

CUMBRIA PENSIONS COMMITTEE

Minutes of a Meeting of the Cumbria Pensions Committee held on Tuesday, 21 September 2021 at 9.30 am at Cumbria House, Botchergate, Carlisle, CA1 1RD

PRESENT:

Mr MH Worth (Chair)

County Councillors

Mr SB Collins	Mr CP Turner
Dr S Haraldsen	Mr CJ Whiteside
Mr NH Marriner (Vice-Chair)	Mr M Wilson
Mr P Thornton	

Also in Attendance:-

Ms C Scott	- Investment Advisor
Mr A Sutherland	- Investment Advisor
Ms A Clark	- Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions)
Mrs L Davis	- Democratic Services Officer
Ms P Duke	- 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 & Treasury
Ms L Taylor	- Finance Manager - Pensions Investments and Governance

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

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Ms T Barber and Mr J Keith.

2 TERMS OF REFERENCE AND MEMBERSHIP

The Committee's Terms of Reference and membership were noted.

3 DISCLOSURES OF INTEREST

There were no disclosures of interest made at the meeting.

4 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:-

Item 13 – Border to Coast Pensions Partnership Ltd (BCPP) Shareholder Resolution on Budget for the Build of BCPP Real Estate Capability

Item 14 – Monitoring Report for the Quarter Ended 30 June 2021 – Part 2

Item 15 – Cumbria LGPS Investment Sub Group Activity Report to September 2021

Item 16 – Verbal Update – Emerging Issues

Item 17 – Closing Comments.

5 MINUTES

RESOLVED, that, the minutes of the meeting held on 8 June 2021 be approved as a correct record.

6 REPRESENTATION FROM NON COUNTY COUNCIL EMPLOYERS AND DISTRICT COUNCILS

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

7 SCHEDULE OF FUTURE MEETINGS

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

8 VERBAL UPDATE OF THE INFORMAL BCPP JOINT COMMITTEE MEETING HELD ON 13 JULY 2021

The Committee received a verbal update of the informal BCPP Joint Committee meeting held on 13 July 2021.

The Chair advised that the meeting had been held virtually and the various funds were operating above and below target. Elections had been held to appoint a Chair and Vice Chair of the Joint Committee and the NED. The Chair reported that at the

AGM all resolutions had been passed unanimously and the issue of Executive Director remuneration had been resolved.

RESOLVED, that the position be noted.

9 UPDATE FROM THE CUMBRIA LGPS LOCAL PENSION BOARD

A report was considered from the Director of Finance (S151 Officer) which gave an update from the Cumbria LGPS Pension Board. The report summarised matters discussed by, issues arising from and any recommendations made by the Cumbria LGPS Local Pensions Board at its recent quarterly meeting held on 1 July 2021.

Ms K Thomson presented the report on behalf of the Chair of the LGPS Pension Board and advised on the Training Policy Plan and the Local Pension Board (LPB) Annual Report. The recommendation that the LPB monitor the Fund's response to ensure the Fund complies with amendments to the regulatory requirements from the Good Governance Review and report back to this Committee was highlighted. Ms Thomson, on behalf of the Board, commended the excellent quality of training received.

The Chair thanked the Senior Manager – Pensions and Financial Services for advising on the authority of the Board.

The Chair proposed acceptance of the recommendation, as set out in the report to the Committee.

RESOLVED, that the update from the Cumbria LGPS Local Pension Board be noted.

10 MONITORING REPORT FOR THE QUARTER ENDED 30 JUNE 2021 - PART 1

A report was considered from the Director of Finance (S151 Officer) which was a Monitoring Report for the Quarter Ended 30 June 2021 (Part 1 items). The report advised members of any material risk, administration, investment performance, governance and policy issues of the Fund for the quarter ending 30 June 2021. The report also included a detailed briefing note covering matters which would have been considered at the 8 June 2021 meeting of the Cumbria Pensions Committee. This had been circulated to members and had been included with the report to provide transparency of Pension Fund activities and performance and to evidence that the governance process had been maintained throughout the COVID pandemic during which agendas had been shortened to only deal with essential decisions only.

The Group Finance Manager – Pensions, Investments and Insurance presented the report detailing risk management and highlighted two emerging risks, Local Government Reform (LGR) and Climate Change. The Group Finance Manager – Pensions, Investments and Insurance advised that work was underway to assess how LGR might affect the Cumbria Pension Fund and what actions were required to

ensure that key activities and management of the Fund were unaffected by the changes. The Group Finance Manager – Pensions, Investments and Insurance assured members that they would be kept informed of any development.

The Group Finance Manager – Pensions, Investments and Insurance informed members that recent events had highlighted the potential for climate change to impact on global financial markets and investment assets although the scale and extent was not clear and could be affected by many factors including future regulatory changes. It was recognised therefore that climate change should be acknowledged as an emerging risk. To conclude this section, the Group Finance Manager – Pensions, Investments and Insurance reported that all other risks on the register had been reviewed and no amendments to the scoring had been considered appropriate at this time.

