

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 21 November 2024.

PRESENT Councillors Gerard Fox (Chair) Councillors Ian Hollidge,
Paul Redstone, David Tutt and Georgia Taylor

ALSO PRESENT

Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Susan Greenwood, Deputy Head of Pensions
George Norval, Interim Deputy Head of Pensions
Russell Wood, Pensions Manager: Investment and Accounting
Andrew Singh, ISIO
William Bourne, Independent Adviser
Paul Punter, Head of Pensions Administration
Paul Linfield, Pensions Communications Manager
Mya Khine, Pensions Accountant
Dave Kellond, Compliance and Local Improvement Partner
James Sweeney, Pensions Investment Officer
Steph Fernando, Pensions Employer Engagement Officer
Bekki Freeman, Solicitor
Neil Simpson, Pension Board
Cllr Andrew Wilson, Pension Board
Trevor Redmond, Pension Board
Georgina Seligmann, Governance and Democracy Manager

39. MINUTES OF THE MEETING OF 25 SEPTEMBER 2024

39.1 The Committee RESOLVED to agree the minutes of the meeting held on 25 September 2024 as a correct record.

39.2 Willaim Boyd clarified that the comments he made at the conclusion of the discussion of the Divestment motions were on the basis of fact; the Fund's investment decisions taken 3.5 years ago have resulted in the Fund making less of a return than if it had not made any changes to its strategy at that time. The decision was not necessarily wrong, but the timing could have been managed more effectively.

40. APOLOGIES FOR ABSENCE

40.1 None were received from the Committee.

40.2 The Chair of the Committee thanked Sian Kunert for all her hard work and highlighted the number of awards achieved under her management and the success the Fund has achieved under her managed.

41. DISCLOSURE OF INTERESTS

41.1 Councillor Tutt and Councillor Taylor declared a personal interest in respect of the Chair of the Pension Board's referral to the Regulator which is set out in the exempt Governance report.

42. URGENT ITEMS

42.1 There were no urgent items.

43. PENSION BOARD MINUTES

43.1 The Committee RESOLVED to note the minutes of the Pension Board meeting held on 7 November 2024.

44. GOVERNANCE REPORT

44.1 The Board considered a report providing an update on various governance workstreams completed and changes affecting the LGPS and the ESPF introduced by Sian Kunert (SK) who drew the Committee's attention to the following:

- 1) Following the Mansion House speech of 14 November officers were able to confirm that a consultation was announced on 15 November with significant detail provided.
- 2) With regards to the LGPS the Government will legislate to consolidate the LGPS administering Authorities into 8 pools which was expected. Four key documents were provided with the consultation: the investment review interim report, a defined contribution consultation and an LGPS consultation and a paper on investment in the UK economy.
- 3) The LGPS consultation covers: reforming the asset pools, strengthening governance and boosting investment in regional areas. There would be a requirement that the LGPS administering authorities fully delegate implementation of investment strategies to the pool and take principle strategic advice from the Pool. All of the Pools would have to be FCA regulated (5 of 8 currently) and the administering authorities would be required to transfer legacy assets to the management of the Pools.
- 4) An indicative timeframe to move to that model is by March 2026 which is a very short timeframe particularly for non FCA regulated Pools. ACCESS is not FCA regulated so it would be challenging for them to meet the proposed deadline.
- 5) In relation to boosting LGPS regional investment in the UK, the Committee would be required to include a target range of allocations to regional growth plans as part of the investment strategy. The Pool would be responsible for the due diligence of any local investment opportunity but the Committee would decide the target range of the investment. The expectation is that the investment opportunities would be within the Pool's region and the Committee would have to set out the Fund's local investment impact within its annual report.
- 6) In relation to strengthening governance the information set out was as expected and there are no significant concerns at this time and no material changes would be required as the strategies and policies required are already in place, although a few of these would instead be consolidated into a single policy document. The Fund is in a very good

position to respond. An independent two-yearly review would be undertaken to ensure that good governance practices are in place.

