CUMBRIA PENSIONS COMMITTEE

Minutes of a Meeting of the Cumbria Pensions Committee held on Tuesday, 7 March 2017 at 9.30 am at Conference Room A, Cumbria House, Botchergate, Carlisle

PRESENT:

Mr MH Worth (Chair)

County Councillors

Mr SB Collins (Vice-Chair) Mr DE Southward
Mr NH Marriner Mrs H Wall

District Council Representative Employee Representatives

Ms G Troughton Mr R Bevans

Other Representatives:-

Mr TJA Gardener - Investment Advisor
MR A Sutherland - Investment Advisor

Also in Attendance:-

Mrs J Crellin - Assistant Director – Finance (Section 151 Officer)
Ms F Miller - Senior Manager - Pensions & Financial Services
Ms D Purvis - Finance Manager - Pensions & Treasury
Mr P George - Group Finance Manager – Pensions, Investments and Insurance

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

118 APOLOGIES FOR ABSENCE

Apologies were received from Mr B Doughty, Mr J Airey, Mr P Thornton and Mr K McDonald.

119 TERMS OF REFERENCE AND MEMBERSHIP

The new Terms of Reference of the Committee (as amended at the meeting of full Council on 16 February 2017) were noted.
120 DISCLOSURES OF INTEREST

Ms G Troughton declared a non pecuniary interest in Agenda item 19 Monitoring Report for the Quarter ended 31 December 2016 as she was a member of Copeland Borough Council.

Mr T Gardener advised that he was now employed by AON Investment Consultants.

121 EXCLUSION OF PRESS AND PUBLIC

RESOLVED that the Press and Public be excluded from the meeting during consideration of the following agenda items on the grounds that they contain exempt information as defined under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) relating to the financial or business affairs of particular individuals:-

Part Two appendices discussion from agenda items 14 and 15

Agenda Item 14 Forecast 2016/17 Budget Outturn and Progress Against Business Plan.
Agenda Item 17 Update on Emerging Issues.
Agenda Item 18 Cumbria LGPS Investment Sub Group Activity Report to February 2017.
Agenda Item 19 Monitoring Report for the Quarter Ended 31 December 2016-Part 2.

122 MINUTES

RESOLVED that, the Minutes of the meeting held on 8 December 2016 be confirmed as a correct record.

123 REPRESENTATION FROM NON COUNTY COUNCIL EMPLOYERS AND DISTRICT COUNCILS

Nothing was raised on this occasion.

124 SCHEDULE OF FUTURE MEETINGS

The Committee noted the future meetings, with the next meeting of the Pensions Committee to be held on 13 and 14 June 2017 in Edinburgh.

125 UPDATE FROM THE CUMBRIA LOCAL PENSION BOARD
A report was considered from the Assistant Director – Finance (S151 Officer) which advised the Pensions Committee of the work undertaken by the Cumbria Local Pension Board since its first meeting in July 2015.

The Group Finance Manager – Pensions, Investments and Insurance gave members a summary of the Board’s activity to date which included training for members.

RESOLVED that the Cumbria Local Pension Board’s activity to date be noted and that there are no matters of concern that the Board wishes to raise with the Committee at the current time

126 INVESTMENT STRATEGY STATEMENT UPDATE

A report was considered from the Assistant Director – Finance (S151 Officer) which gave an update on the first Cumbria LGPS Investment Strategy Statement (ISS), expanded on the requirements of the LGPS (Management and Investment of Funds) Regulations 2016 and offered a set of investment beliefs for members’ consideration.

The Senior Manager Pensions & Financial Services (Deputy S151 LGPS) advised on the two new statutory requirements for the ISS and commented on improvements made to the document in order to improve readership. She guided members through the ISS.

A member queried the frequency of the Strategy Review and requested that the wording at 4.3.1 and 4.3.2 in the document be refined to improve clarity on the frequency. It was confirmed by the Senior Manager Pensions & Financial Services (Deputy S151 LGPS) that a review would normally be undertaken every three to five years and that an interim review was planned with feedback expected to be reported to the September 2017 Pensions Committee meeting. The Chair advised that the Investment Sub Group regularly considered the Review.

RESOLVED that

1. For inclusion in the Investment Strategy Statement, details of the Fund’s approach to LGPS investment pooling to ensure compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations, as set out in Section 4.6 of Appendix 1 be approved

2. The draft Stewardship Code Compliance Statement shown at Annex B of Appendix 1 for submission to the FRC to ensure compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 be approved.

