

Minutes of the Pension Fund Committee

Date: 24th March 2022

Time: 10:00am – 12:05pm

Venue: New Shire Hall, Alconbury Weald

Present: County Councillors I Gardener, E Murphy, C Rae (Vice-Chair), J Schumann, A Sharp, A Whelan (Chair); Peterborough City Councillor A Coles; Lee Phanco, Matthew Pink and John Walker

Officers: C Blose, D Cave, S Heywood (attended virtually), J Kent (attended virtually), M Oakensen and M Whitby

Advisors: D Green (Hymans)

At the invitation of the Chair, the Head of Pensions gave an update on the Pension Fund, in relation to the Ukraine War. He acknowledged that it was difficult to talk about pension fund matters when there was real human tragedy unfolding, but he recognised that the Committee would be interested in whether there were any Russian holdings within the Fund.

In terms of market exposure, the Cambridgeshire Fund had a total of around £3.3M of its £4.2billion Fund invested directly in Russia, or approximately 0.08% of assets. Most of this was one single stockholding in the Dodge & Cox actively managed fund, and was invested in a domestic retailer. There were also a number of small, isolated holdings included in this £3.3M. In terms of passive equity, Russia had been removed from all indices. Despite the war and consequent volatility in markets, there had not been any significant fluctuations to the Fund as a result.

It was noted that there were some indirect exposures to Russian markets, i.e. some companies which the Fund invested in would have income from Russian markets, although many of these were looking to divest e.g. Shell. Other potential impacts of the War would be picked up under the Cyber Strategy and Valuation items later in the meeting.

The Chair commented that many people were still in shock about the War, and sent best wishes to the people of Ukraine, and hoped that the conflict would be over shortly.

A Member observed that in relation to the imponderables i.e. indirect exposures, these were more difficult to identify as they become further removed from the initial investments, and he asked whether this would become more transparent going

forward? Officers agreed that these type of indirect exposures were more difficult to identify, the further removed they were. However, asset managers were focusing on this issue and becoming more astute at identifying income sources. LINK had been particularly helpful with regard to those assets invested in through ACCESS, and more detail would emerge.

36. Apologies for absence and declarations of Interest

There were no apologies for absence.

Cllr Coles declared an interest as he was the beneficiary of a family pension.

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

Matthew Pink declared a personal interest as both he and his wife were active members of the Local Government Pension Scheme (LGPS).

37. Public minutes of the Pension Fund Committee meeting held 13th December 2021 and Action Log

The minutes of the Pension Fund Committee meeting held on 13th December 2021 were approved as a correct record.

The Action Log was noted.

38. Petitions and Public Questions

There were no petitions or public questions.

39. Administration Performance Report

The Committee considered a report which set out a number of key areas of administration performance in the period 1st October 2021 to 31st January 2022.

Members' attention was drawn to the following areas:

- The Key Performance Indicators (KPIs) detailed in Appendix 1 to the report. All KPIs had achieved their targets;

- Employer/employee contributions were detailed in Appendix 2. From April to January, 99.5% had been submitted on target;
- Issues in relation of breaches of law and Internal Dispute Resolution Procedure, specifically the reasons for some delays in Stage 2 disputes, and updates were provided on some of those cases;

Arising from the report:

- Noting that all KPI targets had been met, a Member asked whether this was sufficient, observing that those cases which had not been addressed within the timescales, although there may be few of them, could be critical for the scheme members involved. Officers advised that in the reporting period, only three cases from approximately 200 active retirements had been dealt with outside the period. She reassured the Member that a close eye was kept on performance and numerous safeguards were in place to protect scheme members, and continuity of income for members was paramount. Generally errors arose because of, for example, an error in an individual calculation, rather than a systemic error;
- In relation to late payments, a Member asked if there was any link between employers paying late, and their ability to pay, and whether there were any implications for the Risk Register? Officers advised that they did not consider this to be a systemic problem, and observed that it was the same employer group so most likely related to a particular payroll issue. The small number of late payments did not impact on the overall Fund and were followed up.

It was unanimously resolved to note the Administration Performance report.

