

CAMBRIDGESHIRE LOCAL PENSION FUND BOARD: MINUTES

Date: Friday 23rd April 2021

Time: 10:00 am – 12:26 pm.

Venue: Virtual Meeting

Present: Councillors: Simon King (Chairman), Elisa Meschini and Parish Councillor Denis Payne.

Employee Representatives: Martin Dachs, Val Limb and Barry O’Sullivan (Vice Chairman).

189. Apologies for Absence and Declarations of Interest

No apologies or declarations of interest were received.

190. Minutes – 21st February 2021 and Action Log

The minutes of the meeting held on 21st February 2021 were agreed as a correct record and would be signed by the Chairman when the Council returned to its offices. The action log was noted.

191. Petitions and Public Questions

No petitions or public questions were received.

192. Administration Performance Report

The Committee received a report demonstrating a number of key areas of administration performance for consideration by the Pension Fund Board. In particular, the reporting officer highlighted:

- Section 2, Key Performance Indicators (KPIs): That there was one red KPI for providing transfer-in quotes to scheme members, but that the team performance issues that caused this had been resolved.
- Section 3, Employee and Employer Contributions: That all Cambridgeshire Pension Fund Employers had paid in on time.
- Section 4, Breaches of the Law: The only breach of the law reported was that the refund of pension contribution payments had been claimed by and paid to members outside of the statutory 5-year period. The officer stated no action would be taken as there was an expectation that the legislation would be amended so that this would be no longer deemed a breach.

- Section 5, Internal Dispute Resolution Procedure: That there was one case seeking reinstatement / compensation for LGPS benefits which had been transferred out of the LGPS. The decision had been made not to uphold the case, and the member had not yet decided to progress to stage 2 of the procedure.

In response to Members comments, officers:

- Section 3, Employee and Employer Contributions: Stated that the information regarding the performance of Cambridgeshire Pension Fund Employers in February and March was not yet available.
- Section 4 and 5: That Section 4 and 5 used different dates as the data was submitted by different teams at different times.
- Section 8, Risk Management: Agreed to change the presentation so that the objectives and controls/risks were more aligned. The task was set a tentative six-month completion aim. **Action Required.**

It was resolved unanimously note the Administration Performance Report and take remedial action as necessary.

193. Risk Monitoring Report

The Committee received a summary of the Cambridgeshire Risk Strategy and Risk Register. These were reviewed and approved by the Pension Fund Committee on 28th March 2019 and are reviewed as a standing item, by the Pension Fund Board as a standard item on a quarterly basis to ensure the risk register remains up to date. In particular, the reporting officer noted:

- Section 2, Review of the Cambridgeshire Pension Fund Risk Register: That the register had been updated with changes proposed, including presentation and various controls.

Risk 9 had been updated to include the internal and external audit risks.

Risk 11 had been updated to emphasise the administration strategy as a control.

Risk 13 Cyber-crime controls had been updated for officer laptops and Wi-Fi following recommendations made in the previous meeting. Further, the officer established that the risk posed by third parties was undergoing data asset mapping.

Risk 19 had two further controls added.

- Section 3, Short to Medium Term Risks: No change. The officer reported that public sector exit caps would remain on the report as it was expected they would return.

The officer also noted the importance of ensuring thorough training upon the initiation of new Members following the election to reduce risk.

In response to Members comments, officers:

- Noted that the five amber risk ratings were longstanding risks which were rated such as they were out of the Fund's control.
- Agreed to set up a meeting between Michelle Oakensen, Jo Walton and Val Limb regarding the Risk Register. **Action Required.**
- Noted that cyber-crime may be made a separate risk under the next register review, in order that the risk rating can be more precise.

Individual Members raised the following issues in relation to the report/commented:

- Expressed a desire that, when reviewing the risk register, officers consider making the longstanding amber ratings on the risk register more changeable. An activity to review the risk register in further detail was to be added onto the Business Plan. **Action Required.**
- Martin Dachs, Employee representative, offered advisory assistance when reviewing the internal control register.

It was resolved unanimously to review the current risks facing the Fund and take remedial action as necessary.