The Group Finance Manager – Pensions, Investments and Insurance reported on the Pensions Administration performance and informed the Committee that the key performance indicators in the quarter had been 96.2% against a target of 95%. Members noted however, there had been experienced challenges which had resulted in only 91% of death cases being dealt with within 10 working days. This however was put into context with the majority of cases taking no more than 12 working days to process. The Group Finance Manager – Pensions, Investments and Insurance was pleased to inform members that the current quarter, dealing with death and retirements, were both back above the 95% target.

With regards to Investment Management, the Group Finance Manager – Pensions, Investments and Insurance reported that the Fund continued to exceed its long term benchmarks with the 10 year performance returning 9.0% per annum compared to the Fund specific benchmark of 8.2%. The Group Finance Manager – Pensions, Investments and Insurance updated members on Oversight and Governance, specifically on special severance pay, the new proposed draft Code of Conduct and the Fund Policy document. The Fund Policy document had been amended to improve the flexibilities available to administering authorities in their dealings with scheme employers on several specific matters and was appended to item 11, later on the agenda.

To conclude the report, the Group Finance Manager – Pensions, Investments and Insurance advised that the Pension Ombudsmen had partially upheld a complaint against the Pension Fund, proposing that the Fund pay the complainant £500 to reflect the significant distress and inconvenience caused.

In answer to a member's question on performance and the delay in processing death cases, the Group Finance Manager – Pensions, Investments and Insurance advised of no considerable increase of deaths in service over the course of the pandemic.

A member in discussion of the emerging climate change risk, asked if consideration had been given to green investments. The Chair said they would be considered as long as a financial return was ensured.

A discussion took place around the emerging LGR risk and where the responsibilities of the administration and hosting of the Fund would lie. The Director of Finance said that the LGR process was in the early stages, with a business case being developed which would consider the future governance arrangements for the Fund.

A member made a comment regarding the seriousness of cyber security and questioned the split voting that had taken place at the Royal Dutch Shell AGM. The Senior Manager – Pensions and Financial Services reported that split voting was very rare but may become more prevalent.

In answer to a question on the high level of risk for the pensions administration processes when a high target performance was being maintained, the officer advised that whenever a review of this took place, events such as Covid and a dip in performance had prevented the risk being lowered.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee.

RESOLVED, that:-

- (1) the Committee receives and notes the performance and monitoring of the Fund for the period from 1 April 2021 to 30 June 2021;
- (2) notes issues arising relating to the governance of the Fund; and
- (3) approves amendments to the Fund Policy Document, specifically:
 - the Admission and & Termination Policy and the Funding Strategy Statement associated with increased flexibilities relating to dealings with employers in the scheme; and
 - the Discretions Policy.

11 DRAFT ANNUAL REPORT AND ACCOUNTS 2020/21

A report was considered from the Director of Finance (S151 Officer) which presented the Draft Annual Report and Accounts for 2020/2021. The report provided an overview of key proposed changes to the Annual Report document, including the presentation of the Fund's Policy document and amendments to the Fund's draft Stewardship Code Report. It also recommended that the Committee approve the 2020/21 Annual Report of the Cumbria Pension Fund for publication on the Pension Fund's website before 1 December 2021, subject to the inclusion of the final audited accounts and any final presentational amendments.

Appendix 1 to the report, Grant Thornton 2020/21 Draft Audit Findings Report had been published online and circulated to members after the main Agenda had been published online and circulated to members.

The Finance Manager – Pensions, Investments and Governance presented the report, drawing members' attention to the main amendments to the Fund Policy document and to the inclusion of a new Stewardship report which was attached as Appendix B to the Annual Report.

The Vice Chair questioned why the auditors had raised a point about the later valuation of certain funds for an immaterial value, and asked officers to raise this with them in due course.

The Chair proposed acceptance of the recommendation as set out in the report to the Committee.

RESOLVED, that, the Committee approves for publication, (subject to the inclusion of the final audited accounts and any final presentational amendments) the Cumbria LGPS Annual Report and Accounts 2020/21.

12 GOOD GOVERNANCE

A report was considered from the Director of Finance (S151 Officer) regarding Good Governance. The report advised that in February 2021, the Scheme Advisory Board published the final Phase III report on Good Governance in the LGPS. The report made a number of recommendations to improve governance within Funds and across the LGPS. The report summarised the recommendations within the Review and set out the how the Fund proposed (subject to approval by Pensions Committee) to implement some of the recommendations ahead of the production of revised Regulations or statutory guidance in order to further enhance governance within the Fund.

The Group Finance Manager – Pensions, Investments and Insurance presented the report and advised members that officers had considered each of the recommendations made by the SAB, checked whether the Fund already complied with these and where additional work was required. The details of the work undertaken were appended to the report (Appendix 2) and the Group Finance Manager – Pensions, Investments and Insurance drew out key points for members' consideration.

