

PENSION BOARD

MINUTES of a meeting of the Pension Board held at Council Chamber, County Hall, Lewes on 8 February 2024.

PRESENT Ray Martin (Chair), Zoe O'Sullivan and Neil Simpson and Trevor Redmond

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
Dave Kellond, Compliance and Local Improvement Partner
Tim Hillman, Pensions Manager: Employer Engagement
Georgina Seligmann, Governance and Democracy Manager
Cllr Gerard Fox
Cllr Nick Bennett

95. MINUTES OF THE MEETING HELD ON 2 NOVEMBER 2023

95.1 The Board agreed the notes of the previous meeting held on 02 November 2024 as a correct record.

96. APOLOGIES FOR ABSENCE

96.1 Apologies were received for Cllr Andrew Wilson and Tim Oliver.

96.2 Ray Martin (RM) welcomed Nigel Manvell, employer representative of BHCC as a new member of the Board.

96.3 Neil Simpson was appointed Vice-Chair for the meeting.

97. DISCLOSURE OF INTERESTS

97.1 There were no disclosures of interest.

98. URGENT ITEMS

98.1 There were no urgent items.

99. PENSION COMMITTEE AGENDA

99.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 22 February 2024 and noted that:

- The Committee will receive an investment report and does not receive the engagement report.
- Training has been arranged with the Actuary and he can address any questions on the funding reports during the training.

99.2 The Board received a summary of the minutes of the Pension Committee meeting of 16 November 2023 and noted there were no formal investment decisions made in the last quarter, there was a continuation of the index-linked gilts strategy and an update will be provided to the Committee in June. A sustainable multi asset credit fund run by Bluebay has now been launched on the ACCESS platform and is available to invest in. Storebrand is in progress to be available through the pool in the near future.

99.3 The Board RESOLVED to note the agenda.

100. GOVERNANCE REPORT

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

100.2 Michael Burton (MB) drew the Board's attention to the following:

1. There has been an update to the Pension Board membership, Nigel Manvell is now the employer representative for BHCC.
2. The General Code of Practice has been issued by the Pensions Regulator and will be applied from 27 March 2024. Officers are reviewing processes to ensure the Fund is compliant with the Code.
3. Officers will highlight any compliance gaps and the actions required and will bring these to the next meeting and will consider whether training is needed at that point or if a working group is required.
4. The Risk Management policy has had some minor updates but no material changes have been made.

100.3 RM confirmed that the Board had responded to the consultation on the General Code and highlighted the differences between the trustee role in private schemes and the role of Board members in LGPS pensions where it has an advisory role and asked if this had been acknowledged by the Regulator in the final code.

100.4 MB confirmed that some revisions have been made on this matter to make things clearer and that additional guidance has been provided to LGPS. Updates to the trustee toolkit are being developed and Officers are considering what training needs to be provided.

100.5 The Board agreed that it should at least once a year consider the full risk register rather than just changes; see later note under item 13.

NS asked whether there had been any progress by the ACCESS pool following its Governance review. SK advised that the initial learnings and approach from the ACCESS Governance review will go to the ACCESS Joint Committee in March and then actions will follow from there.

There have been lots of meetings with Officers to agree how to approach this and work is in train.

RM asked a question on the fall in the Funding level in March 2023. SK advised there was a drop to the funding rate of over 5% in March due to the pension increase of 10.1% in line with CPI , reflecting the actual change in the liability position as of 1 April 2023.

100.5 RM asked if the actuary's funding position is setting out the total funding level for the whole Fund or just the main section for East Sussex, and whether the Actuary is making assumptions where data is missing.

100.6 Officers confirmed that all employer sections are included in the whole fund position with the same ongoing assumptions and that where data is missing the Actuary is making an assumption similar to that made at the last valuation.

100.7 The Board RESOLVED to note the report.

101. GOVERNANCE CHANGE REPORT

101.1 The Board considered a report on the changes to the Constitution following a review of decision-making responsibilities in line with the recommendations of the Scheme Advisory Board "Good Governance Review" introduced by Ian Gutsell (IG).

