

CUMBRIA PENSIONS COMMITTEE

Minutes of a Meeting of the Cumbria Pensions Committee held on Tuesday, 14 March 2023 at 9.31 am at Conference Room A/B, Cumbria House, Botchergate, Carlisle, CA1 1RD

PRESENT:

Mr MH Worth (Chair)

County Councillors

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

District Council Representative

Mr J Mallinson

Employee Representatives

Ms J Wear

Other Representatives:-

-

Also in Attendance:-

Mr B Swarup	- Independent Advisor
Ms C Scott	- Investment Advisor
Ms A Clark	- Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions)
Mr P George	- Group Finance Manager - Pensions, Investments and Insurance
Ms A McGuinness	- Finance Manager - Pensions Administration
Ms D Purvis	- Finance Manager - Pensions & Treasury
Ms A Marsh	- Technical Finance Officer - Pensions
Ms L Taylor	- Finance Manager - Pensions Investments and Governance
Mr A Farrar	- Democratic Services Officer
Mr I Sandiford	- Border to Coast Pensions Partnership Ltd
Ms J Wilson	- Border to Coast Pensions Partnership Ltd
Mrs D Burnet	- Chair of the LGPS Local Pension Board

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

The Chair noted that the papers were published one day late (due to problems with the technology) but that due to special circumstances the items should be considered at the meeting as a matter of urgency.

1 ROLL CALL AND APOLOGIES FOR ABSENCE

Apologies for absence were received from Dr S Haraldsen.

2 TERMS OF REFERENCE AND MEMBERSHIP

It was noted there were no changes to the Terms of Reference or membership of the Committee.

3 DISCLOSURES OF INTEREST

There were no disclosures of interest on this occasion.

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:-

Agenda Item 13 - Draft Pensions Fund Business Plan & Administration Budget 2023/24

Agenda Item 14 - BCPP Budget & Strategic Plan and related Shareholder Resolution(s)

Agenda Item 15 - Monitoring Report for the Quarter ended 31 December 2022

Agenda Item 16 - BCPP Series 2b Private Markets

Agenda Item 17 – Cumbria LGPS Investment Sub Group Activity Report to March

Agenda Item 18 - Verbal Update - Emerging Issues.

5 MINUTES

RESOLVED, that the minutes of the meeting held on 13 December 2022 be approved as a correct record and signed by the Chair.

6 REPRESENTATION FROM NON COUNTY COUNCIL EMPLOYERS AND DISTRICT COUNCILS

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

7 SCHEDULE OF FUTURE MEETINGS

It was noted that this was the last meeting of the Committee with Cumbria County Council as the Administering Authority of the Fund.

8 MINUTES OF THE BCPP JOINT COMMITTEE ON 30 NOVEMBER 2022

The minutes of the Border to Coast Pension Partnership (BCPP) meeting on 30 November 2022 were presented to the Committee.

RESOLVED, that the minutes of the BCPP meeting held on 30 November 2022 be noted.

9 UPDATE FROM CUMBRIA LOCAL PENSIONS BOARD

The Committee considered from the Interim Director of Finance (S151 Officer) which 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 17 January 2023.

Members noted that the report detailed information regarding Committee Papers, Risk Register, CLPB Work Plan, Data Quality, LPPA Performance, Employer Performance and Consultations.

The Chair of Cumbria Local Pension Board indicated she would be standing down from the role in June 2023. She thanked the Committee Members and the Chair for their support of the Board and for their management the Fund.

The Chair noted the work done by the Cumbria Local Pension Board and thanked them for their hard work.

RESOLVED, that the update be noted.

10 FUND POLICY DOCUMENT ANNUAL REVIEW

Members considered a report by the Interim Director of Finance (S151 Officer) regarding the Fund Policy Document Annual Review and the proposed changes to existing policies (last published in November 2022) to reflect current circumstances and regulation changes in 2022/23.

The Committee was advised that it was a regulatory requirement that Fund Policy documents were kept up to date. Officers explained that in addition to updates when required throughout the year, it was good practice for the Pensions Committee to formally review all aspects of management and governance of the Cumbria Local Government Pension Scheme (LGPS) at least annually.

