

LOCAL PENSION BOARD

MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Friday 3rd July 2020

Members of the Board in attendance:

Employer Representatives – County Councillors E Meschini, S King (Chairman) and Parish Councillor D Payne

Scheme Member Representatives - D Brooks, B O’Sullivan (Vice Chairman) and J Stokes

Officers in attendance:

M Oakensen - Governance Officer

P Tysoe – Investment Manager

J Walton - Governance and Regulations Manager

R Sanderson - Democratic Services Officer

Time: 10.00 am to 11.55 am

Place: Meeting held remotely in accordance with *The Local Authorities (Coronavirus) (Flexibility of Local Authority Meetings) (England) Regulations 2020*

**ACTION
BY**

147. APPOINTMENT OF CHAIRMAN / WOMAN /VICE CHAIRMAN /WOMAN

Having been duly nominated and seconded:

It was resolved to appoint:

Councillor Simon King as the Chairman for the municipal year 2020-21.

Before appointing the Vice Chairman / woman, David Brooks indicated that he did not wish to be nominated, reminding the Board of his intention to step down in 2021.

Having been duly moved and seconded

It was resolved:

To appoint Barry O’Sullivan as the Vice Chairman for the Municipal Year 2020-21

148. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence.

149. MINUTES OF THE PENSIONS FUND BOARD 31st JANUARY 2020

On Page 10, of the Minutes in relation to bullet 3 David Brooks clarified that the line stating that ‘.he would not be attending any more events as he would be leaving the Board in 2021 ‘ should be changed to read that ‘he should not be invited to any further external events / conferences’. With that change,

It was resolved:

to approve the minutes of the meeting held on 31st January as a correct record and would be signed by the Chairman on the re-opening of Shire Hall.

150. MINUTES ACTION LOG

The Minute Action Log was noted.

Issues arising:

a) Page 20 Minute 132 Review of the Board Size

On the need to recruit new members of the Board following the agreement at a previous Board meeting that there should in future be a staggered timescale to re-appointments so that not all members would need reappointing at the same time, it was noted as part of an oral update by Democratic Services that the advert had been prepared, but circulation had been delayed due to the need for the Pensions Service to prioritise other areas of work during the current pandemic. (To facilitate this approach David Brooks had previously indicated that he would be stepping down at the end of 2020)

The Chairman expressed concerns at the delay and wished to place on record that the need to recruit new members as a matter of urgency

John Stokes suggested that the still outstanding terms of reference review should be undertaken first before any candidates were sent terms of reference that could shortly be out of date. In further discussion it was suggested that the recruitment process should not be delayed, but that it was important to receive progress on both issues and therefore there **should be a standing item on future agendas regarding providing updates on progress on both the recruitment process and the Board Constitution and terms of reference reviews. Action**

**Michelle
Oakensen
/Rob
Sanders-
on**

David Brooks suggested that he would be willing to continue on into 2021 for a short period should there be any recruitment difficulties which was gratefully accepted by the Chairman as he was such a valued member of the Board. Councillor Payne indicated that if there were difficulties in recruiting Scheme members, he would be willing to assist and change his role from being an employer representative to a scheme representative of which he already was one on a different authority if that would help, and if at the same time it was possible to secure another Employer representative.

- b) **Page 21 Referencing Minute 136 b) Training materials request** – text reading that Councillor Payne was not able to attend the July training session – Councillor Payne as an oral update indicated that his

circumstances had changed and he was now available to attend. **Action: Officers would ensure Councillor Payne was sent a zoom invite for the July training.**

Michelle
Oakensen

Page 24 referencing Minute 142 – ‘Cambridgeshire Pensions Fund 2020-21 Communications Strategy’ – requesting an update on the progress on producing a short explanatory video, as a number of members had previously agreed that the Members Self Service portal was not easy to navigate. It was highlighted that this had also been raised at the 14th January Pensions Committee (Minute 176 ‘Review of the Effectiveness of the Pensions Committee’) as referenced under Minute 137 of the Board minutes titled ‘Minutes of the Pension Fund Committee 10th October and 14th January’ and the member who had raised it requested **that this double request from both Board and Committee should be cross referenced in future in the Log as it showed the shared view on the need for such a training tool. Action.**

Michelle
Oakensen
/ Cory
Blöse

151. MINUTES PENSION FUND COMMITTEE 18th JUNE

The Pension Fund Committee minutes, circulated as a late despatch had been provided to the Board for information and were noted.

