

Pensions Committee

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

Present:

Cllr Condie, Cllr J Dennis, Cllr Elkins (left at 1.15pm.), Cllr N Jupp, Cllr Turley, Cllr Urquhart, Mr Kipling and Mr Wilding

Apologies were received from Cllr Hunt

Part I

1. Election of Chairman

1.1 Charles Gauntlett, Senior Adviser, Law and Assurance, welcomed all to the meeting and noted apologies from the Chairman, Cllr Jeremy Hunt. Nominations for the role of Chairman were invited. Cllr Nigel Jupp nominated Cllr Deborah Urquhart, Cllr Roger Elkins seconded the nomination.

1.2 Resolved that Cllr Deborah Urquhart took on the role as Chairman for the meeting.

2. Declarations of Interests

2.1 Cllr Urquhart welcomed Cllr Peter Wilding to his first meeting of the Pensions Committee as District and Borough Representative.

2.2 No declarations of interest were declared.

3. Part I Minutes of the last meeting

3.1 Resolved – That the Part I minutes of the Pensions Committee held on 4 February 2022 were approved as a correct record, and that they be signed by the Chairman.

4. Pension Advisory Board Minutes - Part I

4.1 The Committee considered the confirmed Part I minutes from the 15 November 2021 Pension Advisory Board meeting; and the agenda from the 11 February 2022 meeting (copies appended to the signed minutes).

4.2 The Committee asked whether the Pensions Advisory Board Chairman had in the past attended meetings of the Pensions Committee as an observer. - Rachel Wood, Pension Fund Investment Strategist, explained that this did occur on an ad hoc basis and the Chairman also met with officers from the Pensions team on occasion outside of formal meetings.

4.3 Resolved – That the minutes and agenda were noted.

5. Business Plan

5.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Katharine Eberhart, Director Finance and Support Services, highlighted the resources and budget applied to the delivery of the West Sussex Pension Scheme and the review of performance for 2021/22.

5.2 The Committee made comments including those that follow.

- a. Noted that where the white paper was mentioned under 'Investment Strategy Statement' on page 24, this referred just to new infrastructure projects
- b. Raised a question in regard to PEN 46, what recruitment issues were currently. - Rachel Wood, Pension Fund Investment Strategist, explained that work had been completed on defining administration and oversight roles and a temporary post had been recruited to. The Committee noted that the risk level was open to review for the next iteration of the register depending on staff recruitment activity.
- c. Queried in regard to Pen 35, what 'merger of large employers' referred to and why this was a 'red' risk. - Rachel Wood explained that Greater Brighton Metropolitan College and Chichester College were working toward a merger in August 2022. Also, that the red risk score was a combination of the likelihood that what was described would happen, which was high, while the impact score referred to the effect of the mitigation which in this instance was also considered high as the work required to support the merger was complex, although there were no concerns at present.
- d. In regard to Investments and Funding on page 20 and the objective 'to make the best use of resources', questioned what the timeline and ambition were to reduce employee contributions for the County Council. Steven Law, Fund Actuary, explained that this currently stood at 21.4% (inclusive of a reduction for paying in advance) with an ambition to reduce it by 1% of pay per annum until 18% was reached
- e. Noted, in regard to 2022/23 actions and the administration team submitting a full data set to the Fund Actuary, that the subsequent report from Hymans would be available in September
- f. Noted, in regard to PEN25, that the anticipated increase in employers in the fund increased this risk score.

5.3 Resolved – that the Pensions Committee:

- (1) Noted the updates on Business Plan activities for 2021/22
- (2) Approved the priorities for 2022/23 (Appendix A).
- (3) Noted the full risk matrix (Appendix B).

6. Governance Policy and Compliance Statement Review

6.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Rachel Wood introduced the report which updated public information on the Administering Authority arrangements for governance. Rachel Wood

highlighted the clarification of the role of the Director Support Services and Finance and the fiduciary responsibility of the Committee. Attention had also been given to a review of language used and the presentation of the document.

