

PENSION BOARD

MINUTES of a meeting of the Pension Board held at Remote Meeting via Microsoft Teams on 7 November 2024.

PRESENT Board Members; Ray Martin (Chair), Zoe O'Sullivan, Trevor Redmond, Neil Simpson, Lynda Hughes, Nigel Manvell and Cllr Andrew Wilson.

George Norval, Interim Deputy Head of Pensions
Ian Gutsell, Chief Finance Officer
Paul Punter, Head of Pensions Administration
Russell Wood, Pensions Manager: Investments and Accounting
Stephanie Fernando, Employer Engagement Officer
Paul Linfield, Pensions Communications Manager
Mariana Obetzanova, Pensions Training Coordinator
Dave Kellond, Compliance and Local Improvement Partner
Susan Greenwood, Deputy Head of Pensions
Georgina Seligmann, Governance and Democracy Manager
Cllr Paul Redstone

36. MINUTES OF THE MEETING OF 11 SEPTEMBER 2024

36.1 The Board agreed the notes of the previous meeting held on 11 September 2024 as a correct record.

37. APOLOGIES FOR ABSENCE

37.1 There were no apologies.

37.2 Neil Simpson was appointed as Vice-Chair for the meeting.

37.3 The Chair welcomed George Norval and Susan Greenwood to ESCC.

38. DISCLOSURE OF INTERESTS

38.1 There were no disclosures of interest.

39. URGENT ITEMS

39.1 There were no urgent items.

40. PENSION COMMITTEE AGENDA

40.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 21 November 2024 and noted that:

- In addition to the reports seen by the Board, the Committee will receive an investment report.
- The Committee will have an additional update on the Pensions Administration system; the report was not ready in time for the Board meeting.

40.2 The Board RESOLVED to note the agenda.

41. GOVERNANCE REPORT

41.1 The Board considered a report providing an update on various governance workstreams completed and changes affecting the LGPS and the ESPF introduced by GN and DK and drew the Board's attention to the following:

Legal and regulatory changes

- 1) The Fund submitted a response to the letter from the Minister for Local Government in May. The request for evidence went to all pools with a short response time.
- 2) Subsequent to the Fund's submission of evidence, on 10 October 2024, the Head of Pensions was present at a meeting relating to the pensions review, attended by LGPS Officers of the access pool and representatives from HM Treasury, the Government Actuaries Department and Ministry of Housing, Communities and Local Government.
- 3) The Head of Pensions also joined a roundtable discussion of the PLSA LGPS Policy Committee together with Parliamentary Secretary (HM Treasury), Emma Reynolds and Minister of State (Housing, Communities and Local Government), Jim McMahon.
- 4) On 17 September 2024, the Scheme Advisory Board (SAB) published a statement on Fiduciary Duties and dealing with lobbying. The purpose of the statement is to make clear SAB's view on the flexibility decision makers have to respond to lobbying; the standards of behaviour expected when discussing what can be emotionally charged issues, and where to go for support if those standards are not being met.
- 5) Further information is expected after the Chancellor's 14 November Mansion House speech.

Funding

- 6) The Fund Actuary has prepared the indicative quarterly funding update as at 30 June 2024, rolling forward assumptions from the valuation and reflecting actual experience since March 2022, and is included as Appendix 3. The indicative funding report shows the funding position fall from 123% at the last valuation in March 2022 to 120% as at 30 June 2024. This does however represent a slight improvement from 118% in March 2024.

41.2 The Board RESOLVED to note the Governance report.

42. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

42.1 The Board considered an update on employer engagement activities and communication tasks that directly affect the East Sussex Pension Fund introduced by George Norval (GN); activities have included website improvements and branding revisions to written communications to members.

42.2 Stephanie Fernando (SF) drew the Board's attention to the following:

- 1) Late payments were received from the same payroll officer in July and therefore training was provided.
- 2) The Employer Engagement team are preparing to roll out a 3-part member training series. This will consist of:

1. Introduction to LGPS
2. Your Pension MOT
3. Preparing for Retirement.

Training sessions will be offered 3 times a year to all employers for their active members from January 2025, pre-recorded training will be recorded.

- 3) In response to questions from the Board, officers confirmed that the team are focusing on the best approach and engagement and can be flexible with employers on the delivery to maximise employee attendance.
- 4) ZO asked if the courses were aimed at those close to retirement or for general information and officers confirmed that the first two are particularly relevant to all employees whilst the final session is more focused on those approaching retirement, employees do not need to attend all the sessions and can decide which would be most appropriate.
- 5) The Employer Forum will be held on 28 November and will be a virtual event. Next year the event will be in person following the March 2025 valuation. 37 Employers confirmed; another invite will go out ahead of the event and Board members will be invited.

