

## KENT COUNTY COUNCIL

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### PENSION BOARD

MINUTES of a meeting of the Pension Board held in the online on Friday, 12 February 2021.

PRESENT: Mrs M E Crabtree (Chairman), Mr J Parsons (Vice-Chairman) and Mrs R Binks

ALSO PRESENT: Mr C Simkins and Mrs A van Bochove Allen

IN ATTENDANCE: Mrs A Mings (Treasury and Investments Manager, and Acting Business Partner for the Kent Pension Fund), Mrs B Cheatle (Pensions Manager), Ms S Surana (Principal Accountant - Investments), Mr S Tagg (Senior Accountant - Pension Fund), Miss T A Grayell (Democratic Services Officer) and Ms E Kennedy (Democratic Services Officer)

### UNRESTRICTED ITEMS

#### **1. Apologies and Substitutes**

*(Item 1)*

Apologies for absence had been received from Mr D Coupland, Ms A Kilpatrick and Mr D Monk. There were no substitutes.

#### **2. Declarations of Interest by Board members on items on the agenda for this meeting**

*(Item 2)*

There were no declarations of interest.

#### **3. Minutes of the meeting held on 15 October 2020**

*(Item 3)*

It was RESOLVED that these were a correct record and that a paper copy be signed by the Chairman when this can be done safely. There were no matters arising.

#### **4. Internal Audit action plan update - verbal**

*(Item 4)*

1. Mrs Mings gave a brief update of work on the governance review and the review of the finance function, both of which had started since the last report to the board and were now progressing. Mrs van Bochove Allen from Barnett Waddingham was present at the meeting and would be attending the Superannuation Fund Committee meeting on 12 March to observe how the committee and the board worked together. A follow-up review by Internal Audit had been undertaken in December 2020, before Mrs van Bochove Allen had started her work, and reported to the Governance and Audit Committee in January. The Barnett Waddingham review should be completed in late March or early April, with the outcome to be reported to both the committee and the board and to the Governance and Audit Committee.

2. There were no questions and the update was NOTED, with thanks.

## **5. Pension Fund business plan**

*(Item 5)*

1. Mrs Mings introduced the report and highlighted the impact on the business plan of the McCloud judgement and the exit cap *(see note following minute 7, below)*. The completion of accounts had been delayed this year but was expected to follow the usual timetable next year. Costs had been higher due to work on the Equity Downside Protection (EDP) programme but this increase had been offset by savings elsewhere. Mrs Mings responded to comments and questions, including the following:-

- a) asked about the forecast legal fees for next year, Mrs Mings advised that legal fees related mostly to employer matters, and although there were currently fewer employers joining the scheme, more employment issues were expected to arise in the year, so the costs were expected to be about the same as for 2020-21. The estimate included in the business plan was considered to be a reasonable forecast;
  - b) the level of legal fees generated was not something the County Council could control as it had an obligation to bear certain costs when any new employer joined the scheme, and a different but lower set of costs when an employer left. Wherever possible, the legal fees relating to admissions were recovered from the employer; and
  - c) the resources required to support the committee's responsible investment programme could not yet be identified as work had only just started and the workload and resource impact of it were not yet clear.
2. It was RESOLVED that the updated Business Plan and the costs required to deliver the plan in 2020-21 and 2021-22 be noted, with thanks.

## **6. Pensions Administration**

*(Item 6)*

1. Mrs Cheatle introduced the report and highlighted key issues affecting the team, including the time it had taken to set up all staff with the IT equipment and licenses they needed to work from home, the challenge for some staff in working their full hours while balancing caring and home schooling commitments and the reliance on the postal service for some of the team's work and the challenges in accessing Sessions House to collect and process post. She emphasised that serving the scheme's current pension claimants was the team's first priority, new claimants and their dependents were next, followed by future claimants, with other work having to wait. However, all annual benefits illustrations had been issued successfully by the end of August, as usual.

2. Mrs Cheatle responded to comments and questions from the board, including the following:-

- a) although all staff now had the IT equipment they needed, some equipment was quite old and did not always work well but the IT team was aware of this and it was hoped that this could be addressed in the next IT refresh programme. The Chairman undertook to make Mr Oakford, the Cabinet Member for Finance, Corporate and Traded Services, aware of the IT issues;
- b) Mrs Cheatle said she was confident that ITM, the company engaged to tackle the backlog of cases, would be able to complete the task by the contracted end date of January 2022. Much preparatory task analysis work had been necessary at the start of the contract but work was now progressing well. In some cases, however, the necessary employer paperwork was not available and employers had to be pressed to supply it to allow cases to be cleared; and
- c) considering the ongoing workload challenges, the new pressures of the McCloud judgement and the exit cap (*see note following minute 7, below*) and the impact of covid-19, the performance figures were good when compared to the previous four years.

3. The Chairman thanked Mrs Cheatle and her team for their continued excellent standard and level of work through a very difficult and challenging time.

