

PENSION BOARD

MINUTES of a meeting of the Pension Board held at Remote Meeting via Microsoft Teams on 2 November 2023.

PRESENT and Trevor Redmond

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
 Dave Kellond, Compliance and Local Improvement Partner
 Tim Hillman, Pensions Manager: Employer Engagement
 Georgina Seligmann, Governance and Democracy Manager
 Cllr Paul Redstone
 Cllr Gerard Fox
 Cllr Taylor
 Cllr Hollidge

76. MINUTES OF THE MEETING HELD ON 6 SEPTEMBER 2023

76.1 The Board agreed the notes of the previous meeting held on 06 September 2023 as a correct record.

77. APOLOGIES FOR ABSENCE

77.1 No apologies were received.

77.2 Ray Martin (RM) welcomed Trevor Redmond as a new member of the Board.

78. DISCLOSURE OF INTERESTS

78.1 There were no disclosures of interest.

79. URGENT ITEMS

79.1 There were no urgent items.

80. PENSION COMMITTEE AGENDA

80.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 16 November 2023 and noted that:

- The Carbon footprint performance information is still outstanding

- The substantive item for the November meeting is to address the signing of the accounts and agree the annual report.
- Board members will receive a summary of the Pension Committee as part of this item at future meetings.

80.2 The Board RESOLVED to note the agenda.

81. GOVERNANCE REPORT

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

81.2 Michael Burton (MB) drew the Board's attention to the following:

- More information has been received regarding McCloud post publication of the report sent to the Board. Officers are adopting a flexible approach and working through the data; there are significant gaps in data and some issues with formatting where data has been received and therefore implementation of the remedy is not yet possible and will take some time to resolve.
- The LGA has provided some suggested wording for members as a notification is required by Christmas, work is in progress for the required individual communications and officers are working hard to identify which pieces of work can be progressed. The McCloud remedy is not expected to impact many members but it will be a significant piece of work to resolve matters.
- Teachers with excess service contracts may be entitled to remedy through the LGPS, this would require back dated contributions. More information is expected in the New Year and officers will update the Board accordingly.

81.3 The Board considered the funding report, introduced by SK who drew the Board's attention to the following:

- The report will be included on a quarterly basis to enable the Board to have better oversight of the funding position and how it feeds into the wider strategy and position. The report rolls forward market information from the valuation date every quarter to monitor the current funding position.
- There has been much volatility since March 22, investment returns are lower than expected however liabilities have also fallen and so the current funding position is the same as in March.
- At the next valuation the assumptions will be reconsidered, the mortality rate is currently falling so the Fund's liabilities may drop as a result.

81.4 Neil Simpson (NS) queried why there is no reference in the report that the real discount rate has changed, or to explain how that influences the liabilities and would welcome further information about what assumptions have changed and why, along with a view of liquidity of the Fund.

81.5 Officers confirmed that they would make training available to Board Members on actuarial matters and associated reports and that discussions at Pension Committee would be better summarised.

81.6 The Board congratulated the team on the 2023 LAPF Investment Award for Best LGPS Governance.

81.7 The Board RESOLVED to note the report.

82. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

82.1 The Board considered an update on employer engagement activities and communication tasks that directly affect the East Sussex Pension Fund; activities have included website improvements and branding revisions to written communications to members; this information has also been fed through the Communications Working Group.

82.2 Tim Hillman (TH) drew the Board's attention to the following:

- The team are still working through the i-Connect queries from the ABS project and other end of year queries. The team are at different stages with onboarding individual employers with 123 employers onboarded and good progress is being made with those remaining. Officers have a number of lessons learnt from the employers already onboarded and can better pre-empt issues.
- ES College Group have changed their structure for managing the payroll which led to a backlog of submissions and are now back on track.
- The team are working with B&H CC on the March 23 file and are hoping to support the employer to resolve the outstanding issues soon. Training has been delivered to support key personnel.
- University of Brighton should be onboarded by early 2024.
- Training and information sessions have been delivered, via the Corporate Training team, to ESCC staff and positive feedback has been received from attendees. This is then planned for roll out to other employers.
- There is an Employer forum at the end of November and Board members are welcome to attend and should contact TH if they have not received an invitation.
- The employer contribution data has changed post publication; there were 2 late payments in July and 3 in August. These are not the same employers however late payments tend to be due to a change in personnel in the smaller employers' teams.

