Public minutes of the Pension Fund Committee

Date: 20th December 2023

Time: 10:00am – 11.27am

Venue: New Shire Hall, Alconbury Weald

Present: County Councillors M Black (Vice Chair), A Costello, P MacDonald, A Sharp, A Whelan (Chair); Fenland District Councillor Chris Boden; Liz Brennan, Howard Nelson and Matthew Pink

Officers: B Barlow, C Blose, D Cave, F Coates, M Oakensen and M Whitby; S Heywood (virtual) and J McHugh (EY) (Virtual)

157. Apologies for absence and declarations of Interest

No apologies.

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

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

158. Public minutes of the Pension Fund Committee meeting held 4th October 2023

The public minutes of the Pension Fund Committee meeting held on 4th October 2023 were approved as a correct record.

The Action Log was noted.

159. Petitions and Public Questions

There were no petitions or public questions.

160. Administration Performance Report

The Committee considered a report which set out a number of key areas of administration performance in the period 1st August to 31st October 2023.

As previously reported, there had been Reds and Ambers in KPIs relating to the team that processes retirement benefits and estimates, specifically retirement from active service and retirement from deferred service. These shortfalls were mainly attributable to experienced staff leaving the Council, and being replaced with less experienced staff, and periods of Maternity Leave and Annual Leave. Performance was expected to improve by year end once the new staff gained more experience.

The five working day target included time to perform calculations, for those calculations to be checked, and for corrections to be carried out, and there had been some issues as the relevant team strived to achieve the deadline. CIPFA benchmarking indicated that majority of other Funds were working to a 15 day target. Further analysis had been undertaken, and indicated that in most cases, the five day target was just being missed (average of 6.4 days). The structure of the Operations team would be changing in January, providing greater flexibility. The recommendation was to increase the KPI from 5 to 10 working days, to bring it in line with industry standards.

Appendix 2 outlined progress made to date on Customer Journey KPIs, provided high level information on new joiners, transfers in and out and divorce estimates. The reliability of data in some areas was still being addressed, as reporting and analysis could be complex when pulling together these type of KPIs. The longer term plan was to work closely with employers to pick up any systemic issues, once these KPIs had been analysed further, targeting communications and interventions appropriately.

A Member asked about the absolute number of applications received. Officers advised that monthly volumes were set out in Appendix 1: for Deferred benefits, these had ranged between 181 and 247 (monthly) in recent months; payment of active retirements applications were between 42 and 49 per month, and payment of deferred pension applications between 80 and 86. Noting this information, the Member asked about the "lumpiness" of applications, i.e. whether they were evenly spread out, or were there periods when there was greater demand? Officers confirmed there was "lumpiness" and key trigger points, especially at the end of the school year, and twelve months of data could be provided to illustrate this. Action required.

A Member commented that the focus appeared to be on the team dealing with the workload, rather than the experience of the scheme member. Whilst moving the KPI from a 5 to 10 day average seemed reasonable, he asked about the outliers i.e. the maximum time an individual application could take. Officers advised that the secondary targets were focused on the customer journey, and the Member's comments could be fed into that process, and identify any pinch points in the process. The Member commented that his overriding concern was that there may be some cases which were significantly delayed. Officers advised that the move to 10 days would give a better indication of the number of applications which were taking longer 10 days, which they anticipated would be very low. Members indicated that it would be helpful to see the "spread" and outlier information. Action required.

It was unanimously resolved to:

1) note the Administration Performance Report;
2) approve a change to the KPI target for the payment of retirements benefits from active employment from 5 working days to 10 working days (section 3.1.7).

161. Pension Fund Annual Business Plan Update report 2023/24

The Committee considered an update to the Business Plan, which set out progress against key activities. An update was given on progress against the large number of procurement exercises, some of which involved input from Committee Members.;

With regard to those activities with an Amber status:

- for Guaranteed Minimum Pension rectification, experienced officers had been allocated to this work, which was likely to conclude a few weeks later than scheduled;
- for the McCloud Age Discrimination remedy, the guidance would not be issued until early in 2024, so that work would be rescheduled accordingly;
- the "Undecided leavers" had been changed to Amber. Although good progress had been made in this area, there were so many other pressures that the decision had been made to change this back to Amber.

Whilst appreciating that the McCloud guidance had not yet been issued, a Member asked how long this work would take when it became available? Officers advised that they were expecting it take 1-2 years, and some preparatory work would commence early in the new year. It was confirmed that all new cases were being processed in line with the McCloud ruling.

It was unanimously resolved to note the Business Plan Update.

162. Governance and Compliance Report

Members 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.

