

PENSION BOARD

MINUTES of a meeting of the Pension Board held at Council Chamber, County Hall, Lewes on 5 June 2024.

PRESENT Board Members; Ray Martin (Chair), Zoe O'Sullivan, Neil Simpson and Cllr Andrew Wilson.

ALSO PRESENT 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
Danny Simpson, Internal Audit
Stephanie Fernando, Employer Engagement Officer
Dave Kellond, Compliance and Local Improvement Partner
Georgina Seligmann, Governance and Democracy Manager
Cllr Ian Hollidge
Mya Khine, Accountant

1. MINUTES OF THE MEETING HELD ON 8 FEBRUARY 2024

1.1 The Board agreed the notes of the previous meeting held on 08 February 2024 as a correct record.

2. APOLOGIES FOR ABSENCE

2.1 Apologies were received for Nigel Manvell. It was noted that Trevor Redmond was not present for the meeting and no apology had been received.

3. DISCLOSURE OF INTERESTS

3.1 There were no disclosures of interest.

4. URGENT ITEMS

4.1 There were no urgent items.

5. PENSION COMMITTEE AGENDA

5.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 19 June 2024 and noted that:

- In addition to the reports seen by the Board, the Committee will receive an investment report, and will not receive the employer engagement and communications report.

5.2 The Board received a summary of the minutes of the Pension Committee meeting of 22 February 2024 and noted the following key areas that were debate at the Committee meeting relating to the Investment strategy which were:

- the Fund had completed its first assessment against the Principles of Responsible Investments (PRI) reporting framework and was awarded 4 out of 5 stars and score above average in all areas. An update on the CBRE mandate to deliver UK Property investments within the ACCESS pool was considered. The Funds new Multi Asset Credit mandate through the ACCESS pool managed by BlueBay is now live and the required Storebrand and Osmosis adjustments have now been implemented to rebalance the weighting between the two mandates.

5.3 The Board RESOLVED to note the agenda.

6. GOVERNANCE REPORT

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

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

- 1) 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.
- 2) The Fund received a letter from the Minister for Local Government dated 15 May 2024 requesting submission. It is unclear at this time if the Fund will be required to respond to the Minister since the general election announcement, but Officers will look to draft a response. It was noted the Scheme Advisory Board has offered a meeting with Fund officers and Fund chairs. An update will be provided to Pension Committee on 19 June.
- 3) As the Lifetime Allowance has been abolished; the Communications manager and wider team have been working to revise template letters and Fund documentation to reflect this.
- 4) Tim Oliver has left his role at Brighton University and has stepped down from the Pension Board. Officers are currently going through the process of seeking a new employer representative and a report will be taken to the Governance Committee

meeting of 25 June 2024 with a recommendation for a new member.

- 5) The annual report of the Pension Board to Pension Committee is due to be presented to the Pension Committee at their meeting on 19 June 2024. Officers have liaised with the Chair of Pension Board to produce a draft report to be presented and the Board were asked to comment if they wanted any amendments.
- 6) The Training Policy, Privacy Notices and Memorandum of Understanding were updated and presented, there were few changes proposed to the policies appended to the report reflecting the Fund is already compliant with regulations; it was agreed that the Privacy Notice should be considered as it was noted scheme employers and other pension funds were not included. Officers will discuss with the Data Protection team and if required will update to ensure it reflects all data processors.
- 7) An amendment has been made to the Fund's exit credit policy to reflect the way in which the Pension Committee consider its discretion in the retention of payment of a surplus. Where an admission was entered into pre-May 2018 the wording of the policy was felt to be too definitive whereas in practice this is one of many considerations the Pension Committee take into account when making their decision. It was agreed that the wording would be reviewed again to ensure it is not too assumptive of a particular outcome.

6.3 The Board confirmed there were content with the annual report.

6.4 NS asked whether there is a perception that schemes such as the LGPS are inefficient and what officers view were on this and whether it is possible to evaluate the effectiveness of Fund against other public sector schemes. SK confirmed that officers consider the East Sussex Pension Fund to have robust governance processes and that it is effective. A focus on costs usually relates to the investment management fees which do not exist in unfunded public sector schemes so it is very hard to draw comparisons between public sector funds.

6.5 The Board noted the strong position of the Fund.

6.6 The Board RESOLVED to:

- 1) note the Governance report; and
- 2) agree the report of the Board to the Pension Committee.

7. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

7.1 The Board considered an update on employer engagement activities and communication tasks that directly affect the East Sussex Pension Fund introduced by Sian Kunert; activities have included website improvements and branding revisions to written communications to members.

7.2 SK drew the Board's attention to the following:

- 1) There were two late payments in February related to employers breaching the deadline for the first time within a 12-month period. Both payments have since been received. The

Fund have not yet been informed the reason for the lateness of these payments but issues not considered to be systemic or of concern.

- 2) All employers have had engagement on i-Connect although there have been delays with a couple of the larger employers; BHCC and Brighton University.
- 3) Communications activities have continued as scheduled.