101.2 The Board noted the changes proposed to the Debt Write off and the CFO Scheme of delegations and that the recommendations will go to the Pension Committee before going to the Governance Committee for approval.

101.3 The Pension Board is RESOLVED to note the following recommended changes to the East Sussex County Council Constitution where it relates to the East Sussex Pension Fund (the Fund):

1) Agree the amendment to the write off of debt authorisation process in relation to the Fund; and

2) Agree the revisions to the Chief Finance Officer responsibilities in relation to the Fund (showing these separately from the responsibilities for the Council) as laid out in Appendix 1 of the report.

102. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

102.1 The Board considered an update on employer engagement activities and communication tasks that directly affect the East Sussex Pension Fund introduced by Sian Kunnert; activities have included website improvements and branding revisions to written communications to members.

102.2 SK drew the Board's attention to the following:

1) Tim Hillman has left but the Employer Engagement team is continuing the work

i-Connect

- 2) The largest employer with data issues is trying to work through their data and the team is working hard to resolve the outstanding issues. A significant amount of progress has been made this year, at the beginning of March Officers will make a decision on those which will not to be onboarded. This is expected to be a small number. The administration working group will meet at the end of March and an update will be provided to the Chairs afterwards on where data issues remain.

Member Education

- 3) Education and information sessions have been delivered, via the Corporate Training team, to ESCC staff and positive feedback has been received from attendees. However., Tim Hillman was responsible for delivering the training so this has been paused at present.
- 4) There was an Employer forum at the end of November which received very good feedback from attendees.
- 5) The receipt of employer contributions are on track a lonely a few late payments in the last few months, three of which relate to one small employer.

Communications

- 6) Ongoing changes to branding and to the website have been made and a project has been undertaken to encourage pensioners to move to digital payslips.

102.3 The Board RESOLVED to note the report.

103. PENSIONS ADMINISTRATION REPORT

103.1 The Board considered a report providing an update on matters relating to Pensions Administration activities and Paul Punter (PP) drew the Board's attention to the following points:

KPIs

- 1) Lower performance figures were expected for the next quarter with various projects requiring resources including GMP rectification, the McCloud judgement changes, i-Connect enrolment and supporting the helpdesk.
- 2) The McCloud data is not complete on the system but the team is making good progress and all data except for 1 employer is with Heywoods at present.
- 3) Automation of some calculations through robotics will go live soon which will ease the strain on resources. Prioritising redundancy calculations as part of this.
- 4) PAT performance numbers are 81% which is lower than the target at 95% with the impact of completing the B&H CC work now being felt. Performance not expected at target level until the end of the next quarter at earliest.
- 5) 6.7% increase in pension benefits this year which will impact liabilities.

- 6) The B&HCC April 23 i-Connect file went onto the system this week, some work required to assess joiners and leavers.

Helpdesk

- 7) Covering the helpdesk short term (only 2 FTE remaining in the team) as 2 staff members have left, the staffing consultation work is ongoing, and the helpdesk work will go back into the East Sussex team from ORBIS at 1 April. Back up staff are not covered by the TUPE process and so can't be given the higher pay rate so they are unlikely to accept offers to transfer to East Sussex. As a result PAT and recruiting 3 external staff to join the Help Desk as a result. PAT have resolved a huge number of enquiries via email while phone service was maintained, the work is handed by the helpdesk now but expecting more Enquires, particularly relating to the switch to electronic payslips.

Staff

- 8) Focus on recruitment to provide staff to the Helpdesk. Working on recruiting apprenticeships and building up a staff base that way. It is very difficult to find experienced pension administrators, particularly with LAPF experience.

Projects

- 9) GMP: expecting data back from Mercers, some decisions may be required depending on what is received. Will be taken forward through Pension Administration Working Group.
- 10) The member self service project has been rescheduled to launch in May/June, the first stage is called "Engage" Officers would like to share this with the Trade Union representatives to be able to test and pilot the service with ESCC staff.

