

Pensions Committee

17 March 2021 – At a virtual meeting of the Pensions Committee held at 10.00 am.

Present: Cllr Hunt (Chairman)

Cllr Bradford, Cllr J Dennis (joined at 11.20am.), Cllr Elkins, Cllr N Jupp, Cllr Urquhart, Cllr Walsh and Ms Taylor

Absent: Mr Donnelly

Part I

68. Declarations of Interests

68.1 None declared

69. Part I Minutes of the last meeting

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

70. Pension Advisory Board Minutes - Part I

70.1 The Committee considered the confirmed Part I minutes from the 13 November 2020 Pension Advisory Board meeting; and the Agenda from the 26 February 2021 meeting (copies appended to the signed minutes).

70.2 The Chairman reported that he had attended a recent virtual meeting with the Mr Scales, Chairman of the Pensions Advisory Board (PAB) to discuss pension matters. The Chairman thanked Mr Scales for the Board's good work on behalf of the fund.

70.3 Committee members also supported the work of the PAB and commented that the current separation of the Board and Committee was effective.

70.4 Resolved – That the minutes and agenda be noted.

71. Business Plan 2021/22

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

71.2 Katharine Eberhart, Director of Finance and Support Services, introduced the report and highlighted progress on the work for Additional Voluntary Contributions (AVCs) and Guaranteed Minimum Pension (GMP). The key priorities and training events of the fund were outlined. The work of Internal Audit was also outlined and the areas of focus for the fund that would be covered.

71.3 The Committee made comments including those that follow.

- Queried if the reference to employer risk framework included consideration of the liabilities of insolvent employers. – Katharine Eberhart confirmed that was included. The valuation work would also included work for employer risk tiers and the impact of the pandemic.
- Asked if the risk work was linked to the high number of small admitted bodies in the fund. – Katharine Eberhart confirmed that the work was not limited to admitted bodies, more the consideration of the financial position of all employers.
- Queried who would be completing this work. – Rachel Wood, Pension Fund Strategist, confirmed that the work would be completed by PWC and Hymans Robertson and would have a detailed look at the accounts of higher risk employers. The work would inform the actuarial work and the understanding of how liabilities are funded.
- Sought clarity over the risk rating for data quality. – Katharine Eberhart confirmed that the risk had moved from red to amber within six months due to the data quality improvement work. Processes had been improved and further improvements with employer relationships would help get the risk to a green rating.

71.4 The Chairman clarified that the £250m allocation commitments for private debt and infrastructure were in relation to the 5% allocation agreed by the Committee, rather than a fixed monetary value.

71.5 Resolved – that the Committee:

1. Notes the updates on Business Plan activities for 2020/21.
2. Approves the key priorities within the Business Plan for 2021/22.
3. Notes the full risk matrix for the Fund.
4. Approves the ACCESS Business Plan as recommended by the ACCESS Joint Committee.

72. Investment Strategy Statement

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

72.2 Rachel Wood introduced the report and explained that the Investment Strategy Statement had been updated following an employer consultation. Seventy seven responses had been received and their comments were summarised within the report. Engagement with stakeholders was left open and would be considered as part of the ongoing fund review.

72.3 The Committee made comments including those that follow.

- Sought clarity over the value for money returns for active and passive figures and if they were net of fees. – Rachel Wood explained that the passive fund used the passive index return and could therefore be considered a proxy due to the low fees for passive funds, even though it would be gross of fees. The active

fund was using a net figure. The Chairman added that if gross figures had been used there would have been a larger gap.

- Noted that 57 responders were not satisfied with the strategy and asked if the remaining responders had been satisfied. – Rachel Wood confirmed that the remainder had been satisfied. Rachel Wood reported that 20,000 members and 200 employers had been contacted. Officers looked to reach all possible members via electronic means for the consultation.

72.4 The Committee welcomed how the feedback from employers had been captured and thanked all the employers who had responded to the consultation.

72.5 Resolved – that the Committee approves the revised Investment Strategy Statement which reflects the amendments following the consultation with stakeholders.

73. Scheme Changes

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

73.2 Rachel Wood introduced the report which showed the revised position for the fund following recent changes. The £95k cap had been withdrawn and so the position remained as it had been prior to the proposed changes.

73.3 Resolved – that the Committee notes the update.

74. Treasury Management Strategy

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

74.1 Katharine Eberhart introduced the report and confirmed that there had been no breaches to the strategy. Cash balances were highlighted and the intention to use cash to implement changes to the investment strategy. The Treasury Management Strategy included a proposed amendment concerning money market funds to consider low volatility net assets against negative rates. This would allow more flexibility to move funds if reduced rates occurred.

74.2 The Committee made comments including those that follow.

- Sought clarity of the cash balances and if they should be moved to something else such as gold reserves. – The Chairman confirmed that the cash balance was held in preparation for property, private debt and infrastructure investments. Holding in cash prevented fees from withdrawing from investments. Katharine Eberhart confirmed the need to consider liquidity arrangements for investments.
- Queried if the cash balances highlighted was the total cash for the fund including fund manager portfolios. – Katharine Eberhart confirmed that the figures concerned the cash balances for the fund that were managed by West Sussex County Council. Fund

managers would also hold cash balances for settlement or tactical reasons which would be reflected in their portfolios. Only a small, reasonable proportion of the fund was held in cash.

74.4 Resolved – that the Committee:

1. Approves the 2021/22 Treasury Management Strategy.
2. Notes the treasury activity undertaken during 2020/21 (1 April to 31 December 2020).

75. Date of the next meeting

75.1 The Committee noted that its next scheduled meeting would take place on 21 July 2021.

76. 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.

77. Part II Minutes of the last meeting

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

78. Pension Advisory Board Minutes - Part II

The Committee noted the contents of the Part II minutes from the 13 November 2020 Pension Advisory Board meeting.

79. Investment Strategy Implementation

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

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

80. 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.

81. Review of Pension Investment Performance

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

The Committee welcomed the advice.

82. Presentation by Baillie Gifford

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

The meeting ended at 1.15 pm

Chairman