

MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 26th July 2018

Time: 10:00-11.50am

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members

present: County Councillors P Downes, A Hay, R Hickford (Vice-Chairman), T Rogers (Chairman), J Schumann and M Shellens; L Brennan and J Walker

Officers: D Cave, S Heywood, P Tysoe, M Whitby

Advisor: J Holden

Apologies: Cllr D Seaton, M Pink

78. DECLARATIONS OF INTEREST

John Walker declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his daughter-in-law was a current member of the LGPS and (ii) his son was a deferred Member of the LGPS.

Liz Brennan declared a personal interest as an active member of the scheme

Councillor P Downes declared an interest as a retired member of the scheme.

79. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE MEETING HELD ON 24th MAY 2018

The minutes of the Pension Fund Committee meeting held on 24th May 2018 were approved as a correct record and were signed by the Chairman.

The following items were noted under the Action Log:

Item no. 45 – the Multi Academy Trust had paid every month, up to and including July.

Item no. 73 - the review of effectiveness of the Pension Fund Committee survey would be repeated next year.

The further report on overpayments (item 74 of the minutes) would be included in the quarterly report to the Pension Fund Committee.

Item no. 75 – officers confirmed that employer take up of the training sessions could be made available to the Committee.

A Member commented that overpayments seem to be increasing, and suggested that this may primarily be due to next of kin not notifying the Service about the death of pensioners. Measures to address this were discussed.

The Committee noted the Action Log.

80. PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS

The Committee considered the draft Annual Report and Statement of Accounts (SOA) of the Pension Fund for the 2017-18 financial year. The Annual Report set out the activities of the Committee, and the structure and content of the report was set out by CIPFA. The narrative provided information around the performance and administrative side of the Fund. Officers summarised the key highlights of the SOA and Annual Report.

The County Council's External Auditor, BDO, audited the Pension Fund as a separate entity, as well as the County Council. The auditors had completed their audit field work of the Pension Fund Statement of Accounts, but had not yet completed their review work. The accounts had received very positive feedback from the auditors, with no changes required. This was testament to the hard work of the team involved, who had met with key officers of CIPFA who define the Code of Practice on Local Authority Accounting, and who work closely with them to ensure that the SOA was aligned to that Code.

The SOA would be considered by the County Council's Audit & Accounts Committee. The final version of the Annual Report and SOA would be presented to the October Pension Fund Committee meeting, following further work.

Attention was drawn to the summary Pension Fund Account for the year. Contributions had increased slightly, partly reflecting that this was the first year of the new triennial valuations rates. Benefits had also increased – primarily due to inflation and the lump sums payable to retirees – but not by as much as contributions. Nearly £24M had been added to the investment programme, but this reduced to nearly £7M after Fund Manager fees had been taken into consideration. It was projected that this cash rich trend should continue for the next five years.

Members noted that whilst investment income was positive for the year, occasionally the cyclical nature of markets meant that returns were negative. However, the Fund was more than reaching its return expectations on investments. The current value of the Fund was around £3Bn.

Arising from the report:

- with regard to the small amount of tax paid on income, officers advised that the Fund occasionally received foreign income on investments net of withholding tax. This was reclaimable where tax agreements existed, but there were issues with some countries, and in those cases this tax was incurred as an expense to the Fund. Members were reassured that the withheld tax would be challenged with the Custodian. Officers were asked to report back on this to the Committee. **Action required;**
- Members noted that the two page colour summary included as an appendix had been the idea of Councillor Shellens. Members' views were sought on whether this provided an

adequate summary. The summary was available on line to scheme members, and would be linked to the newsletter. There was a discussion on how the current financial issues at Northamptonshire County Council (NCC) should be referred to in the summary. It was agreed that reference should be made to NCC, as most scheme members would be aware that the Pension Fund shared many officer resources with NCC, but any statement should reassure them that this would not impact in any way on the Cambridgeshire Pension Fund;

