

Public minutes of the Pension Fund Committee

Date: 28th March 2024

Time: 10:00am – 11.55am

Venue: New Shire Hall, Alconbury Weald

Present: County Councillors M Black (Vice Chair), A Costello, N Gay, P McDonald, A Whelan (Chair); Fenland District Councillor Chris Boden

Officers: B Barlow, C Blose, D Cave, S Heywood (virtual), M Hudson, M Oakensen and M Whitby; S Scott (Hymans)

173. Apologies for absence and declarations of Interest

Apologies were received from Liz Brennan, Matthew Pink, Howard Nelson and Cllr Sanderson.

There were no declarations of interest.

174. Public minutes of the Pension Fund Committee meeting held 20th December 2023 and Action Log

The public minutes of the Pension Fund Committee meeting held on 20th December 2023 were approved as a correct record.

The Action Log was noted.

175. Petitions and Public Questions

There were no petitions or public questions.

176. Administration Performance Report

The Committee considered a report which set out a number of key areas of administration performance in the period 1st November 2023 to 31st January 2024.

In December the Committee had agreed to increase the target for the payment of retirement benefits from active employment from 5 to 10 working days, and this KPI was now Green. It was noted that there was still an issue with the retirement estimates, due to payment of benefits being prioritised. The sickness level quoted in report was excessively high, which also impacted on the KPIs. Those sickness absences were being monitored through performance monitoring and sickness management processes, and it was

anticipated that improvements in this area would be reflected in KPIs. There were also two vacant positions at Operations team, and the team generally was quite inexperienced.

The Fund was one of the first to be reporting Customer Journey KPIs. Where the Fund had automated processes in place, there was a high degree of control and confidence in the figures provided, but there was less certainty where the figures were provided by Employers. The Committee noted the Dependants KPI was currently awaiting the creation of a new process, and there was a delay in the Pension Sharing Order KPI.

With regard to late payment of employer contributions, it was noted that the employer cited in Appendix 4 had now paid the December payment, but there had also been an issue with the January 2024 payment. This Employer was being closely monitored.

With regard to the five-year limit to the refund of contribution payments, it was noted that an amendment to legislation was still expected, but that DLUHC had advised that this was unlikely before 2025.

A Member noted that quite often not achieving KPIs was due to an employers' failure to provide information within the required timeframe, or where an employer failed to pay on time or provide a schedule. Were there any Employers who were particularly recalcitrant, and were there consequences for failing to do so? Officers advised that the funding team had processes in place, and they contacted Employers at the earliest possible opportunity when issues arose. There was also a Late Payment of Contributions Policy in place, which outlined the point at which consideration would be given to reporting Employers to The Pensions Regulator: this was late payments for three consecutive months, or late payments for any three months within a six month period, which would trigger at least a report to Committee. Employers had been fined and reported in the past to The Pensions Regulator. As part of the KPI supplementary reporting, officers aim was to analyse behaviour patterns and deliver extra support to Employers, and several different approaches can be used. It was also noted that as part of the new Administration Strategy, there would be emphasis on how some of that late data was received, attempting to identify employers where there were issues.

A Member asked if some employers may be unaware of all of their duties, such as the type of questions they should be asking their employees at the termination stage, and whether support could be provided in this regard. Officers advised that the issue was usually awareness with larger employers, where the line manager was separate to HR/Payroll. Members often did not realise they needed a discussion with their employer to retire. The new website attempted to address this, setting out the activities required by all parties. There were also systemic issues with some of the large, automated payroll systems that some employers use, and officers discussed that with them to ensure that that information comes through correctly and on time.

It was unanimously resolved to note the Administration Performance Report.

177. 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.

The DWP had recently released a Ministerial Statement which included the staging timeline for public service pension schemes, confirming that all schemes needed to be connected to the Pension Dashboard by 31 October 2025 at the latest. A significant amount of testing would need to be undertaken to ensure that everything was in place before the 31 October 2026 statutory connection deadline, and the project plan was being updated in line with LGA guidance. For every decision made in connection with the Dashboard, it was important to demonstrate how those decisions were made. Two key Business Plan activities related to the Dashboard were the procurement of the ISP and ensuring all system work and records were as up to date as possible.

DHLUC had started a closed consultation on draft McCloud statutory guidance, and the Cambridgeshire Fund had been selected to respond on a regional basis. The intention was to support administering authorities by providing a consistent approach. The consultation would close on 12th April.

The General Code of Practice (previously Code of Practice no 14 came into force on 27th March 2024. This was a complex, very detailed document, covering mandatory items as well as best practice. The previous Code 14 in place was specific to public service, whereas not all parts of the General Code were applicable to the Fund. Hymans, as new Governance advisers, had developed a new compliance tool to support this process. Because the General Code was a consolidation of previous Codes, it was not expected that there would be significant new areas of work that needed addressing. Work had already been undertaken on a number of key areas such as cyber resilience and scam awareness. Once the compliance review had been completed, the outcomes would be reported to the next meeting of the Pension Fund Committee, along with a high level action plan.

