

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 19 June 2024.

PRESENT Councillors Gerard Fox (Chair) Councillors Ian Hollidge,
Paul Redstone, David Tutt and Georgia Taylor

ALSO PRESENT

Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Russell Wood, Pensions Manager: Investment and Accounting
Danny Simpson, Internal Audit
Andrew Singh, ISIO
William Bourne, Independent Adviser
Paul Punter, Head of Pensions Administration
Michael Burton, Pensions Manager: Governance and
Compliance
Mya Khine, Pensions Accountant
Paula Jenner, Employer Engagement Officer
Dave Kellond, Compliance and Local Improvement Partner
James Sweeney, Pensions Investment Officer
Bekki Freeman, Solicitor
Councillor Nick Bennett,
Neil Simpson, Pension Board
Ray Martin, Pension Board
Georgina Seligmann, Governance and Democracy Manager

1. MINUTES

1.1 The Committee RESOLVED to agree the minutes of the meeting held on 22 February 2024 as a correct record.

2. APOLOGIES FOR ABSENCE

2.1 None were received.

3. DISCLOSURE OF INTERESTS

3.1 There were no interest to disclose.

3.2 Councillor Tutt requested that his membership of the Governance Committee and his role as the Director of the Cyber Centre of Excellence be recorded for transparency purposes in relation to items 7 and 12 of the agenda.

4. URGENT ITEMS

4.1 There were no urgent items.

5. PENSION BOARD MINUTES

5.1 The Committee RESOLVED to note the minutes of the Pension Board meeting held on 05 June 2024.

6. GOVERNANCE REPORT

6.1 The Committee considered an update report on the Governance of the East Sussex Pension Fund, introduced by Michael Burton who drew the Committee's attention to the following:

- 1) The LGA McCloud guidance was issued this week and will be reviewed by officers.
- 2) The Economic Activity of Public Bodies (Overseas Matters) Bill was not concluded in the Parliamentary wash up pre-election and would need to be restarted by the new government if this is to be taken forward. This will be kept under review and if it is progressed then training will be organised accordingly.
- 3) The Fund received a letter from the Minister for Local Government dated 15 May 2024 requesting submission. The Fund should be providing a response to the Civil Service and the Minister for Pensions will review once appointed.
- 4) Tim Oliver has left his role at Brighton University and has stepped down from the Pension Board. A report will be taken to the Governance Committee meeting of 25 June 2024 with a recommendation for a new member.

6.2 The Committee RESOLVED to:

- 1) Approve the revised Training Policy (Appendix 2)
- 2) Approve the Governance and Compliance Statement (Appendix 5)
- 3) Approve the amended Exit Credit Policy (Appendix 6)

7. REPORT OF THE PENSION BOARD 2024

7.1 The Committee considered a report on the work of the Pension Board introduced by Sian Kunert and Ray Martin Chair of Pension Board.

7.2 The Committee noted the work of the Board over the last 12 months including training completed, membership and attendance, actions taken and planned work for next year.

7.3 The Committee agreed and noted that maintaining membership and attendance has been challenging on occasion, Board meetings require regular attendance in order for members become familiar and comfortable with the subject.

7.4 The Committee RESOLVED to note the report.

8. PENSIONS ADMINISTRATION REPORT

8.1 The Committee considered a report introduced by Paul Punter who drew the Committee's attention to the following points:

KPIs:

- 1) There have been some improvements in the numbers since the last meeting in the last quarter (82.50% compared to 78.99% last quarter), the team has benefitted from increased resource and some projects came to an end in March.
- 2) Aggregation is included in the figures with the intention of the report and the appendices is to be as transparent as possible. If Aggregation were excluded, then the quarterly performance to 31 March 24 would have been 96.57%.
- 3) Appendix B provides 5 years of performance, the recent disruption to workload is evident but it is beginning to improve.
- 4) Appendix C gives a list of tasks pending at the start of March 2024 and what has been achieved activity wise and what remains outstanding split by total (including reply due) and the work that can actively be worked upon. This table includes all tasks the team is processing to, over time, give the Committee an insight into what is outstanding providing an early indicator of a possible drag on future performance.
- 5) The Committee were happy with the additional information presented and would welcome information about the prioritisation of work of the team and this will be reflected in future reports.

