

MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Friday 6th July 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:

M Oakensen -Governance Officer

R Sanderson - Democratic Services Officer

P Tysoe – Manager Investment and Fund Accounting

J Walton – Governance and Regulations Manager

Time: 10.00am to 12.40pm

Place: Shire Hall, Cambridge

There was a request that Councillor Payne should be shown on future agendas as being a Councillor. To help differentiate, it was agreed he would be shown as a parish councillor and if possible Councillors King and Meschini to be shown as County Councillors **Action: Democratic Services.**

ACTION
BY

Rob
Sander-
son

41. APPOINTMENT OF CHAIRMAN

ELECTION OF CHAIRMAN / WOMAN

Further to a request made at the previous meeting, Democratic Services were able to confirm, as set out on the front page agenda that while it had been custom and practice to alternate the Chairman annually between the employer and member representative sectors, there was no requirement to do so. This was on the proviso that the subsequent Vice Chairman/ woman was appointed from the other sector of the Board membership not represented by the newly appointed Chairman / woman.

It was resolved unanimously to elect Councillor Simon King as Chairman of the Board for the municipal year 2018-19.

42. ELECTION OF VICE-CHAIRMAN

It was resolved unanimously to elect David Brooks as Vice-Chairman of the Board for the municipal year 2018-19.

43. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

**ACTION
BY**

No apologies were received. There were no declarations of interest.

During the round of introductions the Chairman welcomed Councillor Meschini to her first meeting of the Board, having been newly appointed to take the place of Councillor Manning.

44. MINUTES & ACTION LOG – 20TH APRIL 2018

The minutes of the meeting of 20th April 2018 were approved as a correct record and signed by the Chairman.

The Action Log was noted.

45. EXCLUSION OF PRESS AND PUBLIC

As the next report contained a confidential appendix with details of late payment employer contributions for March and April and as it was agreed that the Board did wish to make reference to it in the discussion:

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)).

46. LGSS PENSION SERVICE ADMINISTRATION PERFORMANCE REPORT

The Board received the above report in its role to ensure the effective and efficient governance and administration of the scheme. The report highlighted a number of the key areas of administration performance for the Board's consideration with confirmation received that there were no areas of concern to bring to the Board's attention.

It was highlighted that one performance indicator was recorded under the RAG system as being amber (award dependent benefits Statutory – requiring awards to be issued within 5 working days of receiving all necessary information) which had been due to staff sickness and having been looked into, was not expected to re-occur.

Commenting on specific aspects of the report, Board members

- Asked why in paragraph 2.2.2 reference was made to Northamptonshire Pension Fund. In response it was explained this was an error and should have read Cambridgeshire Pension Fund.

- With reference to the table in Appendix 1 it was suggested that the figure on the net increase / decrease in the net assets available for benefits during the year of 91,966 in the 2018-19 Forecast column should not have brackets around it.
- There were no areas of concern on the confidential appendix. Regarding the late payment for the particular academy listed, as set out in the action column, the Pension Regulator had been informed with the report stating that if the May contributions were late, a formal report would be submitted. As an oral update it was reported that the May payment had been received on time and that they had a new Finance Manager in place.
- One Member suggested that he had a recollection that a particular local parish council had appeared more than once in a 12 month period on the late payments schedule (rather than the six month reporting period used) and asked officers to check if he was correct. If it was found to be the case, officers undertook to check with the said parish council that there was not an ongoing issue. **Action**

**Michelle
Oaken-
sen (MO)**

It was resolved unanimously to:

Note the Administration Performance Report.

47. PENSIONS FUND BUSINESS PLAN UPDATE REPORT 2018-19

The Board received the Pension Fund Business Plan Report highlighting the progress made on the key Fund activities during the first quarter of the 2018-19 Business Plan as approved by the Pensions Committee on 29th March 2018 and presented to this Board on 20th April. Appendix 1 to the report set out the full list of Key Fund activities for the 2018-19 financial year.