Members were reminded that they had until 20th July 2024 to complete their mandatory online training, and the Risk Monitoring training needed to be undertaken as a matter of urgency. New Members had twelve months from the day of their appointment to complete training.

A Member noted an anecdotal suggestion in the report that some Muslim members may be withdrawing from the Fund for religious reasons, following a report commissioned by SAB. Robust advice had been provided, but there was no evidence to indicate whether or not this was happening. It was suggested that this data should be collated, for Muslims and individuals of other religious faiths. Officers confirmed that nothing had been done to date, but one of Business Plan items was for the Fund to review EDI principles, reviewing issues

such as member communications. A Member commented that with any kind of EDI, it was usually only those who were facing discrimination who had the best understanding of discrimination. Most discrimination was about perception and it was important that the Committee took this into consideration.

It was unanimously resolved to:

- 1) note the Governance and Compliance Report;
- 2) note the immaterial amendments to be applied to policies and strategies (section 9).

178. Employer Admissions and Cessations Report

Members received a report on the admission of six admitted bodies and the cessation of one body. It was noted that there was no discretion over admitting these bodies, and there was no exit payment or credit associated with the cessation. The report also provided an update on previous cessations.

In response to a question on the right of a previously reported cessation body to appeal the nil exit credit, it was confirmed that they had up to six months to appeal, and two months had already elapsed.

It was resolved unanimously to:

1. note the admission of the following transferee admission bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreement:
 - Aspens Services Limited (Castle Camps Primary School)
 - Caterlink (Sir Harry Smith Community College)
 - Churchill Catering Limited (Meridian Trust)
 - Lunchtime Company Limited (Hardwick & Cambourne Community Primary School)
 - OCS Food Co Limited x 2
 - RCCN Limited (Astrea Multi Academy Trust)
2. note the cessation of the following body from the Cambridgeshire Pension Fund:
 - TNS Catering Limited
3. note the update on previously reported cessations relating to:
 - Compass Contract Services Limited (Innovate Multi Academy Trust)

179. Cambridgeshire Pension Fund – Business Plan and Medium-Term Strategy 2024-25

Members considered the Pension Fund's Business Plan and Medium-Term Strategy for 2024-25, and an update on the previous year's Business Plan activities.

Members noted that for 2023-24 Business Plan, there were four Amber activities. With regard to the website, this was always expected to be launched in 2024-25, and the test website would be available shortly. The delay in the test website being available was due to resourcing issues experienced by the outsourced contractor.

The following activities were highlighted in the 2024-25 Business Plan:

- The Pension Dashboard programme: work had been undertaken to revise project plans following the reset nationally;
- For the Pension Dashboard ISP (Integrated Service Provider) procurement, the intention was that the new software provider would also be the ISP provider. This had not yet been finalised as the reset led to delays. This would be achieved through a variation of contract to include ISP services;
- There was a decision to extend the Mercer contract, which had been transferred over to new Business Plan;
- Multiple investment strategies would be revisited during the year: the Committee had previously agreed not to progress with this, but it had been agreed at the time to revisit to assess whether the market had changed;
- There was a proposal to add 2-3 junior posts, but most additional staff costs related to uplift to salary growth/increments. This additional resource had the approval of both CCC and WNC Section 151 Officers. The budget did include a vacancy factor of 4.5% of staff costs i.e. the establishment was greater than salary costs, which was standard practice;
- It was proposed to sign up to "Pensions for Purpose". There was no cost, but the Fund's name would be added to their member directory.

In response to a Member question, it was confirmed that the combined staffing complement for the Cambridgeshire and Northamptonshire Pension Funds was 91/92 FTEs. The Cambridgeshire Pension Fund, having more members than Northamptonshire, accounted for just over half of that, i.e. between 45-50 FTEs. The Member observed that the request for additional staff would increase that complement by around 5%, and asked if there had been any Member overview in that process. It was noted that the Committee would ultimately decide whether to approve this increase, through the Business Plan, but that the draft reports were scrutinised by both Statutory Officers and the Committee Chair and Vice Chair prior to publication. The Chair was satisfied with the request to increase the staffing complement, given the pressures on the team and the need for the team to meet statutory requirements. The Member commented that they were not comfortable with the process and asked if there could be a more robust examination of the business case beforehand, including comparative data with other pension schemes. Officers commented that relevant CIPFA benchmarking statistics indicated that the Cambridgeshire Fund was around the

median, and this information could be shared with Committee. Action required. It was confirmed that these posts had been discussed in advance with the Cambridgeshire Finance team. The Chair commented that ensuring that the Fund had the right resources in place was not just about headcount but about those individuals having the right skills and experience.

