

## PENSION BOARD

MINUTES of a meeting of the Pension Board held at Council Chamber, County Hall, Lewes on 5 June 2024.

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PRESENT Board members: Ray Martin (Chair), Zoe O'Sullivan and Neil Simpson and Cllr Andrew Wilson.

ALSO PRESENT      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  
Danny Simpson, Internal Audit  
Stephanie Fernando, Employer Engagement Officer  
Dave Kellond, Compliance and Local Improvement Partner  
Georgina Seligmann, Governance and Democracy Manager  
Cllr Ian Hollidge  
Mya Khine, Accountant

1.      MINUTES OF THE MEETING HELD ON 8 FEBRUARY 2024

1.1      The Board agreed the notes of the previous meeting held on 08 February 2024 as a correct record.

2.      APOLOGIES FOR ABSENCE

2.1      Apologies were received for Nigel Manvell.

3.      DISCLOSURE OF INTERESTS

3.1      There were no disclosures of interest.

4.      URGENT ITEMS

4.1      There were no urgent items.

## 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 19 June 2024 and noted that:

- The Committee will receive an investment report and does not receive the engagement report.

5.2 The Board received a summary of the minutes of the Pension Committee meeting of 22 February 2024 and noted that the Fund was given a PRI score for the first time and was awarded 4 out of 5 stars which is above average. The CBRE mandate within the ACCESS fund was considered. BlueBay is now live and the required Storebrand and Osmosis adjustments have now been updated.

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) drew the Board's attention to the following:

- 1) The Economic Activity of Public Bodies (Overseas Matters) Bill has not been taken up and will need to be revisited by the new government.
- 2) The response to the Minister, scheme advisory board meeting 17 June to discuss next steps so update can be provided to Committee on 19 June.
- 3) LTA now abolished; Communications team working to revise written communication to reflect this.
- 4) Tim Oliver has left his role at Brighton University and therefore is no longer able to sit on the Pension Board. Officers are currently going through the process of seeking a new employer representative and a report will be taken to the Governance Committee meeting of 25 June with a recommendation for a new member.
- 5) The annual report of the Pension Board to Pension Committee is due at the Pension Committee meeting on 19 June 2024. Officers have liaised with the Chair of Pension Board to produce a draft report to be presented.
- 6) There are very few changes proposed to the policies appended to the report and the Fund is already compliant with regulations; it was agreed that the Privacy notice will be update to reflect all data processors.
- 7) An amendment has been made to the Fund's exit credit policy to reflect the way in which the Pension Committee consider its discretion in the retention of payment of a surplus. Where an admission was entered into pre May 2018 the wording of the policy was felt to be too definitive whereas in practice this is one of many considerations the Pension

Committee take into account when making their decision. It was agreed that the wording would be reviewed again to ensure it is not too assumptive of a particular outcome.

6.3 The Board confirmed there were content with the annual report.

6.4 NS asked whether there is a perception that schemes such as the LGPS are inefficient and what officers view were on this and whether it is possible to evaluate the effectiveness of Fund against similar schemes. SK confirmed that officers consider the fund to have robust governance processes and that it is effective. LGPS funds are large compared to private schemes and officers can only comment on our scheme. A focus on costs usually relates to the fees for investment manger schemes which do not exist in unfunded schemes and it is very hard to draw comparisons between funds; further costs do not necessarily indicate the effectiveness of a scheme.

6.5 The Board noted the strong position of the Fund.

6.6 The Board RESOLVED to:

- 1) note the Governance report; and
- 2) agree the report of the Board to the Pension Committee.

## 7. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

7.1 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.

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

- 1) There were two late payments in February related to employers breaching the deadline for the first time within a 12-month period. Both payments have since been received. The Fund have not yet been informed the reason for the lateness of these payments but issues not considered to be systemic or of concern.
- 2) All employers have had engagement on iConnect although there have been some delays with larger employers.
- 3) Communications activities have continued as scheduled; a lot of resource had been focused on iConnect and now that most employers are onboarded the work load has reduced.
- 4) There have been two new staff appointments and they will be focusing on the training plan for employers however some presentations have been delivered since the last meeting.

7.3 The Board RESOLVED to note the report.

## 8. PENSIONS ADMINISTRATION REPORT

8.1 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) There have been some improvements in the numbers since the last meeting, the team has benefitted from increased resource and some projects came to an end in March and the team expects to continue to get back on track
- 2) The intention of the report and the appendices is to be as transparent as possible with additional appendices provided to the Board to demonstrate how much work missed its completion target; RM agreed to meet with PP to discuss the reports ahead of the next meeting.

### Helpdesk

- 3) This has been a challenging period and therefore a full breakdown of information has been provided and performance has been back on track since May.

### Staff

- 4) Helpdesk is now appropriately resourced and there are 3 new apprentices. The team is carrying one vacancy but content to allow new staff to bed in as the backlog has been cleared and new robots are coming online so staff will need to be trained accordingly as they will take on checking work.

### Projects

- 5) GMP: reconciliation work completed with over 2000 pensioners in scope. Overpayments have been written off however payments will reduce going forward and notice has been given of this. The team have received 5 complaints as a result - these have been resolved – and may receive further concerns when payments start to reduce. Mercers have largely completed their work but may be required to redo some reconciliation work.
- 6) The member self-service project has been rescheduled to launch in June, the first stage is called "Engage". Testing is in process and aim to pilot the service with ESCC staff in June/July which should highlight any required updates.
- 7) McCloud data almost resolved, some decisions needed from individual clients so need to work with them to resolve cases. There are concerns about calculations for transfers, LGA has produced a template to support with some of the work required. Officers do not anticipate significant sums but some members have requested information about the implications as they are nearing retirement.

