

**MINUTES OF THE PENSION COMMITTEE**

Date: Thursday 29<sup>th</sup> June 2017

Time: 10:00-12.10

Place: Kreis Viersen Room, Shire Hall, Cambridge

**Committee Members**

present: County Councillors Downes, Hay, Hickford (Chairman), Rogers (Vice Chairman) and Shellens; District Councillor A Fraser; M Pink and T Roden

Officers: D Cave, S Heywood, M Oakensen, P Tysoe, J Walton and M Whitby

Apologies: J Walker

**6. DECLARATIONS OF INTEREST**

Matthew Pink declared a personal interest as both he and his wife were active members of LGPS. Tracy Roden declared a personal interest as an active member of LGPS.

**7. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE MEETING HELD ON 23<sup>rd</sup> MARCH 2017; MINUTES OF THE PENSION FUND COMMITTEE HELD 25<sup>TH</sup> MAY 2017**

The minutes of the Pension Fund Committee meeting held on 23<sup>rd</sup> March 2017 and 25<sup>th</sup> May were approved as a correct record and were signed by the Chairman.

Review the Action Log, it was noted that the two outstanding items would both be considered at the July meeting.

**8. INTERNAL AUDIT REPORT**

Members considered a report on Internal Audit work during 2016-17. Officers advised that the Audit & Risk Manager was unable to attend, so the Head of Pensions presented the report on his behalf.

The Audit report gave substantial assurance for the controls in place within LGSS pensions for the administration of LGPS. Some areas for improvement were noted, notably Reconciliations between the pensions payroll and Altair, where a moderate assurance was given. There had been significant improvements since the completion of the Internal Audit report. With regard to overseas pensioners, a project was underway and Western Union had been contracted to undertake biennial checks to prove the continued existence of overseas pensioners. It was confirmed that the proof of life check would only be done every two years, in line with other Funds. A report back would be provided to the Committee in October.

In response to a Member question, it was clarified that Objective 16 was concerned with ensuring the right amount of money was available to pay scheme members, whilst Objective 20 was about ensuring the money was available when needed i.e. cash management strategy as opposed to cashflow. It was agreed that officers would review the wording of the objectives, to avoid confusion.

Noting the Executive Summary, a Member commented that the objectives should be identified before the risks. Officers advised that this was the Internal Audit report format, and it was a standard approach, although it was agreed that officers would seek clarification. **Action required.**

With regard to the impact on staff of the automated data collection, it was clarified that the data providers were primarily employers, who would provide the information through an electronic portal. This would mean the Pensions team would not have to increase resources whilst at the same time increasing the diversity of employers. It was confirmed that it would not result in redundancy. Data remained the major key risk in pension administration.

There was a lengthy debate around the two members of staff who had left not had their access removed. Officers reassured Members that although the staff had not had their access removed, they were not able to get in to the system, as there were various layers of access. Team managers who control that access had been reminded of the need to inform the systems team promptly of any staff changes. Despite these reassurances, and noting the Substantial Assurance given in the Internal Audit report, Members commented that this type of system failure was unacceptable, and asked officers what they felt could be done in addition, and specifically whether they felt the six monthly checks with managers was adequate. Officers confirmed that both they and Internal Auditors felt six months was sufficient. Members suggested three months would be a more suitable interval, with evidence of positive action on any changes e.g. identifying how many staff had left and confirming their access had been withdrawn. Members supported this proposed course of action as a way forward. **Action required.**

It was resolved unanimously to note the Internal Audit work during 2016-17.

## **9. GOVERNANCE AND LEGISLATION REPORT**

The Committee 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 a legal ruling which could impact on how the Fund treats Cohabiting Partners. The LGPS in England and Wales were currently awaiting guidance from the DCLG as to whether past cases where a financially interdependent partner was not paid a cohabiting partner's pension, due to the absence of the nomination form, would need to be revisited and potentially become payable. In the past, a form needed to be completed to confirm that pension rights would be passed on to a cohabiting partner in the event of a death. The legal ruling had stated that the form was redundant, and the award of a Cohabiting Partner's pension should be automatic, providing certain criteria are met. A few scheme members had already raised this issue with the Pensions team. It was unclear how far it would need to be backdated, but officers suspected this would be at least as far back as 2008. The potential financial impact

was also unclear. Officers agreed to provide the Vice-Chairman with information on how scheme members qualify for a dependents' pension.

Members were reminded that the Pensions Regulator requires all Committee members to maintain the necessary skills and knowledge to undertake their role effectively. There was a discussion on how best to schedule training events, and how to make best use of Committee Members' time: it was agreed that one option would be scheduling training sessions after Committee meetings. Members observed that there were many induction events taking place following the elections in May, and that it may be better to schedule Pension training events from October onwards, when the induction events start to taper off. Wyboston was the preferred venue for training events, especially those shared with Northamptonshire. Making greater use of online learning was also suggested.

