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26 April 2022

Dear Member,

Pensions Committee - Friday, 29 April 2022

Please find enclosed the following document for consideration at the meeting of the Pensions Committee on Friday, 29 April 2022 which was unavailable when the agenda was published.

Agenda No	Item
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| 2. | Part I Minutes of the last meeting (Pages 3 - 8) |
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Yours sincerely

Tony Kershaw
Director of Law and Assurance

To all members of the Pensions Committee

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Pensions Committee

4 February 2022 – At a meeting of the Pensions Committee held at 10.00 am at County Hall, Chichester, PO19 1RQ.

Present: Cllr Hunt (Chairman)

Cllr Condie, Cllr J Dennis (left at 1.55pm), Cllr Elkins, Cllr N Jupp, Cllr Turley, Cllr Urquhart, Mr Kipling and Ms Taylor (left at 1.00pm)

Part I

31. Declarations of Interests

31.1 The Chairman opened the meeting and announced that Ms Taylor would be standing down as the Member representative on the Committee at the end of March. The Chairman thanked Ms Taylor for her time on the Committee.

31.2 None declared.

32. Part I Minutes of the last meeting

32.1 Resolved – That the Part I minutes of the Pensions Committee held on 25 October 2021 be approved as a correct record, and that they be signed by the Chairman.

33. Pension Advisory Board Minutes - Part I

33.1 The Committee considered the confirmed Part I minutes from the 26 July 2021 Pension Advisory Board meeting; and the Agenda from the 15 November 2021 meeting (copies appended to the signed minutes).

- a. Queried if the November minutes were available for consideration.
– Adam Chisnall, Democratic Services Officer, explained that the minutes were only shared once they had been confirmed. The same principle was applied to the Pension Advisory Board considering the Pensions Committee minutes.
- b. The Chairman noted the items on the November agenda and commented that the Regulation and Guidance update would be useful for the Pensions Committee Members. – Adam Chisnall confirmed that the report was available on the Pension Advisory Board webpage.
- c. Sought clarity on the minor amendments that were mentioned in minute 10.2. – Rachel Wood, Pension Fund Strategist, confirmed that the amendments referred to illiquid assets which had been updated in the final version of the Financial Statements. The amendments were minor in nature and were all anticipated variants due to the timing of the valuations being received.

33.2 Resolved – That the minutes and agenda be noted.

34. Business Plan

34.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

34.2 Rachel Wood introduced the report and highlighted the training opportunities that were available. Later in the meeting the Committee were due to receive a presentation from the fund actuary on the upcoming valuation. Training would also be developed after this.

34.3 The Committee made comments including those that follow.

- a. Sought clarity on the progress of the McCloud progress. – Rachel Wood explained that there was continuing engagement with employers to highlight the importance of data. Officers were still waiting on government guidance for some elements of the project.
- b. Queried if there was a particular employer type that was not engaging on the McCloud project. – Rachel Wood explained there were only two employers who were not engaging, and they had been contacted to escalate the importance.
- c. Commented that the titles of some of the training were the same and enquired if they had different content. – Rachel Wood resolved to circulate clarity on the items.
- d. Queried if the introduction of the Pensions Dashboard would cause additional resource requirements. – Rachel Wood confirmed that officers were looking into the dashboard to understand the potential impact.
- e. Asked how cybersecurity was approached and how systems were checked for resilience. – The Chairman confirmed that the Chief Information Officer & Head of IT had recently attended the Regulation, Audit and Accounts Committee (RAAC) to explain the approach taken to safeguard against cyberattacks. RAAC members had been reassured by the actions taken. The risk remained red to reflect the nature of the cybercrime environment. Andrew Lowe, Head of Pensions, Investments and Borrowing, Hampshire County Council, agreed that this was an important topic. Mitigations from attacks were considered by the administration team and penetration tests had been undertaken.
- f. Commented that cyberattack risks for third parties concerned more than just member data and felt more emphasis could be required for all risk impacts. – The Chairman resolved to develop the wording for the next meeting.
- g. Sought clarity on the timescales for the accounting system implementation. – The Chairman resolved to ensure details were circulated to the Committee.

34.4 The Chairman highlighted the 7 April training in London that would be of benefit to Committee members.

34.5 Resolved – that the updates on Business Plan activities and risk matrix be noted.

35. Pension Administration Performance

35.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

35.2 Rachel Wood introduced the report and confirmed that all casework had been completed on time. Pensioners had been asked to register for the Member Portal to receive their payslips going forward.

35.3 Andrew Lowe confirmed that 39 employers had been written to where there were concerns with data quality. 36 of these had responded and were engaging with the administration team.

