

MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Friday 6th November 2020

Members of the Board in attendance:

Employer Representatives – County Councillors Eliza Meschini, Simon King (Chairman) and Parish Councillor Denis Payne

Scheme Member Representatives – David Brooks, Barry O'Sullivan (Vice Chairman) and John Stokes

Officers in attendance:

Cory Blose - Employer Services and Systems Manager

Fiona Coates - Pension Services Financial Manager

Michelle Oakensen - Governance Officer

Michelle Rowe - Democratic Services Manager

R Sanderson - Democratic Services Officer

Paul Tysoe - Investment Manager

Jo Walton - Governance and Regulations Manager

Mark Whitby - Head of Pensions

Time: 2.00p.m. to 5.05 p.m.

Place: Meeting held remotely in accordance with The Local Authorities (Coronavirus) (Flexibility of Local Authority Meetings) (England) Regulations 2020

In his introductions the Chairman welcomed Val Limb to the meeting the successful candidate following the recruitment exercise to find a new scheme employee member to replace David Brooks who was attending as an observer and she would formally join the Board from January.

Later in the meeting the Chairman drew the Board's attention to the fact that it was David Brooks' last meeting and thanked him, which was endorsed by the whole Board, for the excellent service he had provided and to also wish him the very best for the future. The Chairman personally thanked him for the excellent support he had also provided to him when serving as the Vice Chairman. As it was also the Democratic Services Officer Rob Sanderson's last meeting before he retired he was also thanked for the excellent support he had provided to the Board.

**ACTION
BY**

158. Apologies For Absence And Declarations Of Interest

There were no apologies for absence.

159. Minutes of the Pension Fund Board 3rd July 2020

It was resolved:

to approve the minutes of the meeting held on 3rd July 2020 as a correct record and would be signed by the Chairman on the re-opening of Shire Hall.

160. Minutes Action Log

The Minute Action Log was noted.

Issues arising:

Page 7 - Minute 142 - Cambridgeshire Pension Fund 2020-21 Communications Strategy – suggestion of a short video to help people find their way around the self-service website

The response set out reading:

“This was not a viable option due to the initial cost and the need to continually update (the video) when changes are made to the website. Focus on written material was deemed to be more beneficial. An accessibility review has been undertaken (of both parts of the website employer and employee) and where to find help made clearer.”

This was not deemed acceptable to a number of members of the Board who still considered it a useful option as accountability was different from usability. Reference was made to the many cheap self-help videos were produced on YouTube by private individuals and therefore queried whether the costs were really that prohibitive and the assertion by the officer who as part of his verbal response highlighted that a three minute professional centrally produced video would cost tens of thousands of pounds.

It was resolved:

That officers should come back at their convenience and as part of an update to the action log providing concrete costs for the production of a video and also information on whether it could be undertaken in-house to reduce the expense. **Action**

Cory
Bloose

Minute 154 Governance and Compliance Report

Councillor King apologised in relation to this item that he had, as yet, not sent on Cambridgeshire County Council's anti-scam champion co-ordinator's details to the Pensions officers and undertook to action this following the meeting. Action

Cllr King

Page 9 Minute 156 Governance and Administration Risk Management in light of the Coronavirus pandemic

With regard to concerns raised about data security in respect of home working and in particular concerns regarding the risks associated with not

receiving virus updates if using stand-alone laptops and personal routers. The following update was provided:

“The Anti-Virus patching is done directly to the Trend Website, so patches are picked up automatically as soon as the laptop connects to the Internet and there is an updated file available. Northamptonshire County Councils Laptops connect to systems through Citrix. This means that access is through an encrypted connection and only keystrokes are transmitted. All the processing is done in the data centre. Restrictions are placed on users being able to copy data out of the citrix environment and store it locally. This means that the data is stored securely, any traffic is encrypted and the Anti-Virus solution is maintained and up to date”

Councillor Payne, the member who had raised the concerns, was reassured by the information update provided.

161. Minutes Pension Fund Committee 9th October 2020

The Pension Fund Committee minutes, which were provided to the Board for information were noted.

