

Minutes of the Suffolk Pension Board Meeting held on 4 December 2024 at 11:00 am in the Rose Mead Room, Endeavour House, Ipswich.

Present: Councillor Richard Smith MVO (Chairman) (representing Suffolk County Council), Richard Blackwell (representing Pensioners), Ian Blofield (representing all Borough, District, Town and Parish Councils), Kay Davidson (representing Active Members), and Thomas Jarrett (representing all other employers in the Fund).

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

25. Apologies for Absence

An apology for absence was received from Pauline Bacon (representing the Unions).

26. Declarations of Interest and Dispensations

Richard Blackwell and Councillor Richard Smith MVO declared an interest by virtue of the fact they were each in receipt of a local government pension.

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

27. Minutes of the Previous Meeting

The minutes of the meeting held on 16 October 2024 were confirmed as a correct record and signed by the Chairman.

28. Pensions Administration Performance

The Board received a report at Agenda Item 4 which provided an update on the performance of the Pensions Administration Team. The report also included details of compliments and complaints received by the Administration team and details on the timeliness of contribution payments from employers in the Fund. The report was introduced by Stuart Potter, Pensions Operations Manager, and Sharon Tan, Lead Accountant (Pensions). Members had the opportunity to ask questions.

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.

Members were assured that the Pensions Team were supporting the scheme member who had not received their Additional Voluntary Contribution payment from Standard Life.

A member enquired about the 31 March deadline for the McCloud remedy. The officer noted challenges due to pending HMRC tax legislation and confirmed the system was not fully operational, especially for on-call and retained firefighters, although they were working through the cases. Collaboration with the Fire Service and Firefighters Pension Board was ongoing. There were no immediate consequences for missing the deadline, and the Home Office had asked about progress and potential extensions. Progress was tracked monthly by the Local Government Association.

Members were informed that a letter would be sent to the employer consistently making very late payments to the Fund. This letter would remind them of the Fund's Administration Strategy and the potential for interest charges to ensure fairness for all employers. Members expressed their gratitude to the Lead Accountant for diligently overseeing the Fund's contribution payments, ensuring 99.5% of employers paid on time. The Board was assured that appropriate actions were in place to remind the 0.5% of employers who failed to pay on time of their responsibilities to the Suffolk Pension Fund.

Alternative options: There were none considered.

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

Dispensations: There were none granted.

29. Government Pension Review

At Agenda Item 5, the Board received the interim report of the Pension Investment Review outlined in the Chancellor of the Exchequer's Mansion House speech delivered on 14 November 2024 and the consultation in regard to the proposed reforms. The report was introduced by Sharon Tan (Lead Accountant, Pensions) and members had the opportunity to ask questions.

Decision: The Board:

- a) noted the report.
- b) requested that Board members receive a copy of the draft response to provide input, if necessary.
- c) requested that the item be included on future agendas to ensure Board Members were regularly briefed.

Reason for Decision: The Board needed to stay informed about the Pensions Investment Review. The Government had published an interim report outlining proposals for the scale and consolidation of the LGPS, seeking views on asset pooling, UK and local investment, and governance. A response from the Suffolk Pension Fund would be submitted by 16 January 2025. The final Government report, forming the basis of the Pension Bill, would be published after considering consultation responses and laid before Parliament in Spring 2025.

A member asked whether the necessary changes could be implemented by 1 April 2026, allowing a year for the process. The Lead Accountant responded that no clear guidance had been issued but noted that establishing a competent FCA

regulated pool typically took a minimum of 18 months. She mentioned unhelpful speculation in certain publications about the fragmentation of ACCESS but emphasised that ACCESS aimed to remain unified, with over £50 billion currently invested in the Pool, excluding legacy investments. The Lead Accountant highlighted that significant costs would arise regardless of the option chosen – whether merging, building, or joining another pool. She stressed the need for a prompt decision by Government after the 26 February deadline to avoid delays and additional costs.

A member asked how the Fund's current investment policies might conflict with the UK investment policy imposed by the Government. The Lead Accountant explained that the Government's standard allowed large foreign pension funds, such as the Canadian Fund or the US Teachers' Fund, to invest in the UK, while UK Pension Funds were considered to underinvest in UK infrastructure. She noted that the Suffolk Pension Fund diversified its investments globally through managers with strong track records, without excluding UK investments. Foreign pension schemes also faced challenges related to foreign exchange differences when investing globally. She added that UK infrastructure investments often did not align with the Fund's risk-reward criteria. The Lead Accountant stressed that large funds must diversify their investments, even if this included smaller opportunities with lower returns. Members were informed that if the LGPS were unified, it would have £450-500 billion in assets, benefiting from economies of scale.

A member sought clarification on the consultation process and the long-awaited governance review. The Lead Accountant explained that the governance review, initiated pre-COVID, focused on ensuring good governance within the Fund, including mandatory training for committee members and updating the governance policy. The current review also recognised the Pool's role in setting the investment strategy, raising concerns about potential conflicts of interest. The officer explained that while the Committee could replace an underperforming investment consultant, this flexibility would be lost if the Pool managed all investments and selected managers. The lack of control over the Pool posed a significant concern, as poor decisions by the Pool could have widespread negative consequences.

A member acknowledged the uncertainty and noted that most options, such as merging or building, would take over a year, likely necessitating interim arrangements. He expressed concerns about the large number of members in the ACCESS Pool and the potential for delayed decisions due to the need for consensus. The Lead Accountant emphasised that, despite ACCESS comprising 11 funds, a well-structured and financially sound response must be submitted by 26 February. She confirmed that the Pool would continue its current operations, with several projects on hold. ACCESS planned to reappoint Waystone starting 1 April 2025 and, if permitted by the Government, focus on building the pool to avoid interim measures.

