

**BOARD : LOCAL PENSIONS BOARD**  
**DATE : 3 May 2022**  
**TIME : 10am**  
**VENUE : Virtual meeting using Microsoft Teams**

**LOCAL PENSION BOARD MEETING**  
**10.00 – 12.30**  
**AGENDA**

**PART A**

**1. PROCEDURAL MATTERS (Pages 3 – 8)**

The Board will:

- a) Receive the minutes of the meeting on 10 March 2022
- b) Review the Actions Tracker
- c) Consider any Declarations of interest

**2. REVIEW OF PENSION FUND COMMITTEE MINUTES**

To receive the minutes from the Pension Fund Committee meeting which took place on the 11 March 2022 and the Investment Sub-Committee minutes from 11 February 2022.

**3. PENSIONS PROGRAMME UPDATE**

The Board will receive a verbal update on progress with the Funds transformation project.

**4. UPDATE FROM THE SCHEME ADVISORY BOARD (Pages 9 - 12)**

The Board will receive a verbal update following the Scheme Advisory Board meeting outlined below:

<b>Committee</b>	<b>Meeting Date</b>
Scheme Advisory Board	7 March 22

**5. PERFORMANCE MANAGEMENT FRAMEWORK QUARTER 4 – 2021/22 (Pages 13 - 23)**

The Board will receive the Performance Management Framework covering the period 1 January to 31 March 2022 (along with the quarter 3 comparator – 1 October to 31 December 2021).

**6. DATA QUALITY (Pages 24 - 25)**

The Board will be presented with updated data scores for common and scheme specific data along with details of actions the Fund has undertaken to improve the quality of data held.

**7. INVESTMENT STRATEGY STATEMENT AND RI POLICY (Pages 26 - 59)**

The Board will review the recent amendments to the Investment Strategy Statement and Responsible Investment Policy approved by the Pension Fund Committee on 11 March 2022.



**8. LOCAL PENSION BOARD ANNUAL REPORT AND OUTTURN 2021/22 (Pages 60 - 74)**

The Board will receive the forecast outturn against the Local Pension Board Budget and will approve the 2021/22 LPB Annual Report.

**9. COMPLIANCE UPDATE (Pages 75 -76)**

The paper also provides a summary of the Breaches Log for the period 1 April to 31 December 2021.

**10. FEEDBACK FROM EVENTS**

Board members/officers will feedback from recent conferences and seminars attended, including:

- Joint Chairs – Committee and Board Chair’s meeting – 21 March 2022
- LGPS Central – Local Pension Board Meeting – 28 March 2022

**11. REVIEW AND DEVELOP THE WORK PLAN (Page 77)**

The Board will review the plan.

**12. AOB**

The next meeting will take place on 31 May 2022 (to review the production of the Statement of Accounts/Annual Report)

Other meeting dates in 2022 are:

- 19 July
- 8 October



## MINUTES OF LOCAL PENSION BOARD – 10 March 2022

### PRESENT

**Board Members:** Peter Raynes (Chair),  
Cllr Robert Bisset (Employer Representative, CW&C)  
Geoff Wright (Member representative, Unison),  
Neil Harvey (Member representative, GMB)  
Adrienne Laing (Employer representative, The Challenge  
Academy Trust)

**CW&C Officers:** Heidi Catherall, Dan Harte, Aaron Austin and Nigel Dorrington

### 1. PROCEDURAL MATTERS

- 1.1 No declarations of interest were received.
- 1.2 The Board reviewed the minutes from the last meeting on 5 October 2021 having previously approved them by email.
- 1.3 The Board also reviewed the minutes from the Pensions Consultative Forum meeting which took place on 4 February 2022.
- 1.4 The action tracker was reviewed, and the contents noted. One of these actions was for Board members to receive training on how the Fund applies its own and employer discretionary policies in administering scheme benefits. Officers are developing a training session which can be delivered to both Board and Committee members.
- 1.5 The Board were also advised that the Fund will be seeking ways to improve the retirement process for members as part of the rollout of Member Self-Serve. This will eventually allow members to retire online.
- 1.6 Board members were reminded to invite interested parties to future meetings. The aged debt issue was discussed under item five.

