

CONFIDENTIAL MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 10th October 2019

Time: 10.00am – 12.30pm

Place: Kreis Viersen Room, Shire Hall, Cambridge

Present: County Councillors P Downes, I Gardener, A Hay, T Rogers (Chairman), J Schumann, and M Shellens; Peterborough City Councillor D Seaton; Cambridge City Councillor R Robertson; Lee Phanco, Matthew Pink and John Walker

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

Actuaries: Robert McInroy and Peter Summers, Hymans Robertson

Observers: Cllr Simon King

Apologies: None

160. DECLARATIONS OF INTEREST

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

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

Councillor R Robertson declared a personal interest as his wife was a retired member of the LGPS.

161. MINUTES OF THE PENSION FUND COMMITTEE MEETING HELD ON 25th JULY 2019

The minutes of the Pension Fund Committee meeting held on 25th July 2019 were approved as a correct record and were signed by the Chairman.

162. MINUTES ACTION LOG

The Committee noted the Minute Action Log.

It was confirmed that the revised Key Performance Indicators (KPIs) would be presented to the next Committee meeting in December.

163. EXCLUSION AND PRESS AND PUBLIC

It was resolved unanimously that the press and public be excluded from the meeting for the next report 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 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) and that it would not be in the public interest for this information to be disclosed as they contained commercially sensitive information.

164. VALUATION OF THE FUND

The Committee considered a report on the formal Valuation of the Fund by the Scheme Actuary. The triennial valuation was required by law, and also provided the Pension Fund with a valuable health check and indication of the direction of travel.

It was resolved unanimously to:

- 1) Note the Valuation update and Whole Fund valuation results.

It was resolved by a majority to:

- 2) Approve:
 - The approach to calculating the current funding level of the Cambridgeshire Pension Fund (section 3.1.6 of the report); (*Councillor Shellens abstained*)

It was resolved unanimously to approve:

- The Funding Strategy Statement for consultation (section 3.2.2) and for the final version to be considered by the Pension Fund Committee;
- The proposals for the continuation of the designating bodies pool (section 4.1.2);

It was resolved by a majority to approve:

- The disaggregation of the Small admitted bodies pool with each employer having a separately assessed funding position (section 4.2.3). (*Lee Phanco voted against this recommendation*)

The meeting returned to public session.

165. GOVERNANCE AND COMPLIANCE REPORT

Members 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.

Members noted a number of recent legal decisions which potentially impacted on the eligibility of surviving partners or same sex partners.

Equitable Life had proposed to 1) uplift the value of with-profits policies and convert to unit linked and 2) transfer its policies to Utmost Life and Pensions. The Cambridgeshire Pension Fund has 69 members with an AVC account with Equitable Life. Administering authorities, such as Cambridgeshire County Council, were being asked to vote on the

proposal. Advice was being sought from Aon on this matter to inform on how the administering authority should vote. Due to time constraints – the closing date for votes being 30th October 2019 – it was proposed that the Head of Pensions in conjunction with the Chairman and Vice-Chairman of the Pension Fund Committee decide on how the administering authority should cast its vote, based on the Aon advice.

Councillor Robertson objected to this proposal, pointing out that 69 scheme members could suffer as a result of the transfer, specifically the lack of guaranteed increases. In response, it was suggested that it was not possible to judge whether this was the case until Aon had undertaken their work on the reasonableness of the uplifts proposed.

Councillor Robertson proposed an amendment to the recommendations as follows:

“Oppose the Equitable Life transfer as a result of 69 members not having guaranteed increases”. The amendment was seconded by Councillor Shellens. On being put to the vote, the amendment fell.

On a general point, it was suggested that a number of the Implications paragraphs at the end of this and other reports should more accurately specify e.g. “There are no legal implications connected to the contents of this report *in addition to those set out in the body of the report*”. Officers acknowledged this point and agreed to action this going forward.

Members noted the skills and training opportunities available. In response to a question regarding the LAPFF Annual Conference having previously been open to Committee Members, it was noted that this was still open to Members on request, but was now primarily aimed at officers. A Member advised that he had attended the “Introduction to the LGPS” course, and found it very useful.

There was a discussion around the rationale behind Training Credits allocated for each event, and it was noted that the Training Strategy would be reviewed in the near future, and this review would include the allocation of training credits.

It was resolved unanimously:

- 1) To note the content of the report;
- 2) To approve the recommendation for the Pension Fund Committee to delegate the decision on how to vote on Equitable Life’s Proposal to the Head of Pensions in conjunction with the Chairman and Vice Chairman (section 6.11 of the report).