162. Cambridgeshire Local Pension Board Annual Report 2019-20

The Board had previously agreed, as part of its Standing Orders, that it would publish an annual report of its activities and in line with this a copy of the draft Local Pension Board Annual Report was attached as an appendix for the Board's consideration and comments. Once finalised with any changes from the current meeting, it would be presented to the Council meeting in December and then published on the Council's and Pension Fund websites. The only difference from the previous year's report was a change in format to comply with the new Accessibility Regulations which came into force from the 23rd September 2020.

In discussion one member recalled that there had been a positive external review report of the effectiveness of the Board, which he thought had been in the reporting period covered by the draft Annual Report. He also believed in the same period that the Chairman of the Pension Fund Committee had been invited to attend and answer questions. He therefore expressed surprised that they had not been included. It was clarified that the dates covered were July 2019, October 2019 and January 2020 (*Note: The March 2020 meeting had been cancelled due to the original Covid-19 lockdown*). Officers would check back at when these had been brought forward, and would amend the report if necessary. Action

M Oaken-
sen / M
Rowe

It was resolved unanimously:

To approve the Annual Report 2019-20

163. Review of the Terms of reference and Update on the Appointment of Representatives.

In 2019, the Pension Fund Board underwent an effectiveness conducted by Aon, the Fund's governance advisors who made a number of recommendations. The Board supported the recommendations and in addition agreed that as the terms of reference had been established back in 2015, they would benefit from a full review. Following on from this in October 2019 Members views were sought on any suggestions they had for possible

Improvements. Action to review the terms of reference had been delayed initially due to other workload pressures on pensions officers and then, as a result of the pandemic.

A review having now been undertaken, and taking account of Board members feedback, changes were proposed as set out in paragraph 2.2 of the report. This included the proposal to include in the terms of reference information on what expenses members of the Board could claim so this was clear and transparent.

In addition, succession planning had also previously been raised as a concern and following notice being given from scheme member representative David Brooks of his intention to step down in early 2021, the Board requested a proactive approach to filling the role and improving future succession arrangements. As a result, a recruitment exercise had been initiated by Democratic Services with support from Pensions officers undertaking the necessary publicity via a mail shot exercise. This had proved to be highly effective and had resulted in 64 expressions of interest.

An oral update indicated that following a short list exercise, an interview panel had sat the previous week. This had included Councillor King and David Brooks, (the latter standing in for the Vice-Chairman Barry O'Sullivan who had been unable to attend due to work commitments). From a very good field of candidates, one had been chosen as the proposed new Board Scheme member representative, namely Val Limb, but having been endorsed by the Monitoring Officer, was being recommended to be approved by the Board. Additionally, due to the high calibre of the short listed candidates, the interview panel were also recommending that the second and third placed candidates would also make very good Board Members. It was reported that at the request of the interview panel, the two had already been approached on whether they would be willing to be considered to for a substitute position, (which it was explained was dependent on the Board being minded to recommend that the terms of reference be changed to allow this). Democratic Services were able to update orally that both would be very happy to take up such a role.

In terms of seeking to achieve greater resilience for the employers' side representative, the suggestion was that Pensions and Democratic Services officers should undertake a similar targeted exercise when resources allowed, to seek to obtain additional suitable candidates who might initially be appointed as substitutes. Pensions officers had indicated this could not be undertaken until later in the new year due to the finite officer resources

Democra-
tic
Services /

available, and the need to prioritise essential pensions maintenance activities, during the continued Covid-19 crisis. Action

Pensions
officers

Other changes suggested by the original consultant's review from 2019 had either been implemented, or were not recommended to be adopted for the reasons set out in section 2.3 of the report. It was highlighted that as the Boards terms of reference were included in the Council's Constitution, any recommended changes from the Board would need to be referred on for approval by the Council Constitution and Ethics Committee and finally full Council.