Commenting on specific aspects of the report, Board members

- In noting that Northamptonshire County Council had appointed a Data Protection Officer asked whether Cambridgeshire had done the same. It was confirmed this was the case and was an existing Council employee. As Pension Fund officers indicated they had not been informed of the appointment, it was agreed the details would be obtained and passed on outside of the meeting. **Action**
- With reference to Appendix 1 Service Delivery - SD2 'Full Customer Service Excellence Standard Accreditation' - One Member asked if this was something he could look up. It was explained that this was a national accreditation which several LGSS department had now achieved.
- A question was raised regarding dementia training and advice that could be given to Fund members as with most people living longer there was a greater likelihood of developing dementia. It was suggested that in respect of the Communications Strategy, included later on the agenda, officers should include advice to Fund Members

**Rob
Sander-
son
(RVS)**

to consider taking early action to ensure they had wills in place / powers of attorney regarding safeguarding their pension arrangements in the event that they became incapable. **Action required**

**Joanne
Walton
(JW)**

- CSEM - 5 Cybercrime – the emphasis was now centred on educating staff and employers on how best to protect themselves and become more self-reliant against Cyber-crime, which in turn would help keep the Fund secure.
- CSEM - 6 In-House Hosting by LGSS IT – In answer to a question regarding why this had not already been completed, this had been partly due to changes in LGSS IT and having to await the appointment of a new LGSS Director of IT.
- The Chairman highlighted that the performance indicators included in the report were not true performance indicators as they had no targets and asked whether they followed a national template. In reply it was explained that each Pension Committee had their own versions of business planning monitoring and the delivery of actions / task in the report were an indication of well the Fund was delivering, with any cause for concern highlighted. **Action required: Officers should look further at including target dates and also adding clarity by identifying who was responsible for carrying out specific actions / indicators.**

**Joanne
Walton
(JW)**

It was resolved unanimously:

:

To note the progress made against the Pension Fund Business Plan for the first meeting of the 2018/19 financial Year.

48. **REVIEW OF THE REPORTING BREACHES OF THE LAW TO THE PENSION REGULATOR POLICY**

In line with the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes); the Fund had developed a policy and mechanism for reporting breaches of the law first approved by the Pension Fund Committee in October 2015 and which was due to be reviewed for approval at the October 2018 meeting. The Pension Fund Board was being asked to feed into this process by providing any recommendations to the review. The revised Reporting Breaches of the Law to the Pensions Regulator Policy was attached in Appendix 1 to the report with key changes as set out on Appendix 3.

In discussion:

- It was suggested that it would have been more helpful if the contents of Appendix 3 had been made the first appendix, with other Members having a preference to showing the changes as track changes on the original document. In reply officers explained that the latter had been a problem in the past with some Members finding it too messy and there had also been instances of Democratic Services switching off the changes in error. **Action Required - officers to review**

MO

approach to providing changes to documents to the Committee and Board

- add in the text in 9.7 reading “Significant breaches must also be reported to the Section 151 Officer. Chairman of the Pensions Committee and the Local Pension Board.....” the words after Board “or in their absence the Vice Chairman / Woman” and also add after the first reference to Chairman the words “ / woman” **Action Required – changing the wording as set out above** **MO**
- The Chairman suggested adding wording in Section 8 of being able to report “without consequences” to encourage those who had made a genuine mistake to be able to report without fear of reprisal. **Action Required** **MO**

It was resolved:

To recommend to the Pension Fund Committee the changes set out in the minute above shown as actions.

49. GOVERNANCE AND COMPLIANCE REPORT

This report provided the Board with:

Information on potential, new or amending legislation affecting the Local Government Pension Scheme (LGPS);

2) Information on other pensions legislation;

3) Activities of the LGPS Scheme Advisory Board and the Pensions Regulator;

4) Information on issues concerning the governance of the LGPS on a national and local basis; and

5) Skills and knowledge opportunities.

On 4) above no notification had been received that either Fund would be the subject of a compulsory visit by the Pension Regulator on any compliance issues. Concerns of governance regarding Northamptonshire County Council did not extend to the Pension Fund. **In terms of the Pension Toolkit, officers would be ensuring that all required Members had completed it. Action Required** (Note: Particularly in the case of Councillor

Meschini who had just joined the Board) **JW**

Discussing the report,

- Board Members queried where the Pension Scheme was placed regarding the contracted out reconciliation exercise. In response it was indicated that the Fund was at the end of stage 2, along with the majority of Pension Funds, so was in a good position.
- Further to the request at the last meeting on an update on the ‘Elmes versus Essex County Council’ case, details were provided as set out in the report. As an update it was reported that the full details of the case would not be shared, but enabled the LGPS administering authority to pay a survivors pension to a partner who meets the definition of a co-

habiting partner. As a result of the ruling, the partner affected by this ruling in the Cambridgeshire Pension Fund was now receiving a survivor's pension plus interest. The ruling had been advertised including inviting anyone who thought they were affected by the ruling to make contact.

