

PENSION BOARD

MINUTES of a meeting of the Pension Board held at Council Chamber, County Hall, Lewes on 15 November 2022.

PRESENT Ray Martin (Chair), Councillor Tom Druitt, , Stephen Osborn and Neil Simpson, Niki Palermo (via Teams)

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
Paula Jenner, Employer Engagement Officer
Dave Kellond, Compliance and Local Improvement Partner
Danny Simpson, Principal Auditor
Paul Linfield, Pensions Communications Manager
Dillon Piggott, CIPFA Trainee / Apprentice
Mariana Obetzanova, Pensions Training Coordinator
Mya Khine, ESPF Accountant
Georgina Seligmann, Governance and Democracy Manager
Cllr Paul Redstone
Cllr Gerard Fox
Cllr Georgia Taylor
Cllr Ian Hollidge
Cllr Nick Bennett
Barry McKay – Barnett Waddingham

1. MINUTES

1.1 The Board agreed the minutes of the previous meeting held on 27 May 2022 as a correct record.

2. APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received for Lynda Walker and Cllr Toby Illingworth, Lynda is now Vice-Chair.

3. DISCLOSURE OF INTERESTS

3.1 There were no disclosures of interests.

4. URGENT ITEMS

4.1 There were none.

5. PENSION COMMITTEE AGENDA

5.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 30 November 2022.

5.2. The Board noted that the Valuation report would go to Committee after the Employers' Forum meeting of 24 November. The Committee will highlight any concerns with the valuation outcome which will then be subject to a full consultation process with the final approval expected in March 2023.

5.3 The Board RESOLVED to note the agenda.

6. GOVERNANCE REPORT

6.1 The Board considered a report providing an update on various governance workstreams completed and changes affecting LGPS and the ESPF.

6.2 Michael Burton (MB) highlighted to the Board that there will be significant change to its membership in 2023; in April the terms for three members of the Pension Board are due to come to an end and Officers will soon commence planning for the appointment process. Additionally, the Chair of the Pension Board's term also expires at the same point which will require an appointment process to be completed. Local elections in May 2023 may further impact on Pension Board membership during the year.

6.3 All members of the Pension Board who are coming towards the end of their terms will be asked to confirm with Officers whether they wish to be considered for re-appointment.

6.4 MB highlighted the ministerial changes outlined in the report. At the Department for Work and Pensions, the Rt Hon Mel Stride MP is the current Secretary of State, Laura Trott MP has been appointed as the Parliamentary Under Secretary of State for Pensions. The Scheme Advisory Board has commented that the change in ministers and a new Prime Minister may cause some delays in projects being run by the Department. The Board will be kept informed of any further changes.

6.5 MB advised that officers have been working with an external advisor to consider the recommendations for the decision-making matrix; the Board will be kept informed of changes.

6.6 MB advised that the issue reported by Prudential in which they had incorrectly managed the lifestyle fund transition near retirement for members only impacted one member. More information is expected from Prudential in the middle of November and further updates will be provided as appropriate.

6.7 Neil Simpson (NS) highlighted that there are several missing policies in the table in Appendix 1. MB and Sian Kunert (SK) confirmed that there is not necessarily a requirement to have a policy for each discretion and that many relate to administration processes. There is a standard approach and guidelines around these. SK confirmed that those with no policy will be looked at by case by case and that work in progress to collate copies of employer policies.

6.8 The Board RESOLVED to:

- 1) Note the report and its appendices;
- 2) Request that officers update the table to include where there is an administration

process in place;

3) Consider the residual discretions where there is no policy or administration process in further detail.

7. EMPLOYER ENGAGEMENT AND CONTRIBUTIONS REPORT

7.1 The Board considered an update on employer engagement tasks that directly affect the East Sussex Pension Fund (ESPF or the Fund).

7.2 Paula Jenner (PJ) provided an update on i-Connect; 90 employers are now onboarded, data cleansing required ahead of onboarding others but going well. The intention is to have all employers completed by March 2023. There has been increased team capacity which has supported the process. The Employer Forum will be held on the 24 November with 75 delegates and 35 employers expected. All Board members are invited to attend the Employer Forum.

7.3 PJ highlighted that the Engagement team has been trialling some training/education sessions with employers and their members which has been well received. The training/education provides information on the key topics of the Local Government Pension Scheme and provides background information on pensions and employees choices on leaving. There is future training planned for 2023 and will be bespoke for employers.

