

MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 8th December 2016

Time: 10:00am – 11.40am

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members present:

Councillors P Ashcroft, R Hickford (Chairman), N Kavanagh, M Leeke (Vice Chairman); G Deeble, L Brennan and M Pink

Officers: C Blose, D Cave, S Heywood, M Oakensen, R Perry, S Pilsworth and J Walton; D Green (Hymans)

Apologies: John Walker (Liz Brennan substituting); Cllrs A Fraser, G Kenney and J Schumann

93. DECLARATIONS OF INTEREST

Liz Brennan declared a personal interest as an active member of LGPS.

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

94. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE 20TH OCTOBER 2016

The minutes of the Pension Fund Committee meeting held on 20th October 2016 were approved as a correct record.

With regard to the Action Log item no. 86, Jo advised that this was now completed as payment had been received within the last week.

It was resolved to:

- (1) approve the minutes of the Pension Fund Committee meeting held 20th October 2016;
- (2) note the Action Log of the Pension Fund Committee meeting held 20th October 2016.

95. GOVERNANCE AND LEGISLATION REPORT

The Committee 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.

The Pensions Regulator had published a self-assessment tool for those involved in running public service pension schemes to assess how they were getting on with both meeting their legal requirements and complying with the guidance set out in the Regulator's Code of Practice in relation to governance and administration of public service pension schemes. LGSS had previously tested the tool and provided feedback to the Pensions Regulator regarding its functionality. A complete version of the self-assessment tool would be presented at the next meeting of the Pension Committee.

The Pensions Regulator had also commenced its 2016 survey of the governance and administration of public service pension schemes.

DCLG had issued the results of data collection forms by LGPS administering authorities. The key points included:

- The market value of LGPS funds in England at the end of March 2016 was just over £200 billion;
- There were 1.8 million active members, 1.5 million pensioners and 1.8 million deferred members.

With regard to the Early Day Motion to annul LGPS Investment Regulations 2016, Jo confirmed that there had been no delay in the regulations coming into force.

It was resolved to:

note the content of the report.

96. EMPLOYERS ADMISSION AND CESSATIONS REPORT

The Committee received a report on the admission of five admission bodies and one designating body to the Cambridgeshire Pension Fund.

It was resolved to:

1. notes the admission of the following admission bodies to the Cambridgeshire Pension Fund:
 - Easy Clean (Eastfield Infants LEA)
 - Lunchtime (Gorefield)
 - Lunchtime (Over)
 - Lunchtime (St Matthews)
 - Lunchtime (Swaffham Prior)

2. notes the admission of the following designating bodies to the Cambridgeshire Pension Fund:

- Melbourn Parish Council

With Members' consent, the Chairman agree to reverse the order of the next two items.

97. ASSET POOLING REPORT

Members received a report on the latest progress with collaboration of the ACCESS group, working together on LGPS asset pooling arrangements.

Members noted the proposed structure, including the (shadow) Joint Governance Committee (JGC), which would comprise of the Chairs of the member Funds, and the Officer Working Group (OWG) being put together. Work was currently going on to agree the terms of a draft Inter Authority Agreement (IAA) necessary to put in place the formal, legally binding structure and to define the decision-making powers of the respective Authorities that will be delegated to the JGC. The ACCESS pool currently had no delegated powers from any of its constituent authorities. It was envisaged that the draft IAA would be presented to the County Council's Constitution & Ethics Committee on 26/01/17 in advance of it going to the full Council meeting at the end of March, seeking a change of Constitution so that the requisite powers could be delegated to the Joint Governance Committee.

There were nine governing principles of the ACCESS fund which would be included in the IAA:

- collaborative
- risk management
- objective evidence based decisions
- equitable voice in governance
- professionalism
- equitable cost sharing
- no unnecessary complexity
- evolution and innovation
- Value for Money

Members noted which responsibilities the JGC would take on, and which responsibilities would remain with each member Fund. There was a discussion on how the pool could be held to account, noting that ultimately the Operator was on contract to serve the ACCESS pool, and the ultimate sanction was that they could be replaced or dismissed. There would be mechanisms by which the JGC held the Operator to account for its performance.

The JGC's responsibilities included governance, operator relationships strategic planning, ensuring Value for Money, implementing common policies, cross pool liaison and approving advisors and suppliers. ACCESS was

currently putting out feelers on which companies would be interested in participating in the procurement process to be appointed the Operator.

It was noted that the Pool was very linear in terms of progress, but with sign-offs on different dates to suit relevant authorities' democratic processes so that the authorities' Constitutions could be changed for the April 2017 deadline.

The Chairman advised that with regard to cross pool liaison, although officers meet regularly, he had asked at the Chairmen's meeting whether the respective pools' Elected Members should also meet on a regular basis. However, there had been no appetite for this from the other Chairmen, given the volume of work currently being undertaken, so cross pool liaison would be reliant on officers for the time being.

There was a discussion on the type of pool-wide policies that would be overseen by the JGC compared to those that would still be managed by individual Funds. It was suggested that the arrangements would not hamper effectiveness, and could potentially make Funds more effective.

It was noted that the sign off by government was supposed to be straightforward, but had not yet happened, and a Member commented that it appeared partly due to a lack of understanding by DCLG on how the LGPS worked and the powers currently reserved to the Administering Authorities. This had delayed the process, as it was originally planned to present the proposed Constitutional changes to the December full Council meeting, but without the government "green light" this was not possible. It was noted that all pools had met with the government minister over the last few weeks to discuss their July submissions.

