

Minutes of the Pension Fund Committee

Date: 28th July 2022

Time: 10:00am – 12:00pm

Venue: New Shire Hall, Alconbury Weald

Present: County Councillors H Batchelor (substituting for Cllr Murphy), K Prentice, C Rae (Vice-Chair), A Sharp, A Whelan (Chair); Fenland District Councillor C Boden, Peterborough City Councillor A Coles; Lee Phanco, Liz Brennan (attended virtually) and John Walker

Officers: B Barlow, D Cave, F Coates, S Heywood (attended virtually) and M Whitby

Advisors: J Thurgood and C West (Mercer) and S Gervaise-Jones (all attended virtually)

66. Apologies for absence and declarations of Interest

Apologies were presented on behalf of Councillors Costello and Murphy, and Matthew Pink. Councillor Batchelor was substituting for Councillor Murphy; and Liz Brennan for Matthew Pink.

John Walker declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his son and daughter-in-law were deferred Members of the LGPS.

67. Public minutes of the Pension Fund Committee meeting held 10th June 2022 and Action Log

The minutes of the Pension Fund Committee meeting held on 10th June 2022 were approved as a correct record.

The Action Log was noted.

68. Petitions and Public Questions

There were no petitions or public questions.

69. Pension Fund Annual Report and Statement of Accounts 2021-22

The Committee considered the draft Statement of Accounts of the Pension Fund for the 2020-21 financial year. It was noted that the external audit work would commence in August, and that the Audit Plan would be presented at the next Committee meeting.

Key points highlighted in the presentation included:

- Contribution receipts had decreased from £154M to £134M. This reflected the decrease in contributions payments, as a number of employers pay their three-year deficits in 2020-21, following the 2019 Valuation, but there were no deficits payable for 2021-22;
- Transfers in from other pension funds had reduced considerably, but these were very much demand led;
- Benefit payments had increased to £118.3M from £109.6M, reflecting the growth in the number of pensioners during the year and Consumer Price Index uplifts to benefits in payment;
- Administration Expenses had decreased, but Management Expenses had increased from £22.7M to £25.6M, largely due to positive performance;
- Profits on disposal of investments, and increases to the value of investments were £383M for the year, reflecting good market performance. This had increased net assets to £4.3Bn.

Arising from the presentation:

- It was confirmed that the draft accounts would be published in September. Whilst the Pension accounts were subject to a separate ISA 260 (External Audit) report, they formed part of the County Council accounts, so would formally be signed off later in the year;
- A Member asked if it would be appropriate to consider the cost of the equity protection options during the year against the pooled investments gain. Officers advised that the equity protection can be considered as part of the performance of equities overall, as a holistic approach was taken when it was put in place. It was noted that there were a number of equity protection contracts which were broadly, but not precisely aligned, with regions. It was confirmed there was no equity protection for private equity, and that the current equity protection expired in May 2023, and the Pension Fund Committee would be considering whether to extend it early in 2023;
- Noting that there were 11,011 “undecided leavers” as at 31/03/22, a Member asked what was meant by “undecided leavers” in this context. Officers explained that when a member leaves the scheme it could take a while to process them, usually due to incomplete or lack of data. There was a Business Plan activity to reduce the number of undecided leavers by around 2,500 each year over three years, down to around 3,000. Many Funds were in a similar position;
- Noting that a significant element of administration was managed by West Northamptonshire Council (WNC) following the break up of LGSS, a Member commented that at Cambridgeshire County Council’s Audit & Accounts Committee, Members had been informed of continuing problems with the provision of necessary information from WNC on payroll reconciliation. The Member asked if there were similar issues experienced by the Pensions team? Officers advised that the Pensions team was very much self-contained, and that they had a good relationship with other WNC services;

- A Member queried the implications of the McCloud case, noting that the resultant legislation would come into force 01/10/23. He asked if there were adjustments that the Fund would need to make in its accounts. Officers confirmed that whilst McCloud would be difficult administratively, and it would be taken into account in the Valuation process as it impacted on liabilities, the individual cases where the underpin has previously bitten have been small in number. Almost all data had been received from scheme employers, and it was likely that there would be a slight, but not material, increase in contributions. The Member asked that this information be included in future in the narrative;
- A Member asked why Investment Management Expenses was significantly higher than forecast (£22.1M compared to £900K forecast). Officers explained that the forecast figure was based on what was actually invoiced: prior to pooling, everything had been invoiced, but the actual figure included management fees from pooled investments, which were high due to good performance. It was agreed that it may be appropriate to review how this figure was forecast to reflect the change away from invoicing to pooled arrangements;
- Members discussed the audit plan, noting that there were delays nationally due to audit resourcing, but there were unlikely to be any surprises in the audit process;
- Members discussed the training and competence of Members, noting that this was a challenging area, especially with a large proportion of new Members. Any Member who feels they need additional support in this area should contact officers;
- Noted that the table on cost transparency would be populated in the published accounts, showing pooled fees.

It was unanimously resolved to note the Draft Annual Report and Statement of Accounts of the Pension Fund for the 2021-22 financial year.

70. Committee Agenda Plan

Members considered agenda plan.

It was noted that the Internal Audit had concluded, and would be shared with the Committee shortly.

It was resolved to note the Agenda Plan.

71. Exclusion of Press and Public

It was resolved unanimously that the press and public be excluded from the meeting on the grounds that the following items contain 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).

72. Responsible Investment – Climate Action Plan

The Committee considered an update on the Fund's Responsible Investment activities and Climate Action Plan.

It was resolved unanimously to note the Responsible Investment update and Climate Action Plan.

73. Annual Investment Review

Members considered a report reviewing the performance of the Fund's Investment Managers for the year ended 31st March 2022.

It was resolved unanimously to Note the Mercer presentation - Annual Pension Committee Review.