7.4 PJ highlighted that payment of late contributions are lower than a year ago. Regular reminders and communications has lowered the number of late payments and forms. There is no noticeable pattern of concerns.

7.5.1 The Board RESOLVED to note the report.

8. COMMUNICATIONS REPORT

8.1 The Board considered an update on communication tasks that directly affect the East Sussex Pension Fund; activities have included newsletters, additions to the website, forms updated forms to improve accessibility, survey results have been published along with new guidance for employers and members. This information is also fed through the Communications Working Group.

8.2 Ray Martin (RM) asked whether it was the case that engagement activity is having a positive effect with employer engagement.

8.3 SK confirmed that engagement had increased and that an in person survey will be conducted at the next Employer Forum to further increase officers' knowledge and improve communications with employers.

8.4 Stephen Osborn (SO) commented that communications are more regular and requested targeted communications which could be sent out by employers and whether there was more than can be provided to support employers for those members approaching retirement.

8.5 SK confirmed that a retirement guide has been published and the Fund can look into training being available.

8.6 The Board RESOLVED to:

- 1) Note the report and its contents;
- 2) Request that officers circulate retirement guidance;
- 3) Request that officer circulate the training available to support employers

9. PENSIONS ADMINISTRATION REPORT

9.1 The Board considered a report providing an update on matters relating to Pensions Administration activities for the period October 2021 to September 2022.

9.2 Paul Punter (PP) drew the Board's attention to the PAT performance numbers in appendix 1, during quarter two 2022, average at 97.91% which were like the previous quarter. However, quarter three 2022, average fell to 94.28% with a low of 90.16% in September. This drop in performance reflected the need for significant team resources to be diverted to projects, senior staff taking time to undertake recruitment interviews, while also being peak holiday season. PP was pleased to state the October performance was back above 95%

9.3 PP highlighted that from August 22 the refunds task KPI in appendix 1 includes frozen refunds – those who chose not to take the money back immediately as they may later want to transfer the value into another public sector pension arrangement. PAT process about 100 frozen refunds a month and these are considered a lower priority and as such has not scored well, adding to the recent lower performance.

9.4 RM recalled from previous Admin Working Group meetings that there was a back log of frozen refund cases to clear.

9.5 PP confirmed that there are approx. 5,000 frozen refund cases on Altair but they can only be processed after five years. PP anticipated with both the addition of new recruits and the improved visibility of the tasks that the performance numbers will improve.

9.6 RM asked when a report can be expected which benchmarks the funds targets against other similar funds as it would be difficult to support any KPI changes in the absence of reviewing comparative data.

9.7 PP confirmed that the issue had been raised with the Senior Area Pension Officer Group and there is some agreement to share targets. Officers can produce some retrospective information. The aim is to produce a paper on any proposed changes to KPI targets for the February meeting as part of the update to the Pensions Administration Strategy.

9.8 PP then turned to appendix 2 and provided an update on the Helpdesk performance. It was noted with effect from 25 November 2022 Surrey are taking their Pensions Helpdesk in-house. Currently ESPF is happy with the helpdesk performance so are not looking to immediately follow suit but will review available options in the Summer 2023.

9.9 PP provided a project update:

- The Annual Benefits Statements for 2022 results would have been reported in September following the 31 August statutory deadline. The results were slightly better than the previous year with 99.79% of deferreds receiving an ABS and 96.72% of actives (excluding the one employer for whom there are data issues).
- Both the historical and the 2021/22 Annual Allowance projects will be concluded soon with only a handful of cases outstanding (plus actives for one employer).
- Mortality: monthly

checks of UK pensioners data reviewed through ITM since June 22, a tiny number of cases found through the historical review. This was reassuring and confirmed the ways of identifying and reporting deaths in a timely way is working. An overseas mortality project for the 500+ pensioners commenced in October 22. The documents for completion was sent by email to about 80% any many responses have already been received.

- Address Tracing Exercise –the “gone away” addresses will be reviewed every two years. In October we provided our existing deferred members data to ITM for review against various credit reference agencies. The initial results saw 83% of our 24,501 deferred’s traced to an address. The remainder will move on to a full trace (deeper dive).