- Further to the above, a question was raised regarding whether criteria was in place setting out guidelines on who would have a legitimate claim which included that a person was free to marry their co-habiting partner and had proof of financial interdependence at the time the member died. With regard to the latter, if all financial business was in the name of the deceased, this could be difficult to prove and was therefore a very sensitive area. Different funds currently had different approaches. **The Board agreed that a set down criteria that officers could show that they had followed in such cases was required and should come back to a future meeting. Action required**

JW

- **In terms of a query on data compliance / quality, officers were looking to bring a report to the October meeting. Action Required.**

JW

- Regarding data quality, the Fund currently had an initial estimate 92% score rate and officers were working to improve on this in areas such as Members training and deferred pensions. However it was highlighted that the Pension Fund could only do so much, as they were dependent on employers providing the data.

- Councillor Payne provided an oral update of the Pensions conference the Chairman and himself had attended on 22nd June titled 'Pensions Board three years on' and **would provide the slides to Jo Walton outside of the meeting so they could be passed on to all Board members. Action required.** He highlighted issues of interest including:

Cllr
Payne /
JW

- That Pension Board members were required to undertake training but Committee members were not, which appeared to be a major oversight by the Government.
- There was no statutory guidance regarding the role of a Board on pooling arrangements, with some Boards being allowed to observe joint committee meetings.
- Inspections had disclosed that some Boards were only meeting annually, so this Board was adopting good practice in scheduling meetings four times a year. On this point the Chairman in noting that one meeting had been cancelled, requested that this should not happen again.
- That some Committees did not allow Board members to attend and observe their meetings which was not the case at Cambridgeshire. To further encourage such attendance, **the Democratic Services Officer was asked to circulate the dates of both the Committee and Sub-Committee outside of the meeting. Action required**
- Some of those representatives from London Borough Pension Funds appeared to be unhappy regarding the operation of the London ACCESS Pool. The Chairman added that his observation

RVS

was that there appeared an undercurrent of some people having their own agendas on the use of Fund monies.

- On the last point the Manager Investments and Accounting Paul Tysoe (PT) provided background information explaining that the London Pool involved 33 authorities, three times bigger than the Pool this Fund was joining, which had 11. Another important difference was that the Access Pool would be working with the Pool Operator on sub fund creation to deliver the strategic allocation decisions set by the Investment Sub-Committee, with sovereignty of Strategy remaining at Fund level.
- The Investment and Fund Accounting Manager was asked his opinion of the Board's potential role in the ACCESS Joint Committee. He explained that updates on the Access Pool would be provided in training seminars, with reports also going to the Committee and Sub-Committee. Update reports were being provided to the Board and this would include being informed of major investment decisions. (There was an update later in the confidential section of the current agenda). In further discussion Councillor Payne still questioned how the Board would be able to maintain an overview scrutiny role of decisions being made by the Fund Manager. PT explained that the role of the Pension Fund Committees would be to review at a strategic level, if they did not like the decisions being made, they could take money away from the Fund Manager (Investment Sub Fund) and invest it with a different Fund Manager (Investment Sub Fund). Councillor Payne came back to the debate at the conference regarding the role of the Board and the officer was asked to look into whether there was any reason the Board should not have representation in some capacity on the ACCESS Pool Joint Committee (e.g. as an observer) or if that was not permissible, to receive as a matter of course, the minutes from the ACCESS Pool Joint Committee in the same way the Investment Sub-Committee currently did. **ACTION required.**
- Board membership was raised as a discussion point by Paul Tysoe at the CIPFA Skills and Knowledge training day held on 4th July to engender debate. The point was that directors on company boards over 70, had to be elected annually according to the Stewardship Code, investment managers were required to comply with the code or explain why they had not. Board members felt this was discriminatory. Paul Tysoe explained that this was a recognised policy which had been discussed and agreed at an Information Training Day and because it had a 'comply or explain' requirement and reflected a recognised industry standard, it was a reasonable policy to adopt. This was a policy that the Operator has in place with its Fund Managers. The Fund has no authority over the policy, especially as it covered all 11 partner funds in the asset pool. The 'comply and explain' clause made it flexible. He highlighted that the Pool's first investment manager had indicated they did not necessarily agree with the policy and would not comply where they considered, a director over the age of 70 brought beneficial value to a company's Board.