152. INTERNAL AUDIT REPORT

This report was introduced by the Audit and Risk Manager Stephen Mangan. He indicated that during 2019-20, Internal Audit work had focused on the annual audit of the administration of the Cambridgeshire Pension Fund. The audit had assessed the adequacy of design and implementation of controls for the administration of the Pension Fund. Based on the completion of the fieldwork and the testing carried out, Internal Audit were able to give:

- substantial assurance on the control system design environment for which there were effective embedded systems in place with no weaknesses identified in how key activity was being administered.
- good assurance given for levels of compliance, with high levels of compliance with agreed procedures. The review had identified a small number of issues including that unreconciled items on control accounts were not being carried out on a timely basis, but the organisational impact was considered minor and the Auditors had identified some issues where improvements could be made.

As an oral update Stephen was able to confirm that two of the three areas identified in the Management Action Plan had already been resolved including Item 3 Control Account – Unreconciled Transactions which had been highlighted as important and good liaison had been undertaken with payroll to ensure action was being taken to ensure unreconciled items were being addressed in a timely manner.

Questions issues raised included:

- In reply to a question seeking confirmation of what year the audit was for, it was confirmed it was for the year to the end of March 2020. As a follow on the same member highlighted that under paragraph 5.2 in respect of the annual reconciliation of employers and members

contributions the second bullet stated “the 2017-18 reconciliation is still work in progress” and requested an explanation. It was explained that the reconciliation was a significant piece of work but was now nearly complete.

- Page 36 - with reference to section headed ‘Pensions Payroll Suspense’ from the previous page on the first paragraph reading:
“ Responsibility for investigating and resolving these items is assigned to Pensions Accounting and discussions indicated that they are progressing and investigating these items although dealing with some of the older items is time consuming” a question was raised on what could be done to speed this up as this would have a knock-on effect on newer transactions. **In response the officers understood this had now been cleared but would check and get back to the Board.**
- Same question as above raised on page 38 under Reference action 3 titled ‘Control account – Unreconciled Transactions’ where it was stated that there were 144 items dating back to April 2019.. Regarding the number of net pay queries, this was reducing, but was a complicated area which was why the target set for completion was shown as March 2021.

Jo Walton

It was resolved to:

Note the report.

153. ADMINISTRATION PERFORMANCE REPORT

This report provided details of a number of key areas of administration performance for consideration by the Board with more being reported than was normally the case as the March meeting had been cancelled due to the corona virus pandemic lockdown.

It was highlighted in respect of key performance indicators, that despite the coronavirus and people self-isolating and working from home, all targets bar two had been met.

Key issues highlighted included:

- The tables in Appendix 1 which provided an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan.
- Full Key performance Indicators data was set out in Appendix 2 for the period 1st January to 31st May 2020. In response to a question it was confirmed that the Team were coping well with the unusual circumstances as a result of the Pandemic and the need for staff to self-isolate with productivity not having been affected. The same member asked about the knock on effect of any staff who had tested positive to the Covid 19 virus. It was clarified that no staff had tested positive

Since the pandemic lockdown Northamptonshire County Council required the Pensions team's health to be reported on a weekly basis. A small number of staff had shown symptoms of the virus in April but at that time had not been tested, as no tests were available. There had been no symptoms in the last 2-3 months that had required to be reported. All staff had been provided with the necessary technology to be able to work at home with only one person having to go to the office in Northamptonshire to deal with post and any photocopying. *(Note: Cambridgeshire County Council were not allowing any of their staff to enter Shire Hall with the building still currently closed which resulted in no photocopying service currently being provided or post was being sent out).*

- Appendix 3 showed very good performance regarding employers paying their employee and employer contributions on time for the period 1st May 2019 to 30th April 2020.
- Regarding breaches of the law, section 5 page 42 highlighted that there had been no material breaches. With respect to non-material breaches these were set out along with the course of action that was to be taken. In relation to the three stage 2 Internal Dispute Resolution Procedure Responses these were the responsibility of the Monitoring Officer and not the Pensions Service. It was highlighted that in relation to refunds on contributions payments claimed by and paid to members outside of the statutory five year period, the legislation was likely to be changed to remove the five year requirement.
- Section 6 detailed the activity undertaken in relation to the Internal Dispute Resolution Procedure. There had only been three pieces of activity. What the Service was observing was people who had transferred out of the Local Government Pension Scheme (LGPS) coming back later saying that they had not been given enough information on the dangers of being misled by those recommending a transfer to a defined contribution scheme, and seeking pension transfer out reinstatement. Emerging as a worrying trend was claims companies aggressively selling their services and then taking up to 20% of any pay out on a successful reinstatement.
- Section 7 the report set out details of the progress update on the Data Improvement Plan 2019-20. Regarding Resolution of unprocessed leavers and contracted-out liabilities reconciliation, it was highlighted that Her Majesty's Revenue and Customs (HMRC) delay in issuing the final data file had impacted on the completion of the activity, but the final file of data looked like it would be received by 31st July.
- Section 7 set out details of those admission bodies that had been admitted to the Pension Fund and those that had ceased to be an employer within the Fund.

