

PENSION BOARD

MINUTES of a meeting of the Pension Board held at Council Chamber, County Hall, Lewes on 13 February 2025.

PRESENT Board Members; Ray Martin (Chair) and Neil Simpson, Nigel Manvell and Cllr Andrew Wilson.

Susan Greenwood, Interim Head of Pensions
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
Mya Kyne, Pensions Accountant
Danny Simpson, Principal Auditor
Georgina Seligmann, Governance and Democracy Manager
Cllr Paul Redstone
Cllr Gerard Fox
Cllr Nick Bennett

55. MINUTES OF THE MEETING OF 7 NOVEMBER 2024

55.1 The Board agreed the minutes of the previous meeting held on 7 November 2024 as a correct record.

56. APOLOGIES FOR ABSENCE

56.1 Apologies were received from Zoe O'Sullivan and Lynda Hughes.

56.2 Cllr Andrew Wilson was appointed as Vice-Chair for the meeting.

56.3 The Chair thanked Nigel Manvell for his tenure on the Pension Board.

57. DISCLOSURE OF INTERESTS

57.1 There were no disclosures of interest.

58. URGENT ITEMS

58.1 There were no urgent items.

59. PENSION COMMITTEE AGENDA

59.1 The Board considered a report containing the draft agenda for the Pension Committee meeting due to be held on 27 February 2025 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 Joint Access Committee meeting of 12 February regarding the Pension Reform Agenda.

59.2 The Board RESOLVED to note the agenda.

60. PENSION REFORM AGENDA

60.1 The Board considered a report on the Pension Reform Agenda introduced by Susan Greenwood (SG) who drew the Board's attention to the following points:

- 1) Further to the announcement of a pensions' review in July 2024, the Chancellor announced in her Mansion House speech on 14th November 2024 that the government would launch a consultation to ensure that the LGPS was "Fit for the Future" with a view to accelerating pooling of assets by March 2026 and supporting the Chancellor's aims of accelerating growth and investment in the UK.
- 2) The consultation has thirty questions and is focussed on three key areas:
 - Reforming the LGPS asset pools: with a single model, whereby LGPS Administering Authorities (AAs) will delegate investment strategy implementation to the pool; Financial Conduct Authority (FCA) registration of pools;
 - Boosting LGPS investment in their localities and regions in the UK: by having a target allocation to local investment that supports local economic priorities; working with local authorities.
 - Strengthening the governance of both AAs and LGPS pools: building on the 2021 Good Governance review.
- 3) The Fund has prepared an extensive response to this lengthy consultation as set out in Appendix 2 of the report.
- 4) Officers have undertaken extensive work on this and the report sets out the key areas of governance reform and the assessments of where the Fund currently complies.
- 5) Changes will be required to strategies and policies however the detail of this is not yet known.
- 6) The Board discussed whether the governance arrangements for the Fund would change and officers confirmed that the scheme will still exist and that all the responsibilities for the administration of the Fund will remain but confirmed that the investment responsibilities will change.
- 7) These changes are not expected to impact on the valuation of the Fund this year.
- 8) The Board discussed potential risks to the Fund and noted that an independent assessment of the pools will be important and it is not yet clear on how the relationship

between the investment funds and the pools will work however the significant risk will be how the pool is directed to invest from central government.

36.1.

- 9) The Chair suggested that if the proposals went ahead as planned the roles of the Pension Board and Pension Committee would almost entirely overlap and, if that were the to be the case, the Officers might want to consider joint meetings going forward to avoid overlap and repetition.