7.3 RM asked for an update on the team resourcing. SK advised there have been two new staff appointments for the employer team. ZO noted roll out of the new training programme to employers had been postponed post the pilot with ESCC and asked if there were specific rollout timeframes planned. SK advise the new starters would be focusing on the training plan for employers once they have settled in, it was also noted that specific employer training requests had continued to be fulfilled including to payroll and HR teams and information has been provided where required. RM asked whether there was a significant impact on the delivery of services of the team following the recent staff changes. SK advised that over the past year a lot of the team's resource had been focused on i-Connect and now that most employers are onboarded the workload has reduced in this area and is more business as usual managing the uploaded files and data which has moved over to the Projects i-Connect team. The Engagement team will now be able on focus on wider engagement and support for the employers.

7.4 The Board RESOLVED to note the report.

8. PENSIONS ADMINISTRATION REPORT

8.1 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:

KPIs

- 1) There have been some improvements in the numbers since the last meeting, the team has benefitted from increased resource and some projects came to an end in March. On the KPI basis, excluding item 9 (aggregations/combining's) the average result for Jan to Mar 2024 was 96.57%.
- 2) The intention of the report and the appendices is to be as transparent as possible with additional appendices provided to the Board to demonstrate how much work is processed by the team and volumes of outstanding tasks; RM agreed to meet with PP to discuss the reporting requirements ahead of the next meeting.

Helpdesk

- 3) This has been a challenging period with the team moving in house and resources focused training the new starters and therefore a full year's breakdown of KPI information has been provided at this meeting. Performance has been back on track since May and officers will look to restyle and condense the KPI reporting to a single page going forwards.

Staff

- 4) Helpdesk is now appropriately resourced. PAT recently appointed a new apprentice and now have 3 apprentices. PAT is carrying one vacancy but content to allow new staff to bed in as the recent backlog has been cleared and the Fund has some new robots which will carry out lower level tasks, so staff will need to be trained accordingly as they will take on checking work.

Projects

- 5) GMP: reconciliation work is mostly completed with over 2000 pensioners in scope. 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 in the next few weeks. 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. Mercers have largely completed their work on the project but may be required to redo some reconciliation work on a batch of 300 cases that were held back temporarily until the Fund can determine on a case by case basis whether the HMRC or Fund data is correct. Further work is outstanding for the deferred members but the more complex pensioners are mostly complete.
- 6) 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 staff on 27 June which should highlight any issues with the system not identified through testing before launching to all members on 17 July. It was noted that Trevor was invited to have an early look at the new system and carry out some testing as a Board member representative.
- 7) McCloud data returns have been submitted by all active scheme employers. With the exception of BHCC, the data has been validated by a Heywood tool and Officers have resolved all but 400 of the 4,200 queries raised. The remainder are with employers. Work has also been undertaken to collect data from employers with no active members. Data has been received from 60% of these and chasers for the remainder is ongoing. The Fund have had to postpone transfer requests for members in scope for McCloud as there is no Altair calculation functionality. The LGA has produced a template for McCloud non-Club cases and Officers are currently testing this.

8.2 The Board noted the good position of the Fund and thanked officers for their continued hard work.

8.3 The Board RESOLVED to note the report.

9. EAST SUSSEX PENSION FUND (ESPF) 2023/24 OUTTURN REPORT

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

- 1) 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.
- 2) 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 fees by paying costs for licenses upfront and lower inflation assumptions. 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.

- 3) 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 Board RESOLVED to note the FINAL 2023/24 outturn position.

10. INTERNAL AUDIT

10.1 The Board 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.
- 4) RM asked if the finding from a prior audit on approval of payment from the Pension Fund had been resolved. Officers confirmed that practices have been updated so that only pension fund officers can authorise payments.

10.2 The Board RESOLVED to note the:

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

11. PENSION FUND RISK REGISTER

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

11.2 The Board considered the following risks:

- 1) Risk I3 – Regulatory Risk, has been increased due to the likelihood of additional investment regulation that is anticipated.

Items under review

- 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.

11.3 The Board RESOLVED to note the report.

12. WORK PROGRAMME

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

- 1) The Board will receive an update to the Conflict of Interest policy at the next scheduled meeting in addition to their usual reporting.
- 2) Following the discussion at the last meeting a dedicated session to review the risk register in detail will be scheduled.
- 3) Officers provided information about the set up of Ill Health Insurance in response to a query from NS; officers advised that the insurance was put in place in 2021 to avoid shocks to small employers and to offer stability to those employers for potential large payment requests relating to ill health. If claims experience is good the Fund receives a profit share rebate from Legal and General which goes back into the Fund allocated to the relevant employers. It was noted that the insurance will be reviewed and that Board members will receive a copy of the previous report laying out the reasons for its set up. Officers confirmed that costs related to Ill Health are less than 1% of the payroll and that all claims have been paid successfully.

12.2 The Board RESOLVED to note the work programme.

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

13.1 There were no items.

14. EXCLUSION OF THE PUBLIC AND PRESS

14.1 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).

15. GOVERNANCE REPORT

15.1 The Board considered the Exempt Governance report.

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

15.3 The Board RESOLVED to note the report.

16. PENSION FUND BREACHES LOG

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

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

16.3 The Board RESOLVED to note the report.

17. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

17.1 The Board 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 an Exempt minute.

17.3 The Board RESOLVED to note the report.

18. ANY OTHER EXEMPT ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

18.1 There were no urgent items.

(The meeting ended at 12.20)

Ray Martin, Chair