Other issues raised in discussion included:

- Querying whether March and April had shown an excessive increase in the number of deaths of members over a normal average for the time of the year that might be attributed to the corona virus. This was difficult to ascertain at the current time as the Pensions Service was only informed of the date of a Members death, not the causes if notified by the Government's 'Tell Us Once' Service. The member who had raised it stated that he had attended a pensions event the previous week where

some schemes were reporting seeing excessive deaths during the same period.

- On the confidential appendix 4 showing late payments for the months January, February March and April, without identifying the particular employers, a member noted two employers had two consecutive months when they had paid late (and a parish council had paid late in three of the last four months) and asking whether they were on-gong issues. In reply it was indicated that the trigger for action was three consecutive months at which point the team would go back to the employer as being a cause for concern, requiring action.
- Under section 5 a Member asked that if a new employee failed to receive a welcome letter would it affect their transfer in, as he understood that there was a time limit in being able to enrol into the scheme. While this could be an impact, there had been no complaints to this effect and the Service were dependent on employers providing the necessary information. The Scheme Employer was able to use its discretion to allow an extension.
- Appendix 1 Page 48 the table titled 'Variances against the forecast of investments and administration expenses – based on original setting of assumptions' - a member expressed surprise that in the accounts line headed 'Total Governance Expenses' the comments column stated that Circa had increased their audit costs by 200% for the year, due to a review of the costs by EY and asked if this had been accepted without challenge? In reply it was explained that EY were reviewing all of their processes and the time cost of their audits, as the fees charged did not meet the resources required to carry out the additional audit work. The costs were still being discussed. It was clarified that the allocation of an external auditor and the fees charged where set by the Government and not via a procurement exercise. EY had been delivering the service at the same price for a number of years while the auditing of pensions accounts had become more complex, requiring more resource. **Action: As the Board still had concerns at the size of the increase there was a request that officers should continue to revisit the 200% figure and pass on the Board's concerns to the auditors.**

Jo Walton

- Appendix 2 page 49 titled 'Key Performance Indicators from February to May 2020' it was highlighted that the figures in the third section first line titled 'Payment of pension benefits from deferred membership status' were incorrect when you compared the completed line with the 'within target' line to the figure shown as 'over target', as the figures shown were 42 completed with 31 within target and therefore the figure over target should have been 11 not 3.
- On the same table there was a question of why the target had only been set at 90% rather than 100%. It was explained that to achieve a 100% target would require a considerable amount of resource and was not considered practicable on cost grounds, with the Officer highlighting that no Fund had a 100% target. However there might be some scope for movement upwards, going forward. **Action: As a follow on the question was raised on how the target of 90% had been arrived at? As the officer could not answer this query, she would go back to the officers for an explanation response and write to the Board outside of the meeting.**

Jo Walton

it was resolved:

To note the report.

154 GOVERNANCE AND COMPLIANCE REPORT

This standing report provided the Board with information on:

- 1) The activities of the Scheme Advisory Board (section 2)
- 2) The Local Government Pensions Committee, The Pensions Ombudsman and The Pensions Regulator – Coronavirus response (section 3, 4 and 5)
- 3) Legislation update (section 6)
- 4) Local governance matters (section 7 and 8)
- 5) Skills and knowledge opportunities (section 9 and appendix 4).

Questions / issues raised included:

- Page 54 referencing the Supreme Court Decision on LGPS Investment guidance paragraph 2.2.5 third line onwards reading:
“.....It also stated that the view of the Board is that responsible investment policy decisions belong at the local level reflecting the need to pay pensions now and in the future, local democratic accountability and the view of scheme members and that outcomes of policy developments should not be subject to restrictions based on unrelated matters”
a Member asked how the views of scheme members on investments would be achieved and whether all members would be surveyed? It was explained that this would be a unwieldy, resource intensive exercise but highlighted that all scheme member and employer representatives on the Board had been invited to the 15th July information day. The members of both Pensions Committee and the Board were invited as representatives of the views of the wider membership and the Pensions Committee included union representatives. At the end of the information day all those present would be asked to complete a survey on responsible investment. Paul Tysoe stressed the importance of attendance. The training session would include talks on the fossil neutral index and how fund managers engaged with Environmental, Social, and Governance (ESG) policies in conjunction with their role to obtain good returns for the Fund. The feedback from the day would help inform the report going to the Pensions Committee in September and the Board in November, to help inform the final policy to be agreed. In answer to a question from the Chairman to David Brooks on whether he would be attending, he confirmed he would if sent a zoom invite. **Action Officers to ensure all the Board received a zoom invite to the July training day.**
- In continued discussion, one member stated that he found it difficult to answer questions put to him regarding disengagement. It was suggested by the Chairman that accepting the fact that e-mailing all Members was unwieldy, the Pensions website should provide as much information on the subject as possible and invite comments from the wider membership to show that the Service was engaging in a comprehensive way and to ensure if people did have strong views, there

Paul
Tysoe

contributions could be captured and taken account of. One Member asked if employers were also consulted. In response it was explained that the Pensions Committee included employer representatives and again, taking account of what had already been suggested, when the information was publicised on the website, those employers who had strong views would have the same opportunity to provide a comment. Councillor Payne suggested he would like to see for employers a more proactive approach from the officers, including sending them e-mails as they were a more, limited number and so the task was not that onerous.

The Board agreed that a more proactive approach to seeking views from Employers and scheme members should be adopted by the officers

Paul
Tysoe

- With reference to appendix 3 and scams information, there was a query on whether this information had been circulated to all scheme members? it was explained this was only given to those who had requested information on potentially transferring their pension out of the scheme to a non-occupational pension scheme. *(Note: No information is sent to a third party regardless of whether the member has authorised a third party to receive it)*
- On the above, Councillor King explained that Cambridgeshire County Council had been proactive in setting up anti scam champions **and offered to email the pensions officers the co-ordinator's details.**
- Councillor King highlighted how useful he found the on-line training modules on avoiding being scammed and asked if they were being circulated to all Board Members. It was confirmed this was the case and **officers would continue to keep members informed of sessions that were available.**
- In further discussion Barry O'Sullivan highlighted he had been notified of non-pension related scams through his role working for the Cambridgeshire County Council customer service centre and had directed people to report such instances to Trading Standards.

Cllr King

M
Oakensen

It was resolved:

To note the report.

155. PENSION FUND ANNUAL BUSINESS PLAN AND MEDIUM TERM STRATEGY 2019-20 TO 2021

This report presented the Annual Business Plan and Medium-Term Strategy which detailed the Fund's key areas of activity over the period 2020/21 to 2022/23 that were not considered business as usual, identifying key milestones and budget requirements and the proposed activities to be undertaken. It was split into the following core areas:

- Service delivery
- Governance and compliance
- Communications, systems and employer management
- Operations
- Investments

Appendix 1 to the report provided estimated costs for the non-business as usual activities alongside the activity with the financial forecasting for the relevant years. Where further costs become known during the course of the new financial year these would be notified to the Pension Fund Board via the Business Plan Update report.

It was highlighted that the cash-flow projections did not include the impacts of the pandemic virus. As no staff had left in the period of the lockdown compared to staff turnover that could have been expected in a normal time period, there was an expectation that there would be a small overspend at the end of the year.

Significant areas highlighted included:

- SD4 'Extension of existing pensions administration and payroll software' – the contract had been due for renewal but the Service had taken advantage of an extension option to extend by another three years and therefore April 2023 was the new date when a competitive procurement exercise would be undertaken.
- Under the section headed 'Communication Systems and Employer Management' reference was made to CSEM 2 - Scope requirements for data protection in respect of LGPS Transitional Protections – highlighting that this related to the McCloud ruling and the amount of work required to be carried out to be undertaken during quarter 3 and 4 to ensure benefits were re-assessed correctly.
- INV4 - Tender for Independent Investment Advisor (IIA) – with reference to the tender exercise being undertaken, the Chairman made reference to the fantastic investment results he had read about in respect of Eric Lambert the IIA for Lancashire Pension Fund which had been the top performing fund for the last two years and whether officers should consider including an invite to him for the tender exercise. It was explained that the tender closing date was 12 noon that day and that if he had applied, he would be considered, along with all the other applicants which from those known to have applied, already represented a strong field. The tender process was due to conclude in September and that everyone who met the required standard would be interviewed with the interview panel to include the Chairman of the Pensions Committee and the Section 151 Officer.
- An explanation was requested referencing Page 82 3rd Paragraph reading 'During the 2020-21 year the administration of the funds is expected to transition from the current shared service model to a Northamptonshire County Council led lead authority model'..... It was explained that LGSS was coming to an end very shortly and Northamptonshire would therefore be the lead authority and Cambridgeshire Pensions Fund would effectively become its client. David Brooks indicated that he did recall any discussion on this at previous Board meetings. It was explained that this was not a Board or Pensions Committee decision, but had been a decision made jointly by the two Councils.
- In respect of the Cash Flow Projection 2019/20 to 2022/23 table under the forecast from 2019-20 forecast referencing the line titled 'Investment income taxes on income Profit and Losses) on disposal of investments

