

Minutes of the Suffolk Pension Board Meeting held on Monday 17 October 2022 at 2:00 pm in the Elisabeth Frink Room, Endeavour House, Ipswich.

Present: David Rowe (Vice Chair) (representing Active Members), Ian Blofield (representing all Borough, District, Town and Parish Councils), and Eric Prince (representing Pensioners).

Present remotely: Thomas Jarrett (representing all other employers in the Fund).

Supporting officers present: Rebekah Butcher (Democratic Services Officer), Paul Finbow (Head of Pensions), Stuart Potter (Pensions Operations Manager) and Sharon Tan (Lead Accountant, Pensions).

12. Apologies for Absence

Apologies for absence were received from Councillor Richard Rout (Chairman) (representing Suffolk County Council).

13. Declarations of Interest and Dispensations

Eric Prince declared an interest by virtue of the fact he was in receipt of a local government pension.

Ian Blofield, Thomas Jarrett, and David Rowe declared an interest by virtue of the fact they were active members of the pension scheme.

14. Minutes of the Previous Meeting

The minutes of the meeting held on 20 July 2022 were confirmed as a correct record and signed by the Vice Chair.

15. Actuarial Valuation and Funding Strategy Statement

At Agenda Item 4, the Board received a report which set out the actuarial position of the Suffolk Pension Fund as at 31 March 2022, and the Funding Strategy Statement.

The report was introduced by the Head of Pensions, and members had an opportunity to ask questions.

In response to a question from a member, the Head of Pensions explained that the Fund had a range of employers paying different amounts of money into the scheme. The primary rate was set at 19-20% for employers, however some employers had been paying a lot more into the scheme, for example, one district was paying over 30%. Members heard that the Committee had set a minimum funding level for employers at 75%. This was partly to protect them from any horrific shocks related to contributions in the future, but also to protect the Fund by keeping the flow of cash coming in. The Head of Pensions confirmed that those councils and employers who were above 80% funded, might be looking at taking a reduction in contributions payments, but might not go as low as 19-20%,

instead dropping only halfway to 25-26%. This would increase the probability of success in relation to their long-term budgets, essentially buying themselves more certainty for the future.

The Head of Pensions also explained that gaining a 100% funding level had been an aspiration of all local government pension schemes for many years, as many had been at 70-80%. As funding levels grew, the Suffolk Pension Fund had been attempting to trim contributions where possible, and glide into being 100% funded, and that was happening in terms of contributions, however the markets had performed much better than had been envisaged over the past three years, which pushed the Fund through the 100% funding level barrier. A level of caution would still be required to ensure the Fund would not be in too worse a position in three years' time.

Decision: The Board:

- a) noted the initial results of the triennial valuation outlined in detail in Appendix 1.
- b) noted the Funding Strategy Statement for the Pension Fund set out in Appendix 2.

Reason for decision: The Board was interested in receiving an update on the actuarial valuation of the Fund and the process for agreeing employer contribution rates for the next three years.

Alternative options: There were none considered.

Declarations of interest: There were none declared.

Dispensations: There were none granted.

16. Pensions Administration Performance

At Agenda Item 5, the Board received a report which provided an update on the performance of the Pensions Administration Team and included details of compliments and complaints as requested by the Board.

The report was introduced by the Pensions Operations Manager and the Lead Accountant, Pensions. Members had an opportunity to ask questions.

In response to a question from a member in relation to the current backlog of cases, Officers had hoped this work would have been cleared quicker over the four year period with the approval of additional staff by the Pension Fund Committee, and whilst that number was significantly reduced from 15,000 cases, an additional 1,200 cases were added as a result of the recent year end process, bringing the number to 10,500 cases still to be cleared. Staff turnover was cited as being part of the problem, however the additional posts within the team had been extremely helpful by redirecting staff to keep up with the normal throughput of the team. Members were assured that this would be one of the teams focuses over the coming months, with new staff members assigned to clear the newer cases which were slightly easier to handle, and the more experienced staff being assigned to the older, more difficult cases. It was important for the Pensions Operations Manager to get the balance right because the more work undertaken by the team, the more cases that would be created.

Decision: The Board noted the report.

Reason for decision: The Board was interested in being provided with regular updates on the performance of the Pensions Administration Team including updates on statutory requirements and Service Level Agreements.

Alternative options: There were none considered.

Declarations of interest: There were none declared.

Dispensations: There were none granted.

17. ACCESS Pool update

At Agenda Item 6, the Board received an update from the Head of Pensions in relation to the ACCESS pool and the progress of pooling of assets.

Members were informed that the ACCESS Joint Committee had been due to meet on 12 September, however this was postponed due to the mourning period for Her Majesty The Queen. The meeting was rearranged for 6 October; however, it was not quorate and had to be held remotely as an informal briefing. Those items that required a decision were discussed but the decisions were deferred to the next meeting which would take place in early December.

Also, Board observers were present for the first time at the informal Joint Committee meeting. For Suffolk, the changes that were needed to the Inter Authority Agreement would be presented to the Council's Constitution Working Party on 4 November and would then be submitted to the Full Council meeting on 1 December. It was hoped that all authorities in the ACCESS pool would have the Inter Authority Agreement in place by the time the Joint Committee next met in December, and this would formalise the opportunity for Board Members to observe meetings of the Joint Committee, along with the change that allowed district or borough councillor representatives on pension fund committees to attend meetings as a voting member, should that council decide that a borough or district council representative be required to attend. Members heard that this would also help to ensure that Joint Committee meetings would be quorate in the future.

