

Minutes of the Pension Fund Committee

Date: 25th October 2022

Time: 10:00am – 11.55am

Venue: New Shire Hall, Alconbury Weald

Present: County Councillors A Costello, E Murphy, C Rae (Vice-Chair), A Sharp, A Whelan (Chair); Peterborough City Councillor A Coles; John Walker

Officers: B Barlow, C Blose, D Cave, M Oakensen, S Peasland (virtual, item 77 only), A Persaud (virtual, item 77 only) and M Whitby

Advisors: D Green (Hymans)

74. Apologies for absence and declarations of Interest

Apologies were presented on behalf of Lee Phanco, Matthew Pink and Sarah Heywood.

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

Councillor Murphy declared an interest as Chair of the Cambridgeshire and Peterborough Fire Authority.

75. Public minutes of the Pension Fund Committee meeting held 28 July 2022

The minutes of the Pension Fund Committee meeting held on 28th July 2022 were approved as a correct record.

76. Petitions and Public Questions

There were no petitions or public questions.

77. Internal Audit Report 2021-22

The Committee considered a report on the findings of Internal Audit work during 2021-22. This work had been carried out by the West Northamptonshire Internal Audit team, and officers briefly outlined how this shared service was functioning across authorities.

The audit assessed the adequacy of design and implementation of controls for the administration of the Pension Fund. Based on the completion of fieldwork and the testing carried out, Members were pleased to note that 'Substantial' assurance had been given to

the control environment in place. In terms of compliance, the assurance given was 'Satisfactory'. The main recommendations arising from the audit were noted. The report also followed up actions agreed in the 2020/2021 review. For all issues identified during the audit, actions had been agreed with management and were detailed in the Management Action Plan

A Member queried the issue raised in relation to the checking and authorisation of payments. The Head of Pensions advised that this was largely administrative, in that the "checking limits 2022" spreadsheet was not comprehensive i.e. the officer who had authorised death in service payments had the necessary seniority and expertise, but had been omitted from the spreadsheet.

A Member queried the Payroll Control Accounts, noting the statement in the report that the Internal Audit team had *"...not undertaken any additional testing in this area as part of this review and expect the close examination of management and officers to resolve any issues arising..."*. Given there had been issues in this audit area in the past, the Member asked whether the audit should have included additional checking in this area, and whether the audit team had discussed this with their Cambridgeshire County Council audit colleagues. Officers explained that the Payroll service was delivered by WNC to both Cambridgeshire and Milton Keynes Councils, and the WNC Internal Audit team also audited that area of work, and the Payroll audit for 2021/22 had been provided to Cambridgeshire's Internal Audit team. One area outside the scope of the audit was around payroll control reconciliations, which was based on S151 Officers' understanding that there was a particular issue around control account reconciliations. As this was already a known issue, it was considered that there was little point doing detailed work as part of the Pension Fund administration audit. This was an area that the audit team expected each client manager to address, and in addition, control account reconciliations would be picked up as part of the follow-up.

A Member expressed concern that there were a large number of queries – 3,274 – that had not been resolved at the time of the audit. Officers advised that recent management feedback indicated a significant reduction in the number of outstanding queries for both Cambridgeshire and Northamptonshire. At that point it had reduced to 816 unresolved queries. The Systems and Project Manager had left the organisation at the time of the audit, and Jo Kent had recently taken over that role. It had been agreed that by the end of November every single query would either be closed down, or the relevant Scheme Employer would be advised that there was a final deadline, or a fine would be imposed. It was further noted that many queries were not the typical year end queries. It was acknowledged that there had been a weakness in terms of chasing information from scheme employers, but it was anticipated that this would be resolved before year end.

The Chair thanked the team for the work being done.

It was unanimously resolved to:

note the Audit Plan 2021-22.

78. Ernst Young External Audit Plan

The Committee received the Audit Plan from Ernst Young, which had already been completed.

Members noted the key risks, which included assets that were difficult to value such as Cambridge & Counties Bank, as well as Level 2 and 3 investments, such as property and private equity.

Materiality was based on 1% of net assets, which at the time of the calculation was £43M. Officers were more interested in Audit Differences of £2.2M, and adjusted for anything around or above that level. Officers were in frequent contact with auditors and preferred to address issues as they arose. The final set of accounts and audit report (ISA260) would be presented to the next Committee meeting.