3. The set of Investment Beliefs for the Fund shown at Annex A of Appendix 1 be approved.
The amendments at sections 4.1, 4.3 and 4.7 of the Investment Strategy Statement to reflect the addition of the Compliance to the Stewardship Code and Investment Beliefs be approved.

At 4.3.1 and 4.3.2, the wording in the ISS document be refined to improve clarity on the frequency of review.

127 CUMBRIA LOCAL GOVERNMENT PENSIONS SCHEME, FUND POLICY DOCUMENT ANNUAL REVIEW.

A report by the Assistant Director – Finance (S151 Officer) was considered which included all changes to existing Fund Policy documents to reflect current circumstance and regulation changes in 2016-17.

Members were advised that the training plan had been updated to reflect training need and were encouraged to complete their training questionnaire. It was noted that the training plan would be reviewed after the County Council elections. The newly updated Terms of Reference of the Committee would be included in the Policy document.

RESOLVED that

1. The changes and content of the Fund Policy Document be noted
2. The updated Training Policy and Plan be approved

128 MONITORING REPORT FOR THE QUARTER ENDED 31 DECEMBER 2016 - PART 1.

A report from the Assistant Director – Finance (S151 Officer) was considered which advised members of any maternal risk, policy or financial monitoring issues of the Fund to 31st December 2016 and of any governance issues and national regulatory changes. It also outlined the performance of the whole portfolio and movement on liabilities over the period.

The Group Finance Manager – Pensions, Investments and Insurance advised that in order to improve transparency, the Quarterly Monitoring report had been split into two papers. The paper considered Risk Management, Fund Monitoring, Governance and Policy Regulation, with confidential matters presented in a Part two paper later in the Agenda.

Discussion took place on the importance of cohabiting partners being named on Pensions forms and the measures in place by the County Council to ensure forms were completed correctly. Trade Unions were asked to encourage their members to include cohabiting partners on their Pensions forms.

The risk area relating to the EU directive, Markets in Financial Instruments Directive II (MiFID II) was raised by a member; the Senior Manager Pensions & Financial Services (Deputy S151 LGPS) commented that guidance was anticipated and the impact of Brexit and the actions to be taken was briefly discussed. The reason for
including cyber crime as a risk was outlined for the Committee by the Senior Manager Pensions & Financial Services (Deputy S151 LGPS).

RESOLVED that the quarterly monitoring of the Fund for the period to 31st December 2016 be noted.

129 UPDATE ON POOLING OF PENSIONS ASSETS ACROSS THE LGPS - UPDATE VI

A report from the Assistant Director – Finance (S151 Officer) was considered which provided Members with a summary of the Paper considered by full Council in February 2017 regarding the adoption of Border to Coast Pensions Partnership Ltd (BCPP). It updated the Committee on how other Partner Funds within the Pool were progressing towards formal approval and outlined of the work programme and key milestones for the following months.

The Senior Manager Pensions & Financial Services (Deputy S151 LGPS) reported in detail on the developments of the BCPP, including where the headquarters would be situated and recruitment to non-executive posts. A short discussion took place on the timely transfer of staff into the Pool and the risk involved with funds reluctant to join the Pool.

It was raised that assets should be retained as long as possible and following member questions, it was clarified by the Senior Manager Pensions & Financial Services (Deputy S151 LGPS) how investments could be procured by a fund if it wasn’t offered by the Pool and that the method for liabilities had changed. It was recognised by the Committee that gilt and equity markets had increased significantly and 2017 had been a good year for investments. After a member commented on valuation risk and possible related tax issues, the Senior Manager Pensions & Financial Services (Deputy S151 LGPS) advised on the measures which would be implemented to mitigate tax issues.

The Chair advised on the processes in place to communicate and consult across the Pool and the Senior Manager Pensions & Financial Services (Deputy S151 LGPS) advised on engagement with stakeholders and partners, the membership of the Joint Committee and the staggered process for sub Funds joining the Pool. The Assistant Director – Finance (Section 151 Officer) advised on the due diligence required before the Cumbria Fund entered the Pool and that officers would ensure that Cumbria’s assets allocation and philosophy was reflected in the Pool. The Investment Advisor highlighted three areas of due diligence and members were informed by the Senior Manager Pensions & Financial Services (Deputy S151 LGPS) that a key role of the project team would be to advise on how the Pool would work and, as per the County Council’s Constitution, the Pensions Committee would be responsible for approving the transfer assets to the Pool where the assets were greater than 5% of the total assets of the Fund.