Alternative options: There were none considered.

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Dispensations: There were none granted.

30. Path to Net Zero

At Agenda Item 6, the Board received the Pension Fund's 'Path to Net Zero' document which set out the strategy and a high-level action plan on how the Path to Net Zero would be achieved and monitored. The report was introduced by Sharon Tan (Lead Accountant, Pensions) and members had the opportunity to ask questions.

Decision: The Board noted:

- a) the Path to Net Zero document.
- b) that it would receive further information when available following the completion of work by Hymans Robertson (expected September 2025).

Reason for decision: The Pension Fund was committed to aligning its portfolio with the Paris Agreement and had set a net zero target for 2050 or earlier. The Path to Net Zero document outlined the strategy and a high-level action plan for achieving and monitoring this target.

Members were informed that the first objective was to assess the level of climate risk within the Fund's investment portfolio. This involved establishing an estimated baseline as of 2019 and determining an accurate baseline for 2024. It was noted that once this analysis, conducted by Hymans Robertson, was complete, the findings would be presented to the Committee and the Board.

During the discussion, a member raised broader ESG (Environmental, Social, and Governance) considerations, including stranded assets and the need to address upstream environmental degradation. They questioned whether the strategy's focus on reducing carbon emissions accounted for potential negative consequences, such as environmental damage from sea mining and the extraction of materials for electric vehicle batteries. The Lead Accountant acknowledged the complexity of balancing specific ESG issues while aligning with the Paris Agreement. They noted that while some committee members felt that the 2050 target was not ambitious enough, eliminating certain portfolio elements remained challenging. The importance of integrating ESG principles into the upcoming Investment Strategy Statement was emphasised, along with the need for thorough due diligence by fund managers. Engagement with companies was highlighted as a key responsibility for investment managers, given the Committee's limited capacity in terms of time and expertise. The Board recognised the need to balance multiple factors, such as reducing emissions while managing workforce impacts, noting the challenges in quantifying these efforts.

Alternative options: There were none considered.

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Dispensations: There were none granted.

31. Administration System Contract

The Board received a report at Agenda Item 7 which provided an update of the changes that would be made to the Pensions Administration System as part of a new contract. The report was introduced by Stuart Potter, Pensions Operations Manager, and members had the opportunity to ask questions.

Decision: The Board noted the report.

Reason for decision: The Pensions Administration System was fundamental to the Suffolk Pension Fund delivering effective and efficient services to scheme members.

In response to a question from a Board member, the Pensions Operations Manager confirmed that a five-year contract was awarded to Heywood without a full procurement process due to time constraints and system compatibility issues related to the McCloud and Matthews legislation deadlines. Only two Administration System providers from the national LGPS framework responded to the Council, both offering similar system capabilities. Implementing a new system would have required 15 months, overlapping the existing contract's expiration in October 2024, making a transition unfeasible. A five-year term was chosen for cost efficiency and to ensure uninterrupted progress on critical legislative work, with plans for a full procurement exercise in 2027/28.

Alternative options: There were none considered.

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Dispensations: There were none granted.

32. ACCESS Pool update

At Agenda Item 8, the Board received a verbal update from Sharon Tan, Lead Accountant (Pensions) on the recent developments within the ACCESS pool.

The Committee was informed that the ACCESS Joint Committee meeting scheduled for 2 December was replaced with a strategy meeting following the Government's recent announcements. The next Joint Committee meeting was scheduled for 10 February 2025, aligning with the submission date for the Government's Pension Review.

It was reiterated that the operator contract ending at the end of the year had gone through a full procurement process. Waystone was appointed as the new operator, and the unsuccessful bidders were notified. The new operator was set to begin on 1 April 2025, with preparations underway to ensure a smooth transition.

Other activities included sub-fund reviews, which had been put out to procurement to find a reviewer. However, this process was currently on hold to avoid incurring costs on a review that might become obsolete within a year. The Joint Committee was also finalising private equity manager appointments, with

the Suffolk Pension Fund positioned to make a commitment as soon as the fund opened. However, plans to build an internally operated private equity vehicle were deferred until the future of pooling became clearer.

Additionally, the Joint Committee was considering procuring a Responsible Investment (RI) provider to support reporting and engagement, particularly for net-zero initiatives, including voting guidance and engagement with companies in emerging markets. However, due to associated costs and recent Government announcements on the Pension Review, this initiative was also paused.

The Lead Accountant emphasised the importance of maintaining pool operations efficiently while minimising unnecessary expenditure.

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.

In response to a question from a member regarding satisfaction with the ACCESS pooling arrangement, the Lead Accountant highlighted its benefits. Members noted that ACCESS had enabled member funds to maintain a collective voice while retaining a degree of control over investment decisions, unlike some other pools where individual funds had limited influence. The Lead Accountant reflected on the active role of the 11 member funds' chairs and officers in shaping ACCESS's development and ongoing operations. While acknowledging a sense of attachment to the arrangement, she emphasised that it remained a contractual relationship, reinforcing the need to balance operational continuity with flexibility in future decisions.

Alternative options: There were none considered.

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Dispensations: There were none granted.

33. Information Bulletin

The Board noted the Information Bulletin at Agenda Item 9.

The Chairman informed Board members that a link could be provided if they wished to observe the Annual Employers' Meeting on 10 December.

34. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 10.

Decision: The Board approved its Forward Work Programme as published, including the addition of the 'Government Pension Review' to future agendas to ensure Board members received regular updates (as noted at Minute 29 above).

A minor technical amendment to remove the 'Forward Work Programme' as an item from the plan was also agreed.

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 12:17 pm.

Chairman

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