194. Pension Fund Annual Business Plan Update 2020/21

The Committee received a summary of Business Plan Update for the 2020/21 which highlighted the progress made on the key activities for the period up to the end of 2020/21 financial year and detailed where activities were continuing into the new financial year. In particular, the reporting officer highlighted:

- 3.1.2, Cyber-crime analysis: That, after an AON analysis, the officer could confirm that the Fund's cyber-crime risk controls paralleled other Local Authority Funds, but that a cyber-strategy action plan would be put in place. This process would include third party asset mapping and a questionnaire to providers.
- 3.3.4, Multiple Investment Strategy: Expenditure for an actuarial impact evaluation of multiple investment strategies had been approved by the Pensions Fund Committee. Work for this was ongoing.
- 3.5.2, Re-tender for Investment Consultancy: After much competition, Mercer LLC won the retender for investment consultant and that work would be done to ensure arrangements remained fit for purpose.
- 3.5.4: An Independent Advisor had been appointed.
- 3.5.5, Responsible Investment Policy: The Fund had received multiple enquiries regarding divestment and investing in companies supportive of the Palestine debate

in the last Pension Fund Committee Meeting. However, a robust policy would be put out to the public for consultation in May 2021.

- 3.5.7 Procuring Global Custody Services: Global custody was being developed with the ACCESS Pool.
- Appx 2: Noted that the end of year forecast has been updated since the Pension Fund Committee Meeting including a transfer in from Lincolnshire and a transfer out to the Norfolk Fund.

In response to Members comments, officers:

- Clarified that the re-tender of actuarial consultancy would be aligned with the valuation cycle. Re-tendering of the software supplier would need to take place 18 months before the end of the contract to allow a one year transition period should there be a new supplier.
- Defined the figure for small pensions in payment as set in legislation for pensions that could be commutable, dependent on if members had LGPS benefits elsewhere.

Individual Members raised the following issues in relation to the report:

- Page 70 reads that the next evaluation results will be issued 'summer 2020', this should read 'summer ~~2020~~ 2023'. Action Required.

It was resolved unanimously to note the Business Plan Update to 31 March 2021 and take remedial action as necessary.

195. Pension Fund Annual Business Plan and Medium-Term Strategy 2021/22 to 2023/24

The Committee received a summary of the Annual Business Plan and Medium-Term Strategy which detailed the Fund's key areas of activity over the period 2021/22 to 2023/24. In particular, the reporting officers highlighted:

- That a different structure for the Pensions Service had informally been adopted to give officers more time for managing projects, governance, and employer issues. This had been agreed by the Section 151 officer but would need to be formalised through the Northamptonshire service review process. The process would have a minimal effect on expenditure.
- Expenditure: Projected expenditure for forecasts met predictions, however, this would be kept under review to monitor the ongoing impact of the pandemic. The officer also noted that costs for data improvement projects had reduced with the expectation that in future they would be undertaken inhouse.
- Cyber Resilience Strategy: Initially, a cyber security strategy/action plan would be created along with an asset mapping exercise. The strategy, mapping and action plan was forecast to take at least a year, with prioritised aspects taking less time. It

was planned that the Pension Fund Board would be utilised to provide scrutiny prior to submission to the Pension Fund Committee.

- Valuation Plan Activity: That officers were developing training plans for new Members.
- Undecided Leavers: Stressed the need to stabilise and reduce the Undecided Leavers backlog. This would be achieved by treating every case exceeding the six-month deadline as a backlog and securing accurate employer data.
- Responsible Investment Policy: The Fund had made a pledge for feedback with task group at the Asset Pool level to ensure the reporting requirement was fulfilled.
- Property Strategy: The fund was undergoing evaluation and benchmarking with the property strategy to determine whether it was fit for purpose over the medium term.

In response to Members comments, officers commented:

- That the Fund profile of contributions was dependent on many factors (inflation, staff costs) and would be reviewed. The officer noted that the Fund was forecast to become cash negative within five years but emphasised that the definition of 'cash negative' was complex and the forecast would be reviewed by the actuary soon.
- Explained that the presentation of sections such as 'income taxes' and 'profits/losses' had changed since submission to the Pension Fund Committee as part of the Business Plan. This occurred in order to resolve a misalignment which had prevented the variances from adding up.
- That the Board would review the Responsible Investment Strategy, post-scrutiny, in an information day format in consultation with the Pension Fund Committee and experts. This would be after feedback has been received and post-July. **Action Required.**
- Agreed to consider adding responsible investments onto the objectives list. **Action Required.**
- Stated that no action would be taken to update the Responsible Investment Strategy in response to Boris Johnson's updated net-zero policy as it still complied to government legislation. At the time of the meeting, 1.7% of asset investment was in fossil fuels and 2/3 Pension Fund active managers did not invest in fossil fuels.
- That the Pension Fund Board would receive a copy of the Pension Fund Committee feedback report when it was made available. **Action Required.**

It was resolved unanimously to note the attached Business Plan and Medium-Term Strategy and take remedial action as necessary.

