

Minutes of the Suffolk Pension Board Meeting held on 23 March 2022 at 11:00 am in the King Edmund Chamber, Endeavour House, Ipswich.

Present: Councillor Richard Rout (Chairman) (representing Suffolk County Council), Pauline Bacon (representing the Unions), Ian Blofield (representing all Borough, District, Town and Parish Councils), and Eric Prince (representing Pensioners).

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

35. Apologies for Absence

Apologies for absence were received from Thomas Jarrett (representing all other employers in the Fund), and David Rowe (representing Active Members) who was unable to attend the change in meeting date at the time the Board was consulted about the change.

36. Declarations of Interest and Dispensations

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

Ian Blofield and Pauline Bacon declared a non-pecuniary interest by virtue of the fact they were active members of the pension scheme.

37. Minutes of the Previous Meeting

The minutes of the meeting held on 10 December 2021 were confirmed as a correct record and signed by the Chairman.

38. Matters Arising

Eric Prince requested an update to minute 26 b). Members were told that it was not presently possible to attach the pensioners newsletter to an email using the current system, however if this were to become an option in the future, it could be looked at. The Board was reminded that the pensioners newsletter was available via Members Self Service, the pension fund website, and paper copies could also be issued where requested. Eric Prince reiterated his desire to improve communications with pensioners, stating that he believed the newsletter would be read by more people if it was provided as an attachment to an email, rather than to expect elderly pensioners to find their way using passwords on to an IT system.

39. Pensions Administration Performance

At Agenda Item 4, the Board received a report which provided an update on the performance of the Pensions Administration Team. The report also included details of the compliments and complaints and receipt of contribution payments from employers.

The report was introduced by Stuart Potter, Pensions Operations Manager and Sharon Tan, Lead Accountant (Pensions), and members had an opportunity to ask questions.

In response to questions from members, Officers said that there was funding in place to recruit to the fixed term positions within the Pensions Administration Team. Officers confirmed that a recruitment process would soon be taking place to search for a new permanent employee, in addition to the fixed-term posts as noted at paragraph 12 of the report, because an individual had been recently resigned for personal reasons.

The Board also heard as part of the pension administration team's general reviews, several pensioners had been identified who did not receive increases on their second and third pensioner contracts in April 2021. Members were assured that the issue had now been resolved, and arrears had been paid in March 2022 to everybody due. Further information on this would be included in the paper coming to the Board's June meeting.

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.

40. Administration and Management Expenses

The Board received a report at Agenda Item 5, which set out the proposed administration and management expenses for the Pension Fund as presented to the Pension Fund Committee at its meeting on 28 February 2022.

The report was introduced by Sharon Tan, Lead Accountant (Pensions) and members had an opportunity to ask questions.

In response to a question from a member, Officers confirmed that the Governance and Oversight costs were unlikely to increase throughout 2022-23 due to a rise in inflation, partly because the contracts with the Actuary and investment advice had been re-tendered through a procurement exercise earlier this year, with Hymans Robertson winning the contract at a competitive price. It was also noted that the investment advice was calculated on what Officers believed the Committee might ask for throughout the year, however costs could increase if the Committee decided to do something different or request extensive advice on certain subjects.

Decision: The Board noted the report and wished to pass on its compliments to all Officers involved.

Reason for decision: Members were aware that the costs incurred by the Pension Fund in managing the Fund were related to administration, investment management and governance costs. Some of the costs were incurred by Suffolk County Council as administering authority of the Pension Fund.

The Pension Board was required to ensure the effective and efficient governance

Alternative options: There were none considered.

Declarations of interest: There were none declared.

Dispensations: There were none granted.

41. ACCESS Update

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

Members were informed that there had been two meetings of the Joint Committee since the Board last received an update.

Members heard that the M&G Alpha Opportunities sub-fund opened on 1 December 2021 which was one that Suffolk had been waiting several years to invest in. This meant that Suffolk had now invested through three of the pooling sub-funds, including Black Rock and Newton. Additionally, the UBS passive mandate meant that 60% of Suffolk's funds were now pooled with ACCESS. Members also noted that there were presently 25 sub-funds that Suffolk could invest in with a plan for a further 10 sub-funds to be created over the next 18 months.

The Board was informed that the Chair of Joint Committee would soon be issuing a progress update which would be shared with members in due course. This would cover several topics, including information about the agreement for pension board members to attend meetings of the Joint Committee. This would be in an observer role, with the only direction from the Joint Committee being that it should include at least one scheme member representative. This would be arranged on a rotational basis over the year; each of the 11 funds would be given one meeting date for two of their pension board members to attend. Up to six observers, from three funds, would be invited to attend each Joint Committee meeting. Members noted that this was a positive change however as it required a change to the Inter-Authority Agreement (IAA), this could mean that this new approach might not start until the Joint Committee's September 2022 meeting. Suffolk was in the third meeting tranche, as they had arranged it alphabetically, so it was hoped the Board would decide on two representatives to attend the March 2023 meeting of the Joint Committee at a future meeting.