82.3 The Board RESOLVED to note the report.

83. PENSIONS ADMINISTRATION REPORT

83.1 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:

- PAT performance numbers are 88% which is lower than the target at 95% with the impact of completing the B&H CC work now being felt. Lower performance figures are expected for the next quarter with various projects requiring resources including GMP and McCloud.
- The printing and postage project went live in September and has been progressing well.
- The team had to process over 2000 new starters following a large volume of data from one employer in August and there is still some way to go to process these. The prioritisation of tasks is key to ensure queries are responded to and issues addressed appropriately. Performance of retirement figures is at target.
- Projects; now below 400 outstanding ABSs and the Administration working group have oversight of project.
- The Members self-service requires some attention, the new version will be built from Quarter 1 2024, the login process will be more secure in order to strengthen data protection.
- Information regarding AVCs will be available at the next meeting as the data requires verification.

83.2 NS asked if these issues and the volume of work are likely to be more permanent or whether things will improve in time.

83.3 PP assured the Board that once one-off projects had been implemented there will be more resource available to respond to issues and that overtime had been offered and key appointments had been made. Automated resource will also be coming online which will be welcomed by the team and will add value.

83.4 RM confirmed that the Board would support extra resource being allocated to the team if required.

83.5 RM noted that the report included the number of the other types of pension top ups.

83.6 PP outlined the 50/50 scheme available to members and highlighted the 3 year auto-enrolment review that leads to members opting for the scheme more than once. There are 217 current members who have opted into the 50/50 scheme. The scheme is actively promoted to employers as they are the ones who have to receive the request from their employees.

83.7 Tim Oliver (TO) highlighted that although the member contributions are lower the employer continues to pay the full contribution rate which could impact the employers, though was assured that in the long run the valuation process would allow for the lower benefits being accrued.

83.8 The Board RESOLVED to note the report.

84. INTERNAL AUDIT REPORT

84.1 The Board considered the internal audit report presented by Danny Simpson (DS) and noted that although the levels of assurance has been issued as “Reasonable” due to the methods of assurance for employers making contributions being lacking however this is a pensions wide challenge and not unique to ESPF and if there is any shortfall in contributions overall, the contribution rates are adjusted as required through the triennial valuation process.

84.2 NS queried Reasonable Assurance as the evidence is not routinely collected and asked whether the ESCC internal audit is impacted as the audit covers external employers.

84.3 DS assured the Board that the contribution rates are correct, what is hard to see is what individual employers do to assure the contribution rates. The Fund is entitled to review the resources of assurance which has formed the basis of the audit but acknowledged there are some limitations. Auditing is on behalf of the Fund not the external employers.

84.4 TO offered detail of the process from an Employer perspective and highlighted the benefits of the data i-Connect produces.

84.5 The Board RESOLVED to note the report.

85. EAST SUSSEX PENSION FUND QUARTER 2 BUDGET MONITORING REPORT

85.1 The Board considered a report on the Quarter 2 forecasted financial outturn of the East Sussex Pension Fund (ESPF) for the 2023/24 financial year introduced by Russell Wood.

85.2 The forecast outturn at the second quarter of 2023/24 is £4.309m, an reduction of £0.154m from the approved budget mainly due to staff charges where vacancies remained open and some project delays and overspend.

85.3 The Board noted the good position and that investment fees have been removed from this budget.

85.4 The Board RESOLVED to note the report

86. ANNUAL REPORT

86.1 Annual Report Requirements - Local authorities are responsible for administering a pension fund (acting as scheme manager) and forming part of the Local Government Pension Scheme (LGPS). Each LA is required by the LGPS Regulations to publish a pension fund annual report. The publication of the annual report is separate from the authorities' own statutory accounts and contains financials statements in respect of the Pension Fund. Authorities are required to publish the annual report by 1 December. The annual report will be presented to Committee for approval at its meeting on 16 November 2023.

86.2 The Board considered the draft report and opinion from Grant Thornton noting that the missing data will be updated and compiled for the Pension Committee meeting. The Audit Committee will receive the final report at their meeting of 24 November 2023.