### 2. REVIEW OF PENSION FUND AND INVESTMENT SUB COMMITTEE MINUTES

- 2.1 The Board reviewed the minutes from the Pension Fund Committee meeting held on 3 December 2021 and the minutes from the Investment Sub Committee held on 12 November 2021.

**RESOLVED that the Board:** Noted the minutes of the Pension Fund Committee and Investment Sub Committee meetings.

### 3. PENSIONS PROGRAMME

- 3.1 The Board received a verbal update on the pension change programme.



- 3.2 The Board noted that circa 80 percent of employers were now onboarded onto the Monthly Interfacing data reporting system and that the Fund aims to onboard the remaining employers as soon as possible.
- 3.3 New Workstreams 6 and 7 have been added, focussing on the development of the administration database including a move to a cloud hosted solution and the introduction of online member self-serve facility which will be available later this year.
- 3.4 Board members will be kept informed of progress in meeting the programme aims.

#### **4. UPDATE FROM THE SCHEME ADVISORY BOARD**

- 4.1 Board members noted the agendas from recent SAB meetings and of its Sub Committees which had taken place in the past 3 months.
- 4.2 Officers produced a summary of many topics covered at the meetings and highlighted a couple of areas.

#### **5. PERFORMANCE MANAGEMENT FRAMEWORK Qtr 3 – 2021/22**

- 5.1 The Board reviewed the Performance Management Framework (PMF) for quarter 3 (October to December 2021), which contained updates on key areas of performance and comparator information from previous quarters.
- 5.2 Board members noted the continued red rating on administration casework with backlogs exceeding 10% of membership. As briefed to the Board previously this position will continue in the medium term whilst the pension team continues to resolve old casework and implement the developments outlined in the pensions programme.
- 5.3 At the last meeting the Board also noted the red rating on aged debt. Despite the red rating there are no concerns about the ability to recover outstanding debt to the pension fund which led the Board to consider whether the rag rating rules needed to be amended.
- 5.4 Officers investigated the average payment terms of invoices and identified that the majority of invoices are settled within 90 days, not 30 as currently included in the framework. Board members requested that officers amend the rating on aged debt to 90 days.
- 5.5 The Board also reviewed the 5 year rolling plan of casework processes which will be undertaken by Internal Audit.
- 5.6 The Board received two direct submissions from members during the quarter on the topics of pooling and Local Pension Board membership.



## 6. DATA QUALITY

- 6.1 The Board received the updated TPR Data Scores produced as at 28 February 2022.
- 6.2 The scores for February were provided alongside the scores submitted for the previous three years for the Pensions Regulators scheme return.
- 6.3 Board members noted the scores had remained consistent to previous years.

	TPR Scheme Return			Latest Scores
	1-Sep-18	1-Sep-19	25-Sep-20	28-Feb-22
Common Data	98.10%	98.07%	98.73%	98.88%
Scheme Specific Data	68.80%	74.18%	74.01%	81.08%

- 6.4 The data scores were again produced using the local foundation report.
- 6.5 The Board were reminded that the Fund is continuing to work with its database provider to move to the new TPR measurement report which will provide the scores directly from the database.
- 6.6 Work continues with the database provider to resolve the data validation issues that arise when the report is run and which undermine its use. An initial workshop has taken place to discuss the results which are being produced by the report and a number of actions have been identified to resolve these anomalies.
- 6.7 Board members also received an update on the steps taken by the Fund to manage cyber security risks.

**RESOLVED that the Board noted** the position on the common and scheme specific data scores and the position on cyber security.

## 7. LOCAL PENSION BOARD ANNUAL REPORT AND OUTTURN – 2021-22

- 7.1 Board members reviewed the format and content of the 2020-21 LPB Annual Report and outlined content that they would like to see included in the 2021-22 report.
- 7.2 Officers will draft the 2021-22 report and send to Board members for comment via email. The final version of the LPB Annual Report will be approved at the next meeting on 3 May.
- 7.3 The Board also reviewed their forecast outturn of c£950 spend against the budget of £5,000. The Board requested that their budget for 2022-23 remain £5,000 to cover training and attendance at seminars/conferences. If any additional expenditure is required by the Board this can be reviewed at the time.

