

LOCAL PENSION BOARD

MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Wednesday 12th April 2017

Members of the Board in attendance:

Employers – Councillor P Downes (Vice Chairman), D Payne

Scheme Members - B O’Sullivan (Chairman), D Brooks and J Stokes

Officers in attendance:

M Oakensen – Governance Officer

P Tysoe – Investment and Fund Accounting Manager

J Walton – Governance and Regulations Manager

M Whitby - Head of Pensions

R Yule – Democratic Services Officer

Time: 10.00am. to 12.10pm

Place: Shire Hall, Cambridge

Action

72. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies received.

The Chairman declared a Disclosable Pecuniary Interest under the Code of Conduct as both he and his wife were members of the Local Government Pension Scheme (LGPS); David Brooks, Councillor Downes and John Stokes declared that they were beneficiaries of the LGPS. David Brooks declared an interest as a governor of the College of West Anglia.

73. CHANGE OF RUNNING ORDER

The Chairman proposed, and the Board agreed, that the running order be changed to take agenda items 13 and 14 (exclusion of press and public, and the asset pooling update) earlier in the meeting, immediately after item 6, to avoid the risk that some members would have to leave before the items were reached.

74. MINUTES & ACTION LOG – 25th JANUARY 2017

The minutes of the meeting of 25th January 2017 were approved as a correct record and signed by the Chairman, subject to the addition of the words ‘selection and’ to the final bullet point of minute 60, to read ‘Board members noted that the Council’s Monitoring Officer had confirmed that the Chairman and Vice-Chairman of the Board would be invited to part in the selection and interview process’.

The Board noted the action log, and was advised that the date for completion on minute 12 had been updated from 'unsure of date for completion' to 'should be available in next few weeks'.

75. 2017 JOINT COMMUNICATIONS STRATEGY

The Board received a report presenting a revised Cambridgeshire Pension Fund Communication Strategy for information; the Strategy had been prepared in accordance with the requirements of the Local Government Pension Scheme Regulations 2013, and the revised version had been approved by the Pension Fund Committee.

In discussion, Board members

- enquired about progress in receiving the Plain English Campaign's approval; officers advised that documents were currently being put through the Campaign's process as individual documents, starting with the most complex and the most needed ones, such as retirement letters
- queried the removal of 'contributions' (as one of the things members were told about) from Objective 14, on providing Scheme members with up to date information. Officers advised that contributions had not been included because they were not something about which there was any decision for members to make. It was implicit in Objective 14 that members would be informed about their contributions so that they could understand the scheme and the scheme benefits; in drafting the objectives, officers had tried to pare them down to what was achievable
- on providing information to make informed decisions, referred to a case of short notice of a change raised at the Board's January meeting, and asked how officers tracked the giving of information about changes to ensure that it was given in time. Officers replied that if a change was material, notification had to be within a specific timescale, achieving which was tracked as one of the key indicators; the change discussed previously had not been material, and had been notified by Government so shortly before the change that it had been impossible to tell some Scheme members about it in time for them to make any decision.

It was resolved to note the Communication Strategy located in the Appendix to the report before the Board.

76. ADMINISTRATION STRATEGY REVIEW

The Board received a report inviting it to evaluate the revised Administration Strategy and suggest any improvements to ensure an effective and workable strategy before the Strategy was submitted to the Pension Fund Committee for formal approval.

Members noted that the intention was to develop a joint Administration Strategy for both the Cambridgeshire and the Northamptonshire Funds because it was possible to obtain greater efficiencies through a common way of working for both Funds. Once the two Committees had approved the Strategy, there would be a 30-day consultation with scheme employers; if there were no material changes arising from the consultation, the Strategy

could be published, but if there were material changes, the Pension Fund Committees would have to review the Strategy again. The changes were intended to improve the way in which poorly-performing employers were dealt with, and to act as a deterrent to poor employer performance.