- 7) The Pool board would be required to include a representative of their shareholders and improve transparency; at present ACCESS is not structured as a standalone built company and does not have a Board.
- 8) The deadline to respond to the consultation is 16 January 2025 which is before the next Committee meeting and therefore delegated authority to the Chief Finance Officer to submit a return on the Committee's behalf is sought.
- 9) The asset pools have been asked to work with the administering authority clients to submit a separate proposal for how they will meet the compliance requirements and complete the transfer of legacy assets by March 2026. This response is required by 1 March 2025.
- 10) Merging pools is encouraged but not a requirement within the consultation however each pool would have to set out why a merger would not be more cost effective and set out the corresponding analysis. There is nothing to suggest at the moment that ESPF would cease to exist in its current form and the existing team structure is not expected to require significant changes.
- 11) The most significant impact would be on the way the Committee currently works, in that the Committee would only be responsible for agreeing a very high-level strategic asset allocation alongside their Investment objectives and risk parameters. The Committee will no longer be able to decide which managers or available sub-funds to invest in.
- 12) The Committee will continue with its agreed investment strategy and continue to be active stewards of the Fund through the consultation process and until there is certainty of change of responsibilities through the introduction of statutory guidance or legislation.
- 13) The consultation documents will be shared with the Committee following the meeting.
- 14) The consultation acknowledges that savings and efficiencies have been achieved but that non-FCA regulated external companies lack the in-house expertise, capacity and resilience to provide services on a non-profit basis.
- 15) In relation to investment in the UK the consultation does not specify a compulsion to invest a set percentage in UK investments; this may be due to the extent of the research carried out by Government leading into the Pensions review through roundtables and calls for evidence ahead of the consultation which will have highlighted that the LGPS funds have significant exposure to UK investments.
- 16) Officers advised that there could be potential savings which will be made by the Fund as investment consultancy contracts will be different, the independent advisor role will change and costs relating to investment advice; whilst noting that internal staffing costs are unlikely to be impacted as the work carried out internally relates to the administration governance and financial controls of the Fund, not in implementing investment strategy. Pooling has focused on reducing costs and manager fees have been successfully brought down over the last 8-9 years, so many savings have already been realised. There would be costs involved to form the pools and transfer legacy assets however the returns generated at the end point would be advantageous.
- 17) Regarding the changes to inheritance tax relating to death grants, officers confirmed that there is a consultation planned which the Fund will respond to. Officers will communicate with members appropriately closer to the time, but this is not expected within the next 12

months. It would require a change in process if it becomes law and the Fund will await details on implementation and requirements. These changes could result in time delays in settling estates and issuing benefits.

- 18) The Committee noted that not all assets are best pooled and that there are good opportunities within UK investment, but they can be limited in terms of capacity. The Fund's duty to members will remain so any investments must be in that context, and this could create issues in future. Advisors agreed that due diligence for these investments could be challenging, and the work required often does not match the scale of investment.

44.2 The Committee RESOLVED to:

- 1) Note the report; and
- 2) Delegate authority to the Chief Finance Officer to submit a return to the Local Governance Pension Scheme consultation on behalf of the Fund in consultation with the Chair of the Pension Committee.

45. PENSIONS ADMINISTRATION REPORT

45.1 The Committee considered a report introduced by Paul Punter who drew the Committee's attention to the following points:

Projects

- 1) McCloud: officers have inputted 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 progress is being made in processing this. Non active member data has been received.
- 2) Take up of Member self-service has been disappointing and increasing registration numbers will be an area of focus for officers throughout 2025.
- 3) Pensions Dashboard: The LGPS are required to connect to the Pensions Dashboard by October 2025 and officers are working closely with Heywoods to ensure this is achieved. More information and a training session will be provided to the Board/Committee next year.
- 4) Mortality checks for 600 overseas pensioners is complete with only six pensioners having their pension suspended.
- 5) 23/24 Annual Allowance: Everything was completed on time, with only one individual liable for extra tax.

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 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 Committee.

KPIs

- 7) The volume of tasks received are extraordinarily high compared to the historical position and the KPI's are below the level that officers would wish to achieve. There are several factors impacting this which includes:

- The change of approach to monthly data collection allows PAT to receive member leaving data much quicker and we are finding that late pay (e.g. overtime/holiday pay) is resulting in recalculation of pension entitlement
- Most of the i-Connect employers have been giving late annual pay awards and these are resulting in thousands of recalculations for all types of leavers. Previously employers did not provide this.

8) BHCC data has been received in bulk for the last two years; the result is thousands of member movements being requested at once rather than being spread over the year. The Pensions Administration Team is fully resourced and includes interim support for the BHCC work, now supplemented by a small number of robotic routines. PAT are working tirelessly to try to keep up with a growing backlog. There have been historical issues with PAT not properly pausing tasks when data/information is required from third parties. Human errors still occur but are much diminished.

