

## Local Pension Fund Board Minutes

Date: Friday 28 January 2022

Time: 10am-12:30pm.

Venue: Virtual Meeting

Present: Employer Representatives: Parish Councillor Denis Payne [Chair]; County Councillors Simon King, Philippa Slatter

Employee Representatives: Martin Dachs, Val Limb, Barry O'Sullivan [Vice-Chair]

### 23. Apologies for Absence and Declarations of Interest

No apologies or declarations of interest were received.

### 24. Local Pension Fund Board Minutes – 5 November 2021 and Action Log

The minutes of the Local Pension Fund Board were presented to the Board for comments.

Members proposed and agreed the following corrections for the minutes (additions in bold and deletions in strikethrough):

- Minutes, Item 20: ~~resolved~~ **resolved**.

The minutes of the meeting held on 5 November 2021 were agreed as a correct record, subject to changes, and would be signed by the Chair when the meeting was next held in person. The action log was noted.

### 25. Minutes of the Cambridgeshire Pension Fund Committee 13 December 2021

Members reviewed the minutes of the Pension Fund Committee.

Members expressed concern that the Committee had not requested the Board review the decarbonisation of investments. The Head of Pensions explained that this work stemmed from the Investment Strategy, which would be reviewed by the Board later in the meeting. This information had been developed with input from the Committee, Board and Sub-Committee. Once produced, it would be in the public domain.

The minutes of the Cambridgeshire Pension Fund Committee were noted.

## 26. Internal Audit Report 2020-21

The Board received a report of the annual audit work, focussing on the adequacy and implementation of administrative controls for the Cambridgeshire Pension Fund. Results found the Fund had substantial assurance for control environment and good assurance for compliance. The audit gave three recommendations regarding secondary or validation assurance checks and these were now in process or implemented.

In response to Members' comments, officers explained that:

- That LGSS had ceased to exist on 1 December 2020 and its reference on the documentation was an oversight.
- The 2021-2022 audit would initiate in February. Its terms of reference were in the process of being agreed.
- Independent checks were previously not required for transfer value calculations up to £10,000 when completed by an experienced administrator. However following discussion with the auditor, independent checks have been implemented regardless of value and list of officers capable of fulfilling those checks is maintained.

In response to the report Members:

- Congratulated officers on the audit result.

It was resolved to note the internal audit work during 2020-21.

## 27. Administration Report

The Board received a report which demonstrated the Fund's administration performance for the period 1 October to 31 December using key performance indicators (KPI). This included: payment of employee and employer contributions, breaches of the law and the internal dispute resolution procedure cases.

The officer noted that all KPIs were green and that receipt of employee and employer contributions between October and November were 99.6%.

Breaches of the law: There were six breaches regarding refund of contribution paid outside the statutory five-year period. This breach would be terminated when MHCLG amended the regulations. There were four breaches of the Stage 2 Internal Dispute Resolution Procedure (including one employing authority dispute). This was caused by the adjudicator not responding in time and failing to provide an extension notice. The Fund was now waiting for responses from the Monitoring Officer with regard to this.

In response to Members comments, officers explained that:

- Section 7B activity was predominantly short-term contracts. This had not been materially affected by the pandemic. Employers may have retrospectively engaged with contractors and therefore temporarily reopened Fund files.

In response to the report Members:

- Praised the officers for the additional information provided and green KPIs.
- Requested to review administration performance quarterly. **Action.**

It was resolved to note the report.

## 28. Risk Register

The Board received the Cambridgeshire Risk Strategy and Risk Register. The officer noted that the proposed changes to the risk register were predominantly mitigation measures. Risk 24 had changed to reflect an upturn in recruitment. Short term risks included 'the pandemic' and 'skills and knowledge across the Board and Committee'.

The Risk Register Executive Summary layout had changed to reflect member feedback, improve clarity and reduce cross referencing.

In response to Members comments, officers explained that:

- Skills and Knowledge: A longer-term training plan would be produced to ensure additional training was available. Further supplementary external, unbiased and relevant training could also be undertaken by members.
- Risk 13, Conflicts of interest: That the Conflicts of Interest Policy, originally concerning the Board, and was being developed to also cover the Committee.
- The Data and Improvement Policy Plan: The data policy was undergoing revision. Errors in data, such as outdated marital status, were caught by detective controls.
- Risk 15, Custody arrangements may not be sufficient to safeguard Pension Fund assets: The custodian performance was reviewed by LINK, officers, and at the Annual General Meeting of the Fund.
- Risk 20 Actual experience materially differs from actuarial assumptions used at each valuation: The Investment Performance Report was run through the HEAT system. This provided more frequent, accurate accounting information to scheme employers. Actuary evaluation occurred every three years, and made material change to contributions.
- Risk 25, Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided: Red ratings were valued from the gross total; this was reassessed to green/amber in a later column as

a result of control measures. The Member requested constant amber risks were given additional context or risk targets on the register. **Action.**

In response to the report, Members:

- Skills and Knowledge: Suggested allowing prospective members to view external conferences or training.

Asked that recorded training be made available permanently. The officer warned the member that training became outdated and that Aon had concerns regarding their intellectual property being made too widely available.

Noted that UNISON training was free for anyone.

Requested officers check that the email addresses to which training was sent was correct; requested individual circulation to Members of uncompleted mandatory training; and requested details of supplementary training on offer. **Action.**

It was noted the risk register should read (additions in bold):

The Fund has an appropriate Investment Strategy Statement in place which **includes** the Fund's Responsible Investment Policy.

