

Minutes of the Suffolk Pension Board Meeting held on Tuesday 25 July 2023 at 11:00 am in the Rose Mead Room, Endeavour House, Ipswich.

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

Also present: Scott Douglas, Northern Trust (Agenda Item 6, attended remotely) and Tatum White, Senior Auditor (Agenda Item 5).

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

The meeting was opened by the Democratic Services Officer.

1. Election of Chairman and Vice Chair

Councillor Richard Rout offered to chair the Board which was seconded by Richard Blackwell. Therefore, it was unanimously agreed that Councillor Richard Rout be elected as Chairman of the Board for the 2023/24 municipal year.

Councillor Richard Rout assumed the Chair.

Pauline Bacon offered to be Vice Chair of the Board which was seconded by Councillor Richard Rout. Therefore, it was unanimously agreed that Pauline Bacon be elected as Vice Chair of the Board for the 2023/24 municipal year.

2. Apologies for Absence

Apologies for absence were received from Thomas Jarrett (representing all other employers in the Fund).

3. Declarations of Interest and Dispensations

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

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

4. Minutes of the Previous Meeting

The minutes of the meeting held on 10 March 2023 were confirmed as a correct record and signed by the Chairman.

5. Internal Audit Work on the Pension Fund 2022-23

At Agenda Item 5, the Board received a report which detailed the internal audit work performed in the 2022/23 financial year relating to Suffolk Pension Fund, and the audit opinions on the control environment resulting from that work.

The Chairman welcomed Tatum White, Senior Auditor, to the meeting. She presented the report and members had the opportunity to ask questions.

In response to a question from a member, the Senior Auditor explained that the reason why Pension Administration was rated as 'reasonable assurance' was due to the work of the pensions team being so vast with many transactions and so there was more scope for error and therefore more scope for improvement. She added that there was nothing to be concerned about, but it was the volume of work that was the key reason for the 'reasonable assurance' rating.

A member also raised concerns with the ongoing issues with the data quality reports extracted from Oracle Fusion. The Head of Pensions confirmed that this had not yet been resolved. He shared with members that the data covered Suffolk County Council, East Suffolk Council and Babergh Mid Suffolk District Council employees and a solution needed to be implemented in the next two weeks to ensure Annual Benefit Statements for members could be produced by the end of August 2023 deadline. Whilst the project had been a challenge, he assured members that the situation was now looking much more positive.

A member enquired into the process of identifying pension team employees who might have familial links to pension fund members who would therefore have the ability to amend those pension records. The Board was informed that the Pensions team presently had two sisters working for the team, and whilst the relationship was known, he said it was right this had been highlighted by the audit. Members were assured that the pensions system Altair logged all changes made to pension records and it could identify who made the changes. However, to remove the risk of perceived or actual conflicts of interest, and to reduce the opportunity of fraud, a new process had been implemented for pension employees to declare any relationships which would be kept as an ongoing record. This would be maintained throughout the year and employees would be expected to update their declaration as soon as their circumstances changed. Those records would be shared with internal audit on an annual basis.

In response to a question from a member, the Board was assured that data checks were run on a regular basis, and the data held by the Fund was compliant. Members heard that the Pensions Team was able to hold records for a long time after someone had passed away. The team was always looking to improve its processes, and it was hoped that it would soon have set times to review the data, however it was confirmed that this work was ongoing.

Decision: The Board took assurance from the work and activities of the Internal Audit Service with a view that processes and controls within the Pensions Team were operating effectively.

The Board also wished to congratulate the Pensions Team on its high standards.

Reason for decision: The Board had responsibility for assisting the Suffolk Pension Fund comply with all legislative requirements and for ensuring that the scheme was being effectively and efficiently governed and managed.

Alternative options: There were none considered.

Declarations of interest: Richard Blackwell declared an interest by virtue of the fact he was in receipt of a local government pension.

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

Dispensations: There were none granted.

6. Investment Performance

At Agenda Item 6, the Board received a report which provided a summary of the performance of the Suffolk Pension Fund for 2022-23 and performance benchmarking against other local authority Pension Funds.

The Chairman welcomed Scott Douglas, Northern Trust, who joined the meeting remotely (via Teams). He presented the report and members had the opportunity to ask questions.

Members heard that the Fund's three-year performance was very strong and the diversification in the portfolio meant it was well set to manage risk. The Head of Pensions informed the Board that the Committee had set relatively challenging performance targets for the Fund's investment managers and when market did not go up a great deal, the 8% target might not be met for that year, however it was achieved over the long term.

In relation to the PIRC data, it was highlighted to members that because of the diversification of the Fund and its low-risk strategy, Suffolk had been in the top quarter of local authority funds in terms of performance this past year. When looked at over the 10-year period, it showed the Suffolk Pension Fund to be average at roughly the 40th percentile out of 100. The Board noted that this was a good place to be. A member added that considering the recent events affecting the markets such as the war in Ukraine and Brexit, being only 0.85% below the benchmark was negligible, and it was recognised that most of the Fund's investments were doing well.

Decision: The Board noted the investment performance of the Fund.

Reason for decision: The Board received an annual update on the investment performance of the Fund.

Alternative options: There were none considered.

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Dispensations: There were none granted.

7. Pensions Administration Performance

At Agenda Item 7, the Board received a report 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 the Pensions Operations Manager who joined the meeting remotely (via Teams), and the Lead Accountant (Pensions). Members had the opportunity to ask questions.

