

MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 13th June 2019

Time: 10.00 a.m. -12.30 p.m.

Place: Kreis Viersen Room, Shire Hall, Cambridge

Present: Councillors: D Ambrose Smith (substituting for Cllr Gardener) A Hay, R Robertson T Rogers (Chairman) J Schumann and M Shellens; L Phanco, M Pink, and J Walker

Officers: C Blose, S Heywood, M Oakensen, R Sanderson, J Walton and M Whitby

Consultants: D Green Hymans Robertson LLP

Observers: Councillor S King and D Payne

Apologies: Councillors P Downes, I Gardener and D Seaton.

134. DECLARATIONS OF INTEREST

Lee Phanco declared an interest as a member of an LGPS scheme (not the Cambridgeshire Fund) and as a Director of the Cambridge Sports Hall Trust.

Matthew Pink declared a personal interest as both he and his wife were active members of the LGPS.

Councillor R Robertson declared a personal interest as his wife was in receipt of a small pension.

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

135. MINUTES OF THE PENSION FUND COMMITTEE MEETING HELD ON 28th MARCH 2019

The minutes of the Pension Fund Committee meeting held on 28th March 2019 were approved as a correct record and were signed by the Chairman.

Issues arising:

With reference to Minute 127 'Investment Strategy', a Member queried the resolution reading "It was resolved by a majority ... " asking why the individual Member voting record was not shown. The Democratic Services officer explained it was not County Council policy to show individual voting in a committee meeting unless a Member specifically asked at the time of the vote that the way they had voted be recorded in the minutes. In

reply to whether this applied to the Pension Committee, the Chairman confirmed that the Committee would be following the same protocol.

On the same minute on page 15 on the paragraph reading: “The Committee discussed how the Fund would manage negative cash flow in future years, and also how the significant passive portfolio (approximately 40%) factored in to the Investment Strategy” Councillor Robertson requested details of the discussion. As the Democratic Services officer who attended the last meeting was not present, they would be asked to look at their notes and provide the Councillor with more detail in an e-mail outside of the meeting.
Action: Democratic Services / the Chairman agreed to ask Dawn Cave who had minuted that meeting.

136. MINUTES ACTION LOG

On item 115 stating that a draft response had been circulated to members in response to the question received from Dr Smith, an oral correction was given indicating that although a couple of drafts had been provided to Mark Whitby, the response had not yet been circulated but a final version was expected to be able to circulated in the next two weeks.

On item 122 stating that a report on measures to automate monthly data collection would be circulated before the end of June, it was confirmed that this was still on target.

The Committee noted the Minute Action Log with the above correction.

137. GOVERNANCE AND COMPLIANCE REPORT

This report provided the Committee with updates on:

- a) Activities of the Local Government Pension Scheme Advisory Board.
- b) Information on Government Consultations affecting the Local Government Pension Scheme
- c) Skills and knowledge opportunities.

Attention was specifically drawn to the following issues:

- The pause in both Her Majesty’s (HM) Treasury and Scheme Advisory Board cost cap processes due to the uncertain outcome of the McCloud case that might see a change to transitional protection put in place when the LGPS was reformed in 2014. Paragraph 2.1.4 set out the possible outcomes.
- Paragraph 2.2.4 set out the four possible options that had been considered under the Scheme Advisory Board’s good governance review which had been the subject of consultation with stakeholders.
- Paragraph 3.3 ‘Consultation on Exit Payments Cap’ (Government consultation on plans to introduce a £95k cap on exit payments in the public sector). Paragraph 3.6 set out the details which had particular implications for those members at 55 and over being made redundant and who were currently entitled to both a redundancy payment and their strain cost of paying their pension without reductions would exceed this cap figure. Officers would be drafting a response to the consultation on behalf of the Fund and would be circulating it to the Chairman and Vice Chairman prior to submission to HM Treasury. There was a request to include in the response

seeking clarification on who would be the decision maker and any decision making exemptions to be given, as it would be impractical to go back to the Treasury for a response in each particular case that could arise. **Action: Mark Whitby**

Later in the meeting the Chairman drew Committee Members attention back to pages 28-29 of the agenda regarding the list of internal and external training and events in 2019-20 and reminded them to let the officers know if they wished to participate in any events to help increase their training credits and so that the organisations could be contacted to confirm attendance.