196. Effectiveness Review

The Committee received a report which provided feedback on the results from the effectiveness review survey. This was a review the effectiveness of the Pension Fund Board which was undertaken as an annual exercise. In January 2021 current and former members were invited to complete a confidential survey on how adequate they felt the current arrangements of the Board were and how efficiently it was operating. As a result of the pandemic, the review prior to this had occurred in 2019. In particular, the reporting officers highlighted:

- Section 4, Conclusions: This section highlighted any responses marked 'disagree' for further clarification.

The officer noted that further training would be provided at the Pension Information Day as part of the CIPFA Skills and Knowledge Framework in response to Statement 4, which noted that Members felt a lack of experience meant they were unable to provide assistance to the administering authority.

With regard to complaints about post-scrutiny items, the officer also informed Members that sometimes documents must be received by the Pension Fund Board post-scrutiny in order that they meet submission timescales.

That, in response to Statement 2, which showed favour towards virtual meetings, the officers stated that training would occur online and Pension Fund Board meetings could continue online.

In response to Members comments, officers stated:

- That the AON Effectiveness Review recommendations had been addressed and that a response report would be circulated to the Local Pension Board. **Action Required.**

Individual Members raised the following issues in relation to the report/commented:

- Noted that they believed Members of the Local Pension Fund Board provided the Fund with a reasonable level of challenge.
- Encouraged Members to seek officer support if they require help.
- Showed favour for hybrid meetings, with some Members showing preference for virtual meetings to continue.
- Emphasised the importance for all Board Members to respond to the Effectiveness Review. **Action Required.**

It was resolved unanimously to notes the feedback and approves the plan of action to improve the effectiveness of the Pension Fund Board in the areas identified.

197. Governance and Compliance Report

The Committee received a summary of a standing report that identified issues concerning the governance of the Local Government Pension Scheme (LGPS) and also potential, new, amending and overriding legislation that would have an impact on how the Scheme was managed and on members' benefits. It provided the Pension Fund Committee with information on: The Public Sector Exit Cap (section 2), Scheme Advisory Board - good governance review (section 3), The Pensions Regulator – new code of practice (section 4); relevant Government consultations (section 5); New legislation (section 6); Skills and knowledge opportunities (section 7). In particular, the reporting officers highlighted:

- Section 2, Public Sector Exit Cap: That the Public Sector Exit Cap had been revoked on the 25th February, after being enforced unsuccessfully and with contradictory regulations in November 2020. It is expected that the Public Sector Exit Cap will become legislation again following a further consultation. The revocation resulted in any payments made in this period affected by the Public Sector Exit Cap needing to be reversed as a full benefit. The Cambridgeshire Pension Fund was not affected.
- Section 3, Scheme Advisory Board – Good Governance Review: That recommendations for improvement had been put forward to MHCLG following the Phase 3 of the Good Governance Review. These recommendations can be found in the report and include a training requirement.
- Section 4, Pension Regulator: A consultation had been launched by the Pension Regulator for the new single code of practice scheduled to be launched at the end of 2021. Pension Funds will have six months to become compliant. Particular changes noted by the officer was that pension fund cyber-crime and climate change response requirements had been added.
- Section 6, New Legislation: The Pensions Scheme Act 2021 had received royal assent but enforcing legislation had not yet been published. It was expected the Act would include climate change reporting, transfers out and pension dashboards.
- Section 7, Skills and Opportunities: That the virtual training sessions would be circulated nearer the time and included the 7th June.

It was at this point that the Chairman lost signal and dropped out of the meeting, resulting in the Vice-Chairman chairing for the remainder of the meeting.

It was resolved unanimously to note the contents of the report.

198. Local Pension Fund Board Agenda Plan, and Training Plan

Officers noted that non-standing items would be mapped onto the Agenda Plan, following elections. This would be circulated ahead of the meeting in July (for which Val Limb gave her apologies).

The Committee resolved unanimously to note the Training Plan.

199. Exclusion of the Public and the Press

It was resolved that the press and public be excluded from the next item on the grounds that it contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended. It was resolved that it was not in the public interest for the information to be disclosed as it contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

Chairman