



## PENSION COMMITTEE

WEDNESDAY, 19 JUNE 2024

10.00 AM, COUNCIL CHAMBER, COUNTY HALL, LEWES

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

### A G E N D A

1. Minutes (*Pages 3 - 18*)
2. Apologies for absence
3. Disclosure of Interests  
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
4. Urgent items  
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
5. Pension Board Minutes (*Pages 19 - 30*)
6. Governance Report (*Pages 31 - 114*)
7. Report of the Pension Board 2024 (*Pages 115 - 118*)
8. Pensions Administration report (*Pages 119 - 130*)
9. Quarterly budget report (*Pages 131 - 134*)
10. Internal Audit reports (*Pages 135 - 154*)
11. Risk Register (*Pages 155 - 166*)
12. Investment Report (*Pages 167 - 218*)
13. Work programme (*Pages 219 - 236*)
14. Any other non-exempt items previously notified under agenda item 4
15. Exclusion of the public and press  
To consider excluding 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).

16. Investment Report - exempt information (*Pages 237 - 250*)
17. Governance Report - exempt information (*Pages 251 - 272*)
18. Breaches Log (*Pages 273 - 288*)
19. Employer Admissions and Cessations (*Pages 289 - 296*)
20. Any other exempt items previously notified under agenda item 4

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11 June 2024

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NOTE: *As part of the County Council's drive to increase accessibility to its public meetings, this meeting will be broadcast live on its website and the record archived. The live broadcast is accessible at: [www.eastsussex.gov.uk/yourcouncil/webcasts/default](http://www.eastsussex.gov.uk/yourcouncil/webcasts/default)*

## PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 22 February 2024.

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PRESENT	Councillors Gerard Fox (Chair) Councillors Ian Hollidge, Paul Redstone and David Tutt
ALSO PRESENT	Ian Gutsell, Chief Finance Officer Sian Kunert, Head of Pensions Russell Wood, Pensions Manager: Investment and Accounting Andrew Singh, ISIO William Bourne, Independent Adviser Paul Punter, Head of Pensions Administration Michael Burton, Pensions Manager: Governance and Compliance Mya Khine, Pensions Accountant Paul Linfield, Pensions Communications Manager Paula Jenner, Employer Engagement Officer Dave Kellond, Compliance and Local Improvement Partner James Sweeney, Pensions Investment Officer Bekki Freeman, Solicitor Councillor Nick Bennett, online Neil Simpson, Pension Board Georgina Seligmann, Governance and Democracy Manager

### 54. MINUTES

54.1 The Committee RESOLVED to agree the minutes of the meeting held on 16 November 2023 as a correct record noting that William Bourne attended the meeting.

54.2 The Committee discussed the amendments to the divestment report raised at the September meeting and when they could expect a report from officers.

54.3 The Committee noted that the report is in progress, but that sufficient information needs to be provided to members in order to support effective decision making and that officers will bring the report to a future scheduled meeting or to the strategy day in July if it is available at that point.

### 55. APOLOGIES FOR ABSENCE

55.1 None were received, Councillor Taylor was noted as being in attendance remotely.

### 56. DISCLOSURE OF INTERESTS

56.1 There were no interest to disclose.

56.2 Councillor Tutt requested that his membership of the Governance Committee and his role as the Director of the Cyber Centre of Excellence be recorded for transparency purposes in relation to items 7 and 12 of the agenda.

#### 57. URGENT ITEMS

57.1 There were no urgent items.

#### 58. PENSION BOARD MINUTES

58.1 The Committee RESOLVED to note the minutes of the Pension Board meeting held on 06 February 2024.

#### 59. GOVERNANCE REPORT

59.1 The Committee considered an update report on the Governance of the East Sussex Pension Fund, introduced by Michael Burton who drew the Committee's attention to the following:

- 1) There has been an update to the Pension Board membership, Nigel Manvell is now the employer representative for BHCC.
- 2) The General Code of Practice has been issued by the Pensions Regulator and will be applied from 27 March 2024. Officers are reviewing processes to ensure the Fund is compliant with the Code; Officers will highlight any compliance gaps and the actions required and will bring these to the next meeting and will consider whether training is needed at that point or if a working group is required.
- 3) The Economic Activity of Public Bodies (Overseas Matters) Bill is going through parliament which may have a potential impact on decision making for investments as it prevents political, moral decision making for investments.
- 4) The Risk Management policy has had some minor updates but no material changes have been made.

59.2 The Committee thanked officers for the report and noted that Councillor Colin Swansborough is to be the named substitute for the Liberal Democrats' allocated place on the Committee.

59.3 The Pension Committee RESOLVED to:

- 1) Note the report; and
- 2) Approve the Risk Management policy.

#### 60. GOVERNANCE CHANGE REPORT

60.1 The Committee considered a report on the changes to the Constitution following a review of decision-making responsibilities in line with the recommendations of the Scheme Advisory Board "Good Governance Review" introduced by Ian Gutsell (IG).

60.2 The Committee noted the changes proposed to the Debt Write off and the CFO Scheme of delegations and that the COO will still hold responsibility for HR Policy and HR function with



regards to the pension fund officers and that the changes have been made in consultation with the Chairs.

60.2 The Pension Committee RESOLVED to note the following recommended changes to the East Sussex County Council Constitution where it relates to the East Sussex Pension Fund (the Fund):

- 1) Agree the amendment to the write off of debt authorisation process in relation to the Fund; and
  - i) Agree the revisions to the Chief Finance Officer responsibilities in relation to the Fund (showing these separately from the responsibilities for the Council) as laid out in Appendix 1 of the report.
- 2) Recommend the recommended changes to the Governance Committee with the minor amendment from Councillor Tutt to debt write off.

## 61. PENSIONS ADMINISTRATION REPORT

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

### KPIs

- 1) Lower performance figures were expected for the next quarter with various projects requiring resources including GMP rectification, the McCloud judgement changes, i-Connect onboarding and supporting the helpdesk.
- 2) The McCloud data is not complete on the system but the team is making good progress and all data except for 1 active employer is with Heywoods at present.
- 3) Automation of some calculations through robotics will go live soon which will ease the strain on resources.
- 4) PAT performance numbers are 81% which is lower than the target at 95% with the impact of completing the BHCCwork now being felt. It was highlighted the performance data includes a widening of reportable indicators to include aggregations and the volume of work completed by PAT has significantly increased. Performance is not expected to be at target level until the end of the next quarter at earliest.
- 5) 6.7% increase in pension benefits this year will be implemented to benefits in the coming weeks which will impact liabilities.
- 6) The BHCC April 23 i-Connect file went onto the system this week, some work required to assess joiners and leavers.
- 7) A couple of large projects will finish in the next couple of months and at that point should see a positive shift in numbers.

### Helpdesk

- 8) PAT have been helping to cover the helpdesk in the short term (only 2 FTE remaining in the team) as 2 staff members have left, the staff TUPE consultation is ongoing, and the helpdesk will transfer into the East Sussex team from SCC on 1 April 2024. Bank staff are not covered by the TUPE process so are unlikely to accept offers to transfer to East Sussex as like for like pay is less. As a result PAT are recruiting 3 new staff to join the Help Desk. PAT have resolved a huge number of enquiries via email while phone service was prioritised by the helpdesk and matters are now back under control.

## Staff

- 9) Focus on recruitment to fully staff the Helpdesk. Working on recruiting apprenticeships and building up a staff base that way to develop and retain staff effectively. It is very difficult to find experienced pension administrators, particularly with LGPS experience.
- 10) Officers noted the support the board and committee have expressed to the Fund for additional resource to help with the backlog and KPI strains and reassured members that new staff will be onboarded in March and that workloads will be more manageable when some of the transactional work is processed by robotics. Staff will be responsible for checking the automated work.

## Projects

- 11) GMP: expecting data back from Mercers in February 202, some decisions will be required depending on what is received. Such decisions will be taken forward through Pension Administration Working Group. This project has been time consuming and once completed will result in more capacity for the team.
- 12) The Member Self Service (MSS) project has been rescheduled to launch in later in the year, as part of the user acceptance testing the Fund will involve the Trade Union representative on the Pension Board and then pilot the service with ESCC staff.

61.2 Committee members were given assurance that despite the challenges, statutory requirements are being met and will remain the focus.

61.3 The Committee noted and welcomed officer's transparency of the work received and completed during the reported period. It was noted that the team have received an unusually high volume of work which could not be completed within the expected timeframes but that this will improve over the next few months.

61.4 The Committee RESOLVED to note the updates.

## 62. Q3 BUDGET MONITORING REPORT AND 2024/25 BUSINESS PLAN AND BUDGET

62.1 The Committee considered a report on the Quarter 3 forecasted financial outturn of the East Sussex Pension Fund (ESPF) for the 2023/24 financial year and the Draft Budget for 2024/25, introduced by Russell Wood who drew the Board's attention to the following points:

- 1) There was an increase in the current year forecast of £70k due to the Fund Officer costs; the previous figures had not included an amount for the pay award.
- 2) Audit costs have increased significantly to £90k.
- 3) The cost of investment advice for some outstanding areas of work relating to the investment strategy and work plan is not yet known so a higher contingency has been provided for in the budget.

## Draft budget

- 1) Slight increase from the current year of £98k, several assumptions made and the cost of the helpdesk is not known.
- 2) The budget is based on an assumption of being fully staffed and that those who are due an increment will receive one. An assumed pay award of 3% has been included in line with the East Sussex Council budget.

- 3) A number of one-off payments have been removed as they related to last year only but there is sufficient contingency for projects.

62.2 The Committee RESOLVED to:

- 1) Note the report; and
- 2) Approve the Business Plan and Budget for 2024/25 as set out in Appendix 1 of the report.

### 63. INTERNAL AUDIT REPORTS

63.1 The Committee considered the draft Internal Audit strategy for Pensions and annual plan presented by Danny Simpson (DS) and noted the following points:

- 1) The Strategy has been drafted in liaison with the Section 151 officer and the Chairs of the Board and Committee.
- 2) There are 4 key areas that will be focused on in the year. DS advised the regulatory compliance audit has been rescheduled to Q4 as changes to the General Code are coming in this year.
- 3) The annual plan sets out the outline objectives of the planned audits, when they will be conducted and the key risks which will be addressed within these audits.

63.2 The Committee RESOLVED to approve the 2024/25 Internal Audit Strategy for Pensions and Annual Plan.

### 64. AVC REPORT

64.1 The Committee considered a report on the management and governance of the Additional Voluntary Contribution arrangements with Prudential, introduced by Sian Kunert, and noted the following points:

- 1) There are 10 self-selection funds available and their performance is set out in the appendices. The number of funds and range of products available is appropriate for members.
- 2) There were no areas of concern identified, Prudential is one of the largest providers and offers appropriate funds.
- 3) Charges are consistent with other AVC arrangements in the LAPF.
- 4) Prudential offer a Sharia fund and officers have not received any questions about inclusion of such a Fund. It was also noted that the LGA have confirmed that the LGPS is Sharia compliant. The fund can be added this if there is interest and the Pension Board had suggested at their meeting it would be reasonable to make this available to members.
- 5) The employers provide the access and information to members, ESCC has recently launched AVC Wise which is an intermediary approach that most employers use. There is a Prudential AVC website which provides the detail of the investment options but the administration is done by the employer until a member wants to draw the

investment at which point the Fund manages the withdrawal.

- 6) Officers advised that the standard of living requirement and gender discrepancies should be a communication and training focus for employers. AVCs are a good way to address this gap and will be an area of focus over the next 12 months.
- 7) Officers agreed that an external adviser be selected to advise the Fund on the most appropriate default approach going forward.

64.2 The Committee agreed that it is the employers' role to promote and provide information about AVCs and noted the Board's agreement and that the focus of the review is to ensure that the options available to Fund members are appropriate. There should be sufficient choice for members but not an overwhelming number of options.

64.3 The Committee noted that a Corporate Bond Fund is not offered, having been removed in 2008. There are three dynamic growth bonds with different returns on them dependent on the level of risk. Officers agreed to explore if any corporate bond funds may be available to members through Prudential and to review all options available to ensure an appropriate offer to members.

64.4 The Committee RESOLVED to note the report.

## 65. RISK REGISTER

65.1 The Committee considered a report introduced by Sian Kunert who drew the Committee's attention to the following risks:

- 1) Risk E3 – Employer Covenant, has been increased in likelihood, moving the overall risk score to a 6. This is because an increasing number of Local Authorities are at risk of a s.114 notice and not having sufficient cash to meet their expenditure. Pension payments would be expected to continue in such circumstances but it is unclear what would happen in the event of a Local Authority not being sufficiently solvent. This rationale has also seen the suggested pre-mitigation likelihood increase. Officers advised that other funds have not reported issues with collecting contributions where Section 114s have been issued so the mitigation is appropriate.
- 2) Risk G1 – Key Person Risk, has increased. A member of the Officer leadership team has recently left, it is believed there may be delays in finding a suitable candidate for the vacant position and agency support for the team has not yet been successful.
- 3) The definition of risk G5 – Data Breach, has been updated to make it clear that the risk does not just apply to GDPR, other Regulations exist which determine how data is handled and used. The language has been updated to reflect a wider perspective.
- 4) Risk G6 - Fraud, has seen its likelihood being reduced. Fund Officers have not seen material cases of fraud either against the Fund or its members. Mitigations in place are believed to be effective, however, it is recommended that the risk remain on the register as both a point of good practice and the potential pre-mitigation risk level.
- 5) Risk I6 – ESG, has seen both pre and post mitigation likelihood scoring increase. There is expected to be an increase in the level of political interest in this area which will mean it is more likely further action will need to be taken by the Fund. Risk I7

– Climate Change has had its post mitigation risk increased for the same reasons. There are high levels of complexity which must be approached with effective stewardship.

65.2 The Committee noted that some risks are being closely monitored and are set out in the report. Whilst the rating has not changed these risks are being regularly reviewed by officers this includes the long run inflation assumptions in the funding position.

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

## 66. INVESTMENT REPORT

66.1 The Committee considered a report introduced by Russell Wood and David O'Hara who drew the Committees attention to the following points:

- 1) The PIRC benchmarking showed the LGPS as a whole performed well, the Fund was just below the average performance for Q4 and 1 year returns and a slightly higher return looking at the 3 year 3 year figures.
- 2) The Joint ACCESS committee have set the business plan and budget, there is a £155k contribution per council.
- 3) The Fund has successfully maintained its Stewardship status (as of 21 February) the Fund will try to report in May going this year depending on resources so the report is being drafted in a time period closer to the data set it is reporting on.
- 4) The first PRI report was submitted this year, the Fund is over the median score for all areas and at least 4 stars for all items, the report will be submitted again in June/July. The Fund is well above the median and this is an achievement.
- 5) The Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order 2019 has an annual requirement for all LGPS funds to submit a compliance statement, the Fund submitted this on 4 January 2024. .
- 6) Due to the timing of the November meeting the usual Quarterly Performance Report for Q3 2023 was partially incomplete, the full report has now been completed and is attached as Appendix 2 of the report.
- 7) The Quarterly report for December has also not been completed in full in time for the publication for papers. Isio have provided the report as complete as possible attached as Appendix 3 of the report with the detail pages for Ruffer, UBS infrastructure, Pantheon, IFM to follow once complete.
- 8) The quarterly performance was reflected a 4.3% positive absolute return and the Fund also outperformed its benchmark, there was strong performance across all markets, equity and bond markets are up significantly but some uncertainty remains regarding inflation.
- 9) The active impact public equity mandates have continued to struggle relative to their benchmarks over the last 12 months. Private equity mandates have delivered very strong performance over the 3 and 5 year periods, however the performance has been largely negative over the last 12 months.
- 10) Infrastructure has mostly performed strongly over the last quarter except for UBS and Pantheon. Of the managers that have been in place for the longer term, UBS infrastructure has most significantly underperformed its benchmark. This is primarily driven by the disappointing performance of Archmore Fund I.

- 11) There was outperformance in equity mandates, private equity underperformed, reflecting a period of over performance which is now starting to cool as valuations catch up.
  - 12) Newton's improved performance was noted, however Ruffer have a more cautious approach which was reflected in their performance, property markets continued to struggle however Schroders have advised that they think this is flattening. Ruffer has outperformed over 5 years. Newton's long term performance is slightly under the benchmark but broadly inline. The medium term performance has been lack lustre so there are some concerns over this as an asset class and whether sufficient risk is being taken to ensure a good return and this will be kept under review.
  - 13) The Chair of the Pension Committee and Officers met with Ruffer and drew some comfort about approach, the high conviction rates proved prudent during the pandemic.
  - 14) Wellington; the lead portfolio manager has stepped down and the fund was downgraded to amber as result, this will be kept under review with regular meetings to ensure comfort levels.
  - 15) M&G Alpha opportunities; this is one of the best performing funds in sector with strong ESG credentials and now has a sustainable version of the fund which is positive. Having reviewed the proposition, restraints are the size of the fund which is currently too small to invest in, along with a limitation created by the investments which get screened out reducing the investable universe (these are screened out due to lack of data available rather than being bad investments/not meeting ESG requirements).
  - 16) Returns are driven by having the correct asset allocation and excluding asset classes due to a lack of data is challenging from a return perspective. ISIO are exploring this with M&G as this is a significant consideration for the Committee in assessing the sustainable version of the Fund.
  - 17) ATLAS; performing well, 60% was owned by global managers, now acquired by Blackrock however not a concern at this point.
  - 18) The Committee noted that the Fund is slightly overweight in private equity against the agreed strategic allocation and underweight in private credit, work is ongoing looking at moving into private credit, looking at what this will comprise of and allocating managers, ACCESS are not in a position to do this at this stage, ISIO will bring the proposal back to a future meeting and the possible managers to consider.
- 66.2 The Committee REVOLVED to note the investment report.

## 67. WORK PROGRAMME

67.1 The Committee considered its work programme, introduced by Sian Kunnert, and noted that a number of policies will be reviewed in June along with the report of the Pension Board and the June papers will reflect the training undertaken by the Committee in January.

67.2 The Committee RESOLVED to agree the work programme.

## 68. EXCLUSION OF THE PUBLIC AND PRESS

The Committee 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. INVESTMENT REPORT - EXEMPT INFORMATION

69.1 The Committee considered the exempt Investment report.

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

69.3 The Committee RESOLVED to note the report.

#### 70. GOVERNANCE REPORT - EXEMPT INFORMATION

70.1 The Committee considered the exempt risk register.

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

70.3 The Committee REOLVED to:

- 1) Note the report; and
- 2) Approve the revised Death Grant Policy.

#### 71. EAST SUSSEX PENSION FUND (ESPF) BREACHES LOG

71.1 The Committee 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 the exempt minute.

71.3 The Committee RESOLVED to:

- 1) Note the breaches of law and steps being taken; and
- 2) Note that no new IDRP complaints have been raised in the relevant period.

#### 72. EMPLOYER ADMISSIONS AND CESSATIONS

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

72.2 The Committee RESOLVED to:

- 1) Note the ongoing proceedings for the admission of admitted bodies to the Fund;  
and
- 2) Note the ongoing proceedings for the cessation of employers from the Fund

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## PENSION BOARD

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

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PRESENT Board members: Ray Martin (Chair), Zoe O'Sullivan and 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.

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:

- The Committee will receive an investment report and does not receive the engagement report.

5.2 The Board received a summary of the minutes of the Pension Committee meeting of 22 February 2024 and noted that the Fund was given a PRI score for the first time and was awarded 4 out of 5 stars which is above average. The CBRE mandate within the ACCESS fund was considered. BlueBay is now live and the required Storebrand and Osmosis adjustments have now been updated.

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 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 has not been taken up and will need to be revisited by the new government.
- 2) The response to the Minister, scheme advisory board meeting 17 June to discuss next steps so update can be provided to Committee on 19 June.
- 3) LTA now abolished; Communications team working to revise written communication to reflect this.
- 4) Tim Oliver has left his role at Brighton University and therefore is no longer able to sit on 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 with a recommendation for a new member.
- 5) The annual report of the Pension Board to Pension Committee is due at the Pension Committee meeting on 19 June 2024. Officers have liaised with the Chair of Pension Board to produce a draft report to be presented.
- 6) There are very few changes proposed to the policies appended to the report and the Fund is already compliant with regulations; it was agreed that the Privacy notice will be update to reflect 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 similar schemes. SK confirmed that officers consider the fund to have robust governance processes and that it is effective. LGPS funds are large compared to private schemes and officers can only comment on our scheme. A focus on costs usually relates to the fees for investment manger schemes which do not exist in unfunded schemes and it is very hard to draw comparisons between funds; further costs do not necessarily indicate the effectiveness of a scheme.

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 Kunnert; 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 iConnect although there have been some delays with larger employers.
- 3) Communications activities have continued as scheduled; a lot of resource had been focused on iConnect and now that most employers are onboarded the work load has reduced.
- 4) There have been two new staff appointments and they will be focusing on the training plan for employers however some presentations have been delivered since the last meeting.

7.3 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 and the team expects to continue to get back on track
- 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 missed its completion target; RM agreed to meet with PP to discuss the reports ahead of the next meeting.

### Helpdesk

- 3) This has been a challenging period and therefore a full breakdown of information has been provided and performance has been back on track since May.

### Staff

- 4) Helpdesk is now appropriately resourced and there are 3 new apprentices. The team is carrying one vacancy but content to allow new staff to bed in as the backlog has been cleared and new robots are coming online so staff will need to be trained accordingly as they will take on checking work.

### Projects

- 5) GMP: reconciliation work completed with over 2000 pensioners in scope. Overpayments have been written off however payments will reduce going forward and notice has been given of this. The team have received 5 complaints as a result - these have been resolved – and may receive further concerns when payments start to reduce. Mercers have largely completed their work but may be required to redo some reconciliation work.
- 6) The member self-service project has been rescheduled to launch in June, the first stage is called "Engage". Testing is in process and aim to pilot the service with ESCC staff in June/July which should highlight any required updates.
- 7) McCloud data almost resolved, some decisions needed from individual clients so need to work with them to resolve cases. There are concerns about calculations for transfers, LGA has produced a template to support with some of the work required. Officers do not anticipate significant sums but some members have requested information about the implications as they are nearing retirement.

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 staffing overhead costs as some items had been accounted for twice, lower than expected IT systems costs due to negotiations in fee by paying costs for licenses upfront and lower inflation assumptions. The pension fund received confirmation that the continuation of the Local Audit Grant for the 2023/24 audit in February this 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 Reviews of the Pension Fund Cash Management received an opinion of Substantial Assurance.
- 2) The Administration of Pension Benefits received an opinion of Reasonable Assurance.
- 3) Neither audit resulted in any high or medium risks and officers considered some minor risks in the administration of benefits to be inevitable due to the volume of work undertaken. given size of the administration of benefits some minor risks inevitable.
- 4) Officers confirmed that practices have been updated so that only pension fund officers can authorise payments to avoid any cross over identified in a previous audit.

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. The future Regulatory environment is unknown but the risk remains as the fund will need to respond accordingly.

#### 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. This risk is of concern to the Pension Committee.
- 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 meeting on the suitability of investments 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. Barnett Waddingham will undertake work to ensure that the Fund is providing the best options 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 and will have a dedicated session to review the risk register in detail.
- 2) Officers provided information about Ill Health Insurance in response to a query from NS; officers recommended a change in practice in 2021 to avoid shocks to small employers and to offer stability to those employers. The Fund is entitled to claim a rebate from Legal and General which goes back into the Fund but agreed that everything will be reviewed part of the reconsideration of the policy and that Board members will receive a copy of the previous report. 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:

- 1) note the report and;
- 2) agree to the publication of the Pension Board members' registers of interest.

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

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<b>Report to:</b>	<b>Pension Committee</b>
<b>Date of meeting:</b>	<b>19 June 2024</b>
<b>By:</b>	<b>Chief Finance Officer</b>
<b>Title:</b>	<b>Governance Report</b>
<b>Purpose:</b>	<b>To provide an update on governance workstreams and changes effecting Local Government Pension Schemes and the East Sussex Pension Fund</b>

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## RECOMMENDATIONS

The Pension Committee is recommended to:

- **approve the revised Training Policy (Appendix 2)**
  - **approve the Governance and Compliance Statement (Appendix 5)**
  - **approve the amended Exit Credit Policy (Appendix 6)**
- 

### 1 Background

1.1 This report is brought to the Pension Board to provide an update on the steps being taken to adopt good practice and ensure compliance with regulatory requirements for the East Sussex Pension Fund (the Fund or ESPF).

### 2 Legal and regulatory changes

2.1 The General Code, produced by The Pensions Regulator (TPR), came into effect on 27 March 2024. This Code replaces Code of Practice 14, which previously provided details of TPR's expectations on how Public Service Pension Schemes would operate. Officers have reviewed this document and noted areas where improvements could be made. This will be discussed as part of the exempt Governance Report.

2.2 The Department for Levelling Up, Housing and Communities has conducted a closed consultation relating to Statutory Guidance designed to support the legislation regarding McCloud. The Fund was not invited to take part but has had sight of responses from the Local Government Association and Heywoods. Once the guidance is finalised it will be reviewed by Officers to determine what changes to the approach being taken are required.

2.3 The Economic Activity of Public Bodies (Overseas Matters) Bill did not obtain Royal Assent following the General Election being called. As such it will not become law and would require re-commencing by the Government following the election results being known.

2.4 The Fund received a letter from the Minister for Local Government dated 15 May 2024 requesting a two-page submission covering how the Fund will complete the process of asset pooling to deliver benefits of scale and how the Fund will ensure it is effectively run including governance and benefits of greater scale. Following the calling of a General Election, it is unclear whether a response is required by the 19 July 2024 deadline and in what form. Officers will seek further information and will be liaising with the Scheme Advisory Board. A copy of the letter from the minister is available at **Appendix 1**.

### 3 Pension Board membership

3.1 Since the last meeting of the Pension Board, Tim Oliver has left his role at Brighton University and as a result stepped down from the Pension Board. Officers are currently going through the process of seeking a new employer representative.

## **4 Pension Fund Policies**

4.1 A number of the Fund's policies are due for review and renewal. The Fund's Training Strategy is due for consideration and is attached at **Appendix 2**. The Strategy is largely unchanged, where wording has been amended the text is highlighted in yellow.

4.2 The Fund privacy notices are due for annual review. There has not been a change in the existing legislation and ad hoc engagement between Fund Officers and the Council's Information Governance Team over the past year has not identified areas where improvements are needed. No change is recommended. The notices are included as **Appendix 3**.

4.3 Alongside the privacy notices a Memorandum of Understanding is in place relating to the sharing of data between Scheme Employers and the Fund. This document has been amended to reflect the changes in law since the document was last reviewed, in particular the incorporation of European Law into UK Law post Brexit. The updated version is included at **Appendix 4**.

4.4 The Fund's Governance and Compliance Statement has been completed for 2023/24. This is included at **Appendix 5**.

4.5 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. The revised policy is included at **Appendix 6**. Where wording has been amended the text is highlighted in yellow.

## **5 Funding Update**

5.1 The Fund Actuary has prepared the indicative quarterly funding update, rolling forward assumptions from the valuation and reflecting actual experience since March 2022, included as **Appendix 7**. The indicative funding report shows the funding position fall from 123% in March 2023 to 118% in March 2024. This has primarily been as a result of actual short term inflation experience compared to the long term average used as an assumption in the valuation and investment returns being lower than assumed through the valuation.

## **6 Conclusion**

6.1 The Committee is asked to approve the revised training policy, approve the Governance and Compliance statement and approve the amendments to the exit credit policy.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer: Mike Burton, Pensions Manager Governance and Compliance  
Email: [Michael.Burton@eastsussex.gov.uk](mailto:Michael.Burton@eastsussex.gov.uk)



## Department for Levelling Up, Housing & Communities

**Simon Hoare MP**  
Minister for Local Government  
2 Marsham Street  
London  
SW1P 4DF

Chief Executives and Section 151 Officers of  
Administering Authorities in England

By email

15<sup>th</sup> May 2024

Dear Colleagues,

### **Efficiencies in local government and the management of Local Government Pension Scheme (LGPS) funds**

I wrote to all chief executives on 16 April setting out my expectations for the productivity plans to be developed by each authority as announced at the local government finance settlement. In this, I asked for plans covering service transformation, better use of technology and data and reduction of wasteful spend as well as views on barriers which government could remove (letter at annex A).

I am now writing to you to ask you to set out your approach to efficiencies in the management, governance and administration of your LGPS fund and asset pool in a separate letter. I am interested in what is happening across local government to deliver efficiencies in the management of the £359 billion of pension assets you hold, and in your administration of pension benefits for the 6.6 million members.

Since taking on ministerial responsibility for the LGPS I have been grateful for the generous engagement I have received, and I have been struck by the generally strong financial position of the scheme, as well as the strong commitment to serving scheme members. However, it is clear that there is also a need for improvements, including to meet the expectations set out on asset pooling and investments set out at the [Autumn Statement](#). More efficiencies in fund administration and management should also be achieved: across the scheme in 2022-3 investment management costs were £1.7 billion and £280 million on administration and governance.

Your response should consider the following themes on pensions.

#### **1. How your fund will complete the process of pension asset pooling to deliver the benefits of scale.**

- What proportion of assets have been pooled in your chosen LGPS asset pool? Is your fund on track to pool all listed assets by March 2025, and if not, what are the barriers to this?
- Is there scope for minimising waste and duplication by making use of your LGPS asset pool's services and expertise in reporting and development of the pensions investment strategy? What is your expenditure on pensions investment consultancy?
- Does your LGPS asset pool have an effective, modern governance structure in place, which is able to deliver timely decisions and ensure proper oversight? If not, what steps are you taking to make your pool's governance more effective?

**2. How you ensure your LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale.**

- Does your LGPS fund have effective and skilled governance in place, which is able to hold officers, service providers and the pool to account on performance and efficiency?
- Would you be likely to achieve long-term savings and efficiencies if your LGPS fund became part of a larger fund through merger or creation of a larger pensions authority?

As set out in my previous letter I do not wish to impose excessive burdens. I expect your letter to be no more than two pages in length. Your plans must be returned by 19 July 2024, by email to [lgpensions@levellingup.gov.uk](mailto:lgpensions@levellingup.gov.uk). We will review your responses and consider the issues emerging and the implications for future national policy.

I look forward to working with you to deliver the best outcomes.

With every good wish  
Yours,  
Simon Hoare

**SIMON HOARE MP**  
Minister for Local Government





# Training Strategy

June 2024



## Introduction

This is the training strategy of the East Sussex Pension Fund (the Fund). It has been established to aid the Pension Committee, Pension Board and Officers understanding of their respective responsibilities. This training strategy sets out how these key roles within the Fund will obtain and maintain the necessary knowledge and understanding needed to fulfil their role.

## Objectives

The Fund's objectives relating to knowledge and understanding are to:

- Ensure the Fund is appropriately managed and those individuals responsible for its management and administration have the appropriate knowledge and expertise.
- Ensure that there is the appropriate level of internal challenge and scrutiny on decisions and performance of the Fund.
- Ensure the effective governance and administration of the Fund.



- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board (SAB) and the Secretary of State for Levelling Up, Housing and Communities.

## **CIPFA Knowledge and Skills Framework – Pension Fund Committees**

There is a developing expectation from central Government and The Pensions Regulator that members of Pension Committees should have the same level of knowledge and understanding as Pension Board members. The Fund holds the same view and the Pension Committee has committed to attending appropriate training in line with the SAB's 'good governance' project signals a much stronger requirement on Pension Committee members knowledge and understanding.

The CIPFA framework, introduced in 2010, covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context.
- Pension accounting and auditing standards.
- Financial services procurement and relationship development.
- Investment performance and risk management.
- Financial markets and products knowledge.
- Actuarial methods, standards and practice.

Under each of the above headings the Framework sets out the knowledge required by those individuals responsible for Fund's management and decision making.

## **CIPFA Technical Knowledge and Skills Framework – Local Pension Boards**

CIPFA extended the Knowledge and Skills Framework in 2015 to specifically include Pension Board members, albeit there is an overlap with the original Framework. The 2015 Framework identifies the following areas as being key to the understanding of local pension board members:

- Pensions Legislation.
- Public Sector Pensions Governance.
- Pensions Administration.
- Pensions Accounting and Auditing Standards.
- Pensions Services Procurement and Relationship Management.
- Investment Performance and Risk Management.
- Financial markets and product knowledge.
- Actuarial methods, standards and practices.

## Links to The Scheme Advisory Board's Good Governance project

In February 2019 the SAB commissioned Hymans Robertson to consider options for enhancing LGPS governance arrangements to ensure that the Scheme is ready for the challenges ahead and at the same time retains local democratic accountability. Following extensive consultation and engagement with the LGPS community the SAB published 2 reports. The following recommendations from the second report relate directly to the attainment of knowledge and skills:

- Key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- A requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
- Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
- Relevant professional bodies to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

The findings of the Good Governance Review have yet to be formally adopted in statutory form, however, this Training Strategy recognises the principles behind the recommendations and seeks to embed them into the culture of the East Sussex Pension Fund. **Where any such legislation is passed, the Fund will take those requirements into account.**





## The Pensions Regulator's E-learning toolkit



The Pensions Regulator has developed an online toolkit to help those running public service pension schemes understand the governance and administration requirements set out in its General Code, which came into effect on 27 March 2024.

The toolkit covers 7 short modules, which are:

- Conflicts of Interests.
- Managing Risk and Internal Controls.
- Maintaining Accurate Member Data.
- Maintaining Member Contributions.
- Providing Information to Members and Others.
- Resolving Internal Disputes.
- Reporting Breaches of the Law.

The Regulator also publishes a toolkit designed for use by trustees. This covers both Defined Benefit (DB) and Defined Contribution (DC) Schemes. This, second, toolkit includes a module on transfers out and pension scams, taking into account the change in legislation in 2021.

The modules of the Regulator's toolkits are by their very nature generic, having to cater for all public service pension schemes, along with both DB and DC schemes in the Trustee Toolkit. While they give a minimum appreciation of the knowledge and understanding requirements set out in the Code of Practice, they do not cater for the specific requirements of the individual public service schemes. As a result, the Regulator's Public Service Toolkit does not cover knowledge and skills requirements in areas such as Scheme regulations, the Fund's specific policies and the more general pensions legislation.

Training modules are also available through the Fund's software provider on administration issues.

## Pension Committee

Under the constitution of East Sussex County Council, The Pension Committee has the responsibility to make arrangements for the investment, administration and management of the Pension Fund. Members of the Committee must, therefore, have an understanding of all aspects of running the Fund and how to exercise their delegated powers effectively. Their responsibilities as delegated under the constitution of East Sussex County Council as the administering authority for the Fund.

Members of the Pension Committee require an understanding of:

- The requirements relating to pension fund investments.
- The management and administration of the Fund
- Controlling and monitoring the funding level.
- Effective governance and decision making in relation to the management and administration of the Fund.

There also exists a specific requirement under MiFID II<sup>1</sup>, that those making investment decisions, must be able to demonstrate that they have the capacity to be treated as professional investors.

### Expectations on Pension Committee Members

The role of Pension Committee member is an important one and there are certain expectations on those undertaking the role. These include:

- A commitment to attend and participate in training events and to adhere to the principles of this Training Strategy.
- The ability to use acquired knowledge to participate in meetings and to ask questions constructively of the information provided by officers, advisers and others.

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<sup>1</sup> Markets in Financial Instruments Directive II (2014/65/EU)

- Judge the information provided in a fair and open-minded way that avoids pre-determining outcomes.
- Operate within the terms of reference for the Pension Committee and the elected member code of conduct.

## Local Pension Board

Under the constitution the Local Pension Board is required to aid East Sussex County Council as the LGPS Scheme Manager in securing compliance with:

- LGPS Regulations and any other legislation relating to the governance and administration of the LGPS.
- Requirements imposed in relation to the LGPS by The Pensions Regulator.
- Any other matters as the LGPS regulations may specify.

The role of the Local Pension Board is to assist the administering authority to ensure the Fund is well run and complies with its legal responsibilities and best practice. The Local Pension Board does not replace the administering authority or make decisions which are the responsibility of the administering authority.

Local Pension Board members must be conversant with:

- The relevant LGPS Regulations and any other regulations governing the LGPS.
- Guidance issued by The Pensions Regulator and other competent authorities, relevant to the LGPS.
- Any policy or strategy documents as regards the management and administration of the Fund.
- The law relating to pensions and such other matters as may be prescribed.

### Expectations on Local Pension Board members

The training provided to members of Local Pension Boards will ensure that they are familiar with certain legal requirements with they must comply. These are listed below:

- Members must have the capacity to represent employers or scheme members, according to whether they themselves are an employer or scheme member representative.
- Members must not have conflicts of interest and must provide the administering authority with any information they require to ensure that conflicts do not exist or arise in future.
- Have the appropriate level of knowledge and skills to carry out their role.

Local Pension Board members are also expected to demonstrate other attributes, including:

- A commitment to attend and participate in training events and to adhere to the principles of this Training Strategy.

- The ability to use acquired knowledge to participate in meetings and to ask questions constructively of the information provided by officers, advisers and others.
- Judge the information provided in a fair and open-minded way that avoids pre-determining outcomes.
- Operate within the terms of reference for the Pension Board.



## Chief Finance Officer (Section 151 Officer)

The Chief Finance Officer has specific LGPS related delegated powers under the constitution of East Sussex County Council. These include:

- Responsibility for implementing the policy decisions of the Pension Committee and to act for the Pension Committee in certain emergency situations where to delay buying or selling assets might be detrimental to the Fund.
- The power to approve the terms of admission agreements on behalf of the administering authority.
- The power to approve the membership of certain categories of employees of foundation schools as being eligible for LGPS membership.
- To undertake any necessary actions in connection with the admission of any academies to the East Sussex Pension Fund as scheme employers.

In addition, The Chief Finance Officer has the responsibility under s151 of the Local Government Act 1972 for the proper administration of the Authority's financial affairs, including those relating to the LGPS Fund.

It is important therefore that the individual carrying out the role of the Chief Finance Officer has an appropriate knowledge of LGPS and pension matters.

The Chief Finance Officer should be familiar with:

- The LGPS Landscape and the role of the administering authority.
- The wider legal and regulatory framework.
- Key bodies and organisations.
- External Scrutiny.
- Employer issues including outsourcing and restructuring.
- The role of the actuary.

In addition, the Chief Finance officer should be familiar with certain specific aspects of their role in respect of the LGPS, these include:

- CIPFA guidance of the role of the Chief Finance Officer in the LGPS
- Fiduciary duties
- Relevant case law
- LGPS funds in a local authority context

## Head of Pensions

The Head of Pensions has responsibility for the operation of all aspects of the Fund and has delegated responsibilities in connection with the Council's role as administering authority for the East Sussex Pension Fund. Furthermore, the Head of Pensions provides expert advice and guidance to the pension committee. It is, therefore, expected that the Head of Pensions retains an exceptional level of knowledge, commensurate with the role.

The Head of Pensions should have an exceptional knowledge of:

- Pensions legislations: including LGPS, wider relevant pensions and guidance.
- Pensions governance: including legal and constitutional matters, relevant legal bodies and performance monitoring.
- Pensions administration: including administration and communications strategy, best practice in administration delivery and data management and security.
- Funding and actuarial matters: including setting funding strategy, employer risk and covenant, valuations and funding reporting and scrutiny.
- Accounting and auditing: including financial strategy, accounting, financial reporting and audit standards
- Investment strategy: including asset allocation, pooling, performance and risk management
- Financial markets and products knowledge: including MiFID II, pooling and asset classes
- Procurement: Including contract management, SLA's and relationship management

## Other officers responsible for the management and administration of the Fund

All individuals responsible for the management and delivery of the LGPS or who have a decision-making, scrutiny or oversight role require the appropriate training to ensure they are equipped to do their job well.

The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required.

The exact nature and level of knowledge required will vary considerably by role.

Fund officers should have a strong understanding of:

- Relevant areas of the LGPS as required for the delivery of their role.
- The processes and procedures required to successfully carry out their role.
- Any pension fund or East Sussex County Council policies which apply, for example IT security, data management, equality and diversity.

## Participating Employers

The success of the Fund depends on the strength of the relationship between the administering authority and the employers that participate in it. Employers have a range of responsibilities within the LGPS and must employ individuals who have an understanding of the of those responsibilities.

Employers must be able to identify individuals who have an understanding of:

- Employer discretion policies.
- The role of the appointed person and the Internal dispute resolution procedure.
- Their responsibilities for starters, leavers and changes to membership as set out in the Fund's administration strategy.
- Their responsibilities for collecting and remitting contributions (including additional contributions).
- The reasons for leaving under the LGPS regulations.
- Providing information requested by the Fund at year end or as required
- Their responsibilities with respect to outsourcing, staff transfers and reorganisations.

## Management and delivery

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and The Pension Regulator's Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the SAB, The Pensions Regulator and the Secretary of State.



The implementation of this Strategy and the delivery of the accompanying Training Plan will be the responsibility of the Fund's Training Co-Ordinator. However, each individual with a requirement to attain knowledge and skills under this Strategy has a personal responsibility to ensure they meet the required standards and must fully engage with the process.

## Training Needs Assessment

Committee and Board members, and Officers covered by this Strategy will undergo a Training Needs Assessment (TNA). The TNA is conducted each year and will be used to identify areas of potential strength and weakness and will form part of developing the Fund's training plan. Specific TNA's on particular subjects will also be carried out as and when required by the Training Officer and will be used to inform subsequent training requirements.

### Level of knowledge and skills required

In developing the training plan, consideration will be given as to the level of knowledge needed for each group of individuals. For example, the Committee and Board may require only an "awareness" or "general understanding" of some areas while an Officer may require "detailed" or "expert" knowledge of the same topic.

The levels of knowledge that will be considered when drawing up the training plan and scheduling training events will be, in ascending order:

For Committee and Board members:

- An awareness – i.e. recognition that the subject matter exists.
- A general understanding – i.e. understanding the basics in relation to the subject matter.
- A strong understanding – i.e. a good level of knowledge in relation to the subject matter (but not necessary at detailed level).

For the Officers:

- A strong understanding – i.e. a good level of knowledge in relation to the subject matter (but not necessary at detailed level).
- Detailed knowledge – i.e. knowledge of all aspects of the subject matter
- Expert knowledge – i.e. in depth mastery of all aspects of knowledge in relation to the subject matter

### Individual Training Plans

Training plans will contain core elements, such as the CIPFA Knowledge and Skills modules and the TPA's requirements, but there will be variations within each individual's training plan to reflect their specific role and level of knowledge required. Individual training plans, as opposed to involvement in the general training offered, will be considered as and when necessary to meet a particular purpose.

### Measuring the effectiveness of training

The TNA will be used to measure training effectiveness. Results will be compared to previous years to determine whether the levels of knowledge and understanding have increased. Additionally, input will be sought throughout the year from the Pension Board and Pension Committee members on the effectiveness of training being delivered.

## Timing

Ideally, targeted training will be provided that is timely and directly relevant to the Committee and Board's activities as set out in the Fund's business plan.

## Approach

This Strategy sets out how the Fund provide training to members of the Pension Committee and Pension Board. The Officers involved in the management and administration of the Fund will have their own team and personal training plans and career development objectives.

- **Induction training** - Pension Committee and Pension Board members will receive induction training to cover the role of the Fund, Pension Board and understand the duties and obligations East Sussex Council as the Administering Authority, including funding and investment matters. Induction training will be arranged by the Training Co-ordinator and will be provided prior to the member attending their first committee or board meeting wherever possible.

New Officers will go through the Fund's internal induction process. New Officers who are also part of the Fund's leadership team will be asked to complete the annual self-assessment.

- **External courses** - Additionally, a number of specialist courses are run by bodies such as the Local Government Association, actuarial, governance and investment advisers as well as fund managers. Appropriate courses will be selected by the Head of the Pension Fund and the Training Officer and information circulated to members in advance on at least a monthly basis. Courses will be selected for their relevance to the Training Plan.
- **Conferences** - There are also a number of suitable conferences run annually, which will be brought to members attention where appropriate. Of particular relevance are the LGA Annual Governance Conference, LGA Fundamentals Training, Pension and Lifetime Savings Association (PLSA) Conference, the Local Government Chronical (LGC) Local Authority Conference, and the Local Authority Pension Fund Forum (LAPFF) annual conference.

Appropriate conferences will be selected by the Head of the Pension Fund and the Training Co-Ordinator and information circulated to members in advance. Conferences will be selected for their relevance to the Training Plan.

Additionally, consideration will be given to various training resources available in delivering training to Pension Committee and Pension Board members. These may include but are not restricted to:

- In-house and shared training events where it improves economy, efficiency and effectiveness.
- Self-improvement and familiarisation with regulations and documents.
- The Pension Regulator's e-learning programme.
- Attending courses, seminars and external events.
- Internally developed training days and pre/post meeting sessions.
- Regular updates from officers and/or advisers.
- Formal presentations.
- Circulated reading material.
- E-learning.

## Flexibility

When considering training for members of the Pension Committee and Pension Board it is recognised that individuals may have different learning styles. The Fund will seek, where possible, to ensure flexibility in the way training is provided to support these different learning styles.

## Maintaining knowledge

In addition to undertaking ongoing training to achieve the requirements of the CIPFA knowledge and skills framework Pension Committee and Pension Board members are expected to maintain their knowledge and understanding of topical issues through attendance at internal/external events and seminars where appropriate.

Owing to the changing world of pensions, it will also be necessary to attend ad-hoc training on emerging issues or on a specific subject on which a decision is to be made in the near future.



## Risk Management

The delivery of this training strategy is at risk in the event of:

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored, recorded and cross referenced with attendance details and assessment scores by the Training Co-Ordinator and reported to the Pension Committee and Pension Board if their impact is likely to prevent the East Sussex Pension Fund from achieving the objectives of this Training Strategy.

## Reporting and Compliance

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Knowledge and Skills framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.

## Budget and costs

A training budget will be agreed with the Pension Committee and costs fully scoped. All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the Fund (other than routine costs associated with travelling to and from Pensions Board/Committee meetings). Appropriate receipts must be sent to the Fund's accounts team evidencing the expenses being claimed for.

## Effective date

This training strategy was reviewed at Pension Board on 5 June 2024 and approved at Pension Committee 19 June 2024.

## Review

This strategy will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant.

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## FULL PRIVACY NOTICE

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### for the members and beneficiaries of the East Sussex Pension Fund

This notice is for members and beneficiaries of the East Sussex Pension Fund (the "**Fund**"). Those with a benefit due from paying Additional Voluntary Contributions ("**AVCs**") should also have regard to the Privacy Notice of our AVC Provider, currently Prudential.

This Notice has been prepared by East Sussex County Council (the "**Administering Authority**", or "**we**") in its capacity as the administering authority of the Fund.

This privacy notice is also provided at the following link:

[Privacy Notice \(eastsussexpensionfund.org\)](https://eastsussexpensionfund.org/Privacy-Notice)

### Why we are providing this notice to you

As the Administering Authority of the Fund we hold certain information about you and from which you can be identified ("**personal data**") which we use to administer the Fund and to pay benefits from it. In line with data protection legislation, we are required to give you specified information about the personal data we hold about you, how we use it, your rights in relation to it and the safeguards that are in place to protect it. This notice is designed to give you that information.

### The technical bit

The Administering Authority holds personal data about you in its capacity as data controller for the proper handling of all matters relating to the Fund, including its administration and management. This includes the need to process your data to contact you, to calculate, secure and pay your benefits, for statistical and financial modelling and for reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested), and to manage liabilities and administer the Fund generally. Further information about how we use your personal data is provided below.

The legal basis for our use of your personal data will generally be one or more of the following:

- a) we need to process your personal data to satisfy our legal obligations as the Administering Authority of the Fund; and/or
- b) we need to process your personal data to carry out a task in the public interest or in the exercise of official authority in our capacity as a public body; and/or
- c) we need to process your personal data for the legitimate interests of administering and managing the Fund and liabilities under it, calculating, securing and paying benefits and performing our obligations and exercising any rights, duties and discretions the Administering Authority has in relation to the Fund; and/or
- d) because we need to process your personal data to meet our contractual obligations to you in relation to the Fund (for example, under an agreement that you will pay additional voluntary contributions to the Fund), or to take steps, at your request, before entering into a contract.

## What personal data we hold, and how we obtain it

The types of personal data we hold and process about you can include:

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth, national insurance number and employee and membership numbers.
- Information that is used to calculate and assess eligibility for benefits, for example, length of service or membership and salary information.
- Financial information relevant to the calculation or payment of benefits, for example, bank account and tax details.
- Financial Information relevant to any assessment of whether a fee charged for non-standard information can be waived.
- Information about your family, dependents or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Information about your health, for example, to assess eligibility for benefits payable on ill health, or where your health is relevant to a claim for benefits following the death of a member of the Fund.
- Information about a criminal conviction if this has resulted in you owing money to your employer or the Fund and the employer or Fund may be reimbursed from your benefits.