Members also noted that there were two other changes needing to be made to the IAA: one relating to the Responsible Investment guidelines as discussed by the Board at its December 2021 meeting. The second being that clarity needed to be made to the IAA on who could be a Joint Committee member. Members heard that presently, only administration authority councillors were able to attend meetings, however in Suffolk's case, a member appointed by the district council had been elected as the Vice Chairman of the Suffolk Pension Fund Committee, which meant he was unable to substitute for the Chairman at meetings of the Joint Committee. The change would make it so any councillor member of a

pension committee would be able to attend a meeting of the Joint Committee, and not restricted to an administration authority councillor.

The Board was also informed that MJ Hudson, who had been appointed to advise ACCESS on Alternatives, had started to work with all the individual funds. A decision was taken on 7 March for Property to be the first sub-fund of the four Alternative asset classes, the others being Private Equity, Private Debt and Infrastructure, with some further work being undertaken to decide which of the other three mandates would be looked at next. Members heard that this would give the Fund opportunities to transfer further monies into the pool. It was likely that the work on the Property asset class would take 9 months to a year to be put in place. In response to a question from a member, the Head of Pensions confirmed that the Property offering would likely include a residential property offering within it, as well as a global offering, and the core UK corporate property offering.

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.

42. Risk Register

At Agenda Item 7, the Board received a report which set out the Risk Register and how the risk control measures had been implemented against the risks.

The report was introduced by Sharon Tan, Lead Accountant (Pensions) and members had an opportunity to ask questions.

In response to questions from members, the Board was informed that Suffolk only had some funding invested in Russia as part of its emerging markets fund. The Fund had 1% of its assets invested in emerging markets, and of that less than 10% had been invested in Russia. The Board noted that the Fund's value dropped by £140 million in a short space of time following the invasion of Ukraine, however the markets had fluctuated daily, and the Fund had seen a return of £60m since the end of February. Because of the broad range of assets, the Fund was invested in geographically and the types of assets meant that any one change in one area did not necessarily knock the value of all the assets, although it would have some effect. At the point of the Valuation, an assumption would be made that Russian assets would not be tradeable, and it would be marked as zero in terms of the asset values. Also, index providers were removing Russian assets from the index and so the Fund would not end up with Russian holdings going forward.

Members also heard that the high levels of inflation would be played out on the liabilities side, because pensions were guaranteed to rise with inflation. The Actuary would be taking that into account when it looked at the valuation of the Fund. Members were reminded that the Fund was an open, long-term fund, so the Actuary would be considering inflation costs over the next 20 years. Although most commentators were suggesting a massive rise in inflation, higher than had

been experienced in many years, they were not expecting it to remain high. So, over a 20-year period, the high inflation costs were unlikely to make a major difference to the valuation of the Fund. As of today, the Fund's value was at £3.665 billion, and had risen by £300 million since last year, when the Fund was valued at £3.3 billion. At the last Valuation in 2019, the Fund was just below £3 billion, and so the assets had appreciated significantly, and the Actuary's last estimate was that the Fund would be funded at 118%. With the drop in value since February 2022, the Fund would probably have been funded at 113%, which was the same as it had been valued in September 2021. This number was very volatile and moved around a lot. However, if commentators believed that a rise in inflation would be a shorter-term hit, the Fund already had some buffer in it to help cope with that by the time of the valuation on 31 March 2022.

Decision: On the proposition of Eric Prince, seconded by Pauline Bacon, the Board unanimously agreed to approve the Pension Board Risk Register as published and noted the implementation of the risk control measures.

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.

Alternative options: There were none considered.

Declarations of interest: There were none declared.

Dispensations: There were none granted.

43. Information Bulletin

The Board noted the Information Bulletin at Agenda Item 8.

44. 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 as published.

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

45. Exclusion of the Press and Public

Decision: The Committee agreed that the public (including the press) should be excluded from the meeting during the consideration of Agenda Item 11 on the grounds that:

- a) that it involves the likely disclosure of exempt information by virtue of paragraph 3 (information relating to the financial or business affairs of any particular person, including the authority holding that information) of Parts 1 to 3 of Schedule 12A (as amended) of the Local Government Act 1972 (as amended); and

- b) that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

46. Exempt Minutes of the Previous Meeting

The exempt minutes of the meeting held on 10 December 2021 were confirmed as a correct record and signed by the Chairman.

The meeting closed at 12:09 pm.

Chairman