There was a discussion on the EDI issues relating to Sharia Law/potential discrimination, and the importance of aligning with the County Council's EDI work. It was noted that EDI training had been identified, and an action plan would be considered at the next Committee meeting, and was also being considered at the Local Pension Board. It was also suggested that EDI needed to be updated to include Equity, noting that there were some groups with protected characteristics.

A Member expressed concern about the high number of undecided leavers records, specifically whether the backlog was being addressed and reduced going forward. It was noted that a case was regarded as "aged" when it was over six months old. The team was under pressure in terms of dealing with these cases as well as other issues coming forward, such as McCloud.

It was resolved unanimously to:

- 1) note the status of the 2023/24 Business Plan activities and current financial position (see section 2);
- 2) approve the contents of the Business Plan and Medium-Term Strategy 2024/25 (see section 3);
- 3) agree for a membership application to be submitted to Pensions for Purpose on behalf of the Cambridgeshire Pension Fund (see section 4).

180. Communication Plan

Members considered an updated Communications Plan for 2024-25, detailing the communications activities to be undertaken within the scheme year, including statutory planned activities and significant user testing. Key communications activities were outlined.

In response to a Member question, officers outlined the types of useful information that arose from the Satisfaction Survey, which provided indicators of where further actions or changes to processes may be required.

It was resolved unanimously to approve the communications plan.

181. UK Stewardship Code 2020 Submission

Members noted that the Fund had produced a draft Stewardship Report (at Appendix A) to enable a submission to be made to the Financial Reporting Council (FRC) at the end of May, for the Fund to become a signatory to the UK Stewardship Code 2020 (“the Code”).

Becoming a Code signatory would be a further signal of the importance that the Fund places on its responsible stewardship duties as an asset owner. Members noted that many applicants were unsuccessful on their first submission.

It was resolved unanimously to:

- a) approve the draft Stewardship Report (at Appendix A);
- b) approve the submission of a Stewardship Report to the Financial Reporting Council by the 31 May 2024 deadline;
- c) request the Head of Pensions finalise the Stewardship Report in advance of the deadline in consultation with the Chair of the Committee

182. Cashflow Projections Report

The Committee received a report which provided a summary of the Cashflow Projections produced by the Fund’s Actuary. A presentation was given by Hymans Robertson, the Fund’s actuarial and governance advisors.

A negative cashflow position was a natural part of a maturing Fund lifecycle. Fund assets have been building up for the purpose of paying benefits, and at some stage the value of contributions received would be less than the value of benefit payments, leading to a negative cashflow position. The key issue was that this was monitored and managed effectively, so that the Fund was not forced to sell assets at an inopportune time, but could plan and manage the sales of assets. Based on current projections, the Cambridgeshire Fund was expected to become cashflow negative in 2030, but any unexpected changes could alter that position, which was why monitoring was important. Factors such as high levels of inflation impacted on future pension payments and therefore cashflow, and the report set out different inflation scenarios. Other factors which impacted on cashflow were pension contributions, which were assumed to be fairly steady going forwards, but cuts to local government could result in total contributions declining.

Arising from the report, it was noted that:

- the cashflow positive/negative position was unrelated to the funding position, which remained very strong;
- in a high inflation scenario, a cashflow negative position would occur sooner;

- the importance of monitoring the cashflow position, especially alongside the 2025 valuation;
- significant pension inflation was not expected going forward, and that would be reflected in future analyses;
- future funding, especially for schools, was not looking stable, and it was likely that membership may fall significantly over coming years, and this would accelerate the move to a cashflow negative position, requiring the Fund to review how it generated income from assets.

A number of Members stressed the need for the Fund to be alert to events that could impact negatively on cashflow e.g. high inflation, pandemic, international relations/war, exchange rates, on more than an annual basis, so there were “early warnings” of possible negative cashflow. Officers reassured the Committee that statements were reviewed and cash flow forecasting was completed on a daily basis, and they were very vigilant to these issues, as well as being very sensitive to membership levels. There was a discussion around potential further changes to the State retirement age, noting that this was taken into consideration, as many scheme members retired when they reached State pension age.

A Member observed that there was a tendency for young people to spend less time in jobs, i.e. not stay in a position for the long term. Officers confirmed that reductions in membership were considered as part of the valuation process.

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

183. Cambridgeshire Pension Committee Forward Agenda Plan

Members noted that the Agenda Plan would be updated to reflect business plan activities for next year.

It was resolved to note the Committee Agenda Plan.

184. Exclusion of Press and Public

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

185. Cambridgeshire Pension Fund – Additional Contribution Provider Update

The Committee received a report on the progress against the actions identified as part of the administration and investment performance review.

It was resolved unanimously to approve the report recommendations.

186. ACCESS Update

Members received a report on the latest asset pooling update to the Pension Fund Committee.

It was resolved unanimously to note the report.

187. Confidential Minutes of the Pension Fund Committee held 20th December 2023

The confidential minutes of the Pension Fund Committee held 20th December 2023 were approved as an accurate record.