

## **Pension Fund Committee**

**Thursday 25 May 2017**

**9.30am**

**Kreis Viersen Room  
Shire Hall  
Cambridge  
CB3 0AP**

## **A G E N D A**

**suggested  
timings**

**9.30am**

**1. Election of Chairman and Vice Chairman**

Please note that once elected the Chairman and Vice Chairman will automatically become the Chairman and Vice Chairman of the Investment Sub-Committee see item 4 below.

**9.32am**

**2. Apologies for Absence and Declaration of Interests**

**9.33am**

**3. Minutes of the Pension Fund Committee 23<sup>rd</sup> March 2017**

**9.36am**

**4. Appointment of Pension Committee Investment Sub-Committee**

**Chairman and Vice Chairman**

Appointed as above.

**Two Other County Councillors Required**

The other members to be appointed to the Sub-Committee are all drawn from the Committee membership based on proportionality of their overall allocation of seats on the Council:

2 Conservatives and 2 Liberal Democrat members which needs to also take account of the party of the Chairman and Vice Chairman already appointed above )

Please note that the County Council Annual Council meeting on 23<sup>rd</sup> May 2017 will appoint to both Pension Fund Committee and Investment Sub-Committee. As the terms of reference of the Investment Sub-Committee require these appointments to be made by the Committee, **it is proposed that the appointments by the Full Council are endorsed.**

### **Employer Representative**

Councillor Seaton

### **One scheme member representative drawn from the active and the deferred and pensioner scheme members**

Subject to confirmation by Unison, it is proposed that the current arrangements whereby John Walker is appointed to this category, with Matthew Pink as the substitute, should continue.

9.40am

**DATE OF NEXT MEETING 10am 29 June**

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<http://tinyurl.com/ccf-film-record>.

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Public speaking on the agenda items above is encouraged. Speakers must register their wish to speak by making a request in writing to Dawn Cave (contact details below) no later than 12.00 noon three working days before the meeting. The request must include the name, address and contact details of the person wishing to speak, together with the full text of the question to be asked or a list of the main points regarding a comment about a matter on the agenda. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution at <http://tinyurl.com/cambs-constitution>

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact Dawn Cave at the County Council's Democratic Services on Cambridge (01223) 699178 or by email at [dawn.cave@cambridgeshire.gov.uk](mailto:dawn.cave@cambridgeshire.gov.uk)

The Council does not guarantee the provision of car parking on the Shire Hall site and you will need to use nearby public car parks. Details of location and other transport options are available at <http://tinyurl.com/ccs-carpark>

## URGENT BUSINESS

**Urgent Business** Such other business which, by reasons of the special circumstances to be specified, the Chairman is of the opinion is of sufficient urgency to warrant consideration - normally in relation to a decision required to be taken at short notice. The reasons for urgency to be recorded in the minutes.

Quentin Baker

LGSS Director of Law and Governance      Date issued:

## MEMBERSHIP AND CIRCULATION

### Pension Committee Voting Members (hard copy reports)

Councillor	-	Cambridgeshire County Council
Councillor	-	Cambridgeshire County Council
Councillor	-	Cambridgeshire County Council
Councillor	-	Cambridgeshire County Council
Councillor	-	Cambridgeshire County Council
Councillor	-	Cambridgeshire County Council
Councillor David Seaton	-	All other local authorities, police and fire
Councillor Andrew Fraser	-	All other local authorities, police and fire
Gareth Deeble	-	All other employers
Matthew Pink	-	Active scheme member representative
John Walker	-	Deferred and pensioner scheme member representative

### SUBSTITUTES

Councillor	-	Cambridgeshire County Council (PC Substitute)
Councillor	-	Cambridgeshire County Council (PC Substitute)
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Councillor	-	Cambridgeshire County Council (PC Substitute)
Councillor	-	All other local authorities, police and fire substitute
Elizabeth Brennan	-	Scheme Member representative
<b>Main Officers / Permanent Advisers (hard copy reports)</b>		
Mark Whitby	-	Head of Pensions
Sarah Heywood	-	Strategic Finance Manager
Clive Mason	-	Representing District Councils Section 151 Officers
Paul Tysoe	-	LGSS Pensions Service Investment and Fund Accountancy Manager
Jo Walton	-	LGSS Pensions Service Governance and Regulations Manager
Michelle Oakensen	-	LGSS Pensions Governance Officer
<b>Other Officers (electronic reports)</b>		
Richard Perry	-	Pensions
Jo Holden	-	Mercers