**RESOLVED that:** Officers will produce a draft annual report reflecting the agreed content for Board members to review via email.



## **8. COMPLIANCE UPDATE**

- 8.1 The Board were presented with a summary of the breaches log for the period 1 April to 30 September 2021, noting that 44 breaches had been logged over the period.
- 8.2 The Fund had issued a breach report to the Pensions Regulator advising them that 91% of active and 95% of deferred members received their Annual Benefit Statement (ABS) by the 31 August deadline.
- 8.3 Work has continued to resolve the data issues with active members and a further 6% will receive their ABS by the end of March 2022. The Fund has also commissioned a new contract for tracing services and will be able to locate the remaining lost contact deferred members.

**RESOLVED that:** Board members noted the summary breaches log covering the period 1 April to 30 September 2021.

## **9. FEEDBACK FROM EVENTS**

- 9.1 PR attended the LGPS Central Limited Responsible Investing Summit on 13 October 2021, as well as the LGPS Central Board Chairs meeting on 25 October 2021 and the Pensions Consultative Forum on 4 February 2022.
- 9.2 PR and NH attended the Joint Training on 19 November 2021 and PR and GW attended the Joint training which took place on 25 February 2022.
- 9.3 NH attended the LGPS Governance Conference which took place on 20/21 January 2022.
- 9.4 Board members were reminded about the LGPS Online Learning Academy provided by Hymans Robertson and were encouraged to work through the modules.

**RESOLVED that:**

- Board members will circulate copies of event slides to share knowledge.

## **10. REVIEW OF THE WORK PLAN for 2021/22**

- 10.1 The Board reviewed the work plan for 2021-22.
- 10.2 Board members will revisit the proposed changes to their Terms and Conditions as previously identified in the governance review and will determine when to make those changes.
- 10.3 The Pension Fund Committee will be endorsing change to the Investment Strategy Statement and Responsible Investment Policy at their meeting on 11 March 2022. The policies will be presented to the Board at their meeting on 3 May.



**RESOLVED that:** Officers will update the workplan to capture the actions outlined above.

## 11. AOB

11.1 The next Board meeting will take place on 3 May 2022.

11.2 Dates for future meetings in 2022 were agreed as follows:

- 31 May (to review the production of the Statement of Accounts/Annual Report)
- 12 July
- 18 October



## Cheshire Local Pension Board – Actions Tracker

**May 2022**

Item Number / Date Raised	Topic	Action	Latest Position
Item 1 – Minutes of the Last Meeting 27 October 2020	Attendance of interested parties at future meetings	At the Board meeting in October 2020, members discussed whether there was an opportunity to invite interested parties to observe future meetings with a view to joining when a vacancy arises. The Board requested that this be included within the action tracker.	Board members will invite interested parties to attend future meetings.
Item 5 – Performance Management Framework – 16 February 2021	Retirements	The Board also discussed the issue of retirements and ensuring they are processed in a reasonable timeframe. The Fund has produced retirement guides for both employees and employers which aim to inform the steps that both need to take in the lead up to a retirement. Officers had commenced a project with Cheshire West and Chester Council to identify any areas for improvement in the process. Unfortunately, this project was delayed due to the pandemic.	Officers are assessing options to improve the retirement process for members as part of the IT development roadmap.
Item 1 – review of the 15 September meeting minutes - 5 October 2021	Discretions	Board members would like to receive training on how the Fund applies its own and employer discretionary policies in administering scheme benefits.	Officers are developing a training session which can be delivered to both Board and Committee members