We obtain some of this personal data directly from you. We may also obtain data (for example, salary information) from your current or past employer(s) or companies that succeeded them in business, from a member of the Fund (where you are or could be a beneficiary of the Fund as a consequence of that person's membership of the Fund) and from a variety of other sources including public databases (such as the Register of Births, Deaths and Marriages), our advisers and government or regulatory bodies, including those in the list of organisations that we may share your personal data with set out below.

Where we obtain information concerning certain "special categories" of particularly sensitive data, such as health information, extra protections apply under the data protection legislation. We will only process your personal data falling within one of the special categories with your consent, unless we can lawfully process this data for another reason permitted by that legislation. You have the right to withdraw your consent to the processing at any time by notifying the Administering Authority in writing. However, if you do not give consent, or subsequently withdraw it, the Administering Authority may not be able to process the relevant information to make decisions based on it, including decisions regarding the payment of your benefits.

Where you have provided us with personal data about other individuals, such as family members, dependants or potential beneficiaries under the Fund, please ensure that those individuals are aware of the information contained within this notice.

## How we will use your personal data

We will use this data to deal with all matters relating to the Fund, including its administration and management. This can include the processing of your personal data for all or any of the following purposes:

- To contact you.
- To assess eligibility for, calculate and provide you (and, if you are a member of the Fund, your beneficiaries upon your death) with benefits.
- To identify your potential or actual benefit options and, where relevant, implement those options.
- To allow alternative ways of delivering your benefits, for example, through the use of insurance products and transfers to or mergers with other pension arrangements.
- For statistical and financial modelling and reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested).
- To assess and, if appropriate, action a request you make to transfer your benefits out of the Fund.
- To comply with our legal and regulatory obligations as the administering authority of the Fund.
- To consider requests for a fee for providing information to which the claimant does not have an automatic right to be waived due to financial hardship.
- To address queries from members and other beneficiaries and to respond to any actual or potential disputes concerning the Fund.
- The management of the Fund's liabilities, including the entering into of insurance arrangements and selection of Fund investments.
- In connection with the sale, merger or corporate reorganisation of or transfer of a business by the employers that participate in the Fund and their group companies.

## Organisations that we may share your personal data with

From time to time we will share your personal data with advisers and service providers so that they can help us carry out our duties, rights and discretions in relation to the Fund. Some of those organisations will simply process your personal data on our behalf and in accordance with our instructions. Other organisations will be responsible to you directly for their use of personal data that we share with them. They are referred to as data controllers and we have highlighted them in the table below. The data controllers may be obliged under the data protection legislation to provide you with additional information regarding the personal data they hold about you and how and why they process that data. Further information may be provided to you in a separate notice or may be obtained from the advisers and service providers direct, for example via their websites.

These organisations include the Fund's:

<b>Data processors</b>	<b>Data controllers</b>
<ul style="list-style-type: none"> <li>• Administrator – (currently East Sussex County Council)</li> <li>• Tracing bureaus for mortality screening and locating members – (currently under review)</li> </ul>	<ul style="list-style-type: none"> <li>• Additional Voluntary Contribution providers – (currently Prudential)</li> <li>• Fund Actuary – (currently Barnett Waddingham)</li> <li>• Insurance companies in connection with ill health benefits – (currently Legal and General)</li> </ul>

<ul style="list-style-type: none"> <li>• Overseas payments provider to transmit payments to scheme member with non-UK accounts – (currently HSBC)</li> <li>• Printing companies – (currently CFH Ltd)</li> <li>• Pensions software provider – (currently Aquila Heywood)</li> <li>• Suppliers of IT, document production and distribution services (Orbis)</li> <li>• Legal adviser – (currently Eversheds Sutherland)</li> <li>• Scheme benefit consultants – (Hymans Robertson, Mercer, Aon)</li> <li>• External auditor – (currently Grant Thornton)</li> <li>• Internal auditor – (currently Orbis)</li> </ul>	<ul style="list-style-type: none"> <li>• LGPS National Insurance database – (South Yorkshire Pensions Authority)</li> <li>• The Pensions Ombudsman</li> <li>• Administering authorities of other LGPS funds (or their agents, such as third party administrators) where you have been a member of another LGPS fund and the information is needed to determine the benefits to which you or your dependants are entitled</li> <li>• The Department for Work and Pensions</li> <li>• The Government Actuary's Department</li> <li>• The Cabinet Office – for the purposes of the National Fraud Initiative</li> <li>• HM Revenue and Customs</li> <li>• The Courts of England and Wales – for the purpose of processing pension sharing orders on divorce</li> <li>• Other Pension Schemes transferring data</li> </ul>
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In each case we will only do this to the extent that we consider the information is reasonably required for these purposes.

In addition, where we make Fund investments or seek to provide benefits for Fund members in other ways, such as through the use of insurance, then we may need to share personal data with providers of investments, insurers and other pension scheme operators. In each case we will only do this to the extent that we consider the information is reasonably required for these purposes.

From time to time we may provide some of your data to your employer and their relevant subsidiaries (and potential purchasers of their businesses) and advisers for the purposes of enabling your employer to understand its liabilities to the Scheme. Your employer would generally be a controller of the personal data shared with it in those circumstances. For example, where your employment is engaged in providing services subject to an outsourcing arrangement, the Administering Authority may provide information about your pension benefits to your employer and to potential bidders for that contract when it ends or is renewed.

Where requested or if we consider that it is reasonably required, we may also provide your data to government bodies and dispute resolution and law enforcement organisations, including those listed above, The Pensions Regulator, the Pensions Ombudsman and Her Majesty's Revenue and Customs (HMRC). They may then use the data to carry out their legal functions.

The organisations referred to in the paragraphs above may use the personal data to perform their functions in relation to the Fund as well as for statistical and financial modelling (such as calculating expected average benefit costs and mortality rates) and planning, business administration and regulatory purposes. They may also pass the data to other third parties (for example, insurers may pass personal data to other insurance companies for the purpose of obtaining reinsurance), to the extent they consider the information is reasonably required for a legitimate purpose.

We do not use your personal data for marketing purposes and will not share this data with anyone for the purpose of marketing to you or any beneficiary. However, we may use your data to send surveys and other documents to you to help us improve the quality of service we provide.

## Transferring information outside the UK

In some cases recipients of your personal data may be outside the UK. As such, your personal data may be transferred outside the UK to a jurisdiction that may not offer an adequate level of protection as is required by the UK Government. If this occurs, additional safeguards must be implemented with a view to protecting your personal data in accordance with applicable laws.

## How long we keep your personal data

We will only keep your personal data for as long as we need to in order to fulfil the purpose(s) for which it was collected and for so long afterwards as we consider may be required to deal with any questions or complaints that we may receive about our administration of the Fund, unless we elect to retain your data for a longer period to comply with our legal and regulatory obligations. We keep your information for long enough to ensure that, if a query arises in the future about your benefits, we have enough information to deal with it where we have a legal obligation to do so. This information includes the data we need to identify a specific record. In practice, this means that your personal data will be retained for such a period as you (or any beneficiary who receives benefits after your death) are entitled to benefits from the Fund until such a time that the Fund is satisfied that there is no benefit due to be paid and no person, estate, or organisation exists that may be able to claim a benefit is due to be paid. This is likely to be at least 75 years after a benefit ceases to be payable. For the same reason, your personal data may also need to be retained where you have received a transfer, or refund, from the Fund in respect of your benefit entitlement.

## Your rights

You have a right to access and obtain a copy of the personal data that the Administering Authority holds about you and to ask the Administering Authority to correct your personal data if there are any errors or it is out of date or incomplete. In very limited circumstances, you may also have a right to ask the Administering Authority to restrict the processing of your personal data, or to transfer or (in extremely limited circumstances, such as where your personal data is no longer needed for the purpose for which it is being processed) erase your personal data. You should note that we are not obliged to erase your personal data if we need to process it for the purposes of administering the Fund.

In certain circumstances you have the right to object to the processing of your personal data; for example, you have the right to object to processing of your personal data which is based on the public interest or legitimate interests identified in the section above headed "The technical bit", or where processing is for direct marketing purposes.

You can obtain further information about your rights from the Information Commissioner's Office at [www.ico.org.uk](http://www.ico.org.uk) or via its telephone helpline (0303 123 1113).

If you wish to exercise any of these rights or have any queries or concerns regarding the processing of your personal data, please contact the Fund Administrator as indicated below. You also have the right to lodge a complaint in relation to this privacy notice or the Administering Authority's processing activities with the Information Commissioner's Office which you can do through the website above or their telephone helpline.

As explained in the section above headed "How we will use your personal data", one of the reasons we collect and hold your personal data is to administer your Fund benefits. If you do not provide the information we request, or ask that the personal data we already hold is deleted or that the processing

of the personal data be restricted, this may affect our ability to administer your benefits, including the payment of benefits from the Fund.

In some cases it could mean the Administering Authority is unable to put your pension into payment or has to stop your pension (if already in payment).

## Updates

We may update this notice periodically. Where we do this, we will inform members of the changes and the date on which the changes take effect.

## Contacting us

Please contact the Fund for further information.

East Sussex Pension Fund Pensions Administration – County Hall East Block, F Floor, Lewes, BN7 1UE

### Data Protection Officer

You may also contact our data protection officer for further information.

Data Protection Officer, East Sussex County Council County Hall West Block, G Floor, Lewes, BN7 1UE

### Complaints about use of your information

To complain about the use of your information you will need to contact the Information Commissioner's Office.

You can do online using the link below:

[Data protection and personal information complaints tool | ICO](#)

Or by post at Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF.

[Find out more about the ICO complaint process](#)

## PRIVACY NOTICE (SUMMARY)

### for the members and beneficiaries of the East Sussex Pension Fund

As the Administering Authority of the Fund we hold certain information about you and from which you can be identified ("**personal data**") which we need to administer the Fund.

In this privacy notice, we have summarised some of the key ways in which we collect and use personal data in accordance with our requirements under data protection legislation. Further information can be found in the Full Privacy Notice at the following link:

[Privacy Notice \(eastsussexpensionfund.org\)](https://eastsussexpensionfund.org/Privacy%20Notice)

It is important that you read this privacy notice together with any other privacy notice or fair processing policy we may provide on specific occasions when we are collecting or processing personal data about you so that you are fully aware of how and why we are using your data. This privacy notice replaces any general privacy notice we may have previously issued and supplements any other notices and privacy policies we issue that are specific to particular data collection / processing activities.

### What personal data do we hold?

The types of data we hold and process will typically include:

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth and national insurance number.
- Information relating to your benefits in the Fund, including length of service or membership and salary.
- Other information in relation to your membership of the Fund or to enable the calculation or payment of benefits, for example bank account details.
- Information about your family, dependents or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Financial information relevant to the calculation or payment of benefits, for example, bank account and tax details.
- Information about your health, for example, to assess eligibility for benefits payable on ill health, or where your health is relevant to a claim for benefits following the death of a member of the Fund.
- Information about a criminal conviction if this has resulted in you owing money to your employer or the Fund and the employer or Fund may be reimbursed from your benefits.

We obtain some of this personal data directly from you. We may also obtain data from your employer (for example, salary information) and from other sources including public databases and the advisers and service providers that we may share your personal data which are listed in the Full Privacy Notice.

### What will we do with your personal data?

We will use this personal data to administer the Fund and to calculate and provide you (and, if you are a member of the Fund, your beneficiaries if you die) with benefits. We will also use this personal data for statistical and financial modelling and reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested), and to comply with our legal obligations.

From time to time we will share your personal data with third parties, including our contractors, advisors, government bodies and dispute resolution and law enforcement agencies and insurers in order to comply with our obligations under data protection legislation, and in connection with the



provision of services that help us carry out our duties, rights and discretions in relation to the Fund. These organisations are listed in the Full Privacy Notice.

We may also process your personal data to assess and, if appropriate, action a request you make to transfer your benefits out of the Fund.

In some cases recipients of your personal data may be outside the UK. If this occurs, we will make sure that additional safeguards are in place to protect your data in accordance with applicable data protection laws. Please use the contact details below if you want more information in connection with this.

### **What is the legal basis for our use of your personal data?**

The legal basis for our use of your personal data will generally be one or more of the following:

- a) we need to process your personal data to satisfy our legal obligations as the Administering Authority of the Fund; and/or
- b) we need to process your personal data to carry out a task in the public interest or in the exercise of official authority in our capacity as a public body; and/or
- c) we need to process your personal data for the legitimate interests of administering and managing the Fund and liabilities under it, calculating, securing and paying benefits and performing our obligations and exercising any rights, duties and discretions the Administering Authority has in relation to the Fund; and/or
- d) because we need to process your personal data to meet our contractual obligations in relation to the Fund (for example, under an agreement that you will pay additional voluntary contributions to the Fund), or to take steps, at your request, before entering into a contract.

### **How long will we hold your data?**

We will only keep your personal data for as long as we need to in order to fulfil the purpose(s) for which it was collected and for so long afterwards as we consider may be required to deal with any questions or complaints that we may receive about our administration of the Fund, unless we elect to retain your data for a longer period to comply with our legal and regulatory obligations. We keep your information for long enough to ensure that, if a query arises in the future about your benefits, we have enough information to deal with it where we have a legal obligation to do so. This information includes the data we need to identify a specific record. In practice, this means that your personal data will be retained for such a period as you (or any beneficiary who receives benefits after your death) are entitled to benefits from the Fund until such a time that the Fund is satisfied that there is no benefit due to be paid and no person, estate, or organisation exists that may be able to claim a benefit is due to be paid. This is likely to be at least 75 years after a benefit ceases to be payable. For the same reason, your personal data may also need to be retained where you have received a transfer, or refund, from the Fund in respect of your benefit entitlement.

### **Your rights**

You have a right to access and obtain a copy of the personal data that we hold about you and to ask us to correct your personal data if there are any errors or it is out of date or incomplete. In very limited circumstances, you may also have a right to ask us to restrict the processing of your personal data or to transfer or (in extremely limited circumstances, such as where your personal data is no longer needed for the purpose for which it is being processed) erase your personal data. You should note that we are not obliged to erase your personal data if we need to process it for the purposes of administering the Fund.



In certain circumstances you have the right to object to the processing of your personal data; for example you have the right to object to processing of your personal data which is based on the public interest or legitimate interests identified in the section above headed "What is the legal basis for our use of your personal data?", or where the processing is for direct marketing purposes.

You can obtain further information about your rights from the Information Commissioner's Office at: [www.ico.org.uk](http://www.ico.org.uk) or via its telephone helpline (0303 123 1113).

If you wish to exercise any of these rights, please contact the Fund Administrator below. You also have the right to lodge a complaint in relation to this summary notice, the Full Privacy Notice or our processing activities with the Information Commissioner's Office, which you can do through the website above or their telephone helpline.

One of the reasons we collect and hold your personal data is to administer your benefits from the Fund. If you do not provide the information we request, or ask that the personal data we already hold is deleted or that the processing of the personal data be restricted, this may affect our ability to administer your benefits, including the payment of benefits from the Fund. In some cases it could mean that we are unable to put your pension into payment or have to stop your pension (if already in payment).

### **Contacting us**

Please contact the Fund for further information.

East Sussex Pension Fund - Pensions Administration, County Hall East Block, F Floor, Lewes, BN7 1UE  
[pensions@eastsussex.gov.uk](mailto:pensions@eastsussex.gov.uk)

### **Data Protection Officer**

You may also contact our data protection officer for further information.

Data Protection Officer, East Sussex County Council County Hall West Block, G Floor, Lewes, BN7 1UE

### **Complaints about use of your information**

To complain about the use of your information you will need to contact the Information Commissioner's Office.

You can do online using the link below:

[Data protection and personal information complaints tool | ICO](#)

Or by post at Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF.

[Find out more about the ICO complaint process](#)

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## LOCAL GOVERNMENT PENSION SCHEME

### Memorandum of Understanding regarding Compliance with Data Protection Law

#### 1 INTRODUCTION

1.1 The Local Government Pension Scheme (**LGPS**) in England and Wales is an occupational pension scheme registered under section 153 of the Finance Act 2004 and its rules are currently set out in The Local Government Pension Scheme Regulations 2013 (SI 2013/2356) as amended (**LGPS Regulations**).

1.2 The LGPS is administered locally by administering authorities which are defined in Regulation 2 of the LGPS Regulations and listed in Part 1 of Schedule 3 of the LGPS Regulations.

1.3 East Sussex County Council (**Administering Authority**) is an administering authority under the LGPS Regulations. The Administering Authority manages and administers the East Sussex Pension Fund within the LGPS (the **Fund**) in accordance with its statutory duty under Regulation 53 of the LGPS Regulations. Employers employing employees who are eligible to be members of the LGPS will participate in the Fund as a **Scheme Employer** (as defined in schedule 1 of the LGPS Regulations). The Administering Authority and the Scheme Employer (together the **Parties**) are required to share personal data relating to the Scheme Employer's current and former employees who participate in the Fund (the **Members**) and their dependants, beneficiaries and/or potential beneficiaries, in order for the Administering Authority to fulfil its statutory duties to manage and administer the Fund under Regulation 53 of the LGPS Regulations and provide the Members with benefits upon retirement, pay ill-health benefits, pay death grants, pay survivors' pensions to Members' spouses, civil partners and co-habiting partners, pay children's pensions upon the death of the Member, offer Members the option of paying additional voluntary contributions to one or more providers in accordance with Regulations 1 – 52 of the LGPS Regulations.

1.4 Scheme Employers are under a statutory obligation, as detailed in Regulation 80 of the LGPS Regulations, to provide certain personal data relating to its Members on an annual basis to the Administering Authority, including the Member's name, gender, date of birth, national insurance number, pensionable pay, employer and employee pension contributions, details of any additional pension contributions and additional voluntary contributions.

1.5 This Memorandum of Understanding sets out:

- (a) the basis on which personal data will be shared between the Parties; and
- (b) the Administering Authority's expectations of the Scheme Employer during its participation in the Fund;

in order to comply with Data Protection Law, including the General Data Protection Regulation (2016/679) (**GDPR**) as amended and incorporated into UK law under the UK European Union (Withdrawal) Act 2018.<sup>4</sup> For the avoidance of doubt, the commitments set

out in this Memorandum of Understanding only apply in respect of personal data shared between the Parties.

1.6 References to **Data Protection Law** in this Memorandum of Understanding mean the UK Data Protection Act 2018, the Electronic Communications Data Protection Directive (2002/58/EC), and the Privacy and Electronic Communications (EC Directive) Regulations 2003 (SI 2426/2003) (each as amended and incorporated into the laws of England & Wales, Scotland and Northern Ireland), GDPR and all applicable laws and regulations relating to personal data and privacy which are enacted from time to time, including (where applicable) the guidance and codes of practice issued by the Information Commissioner's Office and any other competent authority.

## **2 CONTROLLERS**

2.1 The Parties acknowledge that they will:

- (a) not hold a pool of joint data;
- (b) be separate and independent controllers in relation to the copies of the Members' personal data they respectively hold and/or otherwise process;
- (c) each act independent controllers in relation to personal data transferred to them;
- (d) each be responsible for complying with the requirements in Data Protection Law that are applicable to them as independent controllers.

2.2 References to Members' personal data includes personal data relating to the Members' dependants (including children), spouses/civil partners (where applicable), beneficiaries and/or potential beneficiaries.

## **3 DATA SHARING**

3.1 The Parties confirm that they understand their respective obligations under Data Protection Law as controllers and agree to only process personal data relating to the Members:

- (a) transparently, fairly and lawfully and in accordance with the data protection principles set out in Data Protection Law;
- (b) where there are lawful grounds for doing so; and
- (c) in accordance with Data Protection Law and best practice guidance (including the Data Sharing Code of Practice issued by the Information Commissioner's Office and updated from time to time).

3.2 Each Party will separately inform the Members (as required under Data Protection Law) of the respective purposes for which they will each process their personal data and provide all required information to ensure that the Members understand how their personal data will be processed in each case by the Administering Authority or Scheme Employer (as applicable). The Scheme Employer's privacy notice to Members will inform them that their personal data will be provided to the Administering Authority and a copy of that notice will be provided to the Administering Authority on request.

3.3 When sharing personal data, including for any onward transfers of personal data, the Parties shall ensure that they have a lawful basis for doing so.

3.4 To the extent any Scheme Employer or Administering Authority makes any transfer of personal data outside of the UK or European Economic Area, it shall ensure compliance with Chapter 5 of the GDPR and the principles set out in the judgment issued by the Court of Justice of the European Union on July 16, 2020 (case C-311/18; “Schrems II”).

3.5 In the event that a Scheme Employer or Administering Authority collects, uses or otherwise processes Special Category Personal Data, or Criminal Convictions Data, it shall comply with all of the requirements under Data Protection Law, as applicable. This includes ensuring that a condition for the processing of this data has been satisfied.

3.6 Each Party shall ensure that it: (a) only collects, uses or otherwise processes personal data for a specific and limited purpose; (b) has measures in place to ensure that personal data remains accurate and up-to-date; and (c) ensures that all staff who have access to the personal data are properly trained in the handling of personal data.

3.7 Each Party confirms that it understands its respective obligations under Data Protection Law, to ensure that the Members’ personal data of which it is a data controller is kept and used securely at all times and to take such technical and organisational security measures against unauthorised and unlawful processing of, accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to the Members’ personal data transmitted, stored or otherwise processed as may be required. Such measures will have due regard to the state of technological development and the cost of implementation of these measures, to ensure a level of security appropriate to the harm that might result from such processing and the nature, scope, context and purposes of processing the Members’ personal data and the risk or likelihood and severity for the rights and freedoms of data subjects. Such measures will ensure:

- (a) the ongoing confidentiality, integrity, availability and resilience of processing the Members’ personal data;
- (b) the ability to restore the availability and access to the Members’ personal data in a timely manner in the event of a physical or technical incident;
- (c) carrying out of regular testing, assessing and evaluating the effectiveness of technical and organisational measures for ensuring the security of the processing.

3.8 Each Party undertakes to notify the other as soon as practicable if an error is discovered in the Members’ personal data of which it is a controller and which was received from or a copy of which has been provided to the other Party, to ensure that such other Party is then able to correct its own records. This will happen whether the error is discovered through existing data quality initiatives or is flagged up through some other route (such as the existence of errors being directly notified to the Administering Authority or Scheme Employer (as appropriate) by the Member (or the Member’s dependants, spouse/civil partner) themselves).

#### **4 TRANSFER OF MEMBERS' PERSONAL DATA**

4.1 The Parties agree that Members' personal data will only be transferred from one Party to the other via an acceptable method specified by the Administering Authority which may include any of the following:

- (a) courier
- (b) secure email
- (c) SFTP link
- (d) access secure website
- (e) third party solution as agreed by the Parties
- (f) other secure transfer method

4.2 Each Party will, when transferring the Members' personal data of which it is the controller to the other Party, ensure that that data is secure during transit (whether physical or electronic).

4.3 If either the Administering Authority or the Scheme Employer appoints professional advisers, third party administrators or another entity which provides other services involving the transfer of Members' personal data, those third parties will be data processors or data controllers in their own right. The Administering Authority or the Scheme Employer (as applicable) will comply with its own obligations in accordance with Data Protection Law (in particular, by requiring any such entity to which it transfers Members' personal data to also comply with Data Protection Law) and shall ensure that that nothing in the terms of engagement between the Administering Authority or the Scheme Employer (as applicable) and such third party would contradict this Memorandum of Understanding.

#### **5 RIGHTS OF MEMBERS (INCLUDING THE MEMBER'S DEPENDANTS, SPOUSES/CIVIL PARTNERS (WHERE APPLICABLE))**

5.1 Each Party shall, in respect of the personal data of which it is a controller, respond to any requests from Members to have access to or exercise any of their other rights under Data Protection Laws in relation to any of their personal data or a complaint or enquiry relating to that Party's processing of the Members' personal data received by that Party in line with its own obligations under the Data Protection Law.

5.2 Each Party agrees to provide reasonable assistance to the other as is necessary to enable the other Party to comply with any such requests in respect of Members' personal data of which that Party is a controller and to respond to any other queries or complaints from Members.

#### **6 DATA SECURITY BREACHES AND REPORTING PROCEDURES**

6.1 Each Party confirms that it understands its respective obligations under Data Protection Law in the event of any personal data breach, unauthorised or unlawful processing of, loss or destruction of or damage to any of the Members' personal data, including (where necessary) an obligation to notify the Information Commissioner's Office and/or the Member(s).

## **7 ADDITIONAL RESPONSIBILITIES OF SCHEME EMPLOYERS**

7.1 Notwithstanding the statutory obligations which apply to Scheme Employers under the LGPS Regulations and as a data controller under Data Protection Law, the Administering Authority, as Administering Authority for the Fund, expects Scheme Employers participating in the Fund to comply with the responsibilities set out below in relation to Members' personal data.

7.2 On request, the Scheme Employer will inform the Head of Pensions at the Administering Authority of any appointed qualified person to fulfil the role of data protection officer (**DPO**) together with their contact details. If the Scheme Employer has not appointed a DPO, the Scheme Employer, on request, will inform the Information Manager at the Administering Authority of the details of a nominated person for GDPR compliance purposes.

7.3 The Scheme Employer will demonstrate to the Administering Authority's satisfaction when dealing with ill health early retirement applications for current employees that explicit Member consent has been received which gives consent to processing by both the Scheme Employer and the Administering Authority. In the absence of such consent, the Administering Authority may not be able to process the Member's application.

7.4 The Scheme Employer acknowledges the financial penalties that can be imposed by the Information Commissioner's Office in relation to breaches of Data Protection Law and will inform the Administering Authority within 10 working days from the point that it becomes aware that the Scheme Employer may be liable to pay such a financial penalty. The Scheme Employer further acknowledges that any liability it may have to pay a financial penalty to the Information Commissioner's Office may result in a revision of the rates and adjustments certificate in accordance with Regulation 62(7) of the LGPS Regulations.

## **8 COMPLIANCE WITH THE MEMORANDUM OF UNDERSTANDING**

8.1 Failure by the Scheme Employer to comply with the terms set out in this Memorandum of Understanding may result in the Administering Authority taking any or all of the following actions:

- (a) reporting the Scheme Employer's non-compliance to the Information Commissioner's Office

reporting the Scheme Employer's non-compliance to another appropriate Regulator.

## **9 REVIEW AND AMENDMENT OF MEMORANDUM OF UNDERSTANDING**

9.1 The Administering Authority will review the Memorandum of Understanding from time to time. The Administering Authority reserves the right to amend the Memorandum of Understanding at any time and will provide notice to the Scheme Employer of such amendment.

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# Governance and Compliance Statement

June 2024



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## **Governance Policy Statement**

### **Introduction**

This is the Governance Policy Statement of the East Sussex Pension Fund (the Fund). The Fund is managed by East Sussex County Council (ESCC) who is the Administering Authority (Scheme Manager) on behalf of all the relevant scheme employers. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.

The Public Services Pensions Act 2013 (The Act) introduced a new framework for the governance and administration of public service pension schemes. The Act has a material impact on existing governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the LGPS regulations.

As a result of the Act, The Pensions Regulator introduced codes of practice covering specific areas relating to public sector pension schemes. The Code of Practice which previously applied to Public Service Pension Schemes, Code of Practice 14, was superseded by the General Code in March 2024.

As Administering Authority, ESCC is the designated statutory body responsible for administering the Fund on behalf of the constituent Scheduled and Admitted Bodies in the relevant area. The LGPS regulations specify that, in investing the Fund's money, regard must be given to the need for diversification and for proper advice obtained at reasonable intervals.

### **Governance of East Sussex Pension Fund**

ESCC operates a Cabinet style decision-making structure. Under the Constitution, the Pension Committee has delegated authority to exercise the powers of the County Council in respect of all powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the Fund, including the approval of the Fund admission agreements.

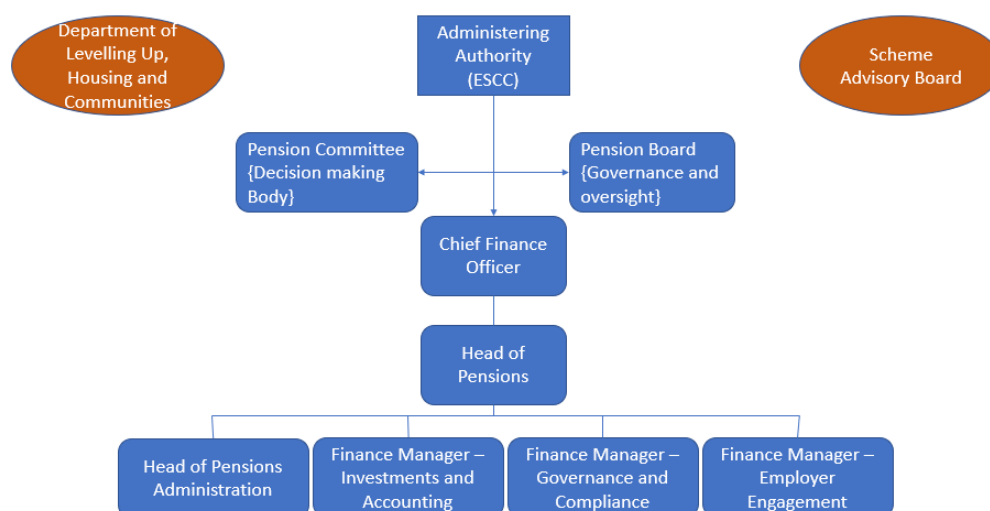
Delegations by the administering authority are published in the Council's constitution which can be accessed [here](#)

The Fund governance focuses on:

- The effectiveness of the Pension Committee, the Local Pension Board (Pension Board) and Officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies.
- The establishment of policies and their implementation.
- Clarity of areas of responsibility between Officers and Pension Committee/Board members.
- The ability of the Pension Committee/Board and Officers to communicate clearly and regularly with all stakeholders.
- The ability of the Pension Committee/Board and Officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
- The management of risks and internal controls to underpin the framework.

## East Sussex Pension Fund Governance & Compliance Statement 2024

The Overall responsibility for the governance of the Local Government Pension Scheme and for the approval of this document resides with the Pension Committee. To aid the decision making process a decision making and responsibilities matrix has been developed.



## Responsibilities of the East Sussex Pension Committee

The Pension Committee is established as the Fund's delegated scheme manager and is responsible for arrangements for the investment, administration funding, communication, risk management and the overall governance process surrounding the Fund. It acts with the delegated authority of ESCC, which is the formal scheme manager.

The Pension Committee is responsible for setting all Fund policies including the setting of the appropriate funding target.

The Pension Committee will exercise its functions in accordance with fiduciary duties, safeguarding the interests of the beneficiaries of the Fund.

Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.

Committee Members are required to be rigorous about conflicts of interest and potential conflicts of interest, actual or perceived, as laid out in the Conflict of Interest Policy.

The Committee is subject to the statutory obligation of political balance in the membership of the Committee. Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process.

Detailed terms of reference for the Committee are included as **Appendix A**.

Attendance of Committee meetings is reported in the Annual Report.

## Responsibilities of the East Sussex Pension Board

The Pension Board's primary role is to assist the Fund in ensuring that the Fund is managed and administered effectively and efficiently.

The Pension Board will provide assistance to ESCC as the Administering Authority and the LGPS Scheme Manager in securing compliance with:

- LGPS Regulations and any other legislation relating to the governance and administration of the LGPS.
- requirements imposed in relation to the LGPS by TPR.
- ensure effective and efficient governance and administration of the LGPS; and
- any other matters as the LGPS regulations may specify.

The role of the Pension Board is to provide oversight of these matters and it is not a decision-making body. The Board seeks assurance that due process is followed by the Fund.

Detailed terms of reference for the Board are included as **Appendix B**.

Attendance of Board meetings is covered in the Annual Report.



## **Operational Procedures of the Pension Committee & Pension Board**

The Pension Committee and Pension Board is advised by the Chief Finance Officer (in their capacity as section 151 Officer) and a number of external expert advisors including but not limited to the Fund Actuary, Legal Adviser, Investment Consultant and Independent Adviser, as required by the Pension Committee or Pension Board.

The Pension Committee and Pension Board receive full reports on all necessary matters as decided by the Chief Finance Officer, along with matters as requested by the Pension Committee or Pension Board for detailed reports and discussion. Provision exists for the calling of special meetings if circumstances demand.

The work plan of both Pension Board and Pension Committee is set out in a work program agreed at each quarterly meeting. This helps the stakeholders understand what will be discussed at future meetings. The Pension Board and Pension Committee consider reports on administration of the Fund, the Risk Register and any breaches of the law at all core meetings.

Agendas and reports for both the Board and Committee are published on the ESCC website at least 5 working days in advance of the meeting. All meetings are open to the public except where the Board and Committee resolve to exclude the press and public due to the consideration of information that is exempt under section 12A of the Local Government Act 1972. Meetings are held in person with some capacity for attendance online. The meetings of both the Pension Board and Pension Committee are made available to the public through a webcast.

The Pension Committee receives and reviews quarterly reports in relation to Investment matters including all its Investment Fund Managers through its Investment Consultant, Isio. The Pension Committee is also advised by an additional Independent Advisor, Linchpin Advisory Ltd, to help balance the advice providing additional challenge and debate to decision making.

The Pension Board meets around two weeks in advance of the Pension Committee to enable the Board to consider and comment on the reports due to be considered by the Committee. The Pension Board also have sight of the last Pension Committee minutes for completeness on discussions and decisions made by the Pension Committee. The Board's minutes are included as part of the Pension Committee agenda pack and the independent chair of the Board attends the Committee meetings commenting on discussion points raised by the Board on each item. This ensures the Committee takes into account the comments of scheme member and scheme employer representatives of the Board, ahead of the Committee making decisions.

The Fund produces a Funding Strategy Statement which sets out the approach to funding related matters. The strategy takes into account advice from the Fund Actuary and seeks to ensure a consistent approach to all employers, including the Council where it acts as an employer rather than the Administering Authority.

## **Frequency of meetings of the East Sussex Pension Committee**

The Pension Committee is scheduled to meet at least 4 times a year with an additional meeting scheduled to discuss the investment strategy. Attendance at these meetings is reported in the annual report.

## **Frequency of meetings of the East Sussex Pension Board**

The Pension Board is scheduled to meet at least 4 times a year. Attendance at these meetings is reported in the annual report.



## **Membership of the Pension Committee**

ESCC appoints five members to the Pension Committee in accordance with political balance provisions contained in s.15 Local Government and Housing Act 1989. These provisions require that the make-up of the Committee is in line with the political balance of the Local Authority – ESCC.

The Pension Committee is currently made up of 3 Conservative, 1 Liberal Democrat and 1 Green Councillor. All members of the Committee have voting rights.

Whilst ESCC is also a scheme employer, the appointment of the Pension Committee is under the capacity of ESCC as Administering Authority and, as such, the Committee members are not appointed as scheme employer representatives but representatives of the Administering Authority to act on behalf of all Scheme members and Scheme employers.

This is made expressly clear in the Pension Committee Terms of Reference where it states “No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee”. The members of the Pension Committee are required to consider “views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund” but are not permitted to take decisions to benefit any particular employer ahead of the overall interests of the Fund.

The Local Government Association (LGA) obtained legal opinion from James Goudie QC in January 2015 where it was confirmed that a Pension Committee with investment decision making powers is a Finance Committee and is, therefore, restricted in its membership, excluding non-elected members onto the Committee unless there is a separate subcommittee for investment decisions, which consists solely of elected members of the Administering Authority. For the Fund, investment decisions are taken by the Pension Committee.

The current roles and responsibilities set out in the Terms of Reference of the Pension Committee, indicate that this Pension Committee is appointed to regulate and control the finance of the Fund. As such non-ESCC Councillors would not be permitted to be allowed to be members of the Pension Committee via section 102(3) of the Local Government Act 1972.

The Pension Committee is required under the 2016 LGPS Investment Regulations to take ‘proper advice’ – meaning the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters in formulating its investment strategy. Whilst all Committee Members bring with them their own knowledge and experience, political views should form no part of the consideration of issues or of the decision-making process. Committee Members must act as fiduciaries, safeguarding the interests of those to whom they owe their duties. Committee Members must take decisions in accordance with their public law obligations, including the obligations of reasonableness, rationality and impartiality.

## **Membership of the Pension Board**

In accordance with Regulation 107 of the LGPS Regulations 2014, a Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In considering the size of the East Sussex Pension Board, the Administering Authority has taken into consideration number of factors including:

## East Sussex Pension Fund Governance & Compliance Statement 2024

- The size of the Fund governing arrangement and decision-making process.
- The number of scheme members, number and size of employers within the Fund and any collective arrangements in place for them to make decisions or provide input in relation to Fund matters.
- The direct and indirect cost of establishing and operating the Board.

The Pension Board consists of 7 members as follows:

- Scheme Employer representative x 3 (to represent all employers within the scheme)
- Scheme Member representative x 3 (to represent all members of the scheme; active, deferred and pensioners)
- Independent Chair x 1

Employer representatives and scheme member representatives have voting rights. The Independent Chair does not have voting rights.

Where possible, the employer representatives will be appointed to represent each of Brighton and Hove City Council, as the second largest scheme employer after ESCC; the five district and borough councils; and all other employers. However, in practice, all will actively represent the full range of employers in the scheme.

An independent chair is appointed to enhance the experience, continuity, knowledge, impartiality and performance of the Board. The chair of the Board is invited to attend Pension Committee meetings where they are able to report back on discussions and recommendations from the Board, to represent the views of the employer and member representatives into Fund decision making. All Pension Board members are welcome to attend the Pension Committee meetings.

The term of office for Board members is 4 years. This can be extended following reselection by 2 years.

### Pension Board Representatives nomination/appointment

The methodology for appointing employer and member representatives is not prescribed by the Regulations. It is therefore up to the Administering Authority to establish an appropriate process, which has been included within the Pension Board terms of reference. For details see Appendix B to this statement.

Pension Board representatives are normally appointed for a term of 4 years. Appointments are made by the Governance Committee. The Governance Committee can also agree a temporary extension of up to 2 years. In the case of multiple appointments and re-appointments the Governance Committee may choose to appoint members on a mixture of full and 2-year terms to minimise the number of vacancies needing simultaneous appointments in the future.

Where a Pension Board Representative has their term extended this can only happen once before a full appointment process will be run.

In the past year it has been necessary to appoint people to vacant positions for both member and employer representatives.

For the employer representative vacancies, two members of the Pension Board stood down from their positions in the financial year. For one of these vacancies, a potential replacement was put forward by Brighton and Hove City Council. This nominee was approved by the Governance



Committee and met with the Chair of the Pension Board and Pensions Manager – Governance and Compliance prior to attending their first meeting. At time of writing, the second post remains vacant. Fund Officers have contacted all employers, asking them to put forward nominees. These nominations will then be assessed with interviews offered to appropriate candidates.

For the member vacancies, two new member representatives were appointed in July 2023. All members were invited to put themselves forward for the positions and a Trade Union asked whether it wanted to put someone forward, an invitation it declined. Following a review of applications and an interview process, the Governance Committee agreed the two appointments taking into the skills and experience of the various candidates to select people it thought would add most value to the Pension Board.

### Vice Chair appointment

Meetings of the Pension Board cannot go ahead without the Chair or Vice Chair present, so there is a risk that a meeting of the Board would not be able to proceed if the Chair is unable to attend for any reason.

The Pension Board agreed that in order to maintain the balance between scheme members and employer representation that a scheme member vice chair and an scheme employer vice chair would be nominated from the existing Pension Board members, and that the role of vice chair would alternate between scheme member and employer at each meeting.

### Consultation with Employing Authorities

All employing bodies are kept informed of current pension issues, such as proposed changes in the regulations and their implications, by a regular newsletter. They are encouraged to get in touch if they have questions.

In addition to these electronic briefings, the Fund holds an annual Employers' Forum to which all scheduled and admitted bodies of the Fund are invited. This meeting is held in person. It covers both actuarial and investment issues and has historically contained a presentation from the Fund's Actuary. In 2023 Employers received information about a range of topics including Environmental Investments, an update on the administration of the Fund and the importance of paying contributions in a timely manner.

An annual survey is carried out with employers to get input into the administration of the Fund.

Where there are proposed changes to the Administration Strategy or to the Funding Strategy Statement, employers are consulted prior to implementation of the revisions.

The Fund has an Employer Engagement team to specifically focus on improving the information sharing and support to scheme employers. This team works in consultation with other Fund Officers to ensure an effective, joined up service is provided.

### Consultation with Scheme Members

All active members receive newsletters twice a year to and Pensioner members once a year. These newsletters update on pension issues, especially on any changes affecting benefits. These updates are shared with all employers.

The Fund carries out an annual survey with active and pensioner members to seek their views on the administration of the Fund. In 2023 the main focus was on communication to help the Fund understand how members prefer to be communicated with and what information they would like to receive. For the first time a booklet providing a summary of the previous years account and key highlights was provided to members.

More detail on the approach to communication is covered in the separate Communication Statement, which is available on the website.

### Working Groups

The Fund has set up a number of working groups to help progress specific projects or areas of focus. The Pension Board are able to initiate working groups to focus on areas that would benefit from focus of the employer or member representatives.

An update is provided at each Pension Board and Pension Committee meeting to report back on the activities of each working group as appropriate.

In 2023/24 the Fund had two working groups. An investment implementation working group and an administration working group. The McCloud working group of previous years was subsumed into the administration working group and the Communications working group was determined to have fulfilled its objectives.

Each working group has its own terms of reference and membership which is firstly discussed at Pension Board and approved by Pension Committee.

The Chair of the Pension Committee is invited to join the Investment Implementation Working Group, while membership of the group is Officers and Advisers. All other working groups consist of a mix of Officers, Pension Board members and Pension Committee members.



## Conflicts of interest

**A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of their duties as a member of the Pension Board or Pension Committee. It is not permitted for a Pension Board member to have an actual conflict of interest.**

To prevent conflicts of interest members of the Pension Board, Committee and Officers are required to disclose interests. Potential conflicts are also disclosable as a standing item on the agenda for Board and Committee meetings. Interests which may lead to a potential conflict are additionally reviewed annually. The policy equally applies to advisers, suppliers and contractors who are required to disclose information about potential conflicts of interest as part of their contractual terms, with this being part of the procurement process.

Where a potential conflict of interest is identified the person with the potential, or perceived, conflict is not able to take part in discussions on the topic; excluded from voting; or otherwise has the conflict managed at the discretion of the Chair or Vice Chair as appropriate.

The Fund has a conflict of interest policy which is published on its website - [Conflict of interest policy - East Sussex Pension Fund](#). This policy is due for its triennial review in September 2024.

A register of interests is maintained for the Fund by the Democratic Services Team.

## Knowledge and understanding

It is a requirement that members of the Pension Board have sufficient knowledge and understanding to carry out their function. Where a new member joins the Pension Board, they are to develop this level of knowledge as soon as possible.

Whilst the law does not stipulate a timeframe for gaining this knowledge, it does for a new trustee of a private occupational scheme and an inference can be drawn that the same six-month time period should apply.

The Scheme Advisory Board's (SAB) Good Governance Report says that Officers and Committee members should also have sufficient knowledge and understanding to carry out their functions. The Fund's Training Strategy is in line with this recommendation and applies to Pension Board and Pension Committee members as well as officers. It is linked to the CIFPA Knowledge and Skills matrix.

The Fund has a Pensions Training Co-Ordinator. This Officer engages with the Chairs of both the Pension Board and Pension Committee to establish the individual needs of members, as well as liaising with Officers, to develop a detailed training plan. This plan will be in line with the published Training Policy. Details of the events individuals attend are recorded.

New members of the Pension Board and Pension Committee, along with those already in role and relevant Officers, are invited to induction training. Some of this training is provided by the Fund's legal, actuarial and investment advisors.

The Fund carried out a training needs analysis in 2023 with Committee and Board members through a self-assessment questionnaire. The results of these training needs led to the creation of the annual training plan for Board and Committee members and is being used to develop the content of training events which will be offered to Pension Board and Pension Committee members over the forthcoming year.

Training attendance is covered in detail as part of the Annual Report.



The Fund invite members of both the Pension Board and Pension Committee to a range of in-house and external training sessions and conferences to help develop their knowledge and skills relevant to their roles. In addition, officers attend training sessions and conferences in compliance with the training strategy and their professional CPD requirements to stay current. Notification of forthcoming training opportunities is provided at least once per month. The Fund have a budget assigned for training to ensure this is a priority of the Fund and sufficient resources available.

### Interaction with Officers

Fund Officers carry out the day-to-day work involved with running the Fund. They are divided into Accounting and Investment, Pensions Administration, Employer Engagement, Governance and Compliance and Projects. All teams are overseen by the Head of Pensions who reports to the Chief Finance Officer.

The Chief Finance Officer has two roles as the s.151 Officer for the Pension Fund and, separately, the s.151 Officer for the Council acting in its capacity as Local Authority.

Officers provide papers for both the Pension Board and Pension Committee in advance of meetings. The content consists of information to bring to the attention of the Pension Board and Pension Committee, together with information requested by the Pension Board and Pension Committee through the quarterly agreed workplan.

Where the Pension Board has concerns that the Pension Committee is not acting in line with the principles of good governance it can raise the matter with the Chief Monitoring Officer and, by extension, the Governance Committee.

### Good Governance report

In February 2021 the SAB published an updated version of its report following its review of good governance across the LGPS. This report covers representation, conflicts of interest and knowledge and understanding.

The findings of these areas are referred to in the relevant sections above. Additionally, the SAB made several recommendations in the areas of service delivery along with compliance and improvement.

The SAB recommends that all funds in the LGPS should have a Pension Administration Strategy. The Fund updated and enhanced its policy in 2023 to ensure this is fit for purpose and more accessible. This strategy was shared with employers in the Fund as part of a consultation process prior to implementation. The Pension Administration Strategy is also publicly available on the Fund's website. This policy is reviewed at least every three years.

The SAB has also recommended that funds in the LGPS document decision making levels. The Fund carried out a review of its existing policies and procedures in 2023, making changes to its Constitution in order to meet best practice.

It is anticipated that findings from the Good Governance report will be adopted into legislation across 2024/25.

### Admissions to the Fund

Where a new employer seeks to join the Fund a policy is in place to smooth the admission process. When the Fund becomes aware of a new employer, the new employer is sent a copy of the relevant documentation to help guide it through the process.

### Pension Administration Strategy

The Fund operates a Pension Administration Strategy in accordance with Regulation 59 Local Government Pension Scheme Regulations 2013. This document considers the relationship between the Fund and participating employers, setting out expectations for both the delivery of services and detailing the employers' obligations.

The Administration Strategy is kept under review and formally reviewed by the Pension Committee, in its role as delegated Scheme Manager, at least every three years or when there is a material change in the Fund policies. Any changes to the strategy are subject to a period of consultation.

### Audit review of service provision

The ESCC Internal Audit team carries out independent appraisals of the County Council's systems under the direction of the Chief Operating Officer. The Pension Fund has commissioned 70 days of audit to review various aspects of its service provision. An annual audit plan is reviewed and approved at the start of the year with all audit findings reports being considered and discussed at each Pension Board and Pension Committee meeting once the reports are finalised.

In 2022/23 the internal audit team carried out audits on cyber security, the ACCESS Support Unit, i-Connect and Pension Fund Governance.

### Business planning

The Fund maintains a business plan annually. At each Committee and Board meeting there is a discussion of the work to be conducted in each quarterly meeting over the next 12 months, allowing members of both the Board and Committee to request additional tasks be added as needed.