Since the report had been published there had been a number of updates. With regard to the Pensions Dashboard, on 14 November proposed staging date for public service pension schemes had been put forward for consultation within the industry. The actual staging date would be published in the Spring. A draft Dashboard connection guide had also been shared. A proposal had also been put forward for the AVC staging timeline, where a standardised approach would be required across LGPS schemes. A report on progress against the Regulator's Dashboard checklist would be presented to Committee in March 2024, outlining progress on all activities. Alongside this, the team was continuously reviewing the data and data improvement plan.

With regard to McCloud, from 1st October the team had been working on a “business as usual” basis, but there were pockets where manual intervention was required. On 4th December there had been a system upgrade which had resolved some of these issues. A draft prioritisation policy had been provided to ensure Funds were as compliant when guidance was formally issued. Administration guidance would be published in stages, with the Stage 1 guidance covering prioritisation. The team had effectively met the disclosure requirements by 17th December, in that any Fund member in scope would have received an email or letter, where their details were available. Member Self Service was also updated and there were also dedicated McCloud pages on the Fund website and on Employer websites.

With regard to Employer representation, that exercise had concluded, and Howard Nelson had been welcomed as the new Employer representative to both the Committee and Sub-Committee.

A Member noted the government proposals to change pooling arrangements. He understood why this made sense from a governmental perspective, i.e. to reduce number of pools and squeeze out further efficiencies. However, he asked how this could impact on the Cambridgeshire Fund, especially the 31/03/25 deadline for both liquid and illiquid assets to transfer to pooled arrangements. He asked how realistic that deadline was, especially for illiquid assets. He also noted the expectation that a Best Value assessments would need to be undertaken for any asset not transferred to pooled arrangements. Officers confirmed that originally, the consultation had just specified liquid assets by the 2025 deadline, but this had subsequently been extended to include all assets, which was unlikely to be achievable for most Funds. By 31 January 2024 the Cambridgeshire Fund would have all liquid assets under pooled arrangements. The Best Value assessments would be straightforward for some assets, but others would be more difficult to keep outside pooled arrangements. It was suggested that Government did understand that it was not possible to divest from most illiquid assets in the short term. Officers were keen to ensure that communications were clear on the Fund’s position, for the benefit of scheme members. This issue would be covered in further detail under the ACCESS update.

It was resolved unanimously to:

1) note the Governance and Compliance Report;

2) note the immaterial amendments to be applied to policies and strategies (Section 9).

163. Cambridgeshire Pension Fund Potential Breaches of the Law Report

Members considered a report highlighting potential breaches of the law in relation to the management and administration of the Fund. The focus of the report was identifying breaches in services, to reassure the Committee that the adequate controls were in place. The report detailed the legal requirements, and the controls and measures in place for each regulation. LGPS regulations were also reviewed, and this information was detailed in the appendices. In future, it was hoped to cross reference and more closely align this report with the Risk Register.

A Member asked if there had been any breaches, and it was confirmed that these were detailed in the Administration Performance report.

It was noted that the residual risk ratings were not included in the table in section 5.1, and officers committed to ensure that these were included in future reports. Action required.

It was resolved unanimously to:

note the potential breaches of the law and associated control measures.

164. Employer Admissions and Cessations Report

The Committee received a report on the admission of one admitted body and the entry of two designated bodies. It was noted that there was no option to reject these admissions, but the Committee was being asked to agree the sealing of the admission agreement for the one admission body. The report also set out the details of the cessation of three bodies, and provided an update on previous cessations, including exit credits.

Councillor Costello declared a non-pecuniary interest as a Member of Ramsey Town Council, which was one of the designated bodies being admitted to the Fund.

A Member commented that it would be helpful for future reports to give an approximation of the number of members involved in each body. Action required. He also asked why exit credit assessment sometimes resulted with a value different to the funded surplus. Officers explained the complexities of the exit credit assessments: The regulations put a discretion on the Fund to determine what the exit credit could be, and that credit could be nil. This may be due risk sharing arrangements i.e. it could be an organisation did not hold the funding risk, and that would be taken into consideration when determining the exit credit. There was also a requirement to review how much of the surplus was attributable to the contributions of the exiting employer, as in some cases, the surplus came from the growth of asset from another body, not the body exiting the fund. Members were reassured that there was a robust policy in place, and each exit credit would be considered on a case by case basis. The Member thanked the officer for this helpful explanation.