8.2 The Board noted the good position of the Fund and thanked officers for their continued hard work.

8.3 The Board RESOLVED to note the report.

## 9. EAST SUSSEX PENSION FUND (ESPF) 2023/24 OUTTURN REPORT

9.1 The Board considered a report on the Quarter 4 Financial outturn of the East Sussex Pension Fund (ESPF) for the 2023/24 financial year, introduced by Russell Wood who drew the Board's attention to the following points:

- 1) The final outturn position of 2023/24 is £4.082m, this is a decrease from the last projected position of £0.297m and also reflects an underspend against the approved budget of £0.381m.
- 2) The underspend mostly relates to a reduction in staffing overhead costs as some items had been accounted for twice, lower than expected IT systems costs due to negotiations in fee by paying costs for licenses upfront and lower inflation assumptions. The pension fund received confirmation that the continuation of the Local Audit Grant for the 2023/24 audit in February this has resulted in the reduction in Audit costs for the year by £8,000.
- 3) The budget requirements for 2023/24 were set at £4.463m (£4.269m 2022/23 excluding manager fees) to support the Business Plan activities and administration of the Fund.

9.2 The Board RESOLVED to note the FINAL 2023/24 outturn position.

## 10. INTERNAL AUDIT

10.1 The Board considered the audit report presented by Danny Simpson (DS) and noted the following points:

- 1) The Reviews of the Pension Fund Cash Management received an opinion of Substantial Assurance.
- 2) The Administration of Pension Benefits received an opinion of Reasonable Assurance.
- 3) Neither audit resulted in any high or medium risks and officers considered some minor risks in the administration of benefits to be inevitable due to the volume of work undertaken. given size of the administration of benefits some minor risks inevitable.
- 4) Officers confirmed that practices have been updated so that only pension fund officers can authorise payments to avoid any cross over identified in a previous audit.

10.2 The Board RESOLVED to note the:

- 1) Pension Fund Cash Management Audit report and;
- 2) Administration of Pension Benefits Audit report.

## 11. PENSION FUND RISK REGISTER

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

11.2 The Board considered the following risks:

- 1) Risk I3 – Regulatory Risk, has been increased due to the likelihood of additional investment regulation that is anticipated. The future Regulatory environment is unknown but the risk remains as the fund will need to respond accordingly.

#### Items under review

- 2) Risk G3 – Cyber Security, is deemed the highest risk for the Council and Fund, as a result will continue to be closely monitored. Training has been provided to both Board and Committee members with further testing of internal policies and procedures being planned.
- 3) Risk I5 – High Inflation impact on Funding level, will be monitored closely ahead of next quarter due to the recent changes in inflation, however other factors to be tracked may keep this risk at its current level. This risk is of concern to the Pension Committee.
- 4) Risk I8 – Liquidity, is being more closely monitored whilst the Fund transitions to a cashflow negative position from member activities with increases in benefits paid out following recent high inflation and the reduction in contribution rates following the last valuation. Work is being carried out to identify whether more income will be required from investments to bridge this gap or if the investment strategy is sufficient. The Pension Committee will receive further guidance on liquidity as part of their strategy day.
- 5) Risk I9 – Money Purchase Additional Voluntary Contributions is currently under active review by the Fund's advisors. Officers will be considering a number of points discussed at the February Committee and Board meeting on the suitability of investments available in order to identify any weaknesses in the current offering and ensure appropriate recommendations are made to ensure these are resolved. The risk register will be updated to reflect any findings or actions from this work. Barnett Waddingham will undertake work to ensure that the Fund is providing the best options available.

11.3 The Board RESOLVED to note the report.

## 12. WORK PROGRAMME

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

- 1) The Board will receive an update to the Conflict of Interest policy and will have a dedicated session to review the risk register in detail.
- 2) Officers provided information about Ill Health Insurance in response to a query from NS; officers recommended a change in practice in 2021 to avoid shocks to small employers and to offer stability to those employers. The Fund is entitled to claim a rebate from Legal and General which goes back into the Fund but agreed that everything will be reviewed part of the reconsideration of the policy and that Board members will receive a copy of the previous report. Officers confirmed that costs related to Ill Health are less than 1% of the payroll and that all claims have been paid successfully.

12.2 The Board RESOLVED to note the work programme.

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

13.1 There were no items.

14. EXCLUSION OF THE PUBLIC AND PRESS

14.1 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).

15. GOVERNANCE REPORT

15.1 The Board considered the Exempt Governance report.

15.2 A summary of the discussion is set out in an Exempt minute.

15.3 The board RESOLVED to:

- 1) note the report and;
- 2) agree to the publication of the Pension Board members' registers of interest.

16. PENSION FUND BREACHES LOG

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

16.2 A summary of the discussion is set out in an Exempt minute.

16.3 The Board RESOLVED to note the report.

17. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

17.2 A summary of the discussion is set out in an Exempt minute.

17.3 The Board RESOLVED to note the report.

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

18.1 There were no urgent items.

(The meeting ended at 12.20)

Ray Martin, Chair