6.2 The Committee made comments including those that follow.

- a. Welcomed the clarity on roles and responsibilities.
- b. Noted the main change to the Pensions Committee Terms of Reference to reflect that the Committee is fully responsible for pension matters and was not a sub-committee of the County Council's Governance Committee.
- c. Noted that there was potential miscategorising of items at page 12 which Rachel Wood agreed to check.

6.3 Resolved – that the Pensions Committee

- (1) Approved the Governance Policy and Compliance Statement at Appendix A for publication.
- (2) Invite the Pension Advisory Board to consider the approved text.

7. Pension Administration Performance

7.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Rachel Wood introduced the report and highlighted the recent review of performance by Hymans Robertson of L&G as provider for LGPS AVCs as giving a good level of performance. Rachel Wood also highlighted the level of new complaints received by the administration within the quarter stood at zero and the number of LGPS members and employers registered on the Portals had increased from 24% to 34%.

7.2 The Committee made comments including those that follow.

- a. Congratulated the administrative team on its continued 100% compliance with service standards
- b. Questioned what support was given to members seeking advice on AVCs. – Rachel Wood explained that website links to support were made available.
- c. Questioned the number of members accessing the Portal. - Andrew Lowe, Head of Pensions, Investments & Borrowing at Hampshire County Council, explained that there was currently a high take up of digital access with over 1,500 members per day accessing the Portal.
- d. Questioned the reason for increase in requests for information on deferred benefits. - Rachel Wood explained the understanding was that this related to the approach of the end of the calendar and financial year and the increase in staff turnover at this time.
- e. Questioned whether an increase in scam activity had been seen. – Rachel Wood explained that the administration complied with the TPR guidelines on what steps should be taken should it become aware of any issues and any alerting of members on any checks they should be making.

- f. Highlighted the number of employers registered on the Portal as only 70% and question why this was not higher. – Rachel Wood explained this appeared to relate to employers with very few members, such as Parish Councils.
- g. Questioned whether new employers were required to register on the Portal. - Rachel Wood explained that this was a requirement for new employees joining the scheme. Rachel Wood agreed to look into employer requirements.
- h. Noted that the workload in respect of McCloud Data Collection must be laborious and questioned whether sanctions were being applied for those with outstanding data sets. - Rachel Wood explained that it was a statutory requirement to supply the information and more was being received as the date for uploading got closer.
- i. Raised concern that 40% of pensioners would no longer receive communications from the Fund as they were not registered on the Portal. - Rachel Wood said that Members had been alerted to the change and this would be kept under review. An update would be provided to the next meeting.

7.3 Resolved – that the Pensions Committee noted the report.

8. Cyber Security

8.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Katharine Eberhart introduced the report and highlighted the red risk on the Pension Fund Risk Register. The report covered arrangements with a number of bodies including West Sussex and Hampshire County Councils, and Link.

8.2 The Committee made comments including those that follow.

- a. Questioned whether there had been any material incidents to the Local Authority systems which would present a risk to the Pension Fund. - Katharine Eberhart, Director of Finance and Support Services, explained that if the Local Authority systems went down then that would take the Pension Fund systems down too.
- b. Noted the training available for Pension Committee and Pension Advisory Board members as set out at paragraph 6 and how this would be helpful in understanding where the cyber security weaknesses were.
- c. Noted from the report that officers monitored cyber security and risk and questioned what action was taken as a result of that. – Katharine Eberhart explained, as set out in the report, that the County Council was fully compliant with government guidance on cybersecurity in its IT systems which included undertaking annual 'white knight' activities as part of a very thorough process which was duly reported through the Regulation, Audit and Accounts Committee. Internal audit also worked through the whole IT suite on a two-year cycle to give added assurance on its cybersecurity. Andrew Lowe, highlighted the Cyber Security Statement as set out in the report for Hampshire County Council. Andrew Lowe also explained that over the past year Hampshire County Council had undertaken a full private sector penetration test exercise on its

external and internal infrastructure which had reported back that its risk was medium/low for a successful cyberattack.