Members were also informed that the development of the pool had gone well, and an annual report had been produced which would be incorporated within the Suffolk Pension Fund's own report. This detailed how much money had been pooled by all the individual funds and the savings that had been made to date. This would be forwarded to Board members for information.

The ACCESS pool would now be looking at options for investing in Alternatives. The Head of Pensions confirmed that Property would be the first asset type to be created and it was hoped that from next year a recommendation for where this would be invested would be known. Private Debt or Private Equity would follow on from that sometime in 2024 and Infrastructure would likely follow in 2025. Part of the reason for the slightly extended timeline was down to officer time to support those developments. At the Joint Committee's December meeting, it would discuss whether this would be an acceptable timeframe, or if there was another way to bring the developments forward.

The Board was also informed that Link, the operator for the ACCESS pool, were currently subject to a takeover bid. The company was owned by the Australian Link Group. The Financial Conduct Authority (FCA) investigation into Link's conduct in the demise of the Woodford Investment Fund has not yet concluded

but it could have a bearing on any takeover. Members were told that Woodford had a product which was held by Link, and the Kent Pension Fund had a large investment in it, as well as many other investors. This fund ran into difficulty with the product being gated and was liquidated by Link with the money being returned to investors which was much less than had been invested. The FCA had not announced its decision however, because of the takeover, the FCA had confirmed the fine level could be as much as £50m to Link, and the retribution for the investors could be as much as £306m. Link was defending its position and did not believe it had done anything wrong. This had been announced because of the takeover arrangement, so that the liabilities were known. The share price had been affected by this announcement and the situation was unlikely to be resolved within the next 18 months. ACCESS's lawyers, Squire Patton Boggs, were looking at the contract and the risks to ACCESS. Members were also informed that the ACCESS pool were also at the point of starting to look at the re-procurement of what would happen at the end of the Link contract, which runs until 2025. Members were assured that this was being considered carefully by ACCESS. The government had also taken an interest with Teresa Clay at the Department for Levelling Up, Housing and Communities (DLUHC) being in contact with ACCESS to find out what preparations the pool was taking just in case. As the pool's assets were deposited with Northern Trust it was safe, and so the pool would not be affected by any possible fines the Link Group might receive.

In response to questions from members, the Head of Pensions confirmed that Link provided operator services for the Welsh pool. It was believed that Link also worked with the London CIV in the past, although it was not known whether this was an ongoing relationship. Members also heard that Link were doing the job intended for ACCESS. There was a plan for up to 35 sub-funds to be created, and Link had created 26 of them to date with funding transferred, and very few delays from the FCA during the application process. Link had also been reporting to the pool as required. However, members heard that it had probably been harder work than originally thought.

Decision: The Board noted the update.

Reason for decision: The Board was interested in being kept up to date with the progress of the ACCESS pool.

Alternative options: There were none considered.

Declarations of interest: There were none declared.

Dispensations: There were none granted.

18. Information Bulletin

The Board noted the Information Bulletin at Agenda Item 7.

19. Pension Board Risk Register

At Agenda Item 8, the Board received a report which set out its Risk Register and how the risk control measures had been implemented against the risks.

The report was introduced by the Lead Accountant, Pensions, and members had an opportunity to ask questions.

Decision: The Board:

- a) reviewed the implementation of the risk control measures.
- b) reviewed and approved the Pension Board Risk Register, subject to an amendment to SPB04: to change the 'Impact' to 3; the 'Probability' to 2; the 'Risk Score' to 6; with the 'Risk Rating' remaining at Medium.
- c) noted the Risk Management Strategy.

Reason for decision: The Board considered that risk management was a key responsibility of those charged with Pension Fund governance with a duty to identify the range of risks that could affect the long-term sustainability of the Fund.

The effective management of risk was also an area which was covered within the CIPFA Knowledge and Skills framework which recognised the importance of understanding the risks that could have an impact on the Pension Fund and what steps could be taken to mitigate such risks.

Members were aware that new mitigation measures had been implemented in the past year to ensure Board members had the appropriate knowledge and skills to discharge their responsibilities. One of the mechanisms now in place included the new online learning provided by Hymans Robertson which allowed officers to see when members had completed the training. A member also noted that there were several changes in the membership a few years ago which could also have increased the score at that time. The Board no longer considered risk SPB04 needed to remain high and were content that Board members could discharge their duties to oversee the governance of the pension fund effectively. Therefore, members agreed to reduce the risk scores for SPB04 accordingly.

Alternative options: There were none considered.

Declarations of interest: There were none declared.

Dispensations: There were none granted.

20. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 9.

Decision: The Board approved its Forward Work Programme subject to the following amendments:

- a) To receive a report on employers and admitted bodies to the Fund – added to 7 December 2022 meeting.
- b) To receive a report on the recruitment process for the new Active and Pensioner Board representatives which would become vacant in spring 2023. The report would include the information pack that would be sent out to the respective scheme and retired members as well as employers, which detailed the application process. The Board would also have an opportunity to consider the desired attributes for a member that the independent interview panel could measure against when making an appointment – added to 7 December 2022 meeting.

- c) An agenda item to appoint two observer members (at least one scheme member representative) to attend the meeting of the ACCESS Joint Committee on 6 March 2023 – added to 7 December 2022 meeting.
- d) To consider reports on governance, internal audit, cyber security, and scams. Officers would need to check the internal audit timetable to see when the most appropriate time would be to involve them – Unscheduled items.

Reason for decision: The Board regularly reviewed items appearing on the Forward Work Programme and was satisfied that its current work programme was appropriate.

The meeting closed at 3:51 pm.

Chairman