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. Officers will consider what KPI reporting targets should look like in future in Spring once the BHCC data issues are resolved.

45.2 Officers were reassured that members are not raising complaints or concerns about service or timely responses but agreed that some consideration may be needed in terms of quality measures in the New Year. Officers confirmed that resource levels are appropriate and that whilst the Pension Dashboard will mean that there will be some extra work generated, some tasks will be better spread out in future and will be more manageable as a result.

45.3 The Committee agreed that it would be beneficial for the issues with the BHCC data to be resolved, the progress of which will be reported to the Pensions Administration working group, before taking a view on the levels at which the KPIs are set and agreed with the view of the Pension Board that they do not consider that there has been a drop in performance and recognised the work completed by officers and the improved reporting.

45.4 The Committee RESOLVED to note the report.

46. QUARTERLY BUDGET REPORT

46.1 The Committee considered the Quarterly Budget report for the East Sussex Pension Committee.

46.2 The Committee RESOLVED to note the report.

47. ANNUAL REPORT AND ACCOUNTS

47.1 The Committee considered the draft Annual Report presented by Russell Wood (RW) and noted the following points:

- 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 which also contains financials statements in respect of the Pension Fund. Authorities are required to publish the annual report by 1 December. The format has changed slightly following guidance issued in March 2024.

- 2) The Committee considered the draft report and draft opinion from Grant Thornton which is positive. 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. There was a small change which was non-material on level 3 investments which was a result of a timing difference in what is in the accounts and the information of what the auditors can see.
- 3) The Committee queried the note on page 26 of the Annual report for Pension Overpayments. Officers confirmed that the note advising of the mortality screening gap related to a decision made at the time of transitioning Pensions Administration in-house.

47.2 The Committee RESOLVED to:

- 1) Approve the Pension Fund Accounts 2023/24;
- 2) Approve the publication of the draft Pension Fund Annual Report and Accounts 2023/24 prior to the deadline of 1 December 2024; and
- 3) Note the East Sussex Pension Fund Audit Findings Report provided by Grant Thornton.

48. ANNUAL TRAINING PLAN

48.1 The Committee considered a report on the annual training plan introduced by Paul Linfield (PL) who highlighted the following points:

- 1) The self-assessment responses indicated improvement in knowledge and understanding for Board and Committee members.
- 2) Officers conducted an anonymous survey which requested training feedback from Board and Committee Members. Seven out of twelve members responded; the training provided has been positively received and officers are keen to continue to improve this and would therefore welcome candid feedback.
- 3) The Committee noted the training planned for the year ahead and that officers can facilitate individual training requests as required.

The Pension Committee RESOLVED to:

- 1) Note the outcome of the self-assessment knowledge and skills survey;
- 2) Note the training made available in the past year;
- 3) Note the type of events planned for the year ahead; and
- 4) Identify areas Committee members would like training on as a priority

49. RISK REGISTER

49.1 The Committee considered a report on the East Sussex Pension Fund Risk Register.

49.2 The Committee RESOLVED to note the Pension Fund Risk Register.

50. INVESTMENT REPORT

50.1 The Committee considered a report introduced by Russell Wood and Andrew Singh who drew the Committees attention to the following points:

- 1) The investment work plan is likely change following the consultation announcement.
- 2) As at 30 September 2024 East Sussex had a total of £3.0bn (59.6%) in ACCESS governed investments, £2.1bn across 7 ACS sub-funds and a further £0.6bn through the UBS passive arrangement along with £0.3bn in a pool aligned infrastructure investment.
- 3) Global equities ended the quarter strongly, despite experiencing a sell-off in August 2024 driven by weak US jobs data and an unanticipated interest rate rise in Japan. Central bank rhetoric quickly eased concerns, with the US recovering strongly. Emerging Markets were buoyed by Chinese stimulus measures announced in September 2024 to reverse the region's recent slowdown.
- 4) Fixed income markets benefitted from central banks beginning to cut interest rates, with risk-on sentiment further benefitting valuations as credit spreads marginally tightened.
- 5) UK gilt yields fell over the period amid hopes of economic growth and stability under the new Labour government, coupled with the expectation of further near-term rate cuts. However, the most recent inflation figures released on 20 November 2024 were slightly higher than expected and therefore interest rates may not drop at the previously predicted pace.
- 6) The US election had a muted effect on the markets, though the US market reacted positively, and WHEB was impacted by concerns around the result.
- 7) Most of the public equity managers posted positive absolute and relative returns with Wellington performing the strongest, whilst WHEB produced negative absolute and relative performance over the quarter, continuing their current underperformance. Baillie Gifford also performed better than previously.
- 8) The private equity mandates have continued to struggle relative to their benchmarks over the last 12 months, with Adams Street the standout detractor.
- 9) The infrastructure mandates have returned relatively negative performance over the quarter with UBS's performance the standout detractor. Of the managers that have been in place for the longer term, M&G infrastructure and UBS infrastructure have most significantly underperformed benchmark.

