

## **CUMBRIA PENSIONS COMMITTEE**

Minutes of a Meeting of the Cumbria Pensions Committee held on Friday, 18 December 2020 at 10.00am. This was a virtual meeting.

### **PRESENT:**

#### **County Councillors**

Mr SB Collins  
Dr S Haraldsen  
Mr P Thornton

Mr CJ Whiteside  
Mr M Wilson

#### **District Council Representative**

Mr J Mallinson

#### **Other Representatives:-**

Ms C Scott - Investment Advisor  
Mr A Sutherland - Investment Advisor

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

Ms A Clark - Senior Manager - Pensions and Financial Services  
(Deputy S151 Officer – Pensions)  
Mrs J Crellin - Director of Finance (Section 151 Officer)  
Mr P George - Group Finance Manager - Pensions, Investments and  
Insurance  
Ms A McGuinness - Finance Manager - Pensions  
Ms D Purvis - Finance Manager - Pensions and Treasury  
Ms L Taylor - Finance Manager - Pensions Investments and  
Governance  
Ms K Powell - Chair of Cumbria LGPS Local Pension Board

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

#### **118 ROLL CALL AND APOLOGIES FOR ABSENCE**

The meeting was opened by the Senior Democratic Services Officer as apologies had been received from both the Chair and Vice Chair. Constitutionally, it was appropriate to conduct elections for a Chair and Vice Chair for this meeting only.

Election of Chair was undertaken by the Senior Democratic Services Officer and the Chair undertook the election of Vice Chair.

Councillor S Haraldsen nominated Councillor M Wilson as Chair for this meeting only. This was seconded by Councillor C Whiteside.

Councillor M Wilson in the Chair.

The Chair asked for nominations for a Vice Chair for this meeting only. Councillor P Thornton nominated Councillor S Haraldsen as Vice Chair. This was seconded by Councillor C Whiteside.

A roll call of Members and Officers was taken.

Apologies for absence had been received from Councillors MH Worth and NH Marriner and Mr J Keith.

## **119 TERMS OF REFERENCE AND MEMBERSHIP**

The Terms of Reference of the Committee was noted.

The Chair advised that Councillor James Airey had resigned from Cumbria County Council and therefore as a permanent member of the Committee. The Chair advised that Councillor Paul Turner had been appointed as his replacement, as a permanent member of the Committee for the Conservative Group.

## **120 DISCLOSURES OF INTEREST**

No disclosures of interest were made.

## **121 EXCLUSION OF PRESS AND PUBLIC**

RESOLVED, that the press and public be excluded from the meeting during consideration of the following reports as they contain exempt information relating to the financial or business affairs of any particular person (including the authority holding that information) by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972;

- 15 Part Two Appendix to Half Year Update of the Pensions Administration Budget 2020/21 and Business Plan
- 16 Part Two Monitoring Report for the Quarter Ended 30 September 2020
- 17 Verbal Update – Emerging Issues
- 18 Cumbria LGPS Investment Sub Group Activity Report to November 2020
- 19 Closing Comments

## **122 MINUTES**

RESOLVED that, the minutes of the meeting held on 15 September 2020 be approved as a correct record.

## **123 REPRESENTATION FROM NON COUNTY COUNCIL EMPLOYERS AND DISTRICT COUNCILS**

There were no representations made at this meeting of Cumbria Pensions Committee.

## **124 SCHEDULE OF FUTURE MEETINGS**

The Schedule of Future Meetings that had been published with the Agenda was noted.

## **125 MINUTES OF THE BCPP JOINT COMMITTEE MEETING ON 1 OCTOBER 2020**

The Chair presented the BCPP Joint Committee minutes from a meeting held on 1 October 2020.

RESOLVED that, the BCPP Joint Committee minutes from a meeting held on 1 October 2020 be noted.

## **126 UPDATE FROM THE CUMBRIA LGPS LOCAL PENSION BOARD**

Members received a report from the Director of Finance (S151 Officer) which gave an update from the Cumbria LGPS Local Pension Board. The report summarised matters discussed by, issues arising from and any recommendations made by the Cumbria LGPS Local Pension Board (CLPB) at their recent quarterly meeting, held on 6<sup>th</sup> October 2020. The report advised that the Board could confirm to the Pensions Committee that it had reviewed the progress taken by the Fund to review areas for improvement as identified through the cohort review of the LGPS. It was noted the Board could confirm that, with the exception of one area for improvement (which was planned to be completed in March 2021), all have been completed and there were no areas of concern to highlight to Members.