42.3 Paul Lindfield drew the Board's attention to the following:

- 6) The annual pensioner newsletter was issued in late September 2024. This edition reminded members about forthcoming changes to member self-service, where to go with tax queries, power of attorney and a host of other topics aimed at keeping members informed. Also included were non-LGPS related articles on Pension Credit and health in retirement.
- 7) An employer newsletter also went out; the website continues to be updated with relevant and engaging information for members and employers.
- 8) The ESPF website had a new back end installed, by the host Heywoods, in mid-October 2024 which gives officers more information and they are reviewing the most recent website analytics data to understand specific searches by member demographic. This upgrade should result in improved performance, enhanced security, an improved content management experience and easier upgrades and maintenance. Officers have begun to

review the most recent website analytics data to understand user journeys around the website, document downloads and page views etc.

- 9) The Fund is due to issue the 2024 Member Survey by the end of the year. There will be a version for active and deferred members and one for pensioners. For the 2024 survey we will be able to analyse results by age group, which will provide us with data we haven't had access to in the past. Going forwards we expect to change the frequency of issue so that members don't end up with survey fatigue.
- 10) Member self-service website has gone live and it has gone reasonably well, however officers hope that there will be an increase in the number of members registering. The Fund will continue to promote MSS directly and will be looking to enlist the support of employers in helping to push the facilities. There has not been a reduction in website traffic and the Board noted that members do not necessarily have a need to visit the site very often.
- 11) Trevor Redmond (TR) asked if officers are working with the Trade Union officers to join up communications on this and officers confirmed that they would welcome this and have worked with the unions to contact ESCC staff about the self-service site.

42.4 The Board RESOLVED to note the report.

43. PENSIONS ADMINISTRATION REPORT

43.1 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:

Projects

- 1) McCloud: officers have imported the data into the system for active members which has driven up the numbers of queries however officers are confident they can be resolved in bulk. BHCC data has been received and significant progress is being made in processing this.
- 2) Pensions Dashboard: officers good plans in place with Heywoods to work with them to onboard to the dashboard, more information will come to Board next year. The allocated LGPS onboard date is October 2025.
- 3) Mortality checks: work has been very effective with only suspended 6 pensions.
- 4) Annual Allowance: everything was completed on time, with only one individual liable for extra tax.
- 5) Much of the PAT printing and postage services were switched from CFH Docmail Ltd to in-house on 1 September 2023. The remainder of the printing and postage have now migrated from 1 September 2024.

Helpdesk

- 6) The Fund aims to achieve a gold standard service provision for the Pensions Helpdesk and the results are included in Appendix 5. From April 2024 the Helpdesk has been delivered by an in-house team within PAT. Due to the transition into an in-house team the reportable information relating to service delivery has reduced. The roll out of the telephony upgrade is awaited and then new statistics will be available to the Board.

KPIs

- 7) The volume numbers of tasks received are extraordinarily high compared to the historical position and are unsustainable. There are several factors impacting this which includes:
- The change of approach to monthly data collection allows us to receive member leaving data much quicker and we are finding that late pay (e.g. overtime/holiday pay) is resulting in recalculation.
 - Most of the i-Connect employer receive late annual pay awards and these are resulting in thousands of recalculations for all types of leavers.
 - BHCC data has been received in bulk for the last two years; felt this impact during quarter 3.
 - The move to digitalisation resulted in thousands of pensioners wanting to retain paper communications.
 - The switch to the upgraded Member Self Service portal has in July resulted in thousands of support calls and password resets.
- 8) The Pensions Administration Team is fully resourced and includes interim support for the BHCC work, now supplemented by a small number of robots, are working tirelessly to try to keep up with a growing backlog.
- 9) To aid visibility of the work being undertaken by the PAT team Appendix 4 provides a high-level view of performance achieved (as presented to Board/Committee) over a number of years.

43.2 TR asked whether employees on higher tax rate are making enquiries about accessing their pensions earlier or in part due to the changes in staffing models within Local Authorities. Officers confirmed that there has been some increased redundancy activity and whilst it is more complex work it is not having an impact yet. However, pay negotiations take a long time to finalise and this can result in changes being required for calculations.

43.3 The Board welcomed the detailed information and officers' commitment to remaining transparent however members expressed the view that the numbers should not be viewed as a drop in performance as the hard work of officers is recognised and would like to reflect this view to Committee.

43.4 The Board RESOLVED to note the report.

44. EAST SUSSEX PENSION FUND QUARTERLY BUDGET REPORT

44.1 The Board considered the Quarterly Budget report presented by Russell Wood (RW) and noted the following points:

- 1) The budget requirements for 2024/25 were set at £4.561m (£4.463m 2023/24 excluding manager fees) to support the Business Plan activities and administration of the Fund. The forecast outturn at the second quarter of 2024/25 is £4.400m, a decrease of £0.161m from the approved budget. This decrease is mainly due to some provisions that were budgeted for but are not now needed.
- 2) Regarding the Investment consultant costs; procurement is currently taking place with a new contract due to start in February 2025, therefore a contingency of £50,000 was added to the budget as the cost for this new contract is unknown. Due to restricted investment activity taking place after the strategy day and pending the outcome of the procurement, it has been assessed that it is unlikely for this to be needed and a general

reduction due to reduced activity has resulted in a £68,000 reduction. There was also a piece of work around scenario analysis which was initially budgeted for at £25,000 but this will not take place this year bringing the forecast down by a total of £93,000.

