

Pensions Committee

26 July 2023 – 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 12.45pm), Cllr Elkins, Cllr Turley, Cllr Urquhart, Mr Kipling and Mr Stretton

Apologies were received from Cllr N Jupp

Absent:

Also in attendance:

Part I

1. Declarations of Interests

- 1.1 Cllr J Dennis declared a personal interest as a Member of Horsham District Council.

2. Part I Minutes of the last meeting

- 2.1 Resolved – That the Part I minutes of the Pensions Committee held on 28 April 2023 be approved as a correct record, and that they be signed by the Chairman.

3. Part II Matters

- 3.1 The Chairman invited Committee members to indicate if they wished to bring into Part I any items on the Part II agenda. The Committee noted the full explanation of Part II items provided to Members following the previous meeting and raised no further queries.
- 3.2 Resolved – Committee agreed to take the detailed discussion of items 9, Consultation on Local Government Pension Scheme, and item 10 Investment Performance, as part of items 16 and 17 respectively in the Part II section of the meeting.

4. Pension Advisory Board Minutes - Part I

- 4.1 The Committee noted the confirmed Part I minutes from the 10 February 2023 Pension Advisory Board meeting; and the agenda from the 22 May 2023 meeting (copies appended to the signed minutes).
- 4.2 The Committee made comments including those that follow: -
 - a) To thank the Pension Advisory Board for its work.
 - b) Queried why the Committee had not received the minutes from the May 2023 meeting of the Pension Advisory Board. It

was explained that these would only be formally approved at the Board's next meeting on 28 July and are therefore currently in draft form. The Director of Finance and Support Services agreed to raise at the Board meeting whether draft minutes could be shared with the Committee in the future.

4.3 Resolved – That the minutes and agenda be noted.

5. Annual Report

- 5.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Vickie Hampshire, Finance Manager Pension Fund Governance, introduced the report which sets out the management and financial performance of the pension fund, administration arrangements in place and the net asset statement and supporting notes and disclosures. The net asset statement and supporting notes and disclosures are subject to external audit and have not as yet been considered by the County Council's Regulation, Audit and Accounts Committee. They are therefore shared in draft form for the Pensions Committee's review.
- 5.2 A Foreword from the Chairman of the Committee was tabled at the meeting (copy appended to the signed minutes).
- 5.3 Vickie Hampshire explained to the Committee that extra information has been included in this year's Annual Report on membership demographics and on Investment Pooling to emphasise the ACCESS arrangements. A summary document would be sent to all members as part of the Annual Benefit Statement communications.
- 5.4 The Committee made comments including those that follow:
- a) welcomed the clear, easy to read format of the Annual Report and noted that employers and other stakeholders would find it useful but questioned whether any testing was done to ensure it was understandable to a lay person. Vickie Hampshire explained that the Report complied with Government requirements and that no formal testing was undertaken. Tim Stretton, Member Representative, confirmed that member engagement from representatives sitting on both the Committee and the Pension Advisory Board may be considered sufficient to ensure Report is understandable.
 - b) queried why the Report did not contain any comparative information on carbon emissions. Rachel Wood, Pension Fund Investment Strategist, explained that this information would need to be included in the future but at this moment comparisons are hard to make as information is not available on a like for like basis. Government guidance is awaited on this, but the team are working with Fund Managers to see what information could be provided. Taryn Eves, Director of Finance and Support Services committed to review the information to determine if anything could be included.

- c) queried why no information was included on employer performance for 2022/23. Vickie Hampshire confirmed that information was awaited and would be included when available and before the statutory deadline for the publication of the Annual Report of 1st December.
 - d) highlighted that training records need to be up-dated and relevant training completed and welcomed the introduction of podcasts as part of the training. It was noted that a podcast from the Chairman of a Pension Advisory Board would soon be included.
 - e) recognised the tight deadline for the approval of the accounts with the Regulation, Audit and Accounts Committee meeting on 1st December. Officers will ensure figures are consistent with the accounts before it is finalised. Officers confirmed there are no problems envisaged with the external audit and that account updates would be provided to the Committee when available.
- 5.5 Resolved – That the draft annual report is approved (figures subject to audit and consideration by the Regulation, Audit and Accounts Committee).

6. Business Plan

- 6.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes). Rachel Wood, Pension Fund Investment Strategist, introduced the report which set out the achievements to date for 2023/24.
- 6.2 Key points highlighted include that a fuller appendix on risk is included, details of the internal audits being completed are set out in Appendix D and that a report on climate risk reporting would be presented to the November meeting of the Committee.
- 6.3 The Committee made comments including those that follow:
- a) queried whether any progress had been made in recruiting to the Pensions Team vacancy and whether this was having any impact on fulfilling statutory requirements. Taryn Eves and Rachel Wood confirmed that team resources were currently being reviewed to determine what was required in future. There was no implication on statutory duties as officers were prioritising tasks and additional support had been provided by Hymans and others as required.
 - b) queried why risk RT14 in relation to the implementation of Scheme changes resulting from the McCloud judgement is 'amber'. Andrew Lowe, Assistant Director Pensions, Hampshire County Council, confirmed that the administration team is as prepared as can be at the moment, but October is a key date in terms of what needs to be changed.