Members were reminded that there was an open invitation to the Task & Finish group on Tuesday 13th December.

It was resolved unanimously to:

1. note the progress made on the Asset Pooling proposal and in particular the work in the Inter Authority Agreement (IAA) and the challenge of meeting the full Council deadline of early February 2017.

98. AUDIT REPORT

Duncan Wilkinson presented the final report of the 2015-16 audit of LGSS Pensions Administration. The audit assessed the adequacy of design and controls for the administration of the Pensions Services in Cambridgeshire and Northamptonshire. Based on the fieldwork and testing carried out, Internal Audit had given substantial assurance for controls in place and operating within LGSS pensions for 2015-16.

Members were pleased to note that all areas were given “substantial assurance” with the exception of Death of Pensioners (“good assurance”) and Reconciliations, which had “moderate assurance”. The reasons for this were explored, noting the comment in the report that “the task of reconciliation will take some considerable time unless additional resources are allocated to this in order to bring this to a swift conclusion”, in relation to the reconciliation between Payroll and Altair. It was noted that without additional resources, this reconciliation would take considerable time, and there was significant reputational risk if overpayments had to be recovered.

Officers reassured Members that for the 2016/17 year end reconciliation the process would be addressed and the reconciliation would be automated from that point forward: in the past collecting all the required information had been very resource intensive.

With regard to the reconciliation between Altair payroll and Altair administration, where there were historical differences, officers explained that the introduction of Altair had been resource intensive. Whilst it was a resource issue, the type of additional staff resource required to address this issue needed to be very skilled and experienced, and it was difficult to attract such individuals, and there were competing priorities for the time of the existing experienced officer team. An external company had been contracted to audit the data, and the results were expected in February. The Chairman commented that if additional resource was required to deal with this issue, the Head of Pensions should contact the Chairman and Vice Chairman.

Turning to the Death of Pensioners, Members discussed ways of ensuring quicker notification of unnotified deaths, e.g. through Life Certificates, noting that the National Fraud Initiative (NFI) data matching process provided some checking facilities. A particular risk area were those pensioners living overseas. It was noted that lack of notification was not usually due to fraud or even negligence, but rather an oversight at a difficult time by members of the deceased’s family. Officers advised that they had contacted other Funds to see how they approach this area, and it appeared that they focused on specific groups e.g. overseas, certain ages. It was also noted that the annual newsletter was sent to home addresses, which could act as a prompt. Pensions were also stopped if payslips were returned through the postal system.

Duncan confirmed that he was happy with the direction of travel for areas highlighted in the Audit, and was aware that some actions were work in progress.

It was confirmed that the tolerance thresholds set for reconciliations were per annum, and officers agreed to review the thresholds, with a view to reducing thresholds, in the light of work being done.

It was resolved unanimously to note the audit work undertaken.

99. PENSION FUND TRAINING STRATEGY 2016

The Committee considered a report on the Cambridgeshire Pension Fund Training Strategy. The Knowledge Management Policy was tabled.

Officers noted that the strategy, produced by Hymans, recommended that Chairmen accrue 28 training credits, and members 25. A Scorecard would be produced so that training could be evidenced going forward. In response to a Member question, it was noted that based on existing scoring criteria, current Members had between 7 and 25 credits accrued.

The Chairman commented that the amount of knowledge needed by Members was enormous, especially with pooling, and it was difficult for Members to commit sufficient time given their competing priorities. This was exacerbated by the turnover in Members resulting from membership changes and elections. Members discussed whether there should be a requirement for Members to meet a minimum standard or participate in specific Pensions induction training before they could sit on the Committee, as with Planning Committee membership. It was noted that the skills and knowledge of the Committee was listed as a risk on the Risk Register. Much also depended on the experience and background of individual Members.

The various forms and providers of training were noted e.g. training courses, web-based, through providers like Hymans and in-house training, including joint training sessions with Northamptonshire Members and Local Pension Board Members. Training opportunities and conferences were reported to every Committee meeting.

It was noted that there was a free online training resources available on the Pensions Regulator website, which was freely accessible and a really useful starting point for new Members.

It was suggested that a further report was required at the new meeting, which would include issues such as induction training for new Members and credit thresholds for Pension Fund Committee Members. **Action required.**

It was unanimously resolved to:

1. Approve the Cambridgeshire Pension Fund Training Strategy appended to the report.

100. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2016-17

Michelle Oakensen presented the third Business Plan update for the 2016-17 financial year.

The final assessment of the Customer Service Excellence (CSE) accreditation was held in June and following this the LGSS Pensions Service had been awarded the CSE Standard.

Members noted performance against Key Performance Indicator (KPI) targets, noting the detailed analysis in the appendix and the reasons for shortfalls.

In response to a Member question, officers advised that there had been 164 requests for estimates, which was about average.

Members were disappointed to note the employers reported to the Pensions Regulator for underpayment or lack of payment.

It was resolved to:

1. note the Pension Fund Business Plan third update for the 2016-17 financial year.

101. EXCLUSION OF PRESS AND PUBLIC

It was resolved:

That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business (item 10) on the grounds it contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

102. VALUATION

Douglas Green, Actuary, of Hymans Robertson, gave a presentation on the Actuarial valuation.

It was resolved to:

- 1) note the report.

103. DATE OF NEXT MEETING: 8 DECEMBER 2016 (10am)