RESOLVED that, the progress on development of the BCPP be noted.
130 PROGRESS OF TRIENNIAL VALUATION 2016 AND UPDATE ON THE ACTUARIAL CONTRACT.

A report from the Assistant Director – Finance (S151 Officer) was considered which provided Members with an update on the 2016 Triennial Actuarial Valuation of the Cumbria LGPS. The Senior Manager Pensions & Financial Services (Deputy S151 LGPS) also advised members on the Actuarial contract re-tender and informed them that the completed valuation would be brought to the next meeting of the Pensions Committee.

Clarification was provided on the responsibilities of the County Council should a contracted body merge, in terms of employing their staff.

RESOLVED that progress on the completion of the Triennial Actuarial Valuation be noted and that all activities required to complete the valuation process within the regulatory requirements are on track be noted.

131 FORECAST 2016/17 BUDGET OUTTURN AND PROGRESS AGAINST BUSINESS PLAN

A report from the Assistant Director – Finance (S151 Officer) was considered. The report advised Members of the progress towards the delivery of the 2016/17 Business Plan and the projected 2016/17 Budget Outturn in Support of delivery of the plan for the Cumbria LGPS including variances against budget.

The Group Finance Manager – Pensions, Investments and Insurance guided members through the report and advised on staffing, administration, investment management, and oversight and governance.

RESOLVED that

1. All items are either completed or progressing to completion on target against the approved Business Plan be noted
2. The 2016/17 outturn position against budget for the Cumbria LGPS is for a forecast under spend of £0.009m against a budget of £5.137m be noted.

132 DRAFT PENSIONS ADMINISTRATION BUSINESS PLAN AND BUDGET 2017/18

A report from the Assistant Director – Finance (S151 Officer) was considered which advised on the Draft Business Plan for 2017/18 and the Draft Budget 2017/18.

RESOLVED that

1. The draft Business Plan for 2017/18 be approved
2. The draft budget required to administer the Cumbria LGPS of £5.784m for 2017/18 (which has been constructed in support of the activities outlined in the Draft Business Plan) be approved.
133 PART TWO APPENDICES DISCUSSION FROM AGENDA ITEMS 14 AND 15

No comments were made on the Part Two Appendices for Agenda Items 14 and 15.

134 UPDATE ON EMERGING ISSUES

An update was provided on the National Fraud Initiative and members were informed about a small number of payments that had been made after Fund members had died and the process in place to recover any payments made.

The Senior Manager Pensions & Financial Services (Deputy S151 LGPS) withdrew from the meeting for the discussion on the following item. The Assistant Director – Finance (Section 151 Officer) informed members about the proposed recruitment processes and remuneration packages for the Executive and Non Executive Directors of BCPP Ltd. The Chair provided an update on the discussion at the January BCPP Member Steering Group in relation to this matter. After discussion, Members concluded that they were comfortable with the remuneration packages and approach as set out in the January BCPP Member Steering Group meeting. Members also requested a number of comments be relayed to the BCPP s151 Officer Group through the Assistant Director – Finance (Section 151 Officer) for their consideration.

135 CUMBRIA LGPS INVESTMENT SUB GROUP ACTIVITY REPORT TO FEBRUARY 2017

A report from the Assistant Director – Finance (Section 151 Officer) was considered which outlined activities since the Investment Sub Group met on 22 November 2016, any decisions made by the Section 151 Officer and the proposed future work schedule in respect of the Investment Sub Group.

RESOLVED that

1. Progress made by the Investment Sub Group during the period to February 2017 be noted
2. the action points on the asset allocation as detailed in the report be noted
3. the overall performance of the Fund over the quarter be noted and that at a specific manager level, while Schroders remain on watch there are no matters of sufficient concern to warrant escalation from the individual manager quarterly performance reviews be noted
4. the proposed work programme of the ISG for the next reporting period be approved.

136 MONITORING REPORT FOR THE QUARTER ENDED 31 DECEMBER 2016 - PART 2.
A report was considered from the Assistant Director – Finance (Section 151 Officer) regarding the quarterly monitoring report which included commercially sensitive information.

RESOLVED that the quarterly monitoring of the Fund for the period to 31 December 2016 be noted.

137 CLOSING COMMENTS FROM THE CHAIR

The Chair thanked Mr R Bevans for his term of office on the Pensions Committee as he was retiring.

As there was a County Council election on 4th May 2017 and membership of the Council was likely to change, the Chair thanked officers for their invaluable support to both himself and the Committee, thanked the members for their hard work and welcomed that it had been an apolitical committee. He thanked the Investment Advisors for their advice and support.

The meeting ended at 12.35 pm