This report was presented by the Chair of the Cumbria LGPS Local Pension Board. The Chair of the Cumbria LGPS Local Pension Board reported in detail on the business conducted at its recent meeting which included a review of the Pension's Committee decisions, the Committee's Risk Register and the McCloud judgement. The Chair of the Cumbria LGPS Local Pension Board offered the Board's services to assist the Committee in its work. The Board was supportive of the Training Plan and the Chair commented positively on the quality of officer training. The Committee was informed about the Part 2 information that had been considered by the Board.

The Chair of the Pensions Committee thanked the Chair of the Cumbria LGPS Local Pension Board for a thorough briefing of the work undertaken by the Board.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. As there was no dissent, it was,

RESOLVED that

- (1) The update from the Cumbria Local Pension Board be noted;
- (2) It be noted that all recommended areas for improvement identified by the Pension Regulator's cohort review of the LGPS have been appropriately actioned and, with the exception of one (which is planned to be completed in March 2021), all have been completed.

## **127 TRAINING UPDATE AND FUTURE PLANNED TRAINING**

A report was considered from the Director of Finance (Section 151 Officer) that provided an update to Members of progress to date against the training plan agreed at Committee in March 2020 as part of the Business Plan. The report advised that the training obligations and requirements of Members and Officers were reflected in the Cumbria Local Government Pension Scheme (LGPS) training policy and that a major factor in the governance arrangements of the Fund was ensuring that Committee Members and Officers had appropriate skills and knowledge. In order to facilitate this where possible any in-house training was scheduled into the agendas for Pensions Committee, Pension Board and the Investment Sub Group with the aim of maximising the attendance of both Members and Officers.

In presenting the report, the Finance Manager - Pensions Investments and Governance advised on the importance of training, skills and knowledge and members' collective responsibility for the decisions they made. The themes and topics in the Training Plan were highlighted. The impact that COVID 19 had on training was highlighted as was the transition to using online training methods. Good progress had been made in delivery of the Training Plan and further sessions were planned for 2021. The Training Needs Assessment due to be returned by 21 December 2020 would be assessed to inform the 2021/22 Training Plan which would be and brought to the next meeting of the Committee.

A member asked if training could be delivered a Committee cycle before a decision was made rather than on the day the decision was made in order that information could be digested then questions asked before a decision was made. The Senior Manager - Pensions and Financial Services acknowledged the benefits to this approach to training and would do this where possible however, sometimes decisions had to be made at pace and therefore it was not always possible to deliver training in advance.

A member commented on the benefits of online training events. He talked about the benefits of online training events as they were shorter and more focussed whereas day long events covered more topics and worked best face to face. He asked that

in future, a mix of online and in-person training methods be retained. A member encouraged the Pensions Committee to feed its comments on the Committee's specific training needs into the Scrutiny Management Board's proposed Ways of Working Task and Finish Group.

The Investment Advisor brought to member's attention that the Scheme Advisory Board was reviewing Good Governance and the standards to be expected of members. The review would cover training, skills and knowledge and once the review was completed, it may be prudent that this be considered by the Committee.

The Finance Manager - Pensions Investments and Governance reassured members that all their comments would be taken into account alongside any statutory guidance that would be published.

The Chair asked for clarification of the training record relating to his attendance and that he be updated after the meeting.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. As there was no dissent, it was,

RESOLVED that, progress towards the delivery of the 2020/21 Training Plan be noted.

## **128 MONITORING REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 - PART 1**

The Monitoring Report for the Quarter Ended 30 September 2020 – Part 1 from the Director of Finance (S151 Officer) was considered. The report advised Members of any material risk, administration, investment performance, governance, and policy issues of the Fund for the quarter ending 30 September 2020. It also identified any current governance issues and national regulatory changes and outlined the performance of the whole portfolio and movement on liabilities over the quarter to 30 September 2020.

The Group Finance Manager – Pensions, Investments and Insurance presented the report. He highlighted that a new risk had been added to the Risk Register which was associated with potential legal challenge to the Fund due to the implementation of Exit Payment Cap legislation. Members were reminded of a recent training event where this had been raised and advised that there would be a training session later in the meeting on this matter.

The Committee was informed that the risk score of the COVID 19 Impact on Pensions' Administration had been reduced from 5 to 3. It was reported why the score was 5 at the outset of the pandemic and that it had been reduced to 3 as business continuity plans had been tested during the pandemic and there were clear processes to ensure that payments could continue to be made if there were staff shortages.

