

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 2 March 2020.

PRESENT Ray Martin (Chair) Councillor Carmen Appich,
Councillor Chris Collier, Stephen Osborn, Diana Pogson,
Niki Palermo and Lynda Walker

ALSO PRESENT Cllr Nick Bennett, Deputy Leader and Lead Member for
Resources
Kevin Foster, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Michelle King, Interim Head of Pensions
Wendy Neller, Pensions Strategy and Governance Manager
Russell Wood, Principal Pensions Officer
Nigel Chilcott, Audit Manager
Danny Simpson, Principal Auditor
Harvey Winder, Democratic Services Officer
Daniel Kanaris, Public Sector Senior Consultant, Aon
Richard Warden, Fund Actuary, Hymans Robertson

31 MINUTES

31.1 The minutes of the previous meeting were agreed as a correct record.

32 APOLOGIES FOR ABSENCE

32.1 There were no apologies for absence.

33 DISCLOSURE OF INTERESTS

33.1 There were no disclosures of interest.

34 URGENT ITEMS

34.1 There were no urgent items.

35 PENSION BOARD - VERBAL UPDATE

35.1. The Board considered a verbal update on Pension Board activities.

35.2. The Chair welcomed Councillor Chris Collier as the new member of the Pension Board.

35.3. The Board thanked Michelle King and Wendy Neller for their service and wished them both good luck in their new roles.

35.4. Michelle King (MK) explained that the in-house training plan for the Pension Board and Committee for 2020 included an initial session on governance arrangements followed by a structured training programme of one day training sessions based on the Chartered Institute of Public Finance and Accounting (CIPFA) knowledge and skill framework. In addition, invitations to one-off training events put on by other organisations would be forwarded to Members seeking their interest in attendance. Board members could also sign up and complete modules of the CIPFA knowledge and skills framework training online. MK said officers would produce a formalised training plan for the Board and Committee members as part of the Good Governance review.

35.5. Harvey Winder (HW) confirmed that the Full Council had agreed to amend the quorum of the Pension Board to bring it into line with other committees of the Council. The quorum was now three of the voting members of the Pension Board including at least one member and one employer representative.

35.6. The Board RESOLVED to request that a list of websites where pension training is offered be circulated by email.

36 PENSION COMMITTEE AGENDA

36.1. The Board considered the draft agenda of the Pension Committee.

36.2. The Board RESOLVED to note the report.

37 PENSION ADMINISTRATION UPDATES

37.1. The Board considered a report on matters relating to Pension Administration activities.

37.2. Nick Weaver (NW) provided an overview of the priority plan for the Pensions Administration Team (PAT) for 2020. He explained that a major aim was to standardise, in line with CIPFA standards, the pension administration service provided by Orbis to the six administering authorities it provides services to. This included developing standardised Key Performance Indicators (KPIs) in the short term and eventually Service Level Agreements (SLAs) across the six authorities, although that would take time. He emphasised the importance of ensuring staff had the correct training and that sufficient in-house technical knowledge and expertise was available.

37.3. NW said that improving a pensions administration service and the data it holds takes time but is achievable. Daniel Kanaris (DK) added that the volume and complexity of work of PATs had increased considerably since the introduction of the career average earning pension and was an issue all 89 Local Government Pension Schemes (LGPS) are facing.

37.4. The Chair asked how data quality would be improved across the six funds Orbis supports.

37.5. NW explained that a data quality team was being established that would aim to improve data quality. The projects initiated by his predecessors were also helping, including the Data Improvement Programme, the work on Guaranteed Minimum Pension (GMP) Reconciliation, and engagement with employers. The need to re-procure a pension administration system was also approaching and Altair, provided by Aquila Heywood, had increasing competition from other providers.

37.6. The Chair asked what the PAT could do in future to improve employer engagement and the quality of data they provide, for example, publishing a rating and rankings table of employers to 'name and shame' those performing poorly.

37.7. NW agreed that this would be a good idea. In other authorities he had worked for, he had introduced initiatives such as offering training to employers that was free for those who turned up, but those who did not turn up were charged for it; and writing to school governors if there were concerns about a school's provision of employer data.

37.8. The Chair said KPIs did not show whether activities were completed in good time or rushed at the last minute to hit the KPI target. He asked whether the PAT could demonstrate whether this was occurring in its reporting to the Board.

37.9. NW explained that he planned to implement different internal and external KPIs, for example, an internal KPI of 15 days and an external KPI for 20. This way if the internal KPI is missed it can be escalated internally to ensure it is resolved in time for the external KPI deadline. The external deadline is then met, and the customer is satisfied that they received their service in a timely manner.

37.10. The Chair noted that the number of undecided leavers under "status 2" on Altair was listed as approximately 800 in the report but had been higher in the Internal Audit report of the PAT. He understood this was because the PAT had been contacting employers who had members in status 2 to confirm their status, and in some case contacting the members directly.

37.11. NW agreed this represented progress but did not want to become complacent as many of those removed would have been easy wins, and 800 still remained in that status. Ultimately, the PAT would need to encourage a change in culture from employers so that they report data to the PAT in a more timely manner.

37.12. Councillor Gerard Fox (GF) asked how standards of the PAT could be maintained.

37.13. NW said that the SLA would help ensure standards are maintained across all six administering authorities.

37.14. The Board RESOLVED to note the report.

38 ANNUAL BENEFIT STATEMENT (ABS) WORKING GROUP & DATA IMPROVEMENT PROGRAMME UPDATE

38.1. The Board considered an update on the Annual Benefit Statement (ABS) Working Group and Data Improvement Programme.

38.2. MK confirmed that the Data Improvement Programme would be extended for three months and that further work to engage unresponsive employers was underway to ensure there was no ABS breach in 2020 due to lack of adequate employer data. MK added that a baseline of data quality from employers was being developed so that the extent to which employers comply with requests and improve their data can be measured. This will enable the Fund to potentially rate and name and shame employers.