60.2 The Board RESOLVED to note the report.

61. GOVERNANCE REPORT

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

Legal and regulatory changes

- 1) The Education and Skills Funding Agency published a policy paper in November 2024 announcing that they will guarantee outstanding LGPS liabilities when a further education body closes, in line with the existing guarantee in place for academies. As a result, the Fund may consider whether the funding approach for the employers to whom the guarantee has now been extended should be revised.
- 2) This will strengthen the covenant in the Fund for those employers identified as being affected. The Fund will communicate with those employers and review the implications of these changes.
- 3) The Scheme Advisory Board recently sought an update to Counsel's opinion on fiduciary duty, having last done so in 2014.
- 4) In January the Scheme Advisory Board published the updated opinion of Nigel Giffin KC. This is intended as a review and update of the opinion given in 2014 and it considered financial and non-financial matters.
- 5) It is the intention that from April 2027 most unused pension funds and death benefits will be included within the value of a person's estate for Inheritance Tax purposes and pension scheme administrators will become liable for reporting and paying any Inheritance Tax due on pensions to HMRC. In the context of the Local Government Pension Scheme this will mean that any death grant payable would always fall within the estate of the deceased member for inheritance tax purposes, and as a result scheme administrators will be responsible for reporting and paying any inheritance tax due.
- 6) A consultation seeking views on the processes required to implement these changes closed on 22 January 2025. The response only addressed the process for implementing the changes, and not the issue of the change itself as that was not within the focus of the consultation.
- 7) The response provided to the consultation makes clear the view that accounting for and paying of inheritance tax, should be the responsibility of the personal representative and

not be that of the pension scheme administrator and the Funds responses appear to be consistent with that of the National Pension Officer Group and other LGPS funds.

Funding

- 8) The Fund Actuary has prepared the indicative quarterly funding update as at 31 December 2024, rolling forward assumptions from the valuation and reflecting actual experience since March 2022, included as Appendix 5. The indicative funding report shows the funding position increase from 120% in June 2024 to 122.4% in December 2024. This does however, represent a minor decrease from the position in March 2022 of 122.8%.

61.2 The Board RESOLVED to note the Governance report.

62. EMPLOYER ENGAGEMENT AND COMMUNICATIONS REPORT

62.1 The Board considered an update on employer engagement activities and communication tasks that directly affect the East Sussex Pension Fund introduced by Paul Linfield (LN) and Matt Hunt (MH); activities have included website improvements and branding revisions to written communications to members.

62.2 MH drew the Board's attention to the following:

- 1) From February 2024 until December 2024 there have been 34 late payments of contributions out of 1634 expected payments. The numbers were relatively constant until July when there was a slight uptick however officers do not consider this to be indicative of a wider trend.

62.3 PL drew the Board's attention to the following:

Training

- 2) The Employer Engagement team have commenced the 3-part member level training series and the first session was delivered virtually on 13 January 2025 with 106 attendees.
- 3) The courses were very well received with 42% of members felt their knowledge had significantly improved as a result of the courses. Officers will work through the feedback in order to adjust the courses as required.
- 4) Officers will follow up on the attendance rates with the Corporate Training team and will provide specific data on how much District and Borough members attended.

Member Survey

- 5) The Fund issued two member surveys in December and officers have begun the analysis of results and will put together a summary for members together with an action plan.
- 6) The results of the survey were very positive and a summary for members has been provided on the website along with actions such making communications in plain English and ensuring that content is aligned with what members want to see.

Website

- 7) The website continues to be updated with relevant and engaging information for members and employers. In early January 2025, an annual refresh/deletion/tweak to pages was undertaken. In addition all elements of the Employer Toolkit were checked and amended as appropriate to reflect current practices/updated links etc. The newly provided website analytics will be used to better target members.

Member self-service

- 8) 41% of active members are registered and 50% of pensioners are registered with the self-service. Officers will continue to promote this via employers and the next communications plan will consider ways to increase traffic to the site.

62.4 The Board RESOLVED to note the report.

63. PENSIONS ADMINISTRATION REPORT

63.1 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) The volume numbers of tasks received are extraordinarily high compared to the historical position and are unsustainable. 82% for Q4 so below what officers are aiming for however the table in Appendix 1 of the report demonstrates that performance has improved over the quarter as the workload has decreased through clearing the backlog which is encouraging. Further, death and retirement requests were processed on time which is key.
- 2) The Admin Working Group met on 02/12/24 and went through the October 24 Admin Performance in detail. Full explanations were provided about the cases with the longest number of days taken and where the average number of days were high. The attendees were appropriately reassured the data was accurate and being reported correctly and most importantly that the PAT were working tirelessly and effectively to clear the backlog and improve the reported team performance. The impact of uneven spikes in post received (like following the issue of ABS) were much better understood. November and December KPIs demonstrated a significant improvement and the Admin Working Group will look at the detail of this at their next meeting.
- 3) January saw further improvement however poorer numbers are anticipated in February and March due to the pressures on resources at BHCC and the mid-year bulk file from BHCC in addition to their officers catching up on their backlog of work which has generated new queries. The January file was run in February and overall went well which is very positive and indicates that the BHCC files can run in same way that other employers do.
- 4) The Chair congratulated the PAT on improving performance and, whilst not yet fully in line with targets indicated the Board's support and acknowledged the improved reporting.