The Group Finance Manager - Pensions Investments and Insurance was pleased to report that Local Pensions Partnership (LPPA) Performance had continued to exceed 99% against of an SLA target of 95% during the pandemic. Officers in the Fund continued to scrutinise performance to ensure that any impact on scheme members was minimised.

Members were informed that a key timeframe for scheme members was the time it took to put them into a pension. The Group Finance Manager - Pensions Investments and Insurance stated that due to queries raised in Cumbria Pensions Committee, LPPA was now reporting to the Fund the average time to put a member into a pension. The figures for this were drawn to members' attention as were the figures for the number of cases where it took over 100 days to complete a scheme member being put into a pension and that these were often due to reasons outside the control of LPPA.

The technical constraints which would be encountered by LPPA following changes to the Exit Payment Cap legislation were noted, with members being advised that some payments may have to be undertaken manually whilst software providers sought to update their products to account for the new legislation. Officers had explored the impact of this on performance and early warning was given to members that this could affect performance in the next quarter, although LPPA had committed to continuing to meet the SLA performance standards. Members would be kept informed about this.

The value of the Fund had only reduced by a small amount over the quarter and long term performance remained above the benchmark. Members were informed that the external audit of the Cumbria Local Government Pension Scheme accounts was now complete. Auditors had provided an unqualified opinion and there were no material adjustments. There were no recommendations for the future. This was a positive position for the Fund.

Officers were waiting for a response from MHCLG on the Fund's response to the consultation on the proposals of the proposed resolution for the LGPS to the McCloud age discrimination case. Further information on this would be provided in due course.

The Chair asked whether scheme members received information about the Fund. The Group Finance Manager - Pensions, Investments and Insurance confirmed they did and talked about the contents of the newsletter. It was sent out on an annual basis with the newsletters matching the three different types of members, Active, Deferred and Pensioner.

A member asked about the security of the information held by LPPA. Whether the County Council also held the data and whether data was safe from being corrupted or deleted. Officers were asked to ensure the Administrator had secure data controls. The Group Finance Manager - Pensions, Investments and Insurance concurred that cyber security was a concern and reassured Committee that LPPA held data on two separate sites and was updated daily. It was noted that it was

difficult to ensure 100% data security but clear disaster recovery protocols were in place.

A member referred to the voting system used for the re-election of Directors at Constellation Brands Inc. He asked if shareholders had concerns over the independence of one of the Directors, whether it was possible for shareholders to join together to propose an alternative candidate for election to the Board. The Group Finance Manager - Pensions, Investments and Insurance undertook to provide a written response to this question after the meeting.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. As there was no dissent, it was,

RESOLVED that,

- (1) The performance and monitoring of the Fund for the period 1 July 2020 to 30 September 2020 be received and noted.
- (2) The issues arising relating to the governance of the Fund be noted.
- (3) The Group Finance Manager - Pensions, Investments and Insurance provide a written response to Councillor S Collins on the query relating to voting and the re-election of Directors at Constellation Brands Inc.

## **129 HALF-YEAR UPDATE OF THE PENSION FUND BUSINESS PLAN AND ADMINISTRATION BUDGET 2020/21**

A report was considered from the Director of Finance (S151 Officer) regarding the half year update of the Pension Fund Business Plan and Administration Budget 2020/21. The report advised of the progress towards the delivery of the 2020/21 Business Plan and the projected 2020/21 budget outturn for the Cumbria LGPS including variances against budget. Good progress was being made with regard to completion of the approved business plan with all actions being either completed or on target for completion. The approved budget for administering the Cumbria LGPS in 2020/21 was £6.037m and as at 30 September 2020 the projected 2020/21 outturn for the service was £5.682m.

The Senior Manager - Pensions and Financial Services was pleased to report that good progress had been made against the Business Plan which had been approved in March 2020. All actions were on target or had been completed.

The Senior Manager - Pensions and Financial Services noted that the markets had behaved differently this year compared to previous years due to the COVID 19 pandemic. Members were advised that work on improving the data held within the Fund had been scaled back whilst remaining focussed on the priorities of the Pensions Regulator but this would be increased again in 2021. The impacts of the COVID 19 pandemic on the Fund and investments were highlighted. The draw on resources required to deal with changes to regulations and providing responses to a number of Consultations was reported.

