

# LOCAL PENSION BOARD

Agenda Item: 2a)

## PUBLIC MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

**Friday 19<sup>th</sup> October 2018**

*Members of the Board in attendance:*

*Employer Representatives – County Councillors E Meschini, S King (Chairman) and Parish Councillor D Payne*

*Scheme Member Representatives - D Brooks (Vice Chairman), B O’Sullivan, and J Stokes*

*Officers in attendance:*

*T Pegram – Pension Services Financial Manager*

*R Sanderson - Democratic Services Officer*

*J Walton – Governance and Regulations Manager*

*Time: 10.00am to 12.20pm*

*Place: Shire Hall, Cambridge*

### **58. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

**ACTION BY**

No apologies for absence were received. Democratic Services passed on a message that the Chairman would be late and therefore the Vice Chairman initially started the meeting in his absence.

There were no declarations of interest.

### **59. MINUTES & ACTION LOG – 6<sup>th</sup> JULY 2018**

The minutes of the meeting of 6<sup>th</sup> July 2018 were approved as a correct record and signed by the Vice-Chairman. The Chairman joined the meeting for the discussion on the action log.

#### **Matters arising**

- a) An oral update was provided on the request at the last meeting that Councillor Payne should be shown on future agendas as being a Councillor and to help differentiate, if practicable, he should be shown as a parish councillor and Councillors King and Meschini as County Councillors. It was clarified that unfortunately the CIMIS agenda building configuration did not allow this level of detail. Democratic Services having contacted Councillor Payne before the meeting had agreed with him **that in future he would be shown as ‘Councillor**

**Rob Sanderson**

**Payne' on the agenda and as a parish councillor in the minutes.  
Action**

- b) The Vice Chairman indicated that he had not been satisfied with the answer to the question provided by the Pensions officer on Minute 56 Access Asset Pooling Update regarding what base figure had the savings quoted at the meeting of circa £5m been based on. He was also interested in the original administrative cost of the Pool and Cambridgeshire Pension Fund's share of this and also the final cost of the Pool and again the cost to Cambridgeshire in order to help identify the projected savings. **Action: The Pensions Financial Services Officer undertook to provide him with the detail of the savings already made through the Asset Pool arrangement.**

**Tracy  
Pegram**

The Action log was noted.

The Chairman indicated that:

- a) He did not believe all the actions had been picked up in the log and **would provide further details to the officers outside of the meeting. Action**
- b) The Chairman highlighted that he had received a complaint from one Member who had not received his agenda in good time as it had been held back from being posted as the member worked in Shire Hall. As a result, he had agreed with Democratic Services **that all Members of the Board should be sent a hard copy of the agenda in the post on the same day. Action**

**Cllr King**

**Rob  
Sander-  
son**

## **60. ADMINISTRATION PERFORMANCE REPORT**

This report which was brought to each Board meeting set out a number of the key areas of administration performance for consideration by the Committee to help ensure effective and efficient governance and administration of the Pension Fund.

Issues highlighted in discussion included:

- The total management expenses figures shown on page 28 as the forecast figure was different on page 28 to that shown on page 29. It was explained that the figure on page 28 had not been updated and should have also shown as £8,450 as on page 29 which was the correct figure.
- Page 29 the Management expenses table did not show the variance for the line reading: "Total Administration Expenses" of 44. This required to be changed. **Action**
- Page 30 Regarding the only key performance Indicator showing as Amber 'Provide transfer - in quote to scheme Member' - letter Issued within 10 working days of receipt of all appropriate information" - the Chairman asked whether it would be corrected. It was explained that this was only in relation to one case and measures were in place to avoid a recurrence in the future.

**T  
Pegram**

As the Board did wish to make reference to it in public discussion, before considering the confidential appendix providing details of late payment employer contributions,

It was resolved to:

Exclude the press and public from the meeting 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 or business affairs of any particular person (including the authority holding that information)).

The report was noted.

