

Cambridgeshire Pension Fund Board Minutes

Date: 26 January 2024

Time: 10:00am – 12:30pm

Venue: Virtual Meeting

Present: Employer Representatives: Councillor Geoffrey Seeff and Councillor Simon King

Employee Representatives: Barry O’Sullivan [Vice-Chair] and Councillor Denis Payne [Chair]

Officers: Michelle Oakensen, Fiona Coates, Mark Whitby, Dawn Cave and Sophie Rankine

128. Apologies for Absence and Declaration of Interest

Apologies for absences were received from Val Limb.

There were no declarations of interest.

129. Minutes and Action Log November 2023

The minutes of the meeting held on the 3 November were approved as a correct record.

The Board noted the Action Log.

130. Pension Fund Committee Minutes December 2023- CONFIDENTIAL

The Board noted the minutes.

131. Pension Fund Investment Sub-Committee 16 November 2023 minutes- CONFIDENTIAL

The Board noted the minutes.

132. Pension Fund Annual Report and Statement of Accounts 2022-23

The Board received a report which presented the Audit Plan, final Annual Report and Statement of Accounts and Result Report for the 2022-23 financial year.

The report covered: key risks (largely unchanged from last year), the valuation of Level 2 and Level 3 investments, the management override of controls and actuarial present values of promise retirement benefit. Materiality was set at 1% of assets (approximately £42M). Ernst & Young (EY) would report any audit difference over £2.1M. The Annual

Report and Statement of Accounts had been reviewed and considered by both the Audit and Accounts Committee and the Pension Fund Committee. The Results Report Accounts were clear of material and immaterial misstatements. EY's audit opinion was that the accounts had been properly prepared in accordance with Code of Conduct. There were two corrected differences: one from Cambridge and Counties Bank (CCB), the Fund did not receive the valuation in time before publishing the accounts. The adjustment was a decrease of £15.7 million from prior to current year. Also, the Level 3 evaluation adjustment of £12.8 million. It was noted that 2022-23 was EY's final year as external auditor.

Individual Members raised the following points in relation to the report:

- Commented on the issue of climate change; the report showed the effect of three to four degrees increase in global warming, but this would be an extinction event, and should not be included. The officer stated they would raise this with Mercer who produced the report. **Action Required.**
- Informed the Board about a discussion that occurred in the Audit and Accounts Committee and Full Council regarding the valuation of 165% fully funded and whether there should be a reduction in contributions. It was concluded, in Full Council and Audit and Accounts, that it would be imprudent to change contributions until there were permanent increases which could justify a reduction. Another Member stated it would be best not to be complacent. Officers clarified that the whole Pension Fund was 165% fully funded but each employer is at their own level of funding. They were aware that some employers would want to challenge this but would have to do so under the relevant regulations. It was clarified that for a Local Authority, a Section 114 notice would not be seen as a change in covenant, as they are a tax raising body.
- A Member requested that these comments could be circulated to councillors by email. The officer responded that it would have to be done with the Executive Director of Finance and Resources authority and there would need to be legal/professional advice. This would need to be considered at Pension Fund Committee- **Action Required.**

It was resolved unanimously to:

Note the report.

133. Administration Performance Report

The Cambridgeshire Pension Fund Board received an Administration Performance Report for the period 1 October to 31 December 2023. The report noted the payment of retirement benefits from active employment target had increased from five to ten working days. This was still quicker than the average target based on Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking which was fifteen working days regarding that specific Key Performance Indicator (KPI). Analysis was conducted in October and showed that the team processed cases on an average 6.6 working days, therefore the increase to ten days seemed reasonable. There had been a

restructure in the operations team to allow for more flexibility for the checks; they changed from four teams to two teams. The officer indicated to Members that high rates of sickness may affect January KPIs.

Customer Journey KPIs: some were straight forward indicators as they had fewer contact points and contained automated processes. Complex KPIs, such as active retirement, were harder to analyse as information had to be gathered from different contact points.

It was noted that the Table 8.3 heading was incorrect, and the second Internal Dispute Resolution Procedure (IDRP) had been sent on the deadline. With regard to the overpayment listed in Section 10, the invoice had been paid and there were no outstanding actions.

