

Pensions Committee

23 October 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, Cllr N Jupp, Cllr Urquhart, Cllr Walsh and Ms Taylor (arrived at 10.15am and left at 12.35pm)

Apologies were received from Mr Donnelly

Part I

28. Declarations of Interests

28.1 Cllr Walsh requested that the interests on the agenda be updated to reflect that he was the Leader of Arun District Council.

29. Part I Minutes of the last meeting

29.1 Resolved – That the Part I minutes of the Pensions Committee held on 22 July 2020 be approved as a correct record, and that they be signed by the Chairman.

30. Pension Advisory Board Minutes - Part I

30.1 The Committee considered the confirmed Part I minutes from the 26 February 2020 Pension Advisory Board meeting; and the Agenda from the 7 September 2020 meeting (copies appended to the signed minutes).

30.2 Resolved – That the minutes and agenda be noted.

31. Business Plan

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

31.2 Katharine Eberhart, Director of Finance and Support Services, introduced the report and explained that the external auditors (EY) had progressed the audit well. The accounts would be presented to the Regulation, Audit and Accounts Committee (RAAC) November meeting. The lessons learned from the audit would be captured to help with future audit planning. Cashflow would be impacted as employer contributions reduced by 1%, however the fund was still in a good position with income exceeding expenditure. The risk register had been updated to reflect that data issues were improving. The risk for cybercrime had been moved to amber to reflect the current risk. A new risk had also been added to reflect the impact on administration for upcoming scheme changes.

31.3 The Committee made comments including those that follow.

- Queried if the new risk for administration scheme changes was already covered by risk number five on resourcing. – *Katharine Eberhart explained that the identified issues were significant enough to warrant a separate risk.*
- Sought confirmation that all audit work had been completed. – *Katherine Eberhart explained that work was being completed and EY were yet to sign off their opinion. Work was on track for the item at the November RAAC meeting. It was proposed that clarity was added to the dates in the business plan.*
- Noted the change in risk status for cybercrime and asked if this was in response to any incidents. – *Katherine Eberhart confirmed that had not been any incidents and explained that the change in status represented the current heightened risk. Amber was the current appropriate status.*
- Queried if Brexit changed impacted risk 10 on political environments. – *Katharine Eberhart explained that most investments were international and so there was not much UK risk exposure.*
- Queried the risk for data issues and asked if the move to Oracle would reduce the risk rating. – *Katharine Eberhart explained that the move to Oracle would not impact the risk as it would not impact data quality. The risk concerned member information accuracy and the resources required to ensure that a quality services was provided.*

31.4 Resolved – that the Committee notes the update on the Business Plan and the risk matrix.

32. Administration Performance

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

32.2 Katherine Eberhart introduced the report and confirmed that performance had remained consistently strong with all performance targets met. The administration team were working to improve the timeliness of certain employers submitting information. The portal was helping with efficiencies with members being able to self-serve.

32.3 The Committee made comments including those that follow.

- Asked if there was an update for the annual benefit statement breach. – *Katharine Eberhart reported that the breach was still being considered.*
- Queried the late employer payments and if there was anything additional to consider regarding the current national situation. – *Katherine Eberhart confirmed that the situation was actively being monitored and that there were no reports from employers that there was difficulty in making contribution payments. Rachel Wood, Pension Fund Strategist, confirmed there were no overarching concerns and that late payments were ad-hoc and concerned different employers and different months.*

32.4 Resolved – that the Committee notes the update.

33. Scheme Changes

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

33.2 Katharine Eberhart introduced the report and confirmed that McCloud and Goodwin were elements that required consideration.

33.1 Steven Law, Hymans Robertson, gave a presentation to the Committee which covered the impact of McCloud, Her Majesty's Treasury and Scheme Advisory Board (SAB) Cost Sharing, Goodwin, the £95k exit cap, and changes to the regulations concerning employer management (copy appended to the signed minutes).

33.2 Steven Law explained that these areas will result in a large increase in administration workloads.

33.3 The Committee made comments including those that follow.

- Raised concerns that the £95k exit cap changes could negatively impact members receiving low pay. – *Katherine Eberhart gave reassurance that officers would be responding to the consultation, including the points that had been raised.*
- Queried the increase in administration workloads and if the administration team would be changing their contract terms in response. – *Katherine Eberhart confirmed that a discussion was anticipated due to the required additional resources.*
- Asked if the backdated work for gender issues would be looking into living spouses or estates. – *Steven Law reported that Hymans Robertson were still awaiting guidance on this.*
- Sought clarity on what guidance was offered to members when they had to choose between options such as the example in the presentation. – *Steven Law confirmed that the pension fund was not allowed to give advice and so it was for the individual to seek their own advice.*
- Queried cessation deficits and how this would impact the fund when an employer leaves the scheme when the organisation has folded with no income. – *Steven Law explained that the order of responsibility would be followed for the deficit, in the order of employer, then administrators, then any securities in place, then the other employers that stand behind the employer.*

33.4 Steven Law reported that the implementation dates of the £95k pay cap would be early November; the LGPS regulation changes would be late this year or early next year. For other elements, Hymans Robertson were still waiting on guidance from the SAB on the impact on Funding Strategy Statements.

33.5 The Chairman confirmed that a change had been made to the report. The punctuation for paragraph 6.3, 4th bullet had been changed so it now read as 'Except in exceptional circumstances, such as an employer nearing cessation, market volatility and changes to asset values will not be considered as a basis for a change in contributions outside a formal valuation'.

33.8 Resolved – that:

- 1) The update, including the impact on the pensions administration team and the actuary is noted.
- 2) The amendments to the funding strategy statement as a result of employer flexibilities, as amended in minute 33.7, are agreed.

34. Date of the next meeting

34.1 The Committee noted that its next scheduled meeting would take place on 17 November 2020.

35. 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.

36. Part II Minutes of the last meeting

The Committee agreed the Part II minutes of the Pensions Committee held on 22 July 2020.

37. Pension Advisory Board Minutes - Part II

The Committee noted the contents of the Part II minutes from the 26 February 2020 Pension Advisory Board meeting.

38. AVCs

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

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

39. Investment Strategy Statement

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.

40. Private Debt and Infrastructure

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

The Committee considered the report and made a resolution in line with the officer recommendations.

41. ACCESS

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

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

42. Review of Pension Investment Performance

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

The Committee welcomed the advice.

43. Presentation by Baillie Gifford

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

The meeting ended at 2.10 pm

Chairman