

PENSION BOARD

MINUTES of a meeting of the Pension Board held at Committee Room, County Hall, Lewes on 10 February 2022.

PRESENT

Councillors Ray Martin (Chair) Councillor Tom Druitt,
Councillor Toby Illingworth, Stephen Osborn, Niki Palermo
and Lynda Walker

ALSO PRESENT

Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Michael Burton, Pensions Manager - Governance and
Compliance
Russell Wood, Pensions Manager: Investment and Accounting
Paul Punter, Head of Pensions Administration
Tim Hillman, Pensions Manager - Employer Engagement
Dave Kellond, Compliance and Local Improvement Partner
Danny Simpson, Principal Auditor
Paul Linfield, Pensions Communications Manager
Paul Freedman, Pensions Investment Analyst
Paula Jenner, Employer Engagement Officer
Mya Khine, ESPF Accountant
Izzy Widdowson, CIPFA Trainee - Pensions
Thea Synnestvedt, Policy Development Intern

Councillor Gerard Fox, Chair of Pension Committee

67. MINUTES

67.1 The Board agreed the minutes of the previous meeting held on 5 November 2021 as a correct record.

68. APOLOGIES FOR ABSENCE

68.1 There were no apologies for absence.

69. DISCLOSURE OF INTERESTS

69.1 There were no disclosures of interests.

70. URGENT ITEMS

70.1 There were none.

71. PENSION COMMITTEE AGENDA

71.1 The Board considered a report containing the draft agenda for the Pension Board meeting due to be held on 24th February 2022. The Pension Board discussed the draft agenda for the Pension Committee and noted that with the exception of the investment report items, all other reports were being considered by the Board. Russell Wood (RW) Pensions Manager - Investment and Accounting outlined that the investment report will cover the outcomes of the search for global infrastructure and fixed income investments as part of the implementation of the agreed investment strategy.

71.2 A discussion was held on the progress of divestment from fossil fuel investments and Brighton and Hove City Council's (BHCC) request for representation on the Pension Committee following a deputation that had been received by BHCC. It was agreed that Councillor Tom Druitt (TD) would produce a report on representation proposals to be shared with the Chair by end of February and to be considered at the next Pension Board meeting in June 2022.

71.3 The Board RESOLVED to note the report.

72. GOVERNANCE REPORT

72.1 The Board considered a report providing an update on various governance issues relating to Local Government Pension Schemes (LGPS) and the East Sussex Pension Fund (ESPF or the Fund), including changes in legislation and regulations.

72.2 Cllr Toby Illingworth (TI) asked what the impact of the increase in National Minimum Pension Age (NMPA) from 55 to 57 on 6 April 2028 would be on the Fund.

72.3 Michael Burton (MB), Pensions Manager - Governance and Compliance, outlined that any impacts on the Fund will be taken into account in future triennial valuations. The Chair commented that in actuarial terms the impact on the Fund will be broadly neutral.

72.4 MB provided an update on the appointment of a new Board scheme member representative to replace Diana Pogson. It is anticipated that the appointment will be made by the Governance Committee at the beginning of March and a replacement will be in place for the June Pension Board meeting.

72.5 The Chair asked for the Board member's views on increasing the number of employer and member representatives to four each to broaden representation on the Board. The Board discussed the Chair's suggestion and agreed to ask officers to explore the impact of changing the Board membership and to provide information on the composition of other Pension Boards for comparison.

72.6 The Board discussed the proposals for pension board member representation on the ACCESS Pool Joint Committee. The Chair outlined the current proposal which is for the eleven pension boards of the pension funds in the ACCESS Pool to nominate one representative (either employer or member representative), who will take turns in rotation to sit on the Committee. This would mean the pension board representative would change for each meeting and would give no opportunity for the representative to build up their knowledge of the issues under discussion. A more permanent representative, nominated for a longer term may be preferable. In addition, mechanisms would need to be agreed to ensure adequate feedback and representation of issues of concern to the various pension boards.

72.7 Lynda Walker (LW) commented that having some representation on the ACCESS Pool Joint Committee is to be welcomed and there has been a longstanding request to have member representation. Cllr Gerard Fox (GF), Chair of the Pension Committee, commented that the Scheme Advisory Board (SAB) had talked about a number of models to allow greater oversight by pension boards. Alternative suggestions for representation had been discussed by the Joint Committee, and the Pension Board could express an opinion if they feel the current proposals are not adequate.