# Scheme Advisory Board

## HYBRID MEETING HELD ON 7<sup>th</sup> MARCH 2022

### AGENDA

1.00pm – 3.00pm, Monday 7<sup>th</sup> March 2022

Victoria Room 8<sup>th</sup> Floor Smith Square and MS Teams

<b>Item</b>		<b>Timings</b>
1	Welcome, apologies and introductions	1.00
2	Meeting protocol and declarations of conflicts of interest	1.05
3	Actions and Agreements from meeting of 13 <sup>th</sup> December 2021 – <b>Paper A (Bob)</b>	1.10
4	Levelling Up White Paper – <b>Paper B (Jeff)</b>	1.30
5	Sharia Compliant Investments – <b>Paper C (Jo)</b>	1.50
6	New Clause 1 – PSPJO Bill – <b>Paper D (Jeff)</b>	2.00
7	SAB/Committee Membership - <b>Paper E (Bob)</b>	2.15
8	SAB Budget, Workplan and Forward Look Update – <b>Paper F (Jo)</b>	2.20
9	Cost Management Committee report - <b>Paper G (Bob)</b>	2.25
10	Investment Committee report - <b>Paper H (Bob)</b>	2.40
11	AOB and date of next meeting	2.55

### Scheme Advisory Board Secretariat

Local Government House, Smith Square, London SW1P 3HZ T 020 7187 7344 E

robert.holloway@local.gov.uk

W www.lgpsboard.org

Levelling Up	<p>On 2<sup>nd</sup> February the government unveiled its Levelling Up White Paper. This describes levelling up as ‘an ambitious set of missions, galvanising action across sectors to improve jobs, incomes, health, skills, transport, pride in place, safety and well-being across the UK’.</p> <p>The published paper includes several missions which aims to help achieve greater equality. One of those missions is to call on all LGPS funds to publish plans for increasing local investment. This includes setting an ambition of up to 5% of assets to be invested in projects supporting local areas which would potentially unlock a total £16bn for new investment.</p> <p><b><u>Further clarification</u></b></p> <p>On the day of the publication, members of the secretariat met with DLUHC officials to seek clarification on the White Paper’s aims.</p> <p>Officials made clear that the up to 5% quoted was an ambition and is not mandatory in scale. In addition to this, further clarification was given that ‘local’ in this context is not restricted to the backyard of the fund. Therefore, investments anywhere in the UK could be included in a levelling up plan.</p> <p><b><u>Next Steps</u></b></p> <p>SAB have been informed that a consultation will take place in summer. DLUHC will enter discussions with the Board and directly with LGPS funds and pools in the run up to the summer in order to inform the consultation.</p> <p>SAB will be drafting a response to the White Paper and will include a number of matters raised at the 7 March meeting.</p> <p>Further information can be found on the SAB website via the link below: <a href="https://www.lgpsboard.org/images/PDF/BoardMar2022/LevelUp07032022.pdf">https://www.lgpsboard.org/images/PDF/BoardMar2022/LevelUp07032022.pdf</a></p>
--------------	---

<p>Sharia Compliant Investments</p>	<p>Several LGPS administering authorities have raised the issue of members opting out of the LGPS on the basis of their religious beliefs – currently these appear to be limited to those of the Muslim faith who are concerned that LGPS funds/investments are not Sharia compliant. A Sharia compliant pension fund is one that is deemed acceptable under Islamic rules on finance, such as the ethics of certain investments. Some employers are also becoming concerned about potential discrimination claims being brought in the Employment Tribunal by employees who feel excluded from membership of the LGPS due to their beliefs. At present there is no alternative pension provision with their employer beyond the LGPS.</p> <p>In October 2021 a leading specialist in pensions and employment law practice was instructed to provide advice on a number of issues raised by some administering authorities. Following a conference in November 21 in which the issues were discussed in more detail, Counsel has since provided their written advice on the below points -</p> <ul style="list-style-type: none"> <li>A. What is the current position in relation to pension provision by LGPS employers?</li> <li>B. What is the risk of a successful claim for discrimination from an eligible employee complaining of a failure by LGPS employer to provide a Sharia Law compliant scheme?</li> <li>C. Is there a potential human rights challenge in addition to any discrimination challenge?</li> <li>D. What are the potential risks and consequences of providing a Sharia Law compliant scheme?</li> </ul> <p>The written advice has been published in full and can be found using the below link –</p> <p><a href="https://www.lgpsboard.org/images/PDF/BoardMar2022/Sharia07032022.pdf">https://www.lgpsboard.org/images/PDF/BoardMar2022/Sharia07032022.pdf</a></p> <p><b><u>Next steps</u></b></p> <p>There are some further questions that may need to be explored in more detail, on Counsel’s recommendation. These would include instructing an Islamic scholar to provide an opinion on the LGPS and Sharia law.</p>