For more information about this meeting, please contact Jo Walton,  
Governance & Regulations Manager, LGSS Pension Services,  
Tel: 01604 367030, Email: [jwalton@northamptonshire.gov.uk](mailto:jwalton@northamptonshire.gov.uk)

## **MINUTES OF THE PENSION FUND COMMITTEE**

Date: Thursday 23<sup>rd</sup> March 2017

Time: 10:00am – 12.30pm

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members present:

Councillors P Ashcroft, A Fraser, R Hickford (Chairman), N Kavanagh, M Leeke (Vice Chairman), J Schumann and D Seaton; G Deeble, M Pink and J Walker

Officers: C Blose, D Cave, A Forth (representing C Mason), T Kelly (representing S Heywood), M Oakensen, P Tysoe, J Walton and M Whitby; G Nathan (Hymans)

### **104. DECLARATIONS OF INTEREST**

John Walker declared a personal interest as a retired member of the LGPS, his son was a deferred member, and his daughter-in-law was an active member.

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

### **105. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE 8<sup>TH</sup> DECEMBER 2016**

The minutes of the Pension Fund Committee meeting held on 8<sup>th</sup> December 2016 were approved as a correct record, with the following correction:

Date of next meeting (last page) should read 23<sup>rd</sup> March 2017

With regard to the Action Log item no. 86, Michelle Oakensen advised that the problem had arisen again with respect to the late-paying employer discussed at the previous meeting, but they had now paid, and the situation should now be resolved.

It was resolved to:

- (1) approve the minutes of the Pension Fund Committee meeting held 8<sup>th</sup> December 2016;
- (2) note the Action Log of the Pension Fund Committee.

### **106. 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 Pensions Regulator (TPR) had published a short guide on record keeping for trustees and managers of occupational pension schemes and public services pension schemes. In future, TPR would be asking to report on their record keeping work in the annual scheme return. This would be submitted for consideration to the December 2017 Pension Fund Committee meeting.

With effect from 24<sup>th</sup> March 2017, Clive Mason would be replacing Stephen Pilsworth on the Pensions Committee as the Section 151 representative for Local Authorities. Members welcomed Adrian Forth, who was attending the meeting on behalf of Clive Mason.

Members were reminded that Gareth Deeble, the elected substitute for non-local authority employers, had kindly been acting up as the main representative, and this arrangement was due to end on 31<sup>st</sup> March 2017. The details of the position had been circulated to all non-local authority employers, but no nominations had been received. The deadline would therefore be extended and details of the vacancy recirculated. The Chairman thanked Gareth for all his contributions to Committee meetings over the last year.

It was resolved to:

note the content of the report.

## **107. BUSINESS PLAN UPDATE REPORT 2016-17**

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

Member and Employer Self Service – work was continuing with employers and members, and take up was increasing. The Committee noted there was a significant overpayment (£13,659.83) where a widow had failed to inform Pensions of the death of her husband. It was confirmed that the widow had subsequently passed away, but that the overpayment was being recovered.

Members noted the Key Performance Indicators for the period, and the factors which had effected those KPIs.

Turning to the timeliness of employer and employee pension contributions, Members considered the analysis of the reasons for late payments in November and December, noting that most of the issues had been resolved. One significant employer, discussed at previous meetings, had persistently made late payments, and the Committee had previously been advised that this situation was now resolved. However, the employer was late paying in February. Officers advised that this issue had been taken up with one of the

employer's Directors, who confirmed that the February late payment was a genuine error and a system was now in place. The Director had given assurances that the error would not be repeated, although of course there was no guarantee that there may not be an unrelated error.

It was resolved to:

note the Pension Fund Business Plan Update for the 2016-17 financial year.

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

The Committee received a report on the admission of five academy trusts, four admission bodies and the cessation of seven employers from the Cambridgeshire Pension Fund.

Councillor Schumann declared an interest as a Director on the Board of Staploe Education Trust.

It was noted that the following admission bodies needed to be removed from the report as the Multi Academy Trust of each of these had previously been reported. The Multi Academy Trust is classed as the Scheme Employer not individual entities within the Trusts: Godmanchester Community Education Trust, Staploe Education Trust, Chilford Hundred Education Trust and Cam Academy Trust.

It was confirmed that the payment for Taylor Shaw Ltd, which was being withdrawn from the Fund, was being calculated.

