

MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Friday 22nd July 2016

Members of the Board in attendance:

Employers – Councillor L Nethsingha

Scheme Members in attendance:

B O'Sullivan (Vice Chairman, in the chair), D Brooks and J Stokes

Officers in attendance:

M Oakensen – Governance Officer

M Rowe – Democratic Services 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

38. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were received from Councillor McGuire. In his absence, the Vice-Chairman, Barry O'Sullivan, took the chair.

39. MINUTES & ACTION LOG – 28TH APRIL 2016

The minutes of the meeting of 28th April 2016 were approved as a correct record and signed by the Vice-Chairman.

Matters raised from the Action Log included:

- Task and Finish Group regarding the ACCESS pool: Board members were advised that the Group had not met since the Board's last meeting, though further meetings were being planned.
- Past actions should be removed from the log once completed.
- Future appointments to the Board: the Democratic Services Manager undertook to talk to the Monitoring Officer again, as the Board had expressed a wish that all Board members, or at least the Chair and Vice-Chair, see all applications.

MR/DS

MR

40. CAMBRIDGESHIRE PENSION FUND ADMINISTRATION PERFORMANCE REPORT

The Board received the Administration Performance Report focussing on the work undertaken regarding the administration of the Pension Scheme.

During discussion Board members:

- Were advised that employers had provided year-end data more quickly in 2016 than in 2015.
- Sought more information about the relationship between size of employer and whether the employer met the key performance indicators (KPIs) for scheme employer performance, commenting that one might expect larger employers to have less difficulty meeting the KPIs than smaller employers, and that the Board might be more concerned if a large employer, rather than a small one, was failing to meet targets. The Governance and Regulations Manager undertook to find the information requested.
- Enquired about measures to keep in touch with deferred members. Officers advised that efforts were made to establish contact at the point where benefit was about to become due; the question of how tracing was being done and whether it was adequate was already being examined. The intention was to move to electronic distribution for deferred members; once they had access to member self-service, it should be easier for them to keep their own details up to date.

JW

It was resolved to note the Administration Performance Report.

41. CAMBRIDGESHIRE PENSION FUND – DRAFT RISK REGISTER

The Board received the Draft Risk Register for consideration. Looking at the Register, Board members noted that the objective column referred to the objectives agreed by the Pension Fund Committee, and the Board's advice was being sought on risks and ratings assigned to them.

Board members welcomed the register, and in the course of discussion:

- Commented that in many cases, the 'gross likelihood' of a risk was shown as 3, which seemed quite high, and did not perhaps reflect the variation in likelihood between different risks. For example, Risk 1 (failure to administer the scheme in line with regulations and policies) was not very likely, because of the competence of the team, though the likelihood might vary over time, for example increasing if a large number of new regulations were to be introduced simultaneously.
- Noted that the register had been drawn up for the Cambridgeshire and the Northamptonshire funds, and that officers had looked at how other funds had drawn up their registers. However, the numerical ratings had been drawn up specifically for the Cambridgeshire fund.

- In relation to Risk 54 (Pension Fund systems and data may not be secure and appropriately maintained), asked about the complexity of passwords and how often they were changed. Officers said that the various systems used had different rules; the Altair system for example had two levels of access, and required any new password to be more than a minor variation on the previous one. Board members queried whether the risk was scored too highly.
- Noted that the register was a living document, and that risks would be added as they presented themselves.
- Asked about the impact of the decision to leave the European Union. Officers advised that this was covered by Risk 25 (Failure to react to major change in market/economic conditions), and that any changes in legislation governing pension funds would have to go through statutory processes, so would not be introduced without some warning.
- Suggested that Risk 19 (Contributions to the Fund are not received on the correct date and for the correct amount) and Risk 39 (Lack of understanding of employer responsibilities which could result in a statutory deadline being missed) might be slightly overrated; failure to meet deadlines would not normally have a great impact on the fund's beneficiaries. Officers explained that data was needed from all employers, large and small, and it could create difficulties if the data was not available, as well as posing a risk of reputational damage.
- Commented that, as with the discussion on the Administration Performance Report, the risk was less if the larger employers were paying on time.
- Expressed the view that, given the current state of the markets, a residual total of 16 for Risk 34 (Market yields move at variance with actuarial assumptions etc.) was probably about right. Board members were assured that even if there were to be a market failure, the fund would have sufficient resources to continue to pay the pensions while the market recovered.

It was resolved to make the comments and recommendations on the Draft Risk Register set out above.

42. CAMBRIDGESHIRE PENSION FUND – VALUATION REPORT

The Board received a report setting out an overview of the timeline of key valuation activities and progress made to date, provided in response to members' request to be kept up to date with progress on the triennial valuation of the Pension Fund.

Board members noted that there would be a training session for Pension Fund Committee members immediately before its October meeting, in addition to previous sessions on evaluation and on the main assumptions, and suggested that they should attend the October session too. The Governance and Regulations Manager undertook to circulate the slides from the earlier training sessions to Board members.

