

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 30 May 2023.

PRESENT Councillors Ray Martin (Chair), Neil Simpson, Lynda Walker and Tim Oliver

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
 Paula Jenner, Employer Engagement Officer
 Dave Kellond, Compliance and Local Improvement Partner
 Danny Simpson, Principal Auditor
 Mariana Obetzanova, Pensions Training Coordinator
 Mya Khine, ESPF Accountant
 Belinda Trunfull, Governance and Democracy Officer
 Bekki Freeman, Solicitor, Governance Services
 Cllr Paul Redstone
 Cllr Gerard Fox
 Tim Hillman, Pensions Manager: Employer Engagement
 Julie Pelham, Pensions Service Delivery Manager
 Jennie Shuttleworth, Pensions Service Delivery Manager
 Julie Pelham, Pensions Service Delivery Manager

39. MINUTES: NOTES FROM PENSION BOARD DISCUSSION OF 8 FEBRUARY 2023

Linda Walker was nominated as Vice Chair

39.1 Danny Simpson (DS) updated that section 1.25 should read 'officers do not have access to payroll systems'.

39.2 The Board agreed the notes of the previous meeting held on 08 February 2023 as a correct record subject to the above change being made.

40. APOLOGIES FOR ABSENCE

40.1 There were no apologies for absence.

41. DISCLOSURE OF INTERESTS

41.1 There were no disclosures of interests.

42. URGENT ITEMS

43. 42.1 The Chair reported that he did not have any urgent items.

43. PENSION COMMITTEE AGENDA

43.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 16 June 2023.

43.2 The Board noted that engagement and communication items were not included as these will be updated separately; the investment report is additional and will be less detailed for this meeting; there will be updates on performance and the ACCESS Pool as well an item around implementing an investment in Index Linked Gilts following a decision by the Committee in November.

43.3 The Board also noted that the Pension Committee will meet in July for a strategy day where discussion will take place around a paper commissioned on “Merits of Divestment vs. Engagement and the Strategic Review of Asset Allocation”.

43.4 Ray Martin (RM) asked whether the recent elections have had an impact on membership of the Committee.

43.5 Sian Kunert (SK) confirmed that there was no impact.

43.6 The Board RESOLVED to note the agenda.

44. GOVERNANCE REPORT

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

Additional Pension Contributions

44.2 Michael Burton (MB) highlighted to the Board that the policy on Additional Pension Contributions (APCs) was being updated to ensure there is clarity around the Fund’s right to refuse an application on ill health grounds.

44.3 MB added that it was necessary to assess a member’s health before they are allowed to pay APCs as should they die before retirement there is an increased dependents’ pension which could result in a large liability to the Fund which will not have been covered by the contributions made by the member.

44.4 MB further updated the Board that members will be required to fill out a form providing health status and where concerns are identified, a medical report will be requested. APC purchase will not be approved to those identified with a length of life impacting ill health condition.

Membership of the Pension Board

44.5 MB provided an update on the appointment of Tim Oliver from University of Brighton to the Board replacing Stephen Osborn. Tim joins the Board for a 4-year term as an employer representative.

44.6 MB further updated that Nicoletta Palermo's term has ended. Nicoletta's was a member representative put forward by GMB Union. This position remains vacant; however, recruitment is ongoing, and a recommendation will be made to the Governance Committee in July's meeting to make an appointment. RM commented that it would be sensible to advise the preferred candidate that they are being nominated to make sure they still wanted to take the role following the recruitment process,

44.7 Cllrs DrUITT and Illingworth have stood down following recent elections leaving two employer representative vacancies. Brighton and Hove City Council (BHCC) and the District and Boroughs have been requested to submit nominations.

44.8 RM commented that some responses received from the the recent Policy Consultation on the employer side indicated sound pension knowledge and it may be worth considering approaching those people as potential candidates.

Policy Consultations

44.9 MB highlighted to the Board that there were no major concerns arising from responses received and that the suggested wording will be taken forward to the next Pension Committee meeting on 16 June 2023.

44.10 Neil Simpson (NS) asked with regards to the Cessation methodology if it was normal practice for an acting scheme employer to act as guarantor for those bodies.

44.11 SK responded that with passthrough admission agreements its normal for the scheme employer to guarantee, however this is dependant on the covenant of the employer and bonds are still required in some situations. Recent change in the guidance from Department of Education now allows academies to act as guarantors to cover Contractors.

44.12 RM asked for a further explanation around Prudence Level as it was not clear.

44.13 SK responded that this was an area covered by the consultation and agreed further clarity is required. SK suggested that an appendix could be added at the back of the Funding Strategy Statement for further guidance to employers.

44.14 NS asked for consideration to be made regarding formalising the Board's minutes at the Pensions Committee meeting. Currently they are just noted by the Committee without a formal discussion.

44.15 SK confirmed that any changes or minor adaptations made by the Board are included in reports for the Committee as an update from the Board.

