

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at County Hall, Lewes on 27 November 2017.

PRESENT Councillors Richard Stogdon (Chair) Councillors Simon Elford, Gerard Fox and David Tutt

LEAD MEMBERS Councillors David Elkin

ALSO PRESENT Ian Gutsell, Chief Finance Officer
Ola Owolabi, Head of Pensions
Brian Smith, Regional Operations Manager
Jason Bailey, Lead Pensions Manager
Wendy Neller, Pensions Strategy and Governance Manager
Steve Tidy, Strategic Procurement Manager
Russell Wood, Principal Pensions Officer
William Marshall, Hymans Robertson
Paul Potter, Hymans Robertson
William Bourne, Independent Adviser
Harvey Winder, Democratic Services Officer

30 MINUTES

30.1 The Committee RESOLVED to agree the minutes subject to the addition of the following to paragraph 21.2:

“4) request that Hymans Robertson provide a report on whether there is a viable low carbon equity fund that could achieve the same or better rate of return compared to other passively managed equity funds.”

31 APOLOGIES FOR ABSENCE

31.1 There were no apologies for absence.

32 DISCLOSURE OF INTERESTS

32.1 There were no disclosures of interest.

33 URGENT ITEMS

33.1 There were no urgent items.

34 PENSION BOARD MINUTES

34.1 The Committee RESOLVED to note the Pension Board's minutes.

35 QUARTERLY PERFORMANCE REPORT - HYMANS ROBERTSON

35.1 The Committee considered a report by Hymans Robertson comprising:

- a) the quarter 2 performance report of East Sussex Pension Fund's (ESPF)
- b) a review of private market investments;
- c) Proposed equity allocations.

35.2 The Committee RESOLVED to:

- 1) note the reports;
- 2) agree to maintain the current private equity allocation of 5.5% by continuing to commit to the Fund's current managers, HarbourVest and Adams Street, in 2018;
- 3) agree to increase the target infrastructure allocation from 2% to 4% in the short term with a view to increasing this further post pooling; and
- 4) agree to increase target private debt allocation from 1% to 3% - by committing in the short term to M&G's Debt Solutions Fund (DSF) and also additional commitments as required
- 5) agree to increase the allocation to Longview from the current level of 5% to 7% of the Fund.

36 PASSIVE INVESTMENT MANAGEMENT - UBS

36.1 The Committee received a presentation from the passive investment manager, UBS

37 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) - UPDATE

37.1 The Committee considered a report providing an update on ESG issues.

37.2 The Committee RESOLVED to:

- 1) approve a revised East Sussex Pension Fund Investment Beliefs subject to the amendment of the first investment belief to read:

"Climate change presents a financial risk to the future investment returns from the Fund. However, the impacts of climate change on the returns from the fund in the future are unknown and the Fund will continue to monitor the risk associated with investment in fossil fuels."

- 2) approve the cost (i.e., £10,000) of conducting/measuring the Fund carbon footprint.

38 LOCAL GOVERNMENT PENSION SCHEME (LGPS) POOLING - ACCESS UPDATES

38.1 The Committee considered an update on LGPS Pooling.

38.2 The Committee RESOLVED to note the report.

39 MARKET ANALYSIS OF PENSIONS ADMINISTRATION SYSTEM

39.1 The Committee considered a report providing market analysis of Pensions Administration Systems.

39.2 The Committee RESOLVED to:

- 1) note the report;
- 2) request that a restricted tender process for the pension administration system commences in January 2019 in order that a new contract is in place by the end of the current contract in April 2021.

40 ANNUAL BENEFIT STATEMENT UPDATE

40.1 The Committee considered a report providing an update on the Annual Benefit Statement exercise carried out by Business Operations on behalf of the East Sussex Pension Fund.

40.2 The Committee RESOLVED to:

- 1) note the report; and
- 2) request to consider the report due for consideration by the Pension Board on the lessons learned from the 16/17 Annual Benefit Statement exercise; and
- 3) to request that the report identifies process changes for the 2018 Annual Benefit Statement exercise in order to be assured that sufficient changes have been made.

41 GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION UPDATE

41.1 The Committee considered a report providing an update on the progress of the GMP exercise.

41.2 The Committee RESOLVED to:

- 1) note the report;
- 2) agree that a mini-tender exercise is conducted to identify an operator to conduct the next stage of the GMP reconciliation exercise; and
- 3) agree to approve delegated responsibility to the Chief Finance Officer in consultation with the Chair for the purposes of completing the mini-tender

42 OFFICERS' REPORT - BUSINESS OPERATIONS

42.1 The Committee considered a report providing an update on pension administration services provided by Orbis Business Operations.

42.2 The Committee RESOLVED to:

- 1) note the report; and
- 2) note the intention to engage with other local authority pension teams on the implications of the Brewster judgement.

43 ACCESS OPERATOR PROCUREMENT

43.1 The Committee considered a report providing an update on the procurement of an operator for the ACCESS pool.

43.2 The Committee RESOLVED to:

- 1) note the report;
- 2) agree to approve delegated responsibility to the Chief Finance Officer in consultation with the Chair for the contract approval with the successful ACCESS Operator;
- 3) agree that once the contract for the Operator has been prepared, the East Sussex County Council seal can be affixed to the legal documents

44 OFFICERS' REPORT - GENERAL UPDATE

44.1 The Committee considered a general update report.

44.2 The Committee RESOLVED to note the report.

45 WORK PROGRAMME

45.1 The Committee considered its work programme.

45.2 The Committee RESOLVED to:

- 1) note the report; and
- 2) request an East Sussex Pension Fund budget monitoring report for the February 2018 meeting.

46 EXCLUSION OF THE PUBLIC AND PRESS

46.1 the Committee RESOLVED to exclude the public and press from the meeting for the remaining agenda items 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).

47 EAST SUSSEX PENSION FUND: INDEPENDENT ADVISOR

47.1 The Committee considered a report on the contract of the Independent Advisor to the East Sussex Pension Fund.

47.2 The Committee RESOLVED to agree an extension to the current contract of the Independent Advisor to 31 December 2018.

48 ASSET POOLING – PASSIVE INVESTMENT PROCUREMENT

48.1 The Committee considered a report on the procurement of passive investments within the ACCESS pool.

48.2 The Committee RESOLVED to:

- 1) note that ACCESS has completed the procurement of UBS Passive Investment Management as the pool-wide passive investment manager;
- 2) approve the transfer of Passive Investments with both State Street and Legal & General to the UBS Passive Investment Management; and
- 3) Agree the re-allocation of passive mandate including the UBS Life Climate Aware World Equity Fund in two tranches of 5%.

The meeting ended at 2.10 pm.

Councillor Richard Stogdon
Chair