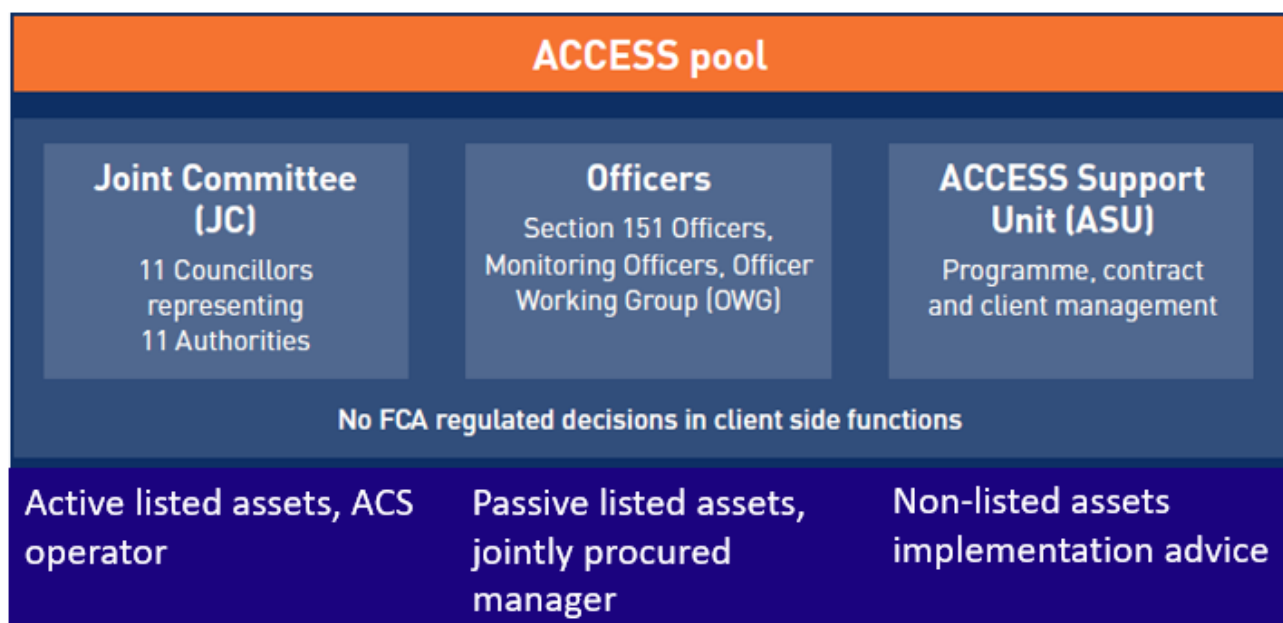
The Fund budget is approved by the Pension Committee on an annual basis.

Key Performance Indicators are reported against each quarter. The relevant documents are published as part of the Board and Committee meeting packs, which can be located at [Browse meetings - Pension Board | East Sussex County Council](#) and [Browse meetings - Pension Committee | East Sussex County Council](#).

### LGPS Asset Pooling Governance - ACCESS Pool

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities, which are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating with a clear set of objectives and principles that drives the decision-making process.

## ACCESS Pool Governance



The diagram above sets out the overarching ACCESS structure.

The ACCESS Pool is not a legal entity in itself but is governed by an Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the S151 Officers, Officer Working Group and the ACCESS Support Unit. The Officer Working Group are Officers identified by the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for program management, contract management, administration and technical support services.

The Section 151 Officer of each Pension Fund provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision-making power to their own Funds asset allocation and the pooling of assets that each Fund holds within the arrangements developed by the ACCESS Pool.



## East Sussex Pension Fund Governance & Compliance Statement 2024

At its meeting on Monday 7 March 2022, the ACCESS Joint Committee agreed proposals enabling each ACCESS Authority's Local Pension Board to send two observers, on a rotational basis, to Joint Committee meetings. In practice, observers from three ACCESS Authority Local Pension Boards at a time will attend JC meetings in person, allowing each Pension Board to be represented at least once a year.

The observers can be drawn from scheme member representatives, employer representatives or independent members. This arrangement was continued for 2023/24.

### ACCESS Operator

Waystone Group were appointed to provide a pooled operator service. Waystone is responsible for operating an authorised contractual scheme (ACS) along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies and the appointment of the investment managers to those sub-funds. The operator role is FCA regulated.

### ACCESS Implementation Adviser for illiquid assets

The ACCESS Pool has appointed APEX, the specialist service provider to the asset management industry, as implementation advisor for the pooling of illiquid assets, including private equity, infrastructure, private debt and real estate. As implementation advisor, APEX will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

### Review of Governance Policy Statement

Responsibility for this document resides with the Chief Finance Officer and will be reviewed by no less frequently than annually.

This document will be reviewed if there are any material changes in the administering authority's governance policy or if there are any changes in relevant legislation or regulation.

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## Delegation of Functions

The following functions are delegated by the Administering Authority:

### Scheme Administration

**Governance Principles: Effective committee delegation; appropriate accountability; rigorous supervision and monitoring**

Including, but not exclusively or limited to, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, and provision of membership data for actuarial valuation purposes.

The Administering Authority has responsibility for “Scheme Administrator” functions as required by HM Revenues and Customs (HMRC) under the Finance Act 2004.

#### Delegated to:

Pension Committee (monitoring)

Chief Finance Officer (Pension Fund Governance and Investment implementation)

### Funding

**Governance Principles: Effective committee delegation; appropriate accountability; written plan policies**

Including, but not exclusively or limited to, setting of the appropriate funding target for the Local Government Pension Scheme. The Chief Finance Officer shall be responsible for maintaining the Funding Strategy Statement (FSS) and business plan. The Pension Committee shall be responsible for approving the FSS and business plan.

#### Delegated to:

Pension Committee (policy approval)

Chief Finance Officer (maintaining FSS and policy implementation)

### Investment

**Governance Principles: Effective committee delegation; appropriate accountability; written plan policies**

Including, but not exclusively or limited to, setting of an appropriate investment strategy or strategies, selection of investment managers, setting of performance benchmarks and regular monitoring of performance. The Pension Committee shall be responsible for agreeing the Investment Strategy Statement (ISS).

#### Delegated to:

Pension Committee (strategy approval, manager selection, benchmarks, monitoring)

Chief Finance Officer (Pension Fund investment implementation)

### Communications

#### **Governance Principle: Effective information flow; written plan policies**

Including, but not limited to, setting of a communication strategy, issuing of benefit statements, newsletters, and annual report. The Pension Committee shall be responsible for agreeing the Communications Policy.

#### **Delegated to:**

Pension Committee (policy approval)

Chief Finance Officer (Pension Fund policy implementation)

### Risk Management

#### **Governance Principle: Effective committee delegation; appropriate accountability; written plan policies**

Including the identification, evaluation and monitoring of risks inherent within the Local Government Pension Scheme. The Pension Committee shall be responsible for approving the Risk Register. The Chief Finance Officer shall be responsible for maintaining the risk register.

#### **Delegated to:**

Pension Committee (pension fund risk register approval)

Chief Finance Officer (maintaining the pension fund risk register)

Delegations by the administering authority are published in the Council's constitution which can be accessed in full [here](#).

## Compliance Statement

The Fund fully complies with the best practice guidelines on governance, issued by the Department for Levelling Up, Housing and Communities, for details see the table below.

### A - Structure

Task	Compliance status
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Fully Compliant
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Fully Compliant
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Fully Compliant

### B – Committee membership and representation

Task	Compliance status
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - i) employing authorities (including non-scheme employers, eg, admitted bodies). ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Fully Compliant
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Fully Compliant

### C – Selection and role of lay members

Task	Compliance status
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Fully Compliant
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Fully Compliant

**D – Voting**

<b>Task</b>	<b>Compliance status</b>
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully Compliant

**E – Training/Facility time/expenses**

<b>Task</b>	<b>Compliance status</b>
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully Compliant
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully Compliant
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Fully Compliant

**F – Meetings (frequency/quorum)**

<b>Task</b>	<b>Compliance status</b>
That an administering authority's main committee or committees meet at least quarterly.	Fully Compliant
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Fully Compliant
That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Fully Compliant

**G – Access**

<b>Task</b>	<b>Compliance status</b>
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Fully Compliant

## H – Scope

Task	Compliance status
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Fully Compliant

## I – Publicity

Task	Compliance status
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Fully Compliant



## **Appendix A**

### **Pension Committee terms of reference and membership**

#### **Membership**

The East Sussex Pension Committee will be composed of five members of East Sussex County Council, determined by the Council at the Council's Annual Meeting. (N.B. When making nominations Members should have regard to the need to ensure a balance of experience and continuity).

Named substitutes are permitted for East Sussex County Council members.

#### **Terms of Reference**

The Pension Committee's will exercise on behalf of East Sussex County Council all of the powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the East Sussex Pension Fund except where they have been specifically delegated to another Committee. The Pensions Committee will exercise its functions in accordance with the fiduciary duties of the Council as the administering authority of the East Sussex Pension Fund.

The Pension Committee will have the following specific roles and functions, taking account of advice from officers and the Fund's professional advisers:

- Ensuring the Fund is administered, managed and pension payments are made in compliance with the regulations and having regard to statutory guidance that govern the operation of the Local Government Pension Scheme from time to time, and other legislation.
- Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including but not limited to funding, investment, administration, communication and governance.
- Determining how the various administering authority discretions are operated for the Fund.
- Monitoring the implementation of all Fund policies and strategies on an ongoing basis.
- In relation to the LGPS ACCESS Pension Fund Pool:
  - Considering pooling matters including recommendations made by the ACCESS Joint Committee;
  - determining the transition of the assets held by East Sussex Pension Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
  - recommending to the Governance Committee a member of the East Sussex County Council Pension Committee to the Joint Committee as and when required, having regard to the advice of the Head of Pensions;
  - appointing an East Sussex County Council officer to working groups such as the Officer Working Group as and when required;

- advising the representative on the Joint Committee and Officer Working Group on such matters as may be required;
  - monitoring the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee, Officer Working Group or ACCESS Support Unit, as appropriate;
  - receiving and considering reports from the LGPS ACCESS Joint Committee, Officer Working Group and the Operator;
  - undertaking any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required, including but not limited to appointment, termination or replacement of the Operator and approval of the strategic business plan.
- Making arrangements for actuarial valuations, ongoing monitoring of liabilities and undertaking any asset/liability and other relevant studies.
- Making decisions relating to employers joining and leaving the Fund. This includes approving which employers are entitled to join the Fund, and any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- Agreeing the policy for exit credits and terms on which employers may leave the Fund.
- Approving decisions on cessations, post cessation arrangements, guarantees and bonds.
- Agreeing the terms and payment of bulk transfers into and out of the Fund.
- Ensuring robust risk management arrangements are in place, considering and making recommendations in relation to the internal audit strategy and internal audit report pertaining to the management of the fund and reviewing its findings.
- Agreeing the Fund's annual business plan and annual and medium term budgets, and monitoring progress against them.
- Selection, appointment and dismissal of the Fund's advisers and suppliers, including actuary, benefit consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, Additional Voluntary Contribution providers and independent professional advisors. This includes determining the services to be provided and monitoring those services, including where this relates to shared services arrangements.
- Agreeing the Fund's Knowledge and Skills Policy and monitoring compliance with the policy.
- Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- Considering views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund.
- Considering the Fund's financial statements and approving an Annual Report on the activities of the Fund in line with legislation and guidance.

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- Considering the Breaches Register at every quarterly Pension Fund meeting and reviewing recommendations from the Pensions Board.



Notes: 1. No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee.

Notes: 2 As a Non-Executive Committee, no matters relating to the Pension Fund's non-executive responsibilities as Scheme Manager are delegated to an Executive of East Sussex County Council.

Notes: 3 The Committee's primary contacts will be the Head of Pensions, Chief Finance Officer and its retained advisors

### Training

The East Sussex Pension Fund has a dedicated Knowledge and Skills Policy which applies to all members of the Committee, and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.



## **Appendix B**

### **Constitution and terms of reference of the East Sussex Pension Board**

#### **Introduction**

The Pension Board is established by East Sussex County Council (ESCC) under the powers of Section 5 of the Public Services Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Regulations 2013 ("the LGPS regulations" which includes such regulations as govern the Local Government Pension Scheme from time to time). ESCC is the scheme manager (and administering authority) to the East Sussex Pension Fund (ESPF).

The East Sussex Pension Fund Board was appointed by East Sussex County Council (the Scheme Manager and Administering Authority to East Sussex Pension Fund) as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013. As such, Parts 4 Rules of Procedure (Council's procedural Standing Orders) sub-parts 1, 2, 3, 4, 5 and 6 of the Constitution of East Sussex County Council do not apply to this Pension Fund Board unless expressly referred to within and permitted by these Terms of Reference and Rules of Procedure.

The Board will exercise all its powers and duties in accordance with legislation and these Terms of Reference and Rules of Procedure. The Board shall have the power to do anything which is considered to facilitate, or is conducive or incidental to, the discharge of its functions.

#### **Powers of the Pension Board**

The Pension Board will exercise all its powers and duties in accordance with the law and this Terms of Reference.

ESCC considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Fund but instead can make recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by ESCC to committees, sub-committees and officers of ESCC, remain solely the powers and responsibilities of those committees, subcommittees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the ESPF Pension Committee.

The Pension Board will ensure that in performing their role it:

- is done effectively and efficiently and
- complies with relevant legislation and
- is done by having due regard and in the spirit of The Pensions Regulator's Code of Practice and any other relevant statutory or non-statutory guidance.

## **Objectives and role of the Pension Board**

The role of the Pension Board is defined by the LGPS Regulations as being to assist the Scheme Manager (ESCC as Administering Authority) to:

- secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS and requirements imposed in relation to the LGPS by the Pensions Regulator;
- ensure the effective and efficient governance and administration of the LGPS. This should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.

In doing this the Pension Board:

- Shall assist the Scheme Manager with such matters as the LGPS Regulations and guidance may specify.
- Shall seek assurance that due process is followed with regard to the Pension Committee and may review any decisions made by or on behalf of the Scheme Manager or action taken by the Scheme Manager.
- Shall seek assurance that any identified issues raised by Pension Board members are considered.
- Shall comment on and assist in identifying and managing breaches of the law in relation to ESPF matters.
- Shall make representations and recommendations to the Pension Committee as appropriate and shall consider and, as required, respond to any Government / Responsible Authority or Scheme Advisory Board requests for information or data concerning the Fund.
- May also undertake other tasks, including (but not limited to):
  - assisting the Pension Committee by reviewing aspects of the performance of the ESPF – for example by reviewing the risk management arrangements within ESPF (although the Pension Committee will remain accountable for risk management);
  - reviewing administration standards or performance or review efficacy of ESPF member and employer communications;
  - reviewing published policies to ensure they remain fit for purpose and are complete;
  - reviewing ESPF annual reports; or being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and ESPF members;
  - discussing strategic matters such as communications where requested by the Pension Committee.
- Will produce an annual report which is shared with the Scheme Manager. It will outline the work of the Pension Board throughout the scheme year, which will help to –
  - inform all interested parties about the work undertaken by the Pension Board
  - assist the Pension Board in reviewing its effectiveness and identifying improvements in its future operations.
- Shall carry out an annual self-assessment of the effectiveness of the Pension Board, and produce a report on this which will be shared with the Pension Committee.
- Must provide a record of each meeting to the following Pension Committee meeting and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board.
- Shall assist in considering whether the East Sussex Pension Fund is being managed in accordance with the LGPS and other relevant legislation, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary.
- Shall monitor administrative processes and support continuous improvements.

- Will ensure the scheme administrator supports employers to communicate the benefits of the LGPS to scheme members and potential new members.

## Membership

The Pension Board shall consist of:

- 3 employer representatives - employer representatives that can offer the breadth of employer representation for the ESPF.
- 3 scheme member representatives – member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners). Two will be nominated by the trade unions, and the rest will be drawn from the total ESPF active, deferred and pensioner membership.
- Independent Chair - The Pension Board shall be chaired by an Independent Chair.

Substitutes for Board members are not permitted.

The Quorum of the Board will be 3 Members, excluding the Independent Chair. To be quorate the meeting must include at least one employer representative and one scheme member representative.

The Board has the power to set up working groups

## Appointment of members of the Pension Board

The appointment process has been approved by the Governance Committee.

All appointments to the Pension Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair.

The Vice Chair will alternate between scheme member representatives and employer representatives at each meeting. The Vice Chairs will be nominated from the existing Board members whenever one of the existing Vice Chairs is replaced.

Appointments to the Pension Board shall be managed, wherever possible, so that appointment and termination dates are staggered such that there remains continuity for one meeting to the next.

## Term of office

Employer representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to this period by up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer in the employment of that employer, no longer holds office in relation to that employer or is no longer an elected member of that employer, as appropriate.

Scheme member representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing

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members is permitted. Appointment will automatically cease if the individual is no longer a trade union representative or representative of ESPF members (in accordance with the criteria set by the Governance Committee).

The Independent Chair appointment will expire after a period of 4 years from their date of appointment by the Governance Committee. The Governance Committee may agree an extension to terms of office by up to a further 2 years after which there shall be a further appointment process. Reappointment of the Independent Chair is permitted.

Term dates may not be exact due to the period of the appointment process. The term of office may therefore be extended for this purpose or other exceptional circumstances by up to three months with the agreement of the Governance Committee.

A Pension Board member who wishes to resign shall submit their resignation in writing to the Independent Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.

The role of the Pension Board members requires the highest standards of conduct and the ESCC Code of Conduct for Members will apply to the Pension Board's members. ESCC Standards Committee will monitor and act in relation to the application of the Code.

Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Pension Board member by the Governance Committee.

Removal of the Independent Chair will be by the Governance Committee.

## Chairing

It will be the role of the Chair to:

- Settle with officers the agenda for a meeting of the Pension Board.
- Manage the meetings to ensure that the business of the meeting is completed.
- Ensure that all members of the Pension Board show due respect for process and that all views are fully heard and considered.
- Strive as far as possible to achieve a consensus as an outcome.
- Ensure that the actions and rationale for decisions taken are clear and properly recorded.
- Uphold and promote the purpose of the Pension Board, and to ensure that meetings are properly conducted and professional advice is followed.
- To use their expertise and experience and liaise with the Head of Pensions to arrange such advice as required subject to agreement by the Head of Pensions on such conditions as that officer determines.
- Sign the minutes of each Pension Board meeting following approval by the Board.
- Prepare with the Head of Pensions an appropriate budget for the Pension Board's consideration before being formally considered by the Scheme Manager along with the ESPF Annual Budget.

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- Liaise with officers and advisors on the requirements of the Pension Board, including advanced notice for Scheme Manager officers to attend and arranging dates and times of Board meetings.
- Provide guidance on all points of procedure and order at meetings having regard to advice from officers.

Other tasks which may be deemed appropriate by the Scheme Manager for the Independent Chair of the Pension Board.

- Liaise with the Chair of the Pension Committee as deemed appropriate.

Other tasks that may be requested by the Board, within the remit of these Terms of Reference and subject to agreement with the Head of Pensions.

- Annually review and report on the activities of the Pension Board.
- Commission a triennial review of LGPS & public pension fund non-statutory best practice guidance (referencing the SAB & other relevant bodies deemed relevant by the Board) which then brings recommendations to the Committee (when appropriate) for amendments to the operation of the Fund. Support arrangements and administration.

ESCC officers will provide governance, administrative and professional support to the Pension Board, and ESCC Member Services will provide secretariat support to the Pension Board, and as such will ensure that:

- Meetings are timetabled for at least four times per year.
- Adequate facilities are available to hold meetings.
- An annual schedule of meetings is produced.
- Suitable arrangements are in place to hold additional meetings if required.
- Papers are distributed 5 clear working days before each meeting except in exceptional circumstances.
- Draft minutes of each meeting are normally circulated 7 working days following each meeting including all actions, decisions and matters where the Pension Board was unable to reach a decision will be recorded.
- Final reports, minutes and agendas relating to the Pension Committee are shared appropriately with the Board.

The records of the meetings may, at the discretion of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act.

The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.

The Pension Board must comply with the General Data Protection Regulation and the Scheme Manager's data protection policy. It must also adhere to the Scheme Manager's requirements, controls and policies for Freedom of Information Act compliance.

## **Expert advice and access to information, including the Pension Committee**

The Pension Board will have access to professional advice and support provided by officers of ESCC and, via them and where appropriate, advisers to the ESPF. In addition, Pension Board members will receive the final reports, minutes and agendas relating to the Pension Committee, save where the Committee expressly decides otherwise such as where an item is exempt, although this is anticipated to be in exceptional cases.

Insofar as it relates to its role, the Pension Board may also:

- Request information and reports from the Pension Committee or any other body or office responsible for the management of the Fund.
- Examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.
- Access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major matters being considered, i.e., investment strategy, triennial valuation, etc.
- Access to professional advice regarding non-major decisions will require the approval of the Pension Committee for additional resources.
- Attend all or any part of a Pensions Committee meeting unless they are asked to leave by the Committee or as a result of a conflict of interest.

ESCC officers will provide such information as is requested that is available without incurring unreasonable work or costs.

## **Knowledge and Skills**

Pension Board members will be required to have the ‘capacity’ to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:

- The scheme rules (i.e., regulations).
- The schemes administration policies.
- The Public Service Pensions Act (i.e., being conversant with pension matters relating to their role) and the law relating to pensions.

A program of updates and training events will be organised by ESPF officers.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement, Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to:

- Participate in training events (a written record of relevant training and development will be maintained).
- Undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters.
- Comply with the Fund's Knowledge and Skills Policy insofar as it relates to Pension Board members.

## Standards and Conflicts of Interest

A conflict of interest is defined in the Public Service Pensions Act 2013 as: “in relation to a person, means a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the Pension Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator’s code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member’s tenure.

The Pension Board shall adopt a policy for identifying and managing potential conflicts of interest.

Members of the Pension Board must provide, as and when requested by the Scheme Manager, such information as the Scheme Manager requires to identify all potential conflicts of interest and ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest at appointment or whilst a member of the Pension Board.

Part 5(1) of ESCC Code of Conduct shall apply in relation to the standards of conduct of Pension Board members, insofar as they can be reasonably considered to apply to the role of members of the Board, including the non-disclosure of confidential information.

Members of the Pension Board must adhere to the requirements of the ESPF Procedure for Monitoring and Reporting Breaches of the Law and should be mindful of the individual legal requirements in Section 70 of the Pensions Act 2004 relation to reporting breaches of the law in relation to ESPF matters.

## Access to the Public and Publication of Pension Board information

Members of the public may attend the Pension Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in ESCC's Constitution.

In accordance with the Public Service Pensions Act 2013, ESCC is required to publish information about the Pension Board and up-to-date information will be posted on the ESPF website showing:

- a. Names of and information regarding the Pension Board members
- b. How the scheme members and employers are represented on the Pension Board
- c. Responsibilities of the Pension Board as a whole
- d. Full terms of reference and policies of the Pension Board and how it operates.

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In accordance with good practice, ESPF may publish other information relating to the Pension Board as considered appropriate from time to time, and which may include:

- a. the agendas and meeting records
- b. training and attendance logs
- c. an annual report on the work of the Pension Board.

All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- a. on the ESPF website – <https://www.eastsussex.gov.uk/yourcouncil/pensions/members/>
- b. on the ESCC website – <http://www.eastsussex.gov.uk>,
- c. within the ESPF Annual Report and Accounts,
- d. within the ESPF's Governance Policy and Compliance Statement.

Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

## Expense reimbursement, remuneration and allowances

All Pension Board members will be entitled to claim travel and subsistence allowances for attending meetings relating to Pension Board business (including attending training) at rates contained in the Members' Allowances Scheme in the ESCC's Constitution. In addition, scheme member representatives may be paid an allowance equivalent to the co-optees' allowance in the ESCC Scheme of Members' Allowances in relation to time spent at meetings and training events relating to their role as a ESPF Pension Board member, unless they are attending they are attending during their normal working day without a reduction in pay or leave (in which case no allowance will be paid for that time). The Independent Chair's remuneration will be approved by the Governance Committee following consultation with the Chair of the Pension Committee. All costs will be recharged to the Fund.

## Accountability

The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions Regulator, and the Local Government Pension Scheme Advisory Board. The Local Government Pension Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the MHCLG) and the Scheme Manager. The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues.

## Decision Making Process

Employer representatives and scheme member representatives have voting rights, albeit the Pension Board is expected to operate on a consensus basis. The Independent Chair does not have voting rights.

In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote, but the proposal shall be considered to have been rejected. The Scheme Manager shall be alerted when a decision is reached in this manner.



## **Reporting and escalation**

The Pension Board must provide minutes of each meeting to the following Pension Committee meetings and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided in advance of the next Pension Committee meeting to the S151 Officer.

An annual report of the Pension Board must be provided to the S151 Officer and the Pension Committee and be published in the Fund's Annual Report and Accounts.

Where the Pension Board considers that a matter brought to the attention of the Pension Committee has not been acted upon or resolved to their satisfaction, the Pension Board will provide a report to the Monitoring Officer.

The Breaches Register will be presented at each meeting and considered by the Pension Board who may make recommendations to the Pension Committee.

## **Review, Interpretation and Publication of Terms of Reference and Rules of Procedure**

These Terms of Reference have been agreed by ESCC. The Council will monitor and evaluate the operation of the Pension Board and may review these Terms of Reference and Rules of Procedure from time to time.

These Terms of Reference are incorporated into the Council's Constitution and published on the Council's website and may be amended by the same means as permitted for the Constitution. It will also form part of the ESPF's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

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# Exit Credit Policy

June 2024



### Introduction

This is the policy of the East Sussex Pension Fund (“the Fund”) as regards determining the amount of an exit credit payable to a ceasing employer in line with Regulation 64 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”). Please note that these are guidelines only and the Fund will also consider any other factors that are relevant on a case-by-case basis. These considerations may result in a determination that would be different if these guidelines were rigorously adhered to. In all cases, the Fund will make clear its reasoning for any decision.

The policy has been prepared by the Administering Authority to the Fund, East Sussex County Council, in collaboration with the Fund’s actuary, Barnett Waddingham, and the Fund’s legal advisers, Eversheds Sutherland (International) LLP. This policy was approved on 19 June 2024, superseding the approved version from 30 November 2022 and 22 June 2020 and is effective immediately.

These procedures and policies apply to employers participating in the Fund.

### General principles

The Fund will notify the exiting employer as well as the letting authority and/or other relevant scheme employers of its intention to make an exit credit determination under Regulation 64.

Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during its participation, the assets allocated when it joined the Fund and the respective investment returns earned on both. Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Fund’s rates and adjustments certificates, up to any cap arrangements that may have been in place and excluding any additional payments such as strain payments.

The Fund will also factor in any contributions due or monies owed to the Fund that remain unpaid by the employer at the cessation date.

The final decision will be made by the Pension Committee, in conjunction with advice from the Fund’s Actuary and/or legal advisors where necessary, in accordance with this policy and the Regulations.

The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position, at the discretion of the administering authority, may be calculated on the ongoing funding basis. Further details on the minimum risk basis can be found in the Fund’s Funding Strategy Statement.

The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations, the Fund will discuss its approach to exercising its discretion in determining any exit credit payable with all affected parties.



Where it is determined that an exit credit is payable, the Fund will advise the exiting employer of the amount due to be repaid and seek to make the payment within six months of the exit date where possible. A longer time may be agreed between the Administering Authority and the exiting employer where necessary. For example, if the exiting employer does not provide all the relevant information to the Administering Authority within the timescales referred to below. In order to meet the six-month timeframe, the Fund requires prompt notification of an employer's exit and all data and relevant information as requested by the Fund. The Fund is unable to make any exit credit payment until it has received all data and information requested.

Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

If the exiting employer or letting authority wishes to dispute the determination of the amount of an exit credit, this must be routed through the Pension Committee.

Factors the Pension Committee may consider when exercising their discretion in relation to exit credits, will include, but are not limited to, the following for each group of employer.

### Admitted bodies

1 The date an admission agreement was entered into may affect the commercial terms in which any risk sharing arrangements and/or any other terms or mechanisms were put in place by the relevant parties. This will include those factors in relation to employer contribution rates and other pension costs and risks, which may then have contributed to any potential surplus or deficit in funding. As a result, the Pension Committee will consider the date at which an admission agreement was entered into and whether employers were admitted to the Fund before 14 May 2018. Prior to this date, the payment of an exit credit was not permitted under the Regulations. Where an admission was put in place prior to 14 May 2018, the Pension Committee will take into consideration any contractual or risk sharing arrangement as per point 3 below. Subject to point 2 below, where commercial terms agreed between the admission body and the letting authority do not reflect any contractual or risk sharing arrangements, the Pension Committee will consider all relevant factors of which it is aware in determining any entitlement to an exit credit payment. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' on the same terms that applied on joining the Fund.

2 An admission body must demonstrate that they have been exposed to underfunding risk (either in whole or part) during their participation in the Fund to be entitled to any exit credit payment. For example a pass-through arrangement as set out in the Funding Strategy Statement would not give rise to an entitlement on the basis that these admitted bodies would not have been asked to pay an exit payment had a deficit existed at the time of exit.

3 The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include

which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority within one month of the admission body ceasing participation in the Fund.

4 If there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in 3, the Fund will withhold payment of the exit credit until such disputes are resolved.

5 Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

6 If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

7 The decision of the Fund is final in interpreting how any arrangement described under 3, 5 and 6 applies to the value of an exit credit payment.

8 If an admitted body leaves on a **minimum risk basis** (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

### Scheduled bodies and resolution bodies

1 Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

2 Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

3 The decision of the Fund is final in interpreting how any arrangement described under 1 and 2 applies to the value of an exit credit payment.

4 If a scheduled body or resolution body becomes an exiting employer due to a re-organisation, merger or take-over, then no exit credit will be paid.

5 If a scheduled body or resolution body leaves on a **minimum risk basis** (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

### Representations

In the case of an Admitted Body that is an exiting employer, any representations to be made by:

- the Admitted Body;
- any other body that has provided a guarantee in relation to the Admission Body's participation;
- the relevant letting authority,

(as appropriate) as part of the determination process, must be provided to the Fund as soon as reasonably practicable and in any event within 1 month of the Fund's notification of its intention to make a determination (or such longer period as the Fund may in its discretion may allow).

The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit.

The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.

## Appeals

If a party involved in the exit credit process set out in this policy wishes to dispute the Fund's determination, this should be raised via the Pension Fund Committee. Officers can be contacted and asked to forward the details of the dispute.

## Review of policy

This policy will be reviewed at least every three years following triennial valuations or following changes in the Regulations pertaining to employers leaving the Fund.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate. Any queries should be directed to the Head of East Sussex Pension Fund in the first instance at [pensions@eastsussex.gov.uk](mailto:pensions@eastsussex.gov.uk).



# East Sussex Pension Fund

## Funding update as at 31 March 2024

### Background

This schedule is provided to East Sussex County Council as administering authority to the East Sussex Pension Fund (the Fund). Its purpose is to provide an approximate update on the funding position of the Fund as at 31 March 2024. The results in this schedule should be considered alongside the report on the valuation of the Fund as at 31 March 2022. This schedule has been generated from our online monitoring tool **Illuminate: LGPS Monitor**.

The results contained within this schedule are approximate. In particular, the results should not be used by the administering authority to make any significant decisions without our express permission. The schedule may be shared with other interested parties but it does not constitute advice to them. Barnett Waddingham LLP shall not accept liability should the schedule be relied upon for any purpose other than that stated above.

This advice is provided in our capacity as Fund Actuary. This schedule complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). This is the only TAS that applies to this work.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations). We have taken account of current LGPS Regulations (as amended) as at the date of this report.

### Valuation method, process and assumptions

#### Roll-forward method

To assess the estimated funding position at 31 March 2024, the following calculations have been carried out:

- The value of the Fund's liabilities calculated for the funding valuation at 31 March 2022 have been rolled forward allowing for:
  - Changes in market conditions to 31 March 2024.
  - Cashflows paid to and from the Fund, as provided to 31 March 2022 by the administering authority (estimated thereafter).

- The value of the Fund's assets are based on the latest asset data provided by the administering authority to 31 March 2024, rolled forward and estimated where necessary.

In particular, no allowance for actual member experience since the last valuation has been made (for example, membership movements (e.g. retirements, leavers or deaths). If there have been significant changes to the membership (such as a large number of transfers or deaths) the results of a full valuation could be materially different from this estimate. The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and we are happy that the data is sufficient for the purposes of this advice.

We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

We also assess the funding position on an unsmoothed basis where assets are taken at market value and the financial assumptions are taken to be the spot rates at the reporting date (and no smoothing is applied).

## Assumptions

The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable.

For this update, it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2022 actuarial valuation, updated where necessary to reflect market conditions. Further details of the derivation of the financial and demographic assumptions can be found in the latest actuarial valuation report and the Funding Strategy Statement, both of which are available on the Fund's website.

A summary of the key financial assumptions used for this funding update are shown below, alongside the corresponding assumptions at the last triennial valuation date.

Key assumptions	31 March 2024	31 March 2022
CPI inflation	2.42% p.a.	2.88% p.a.
Salary increases	3.42% p.a. (CPI plus 1.00% p.a.)	3.88% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.81% p.a. (CPI plus 2.39% p.a.)	4.60% p.a. (CPI plus 1.72% p.a.)

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund and incorporates an explicit prudence allowance consistent with the method adopted for the 31 March 2022 valuation. In particular, the investment strategy in place at the previous actuarial valuation has been used to set the assumption.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As we see, the real discount rate is more than at the 31 March 2022 valuation, decreasing the value of liabilities used for funding purposes.

The ongoing demographic assumptions are as set out in the actuarial valuation report as at 31 March 2022 and the Funding Strategy Statement, both of which are available on the Fund's website.

The following table shows the equivalent unsmoothed financial assumptions at the same dates. These are provided for information, however, please note that the unsmoothed basis has no bearing on the calculation of the ongoing funding position or the contribution rates.

Key assumptions	31 March 2024	31 March 2022
CPI inflation	2.47% p.a.	3.02% p.a.
Salary increases	3.47% p.a. (CPI plus 1.00% p.a.)	4.02% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.76% p.a. (CPI plus 2.29% p.a.)	4.63% p.a. (CPI plus 1.61% p.a.)

## Results

The table below shows the approximate updated funding position of the Fund as at 31 March 2024. The results of the previous actuarial valuation are also shown for comparison. Charts showing the full funding level progression and an analysis of change since the last valuation date are included in the appendix to this schedule.

The ongoing assets for the purposes of this update are calculated as a six-month smoothed market value straddling the valuation date.

Ongoing results	31 March 2024	31 March 2022
Liabilities	£4.108bn	£3.760bn
Assets	£4.840bn	£4.619bn
Surplus / (Deficit)	£732m	£859m
Funding level	117.8%	122.8%

The Fund has a funding surplus of £732m at 31 March 2024 relating to a funding level of 117.8%. This compares to a funding surplus of £859m at 31 March 2022, relating to a funding level of 122.8%.

## Final comments

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund include longevity risk and financial risks (including inflation and investment risk). There is more detail on this contained within the Fund's Funding Strategy Statement and the latest actuarial valuation report.

The following points should be noted and are shown in the chart in Appendix 2:

- Although investment performance has been strong more recently, actual investment returns have been slightly lower than assumed over the period (actual circa 5% v expected of 9.4%) from 31 March 2022 to 31 March 2024. This has results in an experience loss of £215m.
- The discount rate has increased from 4.6% p.a. at 31 March 2022 to 4.8% p.a. at 31 March 2024. This increases the funding level by around 3.5%.
- The long-term expectations for CPI inflation has reduced since the last valuation from 2.9% p.a. to 2.4% p.a. This was anticipated as the CPI inflation assumption at 31 March 2022 allowed for the known and expected short-term higher inflation. The CPI assumption of 2.9% p.a. over a 20-year period is broadly consistent with inflation of 10% in year 1, 6% in year 2 and 2.4% thereafter. This reduces the liabilities by £261m and increases the funding level by around 8%.
- CPI increases have been awarded to the appropriate members at 31 March 2023 of 10.1% and 31 March 2024 of 6.7%. This impact can be seen in the graph in Appendix 1. This is materially higher than the long-term assumption adopted for the last valuation (but see above point) and so this has increased the liabilities and reduced the funding level by around 12% more than assumed.

The funding position at future dates will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

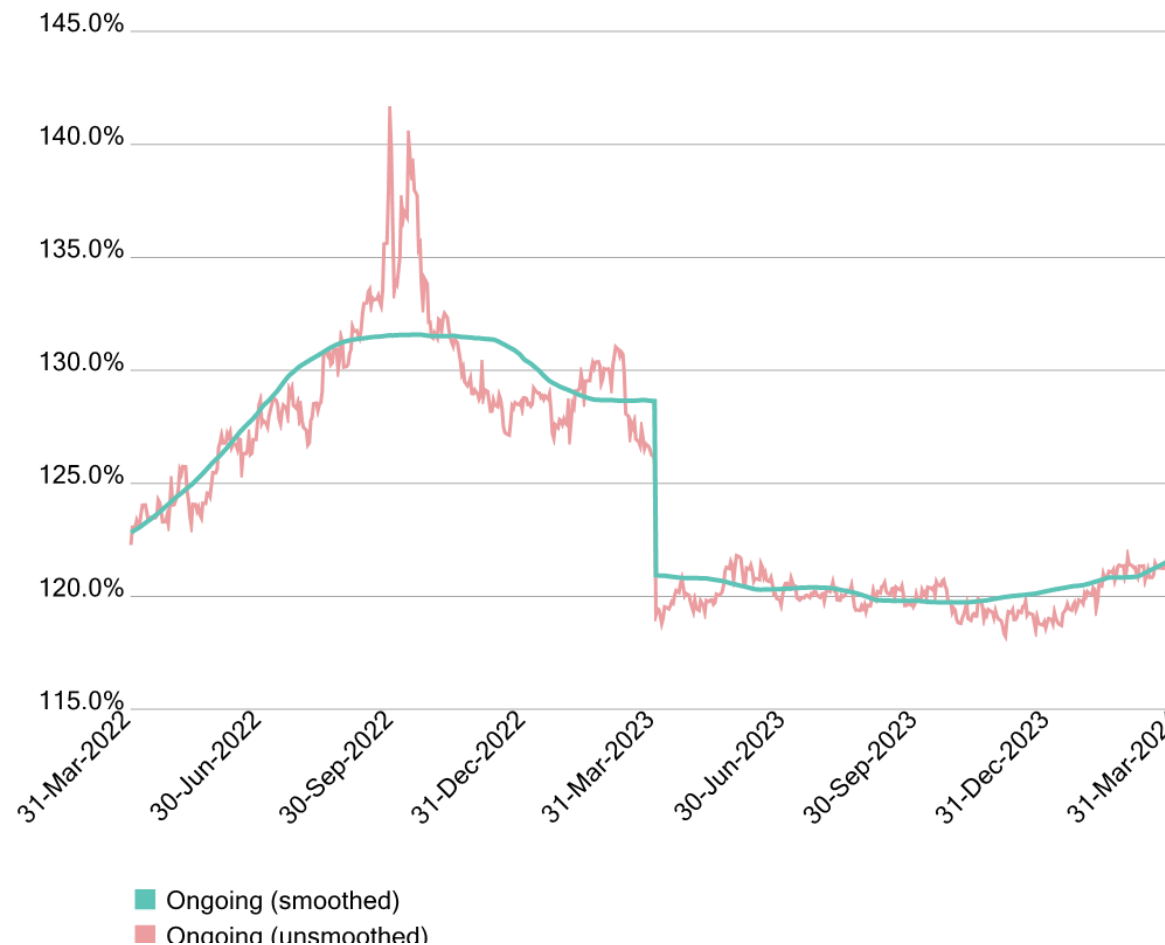
If you have any questions arising from this schedule, please contact the team in the usual way and we will be happy to help.

**Barnett Waddingham LLP**

## Appendix 1 Funding level progression

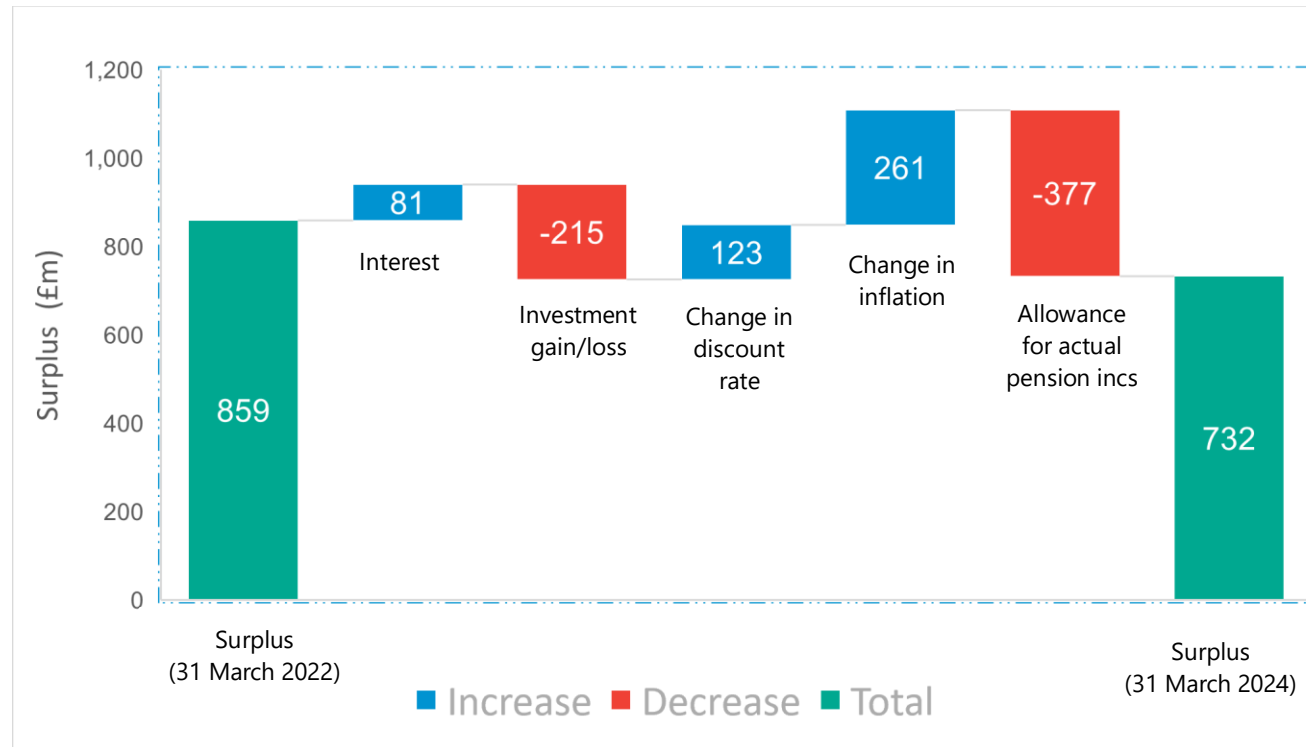
The chart below illustrates the approximate development of the Fund's ongoing funding levels from 31 March 2022 to 31 March 2024. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are likely to change up until three months after the reporting date.

The chart also illustrates the approximate development of the unsmoothed position over the same time period for comparison.



## Appendix 2 Analysis of change

The chart below shows the analysis of the change in the ongoing funding position from 31 March 2022 to 31 March 2024.



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<b>Report to:</b>	<b>Pension Committee</b>
<b>Date of meeting:</b>	<b>19 June 2024</b>
<b>By:</b>	<b>Local Pension Board</b>
<b>Title:</b>	<b>Report of Pension Board to Pension Committee</b>
<b>Purpose:</b>	<b>Report to Pension Committee, to understand the work completed by the Pension Board</b>

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## RECOMMENDATIONS

**The Pension Committee is recommended to note the report**

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### **1. Background**

1.1 This document outlines the actions taken by the Local Pension Board of the East Sussex Pension Fund (the Fund). It also details the training undertaken in the past 12 months to enable individual Pension Board members to develop and maintain the required level of knowledge and understanding to fulfil their function of supporting the Administering Authority, also known as the Scheme Manager.

1.2 This document will allow the Pension Committee to build a more detailed understanding of the work being done by the Pension Board to improve the operation of the Fund.

### **2. Membership and attendance**

2.1 The membership of the Local Pension Board over the past year has been:

Employer Representatives

- Councillor Bharti Gajjar – Brighton and Hove City Council (July 2023 – Jan 2024)
- Councillor Andrew Wilson – Borough and District Councils (From July 2023)
- Tim Oliver – University of Brighton (Until May 2024)
- Nigel Manvell – Brighton and Hove City Council (From February 2024)

Member Representatives

- Lynda Walker – UNISON (Until May 2023)
- Trevor Redmond – UNISON (From September 2023)
- Zoe O’Sullivan – Active/Deferred representative (From July 2023)
- Neil Simpson – Pensioners’ representative

Independent Chair

- Ray Martin

2.2 There has been significant change to the Pension Board in the past year. Long serving member Lynda Walker stood down and was replaced by Trevor Redmond. Zoe O’Sullivan joined the Board to fill the vacancy left by Niki Palermo when she stood down in the previous year. Amongst Employer Representatives there was a change caused by the May 2023 local elections, with Cllr. Druitt and Cllr. Illingworth stepping down from the Pension Board leaving vacancies for the May 2023 meetings. The employer representative for Brighton and Hove CC was initially Cllr Gajjar until Nigel Manvell was appointed in February 2024.

	<b>30 May 2023</b>	<b>6 September 2023</b>	<b>2 November 2023</b>	<b>8 February 2024</b>
Cllr B. Gajjar		Y	N	
N. Manvell				Y
R. Martin	Y	Y	Y	Y
Z. O'Sullivan		Y	Y	Y
T. Oliver	Y	Y	Y	N
T. Redmond			Y	Y
N. Simpson	Y	Y	Y	Y
L. Walker	Y			
Cllr A. Wilson		Y	Y	Y
	2 employer & 1 member vacancy	1 member vacancy		

### **3. Work of the Pensions Board**

3.1 Meetings are scheduled to be held shortly (no less than 2 weeks) before each Pension Committee meeting, where all papers relating to administration, governance, policy, audit and communications are first considered by the Board prior to final versions being presented at Committee for approval. This allows the Board to feed in on matters of governance and represent the views of Scheme members and Scheme employers in the documents that are then taken for approval.

3.2 Members of the Pension Board also act as observers at meetings of the Joint Committee of the ACCESS Investment Pool. The role of observer is on a rotating basis with each of the 11 Administering Authorities providing Pension Board observers in turn and is designed to support governance standards within the ACCESS Pool.

3.3 The Pension Board considers its work programme at each meeting taking into account the regular items it sees and what is planned for upcoming Pension Committee meetings and are able to request areas of focus to be added to the Board work plan.

### **4. Actions**

4.1 Since the last Pension Board report in June 2023, members of the Pension Board have been involved in determining the number of Working Groups in place. At the suggestion of the Board, the McCloud Working Group was combined with the Administration Working Group to allow for an increased holistic view of the administrative work being carried out by the Fund.

4.2 The Pension Board has also requested a change to the information being provided to it, with increased detail of the approach taken to investment decision making by the Pension Committee. The Chair, or Vice-Chair, of the Board also attends each meeting of the Pension Committee; providing strong oversight of the governance around investment and funding decisions.

4.3 Pension Board members have taken a strong interest in the work being done by Officers to improve the risk register, which is presented to the Board for consideration as a standing item for each meeting. Board members are keen to ensure they have sufficient time to comment on its content and have requested a longer period of time, at least annually, to be dedicated to this topic in addition to the regular reports already received.

## **5. Training**

5.1 In the past year the Pension Board, along with members of the Pension Committee, have been offered a range of training opportunities. In addition, details of reading material and relevant podcasts are provided.

5.2 Since the last report, Pension Board members have attended training events covering:

- The LGA's LGPS Fundamentals event
- Levelling Up
- Public Service Procurement
- Admissions and Cessations
- Cyber risk
- General Code

## **6. Year ahead**

6.1 It is anticipated that the year ahead will see a consistent membership of the Pension Board with just one change to be made as Tim Oliver, an Employer Representative stood down in May 2024. The consistency of membership will be beneficial to both the Board and the Fund as it will allow training to be more focussed on individual needs and look at increasingly nuanced matters.

6.2 The Pension Board will also be involved in working with Officers to support the work required to ensure that compliance with The Pensions Regulator's General Code, which replaced Code of Practice 14 in March 2024.

**Ray Martin**

**Chair of East Sussex Pension Board**

Contact Officer: Sian Kunert, Head of Pensions

Email: Sian.Kunert@EastSussex.gov.uk

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**Report to:** Pension Committee

**Date of meeting:** 19 June 2024

**By:** Chief Finance Officer

**Title:** Pension Administration - updates

**Purpose:** To provide an update to the Pension Committee on matters relating to Pensions Administration activities.

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## RECOMMENDATIONS

The Pension Committee is recommended to note the report.

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### 1. Background

1.1 The in-house Pensions Administration Team (PAT) carries out the operational, day-to-day tasks on behalf of the members and employers of the East Sussex Pension Fund (the Fund, ESPF) and for the Administering Authority. They also lead on topical administration activities, projects and improvements that may have an impact on members of the Local Government Pension Scheme (LGPS).

### 2. Key Performance Indicators (KPI)

2.1 The Performance Report, for the period April 2023 to March 2024 can be found at **Appendix 1**. The PAT saw performance numbers during quarter one 2024, average at 82.50% (volume completed 4,651) which continued, as predicted, lower than targeted. The previous quarter (78.99% with a volume of 4,274).