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

## 29. Pension Fund Annual Business Update

The Board received an update on the progress made to key activities of the Pension Fund for the period up to 31 December 2021. This included: the conclusion of the investment consultancy contract and global custody contract; 1900 under/over payments required conclusion within the next financial year; McCloud age discrimination remedy accurate data gathering methods; large employer compass modelling; increased resourcing in the project team and business as usual team to fund the processing of undecided leavers; and a net variance of £26,000 in the £2.5 million budget.

In response to Members comments, officers explained that:

- Re-tender for strategic investment advisory services: Tendering of consultants was objective and not determined by the prospective consultant's ethics.
- McCloud age discrimination remedy: That benefits were processed on the information received by employers, but that individuals could raise concerns regarding inaccuracies.

It was noted that the report should read (deletions in ~~strike through~~ and additions in **bold**):

3.15.1

Background: Officers are working with the Fund Actuary and Price Waterhouse Cooper (PwC) to carry out covenant assessments of those employers considered to present the greatest financial risk to the Fund. This activity will involve engaging with the relevant employers to explain the process and collect information to allow PwC to carry out a covenant assessment and for the Actuary and PwC to advise on the results and appropriate actions to be taken.

### 3.15.2

Discuss results and next steps with the Actuary and PwC	September 2021 to October 2021	<del>On target</del> <b>Completed</b>
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It was resolved to note the Business Plan Update to the 31 December 2021.

## 30. Governance Compliance Report

The Board received a report which provided information on: statistics from the Department for Levelling Up, Housing and Communities on the English and Welsh Fund; the Scheme Advisory Board recommendation to allow scheme member representatives to attend ACCESS Joint Committee meetings; the Section 13 report; new legislation for scam prevention; skills and knowledge opportunities; relevant fund objectives; and risk management.

The officer noted that 2.6.6 – 2.6.8 of the report was a duplication within the report.

In response to Members comments, officers:

- Noted that 2.2.2 of the report should read (deletions in strikethrough and additions in **bold**)

Long-term cost efficiency – where relevant Funds had generally acted on GAD’s 2016 recommendations on operating plans to close any deficit funding gaps. GAD highlighted four Funds they are concerned about the level or trajectory of employer contributions and the implications for taxpayers. The ~~Northamptonshire~~ **Cambridgeshire** Fund is not one of those four Funds.

It was resolved to note the contents of the report.

## 31. Improving engagement in the Cambridgeshire Pension Fund

The Board received a report requested by the Chair of the Local Pension Fund Board detailing engagement with stakeholders through consultations; surveys; emails; newsletters. Engagement levels compared favourably with public sector industry benchmarks, but additional measures were being placed to improve this such as: consultations with investments; sharing learning on best practice with Local

Government Association groups; joint communications with external organisations like unison; a website review; and life stage communication targeting.

In response to Members' comments, officers:

- Explained that photographs used by the service were free downloads and that the choice between these were not always diverse.

In response to the report, Members:

- Suggested using Facebook groups to target older members with information. The officer explained that there was not sufficient resourcing in the Fund for a manned social media account.
- Showed concern regarding the low level of engagement with employers in the Climate Crisis Consultation.

It was resolved to note the contents of the report.

### 32. Cambridgeshire Pension Fund Business Continuity Plan

The Board received a report on the investment strategy. The officer highlighted key changes, including: detailing for scenario situations; learning opportunities provided by the pandemic and Northamptonshire IT outage; and new templating.

In response to Members comments, officers explained that:

- There was corruption to the presentation of the decision tree in the report.
- Engagement with Altair regarding their disaster recovery process was required to ensure provisions were sufficient.
- Lockdown had ensured the Business Continuity Plan now showed most activities could be undertaken remotely.
- Detail in the Business Continuity Plan met public sector expectations.

It was resolved to note the contents of the report.

### 33. Investment Strategy Statement

The Board received a post-publication review of the Investment Strategy, which had primarily changed as a result of the responsible investment work. Responsibility for the direction of investment and pathway for the transition to net zero by 2050 or earlier lay with the Pension Fund Investment Sub-Committee, who would view the action plan in February.

To meet the 2050 objective the Fund would: focus on passive assets and engaging with active managers; have specific targets for carbon footprint and carbon intensity reduction; use a climate dashboard for reporting; and review points. The officer detailed plans for significant changes to stewardship and increasing transparency through two initiatives: a Taskforce for Climate Related Financial Disclosures and the Stewardship Code.

In response to Members' questions, officers:

- Confirmed that the report should read that the Pension Fund Committee reviewed the revised ISS paper 15 December 2021.
- Explained that, to ensure controlled movement, part of the solution was existing active managers changing existing portfolios.
- Explained that modelling demonstrated how investing entirely in non-fossil fuels would negatively impact the Fund's ability to meet the 2050 net-zero target.
- Established that the consultation had found a greater number of individuals asking for prioritisation of pension protection over green investment.

In response to the report, Members:

- Stressed the importance of considering immaterial factors, such as the environment, as part of the Fund's fiduciary duty.
- Noted that divestment would prevent the Fund from influencing oil and gas companies' transition into green energy.

#### 34. Exclusion of Press and Public

It was resolved that the press and public be excluded from the meeting on the grounds that the agenda contained exempt information under Paragraphs 1 & 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 any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information).

Chair