Issues raised included:

- That it should be made clear in the terms of reference that in increasing the quorum from two representatives to three (half the Board membership), this also required the attendance of a minimum of one member representative and one employer representative and also specifically that the Chairman and Vice Chairman had to be drawn from the two different sectors. While this was included later in the 'rules of procedure' for the Board (*Note: under the section on the quorum currently reading "2 (1/3) Board Members shall form a quorum for meetings of the Board (shall include one each from the employer and member sides)." ...*, there was a request to have this information also included earlier in the listed terms of reference for added clarity.
- Confirming that should the substitute arrangements be approved, the two substitutes would require to also have the necessary training to be able to undertake the substitute role.
- Concern being expressed by one member on whether two substitutes would have sufficient opportunities to attend Board meeting to make the time commitment required for the necessary training worthwhile. (This had also been the original concern that Pensions officers had and why the option was not included, when the original terms of reference were drawn up).
- John Stokes indicated that he had previously written requesting that consideration needed to be given to scheme members on the Board being given an attendance allowance in the same way councillors received an attendance allowance, and consideration of this should have been included in the current report. This was still the subject of an outstanding piece of work to be carried out by the Pensions Officers to survey the allowances paid by other Pension Funds. The Chairman clarified, and this was also confirmed by Councillor Payne, that none of the Councillor employer representatives received a specific allowance for attending the Pension Fund Board. The Chairman further clarified that the attendance allowance received by Councillors was to cover all their councillor duties and that he did not receive a special allowance for being the Chairman of the Board. John Stokes still wished to pursue his original request that officers should investigate further what other LGPS Funds did, as he believed some pension funds did pay their voluntary members some form of attendance allowance. On being asked her opinion, the Democratic and Members Services Manager while not being able to confirm the details of other Pension Boards allowance schemes, highlighted that the County Council did not pay

volunteers on other panels an attendance allowance e.g. those sitting on Education Admission Appeals or Transport Panels and only paid travel allowances and out of pocket expenses. The Chairman agreed that it was important to find out the position of other Funds. He would not wish the Pension Fund Board to be out of line with other Boards, if it was found they did pay an attendance allowance, while clarifying that this was only in respect of any potential payments to the non-councillors on the Board. He asked the Pensions officers to undertake the survey previously requested and come back with a report to a future meeting in order that the Board could review the issue. There was general agreement that this was not something that should delay implementation of the recommendations in the current report. **Action**

M Oaken-
sen

- The Chairman in referencing the proposed Expenses Protocol included as Appendix 2 setting out the current travel and subsistence rates, and specifically the exceptions on when it was permissible to use a taxi, suggested that two others should be considered for inclusion for being able to be reimbursed for using a taxi. One was if a member of the Board was due to attend a conference but had an injury that prevented them walking to access public transport and two on compassionate grounds, when the weather was terrible and waiting for public transport was not a realistic choice taking into consideration the age of many of the members of the Board. On being asked for her view, the Democratic and Members Services Manager highlighted that pensions officers were using the same allowances scheme requirements as used for County councillors under the Council's travel allowances scheme and would advise against adding further exceptions, as this would complicate and make it more difficult to administer the scheme. Also, she believed a common sense discretion would be used by the Pensions officers in more extreme cases, if for instance, a Member had broken their leg and had no alternative, even if not specifically listed.
- Barry O'Sullivan suggested the scheme exemptions on the use of taxis discriminated against him as he did not drive and lived in St Ives which did not have a good public transport service running early enough in the morning to enable him to arrive in time, if used, to some of the training courses / conferences being held in other cities. The Head of Pensions clarified that this was covered by the phrase "where use of an alternative was not available". David Brooks explained that he had the same issue, as while there was a train station in his village, the train times did not enable him to get to some meetings in time, hence necessitating the use of taxis. However, he clarified that he had never encountered a problem when claiming for such taxi fares. The Chairman accepted the view that no additions should be made on the use of taxis, and was pleased that officers were using a discretion when considered appropriate, taking into account of personal circumstances.

It was resolved unanimously to:

- 1) Review and endorse the proposed amendments to the Terms of Reference to recommend on to the Constitution and Ethics Committee the following:

- To increase the quorum from two representatives to three (half the Board membership), with a minimum of one member representative and one employer representative and that this latter point and the fact that the chairman and vice chairman required to be drawn one from the employer and one from the employee side should be set out clearly as an addition as part of the listed terms of reference
 - To have an expenses protocol included as part of the Terms of Reference
 - To appoint two substitute scheme member representatives to the Board who will have voting rights when deputising for a scheme member representative of the Board.
- 2) Note the successful recent recruitment exercise and, having been endorsed by the County Council's Monitoring Officer, to approve the appointment of Val Limb as the new Scheme member representative from January 2021.
- 3) To consider substitutes for the scheme employer representatives at a later date.