4. It was RESOLVED that the report be noted, with thanks.

## **7. Fund Employer and Governance Matters**

*(Item 7)*

1. Mrs Mings introduced the report and highlighted key issues, including the impact of the McCloud judgement and the exit cap (*see note below*), and the impact of the covid-19 restrictions on employers' ability to pay contributions. A few leisure employers had struggled to make contributions due to closure, loss of income and staff furlough. Those struggling had been contacted by the officer team and the Actuary and had been reported to the Pensions Regulator. Mr Tagg added that the number of employers struggling was very low and the delays were mostly only of a few days. Some employers had been able to make a double payment one month to cover a missed month.

2. The split between active and ceased employers (which had not printed out in the pie chart on page 21 of the agenda pack) was 247 active employers and 278 ceased employers.

3. Mrs Cheatle responded to comments and questions about the new exit cap and advised that the cap of £95k applied to all public sector employers and restricted the amount an employer could pay an employee upon retirement or redundancy. It would have a greater impact on employees with long service and on higher pay grades. Government consultation on changes to the scheme regulations to accommodate the new cap had closed on 18 December 2020 but the changes had been made to the scheme and employers had no choice but to start applying the cap. Some associations had sought judicial reviews with regard to the cap and its interaction with the scheme regulations and, until those had been heard, no changes to the regulations were expected. The result of the change was that, since November 2020, the two pieces of legislation which governed pensions payments contradicted

each other, and the Council was relying on advice from the Local Government Association, the Scheme Advisory Board and Squire Patten Boggs.

4. There had so far been no cases in Kent in which the cap would need to be applied but, until the scheme regulations were changed to accommodate the new cap, what the Council was required to do would breach its own scheme regulations, and any such breach would need to be reported to the pension board.

5. Employees would receive a lower payment than they had been expecting but would be able to apply to the internal dispute resolution procedure and then, if that procedure was unable to resolve the issue, to the Pensions Ombudsman or the Courts. However, the Ombudsman would not consider any cases until after a judgment had been made on the current judicial reviews. Once the regulations had been adjusted to take account of the change, many employees leaving the scheme would receive a lower payment that they would previously have received. The length of time it would take to resolve the various issues around regulatory change was not clear but, in the meantime, cases and disputes were likely to arise and would need to be dealt with.

6. Asked if scheme members were aware of the situation and the potential reduction in the level of payment they might expect when retiring or accepting redundancy, Mrs Cheatle advised that information was available on the pensions website but employees had not been sent personal notifications. An employee planning retirement should ask for an estimate or illustration of their pension benefit a minimum of two months before retiring and many would be shocked then by the reduced amount they would receive. The board expressed concern that many people would not realise until this late stage what they would receive and would then have little time to change their retirement plans. Mrs Cheatle advised that it was the duty of each employer to make their staff aware of the new cap and the impact it would have on individuals.

7. It was RESOLVED that the report and the information given in response to questions be noted, with thanks but much concern about the personal impact of the exit cap.

*\* Note: On the afternoon of 12 February, notice was received from the Government that the exit cap regulations had been revoked with immediate effect.*

## **8. ACCESS update** (Item 8)

1. Mrs Mings and Mr Simkins introduced the report and highlighted key areas of work, including the engagement of a communications company to assist with publicising the work of the ACCESS pool. A consultant had also been engaged to assist the pool with drafting a common set of environmental, social and governance (ESG) guidelines. It was important for ACCESS partners to have a common approach to ESG but each authority would also need to have its own policy. The resources of the ACCESS Support Unit had been reviewed and the recruitment for two additional staff was currently proceeding.

2. Asked about the timeframe for the ESG work, Mrs Mings advised that the timeframe was not yet clear; the work was complex and could take a considerable length of time.

3. It was RESOLVED that the report be noted, with thanks.

### **9. Date of next meeting**

*(Item 9)*

The board NOTED that its next meeting would be held on Friday 4 June 2021, commencing at 10.00 am.

### **10. Motion to exclude the press and public for exempt business**

It was RESOLVED that, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

### **SUMMARY OF EXEMPT BUSINESS**

(where access remains restricted)

### **11. Superannuation Fund Committee update**

*(Item 10)*

1. The Chairman of the Superannuation Fund Committee, Mr C Simkins, introduced the report and highlighted the work being done by working groups on equity downside protection and responsible investment and in relation to the investment strategy. He thanked the officer team for their diligent work and support of the committee through a time of greatly increased workloads.

2. The update was noted, with thanks.

### **12. Training update - verbal**

*(Item 11)*

1. Mrs van Bochove Allen from Barnett Waddingham gave an update on the training delivered to the committee and board members on 5 February 2021 and asked for feedback on the training plan. She set out plans for future training and what form this could take.

2. The update was NOTED and the Chairman thanked Mrs van Bochove Allen for attending.

### **13. Pension Fund Risk Register**

*(Item 12)*

1. Ms Surana introduced the report and responded to questions about the process for preparing and updating the risk register.

2. It was RESOLVED that the update report be noted, with thanks.

(a)