In terms of the budget, there would be an overall underspend. This was due to lower than budgeted investment management fees and staff vacancies within the Pensions Team. Members were informed about staffing levels and officer recruitment in the Team and were advised that staffing levels would be monitored. A detailed explanation was provided for the forecasted Administration, Investment Management and Oversight and Governance budgets.

A member asked how the underspend compared with previous years and had any lessons been learned that could be applied to future budget planning. The Senior Manager - Pensions and Financial Services explained that investment manager fees fluctuated as they were predominantly driven by asset values and markets behaved differently each year thus impacting on the budget which would be set at the beginning of each year. Staffing levels had an impact on the budget this year. The budget included an estimate of the cost of external Legal advice to be received during the year and therefore there was often variability between budget and year end position as legislation changes did have an impact on how much legal advice was required. It was highlighted that there were a number of challenges to be taken into consideration when setting the budget.

It was raised by a member that 2020 had been an unusual year due to the COVID 19 pandemic and some changes made during the year may carry on into future years. He highlighted that for the next several years the global economy would be continually evolving.

The Chair asked about some complex consultations that officers had had to respond to during the year. The Senior Manager - Pensions and Financial Services commented that there had been a lot of change in the Pensions regulatory environment. This was expected to continue and how extensive they would be to respond to was unknown at present.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. As there was no dissent, it was,

RESOLVED that,

- (1) Progress against the approved Business Plan be noted;
- (2) The 2020/21 half year projected outturn position against budget for the Cumbria LGPS and forecast underspend of £0.355m (5.9% of the approved budget) be noted.

### **130 TRAINING SESSION - EXIT PAYMENTS CAP**

The Director of Finance (S151 Officer) introduced the presentation on Exit Payment Reforms and provided the context for the presentation for members.

The Group Finance Manager - Pensions Investments and Insurance guided the Committee through the presentation which covered the following:



- Current LGPS Exit Payment and Compensation Regulations
- Current LGPS Regulations
- Exit Payment Cap
- Impact on LGPS Scheme Members
- The Exit Cap Conundrum
- Waivers to the Exit Cap
- Challenges to managing incompatible legislation
- Support by other parties
- Factors to consider
- Mitigating the risk
- Agreed action
- LGPS Exit Payment Reforms
- Proposed LGPS reforms
- Proposed LGPS Regulations
- Next steps

Following the detailed presentation, members were invited to ask questions.

A member referred to the challenges of managing incompatible legislation and the difficulty for scheme members to decide what to do in future. In relation to waivers in the Exit Cap legislation, he asked whether if there was a change to the County Council's Constitution, could the waivers be delegated to Cumbria Pensions Committee or Chief Officers Panel. He highlighted that as part of the next steps, there may be a requirement for governance work to be undertaken to ensure that the Council's Constitution did not need to be amended in light of the new legislation changes. This was acknowledged by the Group Finance Manager - Pensions Investments and Insurance and he confirmed that legal advice would need to be obtained from the Monitoring Officer on whether waivers could be a delegated decision. Members would be informed of this advice in due course.

The Group Finance Manager - Pensions Investments and Insurance was asked why pensions should be reduced by the amount of statutory redundancy pay as he considered that they were two separate things. The Group Finance Manager - Pensions Investments and Insurance acknowledged this was a new legislative requirement, adding that this issue had been raised by and included in the LPPA, LGA and a number of Fund's responses to MHCLG.

A member referred to the conflicting legislation between the Treasury and MHCLG regulations stating it was an unsatisfactory situation. He understood it would be resolved within a year but asked if the number of people the legislation affected over the next year could be reported to the Committee in the Monitoring report (including how many people were affected, what was the scale of the money involved and a RAG report to ascertain how likely the Fund would become involved in litigation as a result of the legislation changes) so members could be made aware of how serious the situation was.

The Group Finance Manager - Pensions, Investments and Insurance stated that legislation was expected in early 2021 with a six months transitional period which would then give an indication of the number of people who were affected by the legislation.

The Group Finance Manager - Pensions Investments and Insurance was thanked for his very informative presentation.

RESOLVED that,

- (1) The position be noted.
- (2) Legal advice from the Monitoring Officer regarding whether a waiver could be a delegated decision be circulated to the Committee in due course.

### **131 PUBLIC SECTOR EXIT PAYMENT CAP AND THE REFORM OF LOCAL GOVERNMENT EXIT PAY**

A report was considered from the Director of Finance (S151 Officer) regarding the Public Sector Exit Payment Cap and the reform of Local Government Exit Pay. The report advised that on 4 November 2020 The Restriction of Public Sector Exit Payments Regulations 2020 came into effect placing a cap on the amount that public sector employers could pay for employees leaving employment (including through redundancy or business efficiency) to £95,000.