8.3 Resolved – that

- (1) Officers continue to monitor cyber security and risk
- (2) Pension Committee Members and Pension Advisory Board members undertake to complete the LGPS Online Learning Academy (LOLA) training and the tPR toolkit training, as identified in paragraph 6.1.

9. Actuarial Valuation 2022

9.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Rachel Wood introduced the report and highlighted that the year had commenced and continued in a period of financial uncertainty.

9.2 Steven Law, Fund Actuary at Hymans Robertson, drew members attention to a tabled document supporting the report entitled 'Regulatory Risks and the 2022 Valuation', West Sussex County Council Pension Fund (tabled copy appended to the signed minutes).

9.3 Points emphasised by Steven Law included that funding levels were improving and key risks for 2022 related to Climate/Transition, consumer price inflation and the impact of COVID-19 on long term mortality. Steven Law explained the current issues concerning the McCloud judgement and requirements arising from Academisation.

9.4 The Committee made comments including those that follow.

- a. Questioned, in respect of the outcome of the judicial review on whether the impact of the McCloud case should be included in the cost control mechanism. - Steven Law advised that if the Government were to lose the judicial review, then cost sharing would impact the LGPS; if the Government wins, there could be further legal challenges.
- b. Questioned the impact on the Fund of COVID-19. - Steven Law explained that this related not only to mortality today but to changes in the future if people did not live as long, although with new drug treatments, hygiene practices and survivor bias there were a lot of unknowns
- c. Noted that consumer price index increases increased liability as pensions were index linked. - Steven Law explained that as part of the valuation Hymans Robertson would test if the fund was well hedged and whether it has good resilience against this.
- d. Questioned the outcome of the judicial review and how pension benefits would be affected for active members and pensioners. - Steven Law explained that the cost sharing outcome was intended to affect only active members but as the changes would come into effect from 1 April 2019, some deferred and pensioner members would be impacted. McCloud itself applied to anyone active in the scheme prior to 2012 who was still active in 2014 and intention is that everyone would have their benefits brought in line with the revised Regulations. Further guidance on this was awaited. Steven

Law also emphasised there was potential for other judicial reviews on this issue.

- e. Questioned, with regard to Multi Academy Trusts (MATs), whether these were likely to look at schemes in surplus and send their funds there. - Steven Law anticipated this was likely as they would seek the schemes with the lowest employer contributions even if this was not a prudent long term decision.
- f. Questioned whether the County Council scheme had to take on MATs. - Steven Law confirmed that the Pension Fund was required to admit MATs within its geographical area. Steven Law also explained that research by the Department of Education suggested there was benefits in keeping MATs small and local.
- g. Questioned why there were so many schools in West Sussex that had not yet converted. - Steven Law explained that schools may have felt there was a financial incentive to be gained by waiting.

9.5 Resolved – that the Pensions Committee noted the report.

10. Date of the next meeting

10.1 The Committee noted that its next scheduled meeting would take place on 22 July 2022 at County Hall, Chichester.

11. 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.

12. Part II Minutes of the last meeting

The Committee agreed the Part II minutes of the Pensions Committee held on 4 February 2022.

13. Pension Advisory Board Minutes - Part II

The Committee noted the contents of the Part II minutes from the 15 November 2021 Pension Advisory Board meeting.

14. 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.

15. Presentation by Baillie Gifford

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

16. Presentation by Goldman Sachs

The Committee received an update from James Reynolds and Jason Freeman from Goldman Sachs on the portfolio performance for the quarter.

17. Update from ACCESS Joint Committee activity and proposals for change to governance (March 2022)

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

The Committee welcomed the advice.

18. Investment Strategy Implementation

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

The Committee welcomed the advice

The meeting ended at 3.15 pm

Chairman