44.16 Cllr Gerard Fox (GF) added that RM is also invited to comment or express a view on behalf of the Board. It is more relevant for RM to articulate on items that the Board has expressed a concern for the Committee to focus on.

44.17 The Board agreed that NS's suggestion was valid, and they will continue to explore how best to add more input from Board meetings in Committee meetings.

44.18 NS asked with regard to section 10.3 of the report, what happens if someone chooses to take a gap at the age of 16 or 18 prior to starting a further education full time course.

44.19 SK responded that this will be treated as a gap year, however this will be confirmed in the policy.

44.20 NS commented on a point in appendix 5 which states that the Board considers all reports taken to Committee other than investment papers, however, page 69 under objectives and roles it states that the Board covers all aspects of Governance of LGPS including funding and investments, therefore, clarity is required as to how this objective is met by the Board as the Board does not have sight of the investments papers.

44.21 RM responded that the detailed investment report on investments managers performance and strategy sits with the Committee and the Board is responsible for the governance structure and not details of the investments. RM recommended that the wording is looked at to make it clearer.

44.22 SK also added that the team is open to suggestions on how best to provide comfort on the governance of the investment arrangements, however it is not for the Board to understand investment strategy and how managers are performing, the Board should be comfortable with the structure in which decisions are made in line with regulations.

44.23 NS commented there that appears to be a disparity between the role of the Board and the role of the Committee in terms of governance arrangements.

44.24 SK suggested that minutes from the last Committee meeting are included in the Board's agenda as a section in the Governance paper summarising discussions and decisions from the Committee meeting on investment matters.

44.25 NS asked to be provided with context regarding the consultation responses in appendix 6 around increase in workload burden on the employer from i-Connect implementation.

44.26 Paula Jenner (PJ) responded that this refers to the previous LGPS forms which will eventually be phased out, however, for now there are certain elements that the i-Connect system cannot provide which means that the LGPS forms needs to continue to be provided as well as the i-Connect submission within the required timeframe.

44.27 The Board RESOLVED to:

- 1) Note the report and its appendices;
- 2) Ask Officers to consider adding an appendix around Prudence Level to the FSS;
- 3) Ask Officers to review wording with regard to section 10.3 to deal with gap years before a further education course begins;
- 4) Request that in future a summary of Committee minutes be included in the Board's agenda.

45. EMPLOYER ENGAGEMENT AND CONTRIBUTIONS REPORT

45.1 The Board considered an update on employer engagement tasks that directly affect the East Sussex Pension Fund (ESPF or the Fund).

45.2 Paula Jenner (PJ) provided an update on i-Connect; 120 employers are now onboarded which is good news as it means majority of employers submit data through i-Connect monthly. There is a small team in place to support employers with i-Connect. The team continues to work on streamlining internal processes and ironing out any onboarding issues.

45.3 RM asked if there were any large employers that have not been onboarded.

45.4 PJ confirmed that the University of Brighton Academy Trust with around 700 members has not yet been onboarded and the University of Brighton is due to be onboarded soon with a test file already received. East Sussex College Group had been onboarded, however due to change of staff at end of the year they require to be re-onboarded, however, this is progressing well.

45.5 Linda Walker (LW) thanked the team for all their hard work and was delighted to hear the positive news.

45.6 PJ gave an update on Employer Contributions Rates and Accounting Reports; new rates from April 2023 have been sent to employers. There has been improvement on late payments although no real pattern has been identified. As part of an improvement to increase the governance of the monthly contribution process, checks are made to ensure that all LGPS31 contribution forms are signed and reviewed by the relevant section 151 Officer or approved delegated person.

45.7 The Board RESOLVED to note the report.

46. COMMUNICATIONS REPORT

46.1 The Board considered an update on communication tasks that directly affect the East Sussex Pension Fund; activities have included newsletters, member update booklets, website and pension survey. This information is also fed through the Communications Working Group.

46.2 SK updated that for the first time ever a postal member booklet was sent to all members in the Fund in April which was well received.

46.3 LW confirmed that she had received her member booklet and commented that it was clear and simple to read. Sh said she had feedback from members that indicated the booklet was well received by members.

46.4 SK further updated that the website continues to be improved; the pension survey results have now been published on the website.

46.5 RM asked if it is possible to identify if site visits, views and responses are made by different people.

46.6 SK confirmed that the site analytics will be further improved following updates by the software provider around cybersecurity and analytics of footfall.

46.7 The Board RESOLVED to note the report and its contents.

47. PENSIONS ADMINISTRATION REPORT

47.1 The Board considered a report providing an update on matters relating to Pensions Administration activities for the period April 2022 to March 2023.