The report provided details of the Exit Payment Cap legislation; the arrangements within the Fund to manage any cases arising due to the incompatible legislation; and proposed amendments to LGPS Regulations to comply with the Exit Payment Cap legislation and further reform exit payments.

The Group Finance Manager - Pensions, Investments and Insurance explained that the report was connected with the presentation he had just given. Members were invited to ask questions.

A member asked if there was scope for the Fund to work with other Pension Authorities as they worked in similar ways. Should a claim be launched and there was a common interest, all Funds could contribute to fighting one claim. The Group Finance Manager - Pensions, Investments and Insurance talked about recent pension transfer issues and joint Fund learning on this issue. He was sure that Funds would look to collaborate in future.

A member referred to the issue he raised at the end of the training session (Minute 13) regarding reporting the number of people affected by legislation changes to the Committee. The Group Finance Manager - Pensions, Investments and Insurance advised that the information would be incorporated into the Monitoring Report at future meetings and would be considered in Part 2.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. As there was no dissent, it was,

RESOLVED that,

- (1) The implications for the LGPS of the Exit Payment Cap legislation and proposed amendments to LGPS Regulations to reform exit pay be noted;
- (2) The transitional arrangements agreed for Cumbria LGPS scheme members where exit payments exceed £95,000 until such time as amendments to LGPS Regulations come into effect be noted;
- (3) The amendment to the method for calculating the pension strain cost for employers affected by the Exit Payment Cap legislation be noted.

### **132 PART TWO APPENDIX TO HALF YEAR UPDATE OF THE PENSIONS ADMINISTRATION BUDGET 2020/21 AND BUSINESS PLAN**

A report from the Director of Finance (S151 officer) regarding the 2020/21 Projected Outturn for the Administration of the Cumbria LGPS as at 30 September 2020 was considered.

RESOLVED, that the position be noted.

### **133 MONITORING REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 - PART 2**

A report was considered from the Director of Finance (S151 Officer) regarding the Monitoring Report for the Quarter Ended 30 September 2020. The report advised on matters that were considered to be Part 2 (due to the inclusion of exempt information relating to commercially sensitive matters of third parties including employers in the Fund, tax recovery cases, class actions and fraud cases), and therefore excluded from public disclosure, arising during the quarter ending 30 September 2020. It was noted these matters were generally in regard to either governance or employer issues.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. As there was no dissent, it was,

RESOLVED that,

- (1) The quarterly monitoring Part 2 items of the Fund for the period to 30<sup>th</sup> September 2020 be received and noted;
- (2) The changes to the Border to Coast Pensions Partnership Ltd (BCPP) Responsible Investment Policy and Corporate Governance & Voting Guidelines which continued to be aligned with the underlying principles of the Fund's Investment Strategy Statement be noted.

### **134 VERBAL UPDATE - EMERGING ISSUES**

Members received a verbal update from the Senior Manager - Pensions and Financial Services on a number of emerging issues.

RESOLVED that, the position be noted.

### **135 CUMBRIA LGPS INVESTMENT SUB GROUP ACTIVITY REPORT TO NOVEMBER 2020**

A report was considered from the Director of Finance (S151 Officer) regarding the Cumbria LGPS Investment Sub Group Activity Report to November 2020. The report outlined activities of the Investment Sub Group (ISG) meetings on 14 October 2020 (special meeting) and 26 November 2020, including any decisions made by the Section 151 Officer and the proposed future work schedule in respect of the Investment Sub Group.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. As there was no dissent, it was,

RESOLVED, that

- (1) Work is to be undertaken over the coming 3 to 6 months with both the Investment Consultant and the Actuary to re-consider (in the light of ongoing market conditions) the potential implications on the expected return for the Fund versus the Actuary's assumptions be noted and the outcomes would be reported at Committee after its completion;
- (2) The progress of the Investment Sub Group from September 2020 to 26 November 2020 be noted;
- (3) The performance of the Fund over the quarter be noted; and
- (4) The proposed work programme of the Investment Sub Group for the next reporting period (including the anticipated consideration of an investment recommendation in the Border to Coast Multi-Asset Credit sub-fund at the January ISG meeting) be agreed.

### **136 CLOSING COMMENTS**

The Chair thanked all in attendance for their contributions to the meeting.

The meeting ended at 12.45 pm