One Member questioned the value of the credits given and whether more than two credits should be given for the larger seminars which was the case with some other organisations. The credits system had previously been agreed by the Committee and were as follows:

- 2 credits for a full day
- 4 credits for more than one day
- 1 credit for ½ day

There was a request for a review of the credits system as Councillor Robertson could not justify the amounts of time required currently to earn the necessary number of credits. Agreed that there should be a report to next meeting reviewing the credit system to ascertain whether it was still fit for purpose or required amendment. **Action: Michelle Oakensen**

There was a request that an updated list should be sent to all the Members of the Committee which included venue details **Action: Michelle Oakensen**

It was resolved:

To note the report.

138. ADMINISTRATION AND PERFORMANCE REPORT

This report provided updates in the following areas:

- Variances against the forecast of investments and administration expenses as set out in Appendix 1 of the report.
- Key Performance Indicators LGSS Pensions - as set out in Appendix 2 to the report.
- Receipt of Employee and Employer Contributions as detailed in Appendix 3 to the report.
- Details of late paying employers as detailed in the confidential Appendix 4.
- A new section - Breaches of the Law of which, there were none to report.
- Another new section for more regular reporting - Members Dispute Resolution Procedure details - including Stage 1 and Stage 2 disputes and disputes escalated to the Pension Ombudsman as set out in section 2.5 of the report.
- Large overpayments over £3k detailed in section 2.6 of the report – there was one of just over £10k which would need to be recovered and was a result of not being informed of a person's death. An invoice had been raised.

In discussion:

- On the disputes statistics in paragraphs 2.5.3 (Stage1) 2.5. 4. (Stage 2) and 2.5.5 (Stage 3 – the Ombudsman) asking what were the timescales? Stage 1 the timescale for a response was two months, Stage 2 involved the Monitoring Officer was two months and could be longer if more time was required to make an informed decision, while Stage 3, as it involved an independent investigation by the Ombudsman, had no specific timescales and one case had recently taken over a year. The figures showed there were very few cases in any of the stages.
- On the Key Performance Indicators (KPIs) officers were congratulated for all targets having been met. It was suggested by more than one Member that there was a need to review them on whether some required more challenging targets. This should be on the basis of whether it could improve the customer experience, whilst at the same time not unduly putting pressure on limited officer resources. An example highlighted being the target to notify leavers of deferred benefit entitlement within 15 working days of receiving all relevant information. The Head of Pensions confirmed that the KPIs were being reviewed but cautioned that they were already challenging to meet, as not all were a complete process, as some involved information being provided by employers. **Officers would take the comments on board with the intention of bringing back a report to Quarter 3 which would include full customer journeys. Action: Michelle Oakensen.**
- On whether details were known of Eastern Europeans leaving as a result of BREXIT and their impact on the Fund it was clarified that employers already had turnover of around 15%. Local Government reorganisation e.g. Northamptonshire County Council was seen as having a far greater impact on the administration functions of the Pension Fund than BREXIT
- Member allowances query - This had been discussed with Democratic Services and going forward there would be more independence on how these would be paid.

It was resolved:

To note the report.

139. DATA IMPROVEMENT PLAN PROGRESS REPORT

This report detailed progress made against the Pension Fund Data Improvement Plan with a summary of the full list of data activity improvements included in Appendix 1 to the report and the activities in progress set out in section 2 of the report. Highlighted as a good news update was that the 8 variance cases referred to had now been reconciled.