Amendment to the PSPJO Bill	<p>The Public Service Pensions and Judicial Offices Bill 2022 received Royal Assent on 10 March and is now an Act of Parliament.</p> <p>The main purpose of the Act is to give the relevant government departments the regulatory powers to resolve the discrimination identified in the McCloud and Sargeant cases.</p> <p>The Rt Hon Robert Jenrick MP tabled an amendment at the Committee Stage of the bill, which was passed on 22 February 2022.</p> <p>The amendment gives the Secretary of State powers to ensure LGPS funds do not make investment decisions that conflict with the UK's foreign and defence policy. This raises a number of important questions and practical implications for all LGPS funds.</p> <p>The Government has committed to bringing forward a wider Boycotts, Divestment and Sanctions Bill (BDS). This Bill would cover all public bodies in the areas of procurement, investment and expenditure and is wider than just the LGPS.</p> <p>In the meantime, the government has stated that the amendment does not put a requirement on schemes to make any immediate decisions regarding their investments and there will be a 12-week consultation period before any guidance or directions are issued.</p> <p>Further information can be found on the SAB website via the link below:</p> <p><a href="https://www.lgpsboard.org">LGPS Scheme Advisory Board - BDS (lgpsboard.org)</a></p>
-----------------------------	--

<p>This is the quarterly pack of Pension Fund performance information which is based on the period 1 January to 31 March 2022 and includes a comparison to the previous quarter - 1 October to 31 December 2021.</p> <p>The overall assessment for Quarter 4 is Red.</p> <p>A summary of performance for each area is shown below including a RAG status. There is also a detailed worksheet for each of the subjects which contains more detailed information.</p>	<b>Qtr 4 (Jan-Mar 2022)</b>
	<b>Summary position:</b>
	<b>This Quarter - 1 Jan to 31 Mar 2022</b>
	<b>RED</b>
	<b>Previous Quarter - 1 Oct to 31 Dec 2021</b>
	<b>RED</b>

