

## **CUMBRIA PENSIONS FORUM**

Minutes of a Meeting of the Cumbria Pensions Forum held on Monday, 6 October 2014 at 10.00 am at CREA, Redhills Penrith

### **PRESENT:**

Mr M Worth (Chair)  
Mr G Humes  
Mr DE Southward  
Mr MH Worth

### **Also in Attendance:-**

#### **District Councils**

Mr E Wilson – Barrow Borough Council  
Mrs G Troughton – Copeland Borough Council (District Council Rep on the Pensions Committee)

#### **Employer Representatives**

Mr S Addison	-	The Queen Katherine School
Mr R Bevans	-	Cumbria County Unison
Ms S Boulton	-	South Lakes Housing
Mr A Chant	-	Cumbria Waste Group
Mr D Chappell	-	QEGS Penrith
Ms J Collihole	-	Glenmore Trust
Ms K Forsyth	-	West Lakes Academy
Ms J Kendall	-	Ulverston Town Council
Mr K McDonald	-	GMB
Mr T McGuinness	-	Eden Housing
Mr C Nixon	-	Orian
Ms S Wallace	-	Keswick Town Council
Ms A Wilkinson	-	West House
Mr A Young	-	Keswick School

### **Also in Attendance:-**

Ms A Clark	-	Group Finance Manager – Pensions & Investments
Ms J Dole	-	Technical Finance Officer - Pensions Admin
Mrs S Horsley	-	Democratic Services Officer
Mr J Livesey	-	Mercer
Mrs F Miller	-	Senior Manager – Pensions & Financial Services
Mrs D Purvis	-	Finance Manager – Pensions & Treasury
Mr P Whyte	-	Finance Officer – Pensions Admin

**PART 1 – ITEMS CONSIDERED IN THE  
PRESENCE OF THE PUBLIC AND PRESS**

**11 TERMS OF REFERENCE**

**RESOLVED** that the Terms of Reference of the Cumbria Pensions Forum be noted.

**12 ELECTION OF CHAIRMAN**

**RESOLVED** that Cllr M Worth be elected as Chair of the Pensions Forum for the ensuing year.

**13 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr J Airey, Cllr SB Collins, Cllr N Marriner & Cllr G Strong.

**14 MINUTES**

**RESOLVED** that the minutes of the Cumbria Pensions Forum held on 18 November 2013 be agreed as a true and accurate record.

**15 ANNUAL REPORT AND ACCOUNTS 2013/2014 INCLUDING THE FUNDING STRATEGY STATEMENT 2014**

The Forum received a presentation from the Group Finance Manager – Pensions & Investments and Finance Manager - Pensions & Treasury, Cumbria County Council which detailed the Annual Report and Accounts 2013/14, which included the Funding Strategy Statement 2014. During the presentation the following points were covered: -

- Cumbria LGPS specifics,
- Achievements & investment performance 2013/14,
- Annual Report, Accounts & Funding Strategy 2014.

Within the Cumbria LGPS there were 111 employers as at 31<sup>st</sup> March 2014, including Cumbria County Council, 6 District Councils, 59 scheduled Bodies and 45 admitted bodies. Memberships as at 31<sup>st</sup> March 2014 was 50938, with 16,776 active members, 20,045 deferred members and 14,117 pensioners. It was explained two of the reasons for the increase in employer numbers was due to organisations outsourcing elements of their work and also a number of schools had converted to academies. Memberships had also risen, at 31<sup>st</sup> March 2014 approximately 13.5% of the adult population of Cumbria were members of the Cumbria LGPS.

Those present were informed, since 2011/12 the Cumbria LGPS had experienced negative cash flow, this was said to be because of employers facing staffing cuts. As a result of this, assets that 'throw off' cash were being explored.

A large proportion of the investment asset portfolio had been restructured as an outcome of the Funding Strategy Review. The asset allocation as at March 2014 was displayed as well as the target investment asset allocation. It was explained the biggest move was the reduction in UK equities; this was to ensure investment managers were not restricted to UK markets, intended to reduce volatility whilst stabilising contributions. It was asked whether the Fund lacked confidence in the UK equities markets. Officers explained this was not the case they were merely having a more global focus allowing investment managers the opportunity to focus more globally often still in companies quoted within the UK. This reduced the volatility as they became less reliant on one country's market, but would also enable steady growth.

There was also a desire to increase investments into alternatives markets both opportunistic and infrastructure, this was to offer stability whilst generating growth and income return.

The achievements against the 2013/14 Business Plan included:

- 60% of investment strategy review outcomes implemented,
- Investment Sub Group established,
- Completion of the 2013 Triennial Valuation,
- Completed preparation for 2014 Scheme,
- Auditor praise on quality of Annual Reports & Accounts.

With regards to performance, those present were informed, the Fund was performing ahead of its Fund specific benchmark over the one, three and five year periods, and was on target to achieve its ten year target of 7.8% return.

With regards to the Annual Report, Accounts and Funding Strategy Statement 2013/14, it was explained there had been no significant changes to the LGPS Accounts since 2012/13. The Annual Report had been expanded following the publication of updated CIPFA guidance. The Auditor's report and the Statement of Accounts were to be made available on the Council's website.

Audit headlines – there had been an unqualified and unmodified opinion. There had been no material errors. Officers were praised for their submission well in advance of statutory deadline and their high standard of working papers.

The team's details were provided and those present were advised to contact the teams with the any queries/issues. The Senior Manager informed she was keen to gauge feedback from employers.

The team were praised for how they managed the Fund over the past years. The Chair added to this saying in view of the amount of work and auditors comments the team had done excellent work. The Chair thanked the team for their efforts and hard work.