9.10 NS asked what the implication was for delays to the GMP rectification project.

9.11 PP confirmed that the risk is that larger overpayments may need to be written off but of very small numbers (well under 1% of pensioner liabilities) and the impact on most pensioners was likely to be within £100 a year.

9.12 Tom Druitt (TD) asked if it was possible to have more detail on the call answer time and noted that the abandoned call rate for main help line seems to fluctuate, it increased this year despite achieving 0 last year.

9.13 PP confirmed that there is a very ambitious target for call rate (75% in 20 seconds) and the service does increase resources when significant communications like the ABS are issued in order to respond to queries but it is a challenge to get the correct balance. The call abandonment time (how long members are prepared to wait in busy times) has fallen on average from around 6 minutes to around 2 minutes.

9.14 The Board wished Julie Pelham good luck in her nomination of Team Leader of the Year at the Professional Pensions - Women in Pensions 2022 Awards tonight. (Subsequent to the meeting Board members were circulated with the news that Julie won the award).

9.15 The Board RESOLVED to note the report

10. INTERNAL AUDIT

10.1 The Board considered the internal audit report contained in appendix 1 of the report.

10.2 Danny Simpson (DS) drew the Board’s attention to the single low risk finding regarding the completion of the Board’s skills matrix.

10.3 The Board RESOLVED to note the report.

11. ANNUAL REPORT AND ACCOUNTS

11.1 Annual Report Requirements - Local authorities are responsible for administering a pension fund (acting as scheme manager) and forming part of the Local Government Pension Scheme (LGPS). Each LA is required by the LGPS Regulations to publish a pension fund annual report. The publication of the annual report is separate from the authorities’ own statutory accounts and contains financials statements in respect of the Pension Fund.

Authorities are required to publish the annual report by 1 December. The annual report will be presented to Committee for approval at its meeting on 30 November 2022.

11.2 The Board considered the draft report and opinion from Grant Thornton; no material changes are expected in the final version. The Audit Committee will consider the report at their meeting of 18 November 2022. The audit is ongoing and not expected to be complete before the Pension Committee meeting of the 30 November.

11.3 Tom Druitt (TD) noted the comprehensive document with concerns over its accessibility and enquired about planned communications of a summary nature.

11.4 NS agreed that the key items from the annual report should be included in a pensions newsletter to both employers and members.

11.5 The Board RESOLVED to:

- 1) Note the report;
- 2) Request that SK consider the communications on a simple way to present key information from this report with the Communications Working Group.

12. ANNUAL TRAINING PLAN REPORT

12.1 The Board considered a report providing updates on training undertaken by members of the Pension Board and Committee. MB's report also outlined training plans for the year ahead.

12.2 MB reminded the Board that the annual self-assessment forms were sent in August 2022. Officers have received responses from 2 of 6 Board members 4 of 5 Committee members and used this to inform the training plan for next year. Bespoke training can continue to be organised as required.

12.3 The Board queried the length of the questionnaire.

12.4 MB confirmed that the questionnaire is based on guidance and recommendations from the Pensions Regulator and CIPFA. There is a wide range of knowledge and understanding required so the questionnaire needs to capture this.

12.5 NS considers the response disappointing and that the Board should support Mariana Obetzanova (MO), the Pensions Training Co-Ordinator, in her role.

12.6 MB confirmed that the next circulation will be around August next year which will capture new Board members and their needs at point of joining also.

12.7 MB responded to questions about depth of training and reminded the Board that it is important to have a grasp of all risks and the mitigations but agreed to consider the level of training required to understand the risks and therefore fulfil the oversight role of the Board.

12.8 The Board RESOLVED to note the report and agreed the following action points:

- 1) Outstanding assessments will be submitted by Board members;
- 3) Barry McKay (BM) and MO to liaise on the training available from Barnett Waddingham for consideration;
- 4) MO will recirculate the link to the Haywards online modules.

13. PENSION FUND RISK REGISTER

13.1 The Board considered the updated risk register and welcomed the new format.

13.2 The Board considered the following risks:

- 1) A3: the risk has increased due to data quality from employers
- 2) G6: fraud risk reduced due to the reintroduction of monthly mortality checks for pensioners.

13.3 NS queried the status of the Business Continuity Plan as pending and therefore a potential increased risk.

13.4 SK confirmed there is a wider Finance organisational Business Continuity Plan, and the Pension Scheme is accounted for within this. The intention is to develop a Pensions specific plan which will be annexed to the ESCC plan. PP confirmed there is an Altair backup system disaster recovery plan in place.