Helpdesk

- 5) The Fund aims to achieve a gold standard service provision for the Pensions Helpdesk. The team is working effectively, and members of the Helpdesk are taking on more work from the administration team. The Chair appreciated that the work desk report was now down to one page and was pleased that the team had remained stable and was now able to take on more tasks.
- 6) Deferred benefits queries are often the tasks which take the longest to complete as tasks relating to death and retirement are prioritised and the numbers of tasks can change once the work has been analysed depending on the complexity of the work. A robot is in place now to do much of the work once the analysis is done which should accelerate the process.

Staff

- 7) Since the last meeting there has been one resignation and a staff member will be beginning maternity leave so some redeployment of staff required.

Projects

- 8) Pensions Dashboard: Officers continue to focus on getting the data ready using a Heywood Altair Insights dashboard report to identify gaps. Heywood are our Integrated Service Provider, and a project plan has been created, with a two-phase approach pencilled in. Phase one was completed in January. Reconciliation of data from the Fund and Prudential is ongoing to ensure it is consistent. All schemes must onboard by 31 October 2026, but the LGPS formal staging date is 31 October 2025. It is not yet known when the pension dashboards will go live to the public.
- 9) iConnect: Officers had targeted the last 10 employers (who had historically had data issues or been less engaging) to be onboarded by 31 March 2025. All have had their initial meetings and discussions about our specifications and requirements. University of Brighton is almost ready to be onboarded which represents good progress.

Pension software

- 10) A paper on the PAS tender was presented to the Pensions Committee on 21 November 2024 advising Officers had evaluated the LGPS Framework bid and were happy with the quality of the submission. Officers recommended that Heywood Limited would continue to provide a robust and comprehensive service to the Fund and further system enhancements should be taken on as part of a new contract. The Pensions Committee authorized the Chief Finance Officer to complete the appropriate due diligence to award the contract. The award was made on 23 January 2025. The contract will commence on 28 April 2026 for a five-year term, with an option to extend up to 26 April 2034.
- 11) There is no impact on the service from the delayed start of the contract as the agreement is with the existing provider.
- 12) Officers will provide an update on the progress of the overseas mortality checks at the next meeting.

63.2 The Board welcomed the detailed information and officers' commitment to remaining transparent and noted that the increases in work will result in a drop in the KPIs but this does not reflect a drop in performance as the hard work of PAT officers is recognised.

63.3 The Board RESOLVED to note the report.

64. EAST SUSSEX PENSION FUND QUARTERLY BUDGET MONITORING AND 2025/26 BUSINESS PLAN AND BUDGET

64.1 The Board considered the Quarterly Budget report presented by SG and noted the following points:

2024/25 Q3 Forecast Outturn as at 31 December 2024

- 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 third quarter of 2024/25 is £4.314m (£4.400m last quarter), this is a slight decrease from the last projected position of £0.085m and reflects an underspend to the approved budget of £0.247m.
- 2) This decrease is mainly due to staffing costs as there were some new vacancies over the quarter and the pay award was lower than budgeted for which has also decreased the overhead charge as this is based on staff numbers.

The Business Plan and Budget

- 3) Total 2025/26 budget proposed is £4.645m (£4.561m 2024/25) to support the Business Plan activities and administration of the Fund. This represents an increase of £0.084m on the 2024/25 budget. There has been a full review of the costs for 2025/26 and the budget for individual lines have changed. The overall result was a budget which was slightly above the previous years.
- 4) The main movement has been the reprofiling of costs charged by ESCC which took place in the second quarter of 2024/25 between overheads, IT, systems licences costs and admin operational support. This provides a more accurate picture of the costs the Fund is incurring.
- 5) Staff costs have increased by £0.024m. This includes an estimate for a 2.5% pay award, in line with the ESCC budget methodology.
- 6) There is a reduction expected on investment advice of £0.062m due to the outcome of the procurement process being completed and certainty of costs is better known.
- 7) As this is a valuation year considerable work is expected from the Actuary during the year to conclude this activity and based on previous valuation years, officers are anticipating an additional £0.054m of spend this year.
- 8) There is also an anticipation that there will be a lot of work and costs associated with the outcome of the Government's "Fit for the Future" consultation. As the outcome is uncertain at the moment no explicit provision for this has been made in the budget but we have allowed for a potential increase in legal costs that could be associated with documentation reviews.
- 9) The Pension Committee will receive further details about costs at their next meeting as more details become known.