Individual Members raised the following points in relation to the report:

- Commended the team on the impressive amount of work and the complexity. It was unsurprising that some KPIs were missed.
- Questioned the six informal complaints and queried what they were in relation to? The officer agreed to circulate this information to Members after the meeting - **Action Required.**
- Queried the impact of the McCloud remedy. The officer replied that there would be an impact on workload, but the remedy is only likely to affect very few members. How to capture members with previous public service was still in discussion and guidance was awaited. The financial impact was expected to be minimal.
- Commented on non-material breaches and asked officers when the government would change legislation relating to removing the 5-year requirement on refund payments? The officer replied that it would hopefully be sometime this year.
- Noted that Cross Keys Homes were no longer an active employer. The officer replied that they had been reducing their active membership for some time.

It was resolved unanimously to:

Note the Administration Performance Report.

134. Pension Fund Annual Business Plan Update Report 2023/24

The Cambridgeshire Pension Fund Board received a report which updated them on the Business Plan.

Hymans Robertson had been awarded the supplier for Benefits and Governance Consultancy Services, which was previously with AON.

The Actuarial Consultancy Services procurement had identified a preferred supplier and were in the standstill period. There had been a competitive process with two suppliers.

The Legal Services procurement had concluded with Squire Patton Boggs being reappointed.

Guaranteed Minimum Pension Rectification had an amber status as there had been a delay, but it would be concluded within quarter one of 2024-25.

Application of the McCloud age discrimination remedy received an amber RAG status as national guidance was awaited. It would be reprofiled in the next Business Plan and was estimated to be a two-year project.

The processing of undecided leavers records received an amber status, as although good progress had been made, it had slowed down in September. Next year would be pressurised for the team as pace would be an issue. The new Business Plan, however, would ask for additional resources regarding Business as Usual (BAU).

Implementation of recommendations from the review of the website was amber as officers had been informed that the contractor had run into issues around Christmas. It was estimated that development would be completed in quarter one and the website would be launched in quarter two, resulting in approximately a quarter delay.

Individual Members raised the following points in relation to the report:

- In response to a question, noted that quarter one referred to quarter one in the financial year.
- Queried if ACCESS development would affect the work of the actuarial consultants and those involved in investment decisions. The officer informed Members that it would not directly impact actuarial work, but it would affect investment consultants' work. The aim to pool all assets would restrict options available but options should be the best available. The only time, generally, there would not be a suitable investment option to select from in ACCESS, would be if there had been a change in the Fund's strategic needs. This would require the pool to go through a process to put an option in place; the pool had proven it could do this e.g. long lease property. The Member then questioned if it would save costs? The officer responded that some listed allocations had moved into non-listed funds, which resulted in higher base fees; therefore, it was hard to compare cost and savings. The officer commented that they looked at costs prior to pooling and after, and it demonstrated how cost-effective pools were. Officers agreed to recirculate how savings were calculated – **Action Required**.
- Congratulated the team on the absence of reds in the RAG status, and for effectively explaining the ambers.

It was unanimously resolved to:

Note the Business Plan Update.

135. Governance and Compliance Report

The Board received a report on a range of governance and compliance issues.

Information had started to be released nationally regarding Pensions Dashboard. This was currently not in the public domain but was due to be published in spring 2024. The original plan had been halted but had resumed with a new schedule. Work streams had been put into place to ensure a wide coverage on the Dashboard, and these were outlined. The Pension Regulators had issued a checklist and that would be updated and brought back to the Board at a future meeting.

The McCloud remedy: cases from 1st October 2023 were treated as Business as Usual and with a few manual interventions in place. A project group was also in place for any queries. All disclosure requirements were met in December and people were contacted by appropriate methods. The expected difficulty would be with rectification. In October, the Department for Levelling Up, Housing and Communities (DHLUC) circulated a draft prioritisation policy, due to be issued in early 2024. The administration guidance had been split into several stages due to the complexities of the remedy, and these stages were outlined.

Training had been delivered regarding investment reforms. In November 2023, DHLUC published a response to the consultation, which resulted in the measures proposed being put forward, largely unchanged.

The General Code of Practice was recently laid in Parliament and was expected to come into force on 27th March 2024. There were five main areas; each area would have multiple modules, but not all would be applicable to Local Government Pension Scheme (LGPS). From April, it would be expected that the team should be in a good position to check compliance against the code and deal with any changes accordingly, in due course. The findings of the review would be shared with the Board. Most of the code was consolidation of what was already in place, and work had started on additional areas such as cyber resilience and scams.