and changes to the market value of investments' David Brooks asked for clarification of the loss figure of £208,571,000. It was explained that it reflected the Fund position following the significant loss in one day as a result of the effect of Covid 19 on the markets. The markets had experienced extreme volatility in a short period of time resulting in a reduction in the Fund's value at that point in time. The officer went on to clarify that the Fund had now significantly recovered to the December level (£3.4 billion), He orally reported that its value on 26th June was £3.369m. These changes reflected the market movements and highlighted the volatility in Fund valuations.

- Page 88 - Key challenges and Influences – with reference to the decision to extend contracts, a member asked whether there would be sufficient staff to meet the challenges going forward in respect of the deferred procurement and what the plan was for the next 3-4 years. It was explained that as a result of the McCloud ruling there might be a need for additional staff depending on the level of automation that could be provided by the Fund's software supplier.
- Page 99 - CSEM3 Prepare for the 2022 Valuation of the Pension Fund – attention was drawn to an error in one of the year dates shown which should have read 2022.

It was resolved:

To note the Business Plan and Medium Term Strategy attached as an appendix to the Officers' report.

156. GOVERNANCE AND ADMINISTRATION RISK MANAGEMENT IN LIGHT OF THE CORONAVIRUS PANDEMIC

This report provided an update on the measures in place to ensure the continued governance and administration operations of the Cambridgeshire Pension Fund presenting a new risk log for the Coronavirus pandemic as it posed a number of risks on the regular activities of the Cambridgeshire Pension Fund.

Issues raised included:

- Complementing the Pensions Officers for an excellent document in terms of identifying the risks associated with the Pandemic and the way the staff had managed to keep the Service going in what were unprecedented times.
- On Appendix 2 Councillor Payne raised his concerns about data security in respect of home working and assumed staff had been trained accordingly. He had particular concerns regarding the risks associated with not receiving virus updates if using stand-alone laptops and personal routers. He was concerned that some of the assurances around mitigations might be over optimistic. It was explained that the system was linked to a remote secure network so this eliminated the risk to routers, but officers were happy to seek further advice on the risk to the Service from home working and come back to the Members. All users had to operate in line with Northamptonshire County Council (NCC) IT guidance and this was monitored with no concerns so far expressed. Councillor Payne explained that his anti-Virus software was

updated on a regular basis and was concerned if it was the case that the Antivirus software being used was only being updated every three months. **Action: The officer undertook to find out and report back on what safeguards for viruses were in place and how often they were updated.**

**Jo
Walton**

It was resolved:

To note the measures in place to ensure the continued governance and administration operations of the Cambridgeshire Pension Fund

157. AGENDA PLAN

It was explained that due to the pandemic officers had not had the chance to assess the updates need to the agenda plan but would ensure an updated version would be sent around in August.

**Michelle
Oakensen**

Additions requested at the meeting was for a standing item to be added and update report on progress on the review of the terms of reference and on the progress on the recruitment exercise to attract new board members.

The Agenda Plan was noted.

In closing the meeting the following thanks was requested to be placed on the record:

- The Chairman thanking Jo Walton for arranging for the Board to receive hard copies of the agenda.
- David Brooks thanking Jo Walton for providing the necessary IT equipment and hard copy papers to enable him to participate at the meeting.
- The Chairman to David Brooks for the sterling job undertaken as the Board Vice Chairman for a number of years and for his contributions to Board meetings.

The following requests were made:

- **that zoom invites be sent to the Board for the forthcoming training events on 15th July and for the Annual Meeting on 23rd July.** Jo Walton indicated that she was happy to provide hard copies of the papers if required.
- For the zoom link to Pensions Committee meetings to be provided during the continued lockdown so Board Members could observe the meeting
- Board to be invited to the public part of the Access Meetings

**Michelle
Oakensen
/ Paul
Tysoe**

**Democra-
tic
Services**

**Paul Tysoe
to arrange**

**Chairman
November 2020**