The lower-than-normal performance, despite a record level of work completed, was caused by several issues:

- The overall KPI figures are primarily low following the inclusion of item 9 aggregation (combining of benefits) which was included from March 2023. This was included due to the large volumes of activity to aid transparency. Excluding this task the quarterly performance was 96.57%. The aggregation backlog was over 1,000 cases but is now down to less than 200.
- A backlog of transfers (almost all types) was created by the uncertainty of the Government Actuaries Department (GAD) freeze due to the Actuarial Factors review and the resulting updates required to the Altair system.
- McCloud remedy going live and ESPF not being data ready to implement. Having to manually identify cases in scope is slowing down all calculations. The Fund is still finalising a new suite of letter templates, but holding letters are in use.
- Ongoing data cleansing including preparation for Pensions Dashboards.
- Backdated pay awards leading to thousands of leaver re-calculations.
- Resources redirected to focus on completing projects such as the historical Annual Allowance, GMP Rectification calculations, McCloud data, supplementing the pensions helpdesk.

Forecasting in late January, it was expected that performance would improve throughout quarter one, 2024 which it has. The focus for quarter two has been the implementation of the GMP rectification together with the 2024 pensions increase.

To aid visibility of the work being undertaken by the PAT team **Appendix 2** provides a high-level view of performance achieved (as presented) over a number of years and **Appendix 3** shows the latest position for March 2024, including what work was on the books at the start of the month, what was received, what was completed, and what remains outstanding including what can be

worked upon.

2.2 The Fund has a gold standard service provision for the Pensions Helpdesk and the results are included in **Appendix 4**. The Helpdesk, from April 2024, is an in-house team and part of PAT.

There has been a challenging transition with some helpdesk staff leaving and retiring ahead of the TUPE. Three new helpdesk operators were recruited in March 2024, and they are now starting to take calls. The email backlog has been cleared in May 2024.

The Pensioner Payroll support from Surrey CC ceased and from April 2024 was replaced by the ESCC Payroll team.

### **3. Pension Administration Staffing Update**

3.1 A Pension Administration Apprentice will start in June 2024 to replace a leaver in Jan 2024. The short-term temporary Pensions Administrator left in February 2024. Three Pension Helpdesk Operators started in early March 2024. One permanent Pension Administrator position vacancy remains, which is not currently being recruited to.

### **4. Projects update**

#### **4.1 Guaranteed Minimum Pension – Reconciliation & Rectification**

The data was provided to Mercers to recommence the project in May 2023 and their project plan provided on 18 September 2023 suggested it should be completed by February 2024. A number of key decisions were made by the Admin Working Group (AWG) on 26 October 2023 to enable the project to start to rectify. Mercers raised circa 500+ individual member queries in December 2023 and 20 remain outstanding. Officers worked with Heywood to come up with a bulk solution to import the Mercer results into Altair and the data was expected in early February.

At the AWG meeting on 21 March 2024 it was explained the data from Mercer was received at 5pm on 8 March 24 and everything needed to be completed before pensioner payroll cut-off date on 19 March 2024. The very tight deadline meant not everything got completed and priority was given to the pensioner records. About 2,000 pensioners were impacted by the GMP reconciliation but circa 1,400 were under GMP age so as the GMP's were not in payment. This means the only action is to update their Altair records to change the GMP/non-GMP split. However, when they reach State Pension Age their future increases will be impacted.

The remaining pensioner numbers were:

38	Underpaid cases including arrears (2 updated manually)
246	Overpaid cases identified (overpayments to date were written-off and pension in payment not decreased in March, we elected to give 3 months' notice of the decrease)
38	No action needed (32 deaths & 6 no change)
276	Excluded from the March update *
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598	

\* Following a review of the outliers and subsequent discussion with Mercer on 26 March 2024 Officers discovered a flaw in the Heywood data extract tool which mean that the GMP figures on Altair for some dependent pensioners was not passed to Mercer. There were 217 in this category and the figures on Altair when compared to HMRC records meant these were all within tolerance so effectively removed from rectification (included in "GMP incorrect on Extract" below). A full breakdown of the excluded pensioner cases is:

246	GMP incorrect on Extract
4	Full increase overlap (800 GMP cases in the breaches log) – rectify in June 24
1	Manual case – review in June

11 Outliers over tolerance £1k or 35% (down from 35) - review in May  
5 Ongoing queries with Mercers  
9 Suspended on Payroll (payslip returned suggesting suspected death)

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276

Officers elected only to write to the pensioner members impacted by the over and underpayment letters on 28 March 2024. Most of the pension helpdesk calls received from members (not that many) were simply to double check the numbers and to double check we are not recovering the overpayment to date. Officers received five complaints, none about financial hardship, and all have been responded too.

There is still a lot to do on the GMP rectification project, including all the deferred and active members record updating, the most difficult and complex part is complete.

Officers also need to revisit the 300 pensioners (section E2) that were pulled at the GMP rectification stage. Officers received details of these members from Mercer on 18 May 2024. Officers will determine case by case whether to use the HMRC or Fund GMP details. These will then, where appropriate, need to be put through the GMP rectification process, which could lead to a few more over or under payment cases.

#### 4.2 Member Self Service (MSS)

MSS is a portal used by members to help members keep track of their ESPF pension. Members can view ABS, update personal info, update nomination forms, and use a range of benefit projectors. The portal is being replaced with a version with improved functionality and much more secure. Officers are progressing the project with Heywood and will look to carry out a pilot with ESCC members in June 2024 after user acceptance testing is complete and before rolling out to all scheme members in July 2024.

#### 4.3 Pension increases as at 1 April 2024

Officers have completed the pension increase routine using the CPI figure of 6.7% (based on September 2023 inflation index).

#### 4.4 Annual Benefit Statements - 2024

The end of year data requests for the remaining non i-Connect employers were requested in late March 2024.

The project plan, testing matrix and ABS templates for actives, deferreds and Councillors have been prepared.

#### 4.5 McCloud Remedy

Officers wrote a generic letter to all potential members in scope in December 2023 which raised very few questions and queries. Officers were clear that no action was required by members and that there was an expectation only a small number were likely to be impacted with the high inflation plus comparison between 49<sup>th</sup> vs 60ths/80ths reducing the likelihood further.

There are about 140 employers with active members, all but one employer supplied data before the final deadline. The data has been put through the Heywood data validation tool which resulted in circa 4,200 queries around the part-time service histories. Of these about 4,000 have been resolved and 200 are being investigated by employers.

There are 37 employers that only have non-active members', and these have more recently been contacted to obtain data required. To date, 20 have provided the requested data, 5 no longer exist and 10 are being actively chased. The remaining 2 employers have informed Officers they no longer hold the required data so cannot provide it.

The LGA has published details of a preferred approach to making calculations where data cannot

be obtained, and assumptions made. Officers will determine the extent to which these assumptions will need to be used.

The Fund will need to revisit all calculations for members who were in scope for the McCloud remedy once the data has been loaded to Altair. Meanwhile most transfers requests after 24 March 2024 have been held up as Heywood have not created new calculation functionality (expected by the end of 2024). To assist, the LGA have, in May, created a manual non-Club transfer calculation spreadsheet. Officers are actively testing this to see if PAT can be trained to manually undertake these calculations to avoid future data disclosure breaches.

Whilst the McCloud remedy went live on 1 October 2024, the Fund is still trying to implement, and remains in a similar position to most other Local Authorities.

#### **4.6 Overseas Mortality checks**

Officers undertake monthly mortality checks via a third party (ITM) for UK based pensioners which alerts the PAT to any unnotified deaths so that they can be processed in a timely manner to avoid overpayments.

ESPF is also obliged to participate in the National Fraud Initiative (NFI) mortality checks which are undertaken biannually for all pensioners.

In addition, Officers undertake regular paper exercise for our circa 600 overseas pensioners to check their wellbeing and the next exercise will commence in June 2024. PAT will contact about two-thirds by email and the remainder by post. They will need to complete a form, appropriately witnessed and return within a few months.

#### **4.7 Frozen refund cases exercise**

If a member leaves the Fund with less than 2 years' service (and has not transferred in pension rights to the Scheme from elsewhere) they have three options:

- claim an immediate refund of their contributions.
- transfer their benefit to a new pension arrangement.
- delay their decision until they know what they want to do, known as a frozen refund.

Frozen refund cases have a maximum of 5 years to make a decision and then the Fund can pay a refund and remove the liability. It is difficult to resolve the frozen refund cases after 5 years as the Fund need to obtain bank details to make a payment; many members have moved address in this time and rarely seek to claim small amounts. The Fund has more than 6,000 frozen refund cases, many have been on the books for in excess of 5 years. Officers undertook an address tracing exercise with ITM and found a significant number had moved. Their new addresses have been updated and we have in May 2024 written to 1,077 frozen refund members to check we have traced the correct person, request bank details and in due course settle the refund of contributions.

## **5 Conclusion and reasons for recommendation.**

5.1 The Pension Committee is asked to note the report.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer:  
Email:

Paul Punter, Head of Pensions Administration  
[paul.punter@eastsussex.gov.uk](mailto:paul.punter@eastsussex.gov.uk)



APPENDIX 1

East Sussex Pensions Administration - Key Performance Indicators

	Activity	Impact	Target	Target	Mar-24		Feb-24		Jan-24		Dec-23		Nov-23		Oct-23		Sep-23		Aug-23		Jul-23		Jun-23		May-23		Apr-23					
	Scheme members	Pensioners, Active & Deferred			85,398		85,452		85,519		85,239		85,304		85,532		86,016		86,083		83,923		83,939		83,857		83,910					
	New starters set up	Bulk, i-Connect & New Starter Task			405		721		281		293		487		556		252		2,137		232		357		332		311					
					Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score				
1a	Death notification acknowledged, recorded and documentation sent	M	95%	within 2 days	19	100%	26	100%	27	100%	23	100%	17	100%	29	100%	22	100%	23	100%	17	100%	26	100%	26	100%	30	100%				
1b	Award dependent benefits (Death Grants)	H	95%	within 5 days	1	100%	2	100%	5	100%	18	94%	3	100%	11	100%	9	100%	22	100%	18	100%	21	86%	8	100%	11	100%				
2a	Retirement notification acknowledged, recorded and documentation sent	M	95%	within 7 days	216	94%	201	92%	220	96%	64	97%	73	88%	74	96%	68	92%	119	94%	98	91%	121	99%	200	99%	137	98%				
2b	Payment of lump sum made	H	95%	within 5 days	134	98%	100	99%	143	100%	75	98%	138	99%	163	99%	169	99%	149	98%	155	99%	133	99%	132	99%	145	98%				
3	Calculation of spouses benefits	M	90%	within 5 days	39	90%	22	87%	47	100%	2	100%	1	100%	3	100%	4	100%	4	100%	13	100%	14	100%	13	100%	14	100%				
4a	Transfers In - Quote (Values)	L	90%	within 10 dys, aggregation 15	24	100%	52	100%	40	85%	38	98%	26	100%	30	100%	46	98%	47	94%	28	97%	47	98%	48	98%	33	91%				
4b	Transfers In - Payments	L	90%	within 5 dys, aggregation 25	49	98%	46	100%	37	95%	43	100%	49	98%	31	100%	27	100%	42	98%	29	100%	20	100%	22	100%	21	100%				
5a	Transfers Out - Quote	L	90%	within 10 dys, aggregation 15	56	99%	83	91%	68	98%	45	94%	51	100%	72	98%	58	99%	144	96%	134	98%	53	87%	29	73%	22	96%				
5b	Transfers Out - Payments	L	90%	within 10 dys, aggregation 25	43	100%	40	98%	30	84%	14	72%	35	83%	31	94%	49	92%	49	74%	36	100%	12	100%	19	85%	7	100%				
6a	Employer estimates provided	M	95%	within 15 days	53	99%	64	100%	116	99%	12	100%	18	100%	17	100%	27	97%	24	100%	10	100%	27	100%	21	100%	19	100%				
6b	Employee projections provided	L	95%	within 15 days	21	96%	17	95%	10	100%	6	100%	24	100%	15	100%	17	100%	19	100%	9	100%	21	100%	24	100%	15	100%				
7	Refunds (inc frozen refunds)	L	95%	Quotes 10 days, settle 5 days	165	97%	158	99%	158	89%	202	95%	271	77%	178	79%	250	92%	160	84%	159	89%	173	92%	172	100%	132	97%				
8	Deferred benefit notifications	L	95%	within 15 days	225	99%	187	99%	276	99%	181	96%	475	85%	288	79%	293	91%	264	96%	250	95%	282	90%	308	98%	257	97%				
9a	Aggregation Quote	M	95%	within 15 days	133	34%	279	24%	327	19%	167	23%	140	22%	113	49%	122	46%	76	69%	52	66%	89	66%	42	70%	62	81%				
9b	Aggregation Actual	M	95%	within 10 days	219	84%	241	78%	232	71%	117	72%	332	56%	559	74%	312	81%	94	62%	137	47%	68	70%	115	96%	324	98%				
	TOTAL TASKS COMPLETED				1,397	88.98%	1,518	80.24%	1,736	78.28%	1,007	81.03%	1,653	75.26%	1,614	80.67%	1,473	86.90%	1,236	89.40%	1,145	87.95%	1,107	90.42%	1,179	96.70%	1,229	96.90%				
	Figures for the previous year				1,553	98.39%	950	97.47%	1,265	96.76%	698	97.56%	889	93.81%	963	94.91%	762	90.16%	908	94.93%	794	97.78%	669	97.76%	806	98.01%	782	97.95%				
	Figures for two years ago				844	96.68%	792	97.85%	722	98.34%	606	95.21%	883	97.62%	699	98.28%	847	97.17%	789	98.61%	734	99.32%	664	94.73%	643	96.89%	481	94.59%				
	Figures for three years ago				550	91.45%	557	90.84%	617	93.70%	408	98.28%	486	97.53%	591	98.31%	494	95.34%	516	92.64%	543	92.63%	394	96.70%	359	98.61%	617	93.70%				
	Figures for four years ago				598	99.00%	642	99.53%																								
	Missed target cases				154		300		377		191		409		312		193		131		138		106		39		38					
10	Complaints received				2		3		1		3		3		1		1		6		6		2		2		3					
11	Compliments received				0		1		0		0		0		0		0		0		0		0		0		0					
Summary for failed cases					Mar-24		Feb-24		Jan-24		Dec-23		Nov-23		Oct-23		Sep-23		Aug-23		Jul-23		Jun-23		May-23		Apr-23					
1b	Award dependent benefits (Death Grants)																				3 over by average 6.67 days											
2a	Retirement notification acknowledged, recorded and documentation sent				13 over by average 1.47		18 over by average 3 days						9 over by average 5.6 days				6 over by average 4.2 days		8 over by average 2.6 days		9 over by average 1.5 days											
2b	Payment of lump sum made																															
5a	Transfers Out - Quote																				7 over by average 6.43 days		8 over by average 4.25 days									
5b	Transfers Out - Payments								5 over by average 1.8 days		4 over by average 4 days		6 over by average 1.8 days						13 over by average 3.3 days						3 over by average 4.33 days							
7	Refunds (inc frozen refunds wef Aug 22)								9 over by average 1.67 days				63 over by average 30.0 days		39 over by average 17.2 days		22 over by average 8.9 days		26 over by average 3.2 days		19 over by average 7.4 days		14 over by average 3.5 days									
8	Deferred benefit (DB5YE)												72 over by average 19.1 days		61 over by average 9.2 days		28 over by average 6.5 days						28 over by average 6.36 days									
9a	Aggregation Quote				88 over by average 46 days		212 over		265 over by average 70.56 days		129 over by average 90.7 days		110 over by average 105.9 days		58 over by average 105.1 days		67 over by average 117.9 days		24 over by average 78.5 days		18 over by average 21.7 days		30 over by average 38.42 days		13 over by average 48.05 days		12 over by average 8.08 days					
9b	Aggregation Actual				35 over by average 16.3 days		53 over		67 over by average 20.1 days		33 over by average 52.2 days		147 over by average 10.4 days		146 over by average 5.8 days		61 over by average 4.5 days		36 over by average 8.5 days		73 over by average 53.4 days		20 over by average 6.90 days									
General comments					KPI/SLA from Altair being presented. Whilst we have caught up on some on the post backlog some remains for combinings. The quarter priorities has been the data quality, GMP reconciliation & rectification, testing the Pension increases, MSS upgrade testing. March 24 saw 11 days of Altair down time (some just test).							New KPI/SLA MI from Altair complete but need to be run on the last day of each month. More tasks received in bulk from BHCC and backdated pay. McCloud has complicated all post October 23 activity particularly transfers (widest sense). Deferred Benefit calcs are now performed by AI and the refunds will be live next quarter (UAT on live cases did impact KPI's). Project activity remains high and keeps coming, we are looking to re-prioritise and push some out a bit.							New KPI/SLA MI from Altair Insights not completed yet. Backlog on Aggregations being cleared and the BHCC 2022/23 cases all at once. Next day transfer process live on 18/9/23 for all employers. New GAD Actuarial Factors in place. Resources re-deployed to work on i-Connect onboarding, ABS production, Annual Allowance projects.							New KPI/SLA MI from Altair Insights not completed yet. Backlog on Aggregations being cleared and the BHCC 2021/22 cases all at once (plus creating & testing new next day transfer process). GAD Actuarial Factor review creating additional backlog						
Staffing					3 Pension Helpdesk Operators started on 4/3.		Fixed tern contractor left & advertised for 2 Apprentices		Louis Marshall left		Advertised for 2 Pension Helpdesk Officers.		Two Apprentices joined 1/11 as did a fixed term contractor for 3 months.				Advertise & Interview for 2 Apprentices. Looking at a temp Administrator		Project Officer appointed (moved to Projects from Admin). Will Bamber left 18/8		Promote Apprentice to Administrator 1/8		Project Manager started 26/6									
					Two vacancies		Five vacancies (inc helpdesk)		Four vacancies (inc helpdesk)		Three vacancies (inc helpdesk)		One vacancy		Three vacancies		Three vacancies		Three vacancies		Two vacancies		Two vacancies		Three vacancies		Three vacancies					

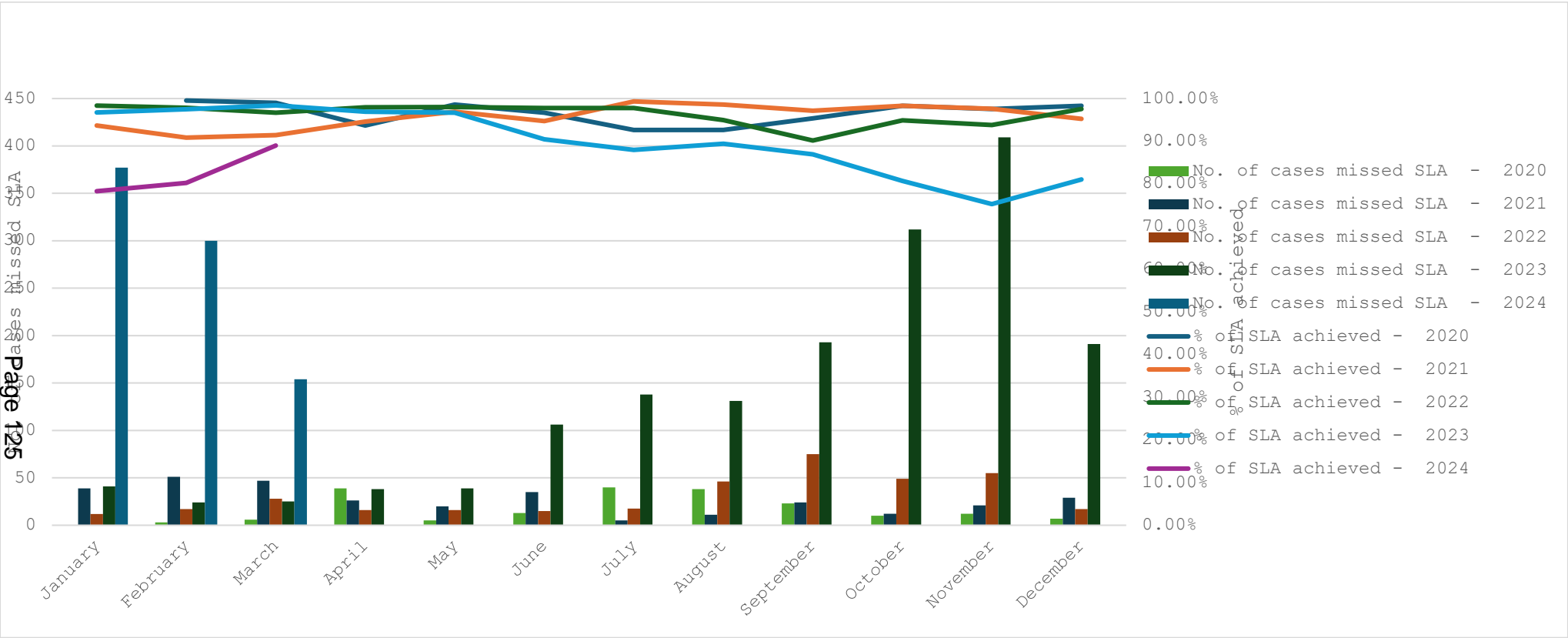
Performance for the year Apr 23 to Mar 24 inclusive		
Total	Fails	% pass
285	0	100.0
129	4	98.1
1,591	83	94.8
1,636	20	98.8
176	0	100.0
459	17	96.3
416	5	98.8
815	39	95.2
365	35	90.4
408	3	99.3
198	2	99.0
2,178	222	89.8
3,286	240	92.7
1,602	1,026	36.0
2,750	681	75.2
16,294	2,377	85.4

Item 9 was added in March 23 if excluded the performance for the year would be		
11,942	670	94.40%
Jan-24	96.18%	
Feb-24	96.49%	
Mar-24	97.03%	
Quarter	96.55%	

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APPENDIX B

East Sussex Pension Fund – Historical Overall Performance since February 2020



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# APPENDIX 3

## East Sussex Pensions Administration - Member Experience / Performance Indicators

Mar-24

Activity	Items outstanding at start of period	Post received	Post completed	Completed within SLA	% Complete within SLA	Completed outside SLA	Items outstanding at end of period	open tasks at end of period
Aggregation- Payment	116	261	219	181	82.6%	38	158	105
Aggregation- Quote	302	220	133	45	33.8%	88	389	365
APC/AVC's	18	97	96	96	100.0%	0	19	2
Deaths – initial letter acknowledging death of member	4	22	21	21	100.0%	0	5	0
Deaths- With Benefits	144	48	61	49	80.3%	12	131	8
Deaths-No Further Benefits	49	40	41	33	80.5%	8	48	16
Deferred Benefits	230	257	225	206	91.6%	19	262	91
Divorce Quotes	7	9	9	9	100.0%	0	7	2
General Enquiries	98	245	229	221	96.5%	8	114	39
Interfund in- Payment	60	59	48	48	100.0%	0	55	8
Interfund In- Quote	323	66	10	1	10.0%	9	379	19
Interfund Out- Payment	34	29	39	22	56.4%	17	24	17
Interfund Out- Quote	40	29	29	23	79.3%	6	40	15
Refunds- Frozen	67	148	126	123	97.6%	3	89	16
Refunds- Payment	19	45	39	34	87.2%	5	25	10
Retirements – letter notifying actual retirement benefits	36	144	128	107	83.6%	21	52	36
Retirements – letter notifying estimate of retirement benefits	24	198	207	203	98.1%	4	15	10
Retirements – process and pay pension benefits on time	282	154	136	131	96.3%	5	300	40
Transfer In- Payment	48	16	9	9	100.0%	0	49	4
Transfer In- Quote	120	20	8	5	62.5%	3	132	18
Transfer Out- Payment	16	6	4	4	100.0%	0	18	2
Transfer Out- Quote	24	32	27	24	88.9%	3	29	11
Trivial Commutation	0	4	2	2	100.0%	0	2	2
<b>Grand Total</b>	<b>2,061</b>	<b>2,149</b>	<b>1,846</b>	<b>1,597</b>	<b>86.5%</b>	<b>249</b>	<b>2,342</b>	<b>836</b>

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## Appendix 4

### Helpdesk performance for last 12 months

KPI	A	B	C	D
	First time fix	Call answer time	Abandoned call rate	Email response time
Gold	85% of enquiries dealt with at first point of contact	75% of calls answered in 20 seconds	Less than 5% of calls abandoned	100% of emails answered within 3 working days
Silver	80% of enquiries dealt with at first point of contact	50% of calls answered in 20 seconds	Less than 10% of calls abandoned	75% of emails answered within 3 working days
Bronze	70% of enquiries dealt with at first point of contact	30% of calls answered in 20 seconds	Less than 15% of calls abandoned	75% of emails answered within 10 working days
Below Bronze	<70% of enquiries dealt with at first point of contact	<30% of calls answered in 20 seconds	>15% of calls abandoned	<75% of emails answered within 10 working days

Quarterly performance assessed against the scoring mechanism with rectification plan for underperformance including penalty clauses for sustained underperformance.

#### Main Helpline for ESPF

Period	First time fix	Call answer time	Abandoned call rate	Email response time
<b>GOLD TARGETS</b>	<b>85%</b>	<b>75%</b>	<b>5%</b>	<b>100%</b>
April 23	87%	82%	1%	100% < 3 days
May 23	87%	88%	1%	100% < 3 days
June 23	85%	92%	0%	100% < 3 days
July 23	87%	93%	0%	100% < 3 days
August 23	89%	92%	0%	100% < 3 days
September 23	85%	93%	1%	100% < 3 days
October 23	85%	91%	1%	100% < 3 days
November 23	92%	76%	1%	75% < 3 days
December 23	89%	85%	1%	75% < 10 days
January 24	90%	67%	4%	75% < 10 days
February 24	87%	73%	2%	75% < 10 days
March 24	90%	73%	3%	75% < 3 days

Note: In Nov 23 the pensioner mailing about online comms becoming a default creating a significant spike in both calls and written communications. In Dec 23 one team member retired and one team member moved to bank support.

#### Website Helpline

Period	First time fix	Call answer time	Abandoned call rate	Email response time
<b>GOLD TARGETS</b>	<b>85%</b>	<b>75%</b>	<b>5%</b>	<b>100%</b>
April 23	100%	66%	2%	100%
May 23	100%	60%	3%	100%
June 23	100%	82%	2%	100%
July 23	100%	72%	2%	100%
August 23	100%	79%	3%	100%
September 23	100%	78%	2%	100%
October 23	85%	70%	2%	100%
November 23	92%	49%	10%	75% < 3 days

December 23	89%	60%	4%	75% < 10 days
January 24	90%	49%	9%	75% < 10 days
February 24	92%	53%	7%	75% < 10 days
March 24	93%	60%	5%	75% < 3 days

#### Monthly transaction volumes

Month	Telephone Calls	Email's Processed	Call Back's	Total
April 23	1,024	1,114	6	2,114
May 23	1,157	1,561	10	2,728
June 23	934	1,441	15	2,390
July 23	969	1,352	9	2,330
August 23	1,027	2,005	15	3,047
September 23	819	1,486	17	2,322
October 23	915	1,470	12	2,397
November 23	1,882	1,827	10	3,719
December 23	875	1,165	2	2,042
January 24	1,893			
February 24	1,567			
March 24	1,455			

#### Top five reasons for calls

Month	Self Service Activation	Login issues	Claim form guidance	Leaver form received	Document or Form enquiry	Other
Jul 23		3 <sup>rd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	4 <sup>th</sup>	5 <sup>th</sup>
Aug 23	1 <sup>st</sup>	2 <sup>nd</sup>	4 <sup>th</sup>		5 <sup>th</sup>	3 <sup>rd</sup>
Sep 23	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>		3 <sup>rd</sup>	5 <sup>th</sup>
Oct 23	5 <sup>th</sup>	1 <sup>st</sup>	4 <sup>th</sup>		2 <sup>nd</sup>	3 <sup>rd</sup>
Nov 23	2 <sup>nd</sup>	3 <sup>rd</sup>	5 <sup>th</sup>		4 <sup>th</sup>	1 <sup>st</sup> *
Dec 23	2 <sup>nd</sup>	3 <sup>rd</sup>	5 <sup>th</sup>		4 <sup>th</sup>	1 <sup>st</sup> *
Jan 24	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>		5 <sup>th</sup>	1 <sup>st</sup> *
Feb 24	3 <sup>rd</sup>	2 <sup>nd</sup>	5 <sup>th</sup>	4 <sup>th</sup>		1 <sup>st</sup> *
Mar 25		2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	1 <sup>st</sup> *

\* pensioner opt-out of online comms (received approx. 10k requests)

#### Telephone survey

Quarter 1, 2024	1 Star	2 Star	3 Star	4 Star	5 Star
1. How easy was it for you to contact the Pensions Helpdesk today?	3	8	33	87	520
2. How confident are you that your question was resolved or will be resolved in the relevant timelines?	8	17	22	99	505
3. Based on your recent experience how strongly would you recommend using the Helpdesk to a colleague?	6	9	34	79	523
4. How satisfied were you with your overall experience today?	11	19	36	74	511
5. How many times have you called the helpdesk about the request / issue?	Once = 503	Twice = 85	Three = 42	Four+ = 21	



**Report to:** Pension Committee

**Date of meeting:** 19 June 2024

**By:** Chief Finance Officer

**Title:** East Sussex Pension Fund (ESPF) 2023/24 Outturn report

**Purpose:** This report provides the financial outturn of the ESPF for the 2023/24 financial year

---

## RECOMMENDATIONS

The Pension Committee is recommended to note the report.

---

### 1. Background

1.1 The East Sussex Pension Fund's (the Fund) business plan and budget sets out the direction of travel, objectives and targets to be achieved in the financial management for the administering authority to carry out its statutory duties in a structured way. The Pension Committee is charged with meeting the duties of the Council as administering authority in respect of the Fund.

1.2 Budget estimates do not incorporate any provision for investment fees earned by the investment managers since there is limited scope for the Fund to influence these costs. This is due to the nature of the fees being based on factors outside the control of the Fund such as market movements along with other decisions affecting these such as strategic asset allocation changes.

### 2. 2023/24 Outturn Position

2.1 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.

2.2 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. The 2023/24 outturn against budget line items is shown in the table below.

2.3 The underspend mostly relates to a reduction in staffing overhead costs, lower than expected IT systems costs due to negotiations in fee by paying costs for licenses upfront and lower inflation assumptions.

## 2023/24 Outturn Report

2022/23 Outturn £000	Item	2023/24 Budget £000	2023/24 Actual Outturn £000	2023/24 Forecast Outturn Q3 £000	Variance to Previous Quarter £000
	<b>Pension Fund Staff Costs</b>				
1,482	Fund Officers	2,023	1,958	1,968	10
<b>1,482</b>	<b>Sub Total</b>	<b>2,023</b>	<b>1,958</b>	<b>1,968</b>	<b>10</b>
	<b>Oversight and Governance Expenses</b>				
318	Investment Advice	392	365	394	29
125	Actuarial Fund Work	87	39	51	12
69	Actuarial Employer Work	81	118	87	(31)
(76)	Employer reimbursement	(81)	(119)	(87)	32
56	Legal Fees	69	38	46	8
48	Governance consultancy costs	70	42	48	6
96	Audit	71	115	123	8
<b>636</b>	<b>Sub Total</b>	<b>689</b>	<b>598</b>	<b>662</b>	<b>64</b>
	<b>Investment Expenses</b>				
101	Custodian	97	107	98	(9)
<b>101</b>	<b>Sub Total</b>	<b>97</b>	<b>107</b>	<b>98</b>	<b>(9)</b>
	<b>Administration Expenses</b>				
438	IT Systems licenses costs and Hardware	572	489	492	3
256	Overheads	475	315	448	133
267	Admin operational support services	279	246	309	63
13	Improvement projects	100	106	99	(7)
235	Consultancy	45	61	80	19
7	Communications	47	60	68	8
13	Training	20	26	28	2
87	Subscriptions	75	84	85	1
48	Other Expenses	60	53	60	7
<b>1,364</b>	<b>Sub Total</b>	<b>1,673</b>	<b>1,440</b>	<b>1,670</b>	<b>230</b>
	<b>Income</b>				
(15)	Other Income	(19)	(21)	(19)	2
<b>(15)</b>	<b>Sub Total</b>	<b>(19)</b>	<b>(21)</b>	<b>(19)</b>	<b>2</b>
<b>3,568</b>	<b>Total</b>	<b>4,463</b>	<b>4,082</b>	<b>4,379</b>	<b>297</b>

2.4 The outturn for the overheads is considerably lower than the previous forecast position. The overhead charge to the Fund is a combination of charges based on the staff which is to cover items such as office space the Fund uses. For the year end we were provided a complete breakdown of the costs to the Fund. This identified that previous reporting had double counted within the overhead classification some costs which are paid for as specific agreed costs to East Sussex County Council and do not form part of the overhead. This has led to a £133,000 reduction from the last forecast position. In addition there was duplication of costs anticipated in Admin operational support services that were

specific to another budget line as the invoice was paid by ESCC on the Funds behalf, which is reflected by a saving of £63,000.

2.5 The forecast on the investment advice line was reduced it had been anticipated starting a couple of pieces of specific investment work that have since been deferred. This resulted in the reduction of £29,000 against the projected outturn.

2.6 The forecast for consultancy line was kept high at the last reported position as there is a one off piece of consultancy work on going with ITM and with Heywoods in regards to the integrated service provider project which may have occurred in 2023/24 but have slipped into the next financial year. This will come under the improvement projects line in the next years budget. This has produced an £19,000 underspend since the last projected outturn.

2.7 The pension fund received confirmation that the continuation of the Local Audit Grant for the 2023/24 audit in February this has resulted in the reduction in Audit costs for the year by £8,000.

### **3. Conclusion and reasons for recommendation**

3.1 The Pension Committee is recommended to note the final 2023/24 outturn position.

**Ian Gutsell**  
**Chief Finance Officer**

Contact Officer: Russell Wood, Pensions Manager: Investments and Accounting  
Email: Russell.wood@eastsussex.gov.uk

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**Report to:** Pension Committee

**Date of meeting:** 19 June 2024

**By:** Chief Internal Auditor

**Title:** Internal Audit Reports

**Purpose:** This report advises the Committee of the outcomes of the attached audits.

---

## RECOMMENDATIONS

The Committee is recommended to note the:

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

### 1. Background

1.1 The reviews of:

- Pension Fund Cash Management (Appendix 1); and
- The Administration of Pension Benefits (Appendix 2)

were completed as part of the Internal Audit Strategy for Pensions 2023/24 and provide assurance on the overall effectiveness of their respective systems' controls. There is one report still due for the year, Pension Fund Investments.

#### Pension Fund Cash Management

1.2 As a result of our work, we were able to provide an opinion of **Substantial Assurance** over the controls in place.

#### The Administration of Pension Benefits

1.3 Our work on the Administration of Pension Benefits has found sustained performance and we were able to give an opinion of **Reasonable Assurance**.

### 2. Conclusions and Reasons for Recommendation

2.1 The Pension Committee is:

- recommended to note the Internal Audit reports.

RUSSELL BANKS

Orbis Chief Internal Auditor

Contact Officer: Nigel Chilcott, Audit Manager  
Tel No.: 07557 541803

Contact Officer: Danny Simpson, Principal Auditor  
Tel No.: 07701 394826

#### BACKGROUND DOCUMENTS:

None

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# Internal Audit Report

## Pension Fund Cash Management

### Final

Assignment Lead: Harvey Sharpe, Auditor  
Assignment Manager: Danny Simpson, Principal Auditor  
Prepared for: East Sussex County Council  
Date: May 2024

## Internal Audit Report – Pension Fund Cash Management

### Report Distribution List

Sian Kunert, Head of Pensions  
Ros Parker, Chief Operating Officer  
Ian Gutsell, Chief Finance Officer  
Pension Committee  
Pension Board

<p>This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Chief Internal Auditor.</p>
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**Chief Internal Auditor:** Russell Banks, ☎ 07824362739, ✉ [russell.banks@eastsussex.gov.uk](mailto:russell.banks@eastsussex.gov.uk)

**Audit Manager:** Nigel Chilcott, ☎ 07557541803, ✉ [nigel.chilcott@eastsussex.gov.uk](mailto:nigel.chilcott@eastsussex.gov.uk)

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### 1. Introduction

- 1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund (the Fund). The Council has statutory responsibility to administer and manage the Fund in accordance with the Local Government Pension Scheme (LGPS) regulations.
- 1.2. The Council has delegated the responsibility for the management and responsibility for the Fund to the East Sussex Pension Committee, supported by the Pension Board, and the Chief Finance Officer for East Sussex County Council.
- 1.3. As of 1 April 2023, the Fund comprised 140 scheme employers with 24,691 active, and 35,213 deferred, scheme members, as well as 24,124 pensioners.
- 1.4. The most recent actuarial valuation of the Fund was carried out in 2022. The valuation found that the funding level had improved from 107% in 2019 to 123% in 2022. The Fund's assets and liabilities were valued at £4,618m and £3,760m respectively, a surplus of £858m, compared with a funding surplus of £247m in 2019.
- 1.5. During the financial year 2022/23, the scheme collected £147m in contributions from members and their employers. During the financial year 2022/23, the scheme made benefit payments of approximately £140.4m to members who are now pensioners. Daily cash management is outsourced by the Pension Fund to the Orbis Treasury Management Team.
- 1.6. This review was part of the agreed Internal Audit Plan for 2023/24.
- 1.7. This report has been issued on an exception basis, whereby only weaknesses in the control environment have been highlighted within the detailed findings section of the report.

### 2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
  - Pension contributions from all employers in the scheme are collected in full, at the time they fall due;
  - Information from employers is provided timeously to maintain the Fund's ability to deliver an effective service;
  - Funding levels of new employers is sufficient to cover their liabilities; and
  - Spikes in benefit demands are managed to avoid the Fund becoming overdrawn.

### 3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Pension Fund Cash Management (2023/24).** This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.  
*Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

### 4. Basis of Opinion

- 4.1. We have been able to provide an opinion of Substantial Assurance over Pension Fund Cash Management because:
- 4.2. The admission of new employers is managed effectively. Policy documents are up to date and in place, clearly defining requirements for new employers joining the Fund.
- 4.3. Information for employers is easily accessible via the Employer Toolkit, with various guidance around areas such as absences, administration processes and employers' responsibilities.
- 4.4. The Cash Management Strategy has been updated and implemented to reflect current requirements and best practice.
- 4.5. A Service Level Agreement, setting out the respective roles and responsibilities of the Pension Fund and The Council's Treasury Management Team, has been drafted. It is due to be presented to the Pension Committee for formal approval on 19 June 2024.
- 4.6. Appropriate segregation of duty is in place regarding users' roles that have been set up for accessing the Fund's bank account.
- 4.7. Appropriately robust cash flow forecasting take place, with this happening daily to reduce the risk of the Fund's bank account being overdrawn.
- 4.8. LGPS31 forms, accompanying contributions paid over by employers, are rejected if their signatures do not match the authorised signatures held for the employers, or if they have not been completed in full.
- 4.9. Of five actions agreed following the last audit, three have been implemented and two have been partially implemented. Two minor (low risk) actions have been raised to cover the outstanding elements of these actions and these are detailed in the findings section of this report.

### 5. Action Summary

5.1. The table below summarises the actions that have been agreed together with the risk:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.		
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.		
Low	This represents good practice; implementation is not fundamental to internal control.	2	1-2
Total number of agreed actions		2	

5.2. Full details of the audit findings and agreed actions are contained in the detailed findings section below.

5.3. As part of our quarterly progress reports to Audit Committee we seek written confirmation from the service that all high priority actions due for implementation are complete. The progress of all (low, medium and high priority) agreed actions will be re-assessed by Internal Audit at the next audit review. Periodically, we may also carry out random sample checks of all priority actions.

### 6. Acknowledgement

6.1. We would like to thank all staff that provided assistance during the course of this audit.

## Internal Audit Report – Pension Fund Cash Management

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p><b>Process Document for Contribution Checks</b></p> <p>As part of the previous audit, an action was raised whereby a new process of 'spot' checking individual employees' contributions made, against amounts due, would commence once all scheme employers had been onboarded to i-Connect.</p> <p>Although this was expected to begin by 31 January 2024, not all employers have yet been onboarded to i-Connect. We understand that onboarding the outstanding employers is not likely to be complete until June 2024. However, once all employees have been onboarded, the i-Connect team and Accounts team will start making manual check contributions against the contribution bandings, with any discrepancies being communicated to the relevant employer(s).</p> <p>No documented process has yet been established in readiness for this process starting.</p>	Without documenting the required procedures in advance, there is a reduced likelihood that their implementation will be successful.	Low	<p>Spot checking did commence in the summer of 2023 with a new i-Connect administrator in place. Employers were challenged for explanations on differences, leading to confirmation that collections were correct or of corrections being made by the employers. The process in place was complex, as employers have discretion as to when they amend contribution bandings for pay changes, and a change in resource led to a pause, in early 2024, in the process to build a more robust process once all employers are onboarded to i-Connect.</p> <p>Once all employers are on-boarded, a tool will be created to check contributions.</p>
<b>Responsible Officer:</b>		Sian Kunert - Head of Pensions	<b>Target Implementation Date:</b>	December 2024

## Internal Audit Report – Pension Fund Cash Management

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p><b>Annual Review of LGPS31 Forms</b></p> <p>As part of the previous audit, an action was raised for the Employer Engagement team to collect authorised signatory forms from all scheme employers, against which the signatures accompanying employers' monthly contribution payments can be checked. All employers have been asked to provide authorised signatory lists.</p> <p>It was also agreed that an annual review of the authorised signatories for all scheme employers would take place, to capture any staff changes. However, no such review has yet taken place. We understand that this is because not all lists have yet been received.</p>	If the list of authorised signatories is not reviewed regularly, there is a risk that it becomes out of date, reducing reliance that can be placed upon it and increasing the risk of error.	Low	<p>The Fund is still chasing employers for the authorised signatory forms with receipt of these being across the year. Complications have been raised where payroll processes are delegated to other organisations and employers have had to consider who should be authorised, i.e. the payroll provider or the employer themselves. In addition, some payroll providers, who submit LGPS31 data through spreadsheet uploads, needed a confirmed process on who is authorising and how this is communicated to the Fund appropriately, so this had caused a delay in the first round of collection.</p> <p>Once the Fund has established it has evidence of the majority of signatory forms, it will schedule a regular date in which an annual refresh of these is requested.</p>
<b>Responsible Officer:</b>		Sian Kunert - Head of Pensions	<b>Target Implementation Date:</b>	December 2024

# Appendix A

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

## Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

# Internal Audit Report

## Pension Fund Administration of Pension Benefits

### Final

Assignment Lead: Steven Duly, Auditor; Harvey Sharpe, Auditor  
Assignment Manager: Danny Simpson, Principal Auditor  
Prepared for: East Sussex County Council  
Date: May 2024

## Internal Audit Report – Pension Fund Administration of Pension Benefits

### Report Distribution List

Draft:

Paul Punter, Head of Pensions Administration

Final:

Paul Punter, Head of Pensions Administration

Sian Kunert, Head of Pensions

Ros Parker, Chief Operating Officer

Ian Gutsell, Chief Finance Officer

Pension Committee

Pension Board

This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Chief Internal Auditor.

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### 1. Introduction

- 1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has a statutory responsibility to administer and manage the fund in accordance with the Local Government Pension Scheme (LGPS) regulations.
- 1.2. The Council has delegated the responsibility for the management and responsibility of the Fund to the East Sussex Pension Committee, supported by the Pensions Board & Chief Finance Officer (S151 officer) for East Sussex County Council.
- 1.3. As of 1 April 2023, the Fund comprised 140 scheme employers, with 24,691 active employees, 35,213 deferred members, and 24,124 pensioners.
- 1.4. The most recent actuarial valuation of the Fund was carried out in 2022. The valuation found that the funding level had improved from 107% in 2019 to 123% in 2022. The Fund's assets and liabilities were valued at £4,618m and £3,760m respectively, a surplus of £858m, compared with a funding surplus of £247m in 2019.
- 1.5. During the financial year 2022/23, the scheme made pension benefit payments of £140.4m.
- 1.6. This audit reviewed the controls employed by management over the calculation and payment of pension benefits and transfers to and from the Pension Fund.
- 1.7. This review was part of the agreed Internal Audit Plan for 2023/24.
- 1.8. This report has been issued on an exception basis, whereby only weaknesses in the control environment have been highlighted within the detailed findings section.

### 2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
  - Data quality is sufficiently accurate to support transactions and reporting requirements;
  - The calculation of pension benefit entitlements is accurate; and
  - Delivery of the pension administration service complies with the requirements of the Pension Regulator.

### 3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of Pension Fund Administration of Pension Benefits (2023/24).** This opinion means that most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

*Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

### 4. Basis of Opinion

- 4.1. Based on the testing undertaken, we have been able to provide an opinion of **Reasonable Assurance** over the controls in place. This is because:
- 4.2. Data quality assurance processes are in place, including identifying data validation errors where information is received via automated data transfer.
- 4.3. Pension benefits are processed accurately, are paid on time and are supported by relevant authorisation. Before pension benefits are put into payment, checks are made by a second officer to provide additional assurance.
- 4.4. Reporting to the Pension Board and Committee is transparent and open, with regular reporting on employers joining or leaving the scheme and KPI achievement levels, with appropriate rationale provided where expected performance levels have not been attained.
- 4.5. There were, however, some areas where controls could be strengthened.
- 4.6. Revocation of system access for users, who have left the council's employment, is not always actioned timeously to mitigate the risk of unauthorised access to, or amendment of, personal data.
- 4.7. Process checklists are not always fully completed to confirm all steps within a process have been undertaken and have received review and sign-off by a second officer, increasing the risk of error.
- 4.8. Changes of members' address are not always supported by members' formal authorisation, and changes of members' bank details are not always followed up by confirmation to the member that the change has been made.

### 5. Action Summary

5.1. The table below summarises the actions that have been agreed together with the risk:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.		
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.		
Low	This represents good practice; implementation is not fundamental to internal control.	4	1 - 4
Total number of agreed actions		4	

5.2. Full details of the audit findings and agreed actions are contained in the detailed findings section below.

5.3. As part of our quarterly progress reports to Audit Committee we seek written confirmation from the service that all high priority actions due for implementation are complete. The progress of all (low, medium and high priority) agreed actions will be re-assessed by Internal Audit at the next audit review. Periodically we may also carry out random sample checks of all priority actions.

### 6. Acknowledgement

6.1. We would like to thank all staff that provided assistance during the course of this audit.

## Internal Audit Report – Pension Fund Administration of Pension Benefits

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<b>Altair User Access</b> Testing identified a member of staff who still had access to Altair (the Pensions Administration system) two weeks after they had left the Council. The former employee's access was withdrawn as soon as the Pensions Administration Team was advised.	Where former employees retain access rights to Council systems, there is a risk they make unauthorised and/or fraudulent amendments to data and that the Council is in breach of its obligations under the General Data Protection Regulations (GDPR).	Low	Access for this former employee was removed immediately we became aware (on 27/02/24). There are regular audits of Altair access to ensure we pick up unreported leavers.
<b>Responsible Officer:</b>		Paul Punter – Head of Pensions Administration	<b>Target Implementation Date:</b>	Implemented

## Internal Audit Report – Pension Fund Administration of Pension Benefits

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p><b>Transfer Checklists</b></p> <p>Where employees transfer into or out of the East Sussex Pension Scheme from other schemes, the processes utilise checklists to map out and record that the correct process has been followed.</p> <p>Testing found that transfer checklists are not fully completed in all cases. Limited instances were found relating to:</p> <ul style="list-style-type: none"> <li>• Transfers in;</li> <li>• Transfers out; and</li> <li>• quotations.</li> </ul>	Where checklists are not fully completed, there is increased risk that the process has not been followed. Consequently, there is an increased risk of fraud or error.	Low	At the monthly PAT meeting on 23/05/24, the minutes will reflect that the internal audit findings were discussed with the Team. The Team will be reminded of the importance of all checklists being fully completed by both the doers and checkers.
<b>Responsible Officer:</b>		Paul Punter – Head of Pensions Administration	<b>Target Implementation Date:</b>	31 May 2024

## Internal Audit Report – Pension Fund Administration of Pension Benefits

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	<p><b>Change of Address - Member Authorisation</b></p> <p>If a member of the scheme changes their address, a request for the Fund to amend its records to reflect the new address should be accompanied by the signed authorisation from the member, except where:</p> <ul style="list-style-type: none"> <li>the change of address is notified by the employer via I-Connect;</li> <li>the member requests the change of address through the member self-service portal; or</li> <li>the member's request is notified from their work email.</li> </ul> <p>However, other changes of members' address details in Altair are not always supported by the required authorisation.</p>	Where changes of address are processed without the appropriate member's authority, there is an increased risk of fraud or error.	Low	At the monthly PAT meeting on 23/05/24, the minutes will reflect that the internal audit findings were discussed with the Team. The Team will be reminded that any change of address by letter / email requires a wet signature and should be acknowledged.
<b>Responsible Officer:</b>		Paul Punter – Head of Pensions Administration	<b>Target Implementation Date:</b>	31 May 2024

## Internal Audit Report – Pension Fund Administration of Pension Benefits

### Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
4	<p><b>Member Confirmation of Bank Details Change</b></p> <p>A scheme member's change of bank details can be reported to the Fund in different ways:</p> <ul style="list-style-type: none"> <li>• direct notification by the member themselves;</li> <li>• BACS Payment Service Reports; and</li> <li>• Member Self Service (MSS) requests.</li> </ul> <p>Testing of changes to members' bank details in Altair found that confirmation of the changes having been actioned is not always issued to members. This is not isolated to one particular method of notification, with instances found to span members' signed notification of the change, BACS Payments Service Report changes and MSS reported changes.</p>	Where confirmation of a change of a member's details is not provided, it may lead to uncertainty over whether the change has been actioned and may increase the risk of fraudulent changes being processed.	Low	At the monthly PAT meeting on 23/05/24, the minutes will reflect that the internal audit findings were discussed with the Team. The Team will be reminded that any change of bank account by letter / email requires a wet signature and should be acknowledged.
<b>Responsible Officer:</b>		Paul Punter – Head of Pensions Administration	<b>Target Implementation Date:</b>	31 May 2024

# Appendix A

## Audit Opinions and Definitions

Opinion	Definition
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## Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.



