

MINUTES OF THE PENSION COMMITTEE

Date: Thursday 24th March 2016

Time: 10:00–11:55

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members

present: Councillors P Ashcroft, S Count (Chairman), A Fraser, R Hickford (Vice Chairman), N Kavanagh and M Leeke; G Deeble, M Pink (UNISON, representing active LGPS members) and J Walker (UNISON, representing deferred and retired LGPS members)

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

Apologies: Councillors D Seaton and J Wisson

46. DECLARATIONS OF INTEREST

John Walker declared a personal interest as a retired member of the LGPS and that his son and daughter-in-law were deferred members.

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

47. MINUTES OF THE PENSION FUND COMMITTEE 17TH DECEMBER AND ACTION LOG

The minutes of the Pension Fund Committee meeting held on 17th December 2015 were approved as a correct record.

The Action Log of the meeting was noted. Members were reminded that there was a question on the high numbers of deferred members. It was noted that there were 4,174 deferred members where there were no address details held on the Pensions Altair system. A tracing system was routinely used prior to retirement benefits becoming payable in full, which was standard practice across Local Government Pension Schemes. It was noted that the number of deferred members with no address was normal for LGPS schemes, and the tracing service cost around £10 per trace. Members commented that it was really up to the deferred member to keep their details up to date as they approached their retirement date.

Arising from the Action Log, it was noted that all actions from the July and September meetings had been completed.

It was resolved to:

- (1) approve the minutes of the Pension Fund Committee meeting held 17th December 2015;
- (2) note the Action Log of the Pension Fund Committee meeting held 17th December 2015.

48. PENSION COMMITTEE REPRESENTATION REPORT

The Committee considered a report recommending the temporary appointment of the current substitute member to the “all other employers” representative vacancy on the Pension Committee, pending completion of the 2016 Actuarial Valuation.

Members noted that a full recruitment exercise needed to be undertaken in order to appoint a permanent replacement. The Constitution stated that nominations should be determined by eligible “all other scheme employers” and the process agreed by the Chairman.

Due to the time required to run the recruitment process, and the knowledge and skills required to support the Fund through the valuation year, it was suggested that it would be appropriate to temporarily appoint Gareth Deeble, the current substitute for “all other employers”, to the substantive role until 31st March 2017. Members approved this course of action, and welcomed Gareth to his first meeting.

Members also noted that the Chairman and Clerk had been advised that the UNISON Eastern Region had nominated Elizabeth Brennan, an Active Scheme Member, to fill the substitute Scheme Member representative vacancy. The vacancy had arisen because Barry O’Sullivan, the former substitute, had been appointed to the Scheme Member role on the Local Pension Board.

It was resolved to:

- (1) approve the temporary appointment of Gareth Deeble to the ‘all other employers’ representative to the Cambridgeshire Pensions Committee;
- (2) approve the appointment of Elizabeth Brennan as substitute ‘Scheme Member’ representative to the Cambridgeshire Pensions Committee.

49. GOVERNMENT’S INVESTMENT REFORM AGENDA

The Committee considered an update on the progress of the ACCESS pool in meeting the government’s investment reform agenda and to deal with a number of associated governance and funding matters.

Members were reminded that at the December meeting of the Pension Fund Committee, members agreed unanimously to proceed with participation in the ACCESS pool, in time for the February submission of initial asset pooling proposals to government. By July 2016, refined and completed proposals must be delivered to government that fully addressed the DCLG's detailed asset pooling criteria. In order to meet this timescale, it was recommended that a Task and Finish group be set up, in addition to the series of meetings already set up for the Chairman/Vice-Chairman of each Pension Fund within the ACCESS pool. The Committee agreed that due to time constraints and availability, all Pension Committee members would be members of the Task & Finish Group, to ensure adequate representation. Providing there were no material changes to the proposals, final agreement would be delegated to the Chairman and Head of Pensions. It was also noted that as the Committee's delegated powers did not include the power to pool investments, this would need to be agreed by full Council.

Members thanked officer for the huge amount of work undertaken on this, acknowledging that it was an enormous task and very time constrained. They discussed what would need to be included in the report to full Council in May. It was agreed that that report should focus on (i) the requirement nationally to enter in to pooling arrangements i.e. all authorities were being compelled to enter pooled arrangements; (ii) progress to date on the ACCESS pool and proposed structure. A Member observed that discussion at the full Council meeting was likely to reference the relinquishment of some control over investment, and related issues such as ethical investments. Officers confirmed that in the same way that scheme members and individuals could lobby the Pensions Committee through individual Committee members, the option to lobby ACCESS Committee members on issues such as investment choices would still exist under pooling: strong governance arrangements were one of the workstreams currently being explored and developed. The Cambridgeshire Fund, regardless of pooling arrangements, would need to maintain its own Environmental, Social and Governance (ESG) policy. Members agreed that the report to Council should focus on the obligation to enter into pooled arrangements.