13.5 DS confirmed that there is a Cyber security internal audit in next quarter and officers are working to build resilience. MB is working with IT colleagues to ensure there is appropriate security in place for each system.

13.6 TD noted the Climate challenges outlined and that it is encouraging but queried the why the mitigations continue to include reliance on engagement where the fund is exposed to fossil fuels. TD request examples of where this engagement has been effective.

13.7 SK confirmed that work is ongoing and that the responsible investment report is one of the key methods to gain understanding of, and to assess, risks. Climate risk analysis carried out by the Fund Actuary, as part of the triennial valuation, will go to the Pension Committee on the 30 November. There is a quarterly Engagement report, however, direct engagement from ESPF is limited, investment mangers do this on behalf of the Fund. All of the ESPF equity managers, and most of the other managers, do not hold fossil fuels and all investment managers have to account for their engagement activity. The Pension Committee commissioned a large project to look into this further, officers are working with experts to produce a report for next year. SK will share examples and will speak to those managers with that exposure to get some tangible examples.

13.8 NS suggested that risks E2, employer data, and G2, Pension Board members, should be uplifted as the risks had partially crystallised. MB agreed the changes could be made.

13.9 The Board RESOLVED to note the report and agreed the following actions:

Agreed updates to the risk rating:

- 1) E2: should be amended to reflect its link to A3
- 2) G2: should increase to reflect the pending changes in Board membership
- 3) Consider whether Longevity risk should be recognised
- 4) I2: to be considered to reflect the trade environment now Brexit risk has passed

14. BOARD STRUCTURE REPORT

14.1 The Board considered the report on the Board Structure

14.2 RM queried the lack of representations of small employers within the structure.

14.3 SK confirmed that comparison data was provided within in the report and that higher value funds with a higher number of employers have bigger boards as a result. There are no concerns with the Board remaining at it current size. SK confirmed that Officers wished to keep the Board as there will be significant changes to the Board membership and therefore it may be challenging to recruit for the Board if it increases in size. The existing roles should be recruited for and embedded through the required training before considering further changes.

14.4 NS confirmed his agreement with the recommendation and asked if Academies will be given the opportunity to be represented on the board.

14.5 SK confirmed that currently BHCC as largest employer and the District and Borough councils put forward potential representatives, while the third employer position is held by the university of Brighton. A replacement will be required for SO and all employers will be offered the opportunity to be on the Board. The appointment is for 4 years and has a 2-year extension period and then members have to apply again in the usual way.

14.6 RM noted that quoracy is a concern if the Board remains small but accepts its ESCC's right to decide.

14.7 The Board RESOLVED to note the report.

15. WORK PROGRAMME

15.1 The Board considered the work programme along with the proposed agenda items for future Pension Board and Pension Committee meetings for the next year. The work programme provided an update on other work going on outside the Board and Committee's main meetings, including working groups and upcoming training.

15.2 NS requested an update on the progress of the report regarding the representation on the Pension Committee which will go to the Governance Committee.

15.3 SK confirmed that the intention is to take a report to the 24 January 2023 Governance meeting but noted that work is ongoing to evaluate structures of other schemes and highlighted the challenge of not having access to the legal advice attached to those structures to understand how they have complied with the regulations in place to support alternative structures.

15.4 The Board RESOLVED to note the report.

16. ANY OTHER NON-EXEMPT BUSINESS

16.1 The Board thanked SO for his tenure and wished him good luck for the future.

17. EXCLUSION OF THE PUBLIC AND PRESS

17.1 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).

18. 2022 TRIENNIAL VALUATION AND FUNDING STRATEGY

18.1 The Board considered a report on the work being done in relation to the triennial valuation, prior to Pension Committee approval of model assumptions and the draft funding strategy statement, subject to comments through consultation with scheme employers.

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

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

19. COVENANT REPORT

19.1 The Board considered a report on the progress and findings of the Covenant review.

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

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

20. PENSION FUND BREACHES LOG AND INTERNAL DISPUTE RESOLUTION PROCEDURE CASE REPORT

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

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

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

21. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

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

21.3 The Board RESOLVED to agree the actions set out in the exempt minute.

The meeting ended at 1.30 pm