It was resolved by a majority:

- 3) To approve the recommendation for the Pensions Fund Committee to delegate the choice of default investment strategy should the Equitable Life Proposal go

ahead to the Head of Pensions in conjunction with the Chairman and Vice Chairman (section 6.12 of the report).

166. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2019/20

The Committee considered a Pension Fund Business Plan Update for the 2019-20 financial year.

Members noted the issues that had arisen with Western Union, regarding Proof of Existence for overseas pensioners. It had been agreed to instead use a certificate which overseas pensioners would need countersigned by a suitable government official.

Members noted that following the introduction of the end of contracting-out on 6th April 2016, it was necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. This exercise had been outsourced to ITM Limited. The next stage was to complete the rectification stage of the project, and this work was being progressed by ITM Limited. Additional resources were required for the final stage of the project, which involved ITM Limited cross referencing data in HMRC's final report on members they believe the Fund should have liability for. This work, which was not originally anticipated, would cost an additional £9,000. It was also proposed to purchase a one year license from Heywoods to obtain access the interfaces that would facilitate the pension amendments required. The Cambridgeshire Fund's share of this purchase would be approximately £12,500.

It was resolved unanimously:

- 1) To note the Pension Fund Business Plan update for the period ending 30th September 2019 of the 2019-20 financial year;
- 2) To approve the additional expenditure proposed to complete the contracted-out liabilities reconciliation project (paragraph 2.2.4 of the report).

167. DATA IMPROVEMENT PLAN PROGRESS REPORT

The Committee considered a report detailing progress made against the Pension Fund Data Improvement Plan.

Members noted that 52,861 deferred, frozen, pensioner and dependent member records were submitted through the first stage of tracing. 40,063 were processed in the second stage, against a specialist automated database, and a further 19,255 members were confirmed as living at address held, 6,850 members were confirmed as living at a new address.

It was noted that a significant proportion of the 13,958 'low confidence' cases were likely to relate to situations where there was a bank account which did not have a high level of activity. Only one instance was found where a member had died and the pension was still in payment.

There was a discussion around carrying out an exercise, similar to that which had been carried out with Overseas Pensioners, where a lack of response resulted in pensions

being suspended. It was suggested that this may be stretching the Anti Fraud and Corruption Policy, but officers were asked to consider how a sample exercise could be carried out. Officers agreed that they would review what could be undertaken within available resources. **Action required.**

It was noted that in line with a suggestion made by Mr Walker previously, the annual newsletter re-emphasised the responsibility of the Next of Kin to inform the Pension Service when a scheme member died, and a cut out slip was included in the newsletter which could be kept with pensioner's Will.

It was resolved unanimously:

To note the contents of the report.

168. ADMINISTRATION PERFORMANCE REPORT

The Committee considered a report which set out a number of key areas of administration performance.

There had been no material breaches during the period 1st May to 31st August 2019. In terms of non-material breaches, two annual benefit statements had not been issued to active members on time, but 24,512 were issued by the statutory deadline.

Members' attention was drawn to three Amber risks in the Key Performance Indicators for the period May to August. It was confirmed that the problem with the Pension Administration System that had subsequently been resolved.

Referring to the confidential appendix, it was noted that an invoice for administration charges had been raised following several late payments by a specific employer. There had no further late payments from this employer.

A Member suggested that it would be helpful to provide a comparison to previous years for the data on Disputes. Officers advised that this was a recent addition to the report, and agreed to include comparative data in future. **Action required.**

A Member observed that there were quite a few new late paying employers, and asked if there was a reason for this. Officers advised that there were unaware of any fundamental issues, and that two had been escalated to the employers' team for further action, whilst the rest would continue to be monitored.

It was requested that the amount of late payments in the confidential appendix be right-aligned in future reports. **Action required.**

It was resolved unanimously:

To note the Administration Performance Report.

169. RISK MONITORING – SIX MONTH REVIEW

The Committee reviewed the Risk Register and considered a number of proposed changes. Members were reminded that it had been agreed that the Pension Fund Board would monitor risks on a quarterly basis, whilst the Pension Fund Committee would review the Risk Register twice a year.

A number of changes had been applied to the Risk Register recently at the May Pension Fund Board meeting. At the October Pension Fund Board meeting, Members had agreed to look further at cybercrime risks, and to add Climate Change to the Risk Register.