- c) sought clarity over the wording for risk RT16 (political environment). Vickie Hampshire confirmed that this was in relation to the external political environment. The Chairman reminded members of the Committee that they were acting as trustees for the Fund, they were not representing West Sussex County Council.
- d) questioned risk RT17 and whether there is an over-reliance on one contractor. Rachel Wood explained that there is a reliance on one supplier for investment management, but this was the nature of the pooling arrangements and not seen as an issue.
- e) recognised that all members of the Committee should be in the same position with regard their training and knowledge and queried how real the MiFID II (Markets in Financial Instruments Directive 2014) issue is. David Walker, Hymans, reassured the Committee that (from a Hymans Robertson perspective) West Sussex is currently well positioned in terms of the training undertaken and evidence to support this. Vickie Hampshire also confirmed that the questionnaire had been updated in March following officer changes and this had met the Professional Client requirement of all parties.

6.4 Resolved – That:

- i. the Committee note the update on Business Plan activities for 2023/24
- ii. made comments as outlined above in relation to the risk matrix
- iii. reviewed the training completed and recognised that members need to undertake the necessary training required to support their development of the necessary skills and knowledge to act effectively as a member of the Committee.

7. Pension Administration Performance

7.1 The Committee considered a report by the Director of Finance and Support Services. Taryn Eves introduced the report (copy appended to the signed minutes), thanked the Administration Team for their work and highlighted the key points as set out in the summary including that the August deadline for the Annual Benefits Statement would be met and that work continues on the Government led Pensions Dashboard. The policy on Administering Authority discretions would be brought to the committee in November. Andrew Lowe added that 42% of members are now signed-up to the Member Portal which shows that good progress has been made in encouraging this.

7.2 The Committee comments included:

- a) queried why the number of cases relating to deferred benefits is so high. Rachel Wood explained that this highlights the end

of year work undertaken and that a spike in numbers always occurs in the quarter 1 figures.

- b) questioned whether new members and pensioners should be directed to on-line access through the Member Portal only. Andrew Lowe explained that all new members and pensioners default to on-line access only but that some still prefer paper and opt out. We are moving in the right direction with 42% registered on the Member Portal.
- c) questioned why the late remittances figure is high and increasing. Vickie Hampshire expected April to be a high figure due to the new valuation certificate coming into effect but May has also been reported as high due to an anomaly in the calculation spreadsheet which had been identified following despatch of committee papers. The May figure should read as four late remittances, not the 27 within the published papers.
- d) queried whether there are any resource issues in meeting the requirements of the historic enrolment scheme of the Teacher Pension Scheme (TPS). Steven Law, Hymans, confirmed that there are projects in the pipeline that are already planned for. Rachel Wood confirmed that the Payroll Team are working on the historic enrolment project, and it is hoped that work would speed up when a response on the requirements is received from the TPS.
- e) the Chairman recognised the good work in achieving the end of year returns and queried how many employers need to submit information. Andrew Lowe confirmed that work was on-going in completing the work with only 82 members missing statements as at the end of June. Rachel Wood also commented that the Pensions Advisory Board commented on the good progress made in the previous year (2021/22).
- f) requested an up-date on the software up-dates to be implemented in mid-July. Andrew Lowe outlined the final testing being undertaken and explained that any anomalies would be dealt with on a case-by-case basis. Rachel Wood also explained that the software up-date would highlight any gaps in data for the McCloud remedy which the liability impact would not be known for a number of years. Steven Law also highlighted that there would be a cash implication with the updates.

7.3 Resolved that the committee noted the report.

8. Consultation on Local Government Pension Scheme (England and Wales): Next steps on investments

8.1 A report by the Director of Finance and Support Services was received (copy appended to the signed minutes). The Chairman of the Committee explained that the detailed discussion should take

place in the Part II section of the meeting due to the nature of the detail to be discussed. Members agreed that this was appropriate.

- 8.2 Resolved - That the Committee provided initial comments to inform the County Council's response to the consultation and that the Director of Finance and Support Services, in consultation with the Pensions Committee, provide a response on behalf of the committee (details included within Part II Minutes).

9. Investment Performance

- 9.1 A report by the Director of Finance and Support Services was received (copy appended to the signed minutes). The Chairman of the Committee explained that the detailed discussion should take place in the Part II section of the meeting due to the nature of the detail to be discussed. Members agreed that this was appropriate (details included within Part II Minutes).

- 9.2 Resolved - That the Committee noted the report.

10. Date of Next Meeting

- 10.1 The Committee noted that its next scheduled meeting would take place on 1 November 2023 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 28 April 2023.

13. Pension Advisory Board Minutes - Part II

The Committee noted the contents of the Part II minutes from the 10 February 2023 Pension Advisory Board meeting.

14. Investment Strategy Implementation

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

15. LGPS Investment Pooling and Item 8 Consultation on Local Government Pension Scheme (England and Wales): Next steps on investments

The Committee considered a report by the Director of Finance and Support Services. The Committee also considered the Government Consultation on Local Government Pension Scheme (England and Wales): Next steps on investments under this item.

16. Investment Advisor Commentary and Item 9 Investment Performance

The Committee considered a report by the Director of Finance and Support Services and the Independent Fund Adviser. The Committee also considered Investment Performance under this item.

17. Presentation by Macquarie Asset Management

The Committee received an update from Gillian Evans, Allan Sastrup Jensen and Jacob Vendelbo from Macquarie on the portfolio performance.

The Committee noted the report.

18. Presentation by JP Morgan

The Committee received an update from Paul Farrell and Gilly Zimmer from JP Morgan on the portfolio performance.

The Committee noted the report.

19. Procurement of Actuarial Services

The Committee received an update from the Director of Finance and Support Services.

The Committee noted the report.

The meeting ended at 2.55 pm

Chairman