

MINUTES OF THE PENSION FUND BOARD

Date: Thursday 18th December 2014

Time: 9.30am – 11.05am

Place: Kreis Viersen Room, Shire Hall, Cambridge

Board Members

present: Councillors P Ashcroft, S Count (Chairman), A Fraser, R Hickford (Vice Chairman), M Leeke, M McGuire, D Seaton and M Shellens; M Pink (representing UNISON active scheme members), J Walker (representing UNISON retired members) and T Woods (representing non-authority employers)

Officers: D Cave, A Olaniyi, I Smith, J Walton and M Whitby

Apologies: L Grinnell

117. CHAIRMAN'S OPENING REMARKS AND DECLARATIONS OF INTEREST

The Chairman extended a special welcome to South Cambridgeshire District Councillor Andrew Fraser, attending his first meeting. Councillor Fraser was the representative for All Other Local Authorities, Police and Fire. Councillor Roger Harrison of Huntingdonshire District Council would be his substitute.

John Walker declared a personal interest as a retired member of the LGPS and that his son and daughter-in-law were deferred members.

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

Councillor David Seaton declared an interest as his father was a retired member of scheme.

118. MINUTES OF THE PENSION FUND BOARD 23RD OCTOBER 2014

The minutes of the Pension Fund Board meeting held on 23rd October 2014 were approved as a correct record and signed by the Chairman.

119. ACTION LOG

Members noted the following updates included in the Action Log:

Minute 100/Reimbursing Board Members - a report would not be presented to full Council until the detailed arrangements for the new Pension Board were finalised.

Minute 109/Scheme Member Representative Substitute – John Walker advised that Barry O’Sullivan would be the Substitute member representing UNISON. It was noted that Barry had previously been a member of the Pensions team in Cambridge.

120. BUSINESS PLAN UPDATE

Jo Walton presented the Business Plan update. Members noted:

- The final Local Government Pension Scheme regulations, detailing the requirements for the local pension board, were expected at the end of January. Proposals had been developed by LGSS Pensions and LGSS Democratic Services on the arrangements for the new local pension board e.g. numbers of employer and member representatives, quorum, frequency of meetings, methods of recruitment, etc. The proposal was for three employer representatives and three member representatives. The recruitment process would be undertaken by Democratic Services. The reporting mechanism from the local pension board would be to full Council annually, and this report would also be presented to the Pension Fund Board;
- LGSS Pensions had base-lined the fixed cost that would form the basis of recharge under the Service Level Agreement with Cambridgeshire and Northamptonshire County Councils. It was anticipated that this would be finalised by 15/01/15, and presented to the LGSS Board on 27/01/15;
- A major project would start shortly to reconcile information held on the pensions administration software with that held by HMRC on contracted-out membership. Contracting-out would cease on 06/04/16, and as a result, pension schemes would have to reconcile contracted-out liability, which was relevant to those individuals who were members between 1978 and 1997. It was anticipated that the project would require additional resources comprising approximately two full-time equivalent (FTE) members of staff for 1.5 years. It was also very likely that this exercise would uncover overpayments, and national guidance was awaited on how these overpayments should be dealt with;
- The key points arising from two national reports on LGPS Pensions Funds: one from the Shadow National Scheme Advisory Board of all the 89 LGPS Funds in England and Wales, the other on a Department for Communities and Local Government report for the 81 LGPS Funds in England;
- Late payments of employee and employer monthly pension contributions represented 2.5% of total payments (around £6,000 per month) between April and September. Only a very limited number of employers were late payers, and they

were only late by a few days. A Member commented that the concern was where it was a particular employer repeatedly paying late, and officers outlined the sanctions that were available to them when this was the case. Members also noted that this issue was being monitored very closely by officers, and there would be an in-depth review of late payers;

- The Board noted regulations and consultations that had been issued and responded to during the period, including a response to a consultation on the LGPS (Amendment) (Governance) Regulations 2014, which had been developed in consultation with the Chairman;
- Member Self Service had been rolled out to over 39,000 active members. Over 2,000 emails had been received about Self Service, although 58% of these were requesting a second activation key. Self Service would shortly be rolled out to deferred Members;
- An employer forum at Girton College had been well attended by around 35 employers;
- Most key performance indicators (KPIs) had been met or exceeded in the period. A number of KPIs had slipped in August due to the challenge faced in dealing with the volume of requests resulting from a large number of retirements at the end of the school year, which had to take priority over providing estimates, etc;
- The challenge of providing FRS17/IAS19 reports to employers for their chosen date had been particularly challenging, as this covered Academies. It was noted that different academies may have different types of reports e.g. a multi Academy Trust may take consolidated approach or report by each school.