It was resolved to:

1. note the admission of the following Multi Academy Trusts to the Cambridgeshire Pension Fund:
  - Tri-Borough Alternative Provision
2. note the admission of the following admission bodies to the Cambridgeshire Pension Fund:
  - CRCC – Cambridge Rape Crisis Centre
  - Lunchtime UK Ltd (Fulbourn Primary)
  - Lunchtime UK Ltd (Abbey Meadows Community Primary School)
  - Lunchtime UK Ltd (Ditton Lodge Community Primary School)
3. Note the current withdrawal from the Cambridgeshire Pension Fund of the following bodies:
  - Taylor Shaw Ltd t/a Waterfall Catering Group
  - Thorokleen

- Lunchtime (Thorndwon)
- EasyClean (Eastfield Infants School)
- Dell Corp (Neale Wade College)
- Dell (Cromwell College)
- Dell (Sir Harry Smith College)

## **109. 2017 JOINT COMMUNICATIONS STRATEGY**

Members considered a report on the Cambridgeshire Pension Fund's Communication Strategy, which was required by law (the LGPS Regulations 2013).

The Committee noted that the main revisions to the Strategy were included to ensure that it was aligned with the revised Pension Fund objectives. Some other minor changes had been made to reflect the way the Fund communicates with members, particularly the increasing use of electronic communication. The Chairman thanked officers for clearly highlighting in the documents provided exactly what had changed from the previous version.

It was resolved unanimously to:

1. approve the Communication Strategy as per the appendix to the report.

## **110. CIPFA PENSIONS ADMINISTRATION BENCHMARKING CLUB REPORT**

The Committee considered a report on the results of the CIPFA Pensions Administration Benchmarking Club Report 2016. The Executive Summary of the 2016 Report was tabled, and it was agreed that the full version would be emailed round. **Action required.**

Officers advised that the number of authorities involved in the Benchmarking Club had declined in recent years, meaning that the information produced was less useful.

Cambridgeshire's total administration costs per member was £20.31, higher than the Club average of £18.48. Members noted the detailed analysis of the cost per member, showing that costs under the Payroll, Staff and Other running costs headings were all greater for Cambridgeshire, with Payroll looking particularly high, although this would be reducing following the introduction of the Altair system, and some of those costs would be reallocated to IT Pensions Administration costs. Corporate recharges would also reduce this year. The areas where the Fund's costs were below average were noted.

In discussing whether it was worthwhile to continue in the Benchmarking Club, it was suggested that the priority should be accurately monitoring and understanding the Fund's own costs, and this should include a comparison against previous years' costs. It was confirmed that data would only be available historically for about three years. It was agreed that this information



would be produced for a future meeting of the Committee. **Action required.** It was further agreed that there needed to be greater consistency going forward, as information had been produced by different officers in previous years resulting in some variability of data.

A Member observed that the in-house administration for the Cambridgeshire Fund had increased from 2015 to 2016, whereas the Club average figure had reduced. Mark Whitby outlined the factors which had increased the Fund's average costs over the last twelve months.

It was suggested that the cost per member benchmark could be misleading, as it was a variable that would fluctuate year on year depending on membership, and actual costs should be an area for focus instead. Officers commented that cost drivers varied, e.g. the impact of increased membership would vary depending on the number and complexity of those employers, and the cost associated with individual members depended on where they were in the pension cycle – an activity based costing exercise would give a more accurate picture. Paul Tysoe observed that the Business Plan gave an overview of the performance of the team, and there had been significant efficiencies brought in in recent years, and the result was that the LGSS Pension Service was an excellent pension service, with really tight controls on quality and performance.

In response to a question on the total budget for the Cambridgeshire Pension Funds, officers gave some ballpark figures for the different elements (administration, investment and governance) but agreed to provide detailed figures to Committee Members. **Action required.**

Members agreed that internal monitoring over time was the best way to monitor costs and efficiencies, and whilst KPIs were useful, they were not helpful in terms of showing whether costs were being saved.

Members concluded that with take-up of less than 50% of LGPS authorities, the Benchmarking Club figures no longer met the Fund's needs and Cambridgeshire should withdraw from the Club. The type of Fund data discussed would be much more useful to the Committee going forward. It was agreed that a report detailing this information would be presented to the July meeting of the Pension Fund Committee. **Action required.**

It was unanimously resolved to:

1. note the content of the report.

## **111. RISK REGISTER REVIEW**

The Committee considered a report on the Cambridgeshire Pension Fund Risk Register heat pad.

