

## PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 30 November 2022.

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PRESENT Councillors Ian Hollidge, Paul Redstone (Chair), David Tutt, Georgia Taylor and Penny di Cara

ALSO PRESENT Ian Gutsell, Chief Finance Officer  
Sian Kunert, Head of Pensions  
Russell Wood, Pensions Manager: Investment and Accounting  
William Bourne, Independent Adviser to the Pension Committee  
Andrew Singh, ISIO  
Barry McKay, Barnett Waddingham  
Paul Punter, Head of Pensions Administration  
Michael Burton, Pensions Manager: Governance and Compliance  
Mya Khine, Pensions Accountant  
Dillon Piggott, CIPFA Trainee  
Elitsa Iskrenova, Pensions Accounts Assistant  
Bekki Freeman, Solicitor  
Councillor Nick Bennett  
Ray Martin, Chair of the Pension Board  
Georgina Seligmann, Governance and Democracy Manager

### 32. MINUTES

32.1 The Committee RESOLVED to agree the minutes of the meeting held on 20 July 2022 as a correct record with two points noted:

- 1) 26.6 Clarification required about the use of the word significant.
- 2) 26.7 An update is required to reflect the wording of the Independent Adviser.

### 33. APOLOGIES FOR ABSENCE

33.1 Cllr Gerard Fox sent his apologies and Cllr Redstone was nominated to act as meeting Chair.

33.2 Cllr Penny Di Cara substituted for Cllr Gerard Fox.

### 34. DISCLOSURE OF INTERESTS

34.1 The Committee noted that Cllr David Tutt and Cllr Penny Di Cara are District and Borough Councillors for Eastbourne.

35. PENSION BOARD MINUTES

35.1 The Committee considered the minutes of the Pension Board meeting held on 15 November 2022.

35.2 The Committee RESOLVED to note the minutes.

36. GOVERNANCE REPORT

36.1 The Committee noted that the Governance Committee will consider a paper about Committee membership at the meeting of 24 January 2023.

36.2 The Committee RESOLVED to note the report.

37. PENSIONS ADMINISTRATION REPORT

37.1 The Committee considered a report providing an update on matters relating to Pensions Administration activities led by Paul Punter, Head of Pensions Administration.

37.2 The Committee NOTED the following points:

- 1) The Performance of the team, which is still under-resourced, returned to 95% in October.
- 2) Recruitment has been challenging but there have been positives with 3 internal promotions, October 4 new staff, interviews pending with appointments expected. The team is carrying 2 vacancies. Remote working has posed a challenge as pay rates must be competitive and many organisations allow full remote working, but the team is making progress on recruitment.
- 3) The Helpdesk has seen good performance though it was noted that Surrey are separating their service from Orbis. This will result in a smaller support team which will benefit from focusing on specialist ESPF support. Assurance has been given that the service will not be impacted however this will be reviewed in the summer to ensure continuity.
- 4) The team are on track to resolve all outstanding matters relating to annual benefit statements by March.
- 5) The team are making progress regarding McCloud with systems starting to be adapted ready for implementation in October 20 and have collected a significant amount of data The McCloud working group will convene in the near future to start to analyse data with the support of Haywards.

37.3 The Committee RESOLVED to note the report.

38. INTERNAL AUDIT REPORT

38.1 The Committee considered the Internal Audit Report introduced by Danny Simpson, Principal Auditor and noted that the following points:

- 1) The report gave substantial assurance but that the training matter needs resolving.

2) The figure of 107% relates to the Funding at the end of the 2019 actuarial valuation.

38.2 The Committee RESOLVED to note the report

### 39. QUARTERLY BUDGET REPORT

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

39.2 The Committee RESOLVED to note the report.

### 40. ANNUAL REPORT AND ACCOUNTS 2021-2022

40.1 The Committee considered a report containing a draft Annual Report and Accounts 2021/22 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 2022 subject to the Committee's approval.
- 2) There are some national infrastructure issues resulting in delays to the audit opinion being provided. LGA have advised publishing as a draft by the deadline.
- 3) The valuation information has been rolled forward from the 2019 valuation so it is produced before new analysis has been done.
- 4) LGPS Monitor, an optional service that can be provided by the Fund Actuary, allows for tracking of surplus and deficit of the underlying pension fund funding positions of employers, it would give more insight ahead of cessation.  
ACCESS
- 6) The independent advisor highlighted that the governance structures of the ACCESS pool restrict the Fund's ability to manage it effectively.
- 7) There is some oversight lost when working within a pool and compromise is required. Officer's have had some challenges around the speed of operation. There are mechanisms and opportunities for improvement.
- 8) There have been some improvements such as an ACCESS governance manual in the last year, but there is limited transparency on some activity and the assets are held by an external FCA regulated operator which add complexity in the pooled model chosen.
- 9) A request will be taken to the next Joint Committee meeting for an independent governance review of the pool.

40.2 The Committee RESOLVED to:

- 1) Approve the draft Pension Fund Annual Report and Accounts 2021/22;
- 2) Note the update from the External Auditor.

### 41. ANNUAL TRAINING PLAN REPORT

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

41.2 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

Identify areas Committee members would like training on as a priority.