Members noted that due to Local Government Reorganisation (LGR) in Cumbria, the seven current councils covering Cumbria would be replaced by two new unitary councils from 1 April 2023 – Westmorland & Furness Council and Cumberland Council. It was explained that the current Administering Authority, Cumbria County Council, would cease to exist after 31 March 2023 and that Westmorland & Furness Council would become the Administering Authority of the Cumbria Pension Fund from 1 April 2023.

The Committee was informed that the Fund Policy Document had been updated throughout to reflect the name and governance arrangements detailed within Westmorland and Furness Council's newly approved Constitution. It was explained that the document would become effective from 1 April 2023 with the existing Fund Policy document remaining in place until 31 March 2023.

Members were advised of the substantive changes to policies in the Fund Policy Document prior to this general review whilst noting that these had been approved by the Cumbria Pensions Committee in September 2022.

The Committee was also informed of a number of further changes which had been identified as appropriate and were proposed for approval.

RESOLVED, that

- (1) the changes to the Introduction and Governance Policy Statements related to the new Constitution of Westmorland and Furness be approved;
- (2) the changes to the Administration Strategy and Communications Policy, related to the changes in terminology used by Local Pensions Partnership Administration (LPPA) be approved;
- (3) it be noted that the Fund's Stewardship Report 2021/22 has been assessed by the Financial Reporting Council (FRC) as meeting the requirements of the FRC's UK Stewardship Code 2020;
- (4) the changes to the Investment Strategy Statement be approved;
- (5) the updated Training Policy and 2023/24 Training Plan be approved;
- (6) the other minor amendments made throughout the Fund Policy Document be noted and approved.

11 MONITORING REPORT FOR THE QUARTER ENDED 31 DECEMBER 2022 (PART 1)

The Committee received a report from the Interim Director of Finance (S151 Officer) which advised members of any material risk, administration, investment performance, governance, and policy issues of the Fund for the quarter ending 31 December 2022. It also identified any current governance issues and national regulatory changes and outlined the performance of the whole portfolio and estimated change of liabilities over the quarter to 31 December 2022.

The Group Finance Manager – Pensions, Investments and Insurance presented the report. No risks had been added or removed, however the scores and narrative had

been reviewed throughout which had resulted in the risk associated with Pensions Administration processes being increased to reflect the performance levels that are currently being delivered by Local Pensions Partnership Administration (LPPA).

The Group Finance Manager – Pensions, Investments and Insurance indicated that whilst the performance of LPPA had improved since last quarter, performance was still not back to the levels the Fund has previously been accustomed to. Officers have introduced enhanced performance monitoring processes in this area to ensure that LPPA are working towards improving their performance and senior management intervention will be used where required.

In terms of Investment Management, the value of the Fund had decreased marginally and unusually the performance over the quarter had fallen slightly below benchmark. Members were however reminded to focus on the long term performance of the Fund which remains positive over 3, 5 and 10 year periods.

Members received an update on the work of the Fund in preparation for LGR, including the delegation of function to Lancashire County Council for administration services and agreeing and authorising actions required to resolve tax matters relating to the Border to Coast Pensions Partnership Ltd (BCPP) Authorised Contractual Scheme.

A Member commented on a potential tax liability arising from LGR and queried why this was the case as the Fund was changing Administering Authority not selling assets.

The Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions) noted that it was a complex and unique situation relating to tax transparency under different jurisdictions to the UK and that the aim was for the transfer to not have any tax implications.

A Member remarked on Climate Change being included as a risk within the risk register as this was a long term issue for the Fund.

The Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions) noted that the Fund was a long term investor and that there was a need to think ahead and consider all risks now as well as into the future. She also noted that valuations in investment markets were already reflecting investor sentiment in relation to climate risk.

A Member commented that Information Security was very important and noted that it was a red rating in the risk register and asked what the Fund was doing to mitigate this risk.

