

MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

WEDNESDAY, 30 SEPTEMBER 2020

- Councillors Present:** Councillor Robert Chapman in the Chair
Cllr Michael Desmond (Vice-Chair),
Cllr Kam Adams, Cllr Polly Billington and
- Apologies:** Cllrs Rebecca Rennison and Ben Hayhurst
- Officers in Attendance:** Rachel Cowburn, Ian Williams, Michael Honeysett and Georgia Lazari
- Also in Attendance:** Andrew Johnston – Hymans Roberston
Karen McWilliams - Aon

It was noted that the meeting had been rescheduled from 28th to 30 September 2020 due to a religious festival and to enable Ms Cowburn to attend the meeting before she took maternity leave.

1 Apologies for Absence

1.1 Apologies for absence were received from Cllrs Rennison and Hayhurst, Henry Colthurst and Jonathan Mailins-Smith.

2 Declarations of Interest - Members to declare as appropriate

2.1 There were no declarations of interest.

3 Consideration of The Minutes of The Previous Meeting

RESOLVED that the minutes of the meeting held on 24 June 2020 be approved as an accurate record.

4 Pension Fund - Quarterly Update

4.1 Rachel Cowburn introduced the quarterly update and reported that the funding level was 88.2% as at the end of June 2020. It was emphasised that the majority of Annual Benefit Statements had been issued within the legal deadline of 31 August 2020 however, approximately 2,300 active member benefit statements had yet to be issued. 1,800 of the delayed statements would now be issued in October 2020 after resolving queries and outstanding employer data. The remaining 500 cases were either being investigated or outstanding data issues. With regard to the deferred members benefit statements, approximately 1,200 statements could not be issued due to there being no current address and a further 150 statements required further investigation. The reasons for the delay in issuing the statements in 2020 had been a combination of factors including employer data errors, data verification, the impact of

COVID-19 on processes and the absence of some key staff members at Equiniti. The breach had been reported to the Pensions Regulator.

4.2 Cllr Desmond asked about the funding level for September 2020 and enquired about the increase in asset valuations for Permira Senior Loans from Q1 £14m to Q2 £30.9m and Churchill. Ms Cowburn replied that the funding level in mid September 2020 remained similar to the figure in June. There had been a significant increase in funding level, however, this did not represent a longer term robust trend as the financial markets remained volatile. With regard to Churchill and Permira allocations, these assets were very early in their life span and the increases in valuation were a reflection of capital going into the mandate from requested drawdowns over time and not performance.

4.3 Cllr Chapman referred to the disappointing administration performance figures for Equiniti. Ms Cowburn confirmed that there had been a decline in performance due the impact of COVID-19 and the reduction also partially reflected better reporting and improved standards since the introduction of the new administration contract.

4.4 Cllr Adams asked about the impact of the McCloud remedy on the Fund. Ms Cowburn stated that the remedy would impact on the Fund's liabilities and this issue had been incorporated into the funding strategy statement. Aon was currently working on the McLeod project plan for the Pensions Team to look at the impact of the decision on the Fund's liabilities and its administrative processes. Ms McWilliams added that the impact on funding liabilities was currently uncertain and work would need to be undertaken to review and update some scheme members' records and re-calculate benefits. Employers would be under strain to provide data to Equiniti to update their records and for them to carry out any revised calculations. In the short term, many members would not be impacted by the protection. There was also the potential that the remedy could disproportionately impact on smaller employers within the scheme.

4.5 In response to the Chair, Mr Williams indicated that an update on the issues relating to administration performance could be circulated to Members prior to the next meeting.

RESOLVED that the contents of the report be noted

5 Staffing arrangements

5.1 Mr Williams provided an update on the Pensions Team's staffing arrangements as follows:

- It was Michael Honeysett's final day as Assistant Director of Financial Management but he would remain at the Council in the role of Interim Head of Pensions replacing Rachel Cowburn while she was on leave.
- Julie Stacey, Head of Pensions Administration had retired from the Council
- Jackie Moylan, Director of Finance would be covering the role of Assistant Director of Financial Management until the Pensions Team restructure had been completed.

5.2 Mr Williams stated that they were reviewing the restructure to ensure that the necessary support was in place following staff changes in the Pensions Team. The Chair indicated that Members would support any request for additional resources for the service if necessary.

5.3 The Chair on behalf of the Committee recorded their thanks and best wishes for Julie Stacey on her retirement and Michael Honeysett on his retirement from his substantive role as AD of Financial Management. Members also congratulated Ms Cowburn.

RESOLVED that the verbal update be noted

6 Investment Strategy Review - Stage 1: Setting High Level Investment Strategy (EXEMPT)

6.1 Rachel Cowburn introduced the report Setting out a high-level framework for development of the funds investment strategy following the 2019 actuarial valuation, investment beliefs for formal approval and introduction to the asset allocation process.

6.2 Members considered the investment beliefs within the report and also the exempt appendices of the report during the private meeting.

RESOLVED to:

1. Approve the investment beliefs set out at Appendix 1 to this report.
2. Consider the modelling set out at Appendix 2 and agree an appropriate strategic approach. It is recommended that the Committee give consideration to diversification of the current strategy into income- generating assets.
3. Note the asset allocation paper at Appendix 3.