103.2 NS asked if performance is being impacted by projects and the extra work which necessitates diverting staff.

103.3 PP confirmed that there is always ongoing project work which the team can manage within the existing resource however at present there are a number of conflicting deadlines. Two significant projects will conclude soon and he predicts that the team workload will be more manageable in two to three months.

103.4 RM highlighted that the previous KPI figures did not include all projects (refunds and deferred calculations are now included) and that the KPI's would be higher if reporting was on the same tasks as last year.

103.5 The Board RESOLVED to note the report.

104. EAST SUSSEX PENSION FUND DRAFT BUDGET AND QUARTERLY BUDGET REPORT

104.1 The Board considered a report on the Quarter 3 forecasted financial outturn of the East Sussex Pension Fund (ESPF) for the 2023/24 financial year and the Draft Budget for 2024/25, introduced by Russell Wood who drew the Board's attention to the following points:

- 1) There was an increase of £70k due to the Fund Officer costs; the previous figures had not included an amount for the pay award.
- 2) Audit costs have increased significantly to £90k.

Draft budget

- 1) Slight increase from the current year of £98k, several assumptions made and the cost of the helpdesk is not known.
- 2) The budget is now based on an assumption of being fully staffed and that those who are due an increment will receive one and there is an assumed pay award of 3% in line with the East Sussex Council budget.
- 3) A number of one-off payments have been removed as they related to last year only.

104.2 The Board RESOLVED to:

- 1) Note the report; and
- 2) Note the Business Plan and Budget for 2024/25

105. INTERNAL AUDIT STRATEGY

105.1 The Board considered the draft fund strategy and annual audit plan presented by Danny Simpson (DS) and noted the following points:

- 1) The Strategy has been drafted in liaison with the Section 151 officer and the Chairs of the Board and Committee.
- 2) The annual plan sets out the detail of the last audits, when they will be conducted and the key risks which will be addressed within these audits.

105.2 RM asked if some risks and themes will be revisited, and Officers confirmed that there are some one-off audits but that the majority span a period of time and will be revisited on a risk analysis basis and in liaison with Officers and Chairs to agree prioritisation of risks.

105.3 NS suggested that the Regulatory Compliance audit should be scheduled for later in the year following the adoption of the new general code and officers agreed to review this.

105.4 The Board RESOLVED to note the 2024/25 Internal Audit Strategy for Pensions and Annual Plan.

106. ADDITIONAL VOLUNTARY CONTRIBUTIONS REPORT

106.1 The Board considered a report on the management and governance of the Additional Voluntary Contribution arrangements with Prudential, introduced by Sian Kunert, and noted the following points:

- 1) There are 10 self-selection funds available and their performance is set out in the appendices.

- 2) There were no areas of concern identified, Prudential is one of the largest providers and offers appropriate funds.
- 3) Charges are consistent with other AVC arrangements in the LAPP.
- 4) Prudential offer a Sharia fund; officers have not received any questions about this however the LGA have confirmed that the LGPS is compliant. The fund can be added if there is interest.
- 5) The employers provide the access and information to members, ESCC has recently launched AVC Wise which is an intermediary education approach that most employers use and the vast majority of members who top up do so through this vehicle rather than the using defined benefit top ups. There is a Prudential AVC website which provides the detail of the options, but the administration is done by the employer until a member wants to draw the investment at which point the Fund manages the withdrawal.

106.2 The Board discussed whether Prudential could offer a different default fund rather than the “with profits” option as in the private sector these types of funds have been removed due to the lack of transparency and the failure of Equitable Life. It was noted that the advice to Officers is that the funds offered are appropriate, but they agreed that it would be appropriate to get external advice on what would be the best default approach and option for the AVC arrangements.

106.3 Officers advised that the standard of living requirement and gender discrepancies should be a focus for employers.

106.4 Officers agreed that they would propose to the Committee that the Officers select an external adviser to advise the fund on the most appropriate default approach going forward.

