

MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Wednesday 26th October 2016

*Members of the Board in attendance:
Employers – Councillor P Downes*

*Scheme Members in attendance:
B O'Sullivan, D Brooks and J Stokes*

*Officers in attendance:
M Rowe – Democratic Services Manager
D Snowdon – Democratic Services Officer
J Walton – Governance and Regulations Manager
M Whitby – Head of Pensions*

*Time: 10.00am to 11:40am
Place: Shire Hall, Cambridge*

Action

49. ELECTION OF CHAIRMAN

John Stokes proposed, seconded by David Brooks with the unanimous agreement of the Board that Barry O'Sullivan be elected Chairman for the municipal year 2016/17.

50. ELECTION OF VICE-CHAIRMAN

John Stokes proposed, seconded by David Brooks with the unanimous agreement of the Board that Councillor Peter Downes be elected as Vice-Chairman for the municipal year 2016/17

51. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were received from Councillor McGuire.

The Democratic Services Manager informed the Board that Ian Dewar had not attended the last three meetings of the Pension Fund Board and no apologies had been received for the last two. Attention was drawn to section 7 of the Board's Standing orders, Termination of Membership, in which paragraph 4 stated, "a Board member no longer being able to demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training". The Democratic Services Manager requested

DS/MR

that the Board consider the course of action they would prefer to take regarding Mr Dewar's attendance.

Board members requested that officers write to Mr Dewar asking if he wished to remain a member of the Board that included a time scale for him to respond. If no response was received then the position would be advertised, the results of which would be presented to the January meeting of the Board.

Councillor Downes declared a Disclosable Pecuniary Interest under the Code of Conduct as a member of the Local Government Pension Scheme.

52. MINUTES & ACTION LOG – 22ND JULY 2016

The minutes of the meeting of 22nd July 2016 were approved as a correct record and signed by the Chairman.

Matters arising from the action log:

Minute 14 – The Board was informed that the Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking process was taking place and when the final report had been received, it would be circulated to the Board. The report would provide details of the unit cost per member.

MW/JW

Minute 39 – The Democratic Services Manager informed the Board that it was the view of the Monitoring Officer that he would undertake the interview process. The Board would have opportunity to speak with the proposed candidate but would not be part of the formal interview process. Board members requested that further advice be sought from the Scheme Advisory Board on the matter as it was the Board's preference for a nominee from the Board to be involved in the interview process.

MO/JW

Minute 40 – Information regarding the relationship between the size of employer and whether the employer met the key performance indicators for scheme employer performance would be presented to the January meeting of the Board.

Minute 44 – The Board was informed that indemnity insurance was required and this was being pursued through the LGSS Insurance Manager to ensure that the correct type and level of insurance was purchased.

Requested that comments and an estimated completion date be added to the action log.

MW/JW

The Board requested that a report be presented to the January meeting regarding the Cambridgeshire Bank.

53. CAMBRIDGESHIRE PENSION FUND EXECUTIVE SUMMARY

The Board received the Executive Summary of the reports presented to the July Pension Committee meeting. The Board noted that this was the first year that BDO had completed an audit of Cambridgeshire County Council and it had

not been without issues. The Annual Report and Statement of Accounts was therefore not presented to the October meeting of the Pension Committee.

During discussion Board members:

- Requested that the minutes of the Pension Committee be added as a standing item to the Local Pension Board agenda. **DS**
- Requested a breakdown of the Management expenses of £8.8m featured in paragraph 2.3.2 of the officer report. **JW/MW**
- Drew attention to the Scheme Advisory Board – Investment Fees Code of Transparency and questioned whether the code would be incorporated within the operation of LGSS Pensions. Officers explained that all national guidance was adhered to and would examine the Scheme Advisory Board code further and report to the Board at the January meeting regarding its possible adoption into current practice. **MW/JW**
- Questioned why the fund performance set out in paragraph 3.3.1 of the report had been lower than other comparable funds. Officers explained that the under-performance related to a period of transition to two new fund managers and the under-performance of a third manager.
- Questioned how remuneration for fund managers related to performance. It was explained that remuneration related partly to performance that was one part of the tendering process during which fees were negotiated. Actively managed funds attracted higher fees but there were numerous targets that would have to be achieved. The Board noted that asset pooling would likely assist with reducing fees and should achieve greater stability of investments.
- Noted that the Chairman of the Council's Audit and Accounts Committee talked extensively at the recent meeting of Full Council regarding the performance of BDO and informed that there were no material concerns with the accounts. The Democratic Services Officer agreed to supply the link to the minutes. **DS**
- Noted that the Council's Section 151 Officer would be providing feedback on the performance of BDO. An update would be sought regarding whether BDO were likely to lose the audit contract. **JW/MW**