38.3. Diana Pogson (DP) noted that March would be a critical month for the Programme as many of its milestones are meant to be achieved during that time.

The Board RESOLVED to note the report

39 TRIENNIAL VALUATION 2019, FUNDING STRATEGY STATEMENT AND INVESTMENT STRATEGY STATEMENT

39.1. The Board considered a report providing an update on the Fund's revised strategy statements and draft 2019 valuation report.

39.2. Richard Warden (RW) advised the Board that changes to the regulations around exit credits meant that the Funding Strategy Statement (FSS) would need to be revised again after 1 April to reflect the changes.

39.3. MK added that five exit credit payments had been made that had been risk assessed by the actuary and were seen to have no material effect on the Fund.

39.4. The Chair asked whether the fall in the stock markets due to Coronavirus had affected the funding level of the East Sussex Pension Fund (ESPF).

39.5. RW explained that the modelling for the triennial valuation had taken account of increases and decreases in the markets over the next three years, so the impact would depend on the ultimate extent and duration of the fall. The coronavirus could also have an effect on the liabilities of the fund if there was a significant increase in death rates amongst the elderly population.

39.6. MK added that there were also uncertainties in financial markets due to the US elections and potential of a no deal Brexit. Climate change and the Green Revolution also potentially effect both assets and liabilities, for example, companies benefitting from responding positively to market demands for greener services, and people living potentially living longer due to reduced pollution.

39.7. The Chair asked, in light of around 50% of assets being in equities, how much the 15% fall in the stock market had affected the Fund's valuation.

39.8. RW said there had been a 5-10% fall in the funding level and the actuary was tracking it. The Board RESOLVED to note the report.

40 2019/20 BUDGET MONITORING

40.1. The Board considered a report on the 2019/20 forecast outturn for the Pension Fund against its budget.

40.2. The Board RESOLVED to note the report.

41 2020/21 PENSION FUND BUSINESS PLAN AND BUDGET

41.1. The Board considered a report on the 2020/21 business plan and budget for the East Sussex Pension Fund.

41.2. DP asked why there was a smaller budget for 2020/21 compared to 2019/20.

41.3. Russell Wood (RW) explained it was in part due to assets transferring to the custody of ACCESS and manager fees therefore being paid out by the ACCESS operator, Link. This meant that there was no direct invoice to the ESPF, although the fees were still paid. In addition, the cost of the Good Governance review and planned changes to the PAT team had not yet been modelled so were not included.

41.4. Lynda Walker (LW) asked when the cost of the Good Governance review would be known.

41.5. MK confirmed that it would be in time for the June Pension Committee meeting, along with the proposed cost of the PAT.

41.6. LW asked whether managers fees being paid by the Link meant there would no longer be transparency.

41.7. MK explained that Link would publish details of the fees paid and they can be circulated once available.

41.8. The Board RESOLVED to:

1) note the report; and

2) request that a comparison of the 19/20 and updated 20/21 budget is circulated to the Board when available.

42 PENSION FUND RISK REGISTER

42.1. The Board considered the Pension Fund Risk Register.

42.2. DP asked why the data cleansing risk score was the same pre and post mitigation.

42.3. MK said that this was because she did not want to pre-empt the data cleanse results from the data improvement project before reducing the risk relating to data cleansing.

42.4. Councillor Carmen Appich (CA) asked whether it would be possible to withdraw from ACCESS if there were major concerns about LINK's performance.

42.5. MK said that ACCESS is a statutory pooled fund that all LGPS are required to be part of. To withdraw altogether would likely require the Secretary of State's permission. Alternatively, the Section 151 officer's role in ensuring the financial sustainability of the Fund under the Local Government Act 2003 could allow the ESPF to transfer to an alternative pooled fund.

42.6. CA asked to what extent other ACCESS members were involved in improving their Environmental, Social and Governance (ESG) investments.

42.7. Ian Gutsell (IG) explained that ACCESS was not signed up to the principle of responsible investment, unlike the ESPF. The ESPF is the ACCESS lead authority on ESG issues and work towards codifying ESG matters in ACCESS investment principles. GF added that individual funds could not choose their investment manager for assets pooled with ACCESS, this meant it requires collective agreement that investment managers with strong ESG credentials are chosen by the ACCESS operator for custody of the individual funds' assets. To date, the interest from the other Funds in ESG matters varied. LW said she would raise the matter via Unison.

42.8. The Board RESOLVED to note the report.

43 EXCLUSION OF THE PUBLIC AND PRESS

43.1 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).

44 INTERNAL AUDIT REPORTS

44.1 The Board considered a report providing the outcome of Internal Audit reports of the ESPF.

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

44.3 The Board RESOLVED to note the report and make recommendations which are set out in an exempt minute.

45 PENSION FUND BREACHES LOG

45.1 The Board considered a report providing an update on the breaches log.

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

45.3 The Board RESOLVED to note the report and make recommendations which are set out in an exempt minute.

46 GOOD GOVERNANCE SCHEME ADVISORY BOARD REPORT

46.1 The Board considered a report providing an update on the Good Governance review.

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

47 EMPLOYER ADMISSIONS AND CESSATIONS REPORT

47.1 The Board considered a report on the admission and cessation of employers to the East Sussex Pension Fund.

47.2 The Board RESOLVED to note the report.

The meeting ended at 1.15 pm.

Ray Martin (Chair)