Individual Members raised the following points in relation to the report:

- Commended the comprehensive report.
- Queried the implications of the Court of Appeals decision on dealing with the disputes Ombudsman. The officer clarified that some cases that were referred to The Pensions Ombudsman (TPO) would be affected and there would be delays as there was an extra step of going through County Courts. This would affect cases where the Fund required money from an individual due to an overpayment. It was not a question about the Ombudsman reaching decisions but focusing on enforcement. Members were reassured that the decision was very specific to overpayment cases and would have a limited impact on the Fund.

Mr O'Sullivan provided an update from the Governance Conference, which he found very useful:

- The Ombudsman informed Members that in the past if a case was referred to them and there would be a long wait. There had been a reorganisation and now they were receiving fewer cases, so they were making their way through their backlog. The extra step had also been discussed.
- Updates on the Scheme Advisory Board (SAB) and the Local Government Pension Committee (LGPC) provided an update. They had appointed a new Labour Chair. There was the merging of Funds.
- New qualifications had been developed: Level two and Level three.
- Legal update regarding the General Codes that had been recently released.
- Department of Work and Pensions (DWP) had a review of transfer regulations. It was flagged to Money Helper as legislation was poor and caused delays.
- Highlighted importance of cyber security. National Cyber Security Centre spoke about consequences of data breaches and ensuring Funds were secure. The review of passwords; using three random words or two factor authentication.
- Changed Lifetime Allowance were a priority.
- Mansion House proposals.
- DHLUC stated similar issues to SAB.
- Review of Funds due to be published in Summer/Autumn 2024. There would be an engagement stage at the beginning of 2024.
- Pension Committee Members should have the same expectation as Pension Board Members regarding knowledge and skills. There possibly could be legislation coming out in relation to this.
- Officers informed that they had digested highlights of conference which they could circulate to Board - **Action Required.**

It was unanimously resolved to:

Note the Governance and Compliance Report.

136. Cambridgeshire Pension Fund Administration Strategy Report

Members received a report which presented the Cambridgeshire Pension Fund Administration strategy to the Board for pre-scrutiny.

This report set out performance standards and escalation routes which would be necessary should there be problems. Some areas had been changed more

fundamentally, such as Digital Administration. There was an emphasis on trying to interact with Members digitally and share information through Member Self-Service. Employers send through information using i-Connect and there had been a reduction in days for the receipts of that information to allow action in a timely manner. A Member queried why not all employers would be on i-Connect? The officer clarified that there were other ways to communicate with employers, but they would have to cover that cost.

There were fundamental changes made to performance standards around Customer Journey KPIs as seen in the Administration Report, with a greater focus on Customer Journey KPIs.

Once comments had been received, this would be updated and taken to the Pension Fund Committee in March, and it would then go out to consultation.

Individual Members raised the following points in relation to the report:

- Noted that Member feedback would be welcomed even after the meeting, and the Chair would act as a collection point for any additional comments made regarding the report.
- Commended the document and stated the strategy was good with clear explanations.

It was unanimously resolved to:

Review and comment on the Administration Strategy.

137. Cambridgeshire Pension Fund Board Agenda Plan

An officer noted that they were currently looking for activities for next year's Business Plan. Once they had been formulated and agreed, they would be added to the plan.

The agenda plan was noted.

138. Exclusion of Press and Public

To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information)

A Member queried why the Risk Monitoring Report was not presented before the exclusion of press and public. The officer responded that due the nature of information discussed, it would be more appropriate to discuss after the exclusion.

139. Cyber Resilience Update

The Board reviewed a report which presented an update on the progress made against the cyber resilience action plan.

It was unanimously resolved to:

Approve recommendations as set out in the report.

140. Cambridgeshire Pension Fund Risk Monitoring

The Board reviewed the Cambridgeshire Pension Fund Risk Register.

It was unanimously resolved to:

Approve recommendations as set out in the report.

141. ACCESS Update

The Board were presented with the latest asset pooling update to the Pension Board.

It was unanimously resolved to:

Approve recommendations as set out in the report.

Chair