

MINUTES OF THE PENSION COMMITTEE

Date: Thursday 19th October 2017

Time: 10:00-12.15

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members

present: County Councillors P Downes, A Hay, R Hickford, T Rogers, J Schumann and M Shellens; M Pink and J Walker

Officers: C Blose, D Cave, S Heywood, C Malyon (part meeting only) C Mason, M Oakensen, R Perry and J Walton

Apologies: Cllrs Seaton and Fraser; M Whitby and T Roden

28. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN OF THE PENSION FUND COMMITTEE

Having been duly moved and seconded, it was unanimously resolved to appoint Councillor Rogers as the Chairman of the Pension Committee.

Having been duly moved and seconded, it was unanimously resolved to appoint Councillor Hickford as the Vice Chairman of the Pension Committee.

Councillor Rogers paid tribute to the outgoing Chairman for all his hard work and expertise over the years in his role of Chairman.

29. APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN OF THE PENSION FUND COMMITTEE INVESTMENT SUB-COMMITTEE

It was noted that as set out in the County Council's Constitution, the Chairman and the Vice Chairman of the Committee (Councillors Rogers and Hickford) automatically became the Chairman and Vice Chairman of the Investment Sub-Committee.

30. DECLARATIONS OF INTEREST

John Walker declared a personal interest as a retired member of the LGPS, his son was a deferred member, and his daughter-in-law was an active member.

Matthew Pink declared a personal interest as both he and his wife were active members of LGPS.

31. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE MEETING HELD ON 27th JULY 2017

The minutes of the Pension Fund Committee meeting held on 27th July 2017 were approved as a correct record and were signed by the Chairman.

Pension Fund Annual Report and Statement of Accounts – it was noted that the item on the presentational and formatting issues needed following up. **Action required.**

Minute 23 – It had been agreed that performance for Value Managers would be better compared to benchmarks/metrics for similar value funds, and these would be included in future reports.

Minute 8 – this related to two members of staff who had not had their access to the Altair removed when they had left the employment of LGSS, and Member concerns that such access needed to be reviewed more frequently. This had now been tightened up, and access to the Altair system was reviewed every three months. There was one ongoing issue in relation to payroll/Altair reconciliation which would be completed by the end of December.

32. GOVERNANCE AND LEGISLATION REPORT

The Committee received a report on governance issues concerning the Local Government Pension Scheme (LGPS) on a national and local basis, and also details of forthcoming training events.

Exit payments – following the EU Referendum and the General Election, it was unclear whether this was a priority for government. The current position on Exit payments was outlined.

MIFID2 (the EU's Markets in Financial Instruments Directive II) – this had been discussed in detail at the Investment Information Day. Under this Directive, local authorities would be re-designated as 'retail' investors (rather than professional investors), but they could 'opt up' to elective professional status.

Local Pension Board survey – there had been a poor response to this survey, so the deadline had been extended. It was anticipated that the results would be available to be presented to the next Pension Fund Committee meeting.

Local Pension Board Liability Insurance – According to the legal opinion obtained by the LGA from Counsel, the Pension Board itself was not a council committee and therefore there was uncertainty as to whether members of the Board were officials who fell within the scope of the Council's own indemnity provisions. Many policies contain exclusions relating specifically to claims arising out of a breach of fiduciary duty, responsibility or obligation in connection with any employee benefit or pension plan, and there was therefore some reluctance to extend the scope of cover. Officers had sought advice from the Council's insurance department and obtained an external insurance quote from AON for the Local Pension Board to be covered for incidents such as public relation expenses and prosecution costs. This quote was currently being reviewed by the Council's insurance department. It was confirmed that any such insurance premium would be paid from the Pension Fund.

A number of Members expressed strong concerns over this issue, as Local Pension Boards had been set up on government's insistence, and it was therefore suggested that the cost should fall on government. An alternative option would be that government work with Local Pension

Boards nationally to find a suitable insurance product and split the cost. In response to Member questions, officers confirmed that there had not been significant take-up of Local Pension Board insurance products, the impetus on this was coming from the Cambridgeshire Local Pension Board.