**Report to:** Pension Committee

**Date of meeting:** 19 June 2024

**By:** Chief Finance Officer

**Title:** Pension Fund Risk Register

**Purpose:** To consider the Pension Fund Risk Register

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## RECOMMENDATIONS

The Pension Committee is recommended to review and note the Pension Fund Risk Register.

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### 1 Background

1.1 Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the Pension Fund. It is not a process for avoiding or eliminating risks. A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

1.2 Effective risk management is an essential part of any governance framework as it identifies risks and actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources, including the funding position, Local Government Pension Scheme (LGPS) Pooling, General Data Protection Regulation (GDPR), investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks.

1.3 Since the last meeting of the Pension Board and Pension Committee, officers have continued to review the Risk Register to ensure all appropriate risks and mitigations have been identified.

1.4 It is accepted that whilst mitigations are put in place for identified risks, it will not always be possible for all risk to be eliminated. In these cases, a level of risk is tolerated and kept under review.

### 2 Supporting Information

2.1 The Risk Register is included at **Appendix 1**.

### 3 Changes to the Risk Register

3.1 Risk I3 – Regulatory Risk, has been increased due to the likelihood of additional investment regulation that is anticipated. The Department of Levelling Up, Housing and Communities has made it clear it intends to introduce new measures and legislation regarding investment governance, climate reporting and investment pooling. In addition the Economic Activity of Public Bodies (overseas matters) Bill is currently being reviewed by the House of Lords, it is currently unclear the extent of which investment decisions may be considered within the scope of Bill.

## **4 Items under review**

4.1 Item 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.

4.2 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.

4.3 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.

4.4 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 meeting on the suitability of investments 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.

## **5 Conclusion**

5.1 The Pension Committee is recommended to review and note the Pension Fund Risk Register.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer: Sian Kunert, Head of Pensions  
Email: Sian.Kunert@EastSussex.gov.uk

Summary Post Mitigation Risk scores

Reference	Strategic Risk	Jun-22	Sep-22	Nov-22	Feb-23	May-23	Sep-23	Nov-23	Feb-24	Jun-24	Change from February	
Employer												↔
E1	<b>Contributions Funding</b> Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	4	4	4	4	4	4	4	4	4	↔	↓
E2	<b>Employer data</b> Employers fail to provide accurate and timely data to the PAT team	9	9	12	12	12	9	9	9	9	↔	↑
E3	<b>Employer Covenant</b> Delay in employers agreeing Admission Agreement, risk of insufficient security	4	4	4	4	4	4	4	6	6	↔	
Administration												
A1	<b>Pensions service Delivery</b> Inadequate delivery of Pensions Administration	6	6	6	6	6	6	6	6	6	↔	
A2	<b>Regulatory Change</b> Risk that new benefit structures can not be set up correctly or in time	6	6	6	6	6	6	6	6	6	↔	
A3	<b>Production of Statutory member returns</b> Risk of failure to produce ABS, annual allowance and event reports	6	10	10	10	10	6	6	6	6	↔	
A5	<b>Transfer Scams</b> Failure to comply with CETV anti scam checks	2	2	2	2	2	2	2	2	2	↔	
A7	<b>MBOS Project</b> Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	3	3	3	3	3	6	6	6	6	↔	
Governance												
G1	<b>Key Person risk</b> Risk of loss of key / senior staff resulting in lost knowledge and skills with in the Pensions Team	4	4	4	4	4	4	4	6	6	↔	
G2	<b>Committee / Board Member</b> Lack of decision making caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	6	6	9	9	9	9	6	6	6	↔	
G3	<b>Cyber Security</b> Risk of Loss of data or systems breaches through cyber attacks	8	8	8	8	8	8	12	12	12	↔	
G4	<b>Governance and Compliance</b> Inadequate governance arrangements and controls to discharge powers & duties	3	3	3	6	6	6	3	3	3	↔	
G5	<b>Data Breach</b> Failure to comply with General Data Protection Regulations	4	4	4	4	4	4	4	4	4	↔	
G6	<b>Fraud</b> Internal and External fraud risk	6	6	4	4	4	4	4	2	2	↔	
Investment/Funding												
I1	<b>Funding risk - poor investment returns</b> Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	4	4	4	4	4	4	4	4	4	↔	
I3	<b>Regulatory risk</b> Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	2	2	2	2	2	2	2	2	4	↑	
I4	<b>Investment Pooling</b> Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	6	6	6	12	12	12	9	9	9	↔	
I5	<b>Funding risk - higher inflation</b> Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	6	6	6	6	6	6	6	6	6	↔	
I6	<b>Environmental, Social and Governance</b> Risk of ESG factors within Investment strategy, underlying holdings and implementations of investment decisions	4	4	4	4	4	4	4	6	6	↔	
I7	<b>Climate change</b> Risk to assets and liabilities associated with Climate Change	4	4	4	4	4	4	4	6	6	↔	
I8	<b>Liquidity</b> Insufficient cash to pay benefits as they fall due	4	4	4	4	4	4	4	4	4	↔	
I9	<b>Money Purchase Additional Voluntary Contributions</b> Inadequate offering to Scheme Members						2	2	2	2	↔	

Ref	Strategic Risks	Pre-mitigati on RAG	Risk Control / Response	Post-mitigati on RAG	Risk Owner
<b>Employer Risk</b>					
E1	Contributions Funding Failure to collect contributions from employers in line with Funding strategy requirements and Rates and Adjustment Certificate	9	<ul style="list-style-type: none"> <li>•Monthly Employer contribution monitoring completed</li> <li>•Monitoring of late payments by Employer engagement team to address breaches for late payment. Chasers are sent out during the lead up to the deadline to prompt employers providing information and payment on time</li> <li>•Contributions recorded in Finance system for each employer to track employer cashflows in line with actuarial requirements for Valuation and FRS17/IAS19 reporting requirements. Also enables ability to see trends in contributions collected</li> <li>•Pension Administration strategy in place from January 2021 clearly outlining ability to charge employers for late payment, late receipt of remittance advice or poor quality of data. Late payment charges are now being administered as a deterrent and to cover the impact on the Fund for late payment. This strategy was refreshed in February 2023</li> <li>•Implementation of i-Connect is improving the quality of contribution data received to better aid reconciliation of payments and drill into the accuracy of employers' contribution payments, however functionality is still being improved by the software provider</li> <li>•Report produced for Pensions Board meetings to highlight any late payment of contributions and Employer engagement actions from February 2021</li> <li>•Covenant review undertaken helps identify employers most likely to have financial difficulties. Engagement with those posing most risk is ongoing</li> <li>•Triennial valuation process aims to stabilise contribution rates where possible and senior management involved in detailed discussions on funding assumptions. Triennial Valuation complete for 2022 and new rates set for April 2023 onwards. LGPS31 forms issued to all employers with new rates.</li> <li>•Guide to Employers on implications of Pensions on Outsourcing published and issued to all employers</li> <li>•Contribution deferral policy approved by Committee in June 2020</li> <li>•Deferred debt and debt spreading policies approved in June 2023</li> <li>•Employer engagement team are confirming the correct signatories for contribution submissions to ensure they are signed off at an appropriate management level</li> <li>•Regular communication with Employers through Employer engagement team</li> <li>•Cash Management covered by internal audit in 2022/23 year looking at contribution collection and cash management strategy</li> <li>•Cash Management and Contribution rate collection both identified in the 2023/24 internal audit programme for further investigation</li> </ul>	4	Head of Pensions
E2	Employer data Employers fail to provide accurate and timely data to the PAT team	12	<ul style="list-style-type: none"> <li>•Pension Administration Strategy approved in operation from January 2021 and refreshed in February 2023 with consultation with employers April 2023</li> <li>•Employing authorities are contacted for outstanding/accurate information</li> <li>•User Guide and Training provided to Employers for outsourcing implications with LGPS</li> <li>•Regular communication and meeting with administration services regarding service updates and additional data, when required</li> <li>•Employer engagement team established from January 2021 to support employers and provide training where required</li> <li>•Issuance of a quarterly employer newsletter to support employers in their understanding of current pensions issues and activity for the Pension Fund</li> <li>•A data cleansing plan was completed in June 2020 lead by Hymans. The PAT look at Data Improvement as part of BAU and is a regular item on the Administration working group. Data is also cleansed where appropriate as part of other projects</li> <li>•Introduction of i-Connect system will limit employer ability to submit incorrect data. Data is received monthly rather than annually to allow for regular cleansing and discussion with employers</li> <li>•Meetings held between senior pensions Management team and employers where there are current or historic data concerns</li> <li>•As part of the lead into the 2022 triennial valuation data cleansing and challenge was conducted by the Actuary with PAT to ensure the integrity of data</li> </ul>	9	Head of Pensions

E3	Employer Covenant Delay in employers agreeing Admission Agreement, risk of insufficient security	8	<ul style="list-style-type: none"> <li>•Full suite of admission agreements in place to ensure the Fund can provide comprehensive admission agreements at the outset of negotiations in line with the risk sharing arrangements agreed with the letting employer. New templates have been developed for pooling rate. Fixed rate template and Bond template in place. These templates are shared with the employers early in the process to speed up the agreeing of new admission agreements</li> <li>•The Fund will consider moving to a template portal which will automatically populate the variable data in the admission agreement ensuring no addition terms are changed and provides assurance from external legal term that the agreement is comprehensive and enforceable. However, the functionality is not yet sufficient to make the processes easier for letting employers and contractors</li> <li>•Guide to outsourcing is publicly available and distributed to all employers with coverage in both Employer forum in November 2020 and 2021. This guide directs employers of all the activities and considerations they need to take on any outsourcing arrangement with TUPE staff implications. New employers are given a copy as part of Admission Agreement process</li> <li>•Officers meet regularly to review status and movement on each in progress admission and an update is provided at team meetings monthly to ensure the admission is complete and effective at all stages</li> <li>•A new data flow and process map has been written to ensure officers request and communicate all the required information in a timely manner and on execution of the agreements data is required in line with the Administration strategy</li> <li>•Admissions in progress are reported quarterly to Board and Committee to ensure awareness of status</li> <li>•Security obtained for new admissions in form of bond or a guarantee from an appropriate body which has the means to support the guarantee</li> </ul>	6	Head of Pensions
<b>Administration</b>					
A1	Pensions service Delivery The scheme is not administered correctly resulting in the wrong benefits being paid or benefits not being paid, including the result of poor data	9	<ul style="list-style-type: none"> <li>•The PAT team is an in-house provision since December 2020 and enables the management team to have complete control over service delivery</li> <li>•Annual internal audit report on the administration of pensions including regular reporting and monitoring of "red" recommendations to ensure the service is acting in line with best practice. The Fund has received reasonable assurance since bring inhouse</li> <li>•Quarterly Reports to Pension Board and Committee on areas of work and KPIs</li> <li>•New service level KPI's now reportable within the Administration software</li> <li>•Awareness of the Pension Regulator Guidance by all team members, with training provided at team meetings or through provision of courses</li> <li>•Task workflow is managed by the Senior Pension Officers to all PAT staff and helpdesk add all tasks to the workflow system, to ensure all tasks completed as planned and to a high standard. PAT staff also add tasks as appropriate.</li> <li>•Checklists in place and all activity impacting members recorded on member records for other teams members to access</li> <li>•All tasks are peer reviewed. Constant monitoring / checking by team managers and senior officers for more junior staff members</li> <li>•In house risk logs covering projects</li> <li>•SAP / Altair reconciliation monthly to ensure pension payment records complete and correct</li> <li>•Task management systems built into Altair to ensure activity is completed and monitored</li> <li>•Regular meetings with payroll, HR, ICT and PAT</li> <li>•Pensions Admin working group in place to discuss service delivery issues on a regular basis</li> <li>•Pensions Admin Team has skills matrix to identify training needs for particular processes</li> </ul>	6	Head of Pensions Administration
A2	Regulatory Change Risk that new benefit structures can not be set up correctly or in time	9	<ul style="list-style-type: none"> <li>•Projects and/or working groups in place to deal with current regulatorily benefit changes</li> <li>•Attendance at networks and officer groups to stay on top of upcoming changes in regulation</li> <li>•Reports to Pension Board and Committee to ensure knowledge is shared to decision makers</li> <li>•Oversight via Pension Admin Working Group</li> </ul>	6	Head of Pensions Administration

A3	Production of Statutory member returns Risk of failure to produce ABS, annual allowance and event reports	15	<ul style="list-style-type: none"> <li>•Regular contact with employers to get data</li> <li>•Clear project plan with early communications and planning with milestones to ensure Statements created in time to allow time for distribution to staff</li> <li>•Roll out of I-Connect for employer roll out as monthly interfaces system, to ease year end requirements and correct errors throughout the year. Currently many leavers are not being notified until year-end. This will also cleanse data relating to Annual Allowance</li> <li>•Structure of Pensions team includes Employer Engagement team to support Pensions Administration Team with end of year returns liaising and supporting employers through the process</li> <li>•Breaches policy in place and Breach reporting to Committee and Board quarterly to raise and consider breach reporting levels</li> </ul>	6	Head of Pensions Administration
A5	Transfer Scams Failure to comply with CETV anti scam checks	6	<ul style="list-style-type: none"> <li>•Process in place for making checks required by law and/or recommended by TPR. Appropriate training to be identified and offered to staff to build understanding of risk and appropriate mitigations</li> <li>•Process mapping process has taken place to ensure transfers are fully documented with clear guidance to staff in carrying out this activity</li> <li>•Member informed of "red flags" identified</li> <li>•Scorpion campaign material provided to members seeking a CETV</li> <li>•Quality assurance checks ensure appropriate checks carried out</li> </ul>	2	Head of Pensions Administration
A7	MBOS Project Failure to deliver the new ERP system to effectively deliver for Pension Fund accounting and payroll requirements	9	<ul style="list-style-type: none"> <li>•Officers are part of the project roll out and involved in testing. Needs of the Pension Fund are therefore being considered</li> <li>•Officers produced process mapping for all functions within the existing finance system</li> <li>•A specific stream of planning has been identified in the project for the interface with Altair</li> <li>•S151 officer on the programme board and will make go/no go decision</li> <li>•Heywood's paid to produce a scheme specific payroll data output report for transfer to Oracle</li> </ul>	6	Head of Pensions
<b>Governance</b>					
G1	Key Person risk Risk of loss of key / senior staff resulting in lost knowledge and skills within the Pensions Team	12	<ul style="list-style-type: none"> <li>•Diversified staff / team</li> <li>•Attendance at pension officers' user groups to network and exchange information</li> <li>•Procedural notes which include new systems, section meetings / appraisals</li> <li>•Succession planning within team structure, building from within the team</li> <li>•Robust business continuity processes in place around key business processes, including a disaster recovery plan</li> <li>•Knowledge of all tasks shared by at least two team members within PAT and in addition can be covered by senior staff in all areas</li> <li>•Training requirements are set out in training strategy, job descriptions and reviewed prior to recruitment processes</li> <li>•Training officer post within team structure since 2021</li> <li>•Training strategy in place and regularly reviewed with training log where required</li> <li>•Recruitment project to fill to vacant positions coming to an end with nearly all posts now filled</li> <li>•Utilisation of apprenticeships allow for bring new staff into to train in advance of vacancies</li> <li>•Team responsibilities being reviewed to ensure appropriate coverage of workstreams</li> </ul>	6	Head of Pensions / Head of Pensions Administration
G2	Committee / Board Member Lack of decision making/functionality caused by loss of Pension Committee/Pension Board members or insufficient knowledge and skills of members	9	<ul style="list-style-type: none"> <li>•Record kept of terms of Office</li> <li>•Pension Board terms of Office staggered</li> <li>•Vice Chairs in place to cover chair absence</li> <li>•Officers aware of election cycles and request for officers as a preference over elected members is communicated to employers</li> <li>•Robust Terms of reference in place that is clear and comprehensive</li> <li>•Training plans in place for new members to build knowledge to required levels</li> </ul>	6	Head of Pensions

G3	Cyber Security Risk of Loss of data or systems breaches through cyber attacks	16	<ul style="list-style-type: none"> <li>• ICT defence - in-depth approach.</li> <li>• Utilising firewalls, passwords and ICT control procedures including system access and account deletion protocols. Network activity is monitored to identify security threats.</li> <li>• Email and content scanners</li> <li>• Using anti-malware which is regularly updated, together with other protective software</li> <li>• ICT performs penetration and security tests on regular basis</li> <li>• Encryption used on all data transfers</li> <li>• Service level agreement with termination clause</li> <li>• Regular reports SAS 70/AAF0106</li> <li>• Industry leaders providing services to the fund with data protection and cyber defence systems</li> <li>• Risk assessment completed with all new contracts with data transfer and new associated systems including penetration testing at outset</li> <li>• Pensions Team specific BCP in development</li> <li>• Information security report no material vulnerabilities. Recommendations to be implemented.</li> <li>• Cyber training is provided to all staff around techniques and methods used to launch cyber attacks</li> </ul>	12	Head of Pensions
G4	Governance and Compliance Inadequate governance arrangements and controls to discharge powers & duties	9	<ul style="list-style-type: none"> <li>• Training strategy in place which covers Pension Committee, Pensions Board and officers</li> <li>• 100 days of internal audit commissioned for each calendar year to 2022/23 and 75 days from 2023/24 with regular reporting from IA to committee and board, including areas Governance and Compliance</li> <li>• External auditor provides audit plan at planning stage for each financial year and this is discussed by Audit committee as well as Pension Committee and Board</li> <li>• Investment regulations require proper advice</li> <li>• Procurement processes in place to ensure quality within replacement advisers</li> <li>• Review carried out against TPR COP14 requirements to identify any governance gaps</li> <li>• Specialist legal advisers and governance advisers to provide clear and accurate advice to the Fund on point of law or regulation</li> <li>• Publication of annual Governance and Compliance Statement explaining governance arrangements and reviewed and approved by Board / Committee</li> <li>• Training coordinator appointed. This officer liaises with chair of Pension Board and Committee to identify training needs</li> <li>• Working groups in place, with own terms of reference, which report findings to full Board and Committee</li> <li>• Governance of meetings supported by Democratic Services</li> <li>• Governance structures held within ESCC constitution</li> <li>• Conflict of interest policy in place</li> </ul>	3	Head of Pensions
G5	Data Breach Failure to comply with General Data Protection Regulations and Disclosure Regulations	9	<ul style="list-style-type: none"> <li>• Contracts with external parties where there is a data role have clear terms and conditions as part of the data processing agreements</li> <li>• Data Impact assessment is carried out on all new tenders where data is involved</li> <li>• DPO is in place via ESCC</li> <li>• Privacy notice is on the website - the privacy statements have been refreshed each year</li> <li>• Memorandum of Understanding in place with employers within the fund</li> <li>• All staff are required to complete an information governance course on joining the Council and this is refreshed annually</li> <li>• Information governance Internal audit completed in Q4 2020/21 with a reasonable assurance level and all recommendations were completed</li> <li>• Pensions Manager for Governance and Compliance completed review on GDPR in Q4 2020/21 resulting in a newly designed webpage, new privacy notices and change to the retention period</li> </ul>	4	Head of Pensions
G6	Fraud Internal and External fraud risk	12	<ul style="list-style-type: none"> <li>• Quarterly review of log in credentials</li> <li>• Senior officers have sight of bank account</li> <li>• Senior officers are signatories to bank account</li> <li>• Multiple sign off needed to make payment, with appropriate seniority levels</li> <li>• Mortality checks, Tell us once and NFI data</li> <li>• Contract in place with a third party to support with mortality and address training</li> <li>• Journals over £1m have to be signed off by Head of Pensions</li> </ul>	2	Head of Pensions

Investment/Funding					
I1	Funding risk - poor investment returns Risk that investment strategy fails to result in performance required to meet the needs of the Funding strategy discount rate	9	<ul style="list-style-type: none"> <li>•Strategy is supported by expert Investment consultants. Challenge to Consultants through Independent Adviser</li> <li>•Triennial valuation ensures funding position is known and contribution rates are stabilised</li> <li>•Quarterly Performance monitoring, investment manager monitoring from consultants and Link for ACCESS sub funds. Officers have a rolling programme to meet and challenge investment managers</li> <li>•Annual Investment Strategy Review, with interim rebalancing</li> <li>•Quarterly Reporting to Pensions Committee, with decisions approved by committee, including Fund Manager performance</li> <li>•Training strategy in place to ensure officers and committee members have sufficient knowledge and skills to implement and change the investment strategy</li> <li>•Investment decisions are made in compliance with the ISS/FSS</li> <li>•All investment decisions made, based on proper advice</li> <li>•Diversified strategy to reduce correlation of manager volatility</li> <li>•Changes to investment strategy are discussed with the actuary to ensure anticipated implications on funding aligned</li> <li>•Revision of the Asset Liability Model to support a viable Strategic Asset Allocation for the new valuation</li> </ul>	4	Head of Pensions
I3	Regulatory risk Failure to comply with regulations, legislation and guidance from an accounting and investment perspective	9	<ul style="list-style-type: none"> <li>•Pensions Officers are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures</li> <li>•Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the ESSC Financial Regulations</li> <li>•Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers</li> <li>•Internal Audits - carried out in line with the Pension Audit strategy</li> <li>•External Audit review the Pension Fund's accounts annually</li> <li>•Specialist legal advisers to provide clear and accurate advice to the Fund on point of law or regulation</li> <li>•Breaches policy in place to ensure breaches mapped and reported</li> </ul>	4	Head of Pensions
I4	Investment Pooling Inability to comply with government direction on pooling, insufficient sub funds to implement investment strategy, poor management of the pool	16	<ul style="list-style-type: none"> <li>•ACCESS Support Unit team provide support to the pool</li> <li>•Operator contract provided by Weyland for assets held within the ACS. Operator novation imminent.</li> <li>•The ACCESS Contracts Manager will monitor Weyland's progress closely. If Link cannot resolve issues in a reasonable timeframe, then alternative options may be considered, e.g. Funds may continue to hold the sub fund outside the ACS</li> <li>•KPI's introduced within revised operator agreements</li> <li>•Consultants involved in analysing the creation of sub-funds and transitioning of assets into the pool, under a variety of scenarios</li> <li>•Opportunities to transfer securities in 'specie'. Reducing cost on transition</li> <li>•Transition manager in place to preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled</li> <li>•Due Diligence completed by legal advisers to ensure no hidden costs or governance issues not known at time of decision to invest</li> <li>•S151, chair of pension committee and monitoring officer representation on respective committees, working groups or distributions to ensure ESPF involved in all decisions and concerns and questions can be raised early in processes</li> <li>•Regular meetings between officers and ACCESS pool with officers on a number of working groups to ensure involvement in decision making</li> <li>•ACCESS governance review completed</li> <li>•ACCESS have secured a stewardship consultant to support development in RI activities for the pool</li> <li>•Illiquid assets are in progress for pooling</li> <li>•Fund has responded to key government consultations to ensure its view is shared with policy makers on recommended future changes in pooling.</li> </ul>	9	Head of Pensions



I5	Funding risk - higher inflation Risk of inflation leading to increased liabilities, lower asset returns and a funding gap	12	<ul style="list-style-type: none"> <li>•Investment strategy include weighting to index linked gilts, infrastructure and real estate which are all inflation correlated to mitigate increases in liabilities from inflation</li> <li>•Potential to further increase infrastructure weightings</li> <li>•Fund monitor portfolio sensitivity to inflation via expert investment consultants</li> <li>•Triennial Valuation assumptions include local knowledge of the Administering authority on anticipated pay inflation</li> <li>•Flexibility in the DGF mandates to react to the market and adapt the investment portfolio</li> <li>•Report received in Feb 22 on inflation possibilities with possible actions to take in the medium term. To be considered as part of the strategy review day</li> <li>•Quarterly monitoring of funding position helps identify risk early</li> <li>•2022 Triennial Valuation completed - inflation models used to estimate the average inflation across a 20 year time horizon, including consideration of the current high inflation environment. Index linked gilt triggers introduced to benefit from market opportunities which provide alignment with changing liabilities</li> </ul>	6	Head of Pensions
I6	Environmental, Social and Governance Risk of ESG factors within Investment strategy not being properly considered affecting underlying holdings and implementations of investment decisions	8	<ul style="list-style-type: none"> <li>•Statement of Responsible Investment Principles outline responsible investment beliefs, implementation of decisions and monitoring of ESG factors</li> <li>•ESG is in the heart of all investment decisions and not a separate function or workign group</li> <li>•The Fund has trimmed unconscious exposure to companies with poor ESG rating through removal of traditional index funds ensuring active managers have a strong conviction in the underlying companies including on ESG matters and less traditional passive indexes / smart beta funds have robust screening processes in place to ensure ESG principles are taken into account</li> <li>•Tracking of the portfolio as underweight in fossil fuel exposure to benchmarks</li> <li>•Production of annual reports on the carbon footprint of the Fund and review of managers from ESG perspective including transition pathway of underlying companies</li> <li>•2020 Stewardship code submission approved in February 2023 for the 2021 reporting year</li> <li>•Membership of collaborative groups to help drive policy change</li> <li>•Officers challenge managers on their holdings with regard ESG issues and query voting decisions.</li> <li>•Annual ESG impact assessment for all managers, including improvement actions on ESG methodology, reporting or collaboration.</li> <li>•Engaging via managers and investor groups including LAPFF with companies and driving them forward to comply with key ESG concerns using the greater voice by combined investment power</li> <li>•ESG factors incorporated into all decision making</li> </ul>	6	Head of Pensions

17	Climate change Risk to assets and liabilities associated with Climate Change	12	<ul style="list-style-type: none"> <li>•Statement of Responsible Investment Principles (SRIP) outlines investment beliefs including Climate Risk. The Fund take the SRIP into account for implementation of decisions and monitoring of investment managers, carbon emissions and climate risk to the Fund</li> <li>•Restructuring of the equity portfolio removed structural exposure to fossil fuel companies to avoid high risk companies from a climate perspective and minimises stranded asset risk from direct holdings in underlying portfolios.</li> <li>•The Fund are able to exploit opportunities from the low energy transition by investing in climate impact funds and resource efficient companies</li> <li>•The Fund has trimmed unconscious exposure to companies with high Carbon emission, poor energy transition plans and or fossil fuel companies, through removal of traditional index funds</li> <li>•Member of Institutional Investors group on climate change (IIGCC), the Fund also expects its managers to be IIGCC members</li> <li>•The Fund carries out annual carbon footprinting to better understand the carbon exposure and energy transition plans within the portfolio. Additionally, the Fund carries out ESG impact assessment of all investment managers which includes a climate score.</li> <li>•Signatory to UN PRI</li> <li>•Report in line with the TCFD framework</li> <li>•The Fund is investigating climate scenario modelling which will help better understand this risk and allow further consider approaches in tackling these risks</li> <li>•Where exposed to fossil fuels, the Fund uses its vote to drive engagement and improved practices. A number of Fund managers are Climate 100+ engagement partners, leading on this work with top emitting companies, while all managers are IIGCC members for collaborate weighting of AUM to influence action. Managers have escalation plans for when engagement is not effective which includes disinvesting from the high carbon or fossil fuel company.</li> <li>•Focus on Climate change through training to committee and officers</li> <li>•Focus on Climate Change in decision making and strategy changes</li> <li>•Immaterial impact to the Fund value from direct exposure to fossil fuel companies in the instance of carbon taxes, valuation falls or stranded assets due to the underweight, very low exposure to this sector and no structural allocation of these companies.</li> </ul>	6	Head of Pensions
18	Liquidity Insufficient cash to pay benefits as they fall due	8	<ul style="list-style-type: none"> <li>•Contributions monitored on monthly basis</li> <li>•Monitoring of members close to retirement</li> <li>•Daily cash position monitored</li> <li>•Distributing investments to ensure stream of income from investment activity</li> <li>•Income from investments is considered as a key risk in all investment strategy decisions and the income profile managed</li> <li>•Liaison between administration and investment team on cash requirements</li> <li>•Cash Management internal audit completed in Q3 2022/23 and will be picked up in the 2023/24 IA plan for further review</li> </ul>	4	Head of Pensions
19	Money purchase AVC Inadequate offering for the scheme members on cost, return and/or risk grounds	4	<ul style="list-style-type: none"> <li>•A range of fund options provided, catering for different levels of member risk and return so they can design investment strategy for own circumstances</li> <li>•Continuing suitability of AVC offering is reviewed regularly</li> </ul>	2	Head of Pensions

Risk Register Risk Scores

The risk scores are calculated using the risk matrix below:

90-100%	This week	Very High	LIKELIHOOD	5	5	10	15	20
60-90%	This Month	High		4	4	8	12	16
40-60%	This year	Medium		3	3	6	9	12
10-40%	Next 5 years	Low		2	2	4	6	8
0-10%	Next 10 years	Very Low		1	1	2	3	4
				1	2	3	4	
				IMPACT				
				Negligible No noticeable impact	Minor Minor impact, Some degradation of service	Major Significant impact, disruption to core services	Critical Disastrous impact, Catastrophic failure	
				SERVICE DELIVERY	Handled within normal day-today routines.	Management action required to overcome short-term difficulties.	Key targets missed. Some services compromised.	Prolonged interruption to core service. Failure of key Strategic Project
				FINANCAL	Little loss anticipated.	Some costs incurred. Handled within management responsibilities.	Significant costs incurred. Service level budgets exceeded.	Severe costs incurred. Statutory intervention triggered.
				REPUTATION	Little or no publicity.  Little staff comments.	Limited local publicity.  Mainly within local government community.  Causes staff concern.	Local media interest.  Comment from external inspection agencies. Noticeable impact on public opinion.	National media interest seriously affecting public opinion

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**Report to:** Pension Committee

**Date:** 19 June 2024

**By:** Chief Finance Officer

**Title of report:** Investment Report

**Purpose of report:** This report provides Pension Committee with an update on the investment activities undertaken by the East Sussex Pension Fund.

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## RECOMMENDATION

**The Pension Committee are recommended to note the investment report**

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### 1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other 'scheduled bodies' as defined in the Regulations. The Pension Committee is required to maintain an Investment Strategy Statement (ISS) to govern the Funds' investments and receives a quarterly investment monitoring report, from its investment consultant, Isio.

1.2 The ACCESS Joint Committee was established as the result of changes implemented in the 2016 LGPS Investment regulations to facilitate the arrangements relating to the collective investment vehicles, to allow the administering authorities to pool their respective investments. The ACCESS Joint Committee meets quarterly.

### 2. Investment Workplan

2.1 **Appendix 1** shows a workplan which will act as a reference point of all actions agreed at Pension Committee meetings and the forward investment plan.

2.2 The focus over the next 12 months is:

- Implement the strategic changes in relation to income distribution;
- Implement the strategic changes in relation to private debt;
- Monitoring of index link triggers for investment;
- Work with ACCESS to develop the governance and investment opportunities on the pool platform;
- Engage with investment managers on the engagement priorities defined in the Statement of Responsible Investment Principles;
- Carry out Carbon Foot printing as at 31 March 2024;
- Carry out the 2024 ESG implementation assessment of the investment managers;
- Produce the 2023 Stewardship report
- Complete the 2024 PRI survey.

### **3. Quarterly Performance Report**

3.1 The Quarterly Performance Report for Q1 2024 is attached as **Appendix 2**.

3.2 Since the last reported position, the valuation of the Fund has increased from **£4.689bn** as at 31 December 2023 to **£4.866bn** as at 31 March 2024 (an increase of £0.177bn). This performance reflects a positive absolute return of 3.9% in the quarter to March. The Fund however underperformed its benchmark in the period by -1.1%.

3.3 The standout negative performance came from the Fund's M&G Infrastructure investment where a negative absolute performance of -18.8% and negative relative performance of -20.0% came through during the quarter. Conversations are being held with the manager to understand the longer term implications of these valuations. Further details on the performance of this manager will be shown in the exempt Investment report including the Isio manager page that has been excluded from appendix 2.

3.4 In more general terms the public equity managers all posted strong positive absolute return but underperformed their benchmarks. The Fund's illiquid holdings in private equity similarly posted positive absolute returns but negative relative performance in Q1 2024 as valuations failed to keep pace with strong returns from public equity markets which form the benchmark. The various credit mandates posted positive results on the whole in both absolute and relative terms despite rises in UK Gilt yields as spreads narrowed by varying degrees across credit sectors.

3.5 The long term returns at Fund level remain robust, and in line with expectations although lagging the benchmark. This underperformance has been driven by weak relative performance from the Fund's impact equity managers and challenging "cash plus" and "inflation plus" benchmarks over a period when both metrics have been high.

### **4. ACCESS Update**

4.1 Since December 2016 the East Sussex Pension Fund has been working with 10 other administering authorities through the investment pooling arrangement called ACCESS. On the 30 March 2024 there was £28.9bn invested in the authorised contractual scheme (ACS) managed by the pool operator, with a further £12.0bn invested in the UBS passive ACCESS governance arrangements and £3.0bn invested in other pool aligned assets. Totalling £43.9bn invested through the pool, representing 68% of the ACCESS pension fund's assets (£64.6bn).

4.2 As at 31 March 2024 East Sussex had a total of £2.9bn (55.9%) in ACCESS governed investments, £2.0bn across 6 ACS sub-funds and a further £0.6bn through the UBS passive arrangement along with £0.2bn in a pool aligned infrastructure investment.

4.3 The formal Joint Committee was held on 10 June 2024, the following items are highlighted:

- The final outturn for 2023/24 of the ACCESS pool came to £1.6m (£0.15m per authority) a slight overspend of £0.05m.

- The Joint Committee received an internal audit report from the Essex internal audit team, on the ACCESS Support Unit which gave them good assurance which is their highest rating.

## **5. Conclusion and reasons for recommendation**

5.1 Investments are regularly monitored to ensure that the Fund's strategic asset allocation set out in the Fund's Investment Strategy Statement (ISS) is being complied with and to keep the Committee informed of any significant concerns with the investment managers, retained to implement the Fund's strategic asset allocation.

**IAN GUTSELL**  
**Chief Finance Officer**

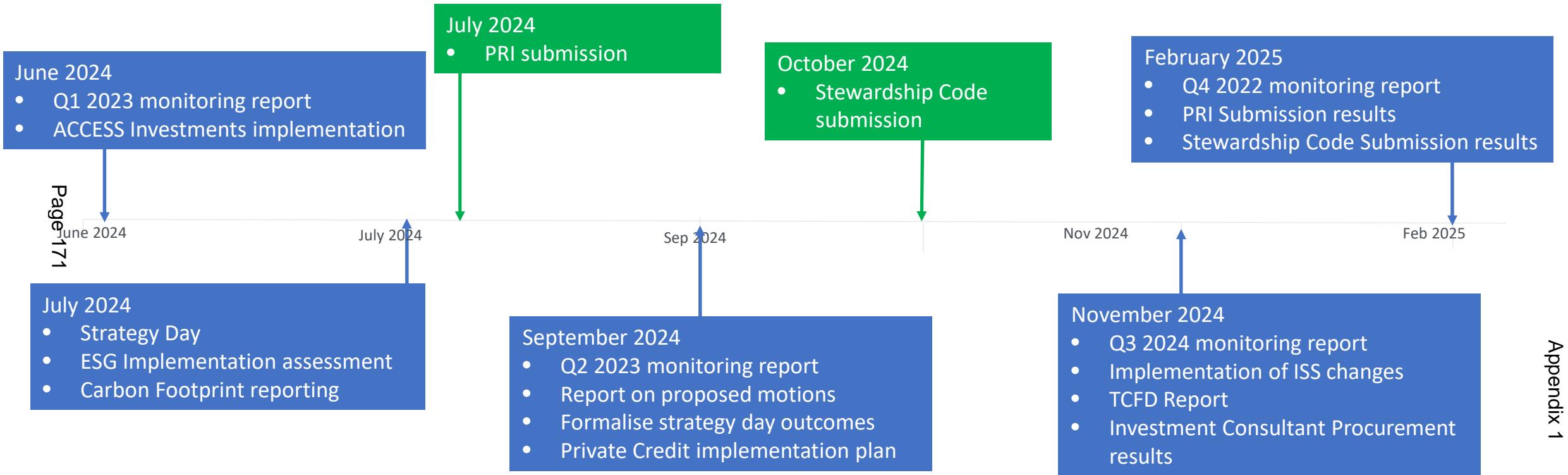
Contact Officer:  
Email:

Russell Wood, Pensions Manager Investments and Accounting  
[Russell.Wood@eastsussex.gov.uk](mailto:Russell.Wood@eastsussex.gov.uk)

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# 12 month workplan



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# East Sussex Pension Fund

Investment Performance – Summary Report

Quarter to 31 March 2024

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Isio Investment Advisory

**isio.**

Appendix 2

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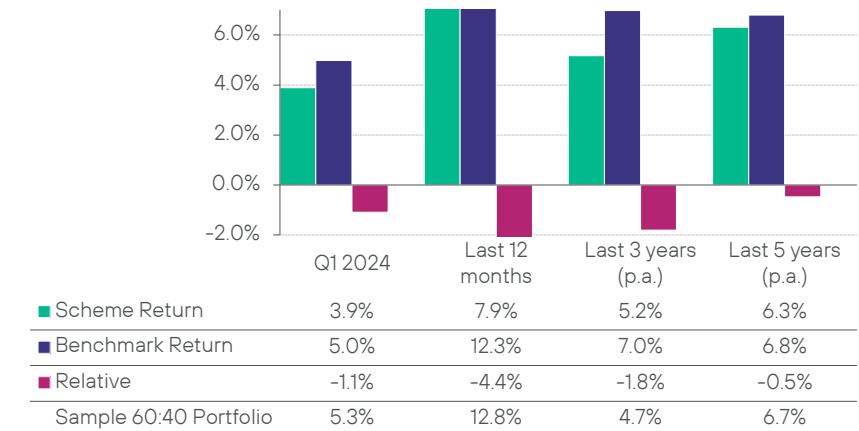
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# Highlights

# Executive Summary – 31 March 2024

Access Pool Fund		Q1 2024 Performance			Value at Quarter End	
		Fund	Benchmark	Relative	31-Dec-24	31-Mar-24
Yes	UBS Osmosis – Sustainable Equity	9.2%	9.9%	-0.6%	£364.4m	£398.1m
Yes	Longview - Global Equity	9.2%	9.9%	-0.7%	£477.8m	£521.6m
No	WHEB – Sustainable Equity	6.7%	9.9%	-3.2%	£223.0m	£237.9m
No	Wellington – Sustainable Equity	4.9%	9.2%	-4.3%	£236.4m	£247.9m
No	Storebrand – Sustainable Equity	9.0%	9.9%	-0.9%	£427.0m	£465.4m
Yes	Baillie Gifford – Global Equity	8.8%	9.2%	-0.4%	£199.7m	£217.3m
No	Harbourvest – Private Equity <sup>1,2</sup>	1.1%	9.6%	-8.5%	£180.2m	£181.6m
No	Adams Street – Private Equity <sup>1,2</sup>	2.4%	9.6%	-7.1%	£186.2m	£189.5m
Yes	Newton – Absolute Return	4.5%	1.9%	+2.6%	£352.4m	£368.2m
Yes	Ruffer - Absolute Return	-0.7%	1.9%	-2.6%	£453.5m	£450.4m
No	Schroders – Property	1.3%	0.5%	+0.8%	£338.0m	£339.7m
No	UBS – Infrastructure <sup>2</sup>	9.6%	1.1%	+8.5%	£32.3m	£35.4m
No	Pantheon – Infrastructure <sup>2</sup>	3.7%	1.1%	+2.6%	£86.5m	£87.0m
No	M&G – Infrastructure <sup>2</sup>	-18.8%	1.1%	-20.0%	£58.8m	£49.4m
Yes	IFM – Infrastructure	-0.7%	1.1%	-1.8%	£248.7m	£246.9m
No	ATLAS - Listed Infrastructure	-0.1%	1.8%	-1.9%	£100.0m	£99.9m
No	M&G – Real Estate Debt <sup>2</sup>	4.0%	2.3%	+1.8%	£35.7m	£35.1m
Yes	M&G – Diversified Credit	3.7%	2.0%	+1.7%	£317.0m	£328.8m
Yes	M&G - Corporate Bonds	-0.1%	-0.8%	+0.7%	£131.3m	£131.1m
Yes	UBS - Over 5 Year Index-linked Gilts	-2.4%	-2.4%	-0.0%	£240.7m	£234.9m
Total Assets		3.9%	5.0%	-1.1%	£4689.4m	£4866.2m

Period returns – to 31 March 2024



Commentary

- The Fund’s assets delivered a positive absolute return over the quarter, returning 3.3% but below the benchmark return of 5.0%.
- The public equity managers all posted positive absolute and negative relative returns.
- The Fund’s illiquid holdings in private equity similarly posted sportive absolute returns but negative relative performance in Q1 2024 as valuations failed to keep pace with strong returns from public equity markets which form the benchmark.
- The various credit mandates posted positive results on the whole in both absolute and relative terms despite rises in UK Gilt yields as spreads narrowed by varying degrees across credit sectors.
- The long-term returns at Fund level remain robust, and in line with expectations although lagging the benchmark. This underperformance has been driven by weak relative performance from the Fund’s impact equity managers and challenging “cash plus” and “inflation plus” benchmarks over a period when both metrics have been high.

This page provides an overview of performance for the Fund and its underlying mandates.

**Note:** Sample 60:40 portfolio consists of 60% allocation to MSCI ACWI and a 40% allocation to a bond portfolio split 20% in BofA Merrill Lynch Global Corporate Index, and 10% in FTSE Gilts (all maturities) and FTSE Index Linked Gilts (all maturities) respectively, with all portfolio returns unhedged in GBP terms.

# Manager Performance – 31 March 2024

Fund	Q1 2024 Performance			1 Year Performance			3 Year Performance			5 Year Performance		
	Fund	Benchmark	Relative	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative
UBS Osmosis – Sustainable Equity	9.2%	9.9%	-0.6%	22.5%	22.5%	+0.0%	-	-	-	-	-	-
Longview – Global Equity	9.2%	9.9%	-0.7%	18.1%	22.5%	-4.4%	12.7%	11.8%	+0.8%	11.0%	12.8%	-1.8%
WHEB – Sustainable Equity	6.7%	9.9%	-3.2%	7.3%	22.5%	-15.2%	2.2%	12.0%	-9.7%	-	-	-
Wellington – Sustainable Equity	4.9%	9.2%	-4.3%	11.6%	20.6%	-9.0%	3.6%	11.0%	-7.4%	-	-	-
Storebrand – Sustainable Equity	9.0%	9.9%	-0.9%	20.5%	22.5%	-1.9%	9.9%	12.0%	-2.1%	-	-	-
Baillie Gifford – Global Equity	8.8%	9.2%	-0.4%	16.0%	20.6%	-4.6%	-	-	-	-	-	-
Harbourvest – Private Equity <sup>1</sup>	1.1%	9.6%	-8.5%	-0.3%	22.2%	-22.4%	21.0%	11.7%	+9.3%	16.7%	13.1%	+3.6%
Adams Street – Private Equity <sup>1</sup>	2.4%	9.6%	-7.1%	-1.7%	22.2%	-23.9%	12.0%	11.7%	+0.3%	15.9%	13.1%	+2.8%
Newton – Absolute Return	4.5%	1.9%	+2.6%	8.0%	7.6%	+0.4%	1.8%	5.2%	-3.4%	3.9%	4.3%	-0.4%
Prudential – Absolute Return	-0.7%	1.9%	-2.6%	-5.9%	7.6%	-13.6%	-0.2%	5.2%	-5.4%	5.4%	4.4%	+1.1%
Scroders – Property	1.3%	0.5%	+0.8%	0.5%	-0.7%	+1.2%	2.4%	1.5%	+0.9%	1.7%	1.4%	+0.3%
UBS – Infrastructure	9.6%	1.1%	+8.5%	-1.1%	5.2%	-6.3%	7.2%	8.7%	-1.5%	0.7%	6.4%	-5.8%
Pantheon – Infrastructure <sup>1</sup>	3.7%	1.1%	+2.6%	8.9%	5.2%	+3.8%	16.9%	8.7%	+8.2%	-	-	-
M&G – Infrastructure	-18.8%	1.1%	-20.0%	-19.2%	5.2%	-24.4%	-0.9%	8.7%	-9.6%	-	-	-
IFM – Infrastructure	-0.7%	1.1%	-1.8%	6.0%	5.2%	+0.8%	-	-	-	-	-	-
ATLAS – Listed Infrastructure	-0.1%	1.8%	-1.9%	-1.0%	0.4%	-1.4%	8.9%	6.5%	+2.5%	-	-	-
M&G – Real Estate Debt	4.0%	2.3%	+1.8%	9.7%	9.1%	+0.6%	4.7%	6.7%	-2.0%	-	-	-
M&G – Diversified Credit	3.7%	2.0%	+1.7%	12.2%	8.1%	+4.0%	4.7%	5.7%	-1.0%	5.4%	4.9%	+0.6%
M&G – Corporate Bonds	-0.1%	-0.8%	+0.7%	6.1%	5.8%	+0.2%	-6.1%	-6.3%	+0.2%	-1.2%	-1.8%	+0.7%
UBS – Over 5 Year Index-linked Gilts	-2.4%	-2.4%	-0.0%	-6.9%	-6.8%	-0.0%	-12.1%	-12.1%	-0.1%	-6.6%	-6.5%	-0.0%
Total Assets	3.9%	5.0%	-1.1%	7.9%	12.3%	-4.4%	5.2%	7.0%	-1.8%	6.3%	6.8%	-0.5%

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 March 2024.

<sup>1</sup> Valuation and performance information as at 31 December 2023.

Source: Investment Managers, Northern Trust, Isio calculations.

The table shows manager performance over the short, medium and long-term.

The active impact public equity mandates have continued to struggle relative to their benchmarks over the last 12 months.

The private equity mandates have delivered very strong performance over the 3 and 5 year periods, however the performance has been largely negative over the last 12 months.

The infrastructure mandates have returned mixed performance over the quarter with M&G's performance the standout detractor.

Of the managers that have been in place for the longer term, UBS infrastructure has most significantly underperformed its benchmark. This is primarily driven by the disappointing performance of Archmore Fund I.