It was resolved to:

note the content of the report.

## **10. BUSINESS PLAN UPDATE REPORT**

The Committee considered the fourth Pension Fund Business Plan Update for the 2016-17 financial year to Pension Committee.

The reconciliation of the Altair payroll records against Altair administration had commenced and made good progress. The number of pensioners payable on payroll had been compared to the number on administration, and 1,614 potential over- and underpayments had been identified. In the majority of cases, the payroll record was correct and the administration record (identifying how much the pension should be) was incorrect. It was noted that pensioners had been paid on the County Council payroll system up until October 2016, and had been transferred over to Altair at that point. Members discussed the variety of issues which could have led to the differences in the two systems, noting that both sides, and taking all records back to Day One.

The next reconciliation related to the reconciliation of contracting out (GMP) data between HMRC and Altair records: contracting out ceased on 05/04/16. The reconciliation of contracting-out data must be completed by 31/12/18, as this is when HMRC will close to any further queries or amendments to their records on GMP liability. As agreed at Committee in March 2017, Independent Transition Management Limited (ITM) had been contracted to carry out the reconciliation of data: there were 75,564 records, and nearly half had been reconciled, with a target completion date of 30/09/17.

Members noted performance against key performance indicators, and officers outlined the particular challenges meeting some KPIs, including new team members and the recent office move, and how these were being addressed. These factors had had a particular impact on the team that dealt with deaths, divorces and transfers. Members acknowledged the reasons behind some of the poor KPIs, but also commented that there should be no underperformance going forward, now that these issues had been addressed. One Member asked for a meeting specifically about recruitment/resourcing. **Action required: officers to meet with Cllr Shellens.**

There was a discussion on late payment by employers, and in particular one late-paying employer. Officers explained why there should be no further recurrence but that defaults were reported to and monitored by the Pensions Regulator, and the employer had already been charged for the administration of the late payment and for the interest accrued. There would be a further update on this issue at the October meeting.

It was resolved to:

note the Pension Fund Business Plan Update for the 2017-18 financial year.

## **11. EMPLOYERS ADMISSION AND CESSATIONS REPORT**

The Committee received a report on the admission three admission bodies and the cessation of four employers from the Cambridgeshire Pension Fund.

It was resolved unanimously to:

1. Note the admission of the following admission bodies to the Cambridgeshire Pension Fund:
  - Elior UK Ltd
  - Lunchtime UK Ltd (Grove Primary School)
  - The Adolescent and Children's Trust
2. Note the withdrawal from the Cambridgeshire Pension Fund of the following bodies:
  - South Staffordshire and Shropshire Healthcare NHS Foundation Trust
  - Aspens Services Ltd (Huntingdon Primary)
  - Aspens Services Ltd (Mayfield Primary)
  - Avocet Cleaning Services Limited

## **12. REVIEW OF ADMINISTRATION STRATEGY**

The Committee considered a report setting out proposed amendments to the Administration Strategy.

Officers explained that the main change proposed related to cost recovery, and the Strategy included detailed information on the cost recovery process i.e. the schedule of fees that apply, and how costs were recovered. The next step was to consult scheme employers on the proposed changes to the strategy. Any material suggestions from that consultation would come back to the Committee.

In response to a Member question, it was confirmed that the targets within the Strategy were internal and scheme employer targets, rather than statutory targets.

It was resolved unanimously to:

Approve the revised Administration Strategy for consultation with stakeholders.

**13. 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 item of business (item 10) on the grounds it contains 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.

**14. ILL HEALTH INSURANCE**

The Committee considered an update on the ill health insurance product.

It was resolved unanimously to:

1. Note the update on the ill health insurance product provided by Legal & General;
2. Approve an investigation into alternative approaches to covering the ill health strain cost risk using an appropriate third party.

**15. PROCUREMENT OF AN ACTUARIAL, BENEFITS AND GOVERNANCE CONSULTANCY SERVICE**

The Committee considered the proposed approach for the procurement of Actuarial, Benefits and Governance Consultancy Services.

It was resolved unanimously to agree to the approach for the procurement of Actuarial, Benefits and Governance Consultancy Services as set out in the report.

**16. ASSET POOLING UPDATE**

The Committee considered a report on progress with the asset pooling project. It was noted that further information on ACCESS at the Investment Away Day (05/07/17).

It was resolved unanimously to note the update on asset pooling.

**17. DATE OF NEXT MEETING 10am Thursday 27<sup>th</sup> July**