#### **61. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2018-19**

This report presented an update of the Pension Fund Business Plan. Attention was drawn to Paragraph 2.1.3 'Implement Additional Posts to the Structure' which indicated that an oral update would be provided to advise the outcome of the Data Quality Officer interviews and the progress in establishing the Communications Officer Post. In terms of the Data Quality post, interviews had taken place with two candidates, but neither had been considered suitable. As a result, a different approach was to be looked at, including approaching other Pension Funds through the Local Government Association. The Communications Officer recruitment process was still ongoing.

In discussion issues raised included:

- Page 35 paragraph 2.1 - Key Pension Fund activities - Service Delivery – regarding Review of Staff Retention – a question was raised regarding whether there were staff retention issues and the action being taken. In reply it was explained there were seven vacancies on the operational side out of an establishment of 29. In Jo Walton's team there was one vacancy out of a team of seven. There were issues regarding attracting the right calibre of staff linked to reputational issues and the lack of parking, resulting in a cost to staff of £8 per day. Meetings were due to take place with Human Resources to consider issues of resilience; developing the in-house team. The option to change terms and conditions to help attract and retain staff had been investigated but had not found to be beneficial. **There was a request for the Board to receive a more in depth paper on the measures being proposed to retain staff at its February meeting. Action**
- On GC9 Payroll rectification - on a question on what were the largest and smallest overpayments, these ranged from £27k (an overpayment of £88 per month since 1992) with the smallest

**J Walton**

being under £100. In answer to why the larger one was not picked up earlier, it was explained that while an error, the information sent to the Member originally should have alerted them to there being an overpayment situation.

- There was a request for information on how many large overpayments there were. The Officer agreed to provide this information outside of the meeting. **Action** **J Walton**
- On CSM 4 - Monitoring / understanding the Member Experience - **of the 15% who had rated their experience as poor / very poor, there was a request for more detail to be provided on the reasons outside of the meeting. Action** **J Walton**
- **The Vice Chairman highlighted that he still could not access the Member self-service system and requested information of when it would be available Action: email to David Brooks** **J Walton**
- Page 41- 42 - IA3 Local Direct Investment - One member suggested it was wrong not to consider investing locally. It was explained that the Investment Sub Committee was looking at local investment products in terms of investments and returns, but investing in Cambridgeshire was difficult, due to the investment competition. As a result the focus had to be wider, to ensure the best returns were achieved in order to safeguard Fund members' future benefits as it was the Fund's fiduciary duty to invest in Fund members' interests rather than supporting local interests.
- The Chairman noted that while there was information on the adequacy of the funding level in the Annual Report, a more regular report would be useful. While the Actuary provided an update every three years it was agreed that as officers monitored it quarterly, **they could provide a report which set out the three year position and the latest quarterly update as a regular report to the Board. Action** **T Pegram**

**It was resolved to:**

Note the Pension Fund Business Plan Update.

## **62. GOVERNANCE AND COMPLIANCE REPORT**

This report provided information on:

- 1) Potential, new or amending legislation affecting the LGPS;
- 2) On other pensions legislation;
- 3) Activities of the LGPS Scheme Advisory Board and the Pensions Regulator;
- 4) On issues concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis; and

## 5) Skills and knowledge opportunities.

It was highlighted that the judge in the case of Elmes and Essex had now published his final conclusions on his ruling and agreed with the course of action taken by the Fund to pay a cohabiting partner's pension where the person had died without a nomination form provided the co-habiting criteria was met.