# Looking Forward (1)

Key issues			Summary
Item	Action points / Considerations	Status	
Overall Investment Strategy  Page 178	<b>Liquid Fixed Income Manager Selection</b> <ul style="list-style-type: none"><li>At the Q1 2022 Committee meeting, Isio presented a paper detailing the proposed implementation approach for selection of the manager to manage the agreed increased allocation to fixed income. The Committee subsequently reached agreement on a preferred choice of manager, Bluebay, and funded the mandate post quarter end via the ACCESS platform</li><li>Investment Grade Credit – at the point of the last investment strategy review the Committee took the decision to allocate the Fund’s liquid credit allocation to Multi Asset Credit (as per above). Given the attractive yield available Investment Grade Corporate bonds, the source of the capital, at this point, it was agreed to phase the implementation of the switch. We believe that market conditions have changed such that now may be a good time to consider transferring more assets. This will be discussed further with the IWG.</li></ul>	<div>●</div>	This page sets out the main action / discussion points.
	<b>Illiquid Fixed Income Allocation</b> <ul style="list-style-type: none"><li>The Officers and IWG group have requested Isio consider the options available to the Fund in relation to implementing the strategic allocation to illiquid fixed income. Isio prepared a briefing paper in early 2023 considering this allocation. The Officers are currently working with Isio and ACCESS to assess what is available for implementation of this mandate.</li></ul>	<div>●</div>	
Investment Managers	<b>M&amp;G Alpha Opportunities Fund</b> <ul style="list-style-type: none"><li>M&amp;G AOF has a small allocation (c.0.3%) to bonds issued by Thames Water Utilities Ltd and Kemble Water Finance Ltd. Following recent negative news surrounding the issuers, and a worsening financial situation and requirement for shareholders to inject capital, the CEO suddenly departed in June 2023. As a result, the debt was downgraded by various agencies, triggering a cash lock up under regulatory rules. This meant that dividend payments cannot be made to Kemble, thus they cannot pay interest payments on their bonds and M&amp;G expect Kemble to continue to miss upcoming interest rate payments.</li><li>The impact of TRCI’s Thames Water holdings on M&amp;G’s fund NAV over the 12 months to 31 March was -0.38%. Of which, the Kemble Water bonds contributed -0.39% and the Thames Water Utilities Ltd bonds contributed +0.01%. Despite the Kemble Water bonds detracting, over the period of 12 months to the 31 March 2024, the Fund outperformed its cash benchmark by 7.3%, net of fees.</li><li>M&amp;G acknowledges that the Fund will occasionally face adverse market events and defaults and, despite the unfolding situations at Thames Water, the Fund’s performance remains robust. This strength reflects the advantages of rigorous risk management and portfolio construction. M&amp;G believe that the current price of the bonds fully reflects the recent negative news and therefore exiting now would crystallise the loss and eliminate any possibility of future recovery. As such they are comfortable maintaining their existing positions. M&amp;G will provide further updates on the outlook in due course.</li></ul>	<div>●</div>	<b>Status key</b> <div><div>Action</div><div>Decision</div><div>Discussion</div><div>Information only</div></div>



# Looking Forward (2)

Key issues		
Item	Action points / Considerations	Status
Investment Managers	<p><b>Schroders Segregated Real Estate Mandate</b></p> <ul style="list-style-type: none"><li>As previously communicated with the Committee, our view on the Schroders property mandate and the long-term sustainability of the Schroders Capital Real Estate Solutions (Property Fund of Funds) business has deteriorate in recent months.. These concerns centre around the concentration of the Schroders' client base, and specifically their exposure to LGPS clients in England and Wales, and the expected impact of LGPS asset pooling going forward.</li><li>We note the Fund has already taken the decision to exit the mandate and transfer the assets to the ACCESS pool, to a fund managed by CBRE, and we continue to support this decision.</li></ul>	<div></div>

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## Summary

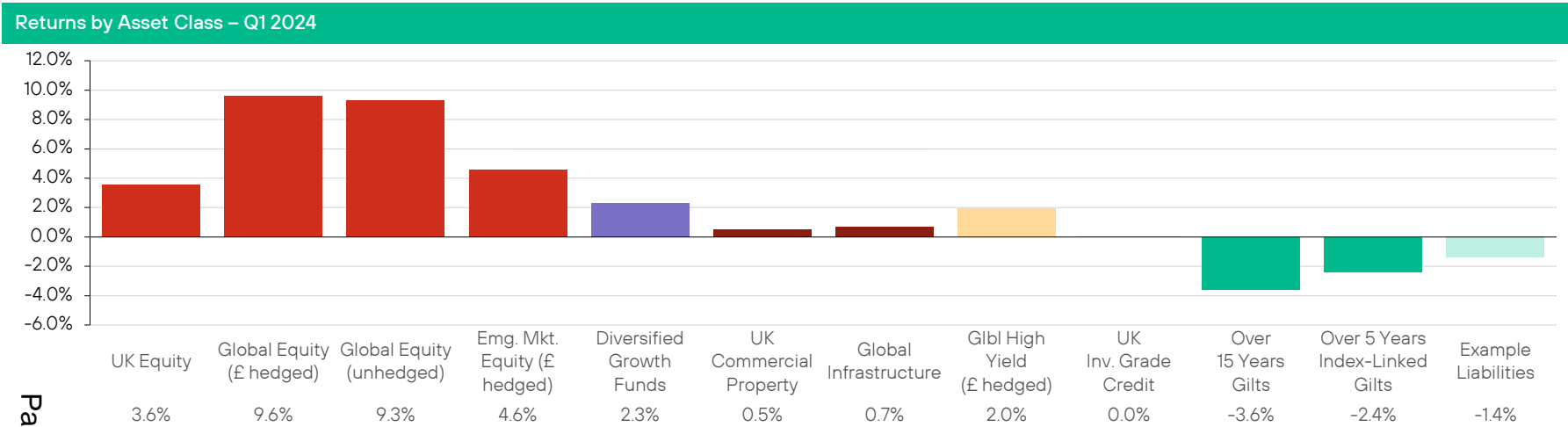
This page sets out the main action / discussion points.

## Status key

- Action
- Decision
- Discussion
- Information only

# Market Background

# Market Background – Overview Q1 2024



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## Key Upcoming Events

### Q2 2024 Base rate publications

- UK: The dates for the Bank of England’s Monetary Policy Committee (“MPC”) announcements are 9 May and 20 June.
- US: The dates for the US Federal Reserve’s Federal Open Market Committee (“FOMC”) meetings are 1 May and 12 June.

### Q2 2024 Inflation publications

- UK Inflation data publications: 16 April, 21 May, 18 June.
- US Inflation data publications: 10 April, 15 May, 12 June.

## Commentary

- Market expectations around the pathway for interest rate cuts were heavily revised over Q1, as markets priced in fewer expected rate cuts for 2024 due to resilient growth, sticky inflation and low unemployment figures. These data points indicated a stronger economic picture, especially in the US.
- US and Japanese equities delivered strong returns – the former was supported by strong earnings growth, particularly from the ‘magnificent seven’ and Japan was driven by an improving economic outlook as the BoJ began to normalise monetary policy.
- In credit markets, with the expected pace of rate cuts slowing, gilts and index linked gilt returns were negative. Corporate debt benefitted from the tightening credit spreads, as such, high yield bonds outperformed US and UK investment grade.
- Due to increasing gilt yields over the period, pension scheme liabilities are expected to have fallen. The extent to which this led to a funding gain will depend on the level of liability hedging employed to manage interest rate and inflation risk

## Summary

Global economic resilience continued with U.S. GDP data showing that the U.S. economy grew faster than expected – this contributed to a continued rally in risk assets like equities and high yield bonds.

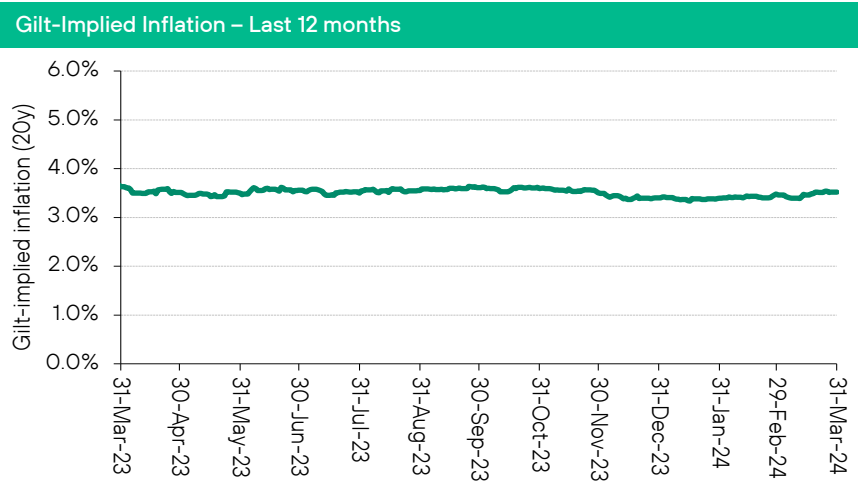
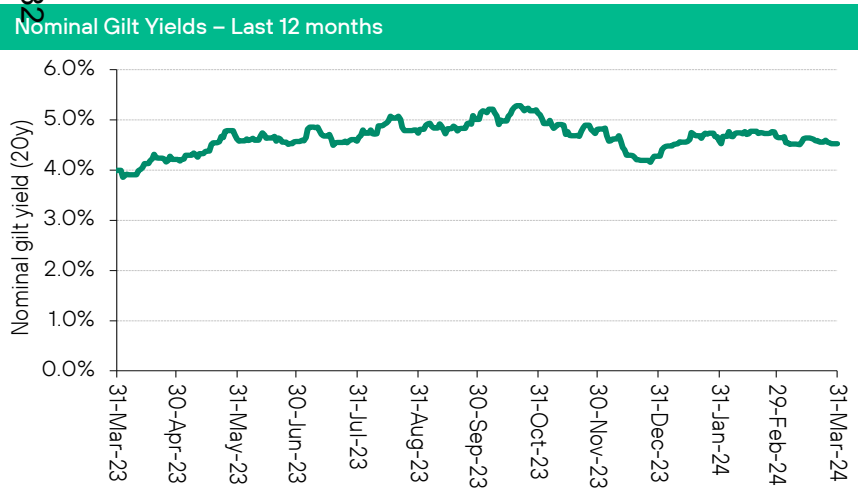
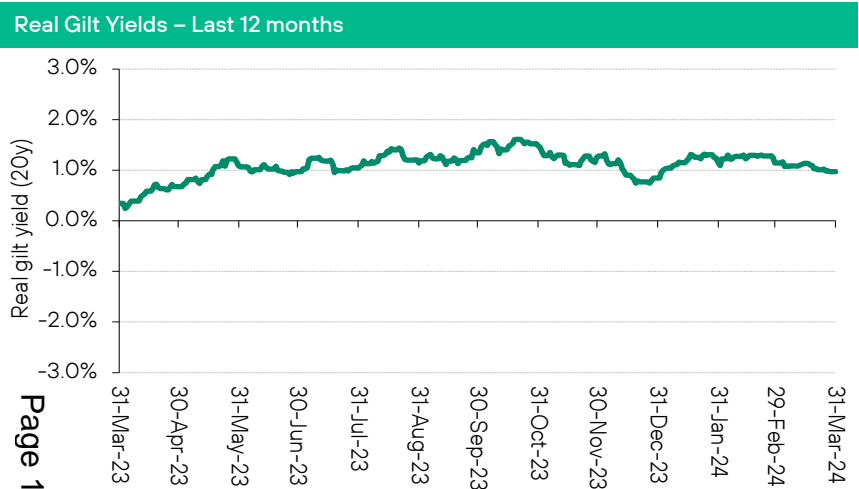
Over Q1 the market outlook changed substantially regarding anticipated interest rate cuts ahead, following stronger than expected economic and inflation data.

Equities benefitted from strong earnings and economic data tailwinds, hitting new highs in the US and Japan. Whereas credit performance was more varied. Gilts and Index-linked gilts were negative. Investment grade credit was flat/negative in US and UK. EM Debt, global high yield and Euro investment grade were positive.

Due to a rise in long-dated gilt yields, pension scheme liabilities are expected to have fallen over the period.

Notes: Please see the ‘Explanation of Market Background’ appendix for details of the returns representing each asset class.  
Sources: Refinitiv, DGF investment managers, Isio calculations.  
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# Market Background – Yields



- Example Liabilities
- The liabilities for an example DB pension scheme<sup>1</sup> decreased by c.1.4% over the quarter. This can be broken down into the following components:
    - c. 1.3% decrease, due to the increase in real yields;
    - c. 1.3% decrease, due to the increase in nominal yields; and
    - c. 1.2% increase due to the “unwinding” effect (also known as “interest” on the liabilities).
  - The liabilities for an example DB pension scheme decreased by c.2.9% over the last 12 months.

These charts show yield movements at the 20-year tenor over the past year.

The “Example Liabilities” indicate how a typical scheme’s past-service liabilities may have moved.

## Gilt Yield and Implied Inflation Changes

### 20-year Real Gilt Yield

January	0.31%
February	-0.01%
March	-0.17%
<b>Quarter</b>	<b>0.13%</b>

### 20-year Nominal Gilt Yield

January	0.31%
February	0.08%
March	-0.14%
<b>Quarter</b>	<b>0.25%</b>

### 20-year Gilt-Implied Inflation

January	-0.01%
February	0.09%
March	0.04%
<b>Quarter</b>	<b>0.11%</b>

Notes: Please see the ‘Explanation of Market Background’ appendix for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding. Zero coupon rates are shown.

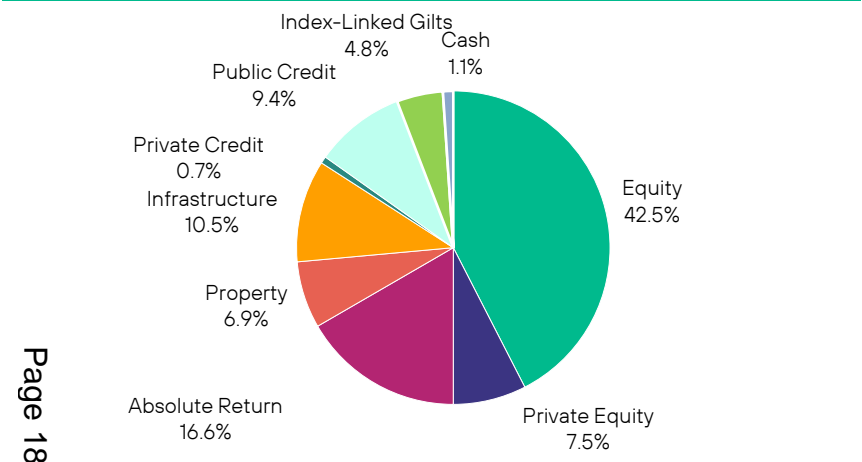
<sup>1</sup> The duration of the scheme liabilities has been assumed to be 15 years and 70% of the benefits are assumed to be linked to inflation.

Sources: Bank of England, Isio calculations.

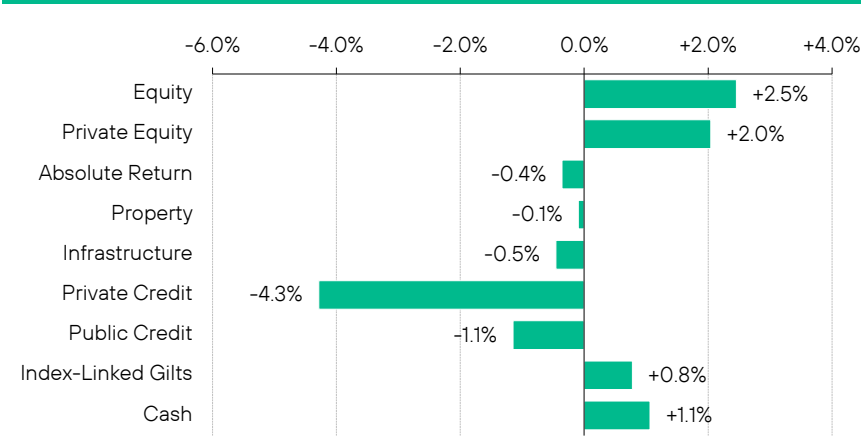
# Strategy Overview

# Asset Allocation – at 31 March 2024

Asset Allocation – 31 March 2024

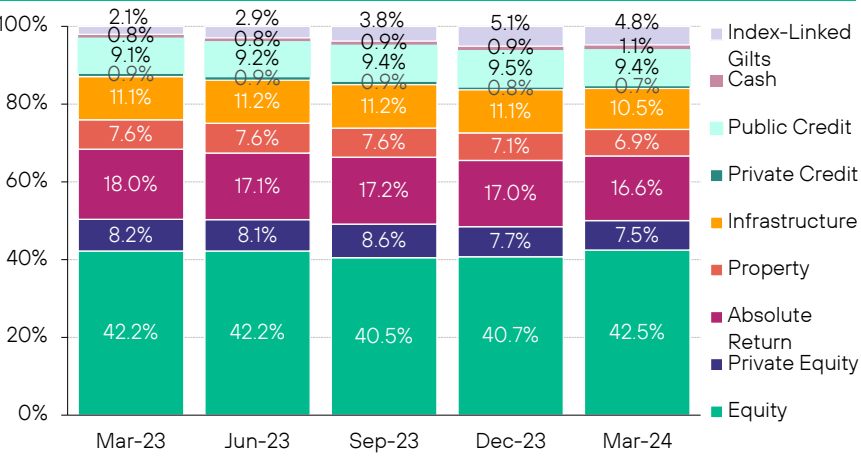


Assets Relative to Benchmark – 31 March 2024



**Note:** Totals may not sum due to rounding.  
**Source:** Investment managers, Isio calculations.

Asset Allocation Changes Since 31 March 2023



Commentary

- As at 31 March 2024, the Fund's asset allocation remained off-benchmark relative to the newly agreed target asset allocation; though steps are being taken to address this through the continued implementation of the target investment strategy.
- The index-linked gilts, equity and private equity are currently overweight; while the private and public credit allocations are underweight.
- The allocations will be brought more closely in line with the strategic benchmark as the new mandates are agreed and implemented going forward.
- More specifically, a commitment to private credit is currently being target via the ACCESS platform, although timescales for implementation of this allocation remain unclear.
- A market level trigger framework remains in place to move the allocation to Index-linked Gilts to an overweight position should market levels become attractive to do so.

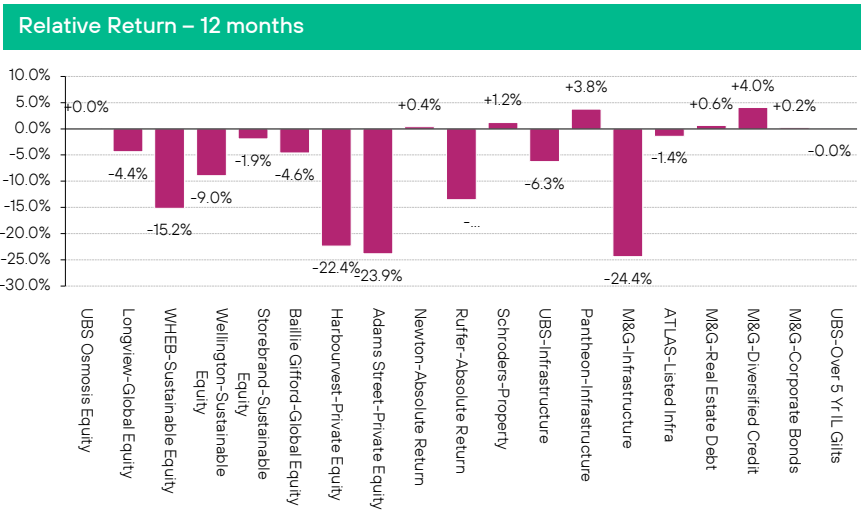
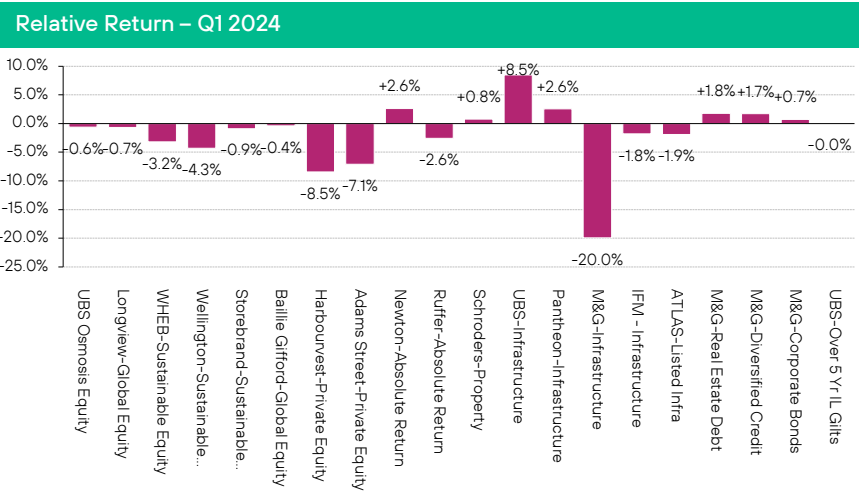
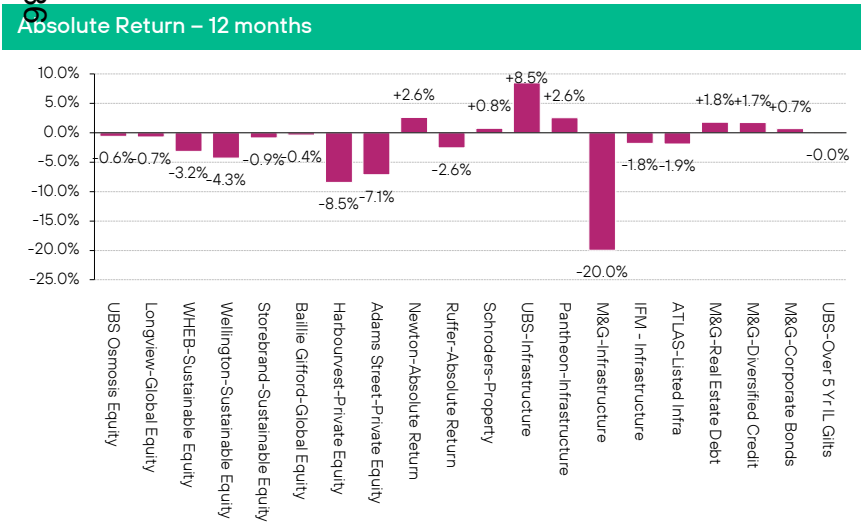
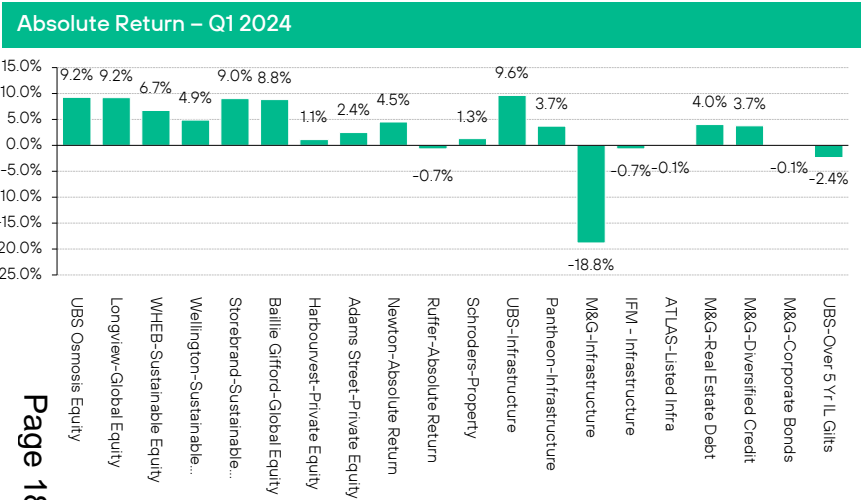
This page provides an overview of the current asset allocation position of the Fund.

## Agreed long-term allocation

Equity	40.0%
Private Equity	5.5%
Absolute Return	17.0%
Balanced Property	7.0%
Index-Linked Gilts	4.0%
Infrastructure	11.0%
Public (Diversified) Credit	10.5%
Private Credit	5.0%

# Investment Managers

# Performance Summary – to 31 March 2024



## Summary

The Fund's mandates delivered largely positive absolute performance over Q4, with public equity, corporate bonds and index-linked gilts funds producing positive returns. ATLAS and IFM infrastructure funds also exhibited positive returns.

Meanwhile, the UBS Infrastructure fund, and the private equity mandates delivered the most notable negative absolute performance, as did M&

On a relative basis over Q4, Harbourvest equity, Adams Street equity, UBS infrastructure and Pantheon infrastructure all underperformed. M&G infrastructure was the standout negative performance over the quarter, this was driven by a significant mark down in value of one of the underlying assets.

Private equity relative returns over the quarter have been particularly poor as private market valuations moderated in line with public market valuations.

**Note:** Returns net of fees. 12 month relative and absolute returns are not available for the IFM Infrastructure mandate as it was inception post 31 December 2022.

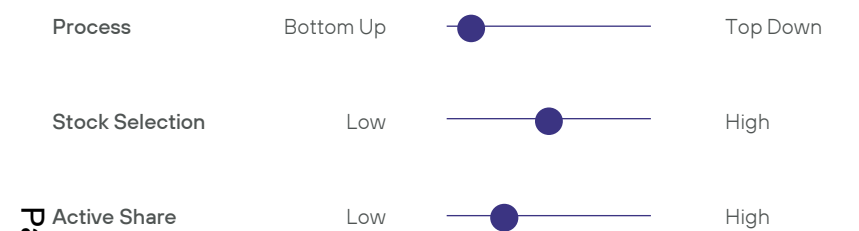
**Source:** Investment Managers, Northern Trust, Isio calculations.



# UBS / Osmosis – Sustainable Equity

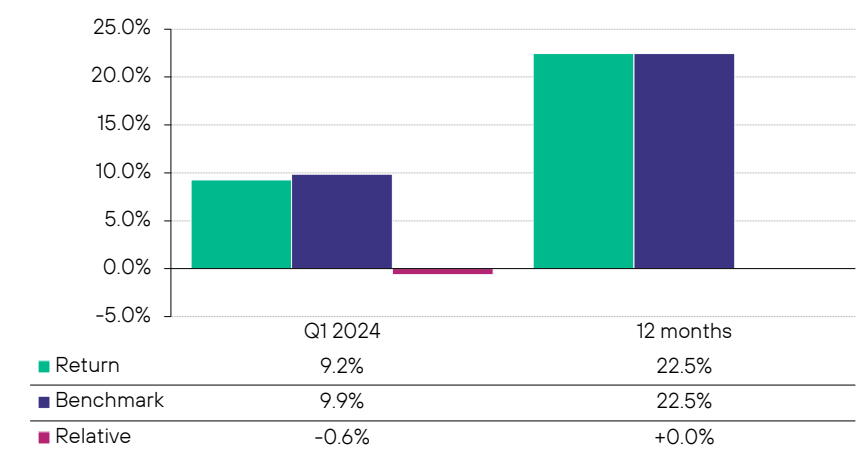
## Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>Strongest contributors were Advanced Micro Devices (US IT), Nvidia (US IT) and Eaton (US Industrials). Top detractors were Alphabet (US Communication Services), Caterpillar (US Industrials) and Walmart (US Consumer Staples).Osmosis remains confident in the uncorrelated resource efficiency which drives the positive active return against the MSCI World benchmark.</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>Unilever (UK Consumer Staples), Mizuho (Japan Financials) and Rexel (French Industrials) were added to the portfolio. Japanese Consumer Discretionary firm and Everest Group were sold.</li><li>The overall sector and country weights have remained similar to the previous quarter, maintaining the targeted tight factor exposures to the MSCI World benchmark.</li></ul>
Outlook	<ul style="list-style-type: none"><li>Osmosis remains confident in their Resource Efficiency signal, given it has added value in line with expectations since the Fund's inception.</li></ul>

## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	475	568	Decrease, but in line with quant process
12m turnover	24%	24%	Remained constant
Active share	49%	47%	Low, in line with expectations
Top 3 sectors	Information Technology (25%), Financials (16%), Health Care (14%).		
Top 3 stocks	Apple Inc (5%), Microsoft Corp (4%), NVIDIA Corp(3%).		
Top 3 regions	North America (74%), Europe (17%), Asia (9%).		

**Mandate:** Sustainable Passive Global Equities

**Current Value:** £398.1m

**Current Weighting:** 8.1%

**Inception:** March 2022

**Benchmark:** MSCI World

**Objective:** Achieve superior risk-adjusted returns by targeting maximum resource efficiency exposure while maintaining a tight tracking error to the MSCI World.

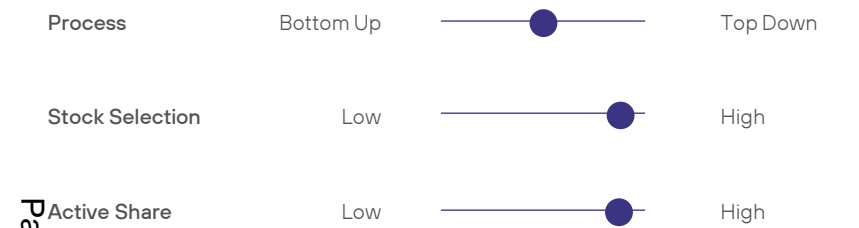
**Pooled:** Via Access Pool

**Note:** Totals may not sum due to rounding. Performance quoted net of fees. Performance shown since inception of the Fund's investment on 3 March 2022.  
**Source:** Investment manager, Northern Trust, Isio calculations.

# Longview - Global Equity

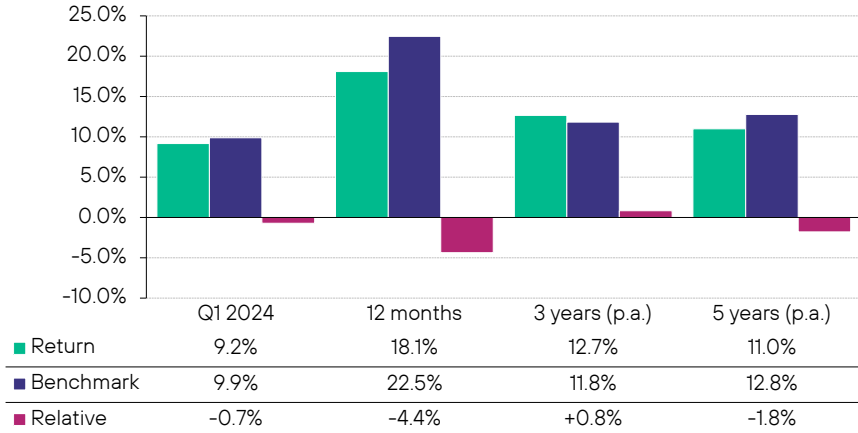
## Overview

The strategy utilises a bottom-up approach to invest in 30-35 high quality global companies which have strong business fundamentals and a market capitalisation greater than \$5 billion.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>Consumer Discretionary and Healthcare were the biggest sector detractors.. The Consumer Staples sector was the biggest contributor.</li><li>Some of the largest detractors to relative performance over the period were UnitedHealth, Nike, and S&amp;P Global.</li><li>Longer term performance remains below benchmark.</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>During the quarter, two new holdings were added to the portfolio; Moët Hennessy – Louis Vuitton and NIKE. The positions in Bank of New York Mellon, Sanofi and State Street were sold.</li></ul>
Outlook	<ul style="list-style-type: none"><li>The portfolio remains concentrated, with a high active share, and therefore investors should expect periods of material out or under performance.</li><li>The team continues to focus on what they perceive as high quality companies which trade at reasonable valuations.</li></ul>

## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	29	30	In line with expectations
12m turnover	21%	18%	Remains low relative to peers
Active share	90%	90%	Remains high relative to peers
Top 3 sectors	Financials (28%), Health Care (20%), Consumer Staples (18%)		
Top 3 stocks	CDW (4%), Fiserv (4%), Microsoft (4%)		
Top 3 regions	US (84%), UK (7%), Netherlands (6%)		

**Mandate:** Active Global Equities

**Current Value:** £521.6m

**Current Weighting:** 10.6%

**Inception:** April 2013

**Objective:** Outperform benchmark by 3% (gross) p.a. over rolling 3 -year periods.

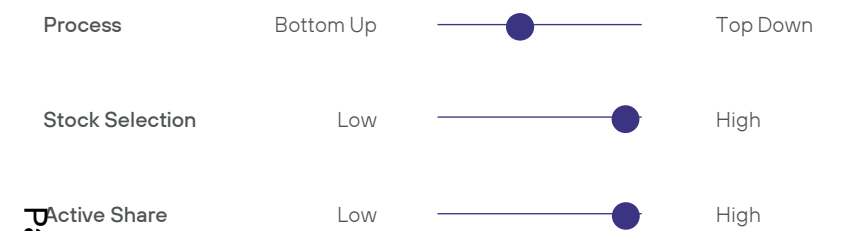
**Benchmark:** MSCI AC World

**Pooled:** Via Access Pool

# WHEB – Impact Equity

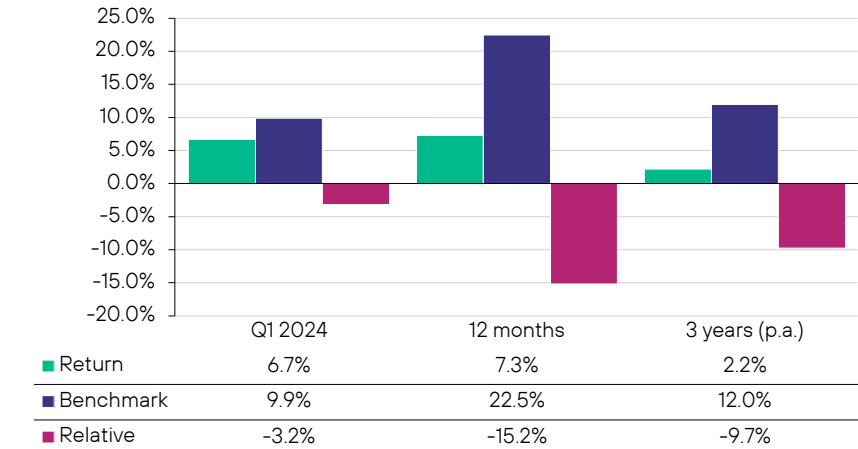
## Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies capitalising on opportunities created by the transition to healthy, low carbon and sustainable economies, across nine broad sustainability themes.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>The fund continued to deliver behind benchmark performance over the quarter with positive contributions most notably from Health and Resource Efficiency.</li><li>Cleaner Energy and Sustainable Transport were the weakest performing themes over the quarter. Largest detractors were Infineon, Vestas Wind Systems and SolarEdge.</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>3 new additions: Novo Nordisk (Health), Siemens Healthineers (Health), NEXTracker (Cleaner Energy).</li><li>2 sales: Tomra (Environmental Services), JB Hunt (Sustainable Transport)</li></ul>
Outlook	<ul style="list-style-type: none"><li>Following the fall in inflation, sentiment in global equities is more positive with markets expecting that central bank tightening is nearing its end. This environment supports the generally smaller and growth orientated impact stocks WHEB invest in. Long term performance remains disappointing.</li></ul>

## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	42	41	Relatively concentrated – low end of target
12m turnover	30%	37%	Further detail on right
Active share	97%	97%	High relative to peers
Top 3 sectors	Healthcare (32%), Industrials (30%), IT (23%)		
Top 3 stocks	Agilent Technologies (4%), Thermo Fisher (4%), Ecolab (4%)		
Top 3 regions	North America (63%), Western Europe (20%), Japan (7%)		

**Mandate:** Active Impact Global Equity

**Current Value:** £237.9m

**Current Weighting:** 4.8%

**Inception:** December 2020

**Benchmark:** MSCI World

**Objective:** To achieve capital growth over the medium to longer term.

**Pooled:** No

# Wellington – Global Impact Fund

## Overview

The Fund aims to invest in innovative companies whose core products and services addresses the world’s major social and environmental challenges. Wellington choose stocks from the universe list which has been derived from a number of sources such as internal and field research, company meetings, conferences or third party research.

Process

Bottom Up

Top Down

Stock Selection

Low

High

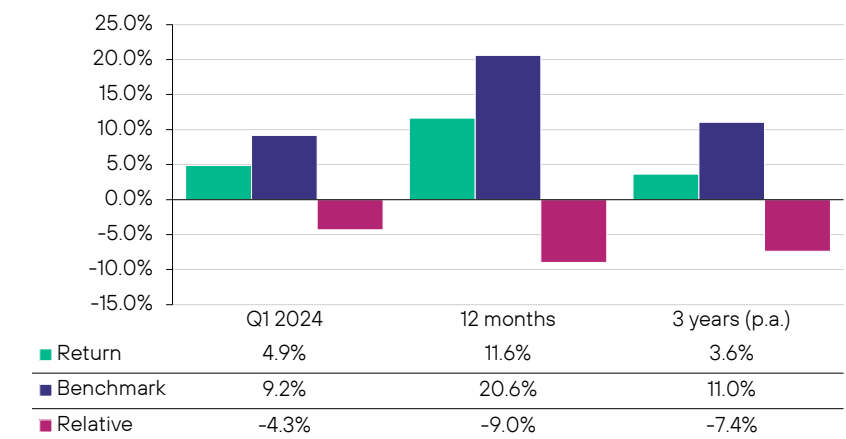
Active Share

Low

High

Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>The fund underperformed over Q4, with stock selection in IT a key detractor, with longer term performance remaining weak.</li><li>The portfolio’s small cap tilt was detrimental, with lack of exposure to Nvidia the largest relative detractor (-1.3%). The fund is likely to underperform when large stocks underpin market returns – as has been the case over recent periods.</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>The team increased exposure to Healthcare by adding Veeva Systems, GSK Plc and Merck.</li><li>There were disinvestments from several smaller positions, including Croda, Brookfield Renewables and PGT, based on the evaluation that other opportunities are more attractive.</li></ul>
Outlook	<ul style="list-style-type: none"><li>The portfolio remains diversified (with Xylem the largest holding at 3.3%); however, active share is very high, and therefore the fund is will continue to be subject to high tracking error relative to the benchmark.</li></ul>

## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	66	66	High end of 50-70 range
12m turnover	27%	29%	Higher than typical, to be monitored.
Active share	96%	97%	High, in line with expectations
Top 3 sectors	Resource Efficiency (22%), Healthcare (19%), Financial Inclusion (11%)		
Top 3 stocks	Xylem Inc (3%), Westinghouse Air (3%), Boston Scientific (3%)		
Top 3 regions	North America (65%), Europe ex UK (17%), Emerging markets (11%)		

**Mandate:** : Active Impact Global Equities

**Current Value:** £247.9m

**Current Weighting:** 5.0%

**Inception:** December 2020

**Benchmark:** MSCI AC World

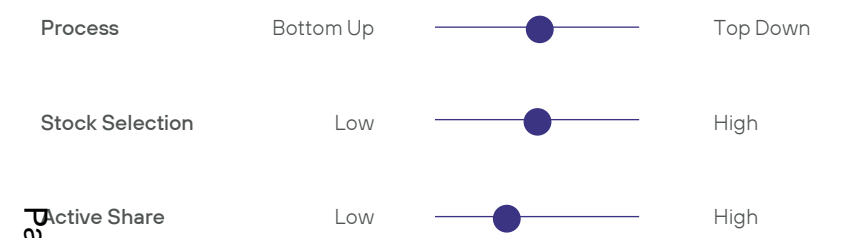
**Objective:** To outperform the MSCI All Country World Index over the long-term.

**Pooled:** No

# Storebrand – Sustainable Equity

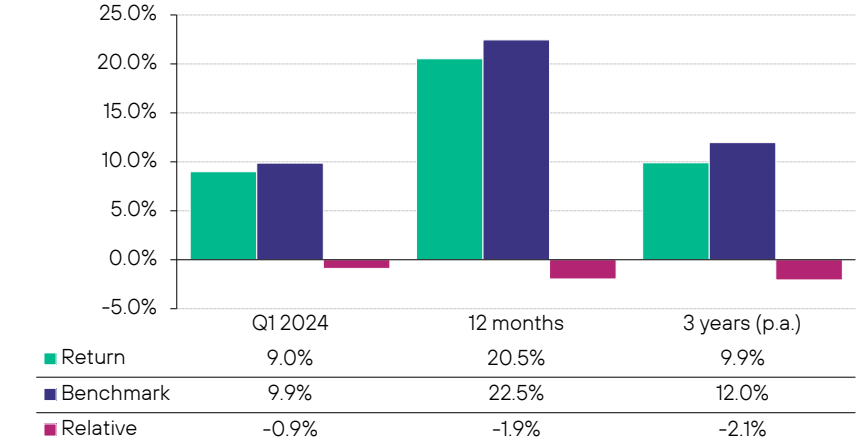
## Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>The fund underperformed the MSCI World Index by 0.9% during Q1. Exclusion of fossil fuel-related stocks contributed a 0.2% on a relative basis. Non-climate solutions companies also had a challenging quarter, detracting -0.9% from relative returns,</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>Storebrand added 2 new positions, Carel Industries SpA and Stryker Corp, and exited two positions, International Business Machines Corp and SPIE SA.</li></ul>
Outlook	<ul style="list-style-type: none"><li>Storebrand is working on carbon intensity data and implementing change into how this information is used in portfolio construction.</li></ul>

## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	694	689	Increase
12m turnover	13%	15%	Decrease
Active share	40%	41%	Low, as expected
Top 3 sectors	IT (25%), Financials (14%), Industrials (13%)		
Top 3 stocks	Microsoft (5%), Apple (4%), Nvidia (3%)		
Top 3 regions	United States (69%), Japan (7%), France (3%)		

**Mandate:** Sustainable Passive Global Equities

**Current Value:** £465.4m

**Current Weighting:** 9.5%

**Inception:** December 2020

**Benchmark:** MSCI World

**Objective:** Reproduce risk-return profile of the MSCI World Index

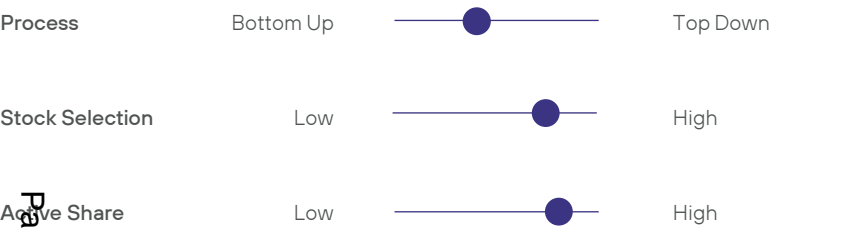
**Pooled:** No

**Note:** Totals may not sum due to rounding. Performance quoted net of fees.  
**Source:** Investment manager, Northern Trust, Isio calculations.  
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# Baillie Gifford – Global Paris Aligned Equity

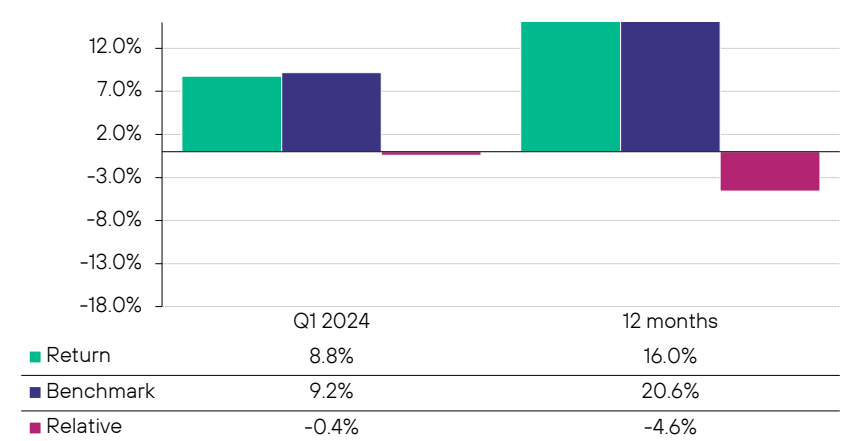
## Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies displaying above average earnings growth and sustainable competitive advantages in their respective industries, whilst aligning to the UN Paris Agreement climate commitments.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>The Fund experienced a positive absolute performance over the quarter. Against an economic backdrop, BG continue to revisit the underlying growth drivers that underpin the portfolio and remain confident that the growth tailwinds will endure despite global economic challenges.</li><li>The IT sector was the clear contributor in Q1. The Real Estate sector was the biggest detractor over the last quarter.</li></ul>
Portfolio positioning / transactions	<ul style="list-style-type: none"><li>BG made 5 purchases (Bellway, Mobileye, Neogen, Novo Nordisk, Walt Disney) and 12 sales (Adidas, Broadridge Financial Solutions, Charles Schwab, Estee Lauder, Exact Sciences, HelloFresh, Howard Hughes, Novocure, Ping An Insurance, Prudential, Snowflake and Wayfair).</li></ul>
Outlook	<ul style="list-style-type: none"><li>BG see a portfolio of companies thriving in the current environment and exposed to diverse structural growth drivers. Although the outperformance that began at the end of October last year remains short, it's an early but encouraging start to the recovery.</li></ul>

## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	89	94	Decrease
12m turnover	18%	16%	Slight increase
Active share	81%	82%	In line with expectations
Top 3 sectors	Consumer Disc (21%), IT (20%), Financials (14%)		
Top 3 stocks	Microsoft (5%), Meta Platforms (4%), Amazon.com (4%)		
Top 3 regions	North America (64%), Europe ex UK (17%), Emerging Markets (10%)		

**Mandate:** Global Equities

**Current Value:** £217.3m

**Current Weighting:** 4.4%

**Inception:** August 2021

**Benchmark:** MSCI AC World

**Objective:** Outperform benchmark by 2.0% p.a. (net of fees) over rolling 5-year periods

**Pooled:** Via Access Pool

# Harbourvest – Private Equity

## Overview

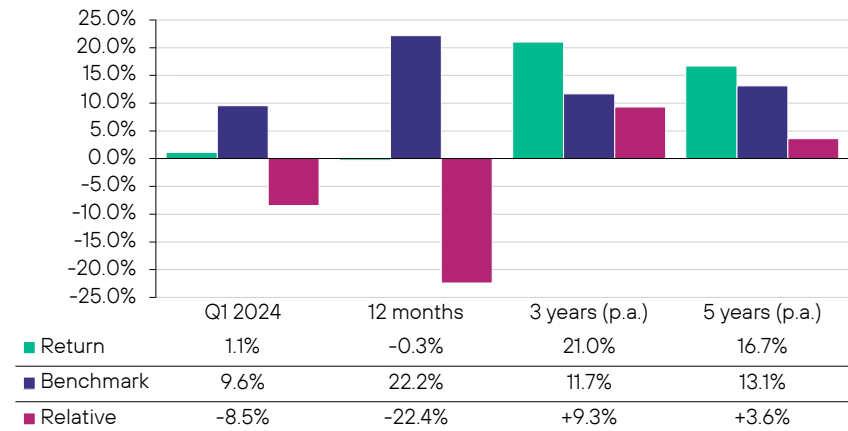
HarbourVest manage a global private equity portfolio for the Fund, invested globally across a range of subclasses (buyout, venture, debt/credit, among others).

Style	Multiple: Buyout, venture, credit
Stage	Multiple: Primary, secondary
Access	Fund-of-Funds
Vintage Year	Multiple: 2004-2021
Regional Focus	Global

Key area	Comments (3 month lagged)
Performance	<ul style="list-style-type: none"><li>Performance continues to moderate relative to public equity markets in recent periods as private as market valuations adjust in sympathy with public markets.</li><li>Further details of performance will be contained within the 2023 Annual Reports, which are in the process of being finalised</li></ul>
Developments over quarter	<ul style="list-style-type: none"><li>Several funds distributed proceeds back to investors during Q4, with the most sizeable distributions coming from Cleantech II and Fund IX Buyout.</li></ul>
Outlook	<ul style="list-style-type: none"><li>HarbourVest has not provided specific outlook for the portfolio.</li></ul>

**Note:** Totals may not sum due to rounding. Performance quoted net of fees.  
**Source:** Investment manager, Northern Trust, Isio calculations.

## Performance to 31 March 2024



Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	10.6%	10.5%	Slight decrease
Capital Deployed/Raised	75%	74%	Slight increase
DPI	0.97x	0.97x	No change
TVPI	1.7x	1.7x	No change
Top 3 subclasses	Buyout (57%), Venture (42%), Credit (1%)		
Top 3 regions	North America (56%), Europe (26%), Asia (15%)		

**Mandate:** Private Equity

**Current Value:** £181.6m

**Current Weighting:** 3.7%

**Inception:** January 2003

**Benchmark:** MSCI World + 1.5%

**Objective:** MSCI World + 3.0%

**Pooled:** No

# Adams Street – Private Equity

## Overview

Adams Street manage a global private equity portfolio for the Fund, combining Partnerships and Co-investments, invested globally across a range of subclasses (buyout, venture, energy, debt/credit, among others).