In discussion;

- With reference to page 54 Data reference activity 4 – Resolution of scheme specific data fails identified in the 2018 Data Audit - it was confirmed in answer to a question that extending the completion of this work for a year was not an issue as the Pensions Regulator would be satisfied that progress was being made. Pensioner payroll vs Pension Administration Reconciliation and Rectification - On the overpayments tables under section 2.3.3 it was suggested that it would be useful to see the financial

details to get an idea of what the highest and lowest were. It was indicated that this information would be provided in the October report. **Action: Jo Walton.** (It was also suggested by one Member that the median would be useful if looking at the average overpayments). In reply to the question raised, the range varied between £2 and £10k and over, of which there was one of the latter, as already referred to earlier in the meeting.

It was resolved:

To note the report.

140. PENSION FUND ANNUAL BUSINESS PLAN UPDATE 2019-20

This report presented an update of the Pension Fund Business Plan.

Issues raised in debate included:

2.2.1 GC2 Procure a supplier of mortality screening and Member Tracing Services and process Results - Accurate Data Services had been awarded the contract following a further competition using the National LGPS Framework for Member Data Services. One Member suggested that regarding the intention to report on the improvements made to the quality of the Fund's data, information should also be provided on the percentage of errors. The officers intended to report back in October on the value of undertaking the exercise.

2.3 GC7 Complete the Guaranteed minimum Pension Reconciliation Project with Rectification of members records As an update it was reported that Her Majesty's Revenues and Customs Service (HMRC) had still not provided all the information required. One Member indicated that for Fund members he would wish to see errors resolved earlier rather than later, and asked what pressure could be put on HMRC. It was agreed that officers would find the appropriate methods to raise concerns with HMRC about the pace the information was being supplied. Every Pension Fund in the UK was experiencing the same problems in terms of having to complete the exercise.

2.3.1 CSEM 1 Incorporate employer covenant monitoring into the valuation cycle – Employer management was becoming one of the biggest challenges in managing the Fund. Assessing an employers' covenant (its ability to support the Pension liabilities now and in the future) was an important step in ensuring the security of the Fund. A query was raised regarding what was the expected outcome of the covenant monitoring. The intention was to provide an oversight to ensure no employer was at more risk of not being able to meet its liabilities. Further Education Colleges and small charities were currently identified as being at the most risk. A follow up question was raised regarding the McCloud case and its implications. It was reiterated that until the case was resolved and the outcome known, only could its impact be assessed for different employers and until such resolution, the Fund was required to continue with the existing benefits structure. It was confirmed in response to a query that the same transition arrangements would apply to all the types of employers.

2.3.3 CSEM4 Implement monthly data collection for all employers – there was a request for an update on the expected completion date for all employers in using the new

on line data portal for monthly submissions. Different deadlines were required for different employers and the next tranche was scheduled for July. The deadline for taking on board the 80 employers referred to in the section, was August.

2.4.2 OPS2 Design a range of customer experience key performance Indicators and those key performance indicators on the next two pages where it was being indicated that they were on target, it was suggested that they should have details of the target dates of all activities in the Business Plan. The target quarter when the work was to be undertaken for Operations KPI's were included in the table in 2.4. **Action: It was agreed that in future reports the tables should all also provide target dates rather than just the quarter the work would be undertaken in. Jo Walton**

Whether if the McCloud judgement resulted in additional administration work with regards to implementing backdated changes the Pensions Service had enough staff resource to deal with the consequences. Should more resource be required officers would come back to the Committee but currently the Head of Pensions was comfortable with existing staff resources. If the final judgment was in respect of retrospective contributions, then the issues would be more for the employers.

The Chairman made reference to the compulsory Effectiveness Plan and Review Questionnaire that had been e-mailed out to all members to help gauge how effectively the Committee was operating. As only four returns had so far been received even after an extension was given, hard copies would be handed out at the end of the meeting and placed in the pigeon holes of those members who were not present, with a requirement to return them no later than 30th June.