164. Cambridgeshire Pension Data Improvement Policy

Due to a number of process improvements, it had been necessary to review and update the Data Improvement Policy attached as Appendix 1 to the report. The draft revised Data Improvement Policy was being presented for pre-scrutiny review, before going on to the Pension Fund Committee for final approval.

There were no comments in relation to the proposed changes and therefore having reviewed the revisions:

It was resolved unanimously:

To endorse the proposed revisions without any suggested changes required to be forwarded on to the Pension Fund Committee.

165. Cambridgeshire Pension Fund - 2020-21 Communications Strategy

The Local Government Pension Scheme Regulations 2013 required the Pension Fund to prepare, maintain and publish a written statement setting out its policy concerning communications with members and scheme employers. To this end the Fund publishes and maintains a Communications Strategy which had been reviewed and presented for approval. In addition, a Digital Communication Strategy was previously approved by the Pension Fund Committee on 14th January 2020 and the Communication Strategy (which included the Digital Communication Strategy) being approved on 9th October 2020.

The Communications Strategy (which had been combined with the Digital Communications Strategy) included with the current report included some minor changes to ensure that current membership figures, Fund objectives, stakeholders and date references were up to date. The main changes made

were summarised in the body of the cover report and the document included as appendix 1. In addition the Communications Plan for 2020-21 was included as appendix 2 for information, with the cover report setting out the details of the main communications delivered.

Issues raised in debate included:

- Referencing on page 81 of 310 the line in the Strategy stating “we never use colour as the only way of conveying information” one member suggested that while there were standards on digital communication, there was nothing similar in the Strategy regarding the standards to be used for paper communications. In reply, the officer stated that both written and electronic communications standards had now been merged, and that the same standards applied to both. The Member who raised it challenged if that was the case, why on page 80 was there text reading “in addition for web-based communications we will never use just colour.....”, and therefore suggested the wording needed to be looked at again. **Action:** it was agreed that this would be made clearer in the introduction and the document proof read again to identify any other inconsistencies. Cllr Payne was invited to liaise with Cory outside of the meeting to discuss any other issues he had identified that might require potential re-wording.
Action
- There was a need to recognise the different needs of stakeholders / the audience the communications was intended for, as some, (the example given being some parish and town councils), were not so digitally advanced. There needed to be more emphasis on receiving feedback on user accessibility to ensure it was appropriate. It was explained that most of the communications were directly aimed at employers and members. An annual survey was carried out with employers to find out how useful they found the communications, and while there was no direct question on accessibility, the officer could include this as an additional question for future surveys. It was agreed that some additional wording should also be added as a high level statement in the introduction to the Strategy to recognise the issues raised. **Action**
- A question was raised on what the policy was on colour documents being printed in black and white, as in some cases it made the information originally produced in colour nonsensical. The same Member who raised it also questioned the use of blue colour headings as this was a waste of colour printer ink. For Northamptonshire printers were locked down so that they could only print hard copies in black and white. Cambridgeshire Democratic Services also confirmed that they were forbidden to print in colour due to the costs which were approximately thirteen times more expensive for the same document printed in black and white, and reflected the extreme pressures Council budgets had faced in recent years, leading to drastic efficiencies having to be made.

Cory
Blose

Cory
Blose

Having reviewed the Strategy, the officers were asked to take on board the suggestions made and include them in a further revised version of the Strategy.

166. Update to Funding Strategy Statement

As part of the valuation process, the Funding Strategy Statement had previously been approved by the Pension Fund Committee. Since publication, there had been an amendment to the Local Government Pension Scheme Regulations 2013 affecting cessations from the Fund, requiring further revision to the Strategy Statement. The most recent amendments gave administering authorities some discretion when determining whether or not an exit credit should be paid, and, if so, the value of that exit credit. The report presented the amendments to the Funding Strategy Statement as agreed by the Pensions Committee, including an entirely new policy on exit credits

It was resolved:

To note the amendments to the Funding Strategy Statement.