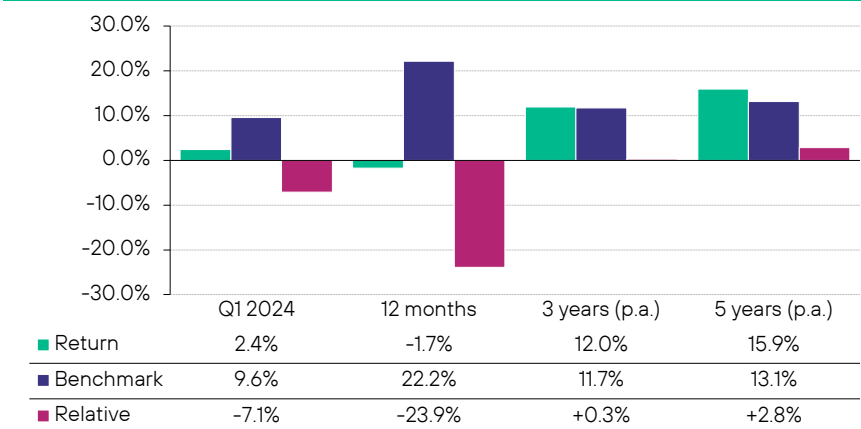
Style	Multiple: Buyout, venture, debt
Stage	Multiple: Primary, secondary, co-investment
Access	Fund-of-Funds
Vintage Year	Multiple: 2003-2021
Regional Focus	Global

Key area	Comments (3 month lagged)
Performance	<ul style="list-style-type: none"><li>Performance continues to moderate relative to public equity markets in recent periods as private as market valuations adjust in sympathy with public markets.</li><li>Over the quarter, IRR remained unchanged, which is in line with expectations.</li></ul>
Developments over quarter	<ul style="list-style-type: none"><li>There were no new primary or secondary investments. There was one new co-investment in Macrobond and one new growth equity investment in Green Technologies Inc.</li><li>c.\$5.9m in distributions and c.\$4.5m capital called</li></ul>
Outlook	<ul style="list-style-type: none"><li>There is increased confidence that interest rates will begin to decline this year as global inflation continues to slow. US, Japanese and European equity markets experienced strong returns, whilst Chinese equity markets fell behind due to concerns surrounding growth in China. There is expectation that IPO slowdown will pick up over H2 of 2024 and there is increased appetite for co-investment capital and the secondaries market.</li></ul>

**Note:** Totals may not sum due to rounding. Performance quoted net of fees.

**Source:** Investment manager, Northern Trust, Isio calculations.

## Performance to 31 March 2024



Metrics (3m lag)	Current Quarter	Last Quarter	View/change
IRR (net)	11.4%	11.4%	Unchanged
Capital Deployed/Raised	82%	81%	Slight increase
DPI	1.1x	1.1x	Unchanged
TVPI	1.8x	1.8x	Unchanged
Top 3 subclasses (Partnerships)	Buyout (61%), Venture (29%), Other (7%)		
Top 3 regions (Partnerships)	United States (53%), Western Europe (28%), Asia (11%)		

**Mandate:** Private Equity

**Current Value:** £189.5m

**Current Weighting:** 3.9%

**Inception:** March 2003

**Benchmark:** MSCI World + 1.5%

**Objective:** MSCI World + 3.0%

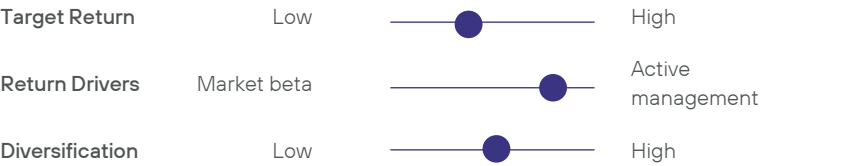
**Pooled:** No



# Newton – Absolute Return

## Overview

The Fund aims to generate returns by investing in a wide universe of global securities. The Fund allocates between return seeking, and risk reducing positions, dynamically changing asset allocations over time in order to add value. The primary aim is to deliver positive risk adjusted returns in all market economic environments.



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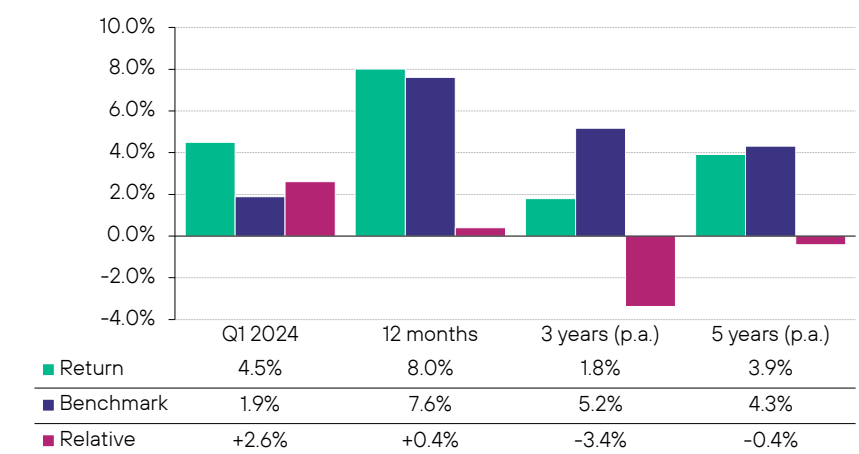
Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>The Fund performed strongly during Q1, with returns driven by technology equities (benefiting from optimism in AI) and synthetic equity exposures in healthcare and industrials.</li><li>Alternatives and commodities were detractors to returns.</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>The return-seeking core was broadly unaltered but repositioned through equity positions in Apple, Pinterest, Phillips 66 and exiting Estee Lauder and Nestle.</li><li>Duration increased through the purchase of two-year US Treasury futures to take advantage of attractive yields.</li></ul>
Outlook	<ul style="list-style-type: none"><li>Newton believe that inflation declining and growth expectations rising across Europe and Asia have reduced fears of a global economic slowdown. However, uncertainty remains as the prospect of sticky inflation could still lead rates to remain high and hinder the global growth outlook.</li></ul>

Notes: Returns net of fees. Inception date 31 March 2004.

Sources: Investment manager, Isio calculations. \* Correlation and Volatility statistics now calculated by Isio to maintain consistency with the methodology used when comparing between peer groups.

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## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year) *	74%	73%	In line with expectations
Volatility (1 year) *	6.0%	5.9%	In line with expectations
Top 3 asset-classes	Equities (43.3%), Bonds (16.5%), Cash (14.4%)		
Equity sector breakdown	Technology (10.3%), Financials (7.1%), Healthcare (6.0%),		

**Mandate:** Diversified Growth Fund

**Current Value:** £368.2m

**Current Weighting:** 7.5%

**Inception:** April 2010

**Benchmark:** 3-month SONIA + 2.5%

**Objective:** 3-month SONIA + 4% p.a. (gross) over rolling 5 years

**Pooled:** Via Access Pool

**Notable Changes**

- In January, Mathieu Poitrat Rachmaninoff rejoined Newton as a portfolio manager on the mixed assets and charities team, adding experience in industrials and clean energy to the team.
- In March, Chris King was promoted to Portfolio Manager within the Real Return team in March 2024, while Ilya Figelman joined the multi-asset solutions team as head of quantitative multi-asset research, overseeing the team that develop asset forecasts, risk models and portfolio construction techniques.

# Ruffer – Total Return Fund

## Overview

The Fund has two investment aims; to deliver positive returns in any rolling twelve month period and ahead of the risk-free rate. The strategy has a strong focus on capital preservation, the core investment objective of the Fund.

Target Return

Low

High

Return Drivers

Market beta

Active management

Diversification

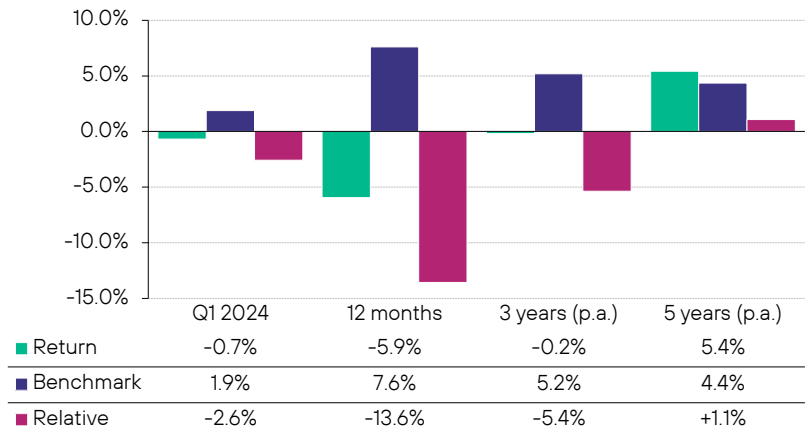
Low

High

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Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>The Fund performed negatively in Q1, with exposure to Japanese Yen being the largest detractor to returns.</li><li>Inflation linked bond valuations also fell after yields rose.</li><li>Equities contributed to returns after the global economy showed continued resilience, alongside growth in AI stocks.</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>The Fund added to its gold exposure during Q1, while continuing to hold its positioning in Japanese Yen.</li><li>It also held its commodities position, believing it will benefit from persistent inflation.</li></ul>
Outlook	<ul style="list-style-type: none"><li>Ruffer believes recent falls in equity volatility and declines in credit spreads sees investors being unprepared for worsening of market conditions.</li><li>Although its defensive positioning led to underperformance in Q1, the Fund maintains the belief that the economy is entering into an era of higher and more volatile inflation.</li></ul>

## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year) *	59%	63%	In line with expectations
Volatility (1 year) *	5.5%	4.8%	In line with expectations
Top 3 asset-classes	Short-dated bonds (54.2%), Gold and precious metals exposure (8.9%), Long-dated Index-linked gilts (8.0%).		
Top 3 contributors / detractors to return	Equities (+0.8%), Short Dated Bonds (+0.5%), Oil Exposure (+0.4%) Yen exposure (-1.4%), UK long-dated inflation-linked bonds (-0.6%), Credit protection (-0.6%).		

Mandate: Diversified Growth Fund

Current Value: £450.4m

Current Weighting: 9.2%

Inception: April 2010

Benchmark: 3-month SONIA + 2.5%

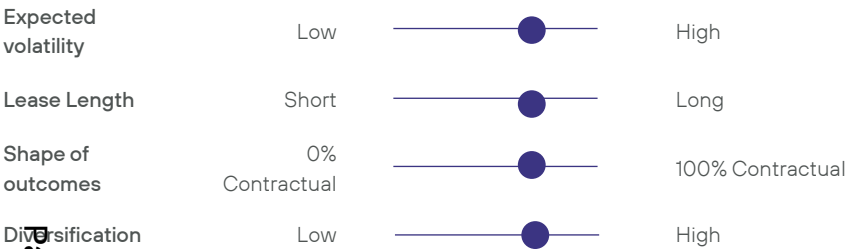
Objective: 3-month SONIA + 4% p.a. (gross) over rolling 5 years

Pooled: Via Access Pool

# Schroders - Balanced Property

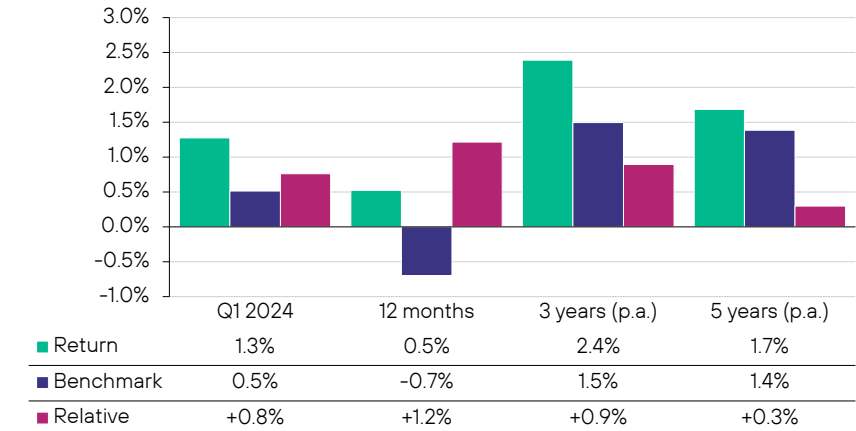
## Overview

The Schroders Property Fund is a medium risk balanced property fund investing across the retail, offices, industrials and alternative property sectors.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>The portfolio outperformed the benchmark over the quarter. The Schroders Special Situations Fund was the strongest performer over the quarter, followed by UK Retirement Living Fund (ReLF), Social Supporting Housing Fund and the Local Retail Fund (LRF)</li><li>The weakest performing funds over the quarter were the BlackRock UK Property Fund, ReForm, the Future Workplace Property Unit Trust and Lothbury Property Trust.</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>The core portfolio has a strategic overweight to alternative sectors and an underweight to the wider retail sector.</li><li>The Portfolio has been structured with downside protection provided via the defensive holdings (c.10.6%) in cash and convenience retail.</li></ul>
Manager Outlook	<ul style="list-style-type: none"><li>Schroders expect UK commercial real estate values to reach a floor in the first half of 2024 marking the start of potential buying opportunities. They foresee a robustness in occupational markets due to the expectation of positive rental growth on the back of restricted levels of floorspace supply. Their defensive style strategies have enabled them to deliver outperformance over the last 12 months and since inception of the mandate.</li></ul>

## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/Change
Net acquisitions / (Sales)	(£0.8m)	£5.6m	Decrease
Cash yield	3.2%	3.2%	No change
No of assets	19	19	No change
Top 3 sectors	Industrial, Alternatives (via student accommodation, social supported housing, retirement living and care homes) and Regional Offices.		

**Note:** Totals may not sum due to rounding. Performance quoted net of fees  
**Source:** Investment manager, Northern Trust, Isio calculations.

**Mandate:** Balanced Property

**Current Value:** £339.7m

**Current Weighting:** 6.9%

**Inception:** December 2009

**Benchmark:** IPD All Balanced Fund Index

**Objective:** Outperform benchmark by 0.75% p.a. (net) over rolling 3 years

**Pooled:** No

### Isio View

We hold concerns with the ongoing sustainability of the Schroder’s business and continue to support the Fund’s move away from this mandate and towards a mandate on-pool.

# UBS - Infrastructure

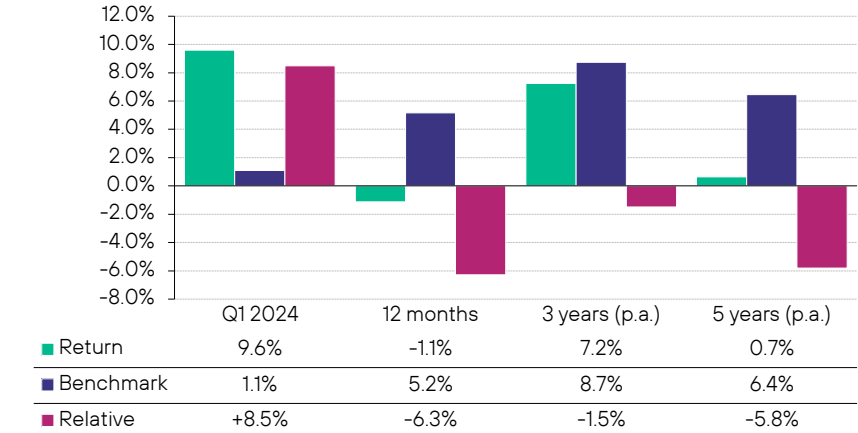
## Overview

The fund provides investors with access to a diversified portfolio across Fund I and Fund III infrastructure assets. Fund I remains in the value realisation phase and is paying capital back to Investors, whilst Fund III is in its investment phase and continues to draw capital for investment. Fund III has a significant tilt to ESG assets compared to Fund I.



Key area	Comments (3m lag)
Portfolio positioning	<ul style="list-style-type: none"><li>Net return since inception for Fund I slightly increased to 1.9% p.a. but continue to significantly disappoint.</li><li>The value of Northern Star Generation (NSG) was written down in Q1, in line with distribution made to the Fund in December 2023.</li><li>Southern Water's exit strategy was reviewed post Macquarie capital injection, with aim to exit to preserve the stake's remaining value.</li><li>Saubermacher has completed the preparation for a sale process and is expected to launch in early 2024.</li><li>Spinning Spur II – the Manager is negotiating a buy-out of tax equity investors before preparing for a sales launch.</li></ul>
Outlook	<ul style="list-style-type: none"><li>Fund III continues to drawdown committed capital and perform as expected. There was no change to the \$139.3m drawn from the total \$185.0m committed relative to Q3 2023.</li></ul>

## Performance to 31 March 2024



Metrics (3m lag)	31 Dec 2023	30 Sept 2023	View/Change
Net SI return (Fund I)	1.9%	1.8%	No material change
Net SI return (Fund III)	16.9%	16.6%	Slight increase
Total value to paid-in (Fund I)	1.16x	1.14x	Slight increase
Total value to paid-in (Fund III)	1.39x	1.34x	Slight increase
Top sectors (Fund III)	Digital (60%), Renewable Energy (40%)		

**Mandate:** Infrastructure

**Current Value:** £35.4m

**Current Weighting:** 0.7%

**Inception:** January 2008

**Benchmark:** CPI + 2%

**Objective:** CPI + 3%

**Pooled:** No

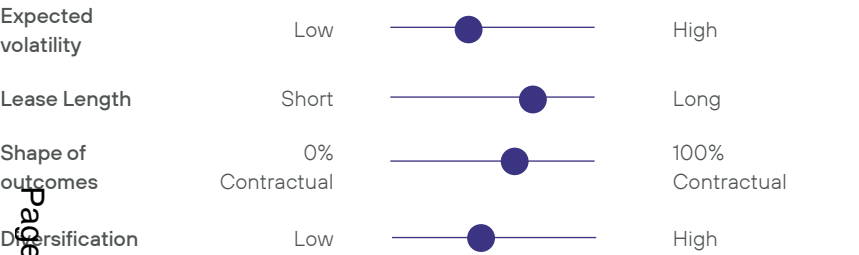
**Notable Updates**

- The Fund made distributions of \$27,4 million to Limited Partners in December 2023

# Pantheon - Infrastructure

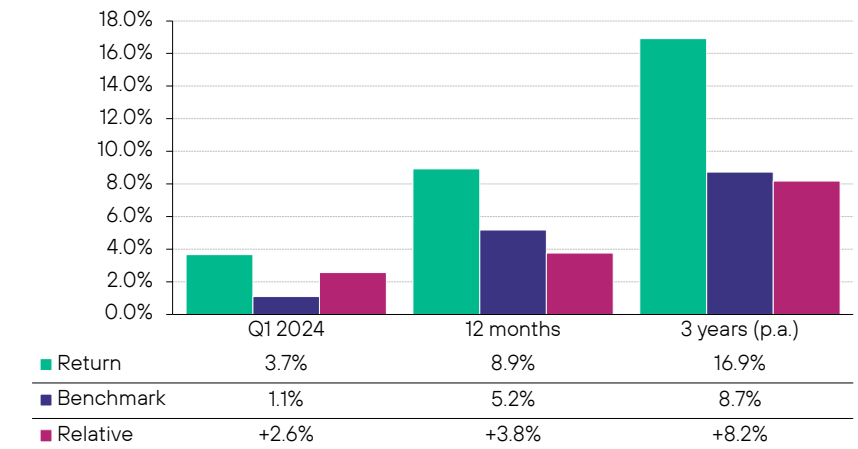
## Overview

The fund provides investors with access to a diversified portfolio of infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.



Key area	Comments (3 month lag)
Key contributors/detractors	<ul style="list-style-type: none"><li>Over Q4, the Fund's valuation increased by 1.1% (\$1.2m), and the fund IRR increased to 14.0% (vs 13.7% in Q3). This was driven by its investment in Fibercorp and its merger with Telecom Italia's network assets, alongside FX gains and gains in the value of assets such as Blue Jays (+17%), Aurora (+15%) and IFT (+10%).</li><li>This was offset by \$3.4m of distributions during the quarter.</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>In November 2023, KKR signed an agreement to merge FiberCop with Telecom Italia's residual network assets to form "Telecom Italia NetCo", a telecom network in Italy</li><li>A large distribution of \$3.4m was carried out in the quarter, including a material contribution from IFT (\$1.9m).</li><li>No sales / acquisitions were made in Q4.</li></ul>
Outlook	<ul style="list-style-type: none"><li>Pantheon expect the portfolio to continue generate modest level of distributions throughout 2024.</li></ul>

## Performance to 31 March 2024



Metrics (3m lag)	Current Quarter	Last Quarter	View/change
Cash yield (p.a.)	8.9%	11.9%	Decrease due to rolling quarterly variations due to cash flow timing
Net Acquisitions/sales	\$0	\$0	No change at the fund level
Initial secondaries discount rate	2.96%	2.96%	No change
Remaining number of assets	45	45	No change
Top 3 sectors	Digital, Transport and Logistics, Renewables / Efficiency		

Mandate: Infrastructure

Current Value: £87.0m

Current Weighting: 1.8%

Inception: May 2018

Benchmark: CPI + 2.5%

Objective: CPI + 3%

Pooled: No

**Note:** Totals may not sum due to rounding. Performance quoted net of fees that are specific to East Sussex Pension Fund. Manager data is lagged by one quarter.  
**Source:** Investment manager, Northern Trust, Isio calculations.  
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# IFM Global Infrastructure Fund

Overview

The Fund is a large, global open-ended infrastructure fund, launched on 1 December 2004. Due to the scale of the Fund and strong existing sourcing relationships, IFM are able to focus on investing in larger deals or deals with high barriers to entry.

The Fund has a diverse portfolio of 23 companies across a variety of sectors, largely focussed on North America and Europe. The Fund focusses on purchasing primarily operational assets with strong contractual income-producing characteristics, and the team aim to add value across financing, operations and business strategy.

Expected volatility

LowHigh

Lease Length

ShortLong

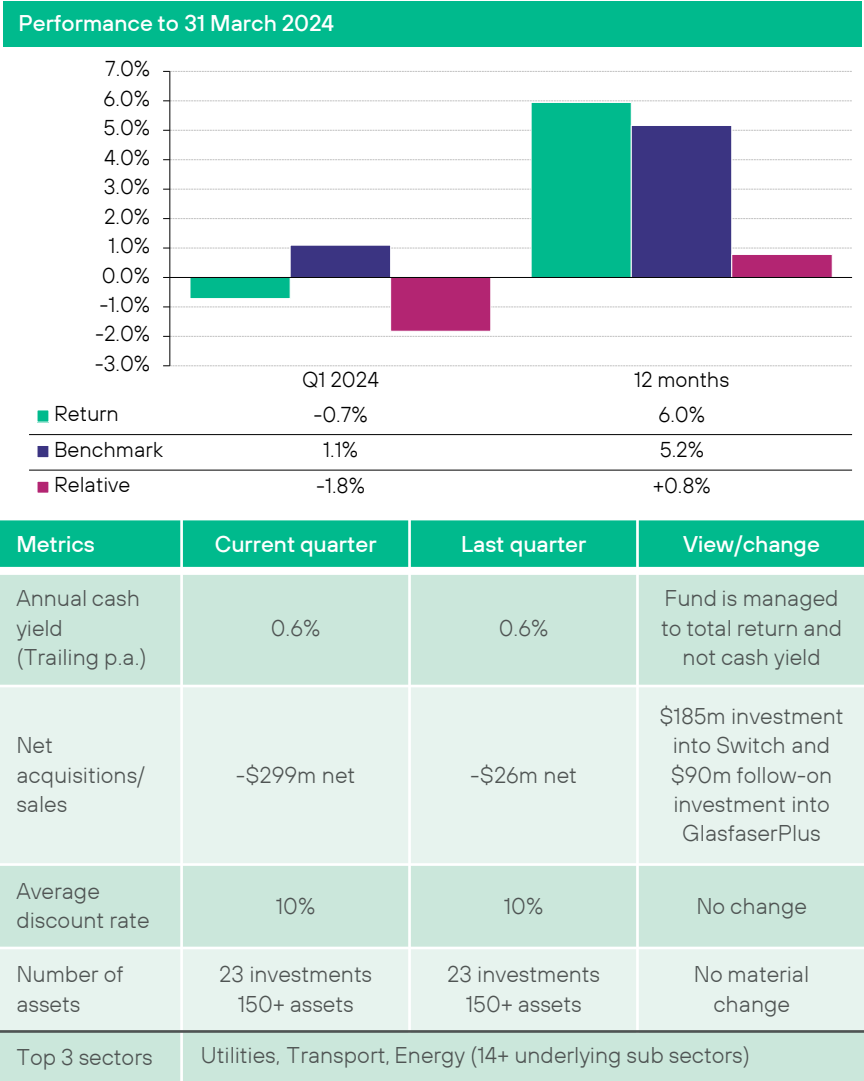
Shape of outcomes

0%Contractual100%Contractual

Diversification

LowHigh

Key area	Comments
Key contributors / detractors	<ul style="list-style-type: none"><li>The Fund performed negatively in Q1 due to a broader rise in risk free rates and financing assumptions across the portfolio.</li><li>The main detractors to performance were Naturgy Energy Group S.A. (-34%), Arqiva (-8.7%) and Atlas Arteria (-7.4%).</li><li>Airport and toll road assets demonstrated steady returns after rising usage, with Mersin International Port (+9.7%) and Aqualia (+5.5%) contributing positively to returns.</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>The Fund invested \$185.3m of follow-on equity to Switch, Inc. ("Switch"), one of the leading US providers of data centres, to support the accelerated build at Switch's campuses.</li><li>The Fund received \$270m distributions, largely from Indiana Toll Road, Sydney Airport and Manchester Airports Group.</li></ul>
Outlook	<ul style="list-style-type: none"><li>Their outlook for the global aviation and midstream sub-sector is positive, bolstered by the ongoing revival of tourism and travel. The outlook also remains positive for its Seaports assets, despite the ongoing conflict in the Red Sea.</li></ul>



Mandate: Infrastructure Equity (higher risk)

Current Value: £246.9m

Current Weighting: 5.0%

Inception: January 2023

Benchmark: 10% p.a. net of all fees over the long term

Objective: CPI +2%

Pooled: No

# Atlas - Listed Infrastructure

## Overview

The fund provides investors with access to a diversified portfolio of brownfield and greenfield infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.

Expected volatility

Low

High

Lease Length

Short

Long

Shape of outcomes

0% Contractual

100% Contractual

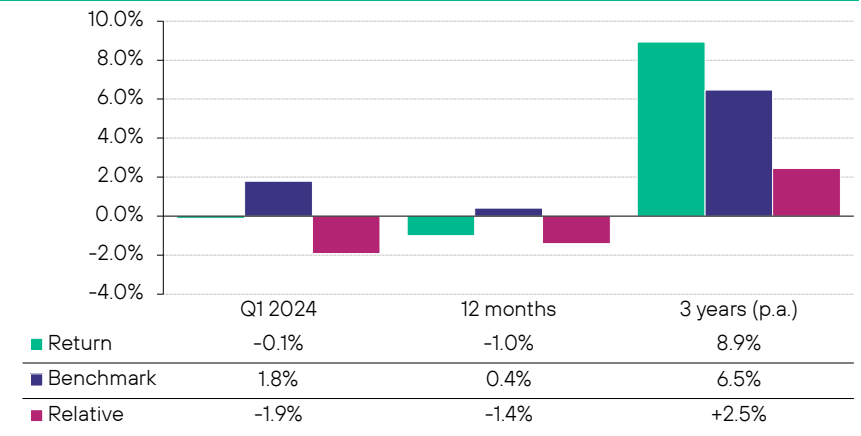
Diversification

Low

High

Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>At a stock level, there were positive returns from holdings in the US Electric sector, including Avangrid, Exelon Corporation and Pinnacle West Capital Corporation. The key detractors were Fraport AG (UK Airport), Enel SpA and Elia Group (UK Electric).</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>There was a new position in Exelon Corporation (US Electric Utility) established through an exit in position weight of Norfolk Southern Corporation (US Railway). A new position in Pinnacle West (US Electric Utility) was established partly through participation in an equity placement. The new position was funded through a combination of a reduction in Redeia (Spain Electric), and available cash. There was a new position in RWE (EU Electric Utility), funded through the sale of AEP (US Electric).</li><li>These improved the expected forward return and the major stress risk, whilst being positive to macro risk metrics.</li></ul>
Outlook	<ul style="list-style-type: none"><li>Atlas note that this quarter saw continued strengthening of the market due to performance of mega-tech stocks. Economic data remained robust with stabilising core inflation reducing rate cut optimism amid a resilient labour market.</li></ul>

## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Cash yield	4.5%	4.5%	Within expectations
Net acquisitions/sales	3 new positions established in the quarter 1 position exited in the quarter	2 new positions established in the quarter 1 position exited in the quarter	Within expectations
Number of individual positions in portfolio	20	21	Within expectations
Top 3 sectors	Electric utilities (52%), Water (12%), Communications (11%)		

Mandate: Global Infrastructure Equity

Current Value: £99.9m

Current Weighting: 2.0%

Inception: December 2020

Benchmark: FTSE Developed Core 50/50 Infrastructure Index

Objective: CPI + 3%

Pooled: No

# M&G Real Estate Debt

Overview

The Funds directly originate private loans that are secured by commercial real estate. REDF VI invests directly in whole loans, while REDF IV and V obtain senior and junior exposure, respectively. The Funds are UK and Europe focused but have scope to invest in the US. The Funds' investment periods ended in June 2021 and reinvestment periods ended December 2022. Wind up is expected in December 2027.

Target Return

LowHigh

Target Exposure

Senior onlyMezzanine

Size of Borrower

Large-capSmall-cap

Target Fund Size

SmallLarge

REDF IV

REDF V

Both Funds/REDF VI

Key area	Comments
Capital Activity	<ul style="list-style-type: none"><li>Tropic and Mercury Senior (held as 2 positions) were fully repaid.</li></ul>
Minor/Major Watchlist Updates	<ul style="list-style-type: none"><li><b>Project Carlton</b> (Minor): Most residential sales are near completion, with office construction currently delayed. Expecting full recovery on senior / junior loans in c.6 months.</li><li><b>Project Lime Street</b> (Minor): Due to receive payment from an adjacent development which should reduce the LTV. Sponsor and developer are working on a plan to redevelop the building.</li><li><b>Project Charlie</b> (Minor): Loan extension of 12-18 months has been granted due to sponsor request.</li><li><b>Project Pontiac</b> (Major): Expecting imminent refinancing of asset which should result in full debt repayment.</li><li><b>Project Orbit Senior</b> (Major): Anticipate interim stress on cashflow after early termination of office lease.</li></ul>
Outlook	<ul style="list-style-type: none"><li>M&amp;G remain confident with the Funds' cashflow forecasts due to real estate transactions currently favouring refinancings.</li></ul>

Performance to 31 March 2024

	Q1 2024	12 months	3 years (p.a.)
Return	4.0%	9.7%	4.7%
Benchmark	2.3%	9.1%	6.7%
Relative	+1.8%	+0.6%	-2.0%

(IV / V / VI)	Q4 2023	Q3 2023	View/change
IRR (gross projected)	3.8% / 12.4% / 6.8%	3.8% / 12.2% / 6.6%	No material change
Distributions** as % of capital committed	68% / 75% / 66%	55% / 72% / 57%	Material increase in funds IV & VI due to loan repayments
Positions outstanding	24 / 16 / 47	27 / 16 / 50	3 loans repaid in funds IV & VI
Watchlist	6 / 4 / 6	5 / 4 / 5	Project Orbit Senior added
Top 3 sectors	REDF IV: Retail (26%), Office (26%), Residential (21%) REDF V: Retail (42%), Office (35%), Hotel (13%) REDF VI: Office (36%), Retail (31%), Residential (15%)		
Phase	Distribution period – due to end December 2027.		

- Mandate: Private Debt

Current Value: £35.1m

Current Weighting: 0.7%

Inception: April 2019

Benchmark: 3-month SONIA + 4%

Objective: 3-month SONIA + 5%

Pooled: No
- Notable Developments

  - We downgraded the Funds to Partially Meets Criteria in mid-2021 following the resignation of four senior members within M&G's Real Estate Debt business in April 2021.
  - Duncan Batty, co-PM of REDF team will be leaving M&G for a career break, with Dan Riches (previously the co-PM) taking over as the sole PM. Given the stage of the Funds, no key person clause has been triggered.
  - Isio will follow up with a view on this departure however, we note that it is likely to have a limited impact on these funds given their stage.

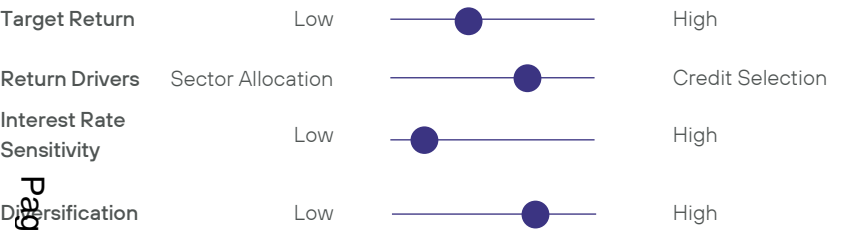
Notes: REDF VI figures are inclusive of this Fund's allocations to REDF IV and V (and vice versa). Gross projected IRRs are based on M&G's assumptions on performance of the existing portfolios.  
\*\*Distributions = Total distributions paid to investors since inception (both income and capital).  
Sources: M&G, Isio calculations.  
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# M&G – Diversified Credit

## Overview

The Fund aims to take advantage of diversified opportunities across various areas of the public credit spectrum. M&G have generally maintained an IG average rating for the Fund with a European bias. M&G will seek to protect capital when the Fund is not being adequately compensated for taking risk. Currency and interest rate risks are typically hedged out of the portfolio.

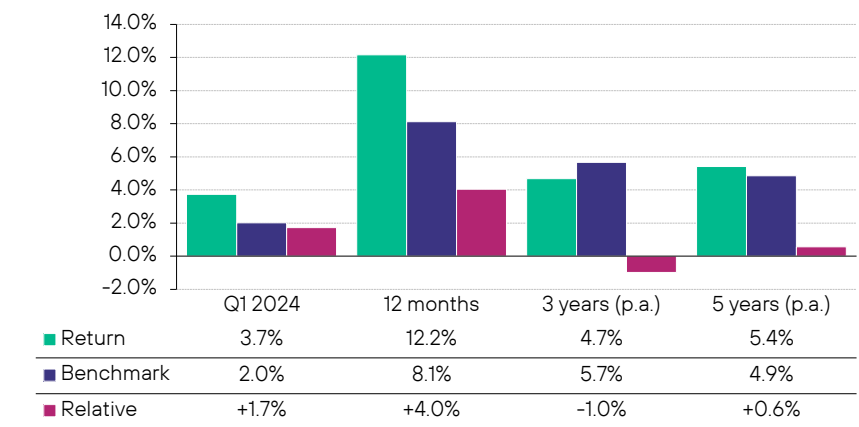


Key area	Comments
Performance	<ul style="list-style-type: none"><li>The Fund performed well during a period when credit spreads narrowed, with the main contributors being industrial bonds, financial bonds, and leveraged loans.</li><li>Utilities exposure marginally detracted due to the small exposure to Kemble Water and Thames Water bonds.</li></ul>
Positioning	<ul style="list-style-type: none"><li>As credit valuations increased, M&amp;G de-risked by trimming high yield and subordinated debt in favour of defensive assets such as sovereign bonds, covered bonds, and cash.</li><li>M&amp;G see value in IG-rated banks, where fundamentals are strong, and spreads are wider than other sectors.</li></ul>
Outlook	<ul style="list-style-type: none"><li>M&amp;G expect the allocation to defensive assets to increase further to provide the flexibility to rotate into new opportunities should valuations improve.</li></ul>

Notes: Returns net of fees (based on share class A (GBP)). Benchmark used is 1 month LIBOR from fund inception to 30 June 2021 and 1 month SONIA thereafter. Objective shown is benchmark +2.5% p.a. The Fund was launched on 26 April 2007.

Sources: Investment manager, Isio calculations.  
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## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Yield	7.8%	8.2%	Fell due to portfolio rebalancing
Average credit rating	A-	BBB+	Increased due to de-risking
Modified duration (years)	-0.03	0.00	No major change
Spread duration (years)	3.0	3.4	Reflects de-risking of strategy
Number of issuers	333	363	

**Mandate:** Multi Asset Credit

**Current Value:** £328.8m

**Current Weighting:** 6.7%

**Inception:** November 2009

**Benchmark:** 3-month SONIA +3%

**Objective:** 3-month SONIA +5% (gross)

**Pooled:** Via Access Pool

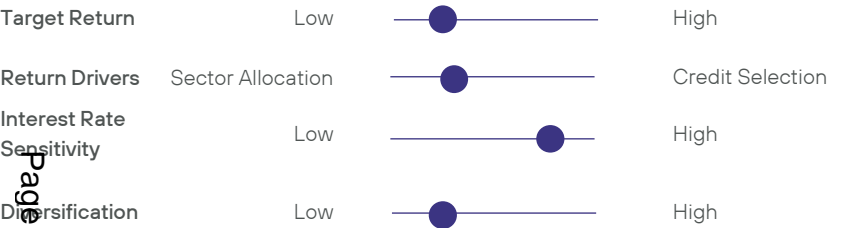
**Notable Developments**

- Negative news flow regarding Thames Water detracted from returns over Q1.
- The Fund had 0.09% exposure to Kemble Water bonds (which have defaulted) and 0.19% exposure to senior Thames Water bonds at 31 March.
- The performance impact has been limited (c.0.4% over the past 12 months) and M&G intend to hold the bonds.

# M&G - Corporate Bonds

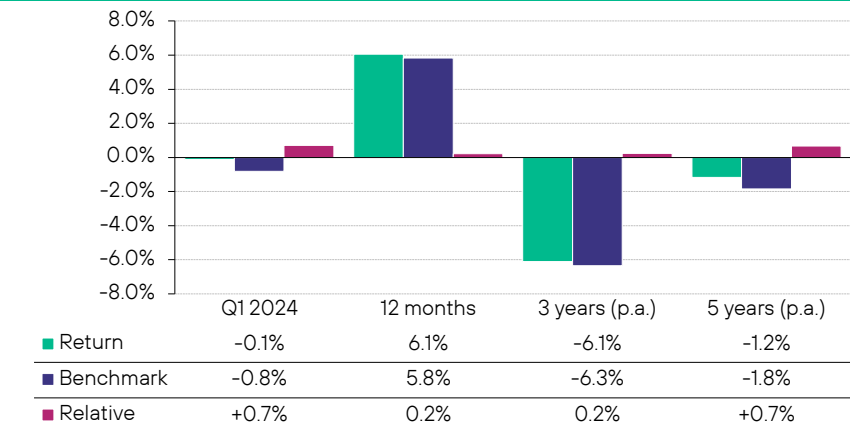
## Overview

The Fund invests in a variety of UK Corporate Bonds, including but not limited to Industrial, Financial, Sovereign and Utility bonds.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none"><li>Industrial and Financial Corporate bonds were the strongest contributors, whilst Quasi and Foreign Government bonds detracted the most from performance.</li></ul>
Portfolio positioning	<ul style="list-style-type: none"><li>There was continued de-risking over the quarter as credit markets continued strengthening.</li><li>There was reduced exposure to several European Real Estate names as well as Utility company Southern Gas, following strong performance. The manager increased exposure to Bank covered bonds.</li></ul>
Manager Outlook	<ul style="list-style-type: none"><li>Like last quarter, there is still the spectre of a geopolitical or financial event that could spark future bond market volatility. Alongside this there are numerous global elections in 2024 which could result in periods of high financing costs for the first time for lots of company executives.</li><li>M&amp;G still believe that the best strategy to take advantage of the market, is a patient and highly selective approach to fixed income investment.</li></ul>

## Performance to 31 March 2024



Metrics	Current Quarter	Last Quarter	View/change
Yield	5.6%	5.6%	No change
Average credit rating	A	A	No change
Modified duration	9.4	9.5	In line with expectations

**Mandate:** Corporate Bonds

**Current Value:** £131.1m

**Current Weighting:** 2.7%

**Inception:** December 1996

**Benchmark:** Benchmark: - 50% iBoxx Non-Gilts Over 15Y - 50% iBoxx Non-Gilts

**Objective:** Outperform benchmark by 0.8% p.a. (gross)

**Pooled:** Via Access Pool

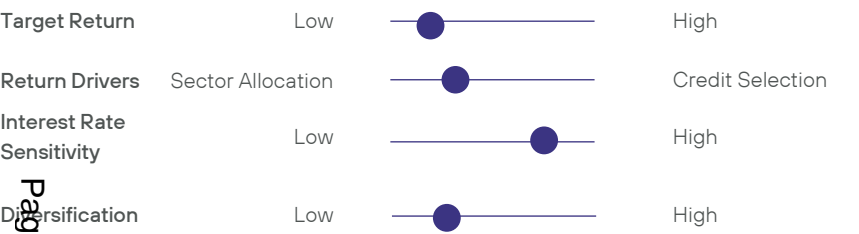
**Isio View**

We believe the investment outlook for IG Corporate Bonds has deteriorated and the Fund should consider continuing the transition of this allocation to Multi-Asset Credit.

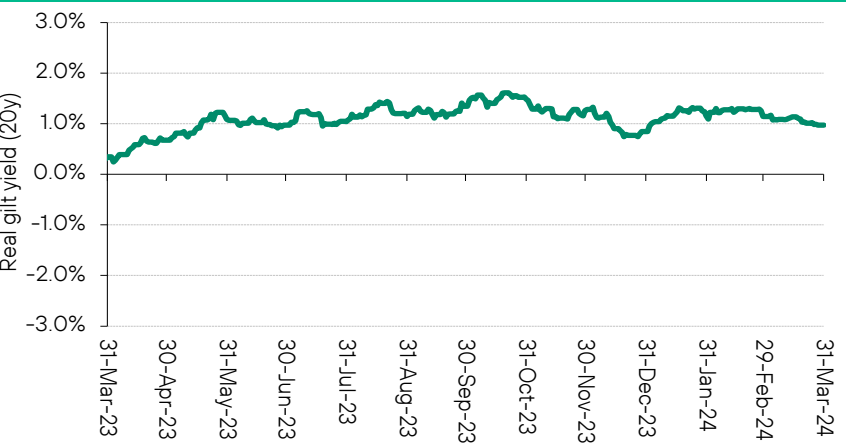
# UBS – Over 5 Year Index-linked Gilts

## Overview

The Fund has defensive characteristics, providing the Fund with protection against the impact of both interest rates and inflation expectations on the value placed on the liabilities.

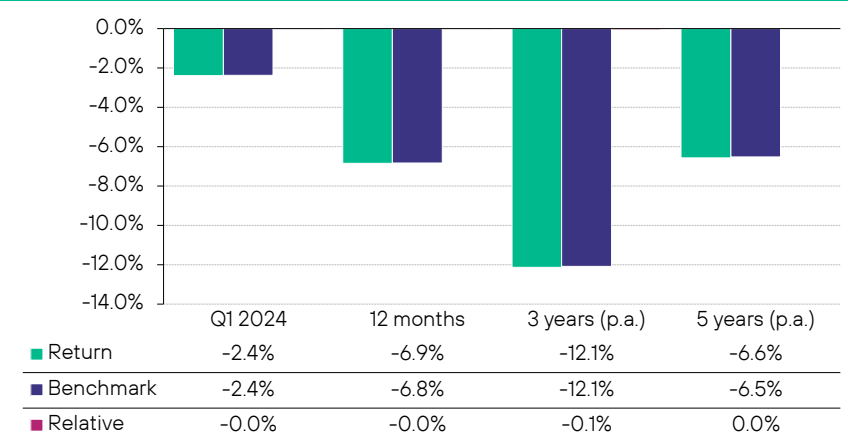


## Real Gilt Yields – Last 12 months



**Note:** Totals may not sum due to rounding. Performance quoted net of fees.  
**Source:** Investment manager, Northern Trust, Isio calculations.

## Performance to 31 March 2024



**Mandate:** Index Linked Gilts  
**Current Value:** £234.9m  
**Current Weighting:** 4.8%  
**Inception:** February 2018  
**Benchmark:** FTSE Index-Linked Gilts Over 5 Years  
**Objective:** Match benchmark  
**Pooled:** Via Access Pool

# Appendices

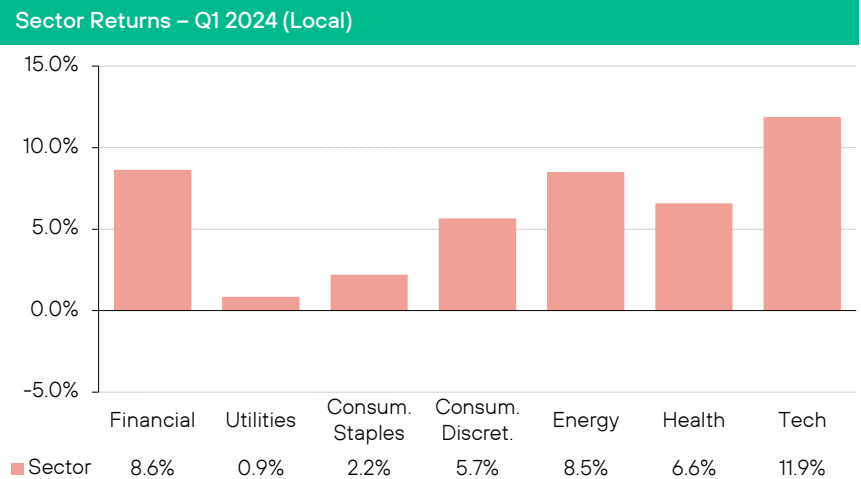
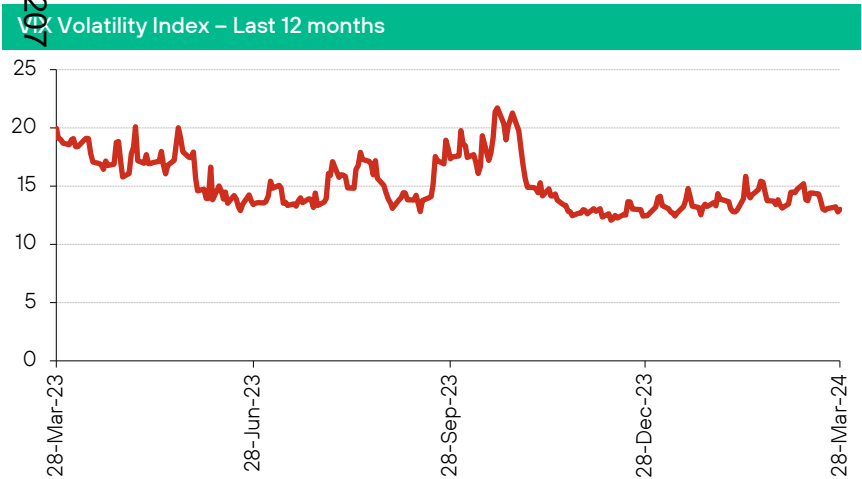
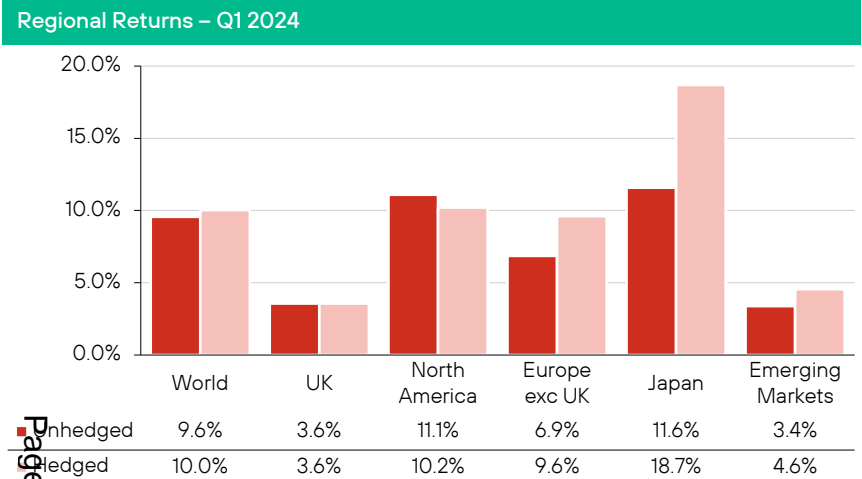
**A1:** Market Background: Global Equity, Absolute Return, Credit, Real Assets & Yields

**A2:** Explanation of Market Background

**A3:** How to Read the Fund Manager Pages

**A4:** Disclaimers

# Market Background – Global Equity



- Commentary
- Equity market performance was strong over Q1 due to optimism around a “no landing” scenario driven by the strength of the US economy. US corporate earnings were positive over the period, with the ‘Magnificent seven’ stocks continuing to drive performance of the S&P 500.
  - The UK equity market lagged its global counterparts over Q1 due to its value-oriented bias, lack of exposure to technology names and underperformance of the UK economy, which entered a technical recession in late 2023.
  - In terms of sector trends, energy companies benefitted from rising commodity prices, driven by increased geopolitical tensions and supply/demand imbalances. The financial sector also performed well due to banks benefitting from higher interest rates. The technology sector continued to benefit from AI-related themes.
  - Emerging markets lagged their developed counterparts as the region continues to be impacted by the economic deceleration in China. The strengthening of the USD also weighed on EM performance.