106.5 The Board agreed that the Sharia fund should be available to members.

106.6 The Board noted that the Committee will consider the points raised at the meeting of 22 February.

106.7 The Board RESOLVED to note the report.

107. PENSION FUND RISK REGISTER

107.1 The Board considered the updated risk register presented by SK.

107.2 The Board considered the following risks:

- Risk E3 – Employer Covenant, has been increased in likelihood, moving the overall risk score to a 6. This is because an increasing number of Local Authorities are at risk of a s.114 notice and not having sufficient cash to meet their expenditure. Pension payments would be expected to continue in such circumstances, but it is unclear what would happen in the event of a Local Authority not having sufficient funds to meet its liabilities. This rationale has also seen the suggested pre-mitigation likelihood increase.
- Risk G1 – Key Person Risk, has increased. A member of the Officer leadership team has recently left, it is believed there may be delays in finding a suitable candidate for the

vacant position and agency support for the role has not yet been successful. Officers feel this score is acceptable and that the mitigation plan is appropriate.

- The definition of risk G5 – Data Breach, has been updated to make it clear that the risk does not just apply to GDPR, other Regulations exist which determine how data is handled and used. The Board noted that the Cyber Risk remains as a defined separate risk to mirror the Council's position.
- Risk G6 - Fraud, has seen its likelihood reduced. Fund Officers have not seen material cases of fraud either against the Fund or its members. Mitigations in place are believed to be effective, however, it is recommended that the risk remain on the register as both a point of good practice and to show the potential pre-mitigation risk level.
- Risk I6 – ESG, has seen both pre- and post- mitigation likelihood scoring increase. There is expected to be an increase in the level of political interest in this area which will mean it is more likely further action will need to be taken by the Fund.
- Risk I7 – Climate Change has had its post mitigation risk increased for the same reasons.
- Risk I4 – Investment Pooling, this has been reduced as there is now more information available and an operator is in place.

107.3 NS asked if Officers know which of the admitted bodies are dependent on council funding given the risk of cuts and financial insolvency in the sector. SK confirmed that this information is tracked however those bodies tend to be underwritten by the Council rather than directly funded by them. The risk is considered low and there are guarantees in place for funding.

107.4 The Board discussed reviewing the full Risk Register at least once a year to support the Risk Management policy and agreed it would be beneficial. It was noted that the Exempt Risk Register item now allows for better discussion as key issues can be drawn out as required. The Board has sight of the full risk register as part of the papers prepared for each meeting and any changes or increased monitoring is highlighted by officers.

107.5 The Board RESOLVED to note the report and to consider the full risk register in more detail at a future meeting.

108. WORK PROGRAMME

108.1 The Board considered the report on the work programme, introduced by SK, who highlighted the following points:

- 1) A number of polices including the Governance and Compliance Statement will come to the June meeting along with the external audit plan.
- 2) The Board will provide an update to the Committee on what it has focused on and how it has supported the scheme manager over the year.
- 3) The training attended is set out in the report along with the training the Board have been invited to and the Board should advise SK if they have attended anything not listed.

- 4) At the September meeting there will be a supplier update and a Conflict of Interest policy which will be pension fund specific with the Members' Conflict of Interest code appended to it.
- 5) Proposals on the Climate change exposure of the Fund will be coming to a future committee meeting.
- 6) Working Groups set out within the program may result in extra support being requested from the Board.
- 7) The ill health insurance policy was implemented in 2021 and will be reviewed later this year.

108.2 The Board RESOLVED to note the work programme.

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

109.1 There were no items.

110. EXCLUSION OF THE PUBLIC AND PRESS

110. 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).

111. GOVERNANCE REPORT - EXEMPT REPORT

111.1 The Board considered the exempt Governance report.

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

111.3 The Board RESOLVED to note the report.

112. PENSION FUND BREACHES LOG

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

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

112.3 The Board RESOLVED to note the report.

113. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

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

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

(The meeting ended at 12.58)

Ray Martin
Chair