In discussion, Board members

- queried whether the changes would be sufficient to act as a deterrent; officers advised that they were intended as a starting point, and all monies saved would go back into the Fund to meet administration costs
- noted that the tendency was for late contributions to come from a variety of employers, rather than always the same ones; before starting to charge the penalty for late contributions, procedures would be followed as per the Payment of Employee and Employer Contributions Policy
- commented that small employers were likely to have only one person trained to deal with financial matters; if that person were absent for any reason, there would then almost inevitably be problems with prompt payment. Officers advised that much support was given to small employers such as parish councils, but it was essential that they have a system in place for prompt payment of contributions. The changeover to BACS payments had caused some issues for small employers
- asked whether there were many instances of obvious problems caused by dealing with two authorities. Members noted that there was little commonality with data providers. A major source of problems was late notification of leavers; there was no material problem with late payment. The Administration Strategy was being amended to improve procedures for ensuring compliance with statutory requirements, not because there were material problems, but because members paid into their pensions for many years, and it was important to ensure that employers took their duties, and members' contributions, seriously
- commented that the proposed charges were relatively small for large employers, and noted that the intention was to make an administrative charge to cover the Fund's additional costs; any failures by an employer would be communicated to the employer at a senior level, and charges were applied in some instances per piece of late information, which would mean that larger employers by default would pay more
- noted that larger employers were tending now to give information on a monthly rather than an end-of-year basis; employer self-service had been introduced to help employers update information as changes occurred. Providing information on scheme leavers was still complicated and time-consuming for employers because of the calculation of final pay, and so of final benefits, but efforts were being made to use automation to improve processes for any size of employer
- queried the reference in Appendix 3 to a decision of the Pensions Committee in relation to 'notify the employer of decisions to recover additional costs...'. Officers advised that this should be removed, as Pensions Committee was no longer asked to take the recovery decision

- asked that page numbers referred to within the Strategy be checked for accuracy
- queried the rationale for supplying the date on which a target was agreed in Appendix C but not in the other two appendices. Officers undertook to remove the word ‘achievement’ in the last column of Appendix C. The original intention of the columns had been for reporting to employers annually; what were thought to be the key ten performance indicators had been identified each year.

Having evaluated the revised Administration Strategy and suggested improvements as set out above to ensure an effective and workable strategy, the Board noted the Strategy.

77. VALUATION UPDATE

The Board received an oral update from the Head of Pensions on the progress of the 2016 valuation of the Cambridgeshire Pension Fund. His report included that

- the valuation had been completed successfully in line with the statutory target of 31 March
- the report was with the scheme actuary, and the primary and secondary rates had been communicated to the scheme employers
- the methodology for setting rates had been changed to prevent large increases and decreases
- different levels of probability were looked at for different groups
- rates had decreased for some employers, for example, for some academies because they had few legacy liabilities and a large number of active members
- a post-project evaluation was being undertaken, which included seeking feedback from employers.

In response to Board members’ questions, the Head of Pensions further advised that

- looking back to past valuation exercises, improvements had been made in how information was communicated to employers and the depth of information given; even if it was not what they had wanted to hear, employers had appreciated that account had been taken of their comments on communication. Changes in methodology had also been made in an attempt to bring something of a probability-based approach to smaller as well as larger employers and improve the realism of future forecasts
- the pension implications of becoming an academy were explained to school governors prior to schools’ admission as academies, though not on a single page. They were told that the academy would take on a proportion of the Council’s pension deficit liability comparable to that being paid before becoming an academy (unless a new academy was being established); because the LGPS was a funded scheme, the deficit was important.

It was resolved to note the valuation update

78. EXCLUSION OF PRESS AND PUBLIC

It was resolved to:

Exclude the press and public from the meeting for the following item of business on the grounds that it contained 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).

79. ASSET POOLING UPDATE

The Board received an oral report on the most recent developments in the arrangements for asset pooling. Members noted that the County Council had approved the governance arrangements for the Joint Committee at its meeting on 28th March 2017, as set out in the published report to Council.

It was resolved to note the oral update.

The press and public were readmitted for the remainder of the meeting.

80. CAMBRIDGESHIRE PENSION FUND EXECUTIVE SUMMARY

The Board received the Executive Summary Report of the items discussed at the March 2017 meeting of the Pension Fund Committee.

In answer to questions, Board members noted that 'pass through' arrangements were used in the context of a very small short-term contract, for example outsourced catering involving two staff. Rather than the employer incurring fees for actuarial work and a potential cessation payment at the end of the contract the liability remained with the ceding employer as the risk would be negligible due to the size of the contract. The new employer would therefore adopt the ceding employer's contribution rate.

It was resolved to note the contents of the report.

81. LGSS PENSIONS SERVICE ADMINISTRATION PERFORMANCE REPORT

The Board received the administration service report, which had been updated since the Board's January meeting, when there had been insufficient time to consider the report.

Members noted that it had been necessary to complete a Breach of Law report for one medium-sized employer. The Pensions Regulator had asked a number of follow-up questions about the circumstances surrounding this and the actions taken by Fund officers, and would be making its assessment in due course. Members noted that all employers were treated equally under the scheme.