40. Pension Fund Annual Business Plan Update report 2021-22

The Committee considered an update to the Business Plan up to the end of the financial year. Members noted progress made against key activities, including:

- various procurements, including contracts for actuarial, benefits and governance consultancy services, and specialist pensions legal services;
- PASA (Pensions Administration Standards Association) was not being pursued due to other resource intensive commitments, including various government initiatives and the McCloud age discrimination remedy;
- A number of projects including the Pension Regulator's revised code of practice, the Guaranteed Minimum Pension (GMP) rectification and McCloud, were being partially carried forward;

- Preparation for the 2022 Valuation of the Pension Fund was a key project, and the 2021/22 activities had all been completed, specifically obtaining data from scheme employers. There were some outstanding cases of undecided leaver records which would be transferred to the 2022/2023 Business Plan, and for which additional resource had been identified. Around 2,000-2,500 undecided leavers were being targeted to be dealt with per annum, and staffing turnover has resulted in delays on some of this project activity;
- The variances against the forecast of investments and administration expenses, and the reasons behind these, with the Staff variance largely offset by the Altair (software) additional modules.

In response to a Member question, officers explained that the Fund had recently undertaken customer service excellence (CSE) accreditation annually. The potential benefits of PASA accreditation were outlined, but due to the improved customer journeys as a result of CSE, PASA would be reconsidered at a future date and more pressing priorities managed over the short to medium term.

In response to a query on the £489,000 County Council overhead recovery, officers explained this related to all back-office systems, such as Payroll and IT, and other services provided to the Fund by both West Northamptonshire and Cambridgeshire County Councils. Those costs were split between the two Funds. Officers advised that there was an ambition to review this in detail, but that exercise would probably not be undertaken until 2023-24.

It was resolved unanimously to:

- 1) note the Business Plan Update to the end of the financial year
- 2) approve the extension of the benefits and governance contract by a period of 6 months (paragraph 3.3.3 of the report)
- 3) approve the extension of the specialist legal services contract by a period of 12 months (paragraph 4.1.3 of the report)

41. Pension Fund Annual Business Plan and Medium-Term Strategy 2022/23 to 2024/25

Members considered the proposed Annual Business Plan and Medium-Term Strategy which detailed the Fund's key areas of activity over the period 2022/23 to 2024/25.

A new core governance activity was preparation for the implementation of Pension Dashboards. This had been set out as a commitment in the government's 2016 Budget, and the DWP had recently issued a consultation proposing a staging deadline of the end of April 2024 for LGPS Funds to go live. However, this implementation date was ambitious and likely to be challenged.

In terms of the Pensions Service structure, there was a new management role, merging Investments and Accounting responsibilities, and a new Systems and Projects Manager role to help manage the considerable volume of project work, and also take some of the project work from the Governance and Compliance Manager.

A Member asked why governance expenses, listed under Management Expenses, rose from a forecast £701,000 in 2021/22, to £900,000 in 2022/23, reducing down to £750,000 in the following years. Officers explained that the increase in 2022/23 was mainly due to the actuarial valuation, with an additional £100K+ being budgeted to deal with that activity in the Valuation year.

A Member observed that total Administration expenses increased by almost £140,000 in the same year. Officers confirmed that some of this was staff related. Additional posts had been added in to the establishment but had had a higher than expected vacancy factor.

A Member observed that the impressive Key Performance Indicators suggested that the staffing structure may already be the most appropriate one. Officers advised that he had been informally running the proposed structure over 2021/22, and he believed that the resources identified were correct to deal with the Medium Term Plan. There had been particular issues in dealing with project work, and hopefully the staffing structure should address these.

With regard to the Risk Register, a Member noted that the main risks was employers unable to pay. She asked for examples of the type of events that would lead to that, as those type of events could impact on other elements of the Risk Register. Officers advised that this was one of hardest risks to quantify, as the reality was that if an employer could not pay, it was likely to be a very small employer with little material impact on Fund. However, he acknowledged that there was always, in theory, a risk it could be a larger employer, but this was unlikely. They also advised that the highest risk was following the valuation year, when contribution rates changed, but this should be addressed during the consultation period with employers, and payment plans were an option if this was likely to be an issue. In respect of unexpected shocks such as Covid, officers explained the measures available to employers who may be struggling to meet contributions, and how employers were assessed. For the pandemic, for example, only three employers across both Cambridgeshire and Northamptonshire Funds had opted to take a payment holiday. A Member suggested that officers consider scenarios where employers may struggle to pay and how those situations would be dealt with.