ACCESS

- 10) The Fund's Property assets transitioned to the pool's selected investment manager on 1 October 2024 and will eventually be transitioned to direct property holdings in the pool over a number of years.
- 11) The Fund is working with the pool on Private Credit and other asset classes to increase the investments that are pooled across more illiquid asset classes and more will be known after the next Access meeting.
- 12) Officers confirmed that ACCESS has its own Responsible Investment guidelines which managers have to vote in line with. Most of the Fund's votable assets are pooled so managers have to comply or explain with the ACCESS guidelines. A revised voting policy was agreed in September 2024 at ACCESS which contains much more detail than the previous version. It is expected to be implemented by investment managers by

end of January 2025 and will be specific to wider ESG focuses.

50.2 Officers noted that the Committee considered there to be an emerging challenge on the balance between Fund income and expenditure resulting in a need to explore increasing investments in cash generating assets; a report setting out some options will be brought to the February 2025 meeting if possible, subject to the impact of the pensions review consultation and investment consultant procurement.

50.3 In regards to the Carbon foot printing information the Committee noted that it is produced as part of the annual report and is now benchmarked to the MSCI all World index. There is some scenario analysis within the Northern Trust report and officers are working through this to better understand the data and results.

50.4 The Committee discussed the analysis provided by ISIO following the questions raised in the debate about divestment at the September 2024 meeting. The independent advisor confirmed that their view was that the strategy agreed previously was correct, but that the timing and pace of the investments could have been better. The Committee agreed that the Fund is appropriately diversified and that different asset classes will perform and underperform.

50.5 The Committee noted that Officers will provide information following the new SAB Counsel Opinion on the legal implications associated with investment in occupied territories.

50.6 The Committee RESOLVED to note the investment report.

51. WORK PROGRAMME

51.1 The Committee considered its work programme, introduced by Sian Kunnert, and noted the following points:

- 1) There will be work around the triennial valuation and a range of training on this.
- 2) The Fit for the Future Consultation response will be the focus for the next few months with appropriate actions required along with a possible need to reframe the strategy.
- 3) The Pension Board has requested a review of the risk register and this will take place in 2025.

51.2 The Committee RESOLVED to agree the work programme.

52. EXCLUSION OF THE PUBLIC AND PRESS

The Committee RESOLVE 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 Schedule 12a 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).

53. INVESTMENT REPORT - EXEMPT INFORMATION

53.1 The Committee considered the exempt Investment report.

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

53.3 The Committee REOLVED to agree the recommendation set out in the exempt report.

54. BREACHES LOG - EXEMPT INFORMATION

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

54.2 A Summary of the discussion is set out in the exempt minute.

54.3 The Committee RESOLVED to:

- 1) Note the breaches of law and steps being taken;
- 2) Note the new IDRP complaint raised in the relevant period; and
- 3) Note the update on cases being considered by The Pensions Ombudsman.

55. EMPLOYER ADMISSIONS AND CESSATIONS - EXEMPT INFORMATION

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

55.2 The Committee RESOLVED to:

- 1) Note the ongoing proceedings for the admission of admitted bodies to the Fund;
- 2) note the ongoing proceedings for the cessation of employers from the Fund; and
- 3) Agree the recommendations within the exempt report.

56. GOVERNANCE REPORT - EXEMPT INFORMATION

56.1 Committee considered the exempt risk register.

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

56.3 The Committee REOLVED to agree the recommendations within the exempt report.

The meeting ended at 13.29

Councillor Gerard Fox (Chair)