In discussion:

- Regarding information provided on cold-calls from fraudsters claiming to be from the Pensions Regulator (TPR) there was a request that warning information was made more prominent on the website **Action**  
It was explained that leaflets had been sent out to those members requesting a transfer out regarding scams and processes were in place to undertake checks on information requests but even these were not fool-proof, as rogue schemes were often very sophisticated. The Chairman asked that further details be provided on the measures currently in place and whether they met the Ombudsman recommendations in the case quoted (Northumbria Police) **Action** **Jo Walton**
- A request that an update on the training programme for the following year should be circulated to the Board outside of the meeting **Action** **Jo Walton**
- There was a query regarding the Risk Register and the two risks shown as amber. It was explained that these should also have been shown as green and was an error. As their status had changed there was a request for an update on them outside of the meeting. **Action** **Jo Walton**

## 63. CAMBRIDGESHIRE PENSION FUND TRAINING STRATEGY 2018

This report presented the Training Strategy drawn up to help the Committee and Board in performing and developing their role with the ultimate aim of ensuring that the Fund was managed and assisted by individuals who had the appropriate level of knowledge and skills as required by the Pension Act 2004.

It was highlighted that a significant change was the removal of the Knowledge Assessments test.

Questions raised in debate included:

- Why were there page numbers for the Strategy shown in the index when they had not been included? The final Strategy document itself would include them, but Democratic Services removed them on the agenda version, as the agenda pack was printed with sequential numbering.
- Page 78 under the heading 'Reporting' - paragraph 20.2 – on the wording currently reading “Any members who had not attained at least 70% of the required credits will be highlighted to the Chairman / Chairwoman for appropriate action .....” It was agreed this should have the addition of the words “Vice Chairman” to cover any issues

that theoretically could happen if either, had not met the required level. **Action**

**Jo  
Walton**

**It was resolved:**

To agree the attached Cambridgeshire Pension Fund Training Strategy located in the appendix to the report subject to including the suggested change in order for it to be approved at the next Pension Fund Committee meeting in December.

**64. CAMBRIDGESHIRE PENSION FUND DATA IMPROVEMENT POLICY AND PLAN**

This report presented the Data Improvement Policy (Appendix 1) and the Data Improvement Plan (Appendix 2) which had been approved by the Pension Fund Committee the previous day in order to demonstrate to the Pensions Regulator that the Fund had reviewed the quality of its data and had an ongoing approach to ensuring the Fund had appropriate processes in place to consistently hold accurate data. The intention would be to provide regular update reports to both the Committee and the Board. **Action to update the Committee Forward Plan.**

**Rob  
Sander-  
son**

It was explained that there was no standard way to store data and different pension funds used different methods / systems, with Cambridgeshire Pension Fund having been very transparent in its self-scoring. For example unprocessed leavers were included in the return as data failures which other funds excluded.

The Board supported the approach of being as transparent as possible. It was suggested that an explanation should be provided in a narrative to explain the approach being adopted by Cambridgeshire Pension Fund. In reply it was explained that there was only a number field, so there was no opportunity to provide this.

As a follow up, one Member asked if all schemes were operating in different ways could the Pensions Regulator come in and have the power to ask how the score had been arrived at. It was explained that the Regulator intended to visit 10 Funds but it was not clear why they had chosen those on their list (Cambridgeshire was not one of them).

Issues raised included:

- On verifying the data, a question was raised on how officers were able to check whether it was accurate. In terms of national insurance numbers and dates of birth these could be checked but scheme specific data was difficult to check. One Member suggested that the Annual Benefit Statement information did not clearly explain how the benefits were paid. He would like to be asked in a letter included with an annual newsletter if the information was correct explaining how the calculations had been made and suggested that this could be undertaken for the whole membership to try to identify errors earlier. It was pointed out that this would be inappropriate due to the personal

data involved and the risk that people had moved address and that this would then be in the hands of a third party. Unless officers were informed of a change of address they would not know about it. The Chairman suggested where there was a need to write to an individual member and their address was known, the opportunity should be taken to ask them to check their data

- In reply to a question it was reported that only 20% of Members were accessing their pension data electronically. **There was a request for a target date for all Members to have access to the server. Action**

**Jo  
Walton**

Having provided comments, **It was resolved:**

To note the Data Improvement Policy and the Data Improvement Plan and to receive regular update reports.