A Member suggested that future reports should give percentages as well as actual amounts for expenses. He observed that staff expenses appeared to be increasing by around 2% pa, whereas overhead recovery was about 5% pa. Officers explained why overhead recovery had been reviewed upwards recently, to address previous shortfalls due to underestimates. The overhead costs had been reviewed with the Section 151 Officer and considered to be fair. In future, percentages may change, depending on the outcome of the overheads review.

It was resolved unanimously to approve the Business Plan and Medium-Term Strategy.

42. 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.

The Committee noted:

- the latest statistics from the Department for Levelling Up, Housing and Communities (DLUHC) statistics for 2020/21, which stated the market value of the 85 LGPS Funds at 31/03/21 was £337.1bn;
- that it has now been agreed that scheme member representatives from Local Pension Boards would be allowed to attend meetings of the Joint Committee in an observer only role, in line with Scheme Advisory Board advice;
- Increased emphasis from the Pensions Regulator on reporting suspected pension scams, and new legislation which would make it more difficult for scheme members to transfer out in certain circumstances, again designed to avoid pension scams;
- Some of the Skills and Knowledge courses would no longer be available after 31/03/22, and the Chair strongly encouraged anyone who had not completed the training to do so.

It was resolved unanimously to note the content of the report.

43. Cambridgeshire Pension Fund Anti-Fraud and Corruption Policy Review

The Committee considered proposed changes to the Cambridgeshire Pension Fund Anti-Fraud and Corruption Policy. This was second review of policy that was originally approved in 2017.

Members noted:

- The Policy now also applied to officers of the Fund;
- The detection and prevention of fraud and corruption had been split into activities and triggers, e.g. triggers such as mortality rate increases;
- Address tracing for members residing in the UK has been removed. This was previously done in bulk, but a more targeted approach would now be taken e.g. for those members due to retire that the Fund has lost contact with.

Arising from the report, Members:

- Commented that it was unclear from the report presented exactly what had changed. Officers commented that the usual “Track Changes” approach had proved to be unsatisfactory in this case, but they would endeavour to make it clearer in future;
- Commented that this was a very important policy, and stressed the importance of linking this to the current cyber security work, especially as the risks arising from cyber fraud were increasing;
- Asked about current threats, specifically areas causing the most work or concern with regard to security. Officers advised that the website was actively monitored for attacks, but there had been none in the previous twelve months. More information would be provided under the later agenda item on the Cyber Strategy;
- Suggested that the Policy should include a link to the Whistleblowing Policy.

It was resolved unanimously to:

approve the revised Cambridgeshire Pension Fund Anti-Fraud and Corruption Policy.

44. Pension Fund Communications Plan 2022-23

Members considered the proposed Communications Plan for the 2022/23 Scheme year.

It was noted that the reference to a website review was purely an appraisal of the current website, rather than an active process to revise or change the current website. The website was currently hosted over two servers, and the intention was to host it on just one server in future.

The proposed “Life stage” communications would target specific stages such as retirement planning for the over 50s. It was noted that the Member Surveys were targeting scheme members after interactions, in the same way as banks and other commercial enterprises.

It was resolved unanimously to approve the Fund's Communication Plan for 2022/23.

45. Employer Admissions and Cessations report

The Committee received a report on the admission of two admission bodies and the cessation of six bodies.

Members noted the issues around admissions, which related to school cleaning and catering companies. It was also noted that the liabilities for the cessations would be retained by the letting employers, i.e. there were no exit payments.

It was resolved unanimously to:

1. Note the admission of the following admitted bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreements:

- Easy Clean Contractors Limited
- Lunchtime Company Limited x 5

2. Note the cessation of the following bodies from the Cambridgeshire Pension Fund:

- ABM Catering Limited
- Clean Slate Limited
- Compass Contract Service (U.K.) Limited
- Easy Clean Contractors Limited
- Nourish Contract Catering Limited
- Romsey Mill Trust

46. 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).

47. Cyber Strategy Update

The Committee considered an update on progress against the Cyber Strategy Action Plan, which had been agreed at the September meeting of the Committee.

It was resolved unanimously to:

- 1) Note the progress made against the action plan (appendix 1 to the report).

48. ACCESS Update

The Committee considered a report on ACCESS Asset Pooling.

It was resolved unanimously to note the report.

49. Valuation of the Pension Fund

Douglas Green of Hymans Robertson, the Fund's Actuary, gave an update on the valuation process for the Pension Fund.

It was resolved unanimously to:

Approve the financial and demographic assumptions to be used for the Pension Fund Valuation as set out in Sections 3 and 4 of the report respectively.