72.8 The Board agreed that the Chair should write to ACCESS to say that the Pension Board does not consider having a rotating representative is satisfactory for the reasons discussed. The East Sussex Pension Board would prefer a model with a more permanent representative and arrangements to ensure a wider pension board representation and a mechanism for the dissemination of information.

72.9 BM outlined the offer and costs for an online video learning academy from Hymans Robertson to cover a range of pensions issues and invited views from the Board on whether this resource would be useful and should be purchased.

72.10 The Board expressed mixed views on whether the online resource would be used and whether it would be useful. The Board asked if a trial could be arranged so that Board members could assess the usefulness of the material.

72.11 MB responded that it might not be possible to arrange a trial and the offer was on a cost per user licence. The purchase of a smaller number of licences could be explored. Paul Punter (PP) Head of Pensions Administration explained that he could make a number of training modules available which are part of the Heywood pensions administration system.

72.12 The Board expressed the view that it would be more prudent to explore the use of the training resource from Heywood first and agreed to recommend to the Pension Committee that the online training offer from Hymans Robertson is not taken forward at this point in time.

72.13 The Board RESOLVED to:

1) Note the change to normal minimum pension age and the possible change to the state pension age;

2) Note the possible additional requirement for dealing with transfer requests involving Additional Voluntary Contribution (AVC) benefits;

3) Note the change to audit deadlines;

4) Note the Government Actuary's Department (GAD) report on the 2019 Valuation across the LGPS;

5) Note the ongoing steps being taken to fill the Pension Board vacancy;

6) Agree that the Chair should write to the ACCESS Pool regarding pension board representation as detailed in paragraph 72.8 (above) regarding ways improve pension board member representation in the ACCESS Pool; and

7) Recommend to the Pension Committee that the online learning academy offer from Hymans Robertson is not taken forward at this point in time.

73. EMPLOYER AND CONTRIBUTIONS REPORT

73.1 The Board considered a report providing updates on Employer Engagement activities including the i-Connect project, communications, and the collection of Employer contributions.

73.2 TD asked if the issues BHCC had with i-Connect had been resolved.

73.3 Tim Hillman (TH), Pensions Manager - Employer Engagement, responded that there are ongoing conversations with BHCC to resolve the issues and the BHCC payroll provider has built a template for the data transfer using i-Connect. There is still some work to be done to resolve some end of year queries so that a member match can be run between the BHCC payroll and ESPF pension administration system to identify any discrepancies.

73.4 The Chair noted that the team had created some Fund specific specifications for i-Connect and asked if this would mean the team would have to go back and repeat work with employers who were already using i-Connect.

73.5 TH responded that the work on specifications related mainly to how different payroll systems treat employees with more than one role (e.g. by creating more than one personal identification number for an employee, when i-Connect may only recognise one). This has now been resolved and will not impact existing i-Connect users.

73.6 TI asked if the team are on track to rollout and onboard all employers onto the i-Connect system.

73.7 TH responded that the original target was to complete the project by the end of March 2022. This has been delayed by the need to produce the Fund specific specifications and time has been taken to speak to other local authorities using i-Connect to cover any other issues that might be encountered with the implementation. It was important to get the process right and have the capacity in the team and the Pension Administration Team (PAT) to carry out the necessary work. Consequently, the target is now the end of December 2022 to have all employers using i-Connect. Paul Punter (PP) Head of Pension Administration added that most pension funds only get a number of the larger employers to use i-Connect whereas the ESPF is aiming to get all employers to use it, so the scale of the work is different.

73.8 TH introduced the new Pensions Communications Manager, Paul Lindfield (PL), to the Board. PL will take over chairing of the Communications Working Group. PL outlined that the website will be the focus for communication with members and he is exploring a number things such as making sure the information is accessible, explaining what the Fund is doing for members and member surveys. It is hoped the website will fill the gap in communication with members identified by the Board.

73.9 LW welcomed the appointment of the Pensions Communications Manager and outlined her interest in making sure members get the information they are looking for or are interested in. LW offered to forward a summary of the types of questions and requests she receives from members.