## 16 UP AND COMING CHANGES

The Senior Manager – Pensions and Financial Services provided an update on the up and coming changes within the LGPS. It was explained the proposed changes incorporated:

- New internal governance structures,
- Enhanced data comparability,
- Cost cap/ cost sharing,
- External oversight/ control,
- Investment management changes.

It was explained some of the drivers for change included examples of poor governance across some of the public sector pensions; trade unions having a desire to increase the roles of scheme members; it was also an aim that the new scheme would be a mechanism to curb rising costs of public sector pensions.

Some of the factors that made the LGPS different included the size of the membership; there were 89 Local Schemes not 1 National Scheme, contribution rates were set locally.

The current governance structure adopted by the Cumbria LGPS was explained to those present, as were the national issues with the current LGPS Governance Structures.

The Public Service Pensions Act 2013 set out distinct roles to be performed within every Public Service Pension Scheme, these were:

- The Responsible Authority – the person responsible for making regulations for the scheme, for the LGPS this will be the Secretary of State,
- The Scheme Manager – responsible for managing or administering the scheme and any other statutory schemes connected with it for Cumbria this would be Cumbria County Council,
- The Pensions Board – responsible for ‘assisting’ the scheme manager in securing compliance with scheme regulations, other legislation covering governance and administration,
- The National Scheme Advisory Board,
- The Pensions Regulator.

Each Scheme Manager was to establish a Local Pensions Board (LPB) no later than 1 December 2015. By 'establish' DCLG had confirmed they would expect Scheme Managers to have approved the composition and constitution of the Local Pensions Board and have member selection underway. The Board was to be operational as soon as reasonably practicable after 1 April 2015.

Draft regulations had suggested the LPB's role would be to assist the Scheme Manager in matters of governance and economy/efficiency; that members of the Board must not have a conflict of interest; that there be equal employer and member representation; it was also anticipated Members would require a high level of knowledge and skills.

The timescales for the implementation of the Act were set out, however all timescales depended upon the release of the final regulations.

The Senior Manager explained there were large costs associated with the implementation of the Act and that work was ongoing to ensure the LPB was as efficient as possible.

A query was raised regarding the Fund's use of passive bonds, an explanation of what passive bonds were was given.

It was asked at what point the Pensions Regulator would 'step in' and what powers they had. The Senior Manager confirmed this area was unclear, however it was expected they would have oversight of data.

The Senior Manager agreed to circulate the response to the consultation on the draft regulations to members of the Pensions Forum.

## **17 PENSIONS ADMINISTRATION**

The Forum received a presentation from the Technical Finance Officer – Pensions which provided an update on recent administration activity: including performance, data issues, events and future development.

It was noted 2013 had been a busy year of planning and preparing for the new LGPS2014. This had consisted of communication campaigns to encourage members to use online facilities to keep up to date with current information, as well as LGPS2014 road shows which took place in 9 locations throughout Cumbria and had been attended by over 700 Scheme members. Discretions were in place as of 1 September 2014 - there was a training session to be held on discretions following this Forum meeting.

Customer service for Your Pensions Services continued as they had conducted 15 annual employer visits, hosted a practitioners conference at CREA and had successfully answered 90% of the dedicated Pensions Helpdesk queries over the year.

With regards to performance 36,000 online annual benefit statements had been produced for Active and Deferred members. Your Pensions Service had exceeded overall service level agreement of 90%, with 97% achieved.

It was explained members were being encouraged to use the new Employer Payroll Information Collection (EPIC) System. The system had been developed by Your Pensions Service as a solution to meet the additional demands of the LGPS2014. Its purpose was to take data securely from employers which would enable Your Pensions Service to regularly upload contributions and pensionable pay. This would ensure that contributions and career average pay amounts reconciled with payments made, and were recorded on individual pension accounts accurately.

Those present were informed that all members of the Fund had access to this online facility and that the general policy was that annual statements etc would not be printed unless requested, this was a money saving initiative which had saved the fund approx £200k each year.

The Chair thanked the Technical Finance Officer for standing in for the Your Pensions Service Manager at short notice. He also asked that a letter of thanks be sent to Your Pensions Service for all of their hard work especially with the change of regulations.

## **18 ACTUARIAL VALUATION**

The Pensions Forum received a presentation delivered by the Fund's actuary John Livesey of Mercer. The presentation covered the following areas in relation to the 2013 Actuarial Valuation results:

- Key issues
- The whole fund past position
- The whole fund of future service contributions
- Deficit recovery period
- Approaches to stabilise contribution rates

A valuation update was provided along with comparisons made against other LGPS which compared funding levels, differences in approach and risk management. Those present were informed the bond yield market position had improved shortly after the valuation date, this was the position taken into consideration when setting contribution rates.

Wider issues in relation to the LGPS were also identified, including cost controls which looked at the principles and the key drivers of cost.

The process for employers who struggled to pay employer contributions was explained. Members noted no new employers were admitted to the fund without having a guarantor in place. They also noted that they had completed an employer covenant review and did have oversight of the employers with no active members

and their funding streams. Officers urged any employers experiencing troubles to talk to the team.

The Chair thanked Mr Livesey for his presentation.

## **19 REPRESENTATION FROM NON-COUNTY COUNCIL EMPLOYERS AND DISTRICT COUNCIL**

This item reminded attendees that the Pensions Committee had a standing agenda item which provided a formal opportunity for Non-County Council employers or interested parties to raise questions or concerns relating to the Pensions Scheme at the each meeting.

## **20 DATE OF THE NEXT MEETING**

The next meeting of Cumbria Pensions Forum was provisionally scheduled to be held on 6 October 2015, venue to be confirmed.

The meeting ended at 1pm