- it was confirmed that there had been no public questions on the accounts since they were made publically available on 1st June;
- a Member noted that investment performance for 1, 3, 5 and 10 year periods were all below benchmark. Officers responded that the Cambridgeshire Fund was more highly allocated to equities than peers in the LGPS universe, which was a more volatile strategy;
- a Member asked for more information regarding the Net Operational Expenses table (p19 of the the report). Officers agreed to respond directly. **Action required;**
- Members discussed the vulnerability of funds to Brexit. Both Jo and officers stressed that the Fund was global, with exposure to UK markets limited to around 24%. Jo advised that Mercer had just produced a report on the potential exposure to Brexit, and agreed to circulate it. **Action required.** The implications around fluctuations in the value of Sterling versus other currencies were noted. More generally, the Fund took a long term approach and did not react to short term market events;
- a Member asked if overpayments not recovered were written off. It was confirmed that the differences between the total and overpayments and recovered was those overpayments still being progressed;
- Officers outlined the measures being undertaken with regard to data: a data audit was just being finalised, the results of which would be presented to Members later in the year, along with an improvement plan. An action plan would be presented to the next Pension Fund Committee around certain aspects of data quality. A lot of work had been undertaken around data reconciliations, e.g. the recent reconciliation of pensioners living overseas, but an overarching report was being prepared on data reconciliations. In terms of the risk of security breaches, e.g. access to data, the Pension team's systems were effectively audited as part of the Internal Audit process. Officers agreed to consider how they could give further reassurance to the Committee;
- It was confirmed that if an Academy went into liquidation, the government guarantee should apply, and this had been the case for a number of Academies nationally;
- It was confirmed that the projected savings of £30M annually was across all ACCESS members;
- referring to the section on Internal Disputes Resolution Procedure (IDRP) in the Scheme Administration Report, a Member asked if the 50% success rate was a satisfactory outcome, or whether this was an area that required attention. Officers outlined how IDRP worked in practice, and agreed to send round a note to the Committee on the four cases that had been lost, and the factors considered when making decisions on IDRP. **Action required.**

The Chairman advised that he had received, as in his capacity as a member of the Audit & Accounts Committee, a copy of the Audit Completion Report for the Pension Fund accounts, a few days previously. He was extremely pleased with the report findings, which had only one adverse comment, which related to a variance that had not been adjusted. He thank officers for their hard work on this, and requested that the Clerk circulate the Audit Completion Report to Committee Members. **Action required.** The Chairman also asked that if any further comments or questions arose when Members considered the Annual Report and Statement of Accounts, that they email those to both officers and the Chairman.

It was resolved unanimously to:

1. approve the Draft Annual Report and note the Statement of Accounts of the Pension Fund for the 2017-18 financial year;
2. approve that the Chairman agree with officers any immaterial amendments to the Annual Report arising from the final External Auditor review comments.

81. EXCLUSION OF PRESS AND PUBLIC

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 items of business on the grounds that they contain exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

82. ANNUAL REVIEW OF THE FUND'S INVESTMENT MANAGERS

Jo Holden presented a review of the Fund's Investment Managers for the year 1st April 2017 to 31st March 2018.

It was resolved unanimously to note the Annual review of the Fund's Investment managers.

83. INVESTMENT MANAGER FEE REVIEW

Members considered a report reviewing fees paid by the Fund to its Investment Managers. The report set out each investment manager, the size of their mandates, the fees charged (both in percentage and absolute terms) and returns delivered after fees had been deducted. The Committee was reminded that the Investment Sub-Committee considered Investment Manager performance on a quarterly basis.

It was resolved unanimously to note the review of the fees paid by the Fund to its investment managers.

84. CUSTODIAN MONITORING REPORT

The Committee considered a report on the performance of the Fund's Custodian to 31st March 2018.

It was resolved unanimously to note the Annual Review of the investment operations of the Fund.

Chairman