7 Pension Administration Strategy 2020/23

7.1 Rachel Cowburn introduced the report outlining the Pension Administration Strategy for 2020/23. The key change from the previous strategy was the Fund's planned introduction of a new online employer self-service portal that would be rolled out at end of the year 2020.

7.2 In response to a question from the Chair, Ms Cowburn responded that the new online portal should make it easier for employers to report, however, maintaining a penalty system would encourage compliance and allow employers to be charged for any additional administration time spent for not providing information or contributions by deadlines.

RESOLVED to approve the updated Pension Administration Strategy for publication.

8. Pension Fund Annual Report and Accounts 2019/20

8.1 Rachel Cowburn introduced the Fund's Annual Report and Accounts for 2019/20 and stated that the document had to be published by 30 November 2020. The Chair indicated that he had a few amendments to the Chair's Foreword section and Members were invited to submit any changes to Mr Honeysett before 30 November 2020.

RESOLVED to:

1. Note this version of the Pension Fund Annual Report and Accounts
2. Approve publication and distribution to interested parties, pending final audit checks and receipt of an audit certificate

9. Business Plan 2020-2023

9.1 Rachel Cowburn introduced the business plan setting out the key tasks the Fund had to undertake to provide its strategic objectives and a draft plan of work for the Committee and Communications Plan for the financial year 2020/21. The business plan focused on the Fund's key activities including investment, governance and administration and covered all known key strategic matters including the Funds investment strategy, GMP reconciliation and the impact of the McCloud judgement on the Fund.

9.2 The main changes to the plan were the revised format and changes to the timescales of some reports due to the impact of COVID-19, homeworking and significant staff changes in the Pensions Team.

9.3 The Chair enquired about the provision of information and non-compliance being included in the plan. Ms Cowburn said that there was no requirement to include this in the plan as statutory monthly and annual deadlines for the provision of information by employers was already in place. However, any changes to the statutory deadlines or the processes would need to be incorporated into the plan.

9.4 Following a request from the Chair, Ms Cowburn confirmed that the implementation of the Stewardship Code would be incorporated into the Business Plan.

RESOLVED to approve the Business Plan for 2020-2023 subject to the incorporation of the Stewardship Code.

10. Pension Fund Budget

10.1 Rachel Cowburn introduced the report setting out the budget for the Pension Fund for 2020/21, which covered member cashflows, operating costs and investment income.

10.2 Ms Cowburn reported that there had been a significant shift in cashflow position during 2019/2020 leading to the Fund being less cashflow positive. A key driver of the fall in cashflow had been an increase in the pensions paid, which partly reflected the inflationary increase and the unusually higher numbers retiring in the previous year. The Fund had also paid out a very large sum in lump sum commutations and in the longer term these would be reflected in the larger number of pensioners. The elements of the cash flow that could be predicted were pay rises and inflationary increases on pensions but the unpredictable elements that were difficult to forecast related to members' behaviour and these could impact negatively on cash flow such as transfers in, transfers out and the number of retirements.

10.3 There had also been an increase in investment management costs that was largely attributed to investment management expenses and the Fund investing in more expensive asset classes compared to previous years. The assumptions this year regarding investment management expenses were lower than expected due to

the uncertainty of asset values at the year end as a result of COVID-19 and this was not expected to reoccur next year. Ms Cowburn stated that a prudent and cautious approach had been taken to lump sum commutations this year.

10.4 The Chair observed that the budgeted figures could change as the issues in 2020 may not reoccur. Due to the cash flow pressures, going forward the Committee would need to monitor this more closely. Ms Cowburn added that the trend towards decreased net cash inflows was likely to continue over time. The monitoring of member cash flows would enable more accurate predictions to be made and the reviewing of information already held on Council's employees would also assist in making more detailed assumptions regarding the number many people close to retirement age and better behavioural trends.

RESOLVED to approve the budget for 2020/21

11. Pension Fund Treasury Management Strategy 2020-2023

11.1 Rachel Cowburn introduced the report setting out the Treasury Management Strategy for the Pension Fund for 2020-2023. The strategy would ensure that the Committee was meeting the requirements of the LGPS regulations 2016 and managing the Fund's cash deposits in an appropriate manner.

11.2 The Fund's cash was held across three locations: in the Fund's bank account and Money Markets Funds; with the Fund's administrators Equiniti Paymaster; and at HSBC, the Fund's custodian, to assist the Pension Fund's bond manager in managing derivative margin calls.

RESOLVED to:

1. Agree the Treasury Management Strategy for the Pension Fund for 2020-2023
2. Delegate responsibility for Pension Fund treasury management to the Group Director, Finance and Corporate Resources, including the authority to add or remove institutions from the approved lending list and amend cash and period limits as necessary in line with the Council's own creditworthiness policy.

12 Any Other Business Which in The Opinion Of The Chair Is Urgent

12.1 The Chair asked if a date for the workshop on investment strategy could be arranged prior to the meeting on 14 of January 2021. Mr Honeysett indicated that he would circulating proposed dates for the workshop soon.

13 Exclusion of The Press And Public

RESOLVED THAT the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of exempt appendices at agenda item 6 on the grounds that it is likely, in the view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in Schedule 12A to the Local Government Act 1972 as amended.

14 Consideration of the Exempt Minutes of the Previous Meeting

There were no exempt minutes of the meeting.

Duration of the meeting: 6.30-8.45pm

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