73.10 TH outlined the work being undertaken on employer contributions. He reported that there did not appear to be one single cause behind late payments and the team is using regular

reminders and issuing administration charges to persistent late payers to tackle late payments. The Board noted the good progress that is being made on this issue.

73.11 The Board RESOLVED to note the report.

74. PENSIONS ADMINISTRATION REPORT

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

74.2 The Board discussed the performance information contained in appendix 1 of the report. The Chair asked about the Retirement Notification key performance indicator (KPI) and whether the performance reflected a shorter time to carry out this task. TD asked for an explanation of the variation in the performance of the Transfers in Quotation Value, which was good at the beginning of the year but a little more variable later on.

74.3 Paul Punter (PP) Head of Pension Administration responded that the time allowed for the Retirement Notification task had been reduced which is reflected in the KPI information. Had the old KPI remained in place the December result would have been 97%. Staff training and a reduction in the number of processes for the Transfers in Quotation Value task led to an improvement in performance at the beginning of the year. Since then, work volumes have been going up and the nature of some of the tasks has changed requiring more time to complete them. The chart shows two key staff were also seconded to projects for the month which impacted the checking resource available. PP said he would like to review the suitability of the new KPIs in say six months. PP commented that he is happy with the overall performance against the KPIs which is at 95%.

74.4 LW asked what progress had been made to fill the vacant posts and bring staffing levels up to the full complement of staff.

74.5 PP outlined that the recruitment to the vacant posts had been delayed slightly by the need to check and establish new gradings for each of the posts. This process is expected to be completed very shortly now that the technical nature of the pension administration roles has been clarified. The need to fill the vacant posts is acknowledged and the hard work of the team throughout the pandemic has been recognised.

74.6 PP reported that helpdesk performance has improved with lower abandoned call rates and improving call answering times. The helpdesk is answering or clearing 85% of the enquiries it receives, with the rest passed to the Pension Administration Team (PAT) for resolution. There is still room for improvement, but overall PP is happy with the service the team is getting from the helpdesk. LW commented that she is getting fewer comments from members about the helpdesk and performance appears to be better.

74.7 The Board RESOLVED to note the updates contained in the report.

75. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) REVIEW

75.1 The Board considered a report on the Additional Voluntary Contribution (AVC) scheme arrangements for the Pension Fund. PP outlined that the report had been requested following concerns about the administration performance of the existing AVC provider Prudential.

75.2 The Chair asked what proportion of the Fund's members are paying into the AVC scheme.

75.3 PP responded that around 3% of members are paying into the AVC scheme. This relatively low figure may be due to the relatively high level of the main scheme contributions.

75.4 The Board discussed the performance of the AVC scheme and the range of funds available for members to invest in under the scheme. There are around ten funds that members of the AVC scheme can choose from which include an environmental, social, and governance fund. In addition, there are two lifestyle funds. Each fund has different levels of investment risk and potential return. It was noted that most AVC members invest in the default (with profits) or multiple funds, which suggests they understand risk.

75.5 TD ask for clarification on the relationship between the ESPF and the AVC provider and asked whether the service issues had been cushioned by the Fund.

75.6 PP responded that the contract for the provision of the AVC scheme is between the ESPF and the AVC provider who deals with all enquiries, benefits, and transfers etc. Any contributions are paid directly to Prudential by the employers. As such, the ESPF has a fiduciary duty to monitor the performance of the AVC provider. The Fund has sought to cushion the service issues experienced by members and has helped to ensure members have not been affected financially. Prudential have committed to ensure late contributions are invested at prices on the day they should have been invested if in the members best interests and late settlements are being compensated.

75.7 The Chair asked what the Board is being asked to recommend.

75.8 PP responded that he is satisfied that most of the administration performance issues and complaints about the current provider have been resolved. The Standard and Poors rating of the provider remains at A+. Therefore, there is no need to change provider at this point in time, but both administration and investment performance should be monitored regularly by the Committee. There is also a need to consider the suitability of the fund choices being made available and particularly the default fund.

75.9 TI asked for more details of the performance of the AVC fund investments against benchmarks.

75.10 PP outlined that that the performance of AVC investments is generally good, and more detailed information could be provided at the next meeting.

75.11 LW agreed that the performance of the AVC provider should be monitored regularly as this would be best practice in terms of governance and oversight. As Prudential had acted to resolve the complaints and service issues, there would appear to be no reason to change AVC provider at the moment.