A number of Members expressed concerns on the new local pension boards. On the issue of timing, i.e. what happened if the government regulations were not issued in January, officers advised that all Pension Funds would be in the same situation, in that it would be difficult to make the necessary constitutional changes by April. On a related question, it was noted that the requirement was to have the Board *in place* in April 2015, and that Board was required to meet *within the first four months*.

A Member asked what input was required from the Pension Fund Board members, i.e. were they expected to lead the process of establishing the new local pension board? Officers clarified that it was the Council's responsibility to set up the new local pension board, as the Pension Fund Board would be scrutinised by the new body.

Officers advised that Democratic Services and Pensions were working together and had set in place arrangements as far as possible, including recruitment, pending the receipt of the final regulations from government.

John Walker gave an update on how UNISON was looking at the issue of recruitment to member vacancies on local pension boards, at both a national and regional level. Whilst acknowledging that the Council may seek to recruit more broadly i.e. from non-Union representative, John asked how such representatives would feed back to Scheme members? He also pointed out that UNISON representatives e.g. on the Pension Fund Board and Investment Sub Committee had a mandate to represent not only UNISON members, but all pension scheme members, irrespective of whether those members had any Trade Union affiliation. He also felt that UNISON was better placed to recruit suitably qualified members to the local pension board. The Chairman acknowledged this point, and commented that whilst he had no opposition to such a suggestion in principle, the problem was that this could be interpreted by other parties as all member places on the local pension board being given to UNISON, and not any independent/non-affiliated Members.

Members discussed the practicalities of identifying other (non-UNISON) members from the scheme members. It was noted that the Pensions team could do this through their regular communications with scheme members, although John Walker expressed concern that if this was via the regular communication i.e. Annual Statement, this could be too late to fit in with the timescales as currently set out.

Members expressed concern that owing to the lack of information i.e. publication of the final government regulations, it was difficult to know the standards that local pension board members were expected to meet, although it was suggested that in any event, the Council should seek to exceed these standards wherever possible. It was also noted that a number of other local authorities were using their Pension Fund Board members to fill some of the places on the local pension board, although officers pointed out that they would not wish to see the Pension Fund Board, as the governing body, being diluted in any way. Officers advised that they had received approaches from a number of external parties offering to fill vacancies in a professional trustee type capacity, although these individual would inevitably expect remuneration, but it may be an option when the local pension board was in its early stages. It was also suggested that UNISON Members could undertake all three roles on a temporary basis. Officers confirmed that a training plan would be put in place for all members of the new local pension board.

There was a query on the three employer/three member composition of the local pension board, and how this had been decided. Officers confirmed that this was not set in stone, but was seen as the best option, and preferable to a two employers/two member composition. They also agreed to circulate further information on the outline proposals for the local pension board developed by LGSS Pensions and LGSS Democratic Services, for members' information, and any feedback would be welcomed.

ACTION: Mark Whitby/Jo Walton.

Turning to the contracting-out and pensioner payroll reconciliations, the Chairman expressed surprise that other than alluding to a "labour intensive process", the report did not include the estimates of two additional FTE members of staff. He also queried the

assumption on overpayments, and asked if there would be any balancing underpayments. Mark Whitby advised that this estimate was not in the written report, as the project had only been scoped out until very recently, and the actual resource implications would not be defined until the data had been received. The technical issues relating to guaranteed minimum payments (GMPs) required by HMRC were outlined, including the reasons why these payments may be wrong e.g. if an individual moved round several employers. It was confirmed that this would be a one-off exercise, to ensure that LGSS Pension Service's records match with HMRC's. There was also an internal reconciliation aspect, i.e. whether the administrative system reconciled with the information on payroll.