In discussion, members observed that some of the key performance indicator (KPI) targets were rarely met, and asked whether they were realistic. The Head of Pensions advised that, like many other pension funds, the targets most frequently missed related to supplying estimates; any issues of capacity in a team would show up in this area first. In answer to the suggestion that perhaps the target should be set at less than 90%, he pointed out that it had been met in some months, and said that it was not desirable to set a target below the level of service that the Fund wished to deliver. The Board's attention was drawn to the more detailed analysis in Appendix 2. Members congratulated officers on the KPIs that had been met.

It was resolved to note the Administration Performance Report.

82. CAMBRIDGESHIRE PENSION FUND ANTI-FRAUD AND CORRUPTION POLICY

The Board received a report inviting it to evaluate and suggest any improvements to the draft Anti-Fraud and Corruption Policy. The Pensions Regulator did not require such a policy to meet the Code of Practice, but officers thought it important to have the policy as a means of reducing the Fund's risk of exposure to potential fraud and corruption.

In discussion, Board members

- in reply to a question about the source of the Policy, noted that it had been informed by policy documents produced by other funds, but had been developed locally and tailored to Cambridgeshire needs
- asked whether, to avoid the situation where a pensioner died and there was a delay in notifying the Fund of the death, any measures were taken to check that UK pensioners were still alive. Officers advised that if the person registering the death made use of the 'tell us once' scheme, the Fund would automatically be informed. There was a far greater risk of delay in learning of an overseas pensioner's death. Once the overseas proof of life scheme was operational, a similar scheme would be developed for UK-based pensioners
- commented that 'life certificates' used to be used many years ago. It was pointed out that the need to have them signed had not acted as a deterrent to fraud, so a more robust system was needed. The National Fraud Initiative supplied information for UK pensioners every two years; this was demonstrated in the table of fraud prevention activity.
- pointed out that 'are cover' in 6.1 should read 'are covered'
- noted that the Board did see internal audit reports, and that it was a control issue if a matter identified by internal audit was not dealt with by the administering authority, but suggested that the Pension Fund Board, in its capacity as an oversight committee, might need to see more than the audit reports currently presented – members did not know what they did not know

- in the light of the previous point, asked that the Board's terms of reference be reviewed at its next meeting

M Oakensen
J Walton

- noted that the cost savings referred to in the third paragraph of 'Administration of the Fund' on agenda page 185 amounted to £400k, much of which had been achieved through the removal of duplication.

Having evaluated the Anti-Fraud and Corruption Policy and suggested improvements as set out above to ensure an effective and workable policy, the Board noted the Policy.

83. PENSION FUND ANNUAL BUSINESS PLAN & MEDIUM TERM STRATEGY 2017-18 TO 2019-20

The Board received a report setting out the Fund's Business Plan, detailing the Fund's objectives and setting out key priorities for the forthcoming year, and in some cases subsequent years.

Examining the Plan, members asked what sort of savings were envisaged through the procurement of the actuarial, governance and benefits consultancy service in conjunction with the Northamptonshire Pension Fund, and whether economies of scale would apply as there were two funds involved. Officers said that time had moved on since the contract had been put in place; some of what the current provider of actuarial services could offer had not been adopted because of the forthcoming procurement. It was hoped to save about 30%. Much of the work was demand led in nature, for example the commissioning of a report, and was charged according to a set scale; when suppliers were tested as part of the procurement exercise, it would be seen whether they would offer any reduction for supplying one service to two funds.

It was resolved to note the Business Plan for 2017-18 provided in the appendix to the report before the Board.

84. CAMBRIDGESHIRE PENSION FUND RISK REGISTER

The Board received a report on the Risk Register, which had been approved by the Pension Fund Committee in October 2016. Heat pads had now been produced, designed to act as a visual tool in assessing and monitoring the Fund's risks. These would be updated as risks moved, with arrows used to show the direction of travel. Examining the register, members commented that it would be helpful if all pages could be set out in the same orientation.

It was resolved to note the Cambridgeshire Pension Fund Risk Register located in the appendix to the report before the Board.

85. INVESTMENT STRATEGY STATEMENT

The Board received a report setting out the LGPS Fund's Investment Strategy Statement (ISS), produced and published in accordance with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Members were advised that the dates for four information days had now been identified, all to be held at Wyboston Lakes:

- 5 July 2017
- 4 October 2017
- 22 November 2017
- 7 February 2018.

In answer to questions, members noted that these four days formed a series of sessions; all stakeholders should attend all sessions if possible. 5 July would be used to go through the Investment Strategy Statement, and would feed in to the next round of meetings. The agenda for 4 October would be member-led, and subsequent dates would be used for other topics if work on the ISS had been completed by November. A Board training programme was in the course of development.

It was resolved to note the contents of the report.

Chairman