

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at County Hall, Lewes on 30 November 2020.

++Please note that the Members joined the meeting remotely++

PRESENT Councillor Gerard Fox (Chair) Councillors Nigel Enever,
Andy Smith, David Tutt and Trevor Webb

ALSO PRESENT Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Russell Wood, Pensions Manager: Investment and Accounting
Paul Punter, Head of Pensions Administration
Dave Kellond, Compliance and Local Improvement Manager
Nigel Chilcott, Audit Manager
Danny Simpson, Principal Auditor
William Bourne, Independent Adviser
Paul Potter, Hymans Robertson
Robert McInroy, Hymans Robertson
Ian Colvin, Hymans Robertson
Philip McCloy, Northern Trust
Harvey Winder, Democratic Services Officer
Martin Jenks, Senior Democratic Services Adviser

42 MINUTES

42.1 The minutes of the meeting held on 21 September 2020 were agreed as a correct record.

43 APOLOGIES FOR ABSENCE

43.1 There were no apologies for absence.

44 DISCLOSURE OF INTERESTS

44.1 Cllr David Tutt declared a personal, non-prejudicial interest in item 20 as the Leader of Eastbourne Borough Council, which is involved in an ongoing admission agreement with a sub-contractor. Cllr Tutt did not take part in the discussion during that item.

45 URGENT ITEMS

45.1 There were no urgent items.

46 PENSION BOARD MINUTES

46.1 The Committee considered the minutes of the Pension Board meeting held on 16 November 2020.

46.2 The Committee RESOLVED to note the minutes.

47 INVESTMENT REPORT

47.1 The Committee considered a report providing an update on the investment activities undertaken by the East Sussex Pension Fund (ESPF).

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

- Passive equity funds are the source of around 75% of the Fund's exposure to fossil fuels. The recent equity changes are expected to reduce holdings in fossil fuel companies from 4% to 2% of the value of the Fund.
- The ESPF retains 10% of its assets, or 25% of its holdings in equities, in several passive regional equity funds managed by UBS. These are standard market index tracking funds and so are not weighted against fossil fuel companies, unlike the majority of the ESPF's equity funds. Discussions about what to do with these remaining assets will take place with the new investment adviser, ISIO, once they are appointed in February 2021.
- Any decision about divestment from index tracking funds needs to account for the loss of cash to the Fund from divestment in established fossil fuel companies that tend to pay dividends to shareholders.
- The Fund's active managers – Newton and Ruffer – are members of the Institutional Investors' Group on Climate Change (IIGCC), which pushes companies to align with the Paris Agreement. The IIGCC encourages its members to submit motions at shareholder meetings for action on climate change and has been very aggressive in this regard (investment managers are shareholders on behalf of the ESPF). Most Environmental, Social and Governance (ESG) consultants are in favour of this approach rather than blanket divestment from a sector.

47.3 The Committee RESOLVED to:

- 1) note the Action Log and Investment Workplan (Appendix 1);
- 2) note the Quarterly Investment Report from the Investment Advisor, Hymans Robertson (Appendix 2);
- 3) agree the revised Investment Strategy Statement (Appendix 4); and
- 4) note the content of this report
- 5) Agree to ask the new investment advisors to review the remaining 10% of assets held in regional index equities.

48 INDEPENDENT AUDITORS REPORT ON THE PENSION FUND ACCOUNT AND ANNUAL REPORT AND ACCOUNTS 2019/20

48.1 The Committee considered a report presenting the Independent Auditor (Grant Thornton) report to those charged with governance, and reporting on anticipated unqualified audit opinion on the 2019/20 Pension Fund Annual Report.

48.2 It was clarified that there has been a delay in the Independent Auditor, Grant Thornton, issuing its audit opinion, but this is due to their own internal processes and not the ESPF.

48.3 The Committee RESOLVED to:

1. note the draft Independent Auditor's (Grant Thornton - GT) report to those charged with governance on Pension Fund Annual Report 2019/20;
2. approve the draft Pension Fund Annual Report for publication.

49 GOVERNANCE AND EMPLOYER ENGAGEMENT REPORT

49.1 The Committee considered a report providing an update on various governance and employer engagement work completed and changes affecting the Local Government Pension Scheme (LGPS) generally and ESPF specifically.

49.2 It was clarified that the new governance structure of the ESPF has been based on best practice published by the Scheme Advisory Board. It is hoped it will be effective, but any areas that are not currently addressed – for example, whether it is a conflict of interest for the Section 151 officer to be both the responsible officer for the administering authority of the Fund and a Chief Finance Officer of an employer of the Fund – could be revisited in the future.