86.3 The Audit was positive for the team and officers have not been made aware of any concerns at this stage.

86.4 The Board RESOLVED to note the report.

87. TRAINING REPORT

87.1 The Board received an update report on training needs, opportunities undertaken and planned events, introduced by MB, and noted the following points:

- There was a positive report from IT regarding the measures and processes the Fund has in place to manage Cyber security, a separate training meeting will be held on this.
- Training for new board members encouraged. Knowledge and Skills survey has not been completed by all Board or Committee members.
- Procurement cessations and admissions training need identified is coming in December and scheme actuary training needed to reflect the discussion at item 80.

87.2 NS highlighted that completing the assessments is really important especially as there are new board members and asked that the Chair of Pensions Committee emphasises the importance of completing the survey with Committee members.

87.3 TO highlighted that he felt the survey is quite onerous and hard to navigate.

87.4 Cllr Fox (GF) acknowledged that the survey is a complicated process but that it becomes more manageable over time and will reiterate the request at the next Committee meeting.

87.5 SK acknowledged that the survey is complex and confirmed that officers will support new members with the process so that explanations can be provided as required and Zoe O'Sullivan (ZO) confirmed that the embedded links to materials had been very helpful.

87.6 RM asked if officers could call members upon receipt of the survey to ensure they have all the required information to complete it and to offer to take them through it

87.7 The Pension Board RESOLVED to:

- 1) note the outcome of the self-assessment knowledge and skills survey;
- 2) note the training made available in the last year;
- 3) note the type of events planned for the year ahead;
- 4) identify areas Board members would like training on as a priority.

88. PENSION FUND RISK REGISTER

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

88.2 The Board considered the following risks:

- Risk G3: Cyber security risk has been heightened to a red risk post mitigation. This is to ensure the Pension Fund reporting is aligned to the wider Council. The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure, with elevated levels of Cyber Crime being reported against all areas of government, particularly in light of the current Ukrainian situation. Cyber attacks are growing more frequent, sophisticated, and damaging when they succeed. The risk mitigation commentary has also been updated to reflect the findings of an extensive review of the systems used by the Pension Team. No material weaknesses were identified with some minor suggestions on improvements that can be made and these recommendations are being acted upon.
- Risks G2 and G4: these risks have been reduced in their severity, these risks relate to Governance. In February 2023 the risk scores were increased due to the uncertainty caused by a significant number of expected vacancies on the Pension Board. As these positions are now filled it is recommended the risk levels be returned to previous levels.
- Risk I4 – Officers recommended the risk level be reduced to an amber risk. There has been progress in relation to ACCESS pool and an Operator has now been put in place.

88.3 NS noted that the cyber risk remains high despite the mitigations and asked for further information and along with further information about the Business Continuity Plan.

88.4 SK set out that despite the mitigations the risk will always remain high due to the likelihood of a public sector cyber-attack and therefore it is appropriate to bring the Fund's risk in line with ESCC. The Business Continuity Plan in progress, review from IT was awaited before finalising the plan and this will now be incorporated. The report considered third party interactions. A standalone session is suggested for the board and the committee on Cyber security to better understand the risks and the mitigation.

88.5 The Board RESOLVED to note the report.

89. WORK PROGRAMME

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

- The programme will be updated to reflect the discussion about the Pension Committee item.
- There are a number of policies to consider at the June meeting so Officers will try to bring some forward to the February meeting if possible

- The training attended is set out along with the training the Board have been invited to and the Board should advise SK if they have attended further training.
- The Scheme Advisory Board did not recommend that the Scheme Manager role should be separated from LA control but did pass on the report for comment and changes to DHLUC, however there have not been any recommended changes though some elements of the recommendations did appear in the pooling consultations. There is current consideration on whether the accounts should be removed from the LA accounts and an update will be provided when more is known.
- Ill Health insurance review and prudence level will come to a future meeting.

89.2 The Board RESOLVED to note the work programme.

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

90.1 There were no items.

91. EXCLUSION OF THE PUBLIC AND PRESS

91.1 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).

92. GOVERNANCE REPORT

92.1 The Board considered the exempt Governance report.

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

92.3 The Board RESOLVED to note the report.

93. PENSION FUND BREACHES LOG

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

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

93.3 The Board RESOLVED to note the report.

94. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

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

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

(The meeting ended at 12.50)