## **65. ANNUAL REPORT AND STATEMENT OF ACCOUNTS**

This report presented the Draft Annual Report and Statement of Accounts of the Pension Fund for 2017-18 financial year which had been noted by the Pension Fund Committee the previous day. It was stated that the External Auditors were due to give an unqualified opinion as soon as the Section 151 officer sign off was achieved.

Issues raised in discussion included:

- Page 123 - noting that the funding level over at 31<sup>st</sup> March 2018 had decreased slightly to 80.7% from 81.0% but was higher than the triennial figure at April 2017 of 78% and the 2013 triennial valuation of 72%. The increases in recent years principally due to the strong return on assets.

Page 129 List of admitted bodies – The Vice-Chairman suggested that this was not complete asking why Amey was not there and suggesting others had left e.g. Enterprise Management Services. **The officer undertook to speak to the appropriate team and get back to the Vice Chairman with any updates and also confirm whether the list was correct as of the year of the accounts, as opposed to the more up to date position.**  
**Action**

**T  
Pegram**

- On the investment manager performance set out on pages 151-165, a question was raised regarding what comprised average, over and underperformance. The current performance equated to a 7% return compared to a benchmark of 8.1% due to underperformance in some areas in the last 12 months. The Member who raised it suggested that there had been an underperformance of 10% over 10 years and suggested that Investment Sub-Committee (ISC) should be concerned. As a further response it was explained that performance needed to be measures over 10-20 years and reactive changes due to short term underperformance in certain asset classes needed to be avoided due to the costs involved in removing managers. However examples were given of where consistent underperformance had led

to managers being removed by ISC. The member explained that he had been looking at 10 year performance and the highest performance had only scrapped the average.

- The Chairman asked what measures were being taken to improve performance. It was explained that as set out on page 156, each investment manager had a different task and was measured against benchmark with regular reviews of the Investment Strategy to assess whether the allocations to particular classes of assets were still appropriate. There was also Asset Pooling to consider, going forward.
- As the investment performance was not considered adequate by the Board, there was a request that the Chairman of the Investment Sub-Committee should be invited to the next meeting to explain reasons for performance being 10% down and the what the plans were by ISC to turn things around as well as an explanation and details of any targets where they wished to see the Fund **Action**
- The Chairman asked whether there was a target for the Fund to be fully funded. In reply the ideal target was for 100% funding to be achieved over 20 years, with employers having to pay back any deficits. The process was that once the Actuary had undertaken the triennial assessment this would determine the employer contributions and the target investment return, which would be addressed through a review of the Investment Strategy by the ISC.
- **Page 137 paragraph headed 'Managing Demographic Trends'** – a question was raised regarding life expectancy assumptions, as one Member understood that they were going down. It was explained that this was a timing issue in terms of the period covered by the Accounts.
- **Page 140 – Recovery of overpayments table** It was highlighted that the overpayment figure in the column for each year compared to the recovery figure and the written off figures added up did not equal the overpayment figure. It was explained that this was the format required by CIPFA and did not include overpayments that were in the process of being recovered.
- There was a request to see details of underpayments. Jo Walton explained that she was preparing a report for the Committee and would include it for the next Board agenda

**Dem  
Services  
to  
contact  
Cllr  
Rogers**

**J Walton  
RS add  
to plan**

The report was noted

## **66. RISK MONITORING**

This report, which had been printed on orange paper in error, presented the Cambridgeshire Pension Fund Risk Management Process Report.



In line with the Pension Regulator's Code of Practice, it was appropriate to regularly monitor and review existing risks and add new risks as they become apparent. In light of this, officers proposed a plan and time table (as set out in paragraph 2.2) for the next 12 months explaining how risks would be reviewed and managed. The first report to the Board would be in February to provide pre-scrutiny of the revised Register. The aim was to streamline the current 54 risks to approximately 30, to ensure that they were fit for purpose. A yearly review would then be conducted to ensure the process was effective.

in discussion:

- A question was raised requesting an explanation of 'heat pad'. This was the visual display RAG rating (red green and amber).
- It was confirmed it would be a public document.
- A question was raised regarding how the ratings on the website would be viewable for people who were colour blind. **This would be looked into and reported back in the February report**
- In response to a comment that there was no mention of assessing the appetite of the risk, this would be undertaken on each individual risk area.