A Member queried why the investment in the Cambridge & Counties Bank was considered so unusual. Officers explained that it was difficult to value, and a specialist firm (Grant Thornton) was appointed annually to undertake the valuation. The Bank was directly owned jointly with Trinity Hall College in Cambridge, and it was an unusual investment for a Pension Fund to hold. Another Member expressed concern that the Council partially owned a bank with a college, as it seemed an unusual thing for a County Council to do, especially as it appeared there were risks and intrinsic difficulties valuing it. Officers commented that whilst there was increased risk as it was a direct investment in one single asset, rather than spread across numerous assets, as with an equity fund, it had been a long term holding, and Members and officers had been comfortable holding it. Bank representatives would be attending the next Investment Sub-Committee meeting. The Member acknowledged these comments but remarked that a College was a small organisation, and was ultimately dependent on staff. The Bank had been established ten years ago, so it had not been through a banking crisis. Officers confirmed that the Bank had a rigorous governance structure, as with any organisation in the banking sector. It had grown into a medium sized bank, and the capital requirements had increased following the direction of the banking regulator. Whilst the Bank was a major investment for Trinity Hall College, it represented a small investment for the Pension Fund, and was well managed and monitored.

It was resolved unanimously to:

note the Audit Plan 2021-22 and the presentation by Ernst and Young

79. Administration Performance Report

The Committee considered a report which set out a number of key areas of administration performance in the period 1 May to 31 July 2022.

In May and June, targets were missed due to performance issues within the team, relating to transfers and quotes, but these issues had since been addressed. In June and July, there were resourcing issues within the team that deals with the payment of retirement benefits from active employment, which resulted in targets being missed. All but one of the vacancies within the team had now been filled. Members were pleased to note that over 99% of employer contributions had been on time throughout the period.

There had been one Internal Dispute Resolution Procedure (IDRP) complaint, which related to the refusal of an employer to a request for early payment of benefits on ill health grounds from active service. The decision at Stage 2 (Monitoring Officer level) was not to uphold the complaint.

Arising from the report:

- a Member asked about workforce planning, given that many of the performance issues related to staffing issues. Officers outlined the current staffing situation and advised that there had been a number of vacancies filled over the last few months, but the staffing budget was built on premise that around six vacancies will be carried at any one time, but this had increased to around ten during the period in question;
- in response to a question on the employment market for pensions staff, officers commented it was very competitive, and it was hard to find experienced individuals for senior roles. Existing staff were developed in-house wherever possible.

It was unanimously resolved to note the Administration Performance report.

80. Governance and Compliance Report

Members received a report on governance issues concerning the Local Government Pension Scheme (LGPS) on a national and local basis, and also details of forthcoming training events.

There had been several sets of draft regulations and consultations regarding the Pensions Dashboards Regulations, which would allow individuals to see information about all their pensions, including the State Pension, in one place. These draft regulations set the requirements to be met to deliver this and will place a legal duty on pension providers to provide information to the dashboards. Since this Committee report had been published, the Department for Work and Pensions (DWP) had laid the regulations before Parliament. A detailed report of the work that needs to be undertaken by the Fund to meet the staging date and to be able to provide data to the Dashboard, had been commissioned from the Fund's Governance Advisors, Aon. This report would enable a detailed project plan to be devised to meet the required deadlines.

The Scheme Advisory Board published its annual report for 2021 in June 2022, which provided a snapshot about the LGPS for its members, employers and other stakeholders.

Members' attention was drawn to the training plan, which set out both completed and planned training, including an important upcoming training session by Aon on 25th November on Conflicts of Interest. This had partly been prompted by the Good Governance Review, which had highlighted how conflicts need to be managed at a Fund level, rather than at the administering authority level. This issue would then be explored further at the next Committee meeting.

Arising from the report:

- A Member asked if bespoke software was required for the Pension Dashboard Regulations? Officers advised that there were ISP models available, and one of the actions required would be to undertake market testing on those. The ecosystem was being built centrally and different providers could provide their own dashboards, within certain parameters. The Council's software had the capacity, with the ISP being the link between the Pension team's system and the ecosystem. The most difficult aspect anticipated would be the change of business processes required;
- A Member asked if the team was looking for training with quality aspects such as qualifications. Officers advised that the key requirement was that the provider had the training available as an online platform so that Members could undertake training at their own convenience covering the core modules. The qualifications behind that would need to be checked as part of the formal discussions with suppliers;
- A Member observed the Committee Members received a lot of information about training courses, and he asked how Committee Members should prioritise that training given their other commitments. Officers confirmed that Aon had provided the core training last year, which was mandatory, and officers' recommendation were as listed in the report, and any additional courses circulated to Members. Any indirect approaches from training providers should always be checked with officers.

The Committee resolved unanimously to note the Governance and Compliance report.

81. Pension Fund Annual Business Plan Update report 2022/23

The Committee considered an update to the Business Plan.