167. Administration Performance report

This report provided details of a number of key areas of administration performance for consideration by the Board. As an introduction Michelle Oakensen highlighted a number of the details of the report including that:

- Section 8 provided details of LGSS Business Transition arrangements and the changed arrangements for shared services.
- As a result of the service losing 3 working days due to technical issues this had impacted on achieving the target for Payment of retirement benefits from active employment In September as well as for the other three Key Performance Indicators (KPI's) showing as amber, but that the issue had now been resolved.
- There was nothing of concern to report in either Appendices 2 'Receipt of employee and Employer contributions' or in the confidential appendix 3.
- There had been a change of format in that Financial information previously included, had been taken out and was now included in the Business Plan update report as being a more appropriate place to report the information.

An issue raised in discussion was with regard to Page103 paragraph 6.1 Resolution of unprocessed Leaver Records with reference to undecided leavers showing a figure of 10,147. This seemed a large number out of a possible 78,000 members, and clarification was requested. In reply, it was explained that in local government there was always an expectation of least a 10% turnover in any given year. In terms of the backlog, some of this related to having to wait for data information from employers. In addition, a backlog from one employer had added a 1000 additional records and at exactly the same time, there had been a new software release causing delays. It was still hoped to bring down the figure to below 5,000 by the end of the year.

The report was noted.

168. Pension Fund Annual Business Plan Update report 2020-21

This update highlighted the progress made on the key activities for the period 1st April to 30th September as set out in appendix 1 of the report. The tables in appendix 2 provided an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan, as agreed by the Pension Fund Committee in June 2020.

Across many areas it was business as usual, but for the reasons already highlighted in the previous report update, in some of the operations areas the backlog had not been reduced due to the impact of the pandemic and recent IT issues. The latter had resulted in a total of three days systems loss which had impacted on Key Performance Indicator Performance (KPI) particularly when there were five day Performance targets. Going forward there was the recognition of the need to prioritise the reviews of the Business Continuity Plan (BCP) and Cyber- Crime Plan.

What the Covid crisis had shown was that the Service had been able to deal with business as usual while the Head of Pensions suggested that working from home was for various reasons, considered slightly less efficient.

Issues raised in discussion included:

- Surprise was expressed that the BCP had slipped, as it was suggested that this was the most important plan at a time of an emergency like the pandemic. It was explained that there had already been a rapid review of the BCP prior to the first lockdown and recent progress had been complicated by the imminent structural changes in Northamptonshire whereby Pensions would be moved to West Northamptonshire Council.
- Referencing Page 113 paragraph 3.1.2 SD 2 titled ‘Undertake an analysis of the risks faced by the Fund as a result of cyber-crime and out in place appropriate mitigations’ – there was a query whether with the milestones slipping as set out, how confident could the Officers be that the end date shown of February 2021 would be achieved. It was clarified that the current end date would not be achieved and the implementation action plan would require updating. Action
- Paragraph 3.5.4 INV5 – ‘Review of the Fund’s Responsible Investment Policy’ – referencing the consultation to take place between April and June 2021 – Councillor Payne highlighted that there was a gap between December and March and asked why officers were not using that time for the consultation, as if if undertaken later, it would result in delay in implementation. It was explained that the ‘Responsible Investment Policy’ fitted within the Investment Strategy and was required to be agreed first by the Pension Fund Committee to ensure this was a policy that they wished to endorse and before consultation could be undertaken.
- As a follow on to the above, the same member asked what impact the public consultation would have on implementation if it came back with negative feedback. Like all policies submitted for consultation, if feedback was received that suggested material changes were required

Mark
Whitby

or should be considered further, then the process would have to be to take it back for further consideration by the Committee on whether they wished to change any aspects of the proposed policy.

- Page 126 - Appendix 2 'Variances between the forecast of investments and administration expenses on original setting of assumptions' – it was highlighted that areas of the table did not add up. It was agreed a new version would be sent out to the Board. **Action**
- As part of the issue regarding how the negative and plus figures were shown, the Chairman requested that in future there should be a one line key explanatory note. **Action**

Mark
Whitby

Mark
Whitby

At 3.25 there was a five minute comfort break.

