

Pensions Committee

22 July 2020 – At a virtual meeting of the Pensions Committee held at 10.00 am.

Present: Cllr Hunt (Chairman)

Cllr Bradford, Cllr J Dennis, Cllr Elkins (left at 2.32pm), Cllr N Jupp, Cllr Urquhart (left at 2.30pm), Cllr Walsh (left at 1.53pm.) and Ms Taylor (left at 1.53pm.)

Apologies were received from Mr Donnelly

Part I

13. Declarations of Interests

13.1 Cllr Hunt welcomed everyone to the meeting and confirmed that following agreement at the Governance Committee on 20 May 2020 the name of the Panel has been changed from the Pensions Panel to the Pensions Committee.

13.2 Cllr Walsh confirmed that he is no longer a member of the Littlehampton Harbour Board; but was still a member of Arun District Council and Littlehampton Town Council.

13.3 Cllr Jupp declared an interest as a member of Horsham District Council.

13.4 Cllr Elkins declared an interest as a member of the Littlehampton Harbour Board and Arun District Council.

13.5 Cllr Hunt declared an interest as the Chairman of the Chichester Harbour Conservancy.

14. Part I Minutes of the last meeting

14.1 Resolved – That the Part I minutes of the Pensions Panel held on 4 May 2020 be approved as a correct record, and that they be signed by the Chairman.

15. Pension Fund Business Plan 2020/21

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

15.2 Katharine Eberhart, Director of Finance and support services, introduced the Business Plan which gave a summary of the previous year and outlined plans for the upcoming year. One of the Plan's deliverables was to respond to Scheme changes which was pertinent in light of the McCloud Judgement and also the recent response from Government on the £95k Cap.

15.3 Steven Law, Hymans Robertson, explained that the McCloud impact for the Fund concerned members in the scheme prior to 31 March 2012 and were still in the scheme 31 March 2014 would now see the better of benefits of the previous Final Salary 1/60ths scheme and the new CARE scheme up to 2022. After this time the reformed Career Average Revalued Earnings (CARE) benefits would continue. This could be large data collection exercise for the administration team. Cost sharing has been un-paused and will including an offset due to the impact of McCloud.

15.4 £95k Cap legislation had been released which concerned exit packages for members. Hymans Robertson were awaiting secondary legislation to see the impact of this for the Local Government Pension Scheme (LGPS). The Chairman requested that a briefing paper on this be circulated to the Committee members. **ACTION** – Steven Law agreed to provide a briefing paper and confirmed that the upcoming Goodwin case may also have an impact on the fund, but at present the impact was unclear.

15.5 Katharine Eberhart outlined other key actions for the year; including the Investment Strategy review and developing responsible investment principles. It was also reported that the County Council was changing its core business system over the year which would increase workload for the pensions team.

15.6 The Committee made comments including those that follow.

- Noted the red risk regarding data quality and asked who held the responsibility for this. – *Katharine Eberhart confirmed that this responsibility was held by West Sussex County Council but explained that a work plan was in place for data cleansing with Hampshire Pension Services. There was confidence in the administration team to resolve the issues for data quality. The risk would be updated to reflect the progress made.*
- Queried the contracts for private equity and if there was any roll over options. – *Rachel Wood, Pension Strategist, explained that there were extension options.*
- Sought clarity on the amber risk for remote working. – *Rachel Wood explained that this related to an establishment of business as usual activities and that no issues had occurred. The amber alert was cautionary due to the transition of arrangements and to be mindful of potential pressures on remote working arrangements such as McCloud.*
- Asked if there was a revised target date for the ACCESS Pool asset transfer. – *Rachel Wood explained that this would be covered later on the agenda.*
- Queried the training arrangements. – *Rachel Wood explained that the inter-authority agreements were being completed and that training would then be organised.*
- Noted that the key contract dates were approaching and queried the tender arrangements. – *Rachel Wood reported that the approach would be considered for the contractual arrangements with Savills and Hymans Robertson.*
- Sought clarity on how Brexit may impact contract arrangements. – *Rachel Wood confirmed that the impact on appointments would need to be considered.*

15.7 Resolved – that the Committee notes the updates to the 2019/20 Business Plan and agrees the proposed activities for the 2020/21 financial year.

16. Pension Administration Performance

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

16.2 Katharine Eberhart introduced the report and highlighted that all case types completed in the quarter had been within the timescales set and that the administration team had adjusted well to remote working. It was reported that a breach had been reported for the publication of the 2019 Annual Benefit Statements (ABS), but no action would be taken by the Regulator. ABS work for 2020 was proceeding well with 81% of the work completed. Specific employers were being targeted to ensure all necessary data was received in order to complete the ABS.