In response to a Member question it was clarified that individual scheme members/employers e.g. District authorities did not have to seek approval to pool from their respective Councils.

With regard to costs, it was clarified that each Fund would be contributing equally i.e. up to £60,000 towards costs related to project management, consultancy support data analysis and legal advice in the early stages of setting up the pool. Members noted that this £60,000 was the total amount being made available by each authority, and it would not necessarily all be spent: the estimates of the cost breakdown for the £60,000 were set out in Appendix C to the report. Members noted this, but stated that they wanted expenditure to be closely monitored, and reported back to every meeting, and that their expectation was that the full amount would not be required. **ACTION: Officers to report back to every meeting on expenditure in this budget.**

The Committee noted that informal joint working was already taking place between authorities in the ACCESS pool, to the Fund's benefit e.g. seeking fund manager fee reductions where more than one authority used the same fund manager, which was one of the principle benefits of the pooling arrangements. It was suggested that the payback period for the pooling arrangements could be as little as 3-4 years depending on the savings that could be realised.

With regard to investment in infrastructure, it was noted that the proposal was to set up a national pool, and officers updated Members on the latest national moves on this issue. It was being stressed that authorities would only invest in viable projects, in what was a difficult and potentially risky area of investment.

It was stressed that the County Council would still have the option on allocations i.e. which asset class to invest in, it was the decisions on specific asset managers that would be made by the pool. Looking at the various governance models, it could result in less or more control for elected members

It was resolved:

1. that the Committee notes the update on the ACCESS pooling project;
2. that the Committee delegate the power of final approval of the July submission to the Chairman in consultation with the Head of Pensions;
3. that the Committee approves the initiation of a Task and Finish Group to enable the views of the Committee to be fed into the ACCESS project;
4. that the Committee seeks the approval of Full Council over the recommendation that the Cambridgeshire Pension Fund pools with ACCESS;
5. that the Committee approves the budget of £60k to deliver the July pooling submission to Government.

50. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2015-16

Jo Walton presented the fourth Business Plan update for the 2015-16 financial year.

In response to a Member question, regarding a scheme employer that had become insolvent, it was confirmed that outstanding contributions could be secured from the parent body (Huntingdonshire District Council) if they could not be secured from the company's assets as part of the insolvency arrangements.

It was resolved to:

1. note the Pension Fund Business Plan fourth update for the 2015-16 financial year.

51. PENSION FUND ANNUAL BUSINESS PLAN AND MEDIUM TERM STRATEGY, 2016-17 TO 2018-19

The Committee received a report on the Fund's key activities for 2016-17, which also provided a plan of action as to how key priorities would be achieved. Members noted the various improvements made to the Business Plan. The Key Fund activities were noted, and how every activity was matched to relevant Pension Fund objectives. One key activity was the move to Altair in August, although the two systems would be running in parallel in August, with September as a contingency.

A Member queried how the cash flow took into account falling numbers of active scheme members. Officers acknowledged that whilst it would have been expected that there would already be reductions in membership numbers, they were largely unchanged, possibly due to compulsory enrolment and the number of new admissions bodies exceeding cessations.

In a discussion about cashflows, it was agreed that this information would be provided on an annual basis. There was a discussion on the 'appropriate gap' if it was anticipated that cash flow would become negative in future (i.e. benefits exceeding contributions), so that strategy could be adjusted accordingly. It was noted that there would be a significant review of valuations in 2019. It was noted that cash flow were based on known activity levels, but there was an option to model different scenarios. It was agreed that it would be useful to model the impact on the Fund e.g. of a 10% reduction from of income from the top ten employers. **ACTION: Officers to model future investment income based on a 10% reduction from the top ten employers.**

A member queried the under spend on actuarial costs (-£212,000) and asked whether that was a variation on the budget, rather than income generated over and above actuarial costs. Officers advised that profiles would be reviewed going forward to see if any of the recharges needed to be changed materially.

A Member observed that there were small increments in total investment income forecast for each year from 2015-16 to 2018-19: Officers confirmed that it was difficult to predict accurately, but these were prudent and realistic estimates.

It was noted that the costs of pooling would be added to management expenses going forward, and were not included in the figures presented in the report.

It was resolved to:

1. approve the attached Pension Fund Business Plan for 2016-17 provided in the appendix to the report.

52. EMPLOYERS ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission and cessation of a number of bodies to the Cambridgeshire Pension Fund.

It was clarified that Easy Clean Contractors Ltd were an organisation that tendered for many school contracts, and each school contract was treated separately.

The Committee noted that the legislation required the ceding employer to effectively provide a guarantee for sub-contractors that join the Fund e.g. schools and cleaning contractors. With regard to the cessation of bodies which had been TUPE'd in, i.e. when contracts were lost, it was noted that these could be dealt with either by a final payment being requested from the former scheme employer (which the ceding authority would cover if necessary), or no formal cessation payment being sought. With regard to schools that convert to Academies, it was confirmed that the risk (i.e. the local authority being the ceding authority) became the Secretary of State's. When schools converted to Academies, it was confirmed that the admission agreements were reviewed. However, these risks were immaterial in terms of scale.