Subject	Comment	RAG Status
<b>Administration Casework</b>	<p>Overall administrators have completed 15,455 cases during the 3 month period to 31 March 2022, compared to 17,265 in quarter 3 of 2021/22.</p> <p>The status is RED because the number of pieces of casework outstanding exceeds more than 10% of the membership.</p>	<b>RED</b>
<b>Breaches</b>	<p>The Fund updates the Breaches Log on a monthly basis. All Breaches are reviewed by the LPB, with approval also provided by the Director of Governance where necessary, in accordance with the Breaches Policy. The PFC and LPB also receive a summary of all breaches (since inception), including identified trends, on a quarterly basis.</p> <p>There were 11 new breaches in quarter 4 of 2021/22 (compared to 16 in quarter 3 of 2021/22). 8 of the breaches related to the collection of contributions income and 3 were administration breaches (i.e. late notification of rights and options).</p> <p>During quarter 4, all 11 breaches were recorded as Green.</p>	<b>GREEN</b>
<b>Compliance</b>	The Fund did not identify any material compliance issues in Quarter 4.	<b>GREEN</b>
<b>Contributions Monitoring</b>	<p>In accordance with regulations contributions should be received by the Fund by the 22nd of the month (if paid electronically) after they have been deducted from pay.</p> <p>The Fund also has an internal KPI to receive at least 98% of contributions income on time each month. The Fund collected over 99% of contributions income in each month of quarter 3.</p> <p>Contributions income are monitored against both of these criteria and also whether the income received in aggregate is above the aggregate value of the pensions paid out each month. The Fund has the right to charge interest on late payments and the monetary value of the applicable interest is now included within the tables below. The Fund takes a pragmatic approach to recharge interest.</p> <p>Employers are also required to provide a contribution form to accompany each amount paid so that the Fund can correctly allocate the income.</p>	<b>GREEN</b>
<b>Financial Performance</b>	The Fund's 2021/22 budget for Administration/Oversight and Governance Costs is c£5m. The forecast outturn is currently an underspend of £513k.	<b>GREEN</b>
<b>HR (absence)</b>	<p>The service lost 47 days through sickness during quarter 4 (Jan-Mar) of 2021/22 which equates to an annual average of 2%. This compares to 98 days lost in quarter 3 (Sep-Dec 2021) which is an annual average of 4%.</p> <p>There were no sickness days lost in the 3rd quarter relating to work related stress.</p>	<b>GREEN</b>
<b>Debt Recovery</b>	<p>The Pension Fund has £725k of debt outstanding at the end of Quarter 4 of 2021/22, £14k of which relates to prior years.</p> <p>93% of the debt relates to invoices that are in the 0-90 day category.</p> <p>The RAG status is Green to reflect the fact that the value of debt outstanding over 90 days is less than 25%</p>	<b>GREEN</b>
<b>Business Plan Progress</b>	<p>An Action Plan Tracker has been produced for the 2021/22 year and sets out the milestones to be achieved during that year.</p> <p>A new reporting framework has been developed which summarises progress on each action and highlight issues on an exception basis.</p> <p>The reporting framework has an overall RAG rating of Amber for Qtr 4 denoting a number of actions that will be achieved but slightly later than planned.</p>	<b>AMBER</b>
<b>Feedback from External Sources</b>	Board members receive feedback from external sources. This includes submissions to the Board which are received via the webiste.	<b>GREEN</b>
<b>Investment Manager Qualitative and Quantitative Performance</b>	The Fund monitors its overall investment performance over periods of at least 3 years. It believes that this is a reasonable period of time over which it can begin to meaningfully assess performance. Performance is monitored against the Fund's tailored benchmark, CPI and asset performance assumptions from the most recent valuation. This allows the Fund to monitor its investment performance both on a standalone basis, and relative to the long term funding plan. As shown by the accompanying chart, rolling 3 year investment performance is ahead of benchmark, CPI and the valuation assumption.	<b>GREEN</b>

**Administration Casework**

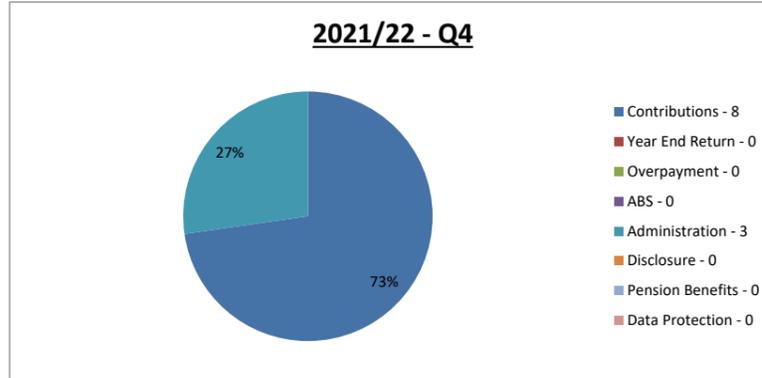
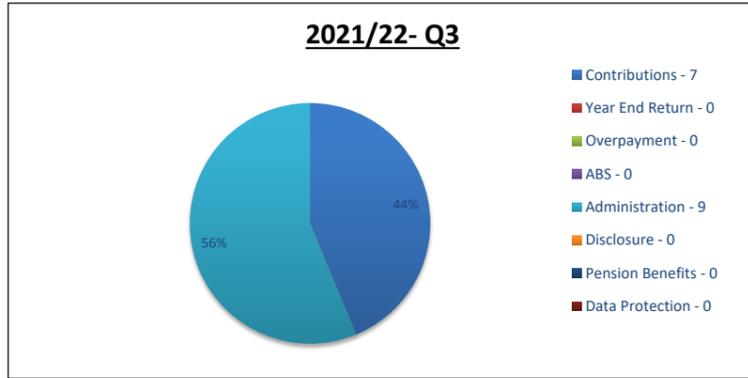
<p>Overall administrators have completed 15,455 cases during the 3 month period to 31 March 2022, compared to 17,265 in quarter 3 of 2021/22.</p> <p>The status is RED because the number of pieces of casework outstanding exceeds more than 10% of the membership.</p>	<b>Qtr 4 (Jan-Mar 2022)</b>
	<b>Summary position:</b>
	<b>This Quarter - 1 Jan to 31 Mar 2022</b>
	RED
	<b>Previous Quarter - 1 Oct to 31 Dec 2021</b>
	RED