## 42. RISK REGISTER

42.1 The Committee considered the ESPF Risk Register.

42.2 The Committee RESOLVED to note the Pension Fund Risk Register.

## 43. INVESTMENT REPORT

43.1 The Committee considered a report introduced by Russell Wood, Pensions Manager and Andrew Singh, ISIO.

43.2 The Committee's discussion included the following key issues:

- 1) The Committee are asked to note that the United Nations Principles for Responsible Investment (PRI) is not accepting submissions in 2022, so the Fund's first submission will be deferred until 2023.
- 2) The Quarterly Performance Report for Q2 2022 and Q3 2022 are attached as Appendix 2 and 3. Since the last reported position, the valuation of the Fund has decreased from £4.7bn as at 31 March 2022 to £4.50bn as at 30 September 2022 (a decrease of £0.2bn). This is a small partial recovery from the unreported 30 June 2022 value of £4.49bn. This performance reflects a negative absolute return of 4.0% in the quarter to June and a positive absolute return of 0.2% in the quarter to September. The Fund marginally outperformed the benchmark in both periods.
- 3) The fall in gilt values caused significant liquidity concerns for UK DB pension schemes. Most growth asset classifications have struggled with the market volatility. The Bank of England have given a strong statement and markets have been trying to find the best way to respond.
- 4) The report details the increase in gilt yields and the upwards trend following the interest rate rise. The impact of the governments October 2022 Kwasi Kharteng mini-budget has largely passed.
- 5) The Fund's assets delivered a positive return over Q3, performance across the Fund's mandates was predominantly positive with equity and infrastructure markets in particular increasing in value. Fixed income portfolios performed the least well due to rising interest rates.
- 6) The outlook for the next 3 – 5 years is positive.
- 7) Following the Committee's agreement at the February 2022 meeting to appoint IFM to mandate, the Fund has successfully onboarded and estimated time to deployment to be in the region of 3-9 months.
- 8) Schrodgers have had some staff changes, the impact of which will be monitored along with the property portfolio.

- 9) It is sensible to review the overall asset allocation following the market volatility though there should be consideration given to the timing of implementing changes.
- 10) There will be a revised strategy for the Committee to consider in 2023 in response to the new valuation.
- 11) Sustainable funds have been affected by limited exposure to the energy sector.
- 12) Osmosis is not linked to a traditional market index but have a proprietary sustainable approach looking at companies who make the most efficient use of their resources. The returns will lag against the value of fossil fuel companies.
- 13) There was a discussion on what the performance of funds were being benchmarked against. The Committee would welcome any further data available in future to further illustrate the progress being made by each fund against its benchmarks.
- 14) The rebalancing policy is aimed at the liquid assets on a quarterly basis in a range set around the fund's strategic asset valuation (ISIO give steer on range) and designed to work at a time of volatility.
- 15) The revised policy includes a proposal to give the CFO discretion to invest 5% of the portfolio outside of strategy in order to take advantage of market situations as they occur, in addition to the emergency powers already in place.

43.3 The Committee RESOLVED to

- 1) Note the investment report
- 2) Approve the rebalancing policy

#### 44. WORK PROGRAMME

44.1 The Committee considered its work programme.

44.2 The Committee RESOLVED to agree the work programme.

#### 45. EXCLUSION OF THE PUBLIC AND PRESS

The Committee RESOLVE 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).

#### 46. INVESTMENT REPORT

46.1 The Committee considered a report introduced by Russell Wood, Pensions Manager and Andrew Singh, ISIO.

46.2 The Committee RESOLVED to:

- 1) Note the update on the triennial valuation and initial whole Fund results.
- 2) Approve the actuarial assumptions.
- 3) Agree the draft Funding Strategy Statement for consultation with employers.
- 4) Approve the revised Exit Credit Policy.

#### 47. 2022 TRIENNIAL VALUATION AND FUNDING STRATEGY STATEMENT

47.1 The Committee considered a valuation report which provides an update on the 31 March 2022 Triennial Valuation results and assumptions.

47.2 The Committee RESOLVED to:

- 1) Note the update on the triennial valuation and initial whole Fund results.
- 2) Approve the actuarial assumptions.
- 3) Agree the draft Funding Strategy Statement for consultation with employers.
- 4) Approve the revised Exit Credit Policy.

#### 48. BREACHES LOG

48.1 The Committee received an update on the Breaches Log, introduced by Michael Burton, Pensions Manager, who provided an update on outstanding or new Internal Dispute Resolution Procedure (IDRP) cases.

48.2 The Committee RESOLVED to:

- 1) Note the breaches of law and steps being taken.
- 2) Note the new IDRP complaint raised and the offer to be made to resolve it.

#### 49. EMPLOYER ADMISSIONS AND CESSATIONS

49.1 The Committee considered a report on the latest admissions and cessations of employers within the Fund.

49.2 The Committee RESOLVED to:

- 1) Note the ongoing proceedings for the admission of admitted bodies to the Fund.
- 2) Note the ongoing proceedings for the cessation of employers from the Fund.
- 3) Approve the recommendation regarding distribution of funding surplus in respect of the cessation listed in the report.

The meeting ended at 2.00 pm.