Staffing:

- 6) Helpdesk is now appropriately resourced. The Pensions Administration Team is carrying one vacancy. The Fund has new robots which will carry out some lower-level less complex tasks.

Projects:

- 7) GMP: reconciliation work is mostly completed with over 2,000 pensioners in scope. Approximately 1,400 pensioners under the GMP age have had their records updated to show the new GMP and non-GMP split of pension in payment. Changes for pensioners over GMP age result in over and underpayments being materialised. Overpayments to date have been written off and pensioners were given three months' notice of the new lower payments being implemented in June. A small number of cases were held back for further investigation and will be adjusted as required and allowing notice of change where appropriate. The team have received five complaints as a result of the GMP rectification- these complaints have been responded to, however the Fund may receive further concerns when payments start to reduce.
- 8) Only 10 of the 140 employers were required to complete the end of year process and data has been received for all but one. All other employers are now submitting monthly data via i-Connect and these have been received up to March 2024 for all except one. Two statements will be produced this year: one in the previous template format and another through using the new MSS template. Officers expect to onboard the employers

submitting manual returns by the end of the financial year so that all submissions can be returned via i-Connect for next year's statements.

- 9) The Member Self-Service (MSS) project to improve functionality and increase security of the system is in progress with testing well underway. The Fund aims to pilot the service with ESCC members on 27 June which should highlight any issues with the system not identified through testing before launching to all members planned for 17 July.

8.2 The Committee RESOLVED to note the report.

9. QUARTERLY BUDGET REPORT

9.1 The Committee 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 Committee's attention to the following points:

- 1) All outstanding audits are now closed and the 2023/24 accounts have been published on the website.
- 2) 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.
- 3) The underspend mostly relates to a reduction in overhead costs which are recharged from ESCC as some items had been accounted for twice, lower than expected IT systems costs due to negotiations in fee's by paying costs for licenses upfront and lower inflation assumptions and some projects did not commence before 31 March 2024. The Fund received confirmation that it would receive a Local Audit Grant for the 2023/24 audit in February, which has resulted in the reduction in Audit costs for the year by £8,000.
- 4) 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 Committee RESOLVED to note the FINAL 2023/24 outturn position.

10. INTERNAL AUDIT REPORTS

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

- 1) The audit of the Pension Fund Cash Management received an opinion of Substantial Assurance.
- 2) The audit of Administration of Pension Benefits received an opinion of Reasonable Assurance.
- 3) Neither audit resulted in any high or medium risks. It was noted that some minor risks in the administration of benefits to be inevitable due to the volume of work undertaken and the proposed actions have been completed.

10.2 Cllr Fox asked for clarity on the approval of payment from the Pension Fund. Officers confirmed that practices have been updated so that only pension fund officers can authorise

payments which gives greater control.

10.3 The Committee RESOLVED to note the:

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

11. RISK REGISTER

11.1 The Committee considered a report introduced by Sian Kunert who drew the Committee's attention to the following risks:

- 1) Risk I3 – Regulatory Risk, has been increased to amber from green due to the likelihood of additional investment regulation that is anticipated with the implications not yet known. The Committee discussed that in relation to this risk, there are increased pressures on LGPS funds to invest in specific areas which would make it very challenging to manage the asset allocation.

Items under close review, without a change to the rating:

- 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.
- 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 meetings on the suitability of the default investment option 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. Following the work already carried out on this area, Barnett Waddingham will support the Fund work to ensure that the best AVC offering is available. The risk will be updated if required.