There was a discussion on why the LPB would be liable given that it was not a decision making body: officers suggested that it was because the LPB could be seen as providing advice to the Pension Fund Committee as the decision making body that this was potentially an issue. It was agreed that this was the LPB's responsibility and that an update would be provided at the next Pension Fund Committee meeting. **Action required.**

Pension Regulator's Annual Scheme Return – this had been completed.

Pension Ombudsman – government had agreed that the Pensions Ombudsman service would at some point take over the informal dispute resolution service currently provided by the Pensions Advisory Service (TPAS). A one week consultation had taken place in August on this proposal, and the Pension Fund had not had opportunity to respond given the tight deadline. A Member expressed the Fund's strong concerns should be feedback, highlighting that the consultation timescales were unrealistic.

Members' attention was drawn to the list of training events in the report, and they were asked to contact officers if there were events that they would like to attend. Members asked that they be provided with a list of events they had already attended, so that it was easier for them to identify potential gaps. It was confirmed that this was undertaken every six months, and the next one was due out shortly. It was noted that the 'desirable' target for training credits was 18, over a two year period.

33. PENSIONS FOR COHABITING PARTNERS WITHOUT NOMINATION (2008-2014)

The Committee considered an update on the issue of pension entitlement for surviving nominated cohabiting partners of members with active membership of the Local Government Pension Scheme in England and Wales (LGPS) on or after 1 April 2008 was introduced from that date.

Guidance was issued following a successful challenge in Northern Ireland, where a scheme similar to LGPS was operated. Following this Supreme Court judgement, it had been expected that the DCLG would be drafting amending legislation and/or issuing statutory guidance once the Government position had been determined on the impact of the judgement. However, the guidance that DCLG did issue lacked clarity on a number of significant issues.

Given the lack of specific advice or direction, officers had sought a legal view from a barrister with a specialism in pension and employment law. The opinion received clearly stated that there was no statutory basis for making the award of a survivor's pension to a surviving cohabiting partner, where no nomination was in place. This requirement was not altered by Section 3 of the Human Rights Act 1998, since that Section is counteracted in the case of public authorities by Section 6(2)(b). Section 6(1) and (2) of the Act. There was currently one case in Cambridgeshire where there was such a challenge, although it was acknowledged that potentially there could be further claims from cohabiting partners where there was no nomination in place, whose partners had died between 2008 and 2014. The potential cost implications

were discussed. Members acknowledged that whilst Counsel's view had been taken, there were risk implications, albeit manageable and quantifiable risks.

It was resolved to:

- 1) Note the content of the report.

34. ANNUAL ALLOWANCE – VOLUNTARY SCHEME PAYS

The Committee considered a report about the Voluntary Scheme Pays option in relation to Annual Allowance Charges that may have been incurred by Local Government Pension Scheme members.

Members noted that an *Annual Allowance* was one of the limits set by the Government in relation to the level of an individual's pension savings and how much it could increase by each year before an excess savings became subject to a tax charge. *Scheme Pays* was the term used for the mechanism by which an individual who has incurred an annual allowance charge can elect to have a pension scheme pay the charge to HMRC on their behalf in return for a reduction being applied to their eventual benefits. *Mandatory Scheme Pays* (MSP) applied when a member's pension input in relation to a pension scheme in a tax year exceeded the standard annual allowance and they incurred an annual allowance charge greater than £2,000 on those savings in that scheme. With the introduction of the Tapered Annual Allowance provisions from 2016/17, which takes into account taxable earnings from sources outside of the pension scheme, a scheme member may now incur an annual allowance charge on LGPS pension savings of up to £30,000 that cannot be dealt with under MSP.

Cambridgeshire County Council as the administering authority to the Cambridgeshire Pension Fund would accede to a request that they pay an amount of annual allowance charge to HMRC on behalf of a member on a voluntary basis if the member provided a signed form (obtained from the Fund) specifying all the relevant information.

Members congratulated officers on the report on this complex issue, noting that it was common practice in private sector schemes. Officers stress that it was not compulsory for the Cambridgeshire Pension Fund to allow the *Voluntary Scheme Pays* option. To date there was one request in relation to this particular issue. It was confirmed that over the life of a member this would be cash neutral.