64.2 The Board RESOLVED to note:

- 1) the 2024/25 Q3 forecast financial outturn position; and
- 2) the Business Plan and Budget for 2025/26 set out in Appendix 1 of the report.

65. INTERNAL AUDIT REPORT

65.1 The Board considered the audit report presented by Danny Simpson (DS) and noted the following points:

- 1) The review of Financial Controls was completed as part of the Internal Audit Strategy and Plan for Pensions 2024/25 and provides assurance on the overall effectiveness of controls.
- 2) An opinion of Substantial Assurance over the controls in place was provided.

Annual strategy plan

- 3) 75 days of work planned for 2025/26 as per last year which was agreed in consultation with the chairs.
- 4) Officers will be reviewing the preparedness for the pooling reforms and ensuring that the required pace can be achieved. It was agreed that these pieces of work could be done in parallel towards the end of Q1 and into Q2 whilst noting that the full scope of what is required may not be fully known at Q1.
- 5) The administration of pension benefits will be audited as the volume of work is so significant is so high and it's the key role of the team.
- 6) Cyber security will be considered as part of the audits the team will undertake.

65.2 The Board RESOLVED to note the report.

66. PENSION FUND RISK REGISTER

66.1 The Board considered the risk register presented by George Norval (GN).

66.2 The Board considered the following risks:

- 1) Risk I5 - which focuses on the changes that will be required to Investment Pooling in relation to the "Fit for the Future" government consultation proposals. The risk here is around the government's proposals and/or the arrangements of ACCESS being insufficient for the needs of ESPF, which could cause a reduction in funding level among other negative impacts. Until the proposals are finalised, the risk score is high, although it is mitigated slightly to a moderate risk by ESPF continuing to engage with and shape the proposals.
- 2) Risk G1, key person risk, has also been reduced. The Fund now has in place an Acting Head of Pensions and has extended the contract of the Interim Deputy Head of Pensions, ensuring the continuation of service.

- 3) Risk G3, there is still one outstanding question from the Pension Committee meeting on 25 September 2024 regarding whether system back-ups were immutable and assessment of third-party provider backs up. The Fund are in liaison with Information Security team on the query about back-ups and will continue to assess the risk around Cyber Security. It is anticipated that the Information Security team will provide an update ahead of the Pension Committee meeting date.

Risk Register Workshop

- 4) Officers will be holding a Risk Register workshop towards the end of March via Teams. This will focus on reviewing the Risk Register and adding, removing or amending risks as is deemed necessary. Board members are encouraged to attend.

66.3 The Board RESOLVED to note the report.

67. WORK PROGRAMME

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

- 1) This is a valuation year, and this is reflected in the work programme;
- 2) The June training will now focus on valuation training rather than member induction following the announcement of the postponement of the elections in May;
- 3) It was agreed that Business continuity will be reviewed and then either addressed in the workplan or within the risk register.

67.2 The Board RESOLVED to note the work programme.

68. EXCLUSION OF THE PUBLIC AND PRESS

68.1 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).

69. AVC REVIEW PAPER

69.1 The Board considered the Exempt Additional Voluntary Contributions (AVC) report.

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

69.3 The Board RESOLVED to note the report.

70. GOVERNANCE REPORT (EXEMPT)

70.1 The Board considered the Exempt Governance report.

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

70.3 The Board RESOLVED to agree the recommendations set out in the Exempt minute.

71. EAST SUSSEX PENSION FUND BREACHES LOG

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

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

71.3 The Board RESOLVED to note the report.

72. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

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

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

72.3 The Board RESOLVED to note the report.