Summary

Equity markets experience a strong Q1 across most regions, due to increasing optimism around a ‘no landing’ scenario driven by the strength of the US economy. US market performance continues to be dominated by the ‘Magnificent 7’ stocks.

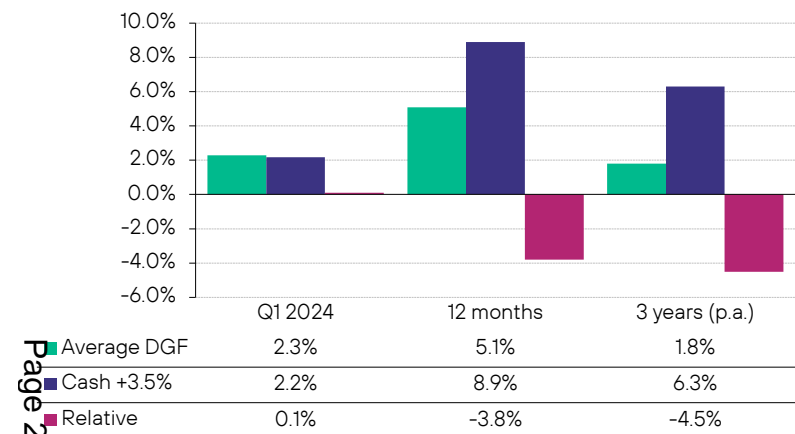
Outside of the technology sector, both the energy and financial sector performed strongly. Energy was supported by increased political tensions and supply demand imbalances, whereas financials continued to benefit from the higher rate regime.

China continues to weigh on EM performance, with concerns regarding economic deceleration, alongside the current regulatory and political regime.

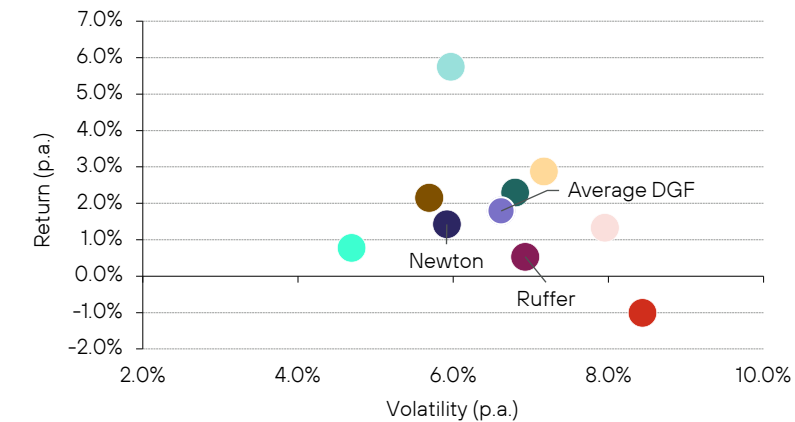
Notes: Please see the ‘Explanation of Market Background’ appendix for details of the underlying indices. Sector returns in USD.  
Sources: Refinitiv.  
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# Market Background – Absolute Return

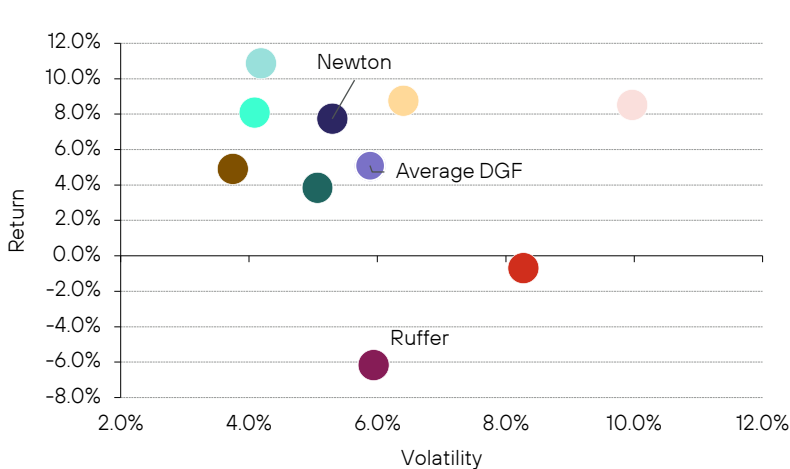
Sample Manager Average Returns– Q1 2024



Sample Manager Returns and Volatility – 3 years (p.a.)



Sample Manager Returns and Volatility – 12 months



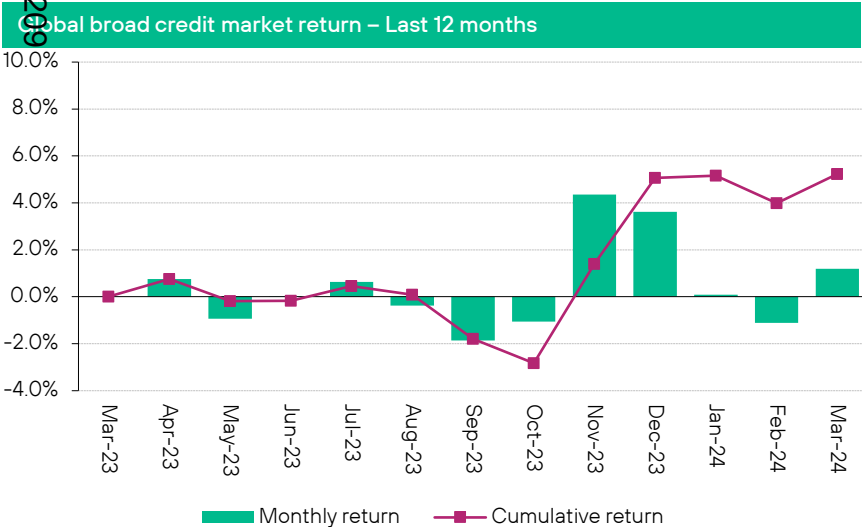
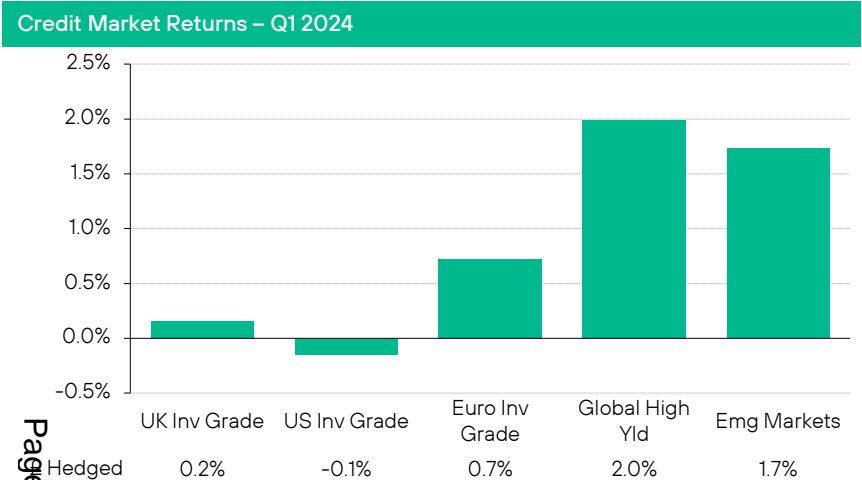
Commentary

- The average DGF performed in line with the cash plus target over Q1 2024 but is trailing the cash + 3.5% objective over longer periods.
- The positive performance was led by equity allocations, as higher risk assets continued to perform well amidst confidence of a robust economic backdrop. On the contrary, fixed income positions were mixed across with the rise in yields leading to a loss in value for any holdings with duration (interest rate sensitivity). Some managers did offset this though by benefitting from the continued tightening in credit spreads.
- In line with the above, we have observed that managers are actively trying to manage their duration exposure given how sensitive these positions are to expectations of changes to monetary policy and interest rate expectations.
- The majority of DGF managers also remain aware to geopolitical tensions and note that this is not something they expect to dissipate in the near term.

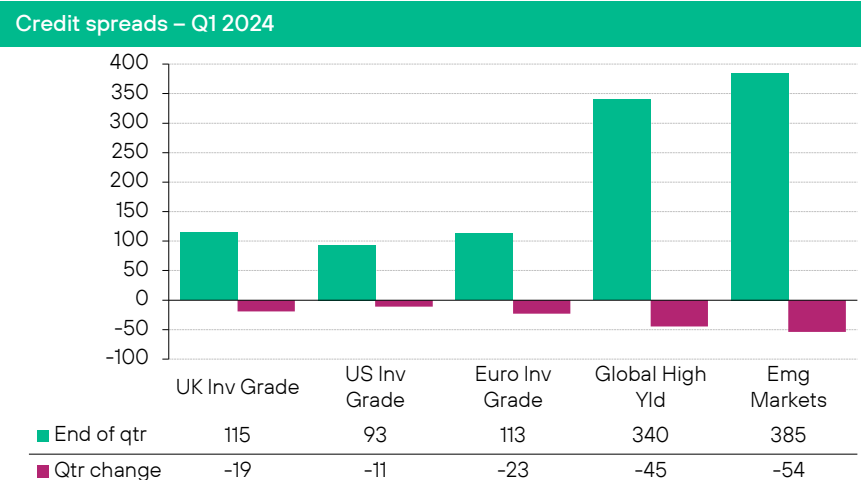
Within our sample of managers, we have incorporated the performance of nine DGFs with various manager styles, aiming to give a balanced view of the market.

Note: Please see the 'Explanation of Market Background' appendix for details of the underlying indices. All returns quoted are net of management fees.  
Source: Investment Managers, Isio calculations  
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# Market Background – Credit



Note: Please see the 'Explanation of Market Background' appendix for details on the underlying indices shown. Credit spreads are shown in basis points (100bps = 1%) and correspond to the incremental yield available on corporate bonds above government bonds of a similar maturity.  
Source: Thomson Reuters, PIMCO, Fidelity.  
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Commentary

Credit market performance was largely positive over Q1, with relative performance between sub-asset classes largely determined by their sensitivity to rising government bond yields and tightening credit spreads.

- Investment grade ('IG') bonds** was broadly flat – a consequence of higher government bond yields (IG assets are more sensitive to changes in interest rates) being offset by the tightening of credit spreads. European IG was a notable outlier owing to investors being attracted to cheaper valuations in this region.
- High yield ('HY') bonds** produced positive returns, outperforming IG and EM due to the lower interest rate sensitivity of HY assets. Spreads tightened further than IG as market expectations of a soft economic landing lent support to riskier assets.
- Emerging market ('EM') debt** performance was positive, albeit marginally below HY due to the former's greater sensitivity to interest rates and a stronger U.S. dollar impacting local currency FX rates. However, spreads tightened as market expectations of a soft economic landing reduced the perceived credit risk of EM debt.

Summary

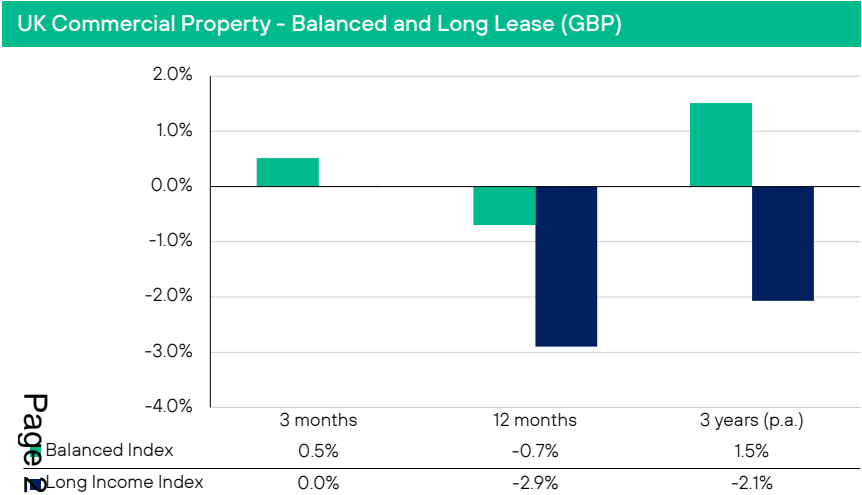
The market rally from the prior quarter that led to a fall in government bond yields was partially reversed following stronger than expected economic data and higher inflation readings.

This drove investors to scale back their expectations on the future path of interest rates, leading to a rise in government bond yields.

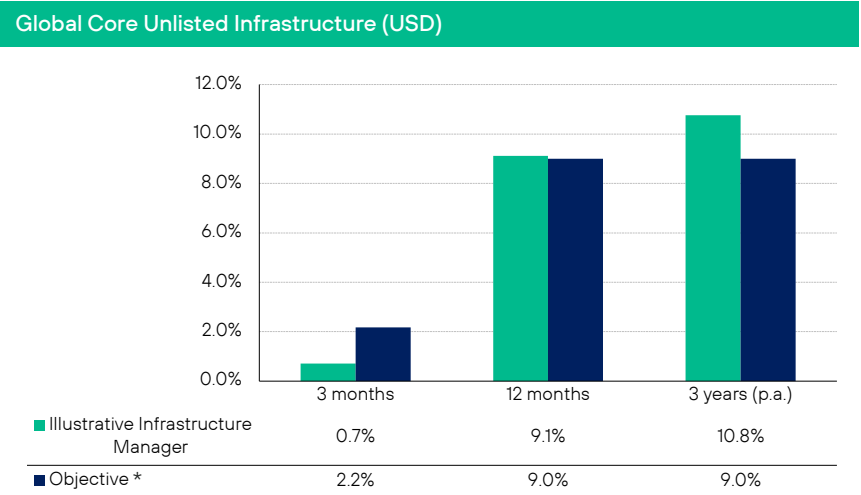
Consequently, IG performance was muted, with Europe being the exception where a combination of cheap valuations and slightly more positive economic forecasts supported outperformance versus the UK and US IG markets.

Stronger economic data led to a tightening of credit spreads across all fixed income asset classes, especially high yield and emerging market debt, as investors became more comfortable holding credit risk.

# Market Background – Real Assets



- Commentary
- Property market performance was marginally positive over the quarter (+0.5%). Market sentiment improved due to inflation falling and expected interest rate cuts in 2024 following guidance from the BoE. Valuations rose despite subdued capital markets activity and lower transaction volumes year-on-year.
  - Positive performance over the quarter was largely driven by Retail (+1.5%) and Industrial (+1.1%) sectors. The Office sector performed negatively (-1.4%) as sentiment remained weak and funds maintained underweight positions.
  - Rental growth remained positive (+0.8%) over the quarter. Industrials (+1.1%), Offices (0.8%) and Retail (+0.1%) sectors all saw positive rental growth the quarter.
  - The Residential sector returned +0.6% over the quarter and led on rental growth (+2.0%). The sector was also the most active in terms of deal activity, benefitting from the demand-supply imbalance and strong investor appetite.
  - Liquidity pressure continues to be an issue for property managers following the surge in redemption requests in 2022 and challenging market conditions since. This has exposed managers to discounted sales to generate liquidity and/or fund deferrals.



- Commentary
- Whilst infrastructure's quarterly performance was underwhelming, it was still in positive territory. Long term performance remains strong, largely due to stable cash flows and the ability to pass through inflationary uplifts to the consumer.
  - Global aviation has continued to demonstrate resilience, supported by a high demand for leisure and travel as the tourism industry in major markets recover, with kilometres travelled and airport traffic surpassing pre-pandemic levels.
  - Toll road assets also continue to deliver steady performance via increased use and higher congestion levels as well as concession agreements that allow for increasing toll charges.
  - Within utilities, energy continued to be a key theme, particularly the government's focus on affordability of energy and capital expenditures on the grid and renewables.
  - Renewables specifically continues to be favourable, driven by the COP28 target of tripling global renewable capacity by 2030 as well as government policy incentives.
  - The demand for digital infrastructure investment also remains favourable, strongly driven by the global adoption of AI and widened digital coverage.

**Summary**

**UK Commercial Property**

Performance was positive despite low transaction volumes. Rental growth was also supportive for the property market.

There continues to be attractive entry points in distressed real estate and there is cautious optimism that the market is showing signs of stabilising following improved inflation expectations and expectations of rates cuts in 2024 following the BoE's dovish rhetoric in their latest meeting. Whilst this is expected to lead to a recovery in property valuations during 2024, the pace of recovery could be impacted by sticky inflation, higher rates for longer and political uncertainty (UK and US elections this later this year).

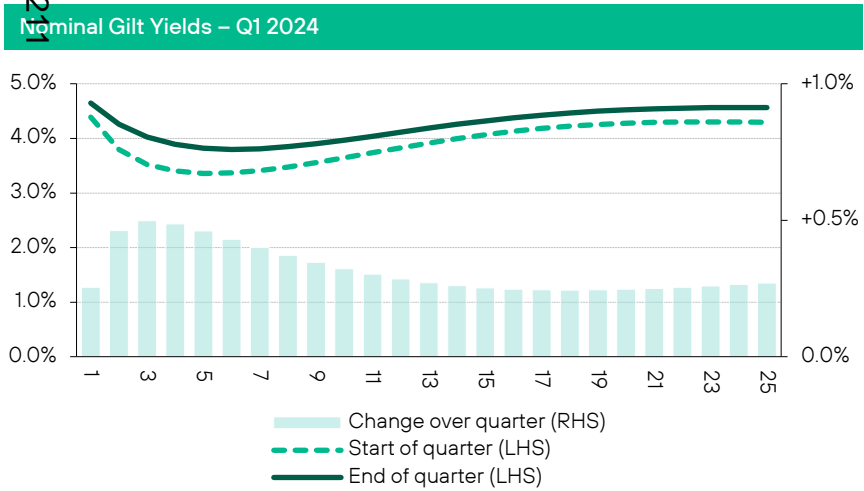
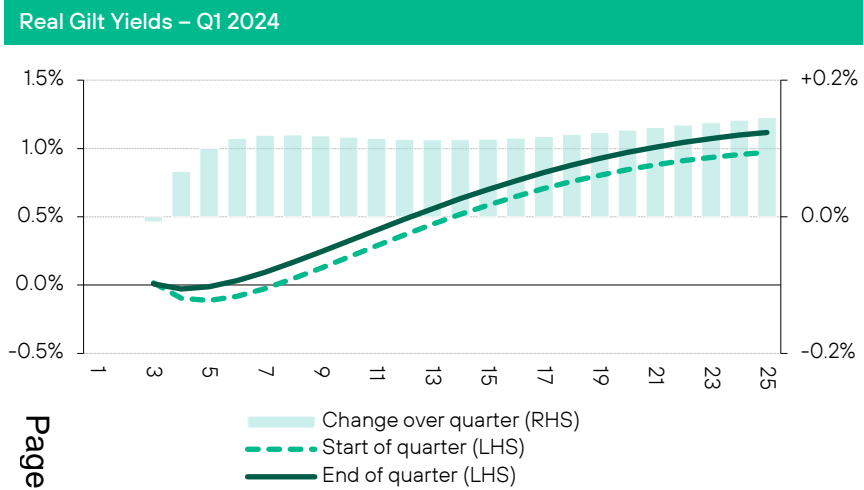
**Infrastructure**

Returns were driven by the transportation sectors, benefitting from increased travel.

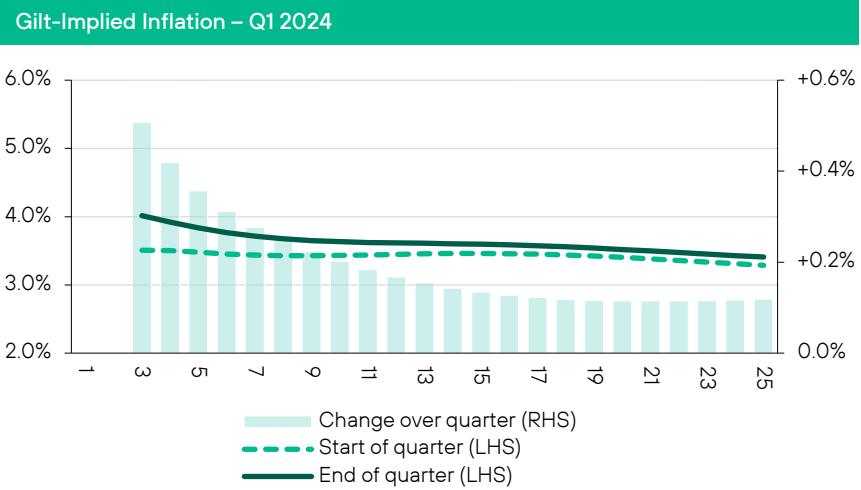
Infrastructure performance is expected to remain positive over the medium to long-term as demand for investments in renewables, particularly in transport, digital and energy transition sectors, continues to increase. This is demonstrated by fundraising within the sector gradually increasing.



# Market Background – Yields



Sources: Bank of England, Isio calculations.



- Commentary
- Long-dated (20-year) yields at the quarter-end were:
    - Real gilt yield: 1.0%
    - Nominal gilt yield: 4.5%
    - Gilt-implied inflation expectation: 3.5%

These curves show gilt yields and inflation expectations at varying time horizons. The horizontal axis represents the number of years.

# Explanation of Market Background

## Market Background – Overview

- Returns by Asset Class – The market indices underlying this chart are as follows:
  - UK Equity: FTSE All-Share
  - Global Equity: FTSE World (Unhedged and Hedged)
  - Emerging Market Equity: MSCI Emerging Markets
  - Absolute Return Funds: mean of a sample of managers
  - Property: IPD Monthly UK
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - UK Inv. Grade Credit: BoAML Sterling Non-Gilt
  - Over 15 Years Gilts: FTSE Over 15 Year Gilt
  - Over 5 Years Index-Linked Gilts: FTSE Over 5 Year Index-Linked Gilt
  - Example Liabilities: a simplified calculation illustrating how a typical pension scheme’s past-service liabilities may have moved

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## Market Background – Global Equity

- Regional Returns – The market indices underlying this chart are as follows:
  - World: FTSE World
  - UK: FTSE All Share
  - North America: FTSE North America
  - Europe ex UK: FTSE Europe ex UK
  - Japan: FTSE Japan
  - Emg Mkts: MSCI Emerging Markets
- Sector Returns – The market indices underlying this chart are the relevant sectors from the MSCI All-Countries index.
- VIX Volatility Index – This is a forward-looking indicator. It represents the expected range of movement (in percentage terms) in the S&P 500 index (i.e. US equities in dollar terms) over the next year, at a 68% confidence level. It is calculated using options prices over a 30-day horizon.

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where “hedged” returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

# Explanation of Market Background (cont.)

## Market Background – Absolute Return

- **Absolute Return Funds** – Due to the lack of a market index for Absolute Return, we illustrate the performance of this by showing the returns of 10 of the largest funds by assets under management. Specifically:
  - Aberdeen Standard Global Absolute Return Strategies
  - Aviva Multi-Strategy Target Return
  - Baillie Gifford Diversified Growth
  - BlackRock Dynamic Diversified Growth
  - Invesco Perpetual Global Targeted Returns
  - L&G Diversified
  - Newton Real Return
  - Nordea Stable Return
  - Ruffer Absolute Return
  - Schroder Diversified Growth
- The 'Average Absolute Return Fund' performance is an equally-weighted average of the sample of 10 managers' performance figures.
- Returns are shown net of each manager's standard fee. While every effort has been taken to select vehicles with institutional/clean fee structures, the impact may not necessarily reflect any particular client's fee arrangements.
- Volatility is calculated by annualising the volatility of daily returns.
- As clients have specific selection criteria, the managers listed here may not meet any given client's criteria.
- Absolute Return encompass a range of investment approaches, return targets, and risk profiles. Consequently, different managers' returns are not necessarily a like-for-like comparison.

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## Market Background – Credit

- **Sector Returns and Credit Spreads** – The market indices underlying this chart are as follows:
  - UK Inv Grade: BoAML Sterling Non-Gilt
  - US Inv Grade: BoAML US Corporate (GBP Hedged)
  - Euro Inv Grade: BoAML Euro Corporate (GBP Hedged)
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - Emerging Markets: JP Morgan EMBI Global (GBP Hedged)
  - Leveraged Loans: S&P/LSTA US Leveraged Loan Equity (GBP Hedged)
- **Global broad credit market return** – The market index underlying this chart is the BoAML Global Broad Market Corporate Index (GBP Hedged):
  - The Global Broad Market Index tracks the performance of investment grade public debt issued in the major domestic and eurobond markets, including 'global' bonds.
  - Qualifying bonds must have at least one year remaining term to maturity and a fixed coupon schedule. Bonds must be rated investment grade and be domiciled in a country having an investment grade foreign currency long-term debt rating (based on a composite of Moody's and S&P).

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

# Explanation of Market Background (cont.)

## Market Background – Real Assets

- Real Assets – The market indices underlying these charts are:
  - Core UK Property: IPD Monthly UK Index
  - Long Lease UK Property: IPD Long Income Property Fund Index

## Market Background – Yields

- Yields – Yields shown are annual yields (i.e. they have been converted from the “continuously compounded” basis quoted by the Bank of England).
- Example Liabilities – This illustrates how a typical scheme’s past-service liabilities may have moved.
  - It is based on a simplified calculation assuming a scheme with duration 20 years and liabilities split 70% inflation-linked and 30% fixed.
  - Liability movement is calculated using yield changes and unwinding (short-term interest rate with no premium) only, with no accrual, outgo, or inflation experience.
  - A rise in yields equates to a fall in the calculated value of the liabilities (due to the higher discount rate at which the future cashflows are valued); conversely, a fall in yields means a rise in liabilities.

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where “hedged” returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

# How to Read the Fund Manager Pages

## How to Read the “Overview” Section

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Expected Volatility	Low	High
<ul style="list-style-type: none"><li>— This is a standard quantitative measure of our expectation of absolute annual volatility of the fund.</li><li>— The measure ranges from 1% p.a. for the least volatile strategies (e.g. Cash) to 30% p.a. for the most volatile strategies (e.g. Emerging Markets Equity).</li></ul>		
Shape of Outcomes	0% Contractual	100% Contractual
<ul style="list-style-type: none"><li>— This is an Isio-specific measure of how “contractual” the expected return from the fund is.</li><li>— The measure ranges from 0% for strategies that have no fixed return component and are instead based on a share of any profits (e.g. Global Equity) to 100% for strategies where the return in normal conditions is fixed and predictable (e.g. Corporate Bonds).</li></ul>		
Diversification	Low	High
<ul style="list-style-type: none"><li>— This Isio-specific measure shows how diversified we consider the fund to be, in terms of broad market risk drivers.</li><li>— The measure ranges from “low” for mandates that invest in a single asset class that is concentrated in other respects, such as geography (e.g. European Direct Lending) to “high” for mandates that invest in a wide range of diversified asset classes (e.g. Diversified Growth Funds).</li></ul>		

## Manager Ratings

- We show two ratings for a manager:
- Research View:** This comprises our opinion of the manager as a whole, judged against the client’s specific selection criteria (which usually include ESG considerations). The possible ratings are:
- Meets Criteria
  - Partially Meets Criteria
  - Significantly Fails to Meet the Criteria
  - Not Evaluated
- ESG View:** This is a narrower opinion focusing specifically on the manager’s treatment of ESG (Environmental, Social, and Governance) issues. The possible ratings are:
- Green
  - Amber
  - Red
  - Not Evaluated

This page contains guidance on how to read the fund manager pages

# Disclaimers

## Performance, Opinions, and Estimated Liabilities

- This report sets out the past performance of various asset classes and fund managers. It should be noted that past performance is not a guide to the future.
- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio’s research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
- Our opinions of investment products are based on information provided by the investment management firms and other sources. This report does not imply any guarantee as to the accuracy of that information and Isio cannot be held responsible for any inaccuracies therein. The opinions contained in this report do not constitute any guarantees as to the future stability of investment managers which may have an effect on the performance of funds.
- Funds that make use of derivatives are exposed to additional forms of risk and can result in losses greater than the amount of invested capital.
- The estimated liabilities (where quoted) have been “rolled forward” from the last actuarial valuation and/or funding update, by taking current bond yields and inflation expectations into account. The methodology underlying the actuarial assumptions (e.g. discount-rate premium, mortality, real salary growth etc.) is assumed to remain constant for this estimate. Due to the approximate nature of the calculations, the Fund’s actual experience and changes in future valuation assumptions may mean that the liabilities and funding position calculated at the next actuarial valuation (or funding update) could be significantly different from the quoted estimate.

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## Addressee and Isio Relationships

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**Report to:** Pension Committee

**Date of meeting:** 19 June 2024

**By:** Chief Finance Officer

**Title:** Work Programme

**Purpose:** To note the Board and Committee work programme

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## RECOMMENDATIONS

The Pension Committee is recommended to

- 1) note the work programme
  - 2) advise of training completed, not recorded in the training log
- 

### 1 Background & Supporting information

1.1 The work programme contains the proposed agenda items for future Pension Board and Pension Committee meetings over the next year and beyond. It is included on the agenda for each quarterly meeting.

1.2 The work programme also provides an update on other work going on outside the Board and Committee's main meetings, including working groups, upcoming training and a list of any information requested by the Board or Committee that is circulated via email.

1.3 This item also provides an opportunity for Board and Committee members to reflect on any training they have attended since the last meeting.

### 2 Conclusion and reasons for recommendations

2.1 The work programme sets out the Board and Committee's work both during formal meetings and outside of them. The Pension Committee is recommended to consider the updated work programme including regularity of agenda items to ensure effective governance of the Fund at the scheduled meetings; advise of training completed, not recorded in the training log.

**IAN GUTSELL**  
**Chief Finance Officer**

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## Pension Board and Committee – Work Programme

Future Pension Board Agenda		
Item	Description	Author
<b>Standing items (items that appear on each agenda)</b>		
Pension Committee Update	A consideration of the draft agenda of the Pension Committee and summary minutes of the last Pension Committee meeting decisions.	Head of Pensions
Governance Report	A report on governance issues effecting the fund, developments in the LGPS and regulatory environment, policy amendments and ACCESS pool updates	Pensions Manager – Governance and Compliance
Employer Engagement and Communications Report	A report on Employer Engagement matters to note, Employer Contributions update and Communications from the Fund	Pensions Manager – Employer Engagement
Pensions Administration report	An update on the performance of the Pensions Administration Team covering KPI's and projects.	Head of Pensions Administration
Internal Audit reports	All internal audit reports on the Fund are reported to the Board	Head of Internal Audit

East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the Funds budget. This is reported in Q2-4 only.	Pensions Manager – Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds Risk Register	Head of Pensions
Work programme	A report on the Board and Committee’s work programme	Head of Pensions
East Sussex Pension Fund (ESPF) Breaches Log	A report on the Funds breaches log	Pensions Manager – Governance and Compliance
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund	Head of Pensions
<b>11 September 2024</b>		
Supplier Update	Update on supplier contracts and procurements	Head of Pensions
Conflict of Interest Policy	Three-year review of the Conflict of Interest Policy	Governance and Compliance Pensions Manager
<b>7 November 2024</b>		
Independent Auditors Report on the Pension Fund Accounts 2023/24	A report on the External Audit findings of the Pension Fund financial Statements for 2023/24	Head of Pensions

Pension Fund Annual Report and Accounts 2023/24	2023/24 Annual Report and Accounts for approval	Head of Pensions
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Pensions Manager – Employer Engagement
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Governance and Compliance Pensions Manager
<b>13 February 2025</b>		
External Audit Plan for the East Sussex Pension Fund 2024/25	Draft External Audit Plan for 2024/25 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
Business Plan and Budget 2024/25	Report to set the Budget for the Pension Fund for the Financial Year 2024/25 including the Business Plan with key deliverables for the year.	Pensions Manager – Investment and Accounting
<b>5 June 2025</b>		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Governance and Compliance Pensions Manager
Annual Report of the Pension Board	Annual report of the Pension Board to the Scheme manager outlining the work throughout the year	Head of Pensions with the Chair of the Board
Privacy Notice and Memorandum of Understanding	Annual review of Funds Privacy Notice (summary and full) and Memorandum of Understanding to check for any changes. This will be reported as a note in the governance report if no required changes.	Governance and Compliance Pensions Manager

Actions requested by the Pensions Board		
Subject Area	Detail	Status
Ill Health insurance review	The Board requested a review to be carried out on the Ill Health Insurance provision in place in terms of commercial arrangements.	TBC
Risk Register Full review	The Board have requested for a meeting to walk through all risks on the risk register as detail is usually only discussed on changes to the register, although the register is provided in full at each meeting for questions.	Meeting to be arranged
AVC – Default fund	Further investigation into the best default option for AVC investors through the Pru.	TBC

Future Pension Committee Agenda		
Item	Description	Author
<b>Standing items (items that appear on each agenda)</b>		
Governance Report	A report on governance issues effecting the fund, developments in the LGPS and regulatory environment, policy amendments and ACCESS pool updates	Pensions Manager – Governance and Compliance
Pensions Administration report	An update on the performance of the Pensions Administration Team covering KPI's and projects.	Head of Pensions Administration
Internal Audit reports	Internal audit reports on the Fund and annual audit plan.	Head of Internal Audit
East Sussex Pension Fund (ESPF) Quarterly budget report	An update on the Funds budget - <i>reported Q2-4 only</i>	Pensions Manager – Investment and Accounting
East Sussex Pension Fund (ESPF) Risk Register	A report on the Funds Risk Register	Head of Pensions
Work programme	A report on the Board and Committee's work programme	Head of Pensions
Investment Report	A Quarterly performance report of the investment managers	Head of Pensions and Investment Consultant

East Sussex Pension Fund (ESPF) Breaches Log	A report on the Funds breaches log – <i>reported only when a new breach is recognised, or status changed. Report goes quarterly to Board.</i>	Head of Pensions
Employer Admissions and Cessations	A report on the admission and cessation of employers to the Fund - <i>reported only when outstanding admissions or cessations.</i>	Head of Pensions
<b>17 July 2024 - Investment Strategy Workshop and training day</b>		
<b>25 September 2024</b>		
External Audit Plan for the East Sussex Pension Fund 2023/24	Draft External Audit Plan for 2023/24 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
Carbon Footprinting	A report on the carbon footprint of the portfolio of ESPF including whether investments are in line with transition pathways.	Head of Pensions
ESG Impact Assessment	Annual assessment by Investment consultants on the ESG standing of Investment managers with action plan	Head of Pensions
Investment Strategy Statement	Review of the Investment Strategy Statement to take into account any revisions to the investment strategy.  Review to include Statement of Investment Principles.	Head of Pensions
Stewardship Code submission for 2023	Update on status for submitting second annual submission to FRC for Stewardship activities for calendar year 2023	Head of Pensions
Conflict of Interest Policy	Three-year review of the Conflict of Interest Policy	Governance and Compliance Pensions Manager



Supplier Update	Update on supplier contracts and procurements	Head of Pensions
<b>21 November 2024</b>		
Independent Auditors Report on the Pension Fund Accounts 2023/24	A report on the External Audit findings of the Pension Fund financial Statements for 2023/24	Head of Pensions
Pension Fund Annual Report and Accounts 2023/24	2023/24 Annual Report and Accounts for approval	Head of Pensions
Employer Forum Agenda	Discussion on Pension Fund Employer Forum Agenda topics	Pensions Manager – Employer Engagement
Annual Training Plan	Report on Training completed in the year and training recommendations for the up-coming year	Governance and Compliance Pensions Manager
<b>27 February 2025</b>		
External Audit Plan for the East Sussex Pension Fund 2024/25	Draft External Audit Plan for 2024/25 Pension Fund Financial Statements	Pensions Manager – Investment and Accounting
Business Plan and Budget 2024/25	Report to set the Budget for the Pension Fund for the Financial Year 2024/25 including the Business Plan with key deliverables for the year.	Pensions Manager – Investment and Accounting
<b>24 June 2025</b>		
Governance and Compliance Statement	Annual Review of Governance and Compliance Statement	Governance and Compliance Pensions Manager

Annual Report of the Pension Board	Annual report of the Pension Board to the Scheme manager outlining the work throughout the year	Head of Pensions with the Chair of the Board
Privacy Notice and Memorandum of Understanding	Annual review of Funds Privacy Notice (summary and full) and Memorandum of Understanding to check for any changes. This will be reported as a note in the governance report if no required changes.	Governance and Compliance Pensions Manager

Actions requested by the Committee		
Subject Area	Detail	Status
Training	<p>Requests were made, following the July 2023 investment workshop day for various training items</p> <p>The items still to arrange are</p> <ul style="list-style-type: none"> <li>• How to invest in the energy transition. Eg electric storage/batteries, renewables, nuclear, hydrogen, EV's. What is cost and access to markets for these investments.</li> <li>• How does LGPS investment strategy evolve over time, what is rebalancing, when is it done, what are the timelines associated with setting investment strategies, what are the impacts of pooling on strategy implementation</li> <li>• Cost benefit implications of de-risking the portfolio</li> <li>• Core responsibilities of Councillors in their role on the pension committee to ensure proper exercise of its responsibilities and powers. Readdressing the need for Governance framework role of the Committee and considering strategic investment change recommendations from expert advisers, rather than directing underlying investment holdings.</li> </ul>	In progress
Proposals raised on divestment in September	Three sets of proposals on divestment within investment strategy tabled in September Committee meeting. Officers to collate data to understand exposure to areas of divestment proposed and provide a cover note to aid understanding of proposals	In progress

Current working groups		
Title of working group	Detail and meetings since last Pensions Board and Committee meetings	Membership

Investment Implementation Working Group (IIWG)	<p>The Investment Working Group and ESG working group have been amalgamated, as agreed at Pensions Committee 21 September 2020.</p> <p>The IIWG has an advisory role to over oversee the implementation of decisions by the Pension Committee in relation to investment decisions and carry out detailed research and analysis for Pensions Committee.</p>	<p>William Bourne, Russell Wood, Sian Kunert, James Sweeney, Representatives from Investment Consultant</p> <p>Cllr Fox or substitute committee member is invited to attend</p>
Administration Working Group	<p>The Administration Working Group was set up in 2021 following the conclusion of the ABS and Data Improvement Working Group. The group discuss ongoing administration projects and areas of administration focus including McCloud implementation.</p>	<p>Cllr Fox, Ray Martin, Neil Simpson, Zoe O'Sullivan, Paul Punter, Sian Kunert, Ian Gutsell</p>

### Training and Development – attendance at recent events

Date	Topic	Committee	Board
29 Jan	<p>Private equity – in-house</p> <ul style="list-style-type: none"> <li>• how portfolios are created</li> <li>• how companies are selected for inclusion</li> <li>• what is invested and the role of GP's</li> <li>• influence and control structures within Private Equity</li> <li>• influence the underlying companies to reduce risk</li> <li>• how are Private Equity (PE) managers developing to respond to EGS and Climate change</li> <li>• are there impact or exclusionary versions of PE investment opportunities?</li> </ul>	Cllrs Redstone, Taylor, Fox	Neil Simpson, Trevor Redmond, Andrew Wilson
30 Jan	<p>Cyber Risk – in-house</p> <p>Cyber Awareness, Digital Footprint and Cyber Attacks</p>	Cllrs Redstone, Hollidge	Ray Martin, Neil Simpson, Trevor Redmond

5 Feb	Global Government Bonds with a focus on Index Linked Gilts – In-house <ul style="list-style-type: none"> <li>• Gilts (including Index Linked)</li> <li>• Diversified Growth Funds (DGFs)</li> </ul>	Cllrs Taylor, Redstone	
20 Feb	Funding updates and the new cessation methodology – in-house  Funding Update and insights. New cessation methodology, how is the prudence level calculated, when is this reviewed, and what it means	Cllrs Redstone, Fox, Taylor, Hollidge	Ray Martin, Neil Simpson, Zoe O’Sullivan, Nigel Manvell, Trevor Redmond
6 Mar	<a href="#">How will The Pensions Regulator’s new General Code of Practice affect the LGPS?</a> A discussion about thoughts so far, next steps and links to other SAB workstreams such as Good Governance.	Cllr Swansborough	
21 Mar	<a href="#">Buy-in and de-risking for LGPS funds - Opportunities for managing risk in our “new normal” world.</a> The webinar aimed to: <ul style="list-style-type: none"> <li>• provide a general overview of current funding levels in the LGPS, noting there are differences depending on local circumstances, actuarial approach and investment strategy</li> <li>• provide you with our current ideas around using surplus to reduce funding and investment risk i.e. “de-risking”</li> <li>• discuss bulk annuities as an investment opportunity given current pricing (also referred to as a “buy-in”)</li> <li>• help you understand how taking some of these ideas may impact funding levels and future employer contributions</li> </ul>	Cllr Taylor	
19 Mar	The General Code, how does it apply to the LGPS? Covering the main requirements of the Code and highlighting which bits do and do not apply to the LGPS. You can listen to findings from your peers as well as hearing from our experts. The session aims to help you to understand what you should be doing and identify next steps.		Neil Simpson

## Training and Development – Upcoming Training Offered to Pension Board

### June

**Date: 5 June**  
Time: 09.30am

[Third-party risk management – a practical overview](#)

Location: Online Organiser: Barnett Waddingham Cost: Free	The webinar will give an overview of a third-party risk management framework and checklist and provide some practical suggestions on how to manage your third-party risks. Third-party risk management is something all organisations face and in a world that is ever more interconnected, impacts on one organisation will have a ripple effect on many others. The event will challenge you to: <ul style="list-style-type: none"> <li>• think about your third-party relationships and their criticality to the goods, services, and activities you provide.</li> <li>• start thinking about how you can work more collaboratively to ensure you're managing these relationships and risks properly.</li> <li>• consider practical solutions so you and your colleagues can save time, energy and resources in creating and managing these third-party relationships.</li> </ul>
<b>11 June</b> Time: 14:00 – 15:00 Location: Online Organiser: AON Cost: Free	<b>Pension Cyber Risk</b> Aon experts will: <ul style="list-style-type: none"> <li>• Discuss lessons learned from recent cyber incidents and how schemes can be as prepared as possible to navigate an incident</li> <li>• Explain the steps your scheme should be taking to comply with TPR's 2023 cyber principles and fulfil the new General Code requirements</li> <li>• Explore the recent developments in the cyber insurance market for pension schemes</li> </ul>
<b>11 - 13 June</b> Organiser: PLSA Location: De Vere Cotswold Waterpark, Gloucestershire Cost: £ 530	<b><u>Local Authority Conference - Meeting unique challenges</u></b> The sessions will explore funding strategies, election insights, the journey to net zero, how to recruit and retain talent, how best to use the Retirement Living Standards and what does LGPS in 2035 look like.

Training and Development – Upcoming Training Offered to Pension Committee	
<b>June</b>	
<b>5 June</b> Time: 09.30am Location: Online	<b><u>Third-party risk management – a practical overview</u></b> The webinar will give an overview of a third-party risk management framework and checklist and provide some practical suggestions on how to manage your third-party risks.

<p>Organiser: Barnett Waddingham</p> <p>Cost: Free</p>	<p>Third-party risk management is something all organisations face and in a world that is ever more interconnected, impacts on one organisation will have a ripple effect on many others.</p> <p>The event will challenge you to:</p> <ul style="list-style-type: none"> <li>• think about your third-party relationships and their criticality to the goods, services, and activities you provide.</li> <li>• start thinking about how you can work more collaboratively to ensure you're managing these relationships and risks properly.</li> <li>• consider practical solutions so you and your colleagues can save time, energy and resources in creating and managing these third-party relationships.</li> </ul>
<p><b>5 June</b></p> <p>Organiser:</p> <p>Location: London</p> <p>Time: 08:30 – 18:00</p> <p>Cost: Free</p>	<p><b><a href="#">Future of Investment Festival</a></b></p> <p>The Festival will help fund selectors navigate a rapidly-changing investment landscape and stay ahead of the major structural trends set to shape the industry of tomorrow.</p> <p>As sustainable investment moves into the mainstream, the event will build on the success of the Sustainable Investment Festival to explore how this part of the market is evolving, identify investment opportunities, and help delegates respond to new regulations.</p> <p>The Future of Investment Festival will focus on how investors can sustainably take advantage of global megatrends such as the energy transition, societal change and digitalisation, including the rapid development of AI.</p> <p>It will also explore how investment strategies are evolving to meet changing investor demand and how major themes may play out in client portfolios over the decades ahead</p>
<p><b>11 June</b></p> <p>Time: 14:30 – 15:30</p> <p>Location: Online</p> <p>Organiser: Pensions for Purpose and Vontobel</p> <p>Cost: Free</p>	<p><b><a href="#">Positive impact through global equities: investing in health innovation to drive social impact</a></b></p> <p>Today, half of the world's population cannot obtain essential health services. With population and average global life expectancy rising, health expenditures will likely need to outpace global (GDP) growth. Providing access to quality health services at affordable prices is therefore one of the most pressing social challenges.</p> <p>This session will demonstrate how innovative companies can effectively help to address such challenges and deliver a double-dividend for investors – attractive financial returns and a positive social impact.</p>
<p><b>11 June</b></p> <p>Time: 14:00 – 15:00</p> <p>Location: Online</p> <p>Organiser: AON</p> <p>Cost: Free</p>	<p><b><a href="#">Pension Cyber Risk</a></b></p> <p>Aon experts will:</p> <ul style="list-style-type: none"> <li>• Discuss lessons learned from recent cyber incidents and how schemes can be as prepared as possible to navigate an incident</li> <li>• Explain the steps your scheme should be taking to comply with TPR's 2023 cyber principles and fulfil the new General Code requirements</li> </ul>

	<ul style="list-style-type: none"> <li>Explore the recent developments in the cyber insurance market for pension schemes</li> </ul>
<b>11 - 13 June</b> Organiser: PLSA Location: De Vere Cotswold Waterpark, Gloucestershire Cost: £ 530	<a href="#">Local Authority Conference - Meeting unique challenges</a> The sessions will explore funding strategies, election insights, the journey to net zero, how to recruit and retain talent, how best to use the Retirement Living Standards and what does LGPS in 2035 look like. <a href="#">Full programme here.</a>
<b>12 June</b> Organiser: Barnett Waddingham Location: Online Time: 11:00 - 11:30 Cost: Free	<a href="#">Climate models and investing: what's the issue?</a> With talk of climate change all around us – stoked recently by the news that March was the tenth month in a row with global record-breaking temperatures - the webinar will look to outline the role climate has to play in the world of investments. In the 30-minute webinar will be examined: <ul style="list-style-type: none"> <li>the issues surrounding current climate modelling;</li> <li>the concerns of asset owners and asset managers, including pension schemes; and</li> <li>how such models can be made more decision-useful for investors, allowing for strategic investment decisions to be made.</li> </ul>
<b>26 June</b> Organiser: Waystone Location: London Time: 09:30 – 17:15 Cost: Free	<a href="#">Waystone Investor Day</a> During this in person event, you will have the opportunity to: <ul style="list-style-type: none"> <li>Hear news from the Operator.</li> <li>Meet and network with ACCESS colleagues from across the Pool.</li> <li>Listen to and participate in short breakout sessions with Investment Managers across the ACCESS platform.</li> <li>Meet the Investment Managers working for the Pool. All current Investment Managers will be attending, including managers who are in the process of launching funds on the ACCESS platform.</li> <li>Attend networking sessions.</li> </ul>
<b>Looking ahead</b>	
<b>11 July</b> Organisation: SPS Location: London Time: 09:00 – 16:30 Cost: Free	<a href="#">Fiduciary, OCIO and Investment Governance for Pension Funds</a> This conference aims to examine the role of fiduciary management and OCIO's in pension fund investment management and to review a range of strategies designed to improve governance. Some of the topics include: <ul style="list-style-type: none"> <li>LDI 2.0 – the importance of a more precise and dynamic approach &amp; the benefits to investment Governance for FM/OCIO &amp; Trustees</li> <li>Fiduciary Management/OCIO – what's in a name?</li> <li>Is governance becoming excessively onerous for smaller schemes?</li> </ul>



**1-3 July**

Organisation: DG Publishing

Location: The Grove,  
Hertfordshire

Cost: Free

**LAPF Strategic Investment Forum**

The LAPF Strategic Investment Forum is the leading investment conference and dinner for senior LGPS fund investment officers and their advisers. Topics to be covered include Fixed Income, Pooling, Private debt and Direct Landing, Private Equity Opportunities, Managing Inflation, Building Tech Infrastructure, Cyber Security and more... [Full agenda here](#).

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