47.2 Paul Punter (PP) drew the Board's attention to the following points:

- PAT performance numbers in appendix 1, during quarter one 2023, average at 96.3% (volume completed 3,768) which were improved from the previous quarter (95.43% with a volume of 2,550); An additional section on aggregation has been added detailing different benefit options.
- –That the PAT team was now nearly fully staffed, with recruitment ongoing for the 2nd Projects Officer role.
- Projects Updates - the final list of employers using i-Connect and those completing end of year returns has been finalised and data requested where appropriate. The projects team is already validating some of the i-Connect March 2023 data files before creating ABS.
- Pensions Dashboard - Heywood Technologies have been instructed to undertake an assessment of ESPF data to help understand how ready the system is. It is anticipated that this will be completed by August 2023 with a report to be presented at the end of the year.
- Pensions and Payroll - April 2023 pension increase project has been completed and most pensioners will receive a 10.1% CPI increase in their April payment. Enquiries are being directed to the Member Self Service Portal for Annual Benefit Statement. Feedback received so far is that a significant proportion of members are experiencing issue with logon to the MSS portal and the system is expected to be replaced with a new TME system later in the year to improve user experience.
- McCloud Working Group- Data has been received from the majority of employers however not yet from the two largest scheme employers.

47.3 The Board RESOLVED to note the report.

48. INTERNAL AUDIT

48.1 The Board considered the internal audit reports contained in appendices 1- 4 of the report.

48.2 Danny Simpson (DS) drew the boards attention to Cash Management strategy and access to the Fund's bank account where reasonable assurance was given; Cyber Security arrangements where there was a single, low-risk, finding and an action agreed with management to address it; Investment and Accounting with one low-risk finding; and Administration of Pension Benefits where five findings were reported, all of which were medium- or low-risk, and agreed a robust action plan with management to address these.

48.3 NS referred to the 3rd principle in appendix B of the Cybersecurity report and asked if this was based on the East Sussex environment.

48.4 The Board was informed that systems outside the East Sussex Environment is being looked at as a separate project in collaboration with IT. All paperwork will be shared with the Board when the work is complete.

48.5 The Board RESOLVED to note the reports.

49. OUTTURN BUDGET REPORT

49.1 The Board considered a report providing updates on the outturn financial position for 2022/23 for the East Sussex Pension Fund (the Fund or ESPF).

49.2 Russell Wood (RW) drew the Board's attention to the final outturn position for 2022/23 which was £5.743m, a decrease of 50k from the last reported position. The underspend mostly relates to other administration projects which have been postponed whilst awaiting clarification from government and manager fees being invoiced lower than anticipated due to falls in asset values in the quarter. These were offset by some increases on staff cost recharges from East Sussex County Council and external audit fees.

49.3 The Board was reminded that going forward, Investment Management Fees will be managed separately from the budgeting process.

49.4 The Board received an update on staffing and informed that recruitment is going well.

49.5 The Board RESOLVED to note the report.

50. EXTERNAL AUDIT WORK PLAN

50.1 The Board considered a report on the content of the East Sussex Pension Fund external audit plan for 2022/23.

50.2 Ian Gutsell (IG) informed the Board that the report was still in draft format and audit will begin in July; IG further updated that the audit fees had gone up by around 150% which reflects the challenges around audit.

50.3 The Board RESOLVED to note the external audit plan for the East Sussex Pension Fund for 2022/23.

51. PENSION FUND RISK REGISTER

51.1 The Board considered the updated risk register and welcomed the new format.

51.2 The Board considered risk A1: the risk has been updated to reflect the use of a skills matrix to help identify where Pensions Administration Officers require training around specific processes and procedures.

51.3 SK informed the Board that there are three other risks which have been drawn out to be discussed under the exempt part of the meeting.

51.4 The Board RESOLVED to note the report.

52. WORK PROGRAMME

52.1 The Board considered the work programme for future Pension Board and Pension Committee meetings for the next year. The work programme provided an update on other work

going on outside the Board and Committee's main meetings, including Working Groups and upcoming training.

52.2 RM asked if the reports due in September are on track.

52.3 SK confirmed that the Independent Auditors Report and the Additional Voluntary Contributions (AVC) Report are on track to be delivered to the September Board meeting. The Accounts report will also be ready for September; however, the Annual report will not be ready until November as it does not need to be published until 1 December.

52.4 SK informed the Board that the date for the Employer Forum will be confirmed once arrangements with venue are in place.

52.5 RM informed the Board that he will be attending the PLSA conference in June.

52.6 NS asked if a review was planned for the Ill Health Insurance Arrangements from April 2021, in terms of commercial arrangements.

52.7 SK confirmed that this is something that will be looked at.

52.8 The Board RESOLVED to note the work programme.

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

54. EXCLUSION OF THE PUBLIC AND PRESS

54.1 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).

55. RISK REGISTER EXEMPT

55.1 The Board considered the exempt risk register.

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

55.3 The Board RESOLVED to note the report.

56. PENSION FUND BREACHES LOG

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

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

56.3 The Board RESOLVED to note the report

57. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

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

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

(The meeting ended at 12.55 pm)

CHAIRMAN