169. Governance and Compliance Report

This report provided the Pension Fund Board with information on:

- 1) The activities of the Scheme Advisory Board (section 2)
- 2) Legislative updates (section 3)
- 3) Government consultations affecting the LGPS (section 4)
- 4) Skills and knowledge opportunities (section 5 and appendix 3).

With regard to exit payments, as background it was explained the Government had first announced plans to cap exit payments in the public sector in 2015. In April 2019 HM Treasury launched a consultation on the draft regulations, guidance and Directions to implement the cap. The regulations had now been published and an update on the guidance received was provided in a Power-Point presentation included as an appendix to these minutes.

It was highlighted that the exit payment cap had been set at a total of £95,000 with no provision for this amount to be index linked. Exit payments were required to include redundancy payments (including statutory redundancy, severance payments, pension strain costs arising when a LGPS pension was paid unreduced before a member's normal pension age and other such payments made as a consequence of the termination of employment). As redundancy payments could not be reduced, if the cap was exceeded by other elements of the total exit payment package, those other elements were required to be reduced to achieve an exit payment of £95,000 or less. The exit payment cap came into effect from 4th November 2020.

Issues raised included:

- A member highlighting that under a legislation update given at a recent pensions conference on Section 107 on the upcoming pension bill this appeared to potentially make some things "which are appropriate and proper to the running of a pension fund subject to criminal legislation" and wondered whether there were any updates. This had not currently been raised as an issue in the LGPS arena and was more applicable to private company pension schemes with formal trustees.
- Page 131 - 5.2 LGPS National Knowledge Assessment – CIPFA Skills and Knowledge framework. There was a query on how the CCC Board

and Committee members compared? It was explained that this was an exercise by Hyman Robertson and was not free. Only 20 LGPS Funds were involved and this Fund had not looked to participate due to the cost and in addition, had been run during the first stage of the corona virus. However, officers would not be surprised if the results shown were generally reflective of the position of CPF Committee and Board members knowledge. It was explained that a new training policy was to be put in place at the end of the financial year.

PowerPoint presentation

On section 4 of the report it was explained that it was currently still a rapidly changing position. The Ministry for Housing, Communities and Local Government (MHCLG) had progressed reform of local government exit pay further with a consultation on 7th September with a closing date of until 9th November. On 14th October draft regulations had been released which had been shown to have a number of errors.

The major issue highlighted was that there was a conflict between:

- a) 'The Restriction of Public Sector Exit Payments Regulations 2020' which came into force from 4th November limiting exit payments, including pension strain to £95k, which stated that reduced LGPS benefits should be paid where the £95k cap was exceeded compared to
- b) the current draft 'Local Government Pension Scheme (Restrictions of Exit Payments) (Early Termination of Employment) (Discretionary Compensation and Exit Payments) (England and Wales Regulations 2020' that would enable reduced / partly reduced and deferred payments to be awarded.

The slide 'Regulation Conflict where the cap was exceeded' provided an update on latest advice and legal challenges that had been issued.

The next slide set out to the conflicting advice from the Scheme Advisory Board compared to MHCLG. The Scheme Advisory Board was currently advising LGPS administering authorities to seek their own legal advice. This was very awkward for Pensions officers as both options were technically a breach of the law.

In discussion:

- One scheme member commented that from the consultation response on page 143, the proposals could be seen as age discriminatory and he expected that it would turn into another McCloud case, as even someone with a modest salary with many years' service would fall outside of the cap. He expected that there would be a strong challenge from the unions.
- Another Member made the point that it seemed totally unreasonable for someone who had been employed for many years with an expectation of what their benefits would be to have them taken away and that no stepping arrangement was being proposed.
- That it was inappropriate that the Cap figure was not to be index linked for inflation but would rely on the Government to uplift it.

From an officer administration point of view it had already caused a great deal of additional work and while officers had been aware for five years that it was on its way, it would create turmoil for both employers and employees during the forthcoming future when there was likely to be significant workforce re-engineering resulting from local government re-organisation.