There are 18 key risks associated with governance, 17 with funding and investment, and 19 with Administration and Communication. Members noted those risks given an amber or red status, and the reasons behind these.

Councillor Kavanagh observed that Climate Change was not listed as a risk. He noted that East Sussex County Council, a member of the ACCESS pool, had included a statement on Climate Change in its Investment Strategy, and he suggested that the Cambridgeshire Fund should do the same, especially given Cambridge's position as a global centre for technology and innovation, and the very real threat of Climate Change on all aspects of life. He also felt that Climate Change should be included as a risk in the Risk Register.

It was suggested that Climate Change was less relevant to the Risk Register, as the Risk Register focused on risks which the Fund could manage, but could be applicable to the Investment Strategy Statement under the Environmental, Social & Governance (ESG) policy. Councillor Kavanagh commented that Climate Change went further than the ESG policy, it was about making a specific statement, but agreed to discuss this issue further under the Investment Strategy Statement item.

It was unanimously resolved to:

1. note the Cambridgeshire Pension Fund Risk Register Heat Pad appended to the report.

## **112. CAMBRIDGESHIRE PENSION FUND REVISED TRAINING STRATEGY 2016**

Members considered a report on the revised Training Strategy, which reflected comments had made at their last meeting, specifically:

- 'desirable' rather than 'expected' number of training credits;
- 'all other relevant training' now included;
- training provided by LGSS and induction training included as methods of attaining credits;
- number of desirable credits reduced;
- Training Records to be established, and Members regularly given a statement of their credit total.

A Member suggested that internal training opportunities should be opened up to those who were not members of the Committee, but had an interest, especially given that there was always some turnover in Committee membership. It was agreed that all training should be open to all members where possible.

It was resolved to:

1. approve the Training Strategy, as attached to the report, with the slight amendment above.

### **113. THE PENSIONS REGULATOR'S PUBLIC SERVICE PENSION SCHEME COMPLIANCE ASSESSMENT TOOL**

The Committee considered a report on the extent of compliance with the Pension Regulator's Code of Practice, and the actions required to achieve full compliance. It was noted that this was a self-assessment, and officers had taken a critical approach in assessing compliance, and had concluded that the Fund had achieved 'partial compliance'.

Areas for attention identified during the self-assessment included:

- the introduction of Training Plans (now actioned, as detailed under the previous agenda item);
- with regard to Risk Management, ensuring providers for outsourced services demonstrate the operations of internal controls, and the relevant documentation was in place – this was of relevance, because the pension payroll was run by another LGSS department;
- there was currently no formal documented record keeping policy or procedures for all types of members or beneficiaries. This was in development and would be submitted to Committee for approval in December 2017;
- specific member data, most of which should come from employers, should be kept. Employers should have processes in place to provide the right data at the right time in the required format. This would be included in the Administration Strategy, which Mark Whitby and Cory Blose would be presenting to the Committee in June 2017;
- there was no formally documented improvement plan to address and identified poor quality or missing data. A Data Improvement Plan was being developed and Jo Walton would be presenting this to Committee in December 2017.

The Chairman thanked officers, and applauded them for taking such an honest and critical approach in the self-assessment process.

It was unanimously resolved to:

1. note the content of the report.

### **114. PENSION FUND ANNUAL BUSINESS PLAN AND MEDIUM TERM STRATEGY 2017-18 to 2019-20**

The Committee considered a report on the Fund's objectives for 2017-18, which included a plan of action on how key priorities would be achieved. The Executive Summary outlined the purpose and scope of the Fund, the pressures it was facing, and who the Fund's stakeholders were. Contextual information on the Pension Fund's position at 31<sup>st</sup> December 2016 was also provided, including a statement of assets and liabilities, and funding estimates for the next three years.

It was noted that CIPFA and LGPS were looking at the whole issue of how Funds report investment manager fees, and these would be reflected in future years' budgets.

A Member asked why there had been 4,000 additional members in a period of austerity. It was noted that some may have already been employees, but had been obliged to join during the period through auto-enrolment.

A Member asked why staff related costs had increased in the period from 2016-17 to 2019-20. Officers advised that this was partly attributable to compounded pay award assumptions (1-2% per annum) and changes to National Insurance.

It was unanimously resolved to:

1. approve the Business Plan for 2017-18, as appended to the report.