It was resolved:

To note the Pension Fund Business Plan Update for the period ending 31st May 2019 of the 2019 /20 financial year.

141. CAMBRIDGESHIRE PENSION FUND – 2019-20 COMMUNICATION PLAN

This report presented the above Plan setting out the communications activities for the 2019-20 scheme year for Committee approval. The main change was pushing ahead with electronic communications.

As an oral update it was reported that a new Communications Officer had now been recruited

It was resolved:

To approve the Communications Plan located in Appendix 1 of the report.

142. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

This report informed the Committee of the admission of four admitted bodies, one scheduled body and three cessations from the Cambridgeshire Pension Fund.

Reference was made that regarding those who joined, in most cases there was not the choice to refuse them. **There was a request that in future reports it was made clearer which of those listed admittance were ones where the Fund had no discretion.**
Action: Cory Blose

It was resolved to:

1. Note the admission of the following admitted bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreements:
 - *Caterlink*
 - *Aspens Services Limited*
 - *Edwards and Blake*
 - *ABM Catering Limited*
2. Note the admission of the following scheduled body to the Cambridgeshire Pension Fund:
 - OWN Academy Trust
2. Note the exit of the following bodies from the Cambridgeshire Pension Fund:
 - Churchill Contract Services Ltd (Thorndown Primary School)
 - SLM Ltd Everyone Active
 - Cambridge Live

143. ACCESS ASSET POOLING UPDATE

This report updated the Board on the Access Joint Committee (AJC) meeting of 18th March and developments up to the date of the report with Appendix A containing the approved Minutes of the 10th December 2018 AJC meeting and Appendix B the Business Plan and Budget Update report presented to the 18th March meeting to which an oral update indicated that the Committee had agreed it.

It was reported that the Project was progressing well with listed equities created as planned and passive now under the joint arrangements with the costs, as set out in the spend vs Budget table on page 104.

The report was noted.

144. EXCLUSION OF PRESS AND PUBLIC

It was resolved:

That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

145. ACCESS ASSET POOLING UPDATE APPENDIX B (ADDITIONAL INFORMATION) AND APPENDIX C

In answer to a query it was confirmed that there had been challenge and scrutiny of the Business Plan and the increase in costs as set out in the tables in the report with updates provided at the March meeting. There was a request that the Chairman should continue to challenge slipped timetables and budget increases.

An update was provided in respect of the Access Support Unit explaining that the contract manager and support officer were in post. In terms of the recruitment of the Director post, this had proved unsuccessful. The Joint Committee had agreed to undertake a further recruitment exercise inviting applications from officers from the Pension Funds and involving the Section 151 officers.

Regarding future representation on the Joint Committee, Unison had requested voting member representation and this and the issue of Pension Fund Board observer representation was to be considered formally at the next Joint Committee.

The Update and the Consultation response letter at Appendix C on the LGPS Statutory Guidance on Asset Pooling to the Ministry of Housing, Communities and Local Government was noted.

146. VALUATION OF THE FUND

Douglas Green of Hyman Robertson LLP, the Fund's Actuary, provided an update on current actions and an overview of the timeline moving forward.

A presentation was tabled with copies provided for all Members of the Committee present highlighting:

- an overview of the Funding Strategy Statement,
- an overview of the assessment and the results regarding the contribution rates for larger scheduled bodies in the Fund,
- An overview of results of an assessment carried out by the Actuary of the current small admitted body's pool and the designated body's pool. As their purpose, to provide protection for small employers against large funding shocks such as ill health strain costs and deaths in service, had been overtaken over time by alternative arrangements, this set out future options for them. No decisions were proposed at the current meeting as consultation required to be undertaken with affected employers, with the view to coming back for a decision at the October Committee meeting that would include the feedback views from the affected employers.

It was resolved to:

note the valuation update and presentation.

147. FORWARD AGENDA PLAN

The Committee noted the Forward Agenda Plan.

Chairman