The report was noted.

170. Risk Register

It was reported that Fund Officers had reviewed the Risk Register and identified the following three additions for clarity asking that Board members review the full risk register set out in appendix 1 and confirm if they agreed with the following conclusions:

- Pension Fund systems and data may not be secure and appropriately maintained - including cyber risk (risk 13) the word “annual” has been inserted into the cyber training mitigation to demonstrate continual updated knowledge in this area.
- Actual experience materially differs from actuarial assumptions used at each valuation (risk 13) an additional control has been added “Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions”.
- Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors (risk 21) – has had the risk descriptor updated to demonstrate informed decisions “in conjunction with Fund Actuary/specialist advisor”

Section 3 set out the short and medium terms risk and updates as a result of the pressures from the Covid-19 pandemic and the administrative pressures facing the fund from recent legislation changes. Apart from those, there had been no material changes to the Risk Register.

it was resolved:

To note the report.

171. Age Discrimination Remedy in the LGPS (McCloud) and Cost Cap Mechanism (update)

This report provided the Pension Fund Board with the background to and an update on the age discrimination remedy in the LGPS as a result of the legal case brought by McCloud and an update on the paused cost control mechanism.

In respect of McCloud, Aon, the Fund’s benefits and governance consultant, were commissioned to undertake a high level initial analysis of the likely

impact on scheme members as a result of the likely remedy (prior to the release of the consultation). This was set out in the table under paragraph 3.2 showing out of the total number of members for each type of fund member, the number requiring remedy. While the amounts to be re-compensated might be small, as the total was 17,500 (24% of scheme membership), the amount of additional work for officers was significant.

Paragraph 3.3 set out the Scheme employers that they belonged to, with the most affected with 3,000 being Cambridgeshire County Council (CCC)

The first and most pressing concern was to establish whether accurate data was held for scheme members in terms of hours of employment and service breaks in order to accurately calculate the underpins. Cambridgeshire Pension Fund was in a fortunate position of having not stopped collecting and recording this information when it was not essential to be recorded when the LGPS changed from a final salary to a CARE scheme on 1 April 2014. However, with the reliance on scheme employers to report changes in hours of employment and service breaks it could not be guaranteed that the data held was completely correct for every member. At the time of the report's preparation, officers were planning the necessary communications to obtain the information from employers. Issues that could arise included some employers no longer existing, others having destroyed their records in line with data protection regulations and the possibility that some employers might refuse to co-operate. It was hoped that the Scheme Advisory Board would help assist with staff training and helping ascertain how much of work could be automated

An issue was raised on whether the Team would be able to cope with all the increased work pressures. In reply it was indicated that the Business Plan for the following year would be seeking additional staffing resources.

The report was noted.

172. Pension Fund Annual report and Statement of Accounts 2019-20

This report presented the Annual Report and Statement of Accounts of the Pension Fund for the 2019-20 financial year. The key highlights included that:

- There had been a net decrease in assets for the year was £194.9m, with the Fund's net assets falling to £2,997.7m. As an oral update it was clarified that the Fund position was a snap shot at the end of March and since then, the Fund had recovered along with the markets and by the end of September had gained an additional £600m.
- Contribution receipts increased slightly from £124.5m to £126.5m and reflected the increase in contributions payments from a growth in the number of active members during the year.
- Benefit payments had increased to £107.9m from £106.3m reflecting the growth in the number of pensioners during the year.
- Administration expenses increased during the year due to expenditure relating to 2018-19 being paid in 2019-20. Oversight and governance costs had increased due to the Fund compliance with the CIPFA Management Expenses guidance.