**Jo  
Walton**

Having provided feedback, the report was noted.

## **67. INDEPENDENT INVESTMENT MANAGER DISCUSSION**

Councillor Payne had requested that this item be included on the agenda. He wished to raise the fact that Northamptonshire Pension Fund had independent advisers (Mercers and Mark Stevens) but Cambridgeshire Pension Fund only had Mercers and not a second independent advisor and queried whether Cambridgeshire should seek their own second advisor. He highlighted that Hymans had carried out a survey in 2017 of Local Government Pension Schemes which showed that Cambridgeshire was in a minority and proposed that the Cambridgeshire Pension Fund Committee should be asked to review the position.

It was explained that the Pension Committee had considered the issue a few years ago and decided not to appoint a second independent advisor. It was suggested that the reason for this decision should be added to the list of questions to ask the Chairman of the Pension Investment Sub Committee who was being invited to attend the next meeting. This could link to the performance issue of fund managers and whether there was value in Cambridgeshire choosing its own second independent advisor.

**Dem  
Services  
to inform  
the  
Chair-  
man of  
ISC**

## **68. EXCLUSION OF PRESS AND PUBLIC**

It was resolved to:

Exclude the press and public from the meeting for the following items of business on the grounds that they 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 or business affairs of any particular person (including the authority holding that information)).

## 69. ACCESS ASSET POOLING UPDATE

This report updated the Board on ACCESS Asset Pooling.

It was highlighted that:

- at the recent Joint Committee meeting the proposal of whether to consider changes to representation on the Joint Committee to incorporate scheme members and / or Local Pension Board representation either as observers or voting members had been considered, but it had been decided not to make any changes to membership. The Chairman of the Joint Committee had agreed to write to the Scheme Advisory Board outlining the Joint Committee's concerns regarding extending the membership. There was query that **the letter should be made available to the Board so that it could see the detail of the concerns. Should the letter be deemed confidential and not able to be released, the Board would require justification reasons. Action**

T  
Pegram

In discussion the following issues were raised:

- **Barry O'Sullivan asked for the background to the above request to be sent to him.**
- There was a request for an explanation regarding the status of observers attendance. In reply it was explained that anyone could attend the public part of Joint Committee meetings but that attendance at the confidential part of the agenda was still restricted to councillors of the administrative bodies on ACCESS. In reply it was pointed out that this therefore excluded two thirds of the board membership and a question was raised regarding the legality of this decision. The Chairman made the point that Board members could attend Pension Fund Committee meetings, including the confidential section, so was struggling to understand why the same did not apply to attending ACCESS meetings. In reply it was explained that issues considered included that the meeting could become unwieldy in terms of attendance if representatives of all Fund partner Boards attended.
- In answer to a question regarding councillors who did attend, this was chairmen / women of the Pensions Committees or their substitute and officers.
- Regarding a question on who had oversight of the ACCESS Joint Committee it was explained that it was undertaken by each of the Fund partner Pension Fund Committees.

T  
Pegram

It was resolved to:

- a) note the asset pooling update.

- b) Note the confidential exempt minutes of the ACCESS Joint Committee meeting of the 11<sup>th</sup> June 2108

### **FORWARD AGENDA PLAN**

The latest Forward agenda plan was orally reported subject to the inclusion of items identified in the course of the meeting. The updated Plan is included as an appendix to these minutes.

**DATE OF NEXT MEETING – FRIDAY 15<sup>th</sup> FEBRUARY 2019**

Chairman  
15<sup>th</sup> February 2019