

MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 20th October 2016

Time: 10:00am – 12.40pm

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members present:

Councillors P Ashcroft, R Hickford (Chairman), N Kavanagh, G Kenney, M Leeke (Vice Chairman) and J Schumann; L Brennan, G Deeble, L Brennan and J Walker

Officers: C Blose, D Cave, S Heywood, M Oakensen, S Pilsworth, J Walton and M Whitby

Apologies: Matthew Pink (Liz Brennan substituting); Cllrs A Fraser and D Seaton

83. DECLARATIONS OF INTEREST

John Walker declared a personal interest as a retired member of the LGPS and that his son and daughter-in-law were deferred members.

Liz Brennan declared a personal interest as an active member of LGPS.

84. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE 28TH JULY 2016

The minutes of the Pension Fund Committee meeting held on 28th July 2016 were approved as a correct record.

With regard to the Action Log item no. 51, regarding the discussion about cashflows, it was confirmed that a questionnaire had been sent to employers, and all but one of the largest employers had responded. There had been no significant changes in cashflows.

It was resolved to:

- (1) approve the minutes of the Pension Fund Committee meeting held 28th July 2016;
- (2) note the Action Log of the Pension Fund Committee meeting held 28th July 2016.

85. 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.

The Committee noted that Nicola Mark (Norfolk Pension Fund) had recently been selected as the preferred candidate for the non-voting practitioner seat on the Local Government Pension Scheme Advisory Board.

A number of amendments to regulations and guidance were noted.

It was resolved to:

note the content of the report.

86. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2016-17

Michelle Oakensen presented the second Business Plan update for the 2016-17 financial year.

It was noted that the Key Performance Indicator for providing an estimate of employee benefits within 10 days had not been met (80% actual against 90% target). This was due to the prioritisation of other areas of work e.g. paying benefits given a high volume of redundancy work, retirements and staffing issues.

Turning to the performance for scheme employers, only 31.7% of year end submissions were received in the correct format and on time. 67.84% had been received after the deadline, following a drive by the team to contact those employers whose submissions were outstanding. The 0.44% that had not been received related to two small employers with a total of seven employees in the LGPS. Next year the aim is to ensure 100% of employers provided their submissions on time.

Scheme members had been accessing the self-service website, but data was not available on the number who were actually viewing annual benefit statements as opposed to calculating estimates or viewing information: the software could currently only monitor the number of people logging on to the website, not what pages they visited. Approximately 1000 scheme members were logging on to the website each month, but this increased to 4263 scheme members in September, when there was a publicity drive on member self-service.

Officers provided more detail on the case of a large employer who had made two late payments and two non-payments for the period. This related to a transfer of staff, and there had been some uncertainty as to which Fund those scheme members should go to. The employer had lacked confidence in the contribution amounts requested by payroll. Officers were confident the issue would be resolved satisfactorily shortly. It was confirmed that the full amount owed by the employer would be paid shortly, and it was agreed that a confidential email would be sent to the Committee, updating them on the situation, and advising whether any interest had been paid on the outstanding amounts. **Action required.** In response to a question as to whether the situation could have been avoided, officers explained that even though they had been involved at an early stage, a key issue had been the initial uncertainty on the Fund the members should have been allocated to.

Noting the visitor numbers to the website had increased, a Member asked if officers were confident that the software was robust enough to meet a massive amount of enquiries i.e. if a lot of members tried to log on at the same time for some reason, could the system cope? Officers responded that the issue was more about the server capacity: a third party, who was the number one provider for hosting services to local government systems, hosted the website, so officers were as confident as they could be. There were much larger funds with many more scheme members who had no problems accessing the website. On a related issue, officers were looking to upgrade software from the same provider, so that members could access the site from their mobile phones etc. A business case would be brought to a future meeting.

It was resolved to:

1. note the Pension Fund Business Plan second update for the 2016-16 financial year.

87. EMPLOYERS ADMISSION AND CESSATIONS REPORT

The Committee received a report on the admission and cessation of a number of bodies to the Cambridgeshire Pension Fund.

Members received an update on Indigo Spa. As the company was now insolvent, the company's liabilities had transferred to Huntingdonshire District Council, who had paid the outstanding amounts owed.

It was noted:

- that 'Easy Clean' had a number of separate and distinct contracts with different schools, with each one being a separate legal entity;

- NPS Peterborough was a joint venue between Peterborough City Council and NPS;

It was resolved to:

- 1) note the admission of the following academies to the Cambridgeshire Pension Fund:
 - University of Cambridge Primary School
- 2) note the admission of the following admission bodies to the Cambridgeshire Pension Fund:
 - Accent Catering Limited (Fulbridge Academy)
 - Action for Children (London Road Contract)
 - Easy Clean (Godmanchester Primary School)
 - NPS Peterborough Property Consultants
 - Mountain Healthcare
 - Kealey HR Ltd
- 3) note the cessation of the following bodies from the Cambridgeshire Pension Fund:
 - Indigo Spa Management
 - Easy Clean Contractors Ltd (St Peters School)

88. ASSET POOLING REPORT

Members received a verbal update on the latest progress with collaboration of the ACCESS group, working together on LGPS asset pooling arrangements.

Officers explained that at the moment the Chairmen of each Fund meet and agree in principle on matters under discussion, and then come back to the relevant Pension Fund to endorse their decisions. Given the timescales and importance of these issue, the County Council was dealing with this by holding interim Task & Finish Group.