**Paul
Tysoe
(PHLT)**

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

50. CAMBRIDGESHIRE PENSION FUND -2018-19 COMMUNICATION PLAN

The above titled Plan was produced in line with the requirement under the current Pension Scheme regulations to prepare, maintain and publish a written statement setting out its Policy concerning communications with members and scheme employers. The report presented the Cambridgeshire Pension Fund Communication Plan inviting the Board's comments and any recommendations to go forward to the Pension Fund Committee to consider as part of their next Review.

As set out in the earlier Minute, the Board would wish to recommend information to be included on and advising Members to commission wills and powers of attorney rights in advance of them having issues regarding suffering from dementia or dying without having prepared such documentation when it could / would be too late regarding being able to influence how their pension / succession arrangements should be managed.

It was resolved:

- a) To note the contents of the Communication Plan.
- b) To recommend the changes as set out above, to be included in a revised version of the Plan.

JW

51. REVISED OVERPAYMENT OF PENSION POLICY

This report presented the revised Overpayment of Pension Policy following legal advice in order to strengthen the Policy to ensure what was in place was right and fair, while still trying to recover monies where overpayments had been made. Appendix A set out the revised 2018 Policy Appendix B the 2015 Policy and Appendix C set out details of changes between the 2015 and 2018 Overpayment of Pensions Policy.

In discussion:

- As requested in an earlier report discussion it was suggested that the changes document should have been appendix A rather than Appendix C.

- A query was raised on the reasoning for the greater than £100 minimum threshold for seeking to recover overpayments as a result of late notification of change of circumstances or incorrect information being provided, with the suggestion that it might be too low compared with the administrative costs involved in recovery. As a response the Board was informed that it could suggest a lower or higher threshold. It was explained that it was not possible to estimate the recovery costs as a general rule of thumb, the work in calculating an overpayment was the difficult part and therefore any amount over £100 was worth pursuing as chasing payment was an easier process. £250 was quoted as being a useful parameter as up to this level there was no requirement to report to HMRC. The previous write off limit had been zero.
- It was agreed that the over £100 limit for certain categories of overpayment should not be recommended to be uplifted at the current time but that it should be monitored for cost effectiveness with a suggestion that the number of cases pursued should be reported back in a year's time, as if the number was small at this lower level, it would be appropriate to leave it as it was, but if analysis showed a disproportionate higher cost compared to the sums recovered, then a recommendation should come back to raise the threshold. **Action required**
- A question was raised regarding whether there was a policy stipulating, as it was such a sensitive issue, the length of time before a relative was contacted after the death of a member had been notified to the Fund, in order to claim back any overpayment. It was explained that the time factor was more to do with when notification of their death was received, as in some cases the first the Fund knew was when it was told by a solicitor etc. that their relevant bank account to which the pension payment was sent to, had been closed.

JW

It was resolved:

- a) To note the changes identified in the report with regard to recovering overpayments of pension.
- b) Not to recommend that any additional section should be added.
- c) To make a recommendation to the Pension Fund Committee for consideration at their next full policy review to review the appropriateness of the thresh-hold limit in a year's time based on an analysis provided of the average cost to recover sums in the range of over £100 and under £250 and to consider whether the current thresh-hold still represented value for money.

52. INVESTMENT STRATEGY STATEMENT (ISS)

This report presented the revised 'Investment Strategy Statement' as approved by the Pension Fund Committee at their meeting 29th March 2018 and consider whether any recommendations should be made to the said Committee for their consideration at their next review.

The Statement was in response to the requirement under 'The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations")' which came into force on 1 November 2016. At the time of its approval it was recognised that the time available for consultation was limited, due to the delay in the Ministry of Housing, Communities and Local Government (DCLG) issuing guidance. Detailed aspects of the ISS had subsequently been reviewed at a series of Investment Information Days (IIDs) as detailed in the report and of which more would follow.