The Group Finance Manager - Pensions Investments & Insurance noted that it was the highest ranked risk for the Fund. The impact is scored “most severe” because of the sensitivity of the personal data that was held however that the likelihood an incident was mid range at “possible”. The Group Finance Manager - Pensions Investments & Insurance outlined that an external review by Aon had been

undertaken; a Cyber action plan had been developed; and that the Committee had previously requested the Local Pension Board to oversee progress against this.

RESOLVED, that

- (1) the full range of powers including taking all decisions, implementing decisions and acting as the authorised signatory for the Council where it is necessary to ensure the safe transfer of the Cumbria Pension Fund assets and pension administration activities from Cumbria County Council to Westmorland and Furness Council on the 1 April 2023 be delegated to the Senior Manager – Pensions & Financial Services (Deputy Section 151 Officer - LGPS);
- (2) the performance and monitoring of the Fund for the period from 1 October 2022 to 31 December 2022 be received and noted;
- (3) issues arising relating to the governance of the Fund be noted;
- (4) changes to the Border to Coast Pensions Partnership Ltd (BCPP) Responsible Investment Policy, Corporate Governance & Voting Guidelines and Climate Change Policy which continue to be aligned with the underlying principles of the Fund's Investment Strategy Statement be noted.

12 DRAFT PENSIONS FUND BUSINESS PLAN & ADMINISTRATION BUDGET 2023/24 (PART 1)

The Committee considered a report by the Interim Director of Finance (S151 Officer) which advised members of the Draft Business Plan for 2023/24 setting out the Cumbria Local Government Pension Scheme' (the Fund) proposed work plan for the year; and the Draft Budget 2023/24 required to deliver the proposed Business Plan for the.

The Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions) summarised the key areas of the business plan, including to the need to address any issues arising associated with LGR in Cumbria, ensuring that LPPA deliver the levels of service the Fund expects, continuing with preparations for the implementation of McCloud, and ensuring the New Members responsible for the governance of the Fund have appropriate access to training. In addition, the Fund will progress a review of the Investment Strategy following the actuarial valuation sign off. The Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions) indicated that the key driver for the increase in budget of £12.680m to £20.158m was purely a change in the methodology used for budgeting for the investment management fees for Private Market investments.

A Member requested clarification on the £12 million increase in fees detailed in the budget. The Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions) assured Members that this was not an additional cost, but rather was an allocation of a budget for costs that have always been accounted for but had

previously not been budgeted for due to the unpredictable nature of fluctuations in the fees.

Ms Scott remarked that the transparency of investment fees was a national issue. The fees were linked to the size of assets and if the fees increase it can be good news because the value of investments have gone up.

RESOLVED, that

- (1) the draft Business Plan for 2023/24 be approved;
- (2) the draft budget required to administer the Cumbria LGPS of £20.158m for 2023/24 (which has been constructed in support of the activities outlined in the Draft Business Plan) be approved.

PART TWO- ITEMS CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC

13 DRAFT PENSIONS FUND BUSINESS PLAN & ADMINISTRATION BUDGET 2023/24 (PART 2)

The Committee considered a report by the Interim Director of Finance (S151 Officer) which provided details of the Fund's investment management fees budget for 2023/24, which, due to their confidential nature, were not reported publicly.

The Committee discussed aspects of Investment Management fees, acknowledging that cost transparency continues to be important however direct comparisons are often problematic as there are so many variations of investment funds, and therefore it was important to consider the net of fees performance of the investments.

RESOLVED, that the detailed 2023/24 budget for investment management fees as summarised in the 2023/24 Draft Business Plan and Administration Budget report presented in Part 1 be noted.

14 BCPP BUDGET & STRATEGIC PLAN AND RELATED SHAREHOLDER RESOLUTION(S)

Members considered a report by the Interim Director of Finance (S151 Officer) which set out the 2023/24 Operating and Project Implementation budgets for Border to Coast Pensions Partnership Ltd (BCPP) and the BCPP Strategic Plan 2023-26 (which covered the financial years 2023/24 to 2025/26).

The Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions) detailed the areas of the budget that were changing and indicated that the growth in the budget seemed reasonable in light of the increased value of assets under management and the number of investment propositions the Pool was now offering.