It was resolved to:

- 1) note the admission of the following scheduled body to the Cambridgeshire Pension Fund:
 - Spring Common School
- 2) note the admission of the following designating body to the Cambridgeshire Pension Fund:
 - Bar Hill Parish Council
- 3) approve the admission of the following admission body to the Cambridgeshire Pension Fund:
 - VISIT Cambridge and Beyond
- 4) note the admission of the following admission bodies to the Cambridgeshire Pension Fund:
 - Easy Clean Contractors Ltd (Fordham Primary School)
 - Aspens Services Ltd (Huntingdon Primary School)
 - Aspens Services Ltd (Hemingford Grey School)
- 5) note the cessation of the following body:
 - Easy Clean Contractors Ltd (Fenstanton School)

53. 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.

With regard to the Queen's Counsel opinion on the status of local pension boards, it was confirmed that an opinion had not been sought with regard to Investment Reform/pooling arrangements and local pension boards.

It was resolved to:

note the content of the report.

54. PENSION OVERPAYMENT REPORT

The Pension Fund Committee considered a report on overpayments that had occurred, which included an analysis of action taken.

During the period from 1st November to 31st December 2015, one individual had been overpaid. The report also provided an analysis of overpayments made in previous reporting periods. Members noted that total monies outstanding figure (£9,177.93) quoted in the report was a running total, i.e. it was previously £13,446.13, prior to the £4,388.20 being recovered. The whole area of past debt was being reviewed.

It was resolved to:

note the content of the report.

55. CAMBRIDGESHIRE PENSION FUND RISK STRATEGY 2016

Members considered a draft Risk Strategy for 2016, which detailed the Fund's approach to managing risk. The way in which potential risks had been identified, and the process for analysing and profiling each risk was outlined. It was noted that 'heat maps' would be produced, highlighting potential issues, so that future reports would be more concise and highlight only particular areas of concern.

It was resolved to:

approve the Risk Strategy.

56. INTERNAL AUDIT UPDATE AND PLAN 2016-17

The Head of Internal Audit, Neil Hunter, presented a report on progress against the 2015-16 Internal Audit Plan, which should be completed by the end of March, and on the proposed Internal Audit work planned for 2016-17. In addition to the planned audit

work, there was an additional risk relating to the move from Oracle to the Altair payroll system, due to be implemented by August 2016. Testing of the application of the new controls would form part of the annual audit.

It was clarified that the Pension Fund pays for internal and external audit services, and with this in mind, the Chairman queried whether it was necessary, or good practice, to audit areas where there was a consistent substantial assurance opinion e.g. 'new Members', or whether other areas or fewer areas should be included in the Internal Audit Plan. Neil advised that 'New Members' was one area that Internal Audit tended to insist upon, and although a light touch approach was taken, if controls failed in this area, the impact would be significant.

The Chairman also queried whether as part of the external audit, whether good practice dictated that there should be a private meeting between the Chairman of the Pension Committee and the External Auditor in the same way as the Chairman of the Audit & Accounts Committee met with the External Auditor. Neil confirmed that if they felt that such a meeting would be appropriate, he would urge the Chairman to have that meeting. The Chairman commented that he had no concerns that he wanted to raise with the External Auditor currently, but it was good to know that he had direct, unfettered access to External Auditor.

A Member queried the subjective comment in the report regarding "friendly and informative administration". Neil commented that this was an area that would not be actively audited unless there was any indication that there were specific concerns.

A Member queried the interaction with the timing of the Altair roll out, which was scheduled to go live in August, and the proposed audit of that area. Neil advised that they expected to see a period of dual running of the existing system (Oracle) with the new system (Altair) to ensure control totals, etc, were correct. It was noted that there was a project manager who was coordinating this on behalf of various departments.

It was resolved to note the audit work undertaken and approve the plan of Internal Audit work 2016-17, as outlined in Sections 3 and 4 of the report.

57. RESULTS OF THE PENSIONS REGULATOR'S SURVEY OF PUBLIC SERVICE GOVERNANCE AND ADMINISTRATION

The Committee considered a report on the survey results and the extent to which the Cambridgeshire Pension Fund had achieved compliance with the Pensions Regulator code of practice.

It was noted that regrettably, only five out of a possible 24 respondents responded, so it may not be truly representative. The majority of comments were positive, and the report set out a number of actions identified as a result of survey.

It was resolved to:

note the content of the report and approve the proposed course of action to achieve full compliance with the Pensions Regulator's Code of Practice.

DATE OF NEXT MEETING: 10.00am on 26th May.

It was noted that the subsequent meeting, scheduled for 23rd June, now clashed with the European Referendum. Members agreed that it would be appropriate to change this date.