35.4 The Committee made comments including those that follow.

- a. Queried the stopping of hard copy documents for pensioner members and how this could impact those without portal access. – Rachel Wood explained that whilst the policy was now electronic by default, members could still opt for hard copies.
- b. Sought clarity on the contact approaches for pensioners on the opt in options for receipt of hard copy payslips. – Andrew Lowe confirmed that an online only approach had been deemed inappropriate for this.
- c. Queried the reasoning behind the electronic by default decision and if gaps would be monitored. – Andrew Lowe confirmed that the administration team would be monitoring the coverage and confirmed that no one was being forced to go digital. Rachel Wood explained that decision was not cost based, but about improving communications and encouraging portal usage which would help with maintaining accurate data.
- d. Asked if the cost benchmarking was for administration and also fund management costs. – Rachel Wood confirmed that the report only concerned administration costs.
- e. Queried why administration costs had dropped from 2019/20 to 2020/21. – Rachel Wood explained that 2019/20 had included onboarding costs for the administration transfer and also costs for data improvements. As data improved it was forecasted that costs would reduce.
- f. Sought clarity over the materiality of complaints received. – Andrew Lowe confirmed that the materiality of complaints was low.
- g. Queried the criteria for what constituted a complaint. – Andrew Lowe confirmed that the team were diligent on this and that the tone of all messages were considered and logged as complaints accordingly.
- h. Asked if the progress table showed there was a trend of cases slipping. – Rachel Wood explained that the table showed where cases were in progress. Cases were only timed where they were with the team to process, the clock was paused where the team were waiting on information from members or employers.

35.5 Resolved – That the update be noted.

36. Treasury Management Report

36.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

36.2 Rachel Wood introduced the report and explained that this was an annual report to provide confirmation of compliance.

36.3 The Chairman confirmed that the Treasury Management Strategy would also be considered with the budget at the February County Council meeting.

36.4 Resolved – that the Committee approves the 2022/23 Treasury Management Strategy and notes the treasury activity undertaken during 2021/22.

37. Actuarial Valuation 2022

37.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

37.2 Rachel Wood introduced the report which outlined the Government's Section 13 report from the 2019 valuation of the fund.

37.3 Steven Law, Fund Actuary, gave a presentation on the Section 13 report of the 2019 Valuation, and the plans for the 2022 valuation (copy appended to the signed minutes).

37.4 The Committee made comments including those that follow.

- a. Queried if Hymans Robertson had been too cautious with their assumptions. – Steven Law explained that all assumptions had been considered, with the aim to keep things stable. This would ensure funding level and contribution rates were as stable as possible. The plan built in prudence and resilience to achieve the 18% contribution rate for the long term.
- b. Noted the graph outlining long term cost efficiencies at 2019 and queried if it was possible to compare with previous years. – Steven Law reported that it would be possible to look back to 2010.
- c. Queried the 148% solvency level for West Sussex and how this related to the percentage de risking factor. – Steven Law explained that the Scheme Advisory Board basis was for National comparison only. De risking would be considered with each valuation.
- d. Noted that West Sussex had the highest funding level and queried which fund had the next highest level. – Steve Law confirmed that the current funding level was 148% on the Scheme Advisory Board basis and that the next highest level belonged to Kensington and Chelsea.
- e. Noted that Government Actuary's Department's (GAD) rating for the fund's maturity level and queried if this could be challenged. Steven Law's opinion was that the fund's maturity level was high. GAD did not give details on how their measurement was derived and it is unlikely the Fund would be able to influence the criteria.
- f. Raised concerns with the consumer prices risk. – Steven Law confirmed that this was monitored and is a key risk and assumption for the 2022 valuation.

37.5 Resolved – That the update be noted.

38. Date of the next meeting

38.1 The Committee noted that its next scheduled meeting would take place on 29 April 2022 at County Hall, Chichester.

39. Exclusion of Press and Public

Resolved - That under Section 100(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I, of Schedule 12A, of the Act by virtue of the paragraph specified under the item and that, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

40. Part II Minutes of the last meeting

The Committee agreed the Part II minutes of the Pensions Committee held on 25 October 2021.

41. Pension Advisory Board Minutes - Part II

The Committee noted the contents of the Part II minutes from the 26 July 2021 Pension Advisory Board meeting.

42. Update from ACCESS Joint Committee activity (6 December 2021)

The Committee considered a report by the Director of Finance and Support Services.

The Committee considered the report and agreed the report recommendations.

43. Investment Strategy Implementation

The Committee considered a report by the Director of Finance and Support Services.

The Committee considered the report and agreed the report recommendations.

44. Review of Pension Investment Performance

The Committee considered a paper by the Director of Finance and Support Services and the Independent Adviser relating to the quarterly performance reports from the fund managers.

The Committee welcomed the advice.

45. Presentation by ABRDN

The Committee received an update from Matthew Cunliffe, Mark McKelvey, Laura Hughes and Georgie Nelson from ABRDN on the portfolio performance for the quarter.

46. Presentation by JP Morgan

Agenda Item 2

The Committee received an update from Richard Bannister and Gilly Zimmer from JP Morgan on the portfolio performance for the quarter.

The meeting ended at 2.40 pm

Chairman