RESOLVED, that

- (1) budgets for 2023/24 and Business Plan 2023-26 be noted;
- (2) the Chair of the Pensions Committee be supported in his capacity as the Council's Shareholder representative for the Company, to authorise the vote to approve the BCPP Strategic Business Plan for 2023-26 and the Operating and Project Implementation budgets for 2023/24.

15 MONITORING REPORT FOR THE QUARTER ENDED 31 DECEMBER 2022 (PART 2)

The Committee received a report from the Interim Director of Finance (S151 Officer) which advised of any matters, generally in regard to either governance or employer issues, 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 31 December 2022.

A Member queried the situation regarding the Cumbria Commissioner Fire and Rescue Authority ("CCF&RA"), as LGR progresses. The Finance Manager – Pensions confirmed that Officers had been working with the actuary and the Cumbria Police & Crime Commissioner ahead of the transfer of the CCF&RA from 1 April 2023, to finalise the move to them being a separate employer in the Fund.

RESOLVED, that the quarterly monitoring Part 2 items of the Fund for the period to 31 December 2022 be received and noted.

16 BCPP SERIES 2B PRIVATE MARKETS

Members received a presentation regarding Border to Coast Alternatives Series 2b, including:-

- Team structure and changes;
- Border to Coast Private Markets Programme;
- Cumbria's Private Markets Commitments;
- Private Equity;
- Infrastructure;
- Private Credit.

RESOLVED, that the update be noted.

17 CUMBRIA LGPS INVESTMENT SUB GROUP ACTIVITY REPORT TO MARCH

The Committee received a report from the Interim Director of Finance (S151 Officer) which outlined the activities of the regular quarterly meeting of the Investment Sub Group (ISG) meeting on 27 February 2023, including the proposed future work schedule in respect of the Investment Sub Group.

The Finance Manager - Pensions and Treasury talked Members through the report.

There were no Member questions or comments on this item.

RESOLVED, that

- (1) it be agreed that, in recognition of the impact of exceptional market volatility on its weighting within the portfolio, the minimum of the allocation range for index linked gilts be temporarily decreased to 13% (in place of 14%) and that the Fund's Investment Strategy Statement (ISS) be updated to reflect this temporary decrease. In addition, to note that should the lower end of the range be breached in coming months (ahead of the next Investment Strategy review), that Officers will progress incremental purchases of ILG's in a planned and prudent manner to bring the allocation back within the target range;
- (2) the Deputy Section 151 Officer (Pensions) be approved authority to action the following Investment commitments:
 - (a) £70m to the BCPP Infrastructure fund Series 2b – this would form part of the Fund's 12% long-term target strategic allocation to infrastructure equity (c.£371m at 31 December 2022);
 - (b) £30m to the BCPP Private Equity fund Series 2b – this would form part of the Fund's 7% long-term target strategic allocation to private equity (c.£216m at 31 December 2022); and
 - (c) £200m to the BCPP Private Credit fund Series 2b – this would form part of the Fund's 14% long-term target strategic allocation to private debt (c.£433m at 31 December 2022);
- (3) the activities of the Investment Sub-Group from September to December 2022 be noted;
- (4) the performance of the Fund over the quarter to 31 December 2022 be noted;
- (5) the proposed work programme of the Investment Sub Group for the next reporting period, including supporting the s151 Officer to continue planning and implementation of the changes required to enable the Fund to achieve the Target

Investment Strategy, and also work associated with the development of Border to Coast Pensions Partnership's UK Commercial Property (Real Estate) proposition be agreed.

18 VERBAL UPDATE - EMERGING ISSUES

The Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions) updated the Committee on current emerging issues, including:-

- Border to Coast Regulatory Capital;
- Pensions Dashboard;
- Pensions Information booklet.

The Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions) thanked the Committee for all their hard work and especially the Chair.

19 CLOSING COMMENTS

The Chair commented that due to the hard work of the Committee, Officers and Advisers the fund was 104% funded which was a massive achievement. He noted that it had been a pleasure to Chair due to the Committee and the Officers and was confident the quality of the Officers would ensure the successful transition.

Other Members thanked the Chair for how he had chaired and guided the Committee.

The meeting ended at 12.35 pm