

MINUTES OF THE PENSION FUND BOARD

Date: Thursday 23rd October 2014

Time: 9.30 -10.55am

Place: Kreis Viersen Room, Shire Hall, Cambridge

Board Members

Present: Councillors S Count (Chairman), R Hickford (Vice-Chairman), M Leeke, M Pink (representing UNISON active scheme members), M Shellens, J Walker (representing UNISON retired members) and T Woods (representing non-authority employers)

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

Advisors: J Holden and S Turner (Mercer)

Apologies: Councillors P Ashcroft and J Reynolds; L Grinnell

CHAIRMAN'S OPENING REMARKS AND INTRODUCTION TO NEW ADVISORS

The Chairman recorded the Board's thanks to Hymans for all their work with the Board over the years. He also passed on the Board's thanks to Steve Dainty, who had recently retired as Head of Pensions.

The Chairman extended a special welcome to Jo Holden and Steve Turner of Mercers, and Tim Woods. Jo and Steve introduced themselves, outlined their background and experience and that of their company, Mercers, and how they saw their role as advisors with the Pension Fund Board.

109. WELCOME AND DECLARATIONS OF INTERESTS

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 Mike Shellens declared an interest as his wife was a retired member of the scheme. The Chairman advised that Cllr Shellens should make this declaration in the Register of Interests, and then he would not need to make this declaration at future meetings. **ACTION: Councillor Shellens/Dawn Cave.**

John Walker advised that Lee Hurley, the Scheme Member Substitute for the Pension Fund Board, had regretfully given notice of his intention to step down due to work pressures. A replacement would need to be sought. **ACTION: Paul Tysoe/Jo Walton**

110. MINUTES OF THE PENSION FUND BOARD MEETING HELD ON 24th JULY 2014

The minutes of the Pension Fund Board meeting held on 24th July 2014 were approved as a correct record and were signed by the Chairman.

111. ACTION LOG FROM PENSION FUND BOARD HELD ON 24th JULY 2014

Paul Tysoe made the following comments on the 'ongoing' items included in the Action Log:

Minute 100/Reimbursing Board Members: a report would be presented to full Council when the detailed arrangements for the new Pension Board were finalised. Work was ongoing with Democratic Services to set up the Board, but much was dependent on the government guidance (Public Service Pensions Act [PSPA Board]) being finalised. It was clarified that the new Pension Board would not be a decision making body, and remuneration would need be considered as part of this process. Paul praised Jo Walton's valuable work to date on moving this issue forward. It was noted that under the County Council's Constitution, non-elected members serving on committees were eligible to claim a £50 flat fee per meeting and training events attended.

John Walker advised that at a recent UNISON conference, there had been a workshop on future governance, and one of the issues raised was the need to recruit Members for new Pension Boards by April 2015, against the difficulties faced due to fewer staff and increased problems with staff getting permission to take time off to attend meetings and training. There was also an issue on representation – UNISON membership of Cambridgeshire staff stood at around 42%, there was no vehicle for representing the other 58% of staff who were not UNISON members. Other avenues of attracting nominations from these staff need to be considered. A Councillor commented that this was also an issue for Councillors, as the training and knowledge required for pensions meetings required a significant time commitment. Paul commented that acquiring good quality representatives was the primary concern, and there was a plan in hand for recruitment of non-elected members. It was also noted that having non-Unison Members would require a constitutional change.

Minute 105/Additional Voluntary Contributions: two more employer seminars were being held. The option of LGSS setting up its own AVC scheme had been discussed at the last Pension Fund Board, and it was noted that the responsibility was for provision to be made. The proposal for LGSS to set up its own AVC scheme could prove very costly and complex.

112. BUSINESS PLAN UPDATE

Jo Walton presented the Business Plan update. Members noted:

- additional training opportunities taking place in November had been emailed to Board Members: it was clarified that these were suitable for Board Members who had not received any training to date;
- around 2.5% of employer monthly pension contributions were late, although most of these were only by a few days. It was confirmed that the contributions from Cambridgeshire County Council were always on time. Pensions officers were vigilant and working with those organisations where there was a late payment issue. In response to a question, it was confirmed that late payers would receive a penalty charge if they consistently pay late;

- communications with scheme Members – had been sent out to around 90% of scheme Members, the 10% withheld relating to those where data was inaccurate. Statements had also been sent to those affected by the Annual Allowance limits: it was confirmed that these were relatively few, and were thoroughly checked. It was also confirmed that it was the responsibility of scheme members to take any action within the specified time limit;
- the consultation on the new guidance regarding the creation and operation of local pension boards had not yet been finalised. Assuming timescales did not permit discussion at the Pension Fund Board, it was agreed that the proposed response would be emailed to Members for comment;
- work continued on the asset allocation strategy, with a focus on reducing exposure to equities and increasing the allocation to other diversifying growth assets;
- work was advanced with Northern Trust to migrate custody services from BNY Mellon, and it was expected that this work would be complete by the end of October;
- the Pensions Service was on target for all Key Performance Indicators (KPIs) except for one, the welcome letter to new employers. It was confirmed that the welcome letters were now meeting the KPI;
- noted that 15,000 scheme members had been invited to use the online service and there had been an uptake of about 20% at first invite, which was a pleasing result.

A Member suggested a number of possible improvements to the Annual Benefits statement including a list of contents, opportunity for user feedback and a highlights section.

It was resolved to:

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

113. EMPLOYERS ADMISSIONS AND CESSATIONS STRATEGY

The Board received a report on the admission of five bodies to the Cambridgeshire Pension Fund and the withdrawal of three bodies.