In response to a question from a member, the Lead Accountant (Pensions) advised that iConnect probably would not help improve the timeliness of the contribution payments, however, once the pensions finance team were onboarded to the system, it could bring some benefits to reconciling the data using a more formalised process, rather than by copying and pasting information as was presently done.

Also, in relation to the complaint from a multi academy trust (MAT) noted at paragraph 19 of the report, the Head of Pensions explained that the MAT did not take out insurance, which they had the option to take out, because it thought additional monies would need to be paid. This raised a query as to whether a paper to the Board or a training session be delivered on how ill health strain costs actually worked, how the actuary took the calculation into account, whether the changes in working practices could change the number of ill health retirements and the effect on employers.

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: Richard Blackwell declared an interest by virtue of the fact he was in receipt of a local government pension.

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

Dispensations: There were none granted.

8. **ACCESS Pool update**

At Agenda Item 6, the Board received a report which covered the recent developments within the ACCESS pool.

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

The Head of Pensions informed members that the Link Fund Solutions sale was progressing, and a company called Waystone was acquiring it. It was confirmed that each of the 11 funds had received a contract novation form to be signed and it was believed this was now completed. The rebrand from Link to Waystone would happen in October 2023.

The Board also heard that ACCESS had commissioned a third-party review of itself, being undertaken by Barnett Waddington, an actuarial investment firm. It would be asking whether ACCESS was doing what it had set out to do and did the Support Unit have enough resources to deliver the work of ACCESS. This report would be considered by the Joint Committee at its September meeting.

A member pointed out that the combined total of pooled assets had increased in value by £1.675bn from December 2022 quarter end, however there was roughly

£300m missing from the reasons for this in the summary update paper noted at page 65 of the report. The Lead Accountant (Pensions) advised that the paper had only accounted for the high-level numbers, as passive investment also had movement which had not been included. However, because the Lead Accountant (Pensions) reconciled the figures for the ACCESS pool, she would check that the figures were correct.

Decision: The Board noted the report.

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.

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

Dispensations: There were none granted.

9. Information Bulletin

The Board noted the Information Bulletin at Agenda Item 9.

10. Board Training Programme

At Agenda Item 10, the Board considered its training programme for the next 12 months.

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

Members were informed that the Committee's annual training day in London was set for 27 October 2023 and Board members were welcome to attend. This would include a discussion on new opportunities around impact investing. An invite would be sent out in due course.

Decision: The Board agreed the content of the training programme for the coming year raising the following as potential future topics:

- a) Ill health strain costs.
- b) Procurement.
- c) Good Governance.
- d) Pressures around ethical investing.

Reason for decision: To comply with the Pensions Regulators requirements, members of the Pension Board must be able to demonstrate that they had the required knowledge and understanding of Local Government Pension Scheme (LGPS) issues.

- a) A member wished to explore how the likely increase in ill health amongst the working population might impact the fund, the effect on employers and how this was accounted for by the actuary.

- b) Linked to the Technical Knowledge and Skills Framework, a member suggested a session related to Procurement and the post Brexit regulations.
- c) A member suggested a session on any changes related to the pension fund as and when they were known. The Head of Pensions advised that a Good Governance session for the Committee would be planned following a project undertaken several years ago which would be implemented in the next year. Officers confirmed this could be duplicated for the Board.
- d) A member noted that whilst the Board was not a decision-maker, it was felt useful if members could have oversight of the Committee's ethical investing, either net zero or where the investments sat. It was noted that members could have an idealistic viewpoint about ethical investing but in counterbalance the returns could be damaged very quickly if there were too many restrictions. Members were aware that one of the key reasons the Fund underperformed in the equity markets was because there were less oil and gas stocks than the average market. Whilst from an ethical climate change point of view, it could be argued the Fund was on the right side of it, in terms of investment performance the Fund was on the wrong side of it as that was the area in the market that increased in value.

Other comments: During the discussion, a member raised concerns about the Fund's exposure to Water Boards/Companies, noting the recent fines they were being ordered to pay and how this could affect share prices. Officers believed there was some funding within infrastructure, however because a lot of the funding was now pooled, the Fund did not own those shares. Officers would investigate this and include it as an Information Bulletin item at the next meeting. The member added that they wished to make representation to the ACCESS Pool about the spillages water companies were doing in the context of meeting the Fund's Environment, Social and Governance objectives.

Alternative options: There were none considered.

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

Dispensations: There were none granted.

11. Dates of Future Meetings

At Agenda Item 11, the Board considered its dates of future meetings.

Decision: The Board agreed to the following dates for its future meetings:

2023/2024 Municipal Year:

- Tuesday, 17 October 2023 (10:30am) – to take place remotely.
- Tuesday, 6 December 2023
- Friday, 10 March 2023

2024/2025 Municipal Year

- Tuesday, 23 July 2024
- Wednesday, 16 October 2024

- Wednesday, 4 December 2024
- Friday, 7 March 2025

All meetings would take place in person at Endeavour House starting at 11am, unless otherwise stated.

Reason for decision: The Board had choice over the dates for its future meetings and sets the planned dates up to two years in advance.

Alternative options: There were none considered.

Declarations of interest: Richard Blackwell declared an interest by virtue of the fact he was in receipt of a local government pension.

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

Dispensations: There were none granted.

12. Forward Work Programme

The Board received a copy of its Forward Work Programme at Agenda Item 12.

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.

The meeting closed at 12:29 pm.

Chairman

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