A Member noted that the Risks “*Failure to respond to changes in economic conditions*” and “*Fund assets are not sufficient to meet obligations and liabilities*” were assessed as Red and Amber respectively, but the presentation by the actuaries on the Fund Valuation indicated this was not the case. It was agreed that these risks needed to be reviewed by the Pension Fund Board in light of the actuaries’ Valuation. **Action required.**

It was resolved unanimously:

1. To review the current risks facing the Fund;
2. To recommend that the Pension Fund Board reviews the Risk Register in light of recent changes.

170. REVIEW OF THE EFFECTIVENESS OF THE PENSION FUND COMMITTEE

Members received feedback on the results from the effectiveness review survey. It was noted that ten out of the eleven Pension Fund Committee Members had completed the survey. Appended to the report were the actions taken as a result of the 2017 review.

Members noted the areas identified for improvement, where more than one Member had highlighted the same concern, and the proposed actions to address those concerns.

A Member commented that there was insufficient interaction between the Pension Fund Board and Pension Fund Committee. It was noted that the Pension Fund Board had been set up in 2015, and was still evolving, but had a strong role in pre-scrutiny and post-scrutiny of items considered by the Pension Fund Committee. It was confirmed that any member of the Pension Fund Board was welcome to attend the Pension Fund Committee, and vice versa. In addition, both bodies reported annually to the County Council, and these reports could be shared. **Action required.** It was acknowledged that there was more that could be done to foster closer working. It was agreed that the Pension Fund Board’s Terms of Reference should be circulated to the Pension Fund Committee. **Action required.** It was also suggested that the Pension Fund Board minutes could be circulated to Pension Fund Committee Members, and the recent report considered by the Pension Fund Board on communications could be circulated to Pension Fund Committee Members. **Action required.** In terms of communications with scheme members, it was noted that the team undertake regular feedback with scheme members, and anyone who

had had contact with the team was surveyed. The Communications strategy would be considered further at a future meeting.

It was resolved unanimously to:

Note the feedback and approve the plan of action to improve the effectiveness of the Pension Fund Committee in the areas identified.

171. EMPLOYERS ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission of five admission bodies and one scheduled body, and the cessation of twelve bodies.

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

That the Pension Fund Committee:

1. Note the admission of the following admitted bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreements:
 - Edwards and Blake
 - Easy Clean Contractors Ltd
 - VHS Cleaning Services Ltd
 - Caterlink
 - CleanTec Services
2. Note the admission of the following scheduled bodies to the Cambridgeshire Pension Fund:
 - St John the Baptist Catholic MAT
2. Note the cessation of the following admission agreements with the Cambridgeshire Pension Fund:
 - Aspens (Brampton Village Primary)
 - Aspens (Willingham Primary)
 - Aspens (Staploe Ed Trust)
 - Advanced Cleaning Services (Ridgefield Primary School)
 - ABM Catering Limited (Morley Memorial)
 - Coram Cambridgeshire Adoption Limited
 - Improve IT Ltd
 - Pabulum Catering Ltd (Cottenham)
 - Pabulum (Ely College)
 - Pabulum (Sawtry Junior Academy)
 - Pabulum (Swavesey)
 - TNS Catering (WASP Cluster 2)

172. ACCESS ASSET POOLING UPDATE

Members considered a report on ACCESS Asset Pooling.

Officers highlighted key points, including the appointment of Kevin McDonald as Interim Director of the ACCESS Support Unit, and the discussion around scheme member representations on the Joint Committee. It had been suggested that one or two scheme member representatives from Local Pension Boards sit on the Joint Committee. Section 151 officers had concluded that existing representation on the AJC via Elected Members was appropriate, and that scheme member and employer involvement in Authorities discharging their fiduciary duty, including asset pooling, was a matter for each Authority to determine locally. It was therefore agreed to retain the existing arrangements. It was also noted that there was an ACCESS Pool representative group that met twice a year, and there were moves to enhance the role of this group.

Officers advised that good progress had been made in terms of sub funds for liquid assets, including both Dodge & Cox and JO Hambro, who represented a significant proportion of the Cambridgeshire Pension Fund's equity investments. The focus was now turning to illiquid assets and alternatives, including ACCESS solutions for private equity, infrastructure debt and property. A consultant had recently been appointed by ACCESS to lead on this process.

There was a discussion about how pooling arrangements potentially impacted on the Valuation of the Fund, in terms of maximising investment returns and reducing both administration costs and management fees. The actuaries advised that whilst this was considered, asset allocation was their primary concern. Members also discussed how the success of the pooling arrangements could be measured, noting that it was hard to compare e.g. management fees may have reduced without pooling.

It was resolved to:

- 1) Note the asset pooling update;
- 2) Note the attached minutes from the ACCESS Joint Committee meeting on the 11th June 2019.

Chairman