF.

38.2. The Chair asked whether new employers will be able to negotiate pass-through arrangements with ESPF, or whether they will be offered the fixed contribution rate only. OO said that contractors are likely to want to accept the fixed contribution rate as the ESPF is a well performing fund that is close to 100% funded, meaning employer contribution rates are relatively low.

38.3. SM observed that a fixed contribution rate would enable contractors to include it in their tender price and prevent any 'gaming of the system' by estimating a lower contribution rate in order to claim to be able to provide a service for a lower price.

38.4. Councillor Brian Redman (BR) asked whether the fixed contribution rate would apply to scheduled bodies, such as academies, which are entitled to join a Local Government Pension Scheme (LGPS), but that could face financial difficulties. OO confirmed it would only apply to services that have be outsourced by academies and admitted bodies such as contractors providing services on behalf of the Council. Rezia Amin (RA) added that the non-teaching staff of schools converting to academies would be able to join the ESPF regardless of whether or not the academy chose to, and their pensions would not be affected by any financial difficulties the academy may find itself in.

38.5. The Board RESOLVED to note the report.

39 EAST SUSSEX PENSION BOARD - TERMS OF REFERENCE

39.1. The Board considered a report on future appointments of Board members and the independent Chair.

39.2. The Chair observed that this would likely be the final meeting of the Board as currently constituted as four members were reaching the end of their four year term and his role would need to be re-advertised. He said that it would be unfortunate to disrupt the Board's composition given the good work it had done and the accumulated knowledge the Board members now possessed. Councillor Kevin Allen (KA) agreed that the Board had performed well and said that it had been well chaired too. He reminded the board he was not standing as a Councillor in the

Brighton & Hove City Council elections in May so would also no longer be a member of the Board.

39.3. The Chair commented that it was not clear whether the Governance Committee would be recommended to agree to a two year extension of board members' appointments or to reappointment them (or an alternative representative) for a new four year term. OO said that the two year extension would be at the discretion of the Governance Committee and that the current members of the Board were able to seek reappointment to the Board.

39.4. BR said that he had been aware that he had been appointed for four years but was disappointed the Board members had been informed about it in this way. He said that he had agreed with the Leader of Wealden District Council that he would not seek reappointment to the Pension Board.

39.5. The Board RESOLVED to note the report.

40 EAST SUSSEX PENSION FUND 2018/19 BUDGET MONITORING AND 2019/20 BUDGET REPORT

40.1 The Board considered a report on the 2018/19 Budget Monitoring and an outline of the 2019/20 budget for the East Sussex Pension Fund.

40.2 The Board resolved to note the report.

41 OFFICERS' REPORT - GOVERNANCE AND PENSIONS ADMINISTRATION UPDATE

41.1. The Board considered a report providing a general update on matters related to the Board's activity including the pension administration.

41.2. The Chair said he understood that a lot of effort had been made to retain the Pension Administration Manager appointed in October, but that he had decided to leave for personal reasons.

41.3. Angie Embury (AE) expressed serious concerns about the pension administration of the ESPF by Orbis and said that she would raise these with both Unison and CIPFA.

41.4. SM said that the Board and Pension Committee have been expressing serious concerns about pensions administration for a long time and had hoped that the new appointment would have started to resolve these issues. She said she felt that there was not sufficient evidence that the situation would be resolved and that further assurance was needed.

41.5. BR noted that ESPF employers had been informed in January about the potential significant liabilities the Fund could face if Guaranteed Minimum Pension (GMP) Reconciliation process was not resolved correctly. He was concerned that the Fund was in this situation given that the Board had asked for several years for the GMP process to be completed in a timely manner to avoid this uncertainty.

41.6. Ian Gutsell (IG) clarified that HM Revenues & Customs (HMRC) had moved its deadline to respond to GMP queries raised by Local Government Pension Schemes (LGPS) from 21 December to April 2019. The Fund would therefore not expect to hear any responses to queries until after that date, meaning that liabilities to the Fund would not be known until later than anticipated. OO explained that JLT was being asked for an update on how they were progressing towards the deadline of April 2019 and that the Board would be updated once this was known. He said that there was no significant difference in JLT's progress against the company's own agreed timeline since the previous update in November.

41.7. The Chair said he suspected that HMRC had moved the deadline as a number of LGPSs had submitted their queries at the last minute. He felt it likely that the Fund would not know its liabilities for several more months.

41.8. OO confirmed that there will be a dedicated resource based in Lewes focussing on achieving the Annual Benefit Statement deadline by 31 August. The Chair observed that this was a step forward but would reserve judgement until after the deadline passed.

41.9. OO explained that three full-time temporary employees had been hired to perform the Membership Data Cleansing exercise in order to provide accurate data ahead of the triennial evaluation, ensuring that employer contribution rates are set accurately. AE expressed concern that additional Fund monies were being spent given the ongoing concerns about Orbis' ability to deliver the service it was required to.

41.10. The Chair asked what sanction the Pensions Regulator had imposed for the data cleansing breach in September 2018. OO said that he would confirm this via email.

41.11. The Board RESOLVED to:

1) note the report;

2) request a report to the 10 June Board meeting on the organisational arrangements for the pension administration service.

42 PENSION FUND - RISK REGISTER

42.1. The Board considered a report on the ESPF Risk Register.

42.2. OO clarified that the risk register only included risks still rated as amber or red post-mitigation.

42.3. The Chair observed that some risks only reduced slightly post-mitigation, for example, paying pension contributions correctly.

42.4. BR said that there was little value in expending so much that all risks were reduced to 1, and that a certain amount of risk should be expected given the prohibitive cost to Fund members of eliminating it. OO agreed that there would always be some element of risk when managing £3.5bn worth of assets.

42.5. The Board RESOLVED to note the report.

43 WORK PROGRAMME

43.1. The Board considered its future work programme.

43.2. AE said that the training schedule would need to be adjusted to take account of the new Board members. OO said that induction sessions would be provided to any new members between now and the 10 June Board meeting.

43.3. The Board RESOLVED to note the report.

44 EXCLUSION OF THE PUBLIC AND PRESS

44.1 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).

45 LOCAL GOVERNMENT PENSION SCHEME (LGPS) POOLING - ACCESS UPDATE

45.1 The Board considered an update on the activities undertaken by the ACCESS Pool group and the MHCLG draft statutory guidance on asset pooling

45.2 The Board RESOLVED to:

- 1) note the report;
- 2) recommend to the Pension Committee that Officers are authorised to consult with a wide range of parties and sign-up to the ACCESS Pool joint consultation response to the draft statutory guidance.

The meeting ended at 11.45 am.

Richard Harbord (Chair)
Chair