Board members also asked for dates of forthcoming Pensions Fund Committee

meetings. The Democratic Services Manager undertook to supply these.

It was resolved to note the valuation plan.

43. THE PENSIONS OMBUDSMAN SERVICE – PAYMENT OF DEATH GRANT

The Board received information on a Local Government Pension Scheme Ombudsman case study. This was supplied to enable members to build their skills and knowledge in order to undertake their role effectively.

The complaint had been that the death benefit payable from the LGPS had been subject to a 40% tax charge because the benefit had not been paid within two years of death. The complaint had been upheld.

The case had drawn officers' attention to the importance of dealing with death grants properly and promptly, and supplying information even if there was no requirement to do so. In future, Pension Fund officers would be informing potential beneficiaries of the two-year time limit; the rate of tax charged on death benefits paid after two years had risen to 45% from April 2016.

Board members commented on the difficulties faced by families in the aftermath of a death, and noted that the case in question represented a very specific set of circumstances. Before complaints went to the Ombudsman, they would usually go through an internal complaints procedure, during which there might be an opportunity to reach a local settlement, though once the complaint was lodged with the Ombudsman, it was for the Ombudsman to determine it.

It was resolved to note the content of the case study.

44. ONE YEAR ON SEMINAR FEEDBACK

The Vice-Chairman reported on the Local Pension Board Conference held for Chairs and Vice-Chairs of pension fund boards. It had been timed for the first anniversary of the creation of local pension boards and was designed as an opportunity for the members of local boards to share experiences of the first year and to look ahead to the next year.

The first speaker, from the Pensions Regulator, had pointed out that there was insufficient information available for scheme members to find out about the role of pension fund boards, and that only 53% of funds had procedures in place to report breaches. Officers advised that locally, there was a policy on reporting breaches, and that efforts had been made to publicise the role of the Board, via website, payslips and the annual report.

A speaker from the Government Actuary's Department (GAD) had talked about section 13, a review to get an overview of the 91 separate funds. He had pointed out that LGPS was one of the top ten pension funds in the world.

A speaker from the DCLG had said that there was a great variation how different pension fund boards were set up; it was possible that new government guidance on the boards would be issued. He also reported that there had been

a High Court ruling that a Fund could not be prevented from boycotting a particular area of investment.

At the conference, there had been some discussion of indemnity insurance for Board members. The Democratic Services Manager reported that locally it had been assumed that Board members would be covered by the County Council's insurance, but this appeared not to be the case. The LGSS Insurance and Risk Manager was investigating the insurance position; the Democratic Services Manager undertook to see that this was followed up, as it was important that individual Board members be covered by insurance.

MR

Summing up, the Vice-Chairman said that the conference had been very interesting, and had provided a good opportunity to meet and discuss with other pension fund board members from across the country.

45. ASSET POOLING

The Board received a presentation from the Head of Pensions on the proposed arrangements for pooling assets that had been submitted in July 2016. He undertook to supply an updated version of the slide pack for circulation to Board members.

MW/MR

Discussing the presentation, Board members:

- Expressed a wish to see some form of scheme member representation in the governance structure. The Head of Pensions advised that, although as far as he knew this was not currently envisaged, there was a national movement for member involvement. An investment manager could still come and speak directly to the Pension Fund Committee or Sub-Committee, so there would be an element of scrutiny through the Committee, but work was being undertaken at national level to obtain a response on member representation.
- Enquired about cost transparency. Board members were advised that the position was becoming clearer; there were specific investment manager fees, but 'net of fees' was often quoted, and investigation was continuing.
- Noted that each local fund would be able to decide the amount it wanted to invest in infrastructure; the ambition of ACCESS (a collaboration of central, eastern and southern shires) was set out on the final slide.

PROCEDURAL NOTE: Councillor Nethsingha left the room towards the end of the Asset Pooling item, and the meeting thus became inquorate. Although not able to make any decisions as a Board, the remaining members took the view that it would be better to continue rather than adjourn to another day, because the only remaining items of business were for information rather than decision.

46. CURRENT AGENDA PLAN

Reviewing the agenda plan, those present requested that an item on asset pooling be added to the October agenda.

DS/RY

47. EXCLUSION OF PRESS AND PUBLIC

It was agreed to exclude the press and public from the room 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 affairs of any particular person (including the authority holding that information)).

48. CAMBRIDGESHIRE PENSION COMMITTEE EXECUTIVE SUMMARY – JULY 2016

Board members considered a report setting out an executive summary of specific agenda items discussed at the July 2016 Pension Committee meeting; minutes of the meeting were available on the Council's website.

The report had been classified as confidential because it contained information about the affairs of two specific employers. The Democratic Services Manager undertook to look into ways of avoiding a similar need to classify a report as confidential in future.

MR

Chairman