Officers updated the Board regarding the triennial valuation of the Pension Fund carried out by Hymans Robertson, the scheme actuary. The Funding Strategy Statement was presented to the Pension Committee at the meeting held on 20th October 2016 and would be published following a 30 day consultation with participating scheme employers, which had been delayed following a change in the guidance published by CIPFA. Key assumptions were highlighted to the Board such as salary growth and the difference between the Retail Prices Index (RPI) and Consumer Prices Index (CPI). Initial results showed that funding had increased from 72% to 78% between the two most recent valuations.

Officers explained that a chart was produced that illustrated inter-valuation experience relative to key assumptions and formed part of the valuation document. Reports had been commissioned from Hymans Robertston to brief the Pensions Committee on proposed changes to key valuation assumptions..

It was resolved to note the contents of the report.

54. LGSS PENSION SERVICE ADMINISTRATION PERFORMANCE REPORT

The Board received the Administration Performance report for consideration. Officers highlighted that Parish Councils were resistant to making contributions via BACS transfer despite having been informed that cheques would not be accepted. Attention was drawn to paragraph 2.1.5 of the report where a large employer who had made 2 late payments and 2 non-payments for the period had now been resolved.

In the course of discussion:

- It was confirmed that policy was adhered to when staff were transferred into the scheme through Transfer of Undertakings (Protection of Employment) (TUPE) and it was possible for “Admitted Body” status to be obtained but risks would be monitored.
- It was confirmed that in the case highlighted in paragraph 2.1.5 of the report, it had not been necessary to refer the matter to the Pension Regulator but had been placed on the risk register.
- Board members noted that there had been no overpayments of pension and £1,299.28 had been recovered following overpayment of pension after death.
- Attention was drawn to the Key Performance Indicators (KPIs) presented in paragraph 2.3.2 in the report and the Board questioned whether the target for providing a maximum of one estimate of benefits to employees per year on request was realistic. The Board noted that the 90% target was an industry standard and officers agreed to provide details of the total number of estimates completed.
- The Board noted the difficulties regarding the recruitment of staff and that it was anticipated that performance against some KPIs may worsen before the performance improved.

JW/MW

It was resolved to note the Administration Performance Report.

55. ASSET POOLING

The Board received a report setting out an overview of the current position with regard to asset pooling. The focus of activity following the submission had been mainly on governance and the structure of the pool, predominantly whether to rent or build the pooling entity. The question of whether to rent or build the pooling structure was discussed at a meeting of the Chairmen on 2nd

September 2016, who agreed in principle to a rental structure, but with an option to take ownership in the future.

During discussion of the report Board members:

- Questioned the level of member representation on asset pools. It was confirmed that the Local Pension Board would retain its scrutiny function and national guidance was being sought regarding member representation on the pools.
- Councillor Downes proposed with the unanimous agreement of the Board that it be requested formally that a member representative be appointed to the Asset Pooling Board. Asset pooling would be placed as a standing item on the agenda plan for the Local Pension Board, with member representation addressed further at the January meeting of the Board.
- Noted that infrastructure funding proposals had progressed and expressed concern regarding the risks of investment in infrastructure funding and the potential pressure government could place upon funds to invest in infrastructure against the interest of members. Officers explained that it was proposed the pool would invest 5% in infrastructure and the investment would not fall to one particular fund. The Board noted the possibility of a national infrastructure pool and confirmed that the Pension Committee would decide whether to enter such a pool.

**JW/MW
DS**

It was resolved to note the progress made on the Asset Pooling proposal.

56. CURRENT AGENDA PLAN

The following reports were requested for the January meeting of the Board:

- Cambridgeshire Bank
- Full statement of accounts
- Fund Manager selection process
- Asset Pooling including member representation.

MW/JW

Chairman