It was clarified that Academies were a class of Schedule 2 employer and therefore a scheduled body, and access to the Fund by these scheduled bodies was a requirement i.e. there was no discretion regarding admission. Three of the bodies being admitted were Academies, one was a brand new educational establishment, and the other was the transfer of Council services to another company (Coram Cambridgeshire Adoption Limited).

With regard to cessations, it was clarified that it was the underlying employer - which was the County Council in most cases - who was liable if there was any deficit following the cessation valuation. Two of the three bodies fell into that category, and for Peterborough Council for Voluntary Services, there was no reason to believe there would be an issue with meeting deficit.

In response to a Member question on the implications for remaining scheme members of cessations, it was confirmed that there was no implication – members had a statutory right to receive benefits under regulations, and any deficits would be absorbed by Fund employers – there was no risk to individual employee Members.

It was resolved to:

1) note the admission of the following bodies to the Cambridgeshire Pension Fund:

- Cromwell Park Primary School (Academy)
- Hampton Academies Trust
- William Law CofE Primary School Academy
- North West Cambridge University Technical School

2) approve the admission of the following body to the Cambridgeshire Pension Fund:

- Coram Cambridgeshire Adoption Limited

3) note the withdrawal from the Cambridgeshire Pension Fund of the following bodies:

- Peterborough Council for Voluntary Services
- Apollo Property Services Group
- Metropolitan Housing Trust

114. FINAL ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2013-14

The Board considered a report presenting the Annual Report and Statement of Account of the Pension Fund for the 2013-14 financial year.

It was noted that in late August 2014, the Department for Communities and Local Government (DCLG) had issued new guidance requiring administering authorities to review their report for the year ending March 2014. Due to the earlier than normal deadline to close the Accounts, there had been some slippage on working papers. The Team had commenced a review and improvement programme to address this matter. Due to the lateness of receipt of this information, it was proposed to include this in an addendum to the report, to be published by 01/12/14. The major items to be included in the addendum were (i) a three year forecast of income and expenditure into and out of the Fund; (ii) an analysis of the amounts due to the Fund from employers; (iii) a commentary on scheme information had been provided to stakeholders, including the steps taken to promote membership of the Scheme.

The Board noted the Audit finding and recommendations, and work that had been undertaken to address those issues, including the Fund processing all transactions through its own bank account, reconciliations with custodian reports, investments in Cambridge and Counties Bank and the use of suspense accounts. On the issue of custodian reports, it was noted that the Fund's new custodian, Northern Trust, collated all activity from Fund Managers, and this was signed off monthly. This was a very rigorous process, and with a target set to 30 basis points by Northern Trust, with many managers actually delivering accounting sign offs to within 15 basis points. Mercer Sentinel present a performance report on the Custodian at the July Board meeting, which will include a section regarding accounting sign off standards.

Arising from the report, a Member raised the following issues:

- asked how the funding gap of £728M was being addressed. Officers advised that in terms of addressing the funding gap, they were progressing well and returns were ahead of the anticipated (1.6% above gilts). It was agreed that the State Street report that had been submitted to the Investment Sub-Committee would be sent to the Member. **ACTION: Anthony Olaniyi;**
- queried a number of arithmetical errors in the Management Performance figures within the Annual Report, specifically the 2013 figures for Membership, Deferred Membership and Pensioner and Dependents Membership; it was pointed out that

these figures resulted in consequential changes elsewhere within the Annual Report. Members were surprised at these errors, especially as the Annual Report had been subjected to both audit and external peer review. Officers apologised for the errors and agreed to investigate and correct, and commented that although the Annual Report had indeed been subjected to rigorous internal and external checks, there had been late changes

- queried the apparent discrepancy between the table showing total market value of holdings as at 31/03/14 (p37) - £2033.2M and the Net Assets Statement as at the same date, showing closing net assets of £2057.5M. Officers confirmed that these figures were correct, and explained the differences in definitions between Market Value of Holdings and Net Assets.

It was resolved to:

- 1) approve the 2013-14 Pension Fund Annual Report, 2) note the ISA260 and the recommendations contained within;
- 3) approve the delegation to the Chief Finance Officer for the completion of the addendum to the Annual Report 2013-14.

115. REVIEW OF ADMINISTRATION AND COMMUNICATIONS STRATEGY

The Board considered a report on proposed changes to the Joint Administration Strategy and Joint Communication Strategy for the Cambridgeshire and Northamptonshire Pension Funds. Whilst these were two separate documents, the Joint Communications Strategy was an appendix to the Joint Administration Strategy, so they were being considered together. The reasons for the changes, including changes to regulations, were explained.

If agreed, the changes to the Communications Strategy could be made immediately and published. However, changes to the Administration Strategy required a 30 day consultation. All proposals had been presented to the Employers' Forum.

It was suggested that the annual communications to scheme members could make mention of opportunities to become involved in the Pension Board, as this would be a very cost effective way of seeking interest. Members agreed that this was a sensible approach. **Action: Mark Whitby to look into the practicalities of this.**

It was resolved to:

1. approve the revised Joint Communications Strategy for the Cambridgeshire and Northamptonshire Pension Funds, subject to minor amendments by the Chairman of the Pension Fund Board in consultation with the Deputy Head of Pensions;
2. approve for formal consultation the revised Joint Administration Strategy for the Cambridgeshire and Northamptonshire Pension Funds.

116. DATE OF NEXT MEETING 9.30am 18TH DECEMBER 2014

Noted.

117. FURTHER SCHEDULED MEETINGS

The following future date was noted: 9.30am 19th March 2015

Chairman