49.3 The Committee RESOLVED to:

- (1) Approve the ACCESS Pool Amended and Re-stated Inter- Authority Agreement (IAA) (Appendix 1);
- (2) Note the update to the ACCESS link operator agreement;
- (3) Approve the Pension Fund Conflict of Interests Policy (Appendix 2);
- (4) Note the update on the McCloud Working Group;
- (5) Approve Option 3 approach for classification and inclusion of employers for ill health insurance implementation as set out in 2.16 and Appendix 6;
- (6) Note the draft Employer Forum agenda (Appendix 7);
- (7) Note the progress in recruitment to the Pension Fund team and initiation of review of communications (Appendix 8); and
- (8) thank Russell Wood for his work over the past 18 months whilst the new Pension Fund Team has been developed.

50 PENSIONS ADMINISTRATION REPORT

50.1 The Committee considered a report providing an update to the Pension Committee on matters relating to Pensions Administration activities.

50.2 It was clarified that this year 1,296 Annual Benefit Statements (ABS) were not produced compared to 15k last year and the figure is now comparable to other administering authorities. The reduction in unproduced statements is largely as the result of a member tracing exercise that found addresses for a large number of gone away deferred members. There will be a repeat tracing exercise on a bi-annual basis from now on to help ensure the number stays low.

50.3 The Committee RESOLVED to:

- 1) Note the updates;
- 2) Note the progress of management in implementing the agreed actions arising from the internal audit report (Appendix 7);
- 3) Note the proposed Pension Administration Team (PAT) structure and estimated costs following transition from share service arrangements (Appendix 3).

51 INTERNAL AUDIT REPORT: PENSION FUND: GOVERNANCE, STRATEGY AND INVESTMENTS 2019/20

51.1 The Committee considered a report on the outcome of the Internal Audit report: Governance, Strategy and Investments 2019/20

51.2 The Committee RESOLVED to note the report.

52 EAST SUSSEX PENSION FUND QUARTERLY BUDGET REPORT

52.1 The Committee considered a report on the 2020/21 business plan at Quarter 2 for the ESPF.

52.2 The Committee RESOLVED to:

1. note the revised forecast outturn position; and
2. note the update on deliverables from the Business Plan in Appendix 1

53 ANNUAL TRAINING PLAN 2020/21

53.1 The Committee considered a report on the Annual Training Plan for the Pension Board and Pension Committee.

53.2 The Committee RESOLVED to:

1. Note the report from Hymans on the Knowledge Assessment results;
2. note the suggested training areas for the Annual training plan;
3. recommend that training is delivered in one-hour slots, three times per quarter; and
- 4) request that individual scores are provided to members who are interested in receiving them.

54 RISK REGISTER

54.1 The Committee considered the Risk Register for the ESPF

54.2 It was discussed that there appeared to be a number of risks that continued to appear red after mitigations had been put in place. The risk register is in the process of being reviewed to ensure that the strategy for risk mitigation is effective, the format of the risk register is appropriate, and the scores of different risks are correct.

54.3 The Committee RESOLVED to:

- 1) note the Risk Register; and
- 2) note that the Risk Register is being reviewed.

55 WORK PROGRAMME

55.1 The Committee considered its work programme.

55.2 The Committee discussed the benefit of holding an additional meeting each year due to the large volume of items considered at each meeting.

55.3 The Committee RESOLVED to:

- 1) agree the work programme; and
- 2) request an additional meeting is held for the 2021/22 calendar year.

56 EXCLUSION OF THE PUBLIC AND PRESS

56.1 The Committee 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).

57 INVESTMENT WORKING GROUP UPDATE

57.1 The Committee considered a report providing an update on the activities of the Investment Working Group.

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

57.3 The Committee RESOLVED to note the report

58 PROCUREMENT OF PENSIONS ADMINISTRATION SOFTWARE

58.1 The Committee considered a report on the procurement of Pension Administration Software.

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

58.3 The Committee RESOLVED to agree actions which are set out in an exempt minute.

59 EAST SUSSEX PENSION FUND BREACHES LOG

59.1 The Committee considered the ESPF breaches log.

59.2 The Committee RESOLVED to note the report.

60 EMPLOYER ADMISSIONS AND CESSATIONS

60.1 The Committee considered a report on the latest admissions and cessations of employers within the ESPF.

60.2 The Committee RESOLVED to note the report.

61 INDEPENDENT ADVISOR TO THE PENSION FUND

61.1 The Committee considered a report on the Independent Advisor to the Pension Fund.

61.2 The Committee RESOLVED to agree the recommendations as set out in the report.

The meeting ended at 1.55 pm.

Councillor Gerard Fox (Chair)