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

12. INVESTMENT REPORT

12.1 The Committee considered a report introduced by Russell Wood and Andrew Singh who drew the Committees attention to the following points:

- 1) The stewardship report will be submitted for the October deadline.
- 2) There was a positive absolute return over the quarter in Fund performance but underperformance against the multiple benchmarks for the period.
- 3) Quarter one resulted in a strong set of returns for pension schemes which is reflected in the report data; yield values have risen over the quarter and bond prices have gone down. Expectations of rate cuts have changed and a slower pace of reduction is expected. The US economy performed well and the markets saw enthusiasm for tech and AI stocks.
- 4) The UK performed well in equity markets whilst bond markets were mixed.
- 5) The yield on UK corporate bonds are an important change this quarter to consider from a strategic perspective and the transition to multi asset credit will be considered in more detail in future meetings.
- 6) A benchmark figure of 3.9% was achieved overall by Fund's managers. Osmosis and Storebrand performed as expected however Wheb and Wellington under performed. The Committee now have 3 years of performance data for these impact investment managers which provides an opportunity to review. Harbourvest's performance moderated slightly, the long-term numbers are very strong but performance will be kept under review to monitor how Private Equity valuations move against the public market.
- 7) Newton is positioned against technology which is reflected in their underperformance.
- 8) The multi asset credit allocation has been made to Bluebay.
- 9) M&G Alpha Opps fund held a very small Thames water allocation but the high profile default on the debt resulted in a negative impact on the Fund. There are concerns over continuity with Schroders with the general move of LGPS assets to pool options.
- 10) ACCESS JC met on 10 June 2024 where the outturn report was presented which saw a slight overspend. It was also noted the ACCESS pool received good assurance on their Internal Audit which is the auditors highest rating.
- 11) Ruffer: Committee noted the underperformance by Ruffer and that there have been organisational changes over the years the Fund has been invested. Officers advised that Ruffer have a different strategy and strong conviction and that it is advantageous to the Fund to have diversity and that this can be difficult to achieve. ISIO have met with the manager in response to the muted performance and are satisfied that team changes have not had a negative impact. It was agreed that ISIO would address concerns with Ruffer as the data now provides a good review opportunity. The Committee noted that the benchmarks are challenging and that the actual return figures are positive. Officers advised the committee that Ruffer's portfolio does not include the big 7 tech funds.
- 12) Future reports will reflect Construction as a sector invested in the Performance report appendix 1 for Market Background on Global equity and the Committee noted it is for managers to make investment decisions as to sector allocation.

12.2 The Committee RESOLVED to note the investment report.

13. WORK PROGRAMME

13.1 The Committee considered its work programme, introduced by Sian Kunnert, and noted the following points:

- 1) That the next meeting is the Strategy Day in July and Officers are finalising the agenda.
- 2) The annual accounts report will be received by November
- 3) The Carbon Footprint report will be received in September.

13.2 The Committee RESOLVED to agree the work programme.

14. 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 Schedule 12A 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. INVESTMENT REPORT - EXEMPT INFORMATION

15.1 The Committee considered the exempt Investment report.

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

- 1) The Committee RESOLVED to note the report.
- 2) Agree to sign up to the 2024 Global Investor Statement to Governments on the Climate Crisis.

16. GOVERNANCE REPORT - EXEMPT INFORMATION

16.1 The Committee considered the exempt risk register.

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

16.3 The Committee REOLVED to note the report.

17. BREACHES LOG

17.1 The Committee 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 the exempt minute.

17.3 The Committee RESOLVED to:

- 1) Note the breaches of law and steps being taken; and
- 2) Note that no new IDRP complaints have been raised in the relevant period.

18. EMPLOYER ADMISSIONS AND CESSATIONS

18.1 The Committee considered a report providing an update on the latest admissions and cessations of employers within the Fund.

18.2 The Committee RESOLVED to:

- 1) Note the ongoing proceedings for the admission of admitted bodies to the Fund;
and
- 2) Note the ongoing proceedings for the cessation of employers from the Fund.

Finish time 12.20

Councillor Gerard Fox (Chair)