75.12 The Board RESOLVED to:

1) advise the Pension Committee that the administration performance issues with the AVC provider have been resolved and there is no need to undertake a full market review of AVC providers at this point in time; and

2) recommend that the performance and investments of the AVC provider are monitored regularly through an annual report.

76. INTERNAL AUDIT REPORTS

76.1 The Board considered three internal audit reports contained in appendices 1-3 of the report and the Internal Audit Strategy for Pensions and Annual Plan 2022/23 (appendix 4).

76.2 Dany Simpson (DS), Principal Auditor outlined the positive outcomes of the audits and summarised the main changes to the Annual Plan which are:

- Compliance testing will be included as part of other audits rather than being a separate audit;
- The audit of the pension administration will be divided into two parts: cash management and administration of benefits;
- There are two ICT audits planned for the coming year on i-Connect and cyber security (these will change in future years).

76.3 The Board RESOLVED to:

- 1) Note the internal audit reports; and
- 2) Recommend approval of the Internal Audit Strategy for Pensions and Annual Plan 2022/23 to the Pension Committee.

77. EAST SUSSEX PENSION FUND BUSINESS PLAN AND BUDGET 2022/23

77.1 The Board considered a report on the quarter 3 budget outturn for 2021/22 and the ESPF Business Plan and Budget for 2022/23.

77.2 RW outlined that the forecast outturn for the ESPF budget for the current financial year has decreased substantially since the last report. This has mainly been due to a reduction in investment fees, actuarial costs, an underspend on Fund officer's salary costs and an adjustment to the way the cost of the Heywood software licence fee is accounted. The Custodian costs have increased due to the major changes to the Investment Strategy which are being implemented.

77.3 The Chair asked officers to confirm whether the long-term running costs of the Fund will be around £7 million per annum.

77.4 RW confirm that the long-term running cost will be around £7 million per annum, and the increased use of the ACCESS Pool may lower investment fees further as management fees tend to be deducted from the investment fund rather than being invoiced separately.

77.5 The Board RESOLVED to:

- 1) note the forecast 2021/22 Q3 outturn position for the ESPF; and
- 2) note the ESPF Business Plan and Budget for 2022/23 in Appendix 1 of the report.

78. PENSION FUND RISK REGISTER

78.1 The Board considered a report on the updated risk register for the Fund. Sian Kunert (SK) Head of Pensions outlined the main changes to the risk register.

78.2 The Pension Board RESOLVED to:

- 1) Note the change to risk A4 to cover wider separation from Orbis rather than Pension Administration;
- 2) Note the addition of Ransomware to the existing Cyber Security risk; and
- 3) Note the addition of risk A7, covering East Sussex County Council's (ESCC's) Modernising Back Office Systems (MBOS) project.

79. WORK PROGRAMME

79.1 The considered report on the combined Pension Board and Pension Committee work programme.

79.2 The Chair outlined that a report on the deputation to BHCC regarding Pension Committee membership will be prepared by TD by the end of February and it was agreed to add this to the Pension Board work programme for the meeting in June 2022 (as discussed in paragraph 71.2 above).

79.3 SK summarised the changes to the work programme and the additional reports that will be presented at the June meeting which will include the Covenant report and the Pension Board Annual Report. Mariana Obetzanova the Pensions Training Coordinator has recently emailed Board members with a number of training opportunities and SK invited the Board to report any training events they had attended since the last meeting.

79.4 The Chair requested that the time allowed for the June meeting be extended by an hour due to the length of the agenda and a revised meeting invitation be sent out. It was proposed that the June meeting be held in person to allow Board members to meet each other, including the new member representative.

79.5 The Board RESOLVED to agree the work programme together with the addition to the June 2022 Pension Board meeting of an item on the deputation to BHCC as detailed in paragraph 79.2 above.

80. ANY OTHER NON-EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

80.1 There were none.

81. EXCLUSION OF THE PUBLIC AND PRESS

81.1 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).

82. PENSION FUND BREACHES LOG

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

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

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

83. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

83.2 The Board RESOLVED to note the report.

84. ANY OTHER EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

84.1 There were none.

The meeting ended at 12.57 pm.

Councillor Ray Martin (Chair)