16.3 The Committee made comments including those that follow.

- Queried the process for chasing employers for missing data. - *Katharine Eberhart explained that it was the employer's responsibility and interest to ensure data was submitted. Rachel Wood confirmed that the situation had improved since the publication of the report. Katherine Eberhart explained that the situation was not unusual, and that improved administration had led to effective detection and targeting of data issues.*
- Sought clarity over the position regarding email addresses for members. - *Rachel Wood explained that there were legacy issues linked to absent email addresses; but confirmed that acquiring an email address for a new active member was expected.*

16.4 Resolved – that the update on the Administration Performance is noted.

17. Annual Report

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

17.2 Rachel Wood introduced the report and explained that it was a regulatory requirement to issue an annual report, and that the format of the report focussed on key messages with some detailed information required for compliance with guidance outlined within the appendices. Forwards had been included from the Chairmen of the Pensions Committee and the Pension Advisory Board. A forward from the ACCESS committee would be included in the final version. The report outlined de-risking and responsible investment activities undertaken. Strong administration service and communication had continued, as reflected with the accreditation of Customer Service Excellence for Hampshire Pension Services. The financial statements of the fund would be considered by the Regulation, Audit and Accounts Committee in due course.

17.3 A correction was provided for the employer figures on page 42 of the report; the correct figures were 246 employers, of which 198 were active and 48 who were no longer active. Page 49 also showed an incorrect benchmark figure which should be -2%. Corrections would be made for the final version.

17.4 Resolved – that the draft annual report is approved.

18. Exit Credits - Funding Strategy Statement Update

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

18.2 Rachel Wood introduced the report and gave an update on exit credit regulations and the management of surplus funds. A new exit credit policy had been written for consideration by the committee.

18.3 The Committee raised concerns for future liabilities following an employer exit from the fund. – *Rachel Wood explained that work would be done with the actuary to consider a prudent view on future events. Once an exit payment had been made, there was no ability to charge an employer in the future for any deficits. The approach proposed in the policy should reduce the risks for the fund. Steven Law, Hymans Robertson, added that there were no guarantees on the future and so it was important to take an approach which would put in the fund in a good position to absorb risks.*

18.4 Resolved – that the Committee unanimously agrees to adopt the Exit Credit Policy for inclusion in the Funding Strategy Statement, subject to consultation with employers. The Committee acknowledges that the Director of Finance and Support Services will consider any feedback on the Exit Credit Policy from employers and, subject to material feedback being received which alters the policy's intent, reflect any amendments to the policy and adopt without further referral to the Committee.

19. Pension Fund Covid-19

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

19.2 The Chairman reported that an appendix had been included for context which contained exempt information. The Committee were asked if they would like to discuss the appendix before making a resolution on the report; or if they were happy to discuss the appendix separately during the Part II section of the meeting. The Committee agreed that the discussion could be held during the Part II section of the meeting.

19.3 Katharine Eberhart introduced the report which outlined the approach to Covid-19 risks and the impacts on fund assets. A graph within the report showed what the impact on funding would have been had de-risking exercises not been undertaken. Work was being undertaken to consider the risks for individual employers during the pandemic. It was reported that one employer may be leaving the scheme due to insolvency.

19.4 The Committee made comments including those that follow.

- Sought clarity on the number of employer exits that were reported and asked if the figures were normal. – *Steven Law confirmed that the numbers were normal and a reflection of the contract situations for employers in the fund such as academies with cleaning contracts. This would be common for the fund as academisation and related outsourcing continues.*
- Queried of the contribution rates for these short term contractors were appropriate for the associated risks. – *Steven Law confirmed that the risks were managed via comparatively higher contribution rates or were secured under pass through arrangements.*

19.5 Resolved – that the Committee notes the report and agrees the short term risk management approach.

The Committee discussed the Part II appendix during the Part II section of the meeting and noted the approaches that had been taken for individual employers.

20. Date of the next meeting

20.1 The Committee noted that its next scheduled meeting would take place on 23 October 2020.

21. Exclusion of Press and Public

The Chairman noted that no Committee member disagreed with the meeting entering the Part II section of the meeting as set out on the agenda.

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.

22. Part II Minutes of the last meeting

The Committee agreed the Part II minutes of the Pensions Panel held on 4 May 2020.

23. Additional Voluntary Contributions

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

The Committee considered the report and agreed with the officer recommendations.

24. Asset Liability Modelling and Investment Strategy (including Output from the Investment Strategy Task and Finish Group)

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

The Committee considered the report and agreed with the officer recommendations subject to some amendments as agreed by the committee.

25. Review of Pension Investment Performance

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

The Committee received an update from Caroline Burton relating to the quarterly performance reports from the fund managers.

The Committee welcomed the advice.

26. Presentation by Baillie Gifford

The Committee received an update from Lynn Dewar, Paul Roberts and Tim Gooding from Baillie Gifford on the portfolio performance for the quarter.

27. Presentation by UBS

The Committee received an update from Malcolm Gordon, Steve Magill, Kayvan Vahid and George Griffiths from UBS on the portfolio performance for the quarter.

The meeting ended at 2.45 pm

Chairman