- The one year investment return as at 31st March 2020 was a net market loss of £191.1m. The investment return for the Fund over the financial year was -5.7% compared to the Fund's weighted benchmark return of -3.3% reflecting the financial situation brought about by the COVID-19 pandemic and the active investment management decisions made by the Fund.
- Investment Income decreased from £45.5m in 2018-19 to £34.4m in 2019-20 mainly due to a large dividend received in 2018-19 from a pooled investment manager. Investment income was largely impacted by market performance and returns during the year.
- Investment liabilities increased following the implementation of the Equity Protection Strategy.
- The number of active employers decreased by 57 to 197 at 31st March 2020.
- Ernst Young the external auditors had completed their audit fieldwork of the Pension Fund Statement of Accounts had issued a draft ISA260 report which confirmed that no issues were identified during their fieldwork.
- The Accounts had been reported to the Council's Audit and Accounts Committee and Pension Fund Committee and the annual report had been approved at the Pension Fund Committee. The pensions accounts had provisionally been approved at the Audit and Accounts Committee and would be going back to the Committee on 24th November as part of the overall Council Accounts for final approval.

It was explained that Covid was still a real issue affecting the whole world and was still having an effect on liquidity in some sectors. Some sectors such as travel and hospitality having been particularly hit hard, while conversely, some sectors were doing very well such as Amazon, Apple, Facebook and Google who had given the USA financial markets a big boost.. Fund managers were very aware of the changing position and where possible were disposing of stock in sectors that were reducing in value.

In discussion John Stokes made the point (specifically applying to Virtual meetings) that where an officer only had one item on the agenda they should be moved further up the agenda or better still, the agenda restructured in such a way that single authored reports were considered early on. Action

M Oaken-
sen/
Democra-
tic
Services

The report was noted.

173. Agenda Plan

There were no further additions proposed.

It was highlighted that one of the candidates at the previous weeks interviews had highlighted that the Pension Fund had a legal requirement to approve data cleansing on an annual basis and that this had not been undertaken since 2018 and perhaps needed to be looked as an addition to the forward plan. The Head of Pensions queried whether the person was referring to the Committee or Board. The Chairman indicated that if it was a Committee duty and was being carried out in line with meeting statutory requirements then he

Mark
Whitby to
confirm
reporting

was satisfied, but the Board needed confirmation of the position as it had been brought to his attention. Action

arrange-
ments

The agenda plan was noted

174. Exclusion Of Press And Public

It was resolved that the press and public be excluded from the meeting on the grounds that the report contains exempt information under Paragraph 1 and 3 of Part 1 of Schedule 12A of Page 1 of 326 of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed in discussion as it contains information relating to an individual and the financial or business affairs of any particular person (including the authority holding that information)

175. ACCESS Asset Pooling Update

This report updated the Pension Fund Board on the Access Joint Committee (AJC) meeting held on 7th September 2020. The Meeting pack including the agenda, Minutes and all reports was previously circulated prior to the meeting to all members of the Pension Committee and Local Pension Board by Dawn Cave in Democratic Services with the current report highlighting the key aspects of the meeting pack. Where appropriate reference was made to the meeting pack for more detail and more background information was also provided for the benefit of Val Limb observing the new Board service scheme member, who would be taking up her role from January.

It was highlighted as an update that MHCLG were consulting with Funds on the effectiveness of the various asset pool models to inform whether a pending asset pooling consultation should be guidance or regulation focussed.

Issues raised in discussion included:

- Asking that with 11 different funds part of the ACCESS agreement, how were potentially conflicting individual Funds policies such as for example policies on responsible investment addressed. It was explained that the Fund picked like-minded investment managers / partners to ensure they were working in the best interests of the overall Fund. If some partners did not wish to use the information that was made available to them that was their choice. If it was found that investment managers were not complying with Environmental, Social and Governance (ESG) investing agreed policies they would not be used. The aim was to achieve a common policy that met all partners' needs.

Having discussed the detail,

It was resolved to:

1. Note the minutes from the ACCESS Joint Committee (JC) meeting of the 17th July 2020.
2. Note the asset pooling update following the JC meeting of the 7th September 2020;
3. Note that the Pensions Committee of the 8th October 2020, approved an amendment to the Operator agreement to accede to Link's request to relax the Standard & Poor's credit rating requirement of their Professional Indemnity and Crime insurance cover to A- as part of a package to include the incorporation of additional KPIs, negotiated by the Contracts Manager and
4. Note that the Pensions Committee of the 8th October 2020, approved an amendment to Schedule 4 of the Operator Agreement to incorporate specified additional Key Performance Indicators KPIs as negotiated by the Contracts Manager.

Chairman
January 2021