In response to a Member question, it was confirmed that whilst divergences could be identified by computer, manual intervention would be required to ascertain why the information did not match up. In terms of the two FTE members of staff over 1.5 years, this estimate would be refined, if necessary, and presented to the Pension Fund Board as part of the Business Plan at its next meeting.

In terms of examination of overpayments, it was confirmed that a threshold would need to be established, and that this would be an operational decision, although the Pension Fund Board would be kept informed, given the high profile of this issue.

It was resolved to:

Note the attached Pension Fund Business Plan third update report for the 2014-15 financial year.

121. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

The Board received a report on the prospective admission of one designating body and gain approval for three admission bodies to join the Cambridgeshire Fund.

Members noted the background to the prospective designating body, LGSS Law Ltd, which was a designating body by means of being "connected with" a local authority in the Cambridgeshire Fund. LGSS Law Ltd could potentially close entry to the scheme to new entrants. It was confirmed that it would be extremely difficult for the scheme to be closed retrospectively, as this would require changes to designations. On behalf of the Pension Fund, officers were preparing a response, and would make all employers aware of the issue.

In response to a Member question, officers confirmed that the Fund was unable to reject requests from such designating bodies, if those bodies agreed with the terms of the admission.

It was resolved to:

- 1) note the admission of the following prospective Designating Body to the Cambridgeshire Pension Fund: LGSS Law Ltd;
- 2) approve the admission of the following bodies to the Cambridgeshire Pension Fund:
 - ABM Catering Ltd
 - TSG Building Services plc
 - Indigo Spa Management Ltd

121. EFFECTIVENESS REVIEW

The Board considered a report on the review of the effectiveness of the Pension Fund Board and Investment Sub-Committee, and reviewed the questionnaire that would be used for this purpose. The questionnaire would require a response by 31/01/15, so that the responses could be collated and report to the March Pension Fund Board meeting.

Arising from the report, Members:

- Suggested that respondents should be asked to identify how long they had been Members of the Board, as this would be relevant in interpreting their responses;
- Commented that Question 11, which related to the information provided by officers and advisors, was difficult to respond to, as the quality of such information was not necessarily uniform. It was suggested that the response should be on an overall basis, and noted that a text box was available under each question to enable Members to expand on their answers or provide additional information;
- Suggested including a question on the quality of reports submitted to meetings i.e. how appropriate they were, if they were too short or lengthy, etc;
- Suggested that it should not just be self-evaluation, but include external evaluation, e.g. the current or previous advisors, and 360° feedback. Officers pointed out that Members were also evaluated through the skills and knowledge framework, but took on board the suggestion of expanding the evaluation to include other parties such as advisors or officers;
- Suggested that pension scheme members should also be asked how well they felt the Pension Fund Board and Investment Sub Committee administered the Pension Fund on their behalf. Officers advised that member feedback was sought on a number of areas, including administration of the scheme, but they were unsure how well members could comment on the effectiveness of the governance of the scheme. A Member observed that the main role of the new local pension board would be to monitor the effectiveness and decision making of the Pension Fund Board.

- Noted that an employer satisfaction survey would be issued shortly, and that a member survey was also planned.

It was resolved to:

- 1) Note the questionnaire to be used for gathering opinion on the effectiveness of the Pension Fund Board and Investment Sub-Committee;
- 2) Note that the questionnaire was to be returned to LGSS Pensions Service by 31st January 2015;
- 3) Note that a report on the results of the effectiveness review would be presented to the March Pension Fund Board meeting.

122. EXCLUSION OF THE 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 contain exempt information under Paragraphs 2 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (2 - information which is likely to reveal the identity of an individual and 3 - 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.

123. INVESTMENT STRATEGY REVIEW

A report was presented on proposals to improve the Fund's Investment Strategy, based on proposals presented by the new investment consultant, Mercer Limited.

124. BOARD MEETING DATES 2015-16

The provisional Board meeting dates for 2015-16 would be circulated to the Board by email. **ACTION: Dawn Cave.**

125. DATE OF NEXT MEETING: 9.30am 19th March 2015.