- 3) When the budget was set there were a few items from the East Sussex County Council recharge that were included within the overheads line that should have been included in other areas of the budget. The Fund are now able to identify these costs more clearly and to record them against the appropriate expenditure line. £57,000 has been moved to administration operational support services and £35,000 to improvement projects. After offsetting these line variances there is a £65,000 reduction to expected overhead costs. This due to the budget being set at a 15.7% overhead recharge rate, compared to the actual overhead recharge rate being 14.4%. Overheads are calculated based on a percentage of the Fund's staffing costs.
- 4) The Board noted that investment management fees have been removed from the budget as these cannot be effectively budgeted for.

44.2 The Board RESOLVED to note the report.

45. ANNUAL REPORT AND ACCOUNTS REPORT

45.1 The Board considered the draft Annual Report presented by Ian Gutsell (IG) and noted the following points:

- 1) The Board considered the draft report and draft opinion from Grant Thornton which is positive, noting that there was some missing data in the annual report which will be updated and compiled for the Pension Committee meeting. The Audit Committee will receive the final audit report at their meeting of 22 November 2024. The auditors are nearing completion of their audit and subject to outstanding queries being resolved, it is anticipated the Fund will be issued with an unqualified audit opinion.
- 2) 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 financial 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 in draft form at its meeting on 21 November 2024.
- 3) NS queried the volume of information on responsible investment and the lack of clarity of the purpose of providing that information within the annual report. Officers advised that the report is written to comply with the TCFD guidance and the Fund has made a commitment to include this reporting as part of the responsible investment policy. Officers will consider how to make the report more readable whilst ensuring it complies with all the required regulation.

45.2 The Board RESOLVED to note the report and the audit.

46. ANNUAL TRAINING PLAN

46.1 The Board received an update report on training needs, opportunities undertaken and planned events, introduced by Paul Lindfield (PL), and noted the following points:

- 1) In August 2024, members of the Pension Board and Pension Committee were invited to complete a self-assessment which tested their knowledge and understanding of pension matters, based on guidance provided by CIPFA and the Pensions Regulator.
- 2) It is challenging to compare year on year data as there have been changes to the Board membership however some areas of training requirements were identified.
- 3) As at 14 October 2024 responses have been received from five of the six Pension Board members plus the independent Chair and three of the five Pension Committee members.
- 4) The survey highlighted an increase in knowledge across the Board and that training was viewed positively.
- 5) All the planned training for the year was delivered with just one outstanding course which will be completed in December.
- 6) Board members who have joined more recently will be given access to the Pensions Technical website.

46.2 The Pension Board RESOLVED to note the report.

47. PENSION FUND RISK REGISTER

47.1 The Board considered the risk register presented by GN.

47.2 The Board considered the following risks:

- 1) Risk G1 – since the last meeting, the Fund has successfully recruited GN as Interim Deputy Head of Pensions (Dep Hop) mid-September, and since he joined, Susan Greenwood (SG) joined as Dep. Hop (permanent) on Monday, 4 November 2024. It was noted that whilst these developments could have potentially reduced the key person risk, the risk score has, for now, been maintained at its current elevated level due to the recent resignation of the Head of Pensions. Both GN and SG are experienced pensions professionals and once settled in, the risk will be reviewed.
- 2) Risk G3 - At the Pension Committee meeting on 25 September 2024 two questions were raised around risk G3 - Cyber Security. These were whether system back-ups were immutable and assessment of third-party provider backs up. The other question was relating to legacy systems being decommissioned, as it had been highlighted as a serious issue to other organisations. The Fund can confirm that the legacy Pensions Administration systems have been fully decommissioned. The Fund are in liaison with the Information Security team on the query about back-ups and will continue to assess the risk. At this time the risk has not been amended.

47.3 The Board noted that there will be a more formal review of the Risk Register in the New Year by a sub-group and they will consider the risk register in its totality.

47.4 The Board requested an extended item on the Risk Register at a future meeting.

47.5 The Board RESOLVED to note the report.

48. WORK PROGRAMME

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

- 1) The 13 Feb meeting will receive the draft external audit plan which will also go to Committee.
- 2) Working groups will need to be reviewed when SK departs seeing that she is currently a member of these. Consideration will need to be given to who will replace her on the Working Groups should there be a requirement for this.
- 3) The Board might want to give some consideration to ESG and investment training next year in the light of comments/discussions during the meeting.
- 4) Officers will review the Ill health insurance arrangement and will update the Board accordingly, recognising the needs of smaller employers will be different from the larger ones.

48.2 The Board RESOLVED to note the work programme.

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

50. EXCLUSION OF THE PUBLIC AND PRESS

50.1 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).

51. GOVERNANCE REPORT - EXEMPT

51.1 The Board considered the Exempt Governance report.

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

51.3 The Board RESOLVED to note the report.

52. PENSION FUND BREACHES LOG

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

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

52.3 The Board RESOLVED to note the report.

53. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

53.1 The Board considered a report providing an update on the latest admissions and cessations of employers within the Fund.

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

53.3 The Board RESOLVED to note the report.

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

54.1 There were no urgent items.