## **115. INVESTMENT STRATEGY STATEMENT**

Members considered the draft Investment Strategy Statement (ISS), which set out a high level, dynamic asset allocation structure, supporting the long term focus of investment and mitigating the risk of reacting to short term market behaviours. The Statement also set out the Fund's Investment Beliefs, captured from the work and discussions of the Pension Fund Committee and Investment Sub-Committee over recent years. It was noted that the work programme associated with the Statement would review all relevant topics.

Returning to the issue of Climate Change, raised under the Risk Register item, officers advised that the Local Authority Pension Fund Forum (LAPFF) had a major focus on Environmental, Social & Governance (ESG) investment. LAPFF had engaged PIRC (Pensions and Investment Research Consultants) who were effectively challenging major organisations e.g. they had worked very hard with Shell, led to disinvestment in Canadian oilfields. Whilst this work by PIRC and other activists/lobbyists could be drawn out/protracted, momentum did build and ultimately produce good results. Officers were also looking at these issues with other funds on the ACCESS pool, and encouraging other members of the pool to engage on this issue.

The report detailed the Fund's current asset allocation strategy, with the appropriate tolerances. With regard to the ACCESS pool, the intention was to have passive investments pooled in 2017, with all liquid assets pooled by 2021. The ISS also set out specific investment risks for each asset class.

The Chairman observed that the Investment Beliefs section of the ISS included *"Responsible Investment including Environmental, Social and Governance are important factors for the sustainability of longer term investment returns"*, and the statement under ESG Risks that *"This aligns with the best interests of the Fund's beneficiaries and is consistent with fiduciary duty"*. Additionally, the section on Environment, Social and Governance

policy specifies that *“The committee has directed investment managers to consider the effects of social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund”*.

Councillor Kavanagh observed that the Pension Fund Committee Members did not have any direct access to partners in the pool, e.g. it would be useful to know why East Sussex had included an explicit statement about Climate Change, and what appetite there was from other Funds to pursue or not pursue statements on Climate Change. It was agreed that more information was required e.g. on other authorities' position on Climate Change, within and outside of the ACCESS pool.

Councillor Seaton advised that Peterborough City Council was very focused on environmental issues and was moving to zero carbon aspirations, but the Pension Fund still invested in fossil fuels. The Chairman responded that there was always some separation between the respective authorities and the Pension Fund, and the focus for the Committee should always be on doing the best for the beneficiaries of the Pension Fund, which may be a different approach to that of individual employers, and achieving a balance between the two could be difficult. It was also observed that the majority of direct investments coming forward were based around renewable energy schemes. Members agreed that it was important to take this issue seriously and record their concerns, and longer term the Fund could work with other members of the ACCESS pool on this issue. Councillor Kavanagh indicated that he was happy with this approach.

With regard to the asset allocations set out in the ISS, it was agreed to round up or down which currently including percentage points, as follows:

- Overseas equity 43.5% to 44%
- Reduce Property from 11% to 10%
- Loans from 2.5% to 3%

It was noted that the tolerances on infrastructure was included in the range for Alternatives, and that these allocations and tolerances could be changed relatively quickly.

It was unanimously resolved to:

1. note the content of the report;
2. approve the Investment Strategy Statement for publication on the Fund's website.

## **116. ASSET POOLING UPDATE**

Members received a report on the latest progress with coloration of the ACCESS group, working together on LGPS asset pooling arrangements.

Paul Tysoe advised that the main points were as follows:

- the Inter authority agreement would be considered at Cambridgeshire's full Council meeting on 28<sup>th</sup> March 2017;
- everything was still on schedule for passive procurement to be concluded in the summer, which would realise a good six figure saving for the Cambridgeshire Fund;
- the Joint Governance Committee (JGC) would explore Operator procurement. The Chairman updated Members on the way the debate had gone on the Operator Model at the Chairs' meeting on 22<sup>nd</sup> March;
- the final letter from the Minister had been received, and this was more accurate and all parties would be happy with.

John Walker advised that Unison were pursuing nationally the issue of membership representation on the pool governance structure.

It was unanimously resolved to:

1. note the progress made on Asset Pooling.

*Councillor Schumann left the meeting*

#### **117. 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.

#### **118. VALUATION PRESENTATION**

Geoff Nathan, Actuary, of Hymans Robertson, gave a presentation on the Actuarial valuation, which would conclude on 31<sup>st</sup> March 2017. Members noted the report.

#### **119. DATE OF NEXT MEETING: 25<sup>th</sup> May 2017**