Members noted the progress update for each business plan activity, with a RAG status given for each area of activity. The following 'Amber' areas were discussed:

- 3.6 Review and implement changes required from the Pension Regulator's new Code of Practice – this had been delayed, albeit not by the Pension Fund;

- 3.16 review of the website and digital communications. This was on track but the start of the project had been delayed;
- 3.10 Processing of undecided leaver records – whilst the backlog of undecided leavers had been processed in the required volumes, there were various issues with the volumes, data quality and resourcing, which were increasing the backlog. Following discussion with the Section 151 Officers and Chairs/Vice Chairs of each Fund, three additional staff had been recruited to deal with the backlog, which was beginning to result in a reduction.

Members noted that two new activities had been included on the Action Plan – Review the Investment Strategy and Strategic Asset Allocation (3.17) and Private Equity Review (3.18).

It was noted that because of the higher than expected pay awards, the variance for Staff Related expenses was greater than anticipated.

A Member noted that Peterborough City Council had recently requested a report on the Fund's decarbonisation strategy, and he asked if that had been factored into the Climate Action Plan? Officers advised that they could adapt the information they were already producing for the Climate Action Plan to meet the Peterborough request. It was noted that the Annual Report would also include information about progress with the decarbonisation strategy, and once work had been completed around the passive equity options, this would be publicised through the Fund's website. The Climate Action Plan would be regularly reported back as part of the Business Plan Update at future meetings.

The Committee resolved unanimously to:

- 1) note the Business Plan Update
- 2) approve the two new activities set out in paragraphs 3.17 and 3.18

82. Reporting Breaches of the Law to the Pensions Regulator Policy

Members considered a report on the review of the reporting breaches of the law to the Pensions Regulator Policy.

The Pension Regulator's new Code of Practice had originally been due to come into force in November 2021, but has been postponed until Autumn 2022, so the review of this policy was also postponed. However, it was seen as prudent to instigate this review, based on the current code and other necessary changes, and these were briefly outlined. It was likely that the new Code of Practice would not come into force until 2023.

The policy provided the process to report a breach to the Regulator and details surrounding timescales and urgency of cases. The policy also identified the need to record breaches that were not of material significance to the Regulator in order that processes can be

improved to avoid repeated occurrences. Examples of breaches of material significance and non-material significance were documented in the appendix to the policy. Attention was drawn to the comments made by the Local Pension Board, when they reviewed this issue at their July meeting.

The Committee resolved unanimously to:

approve the Reporting Breaches of the Law to the Pensions Regulator Policy.

83. Employer Admissions and Cessations report

The Committee received a report on the admission of six admission bodies and the cessation of thirteen bodies.

It was noted that a number of admission bodies were backdated “passthrough” admissions, meaning the assets and liabilities were retained by the awarding authority, so there was no additional risk to the Fund by admitting these employers. Admission agreements had been put in place with the liabilities retained by the County Council. Some of the admissions, set out in (1.) below, required the sealing of admission agreements to be approved prior to transfer.

It was resolved unanimously to:

1. Note the admission of the following admitted bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreements:

- Aspens Services Ltd (2 admissions)
- Clean Tec Services Ltd
- Coombs Catering Partnership Ltd
- Easy Clean Contractors Ltd
- Miquill South Ltd
- Servicemaster Clean

2. Note the cessation of the following bodies from the Cambridgeshire Pension Fund:

- ABM Catering Limited (2 admissions)
- Caterlink Ltd (2 admissions)
- City Culture Peterborough Ltd
- Easy Clean Ltd (2 admissions)
- Elior UK Ltd
- Excellerate Services UK Ltd (formerly known as LCC Support Service Ltd)
- Greater Peterborough UTC
- Miquill South Ltd
- Peterborough Investment Partnership
- Vero HR Limited

84. Cambridgeshire Pension Committee Forward Agenda Plan

Members noted that the Investment Sub-Committee agenda plans would be included in Pension Fund Committee agenda plan, going forward.

The Administration Strategy scheduled for December would be deferred until 2023 to allow a piece of work relating to KPIs to be completed.

It was resolved to note the Agenda Plan.

85. Exclusion of Press and Public

It was resolved unanimously that the press and public be excluded from the meeting on the grounds that the following items contain 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).

86. Cambridgeshire Pension Fund - Valuation Update

Members considered a report summarising the results of the whole Fund valuation.

It was resolved unanimously to:

1. note the valuation update.
2. note the whole Fund valuation results
3. approve the draft FSS for consultation with Scheme employers.
4. approve the draft cessations policy for consultation with Scheme employers.

87. Cyber Resilience Update

Members considered an update on the progress made in relation to the Cyber Strategy Action Plan.

It was resolved unanimously to:

- 1) Note the progress made against the Action Plan (Appendix A)
- 2) Approve the Cyber Hygiene Guidelines (Appendix B)

88. ACCESS Update

The Committee considered a report on ACCESS Asset Pooling.

It was resolved to note the report.