It was resolved unanimously to:

1. note the admission of the following transferee admission body to the Cambridgeshire Pension Fund and approves the sealing of the admission agreement:

- Aspens Services Limited (Over Primary School)

2. note the entry of the following designating bodies to the Cambridgeshire Pension Fund:
   - Orton Longueville Parish Council
   - Ramsey Town Council

3. note the cessation of the following bodies from the Cambridgeshire Pension Fund:
   - Cross Keys Homes
   - Kimbolton School
   - ABM Catering Limited (St Johns CE Primary School)

4. note the update on previously reported cessations relating to:
   - NPS Peterborough Limited
   - Taylor Shaw Limited (Elliott Foundation Trust)
   - Cater Link Limited (Diamond Learning Partnership Trust)

165. EY Audit Plan for Cambridgeshire Pension Fund for Year Ended 31st March 2023

The Committee received the Audit Plan from Ernst Young. It was noted that the Audit had already been completed.

Members noted the key areas considered by the External Auditor. In terms of Materiality thresholds, these were £42M for Planning, £31.5M for Performance, and £2.1M for audit differences. There had been no unadjusted material or immaterial items. In terms of key risks, the External Audit team were focusing on incidents where management had overridden controls, Level 3 valuations (i.e. those assets that were difficult to value) and actuarial valuations.

A Member observed that the Cambridge and Counties Bank investment had been discussed at previous meetings. Even though this investment represented less than 2% of the Fund's investments, it was an unusual situation, and there were potential exit strategies. He felt that it would be helpful for the Committee to be kept informed about this, even if those reports needed to be in confidential session. He was keen to ensure that there was no significant risk before a potential exit strategy took place. Officers confirmed that it was an unusual investment, and that this had also been raised at Audit and Accounts Committee, and subsequently reviewed by the Investment Sub Committee, where it had been agreed that it would be reviewed at least annually.

Jacob McHugh of EY drew attention to the Committee the section on audit risks and areas of focus. At the time of planning the standard risk management override controls, the significant risks around the valuation of Cambridge & Counties Bank, and also the actuarial estimates. Actuarial estimates were a particular focus given this was a triennial year, so this area was subject to some additional testing and procedures.

It was resolved unanimously to note the Audit Plan for year ended 31 March 2023 and the presentation by Ernst and Young

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

The Committee considered the final Annual Report and Statement of Accounts, and the Audit Results Report for the Pension Fund for the 2022-23 financial year. Introducing the report, officers highlighted the changes from the draft accounts: (i) the valuation of the Cambridge and Counties Bank – the valuation had been estimated for the draft accounts, so an adjustment had been included for that item; (ii) other Level 3 assets, such as private equity and property. The Annual Report and Statement of Accounts had been reviewed by the Audit and Accounts Committee at its 01/12/23 meeting, and the Statement of Accounts had been signed off by that Committee, whereas the Annual Report was the responsibility of the Pension Fund Committee.

With regard to the Audit findings report, there had been no material or non material errors. The Committee was pleased to note that the processes used by the team had received major recognition with a CIPFA Finance Award.

Jacob McHugh highlighted that the work was substantially complete. However, the final reporting was linked to the County Council's accounting opinion, so it was not possible to fully sign off and issue an audit opinion at this stage. There were no uncorrected audit differences, just two corrected differences which were essentially timing differences, relating to the Cambridge and Counties Bank valuation and Level 3 valuations.

A Member asked whether these Accounts not being formally signed off resulted in any issues, noting that many other Local Authority Pension Funds would be in the same position. Officers advised that the only issue was that the accounts may need to be updated to reflect going concern and post balance sheet adjustments when they were finally signed off. It was also noted that the Accounts could still be published, as long as it was made clear that these were still technically "draft".

The Chair thanked the external auditors and the Pension team for their work.

It was resolved unanimously to:

a) approve the Final Annual Report;

b) note the Statement of Accounts of the Pension Fund for the 2022-23 financial year;

c) note the findings of external audit documented in the Audit Results Report.

167. Cambridgeshire Pension Committee Forward Agenda Plan

Members noted that the Agenda Plan would be updated to reflect business plan activities for next year.

It was resolved to note the Committee Agenda Plan.

168. Exclusion of Press and Public

It was resolved unanimously that the press and public be excluded from the meeting on the grounds that the following items contain 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).

169. Confidential minutes of the Pension Fund Committee meeting held 4 October 2023

It was resolved to approve the confidential minutes of the Pension Fund Committee meeting held 4 October 2023.

170. Personal Data Retention Policy

Members considered a proposed Personal Data Retention Policy.

It was resolved unanimously to approve the Cambridgeshire Pension Fund Personal Data Retention Policy.

171. Risk Monitoring

The Committee considered an updated Risk Register.

It was resolved unanimously to review the Cambridgeshire Pension Fund Risk Register.

172. ACCESS Update

The Committee considered a report on ACCESS Asset Pooling.

It was resolved to note the report.

Chair