On 02/09/16, a Task & Finish Group had met to discuss whether to rent or build an operator. The report set out why the Rent option was favoured by the Access Group. Whilst one reason for this was that to meet the April 2018 timeline i.e. it was not possible to Build within those timescales, a bigger issue was the initial cost of the build option. The decision to progress with the Rent option had already been ratified by a number of other Funds, and to focus was now on the governance structures. It was noted that the County Council's full Council already delegated decisions on pensions to the Pension Fund Committee (PFC) and it was not possible for the PFC to in turn delegate to the Pool, so specialist advice was being sought to identify an appropriate governance arrangement. A report would be presented to a full Council meeting early next year. It was critical that this matter was dealt with before Spring, as there was potential for delay following the County Council elections

in May i.e. the risk was that there would be numerous new Members who were unaware of the background and progress to date.

Given the potential costs of pooling, the Chairmen had agreed unanimously the need for confirmation from central government that the Access pool proposals submitted in July 2016 were approved, prior to incurring further material costs. The Committee noted the correspondence already exchanged with government on this issue.

The Chairman explained that there were some very knowledgeable Chairs on the ACCESS pool, and there had been considerable debate on the rent or buy decision - quite a few were unhappy with a pure rental option. The presentation from officers clearly favoured the rental option, without exploring all options. Although it had been a unanimous decision to rent, this was after considerable debate and was a compromise, when the time factor being what swayed it i.e. if opted to buy, the pool would put itself under a lot of time pressures. Renting and then looking to buy longer term was an option favoured by many of the Chairmen. There was also a discussion on risks associated with the proposal, and with not undertaking the proposal: if the pool went ahead without government approval, the risk sat with the Councils in the pool. The risk of not undertaking the proposal was that the pool fell behind the timeline. Therefore the decision was subject to ratification from government that this needs to be done. This was a particular issue as this requirement came out of the previous (pre-Brexit) administration.

It was confirmed that the costs of implementation and annual running costs of a rental operator would be shared equally between all the Pension Funds in the ACCESS pool. Whilst these initial costs were shared equally, some future cost apportionments would be on the basis of size. Mr Walker advised that the Unison membership was expressing concern that the pool was effectively being managed by the chairmen of the Funds, without any direct member interest. Unison was therefore asking that as a minimum, one Unison member observer was on each Board. There was general agreement that it was important to feed down information to Scheme members.

It was noted that whilst Capita had prepared the presentation on the outline method for selecting a rental provider, there was no preference or bias towards them as a provider. Officers advised that they had issued a Prior Information Notice, so that potential parties could come forward and set out what they could offer. Twenty expressions of interest had been received, which included nine genuine potential suppliers. Capita was just one of the parties this had been discussed with.

There was a question on the delegation of the necessary powers to the pool. The Chairman advised that there was only one full Council meeting between now and the end of the year. February was not an option as that was the annual budget. Officers confirmed that advice on the governance issues was required quickly so that it could be submitted to full Council in time. Whilst acknowledging that assurance was sought from government on the obligation being put on Councils to pool, it was suggested that the mandate was

effectively already established that pooling needed to be happen. There was a discussion about different governance issues, specifically delegations, and the MiFID requirement that everyone involved should be authorised to give investment advice.

There was a discussion on the democratic processes being used i.e. through the Task & Finish Group and workshops, to ensure there was regular Pension Fund Committee Member involvement. It was agreed that this remained the best way forward.

It was resolved unanimously to:

1. note the progress made on the Asset Pooling proposal and approve the submission;
2. approve the agreement of the Chairmen on the 2nd September 2016 to initially rent the operator function, with a view in the medium term to wholly own the operator.

89. RISK REGISTER

The Committee considered a report on the Risk Register, which details the Fund's risk and mitigations. The Risk Register recorded the details of all risks that had been identified, along with their analysis and plans for how those risks would be treated. The list of 54 suggested risks was appended to the report.

A Member queried Risk 25: "Failure to react to major change in market/economic conditions", pointing out that as the Committee did not have control over this, it was not really the Fund's risk, as it could not mitigate against it. Officers advised that they had discussed this risk at length, it was an inherent risk that was always present, and it would be wrong to exclude it from the Risk Register. It was suggested that the issue should read "timing of reaction" or "failure to anticipate change" rather than "failure to react", and the residual impact should be 4 rather than 5. It was further suggested that this risk could be further broken down into individual market/economic risks. Officers explained that they had originally started with a list of 80 risks, and therefore a lot of risk areas had been broadened out rather than narrowed down. The Committee concluded that more work was needed on Risk 25.

With regard to Risk 25, a Member noted that one of the controls listed was the receipt of quarterly performance reports by a recognised industry professional to Investment Sub-Committee, considering both strategic and operational aspects of investment. He queried whether having more than one advisor would be useful, rather than just one organisation providing all the intelligence. Whilst this point was acknowledged, it was felt that the broader knowledge and awareness of officers and Members mitigated the risk of

taking advice from one source, and it would be an unnecessary expense to have additional advisors.

It was unanimously resolved to:

approve the Risk Register, with the caveat that more work would be done on Risk 25.

90. 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.

91. FUNDING STRATEGY STATEMENT AND VALUATION ASSUMPTIONS

Geoff Nathan of Hymans gave a presentation on the key assumptions of the valuation process.

It was resolved to:

- 1) approve the draft of the Funding Strategy Statement for consultation;
- 2) approve the proposed assumptions to be used in the triennial valuation process.

92. DATE OF NEXT MEETING: 8 DECEMBER 2016 (10am)