Members raised questions on the proposed Conflicts of Interest Policy and Independent Governance Review. Examples of conflicts of interest were given at the meeting. The Director of Finance said that, although a Peer Review involved a lot of work, it was a good benchmarking tool and could produce positive results.

The Chair proposed acceptance of the recommendation as set out in the report to the Committee.

RESOLVED, that

- (1) the actions to be taken to address the findings of the Good Governance Review prior to the implementation of statutory guidance by MHCLG be noted;
- (2) the Local Pension Board be requested to monitor the Fund's response to the Good Governance Review to help ensure the Fund complies with any amendments to the regulatory requirements for the LGPS arising from the Good Governance Review and report back on this to the Cumbria Pensions Committee.

13 BORDER TO COAST PENSIONS PARTNERSHIP LTD (BCPP) - SHAREHOLDER RESOLUTION ON BUDGET FOR THE BUILD OF BCPP REAL ESTATE CAPABILITY

A report was considered from the Director of Finance (S151 Officer) regarding the Border to Coast Pensions Partnership Ltd (BCPP) - Shareholder Resolution on a Budget for the Build of BCPP Real Estate Capability. The report advised that BCPP was seeking approval from partner funds for approval of a budget to develop Real Estate capability within the BCPP.

The Director of Finance and the Senior Manager – Pensions and Financial Services presented the background to BCPP seeking approval for the budget and presented the rationale for the recommendation to members. The Business Case and options for the Committee were presented and the Senior Manager – Pensions and Financial Services offered her carefully considered recommendation to members.

Members gave careful consideration to the recommendation with one member expressing concern and requesting that further information be obtained before approval was given. Members noted the complexity of the work. The Investment Advisers spoke in support of the officers' recommendation.

The Chair proposed acceptance of the recommendation as set out in the report to the Committee and it was

RESOLVED, that the Committee supports the Chair of the Pensions Committee, in his capacity as the Council's Shareholder representative for the Company, to authorise the vote to approve the Shareholder Resolution for budget of £5.5m (i.e. £0.5m per partner fund including Cumbria) for the remaining phases of the build of the BCPP Real Estate capability.

14 MONITORING REPORT FOR THE QUARTER ENDED 30 JUNE 2021 - PART 2

A report was considered from the Director of Finance (S151 Officer) regarding the Monitoring Report for the Quarter ended 30 June 2021. The report advised Members of any 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 June 2021. The matters were generally in regard to either governance or employer issues.

The report also included a detailed briefing note covering matters which would have been considered at the 8 June 2021 meeting of the Cumbria Pensions Committee. This had been circulated to members and included with the report to evidence that the governance process had been maintained throughout the COVID pandemic during which agendas had been shortened to only deal with essential decisions only.

The Finance Manager - Pensions presented the report detailing Employer Issues (Pension contributions, Employer Data Provision, other employer issues and Additional Voluntary Contributions), New Admissions and Pension Ombudsman Determination. Information was also provided on Oversight and Governance.

The Chair proposed acceptance of the recommendation as set out in the report to the Committee.

RESOLVED, that the Committee receives and notes the quarterly monitoring Part 2 items of the Fund for the period to 30 June 2021.

15 CUMBRIA LGPS INVESTMENT SUB GROUP ACTIVITY REPORT TO SEPTEMBER 2021

A report was considered from the Director of Finance (S151 Officer) which pertained to the Cumbria LGPS Investment Sub Group Activity Report to September 2021. The report outlined the activity of the Investment Sub Group (ISG) meeting on 8 September 2021 and included decisions made by the Section 151 Officer (none this quarter) and the proposed future work schedule in respect of the ISG.

The report was presented by the Finance Manager – Pensions and Treasury and covered Current Asset Allocation, Target Investment Strategy, Performance Monitoring and Private Equity.

In answer to a member's question, the officer gave a breakdown of available cash and invested cash reserves.

The Chair proposed acceptance of the recommendation as set out in the report to the Committee.

RESOLVED, that

- (1) the progress of the Investment Sub Group from June 2021 to September 2021 be noted;
- (2) the performance of the Fund over the quarter be noted; and
- (3) the proposed work programme of the Investment Sub Group for the next reporting period be agreed.

16 VERBAL UPDATE - EMERGING ISSUES

The Senior Manager - Pensions and Financial Services gave a verbal update on the Cumbria Pension Forum and encouraged members to attend the next Forum meeting to be held in November at Penrith Rugby Club.

The Chair gave a verbal update on an informal meeting of the BCPP Joint Committee that he had attended to discuss BCPP's draft Climate Change Policy. The Chair expressed his disappointment that insufficient time had been allowed at that meeting to discuss the proposed red lines and exclusions which had been recommended for inclusion in the company's policy. Further to this meeting, the Chair had emailed his concerns and met with officers from BCPP and now felt the wording in the company's policy was more acceptable.

17 CLOSING COMMENTS

The Chair thanked members and officers for their attendance.

The meeting ended at 12.20 pm