It was highlighted that:

- the Fund had participated with fellow ACCESS funds in the joint procurement for passive investment to appoint a new manager in place of the Fund's current provider, State Street. The successful manager, UBS, offered a wide range of passive funds and the opportunity had been taken to re-assess which funds Cambridgeshire should adopt under the new arrangements.
- Fixed Income Investments were less attractive due to quantitative easing and low interest rates and had seen allocations reduce.
- The Fund was cash rich for the foreseeable future.
- **The July Pension Committee meeting reflected an annual review of the Fund performance and all members of the Local Pension Board were welcome to attend. Committee dates would be circulated to Board members for their information. Action required** **RVS**
- Attention was drawn to page 142 of the document on voting rights for ACCESS, with the Pension Fund Committee having delegated the exercise of voting rights to the investment managers on the basis that voting power would be exercised by them with the objective of preserving and enhancing long term shareholder value. This had been covered in more detail in one of the training days and in item 49 above. **The Manager Investment and Fund Accounting undertook to circulate the voting policy for ACCESS outside of the meeting, which was recognised as good practice in the Stewardship Code and a policy document adopted by both the Fund and the ACCESS asset pool. Action Required.** **PHLT
send to
RVS for
circulation.**
- The overview of the Pool would be through the Joint Scrutiny Committee.
- The Board was not currently entitled to attend ACCESS Joint Committee meetings. As referred to in the earlier Report, the Board requested that the officer should approach the ACCESS Joint Committee regarding the Board having access to their minutes.

- The Chairman making reference to another Pension Fund proposing infrastructure investment in respect of the Severn Tidal Project asked if this could happen in Cambridgeshire without Committee approval. The answer to this was no, as sovereignty remained with the Investment Sub-Committee and the Fund. Investment in infrastructure projects would only be considered when it was right for the Fund and recognised in the Funds asset allocation. Funds had a responsibility to meet their fiduciary duty which meant not undertaking unnecessary risk or inappropriate investments, risks such as conflict of interest or reputational risks required careful consideration. However the Fund was considering a local economic development Fund, which if adopted, would appoint an external manager to manage the Fund. The initiatives discussed might be suitable for that Fund, should it be adopted. Whilst increasing infrastructure allocations was a Government objective from a Fund perspective it required to be considered next to all other investment options. With regard to a follow up question regarding the Combined Authority Mayor's proposed local schemes, the same criteria applied.

It was resolved:

To note the contents of the report.

53. FORWARD AGENDA PLAN

The Board approved its forward agenda plan, subject to the inclusion of items identified in the course of the meeting.

54. 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)).

55. OVERSEAS PENSION PROOF OF EXISTENCE EXERCISE

This confidential report provided an overview of the effectiveness of the now completed overseas pensioners' proof of existence exercise. The exercise had been considered a success as of the 29 cases looked at, by 30th April only one pensioner had been unable to be traced. This case had now been passed to the Internal Audit Team who had further resources to be able to pursue the issue. The Board would be informed once any further detail was known.

In discussion:

One Member suggested that it was unfortunate to have had to have such a success story as a private and confidential report and suggested the officers

look to making future reports public with any confidential / exempt information included as a separate confidential appendix as had been the case with one of the earlier reports **Action required. Officers to take this request on board for future reports.**

MO / JW

In reply to a query on how often the exercise would be repeated, the Board was informed every two years.

It was resolved to note the report.

56. ACCESS ASSET POOLING UPDATE

This report provided the Board with an update on progress with the ACCESS Asset Pooling project. Details were provided of the Governance Working Group who were supporting Muse Consultancy to develop the governance arrangement and the creation of an interim support unit with three posts (programme manager, Contract manager and ACCESS support administrator with the details as set out in the confidential report) to help support Essex County Council who were providing the host support unit and who would be reporting back to the Sub-Committee at every meeting. The employment costs were to be recharged to the 11 funds.

There was a request that the support arrangements and decision making governance arrangements including roles and responsibilities and lines of accountability, should be provided in diagrammatical format. Action required.

PHLT

Reference was made to the fee savings achieved through the collective procurement by ACCESS partners of combined passive investment fund management arrangement, generating savings across all partners of circa £5m per annum. **David Brookes requested that details of what base these savings had been based on should be provided in an e-mail outside of the meeting. Action required.**

PHLT

It was resolved to note the update on asset pooling.

57. MINUTES OF THE PENSION FUND COMMITTEE 24th MAY 2018

It was resolved to note the minutes of the Pension Fund Committee held on 24th May 2018.

Chairman
19th October 2018