It was resolved unanimously to:

- 1) agree to the introduction of a policy permitting members to use Voluntary Scheme Pays in specified circumstances.

35. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2017-18

The Committee considered a Pension Fund Business Plan Update for the 2017-18 financial year.

Agenda Item no. 2

Members' attention was drawn to the proposal to change the Key Performance Indicator (KPI) to *"Provide a maximum of one estimate of benefits to employees per year on request. (Estimate in agreed format provided within 10 working days from receipt of all information)"* from 90% to 80%, and within 15 working days (increased from 10). This would better reflect practice, given the challenges faced achieving the existing KPI.

There was considerable discussion on the merits of the proposed change. The recruitment and retention pressures in the relevant section, and their impact on this KPI was noted. However, Members were more comfortable that the existing KPI be retained as a target, acknowledging the pressures highlighted which meant that until the staffing issues stabilised, it would be difficult to meet the KPI. Officers explained that the issue was not that estimates were complex, but the sheer volume of estimates requested: whilst scheme members were directed to the self-service website to obtain estimates, some members, especially those approaching retirement, sought estimates from the team.

Members concluded that the current KPIs for estimates should be retained and the situation in this area actively monitored.

Members noted the issues with the late-paying employer. Progress had been made following previous late payments, but the situation had arisen again and no payments had been received for August. Officers had met with the employer to escalate the situation, partly through education and training, and 19th October was the first deadline that the employer had been asked to meet. Members asked officers to email the Committee to confirm whether or not that deadline had been met. **Action required.**

In response to a Member question, it was confirmed that in terms of enforcement the ultimate sanction for some employers was to report late-paying employers to the Pensions Regulator. Whilst this had the desired effect on some employers, regrettably the approach of the Pensions Regulator was often that it was up to the Pension Fund to manage the situation, and they should contact the Pensions Regulator again in six months' time if the issue had not been resolved. Whilst some employers could be expelled from the scheme, it was not possible to expel or even charge interest on Scheduled Bodies. A Member pointed out that there was a contract between Multi Academy Trusts and the DfE, and late payment issues should be reported through the Regional Schools Commissioner. Another Member suggested that a guarantee could be requested from the DfE. Officers agreed to investigate the feasibility of these actions and report back to the next meeting. **Action required.**

(Cllr Downes left meeting)

Another Member suggested that further leverage could be gained by a senior officer from the County Council meeting with a senior officer from the Trust, and the Section 151 Officer agreed to do this. **Action required.**

Overseas pensioners – following an internal audit recommendation that a proof of life exercise be conducted on scheme members that live overseas, Western Union Business Solutions (WUBS) were appointed to carry out this proof of life exercise, being the one of very few providers of this service in the UK. As of 15/09/17, 206 of the 225 pensioners in scope of this exercise had completed the process. Any pensioners that have not completed the process by 31/10/17 would have their pensions suspended with effect from 01/11/17 if they have not made contact to explain why they could not complete the process, which requires them to attend a

Western Union office. There had been some difficulties with the process, and alternative methods to meet this requirement would be considered in future. A full report would be presented to the next Pension Fund Committee meeting.

It was resolved unanimously:

- 1) to note the attached Pension Fund Business Plan Update for the period May to August of the 2017-18 financial year.

36. GOVERNANCE POLICY AND COMPLIANCE STATEMENT

A report was presented to the Committee on the revised Governance Policy & Governance Compliance Statement.

It had been a requirement for the Administering Authority to publish a Governance Policy and Compliance Statement since the Local Government Pension Scheme (Administration) Regulations 2008 had come into force. The Statement was intended to ensure transparency, accountability and stakeholder involvement. It had been updated to reflect the new scheme of delegation, which was changed to facilitate asset pooling.

It was resolved unanimously:

- to approve the Governance Policy and Governance Compliance Statement provided in the appendix to the report.

37. CAMBRIDGESHIRE PENSION FUND ANTI-FRAUD AND CORRUPTION POLICY

Members considered an Anti-Fraud and Corruption Policy, noting that the administering authority was responsible for ensuring appropriate policies were in place for the safeguarding of the Fund's assets through appropriate methods of riskmanagement.

In discussion, it was noted that the Policy would be published on the website, and the existence of the policy was intended to act as a deterrent. A Member commented that greater promotion of the Anti-Fraud and Corruption Policy was required.

It was agreed to amend paragraph 12.1 of the Policy as follows:

- 12.1 It is highly likely that the administering authority will seek to prosecute offenders wherever appropriate. ~~However, the administering authority also recognises that it may not always be in the public interest to refer cases for criminal proceedings.~~

It was suggested that the second line of paragraph 8.1 "*...report certain details to external bodies, such as External Audit...*" required further detail, and it was suggested that Internal Audit should be involved. **Action required.**

It was also suggested that hard copies of the policy should be sent to all Employers. **Action required.**

It was resolved unanimously:

- 1) Approve the Anti-Fraud and Corruption Policy;
- 2) Confirm that immaterial amendments to the Policy can be approved through delegated authority to the Head of Pensions;
- 3) Confirm that material amendments to the Policy can be made via the Chairman of the Pension Fund Committee on behalf of the Committee.

38. PAYMENT OF EMPLOYEE AND EMPLOYER PENSION CONTRIBUTION POLICY REVIEW

The Committee considered a report on the reviewed Payment of Employee and Employer Pension Contribution Policy. The policy had originally been approved by the Committee in December 2015, and had been reviewed following the operation of the policy in the intervening period.

Many of the changes were based on the experience of late payment situations that had occurred: it was made absolutely clear to employers what their statutory responsibilities were. The other main change was effectively splitting out the escalation process. If an employer was persistently not making payments, they would be reported to the Pensions Regulator. Changes had also been made in Section 9, Administration fees, which had been amended for consistency with the Administration Policy, which had been approved earlier in the year.

A Member suggested that references in paragraphs 7.1 and 7.2 should be to “cleared funds”. It was also suggested that it would be helpful in future reports to clearly identify where changes had been made.

Given the issues raised regarding late payments and possible actions in the Business Plan Update report, Members suggested that this should not be circulated to Employers until those issues had been resolved, as it may be that further changes were required to this Policy.

It was resolved unanimously to:

- 1) Approve the amendments made to the policy;
- 2) Confirm that future immaterial amendments to the policy can be approved through delegated authority to the Head of Pensions;
- 3) Confirm that material amendments to the policy can be made via the Chairman of the Pensions Committee on behalf of the Committee;
- 4) Agree that the report should not be circulated until issues raised under the Business Plan item had been addressed.

39. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission of a number of bodies and the cessation of three employers from the Cambridgeshire Pension Fund.

Following a query on the location of one of the Academy Trusts, it was noted that some Trusts were geographically not based in Cambridgeshire, but managed schools which were based in Cambridgeshire. Officers agreed to circulate information requested on the Samuel Ward Academy Trust. **Action required.**

It was resolved unanimously to:

1. Note the admission of the following Multi Academy Trusts to the Cambridgeshire Pension Fund:

- Astrea Academy Trust
- The Lime Trust
- Morris Education Trust
- Samuel Ward Academy Trust

2. Note the admission of the following admission body to the Cambridgeshire Pension Fund:

- Solutions for Health

3. Note the admission of the following resolution body to the Cambridgeshire Pension Fund:

- Balsham Parish Council

4. Note the current withdrawal from the Cambridgeshire Pension Fund of the following bodies:

- Lunchtime UK Ltd (Swaffham Prior)
- Peterborough Women's Aid
- Innovate Services Ltd

40. 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 item of business on the grounds it contains 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.

41. ILL HEALTH REVIEW

The Committee considered the results of an independent investigation into alternative approaches to dealing with ill-health risk.

It was resolved unanimously:

Agenda Item no. 2

1. Note the findings of the independent review of approach to managing ill-health risk;
2. Agree to transition the Cambridgeshire Fund to a Self-Insurance (pooled) approach with effect from 1 April 2018.

42. ASSET POOLING UPDATE

Officers presented a verbal update on progress with asset pooling.

It was resolved to note the report.

43. DATE OF NEXT MEETING 10am Thursday 7th December 2017