Process Name	Quarter2- Opening Balances	Quarter 2 - Processes Created	Quarter 2 - Processes Completed	Quarter 2- Closing Balances	% Movement	Quarter3- Opening Balances	Quarter 3 - Processes Created	Quarter 3 - Processes Completed	Quarter 3- Closing Balances	% Movement
--------------	----------------------------	-------------------------------	---------------------------------	-----------------------------	------------	----------------------------	-------------------------------	---------------------------------	-----------------------------	------------

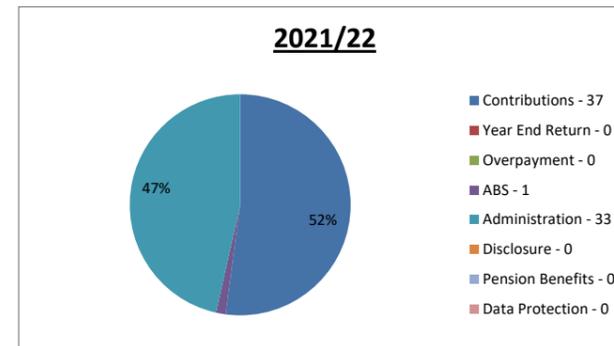
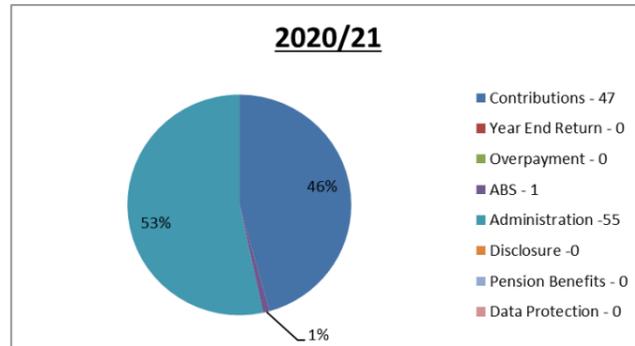
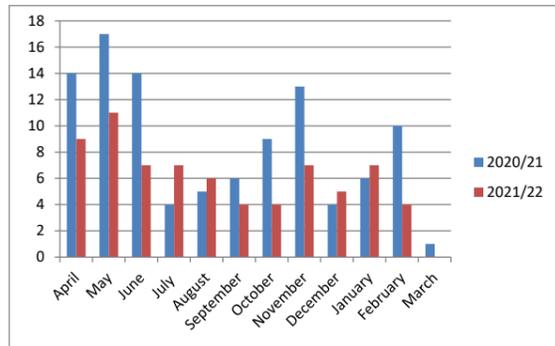
**Breaches**

<p>The Fund updates the Breaches Log on a monthly basis.</p> <p>All Breaches are reviewed by the LPB, with approval also provided by the Director of Governance where necessary, in accordance with the Breaches Policy.</p> <p>The PFC and LPB also receive a summary of all breaches (since inception), including identified trends, on a quarterly basis.</p> <p>There were 11 new breaches in quarter 4 of 2021/22 (compared to 16 in quarter 3 of 2021/22). 8 of the breaches related to the collection of contributions income and 3 were administration breaches (i.e. late notification of rights and options).</p> <p>During quarter 4, all 11 breaches were recorded as Green.</p>	<p><b>Qtr 4 (Jan-Mar 2022)</b></p> <p>Summary position:</p> <p><b>This Quarter - 1 Jan to 31 Mar 2022</b></p> <p style="text-align: center;"><b>GREEN</b></p>
	<p><b>Previous Quarter - 1 Oct to 31 Dec 2021</b></p> <p style="text-align: center;"><b>GREEN</b></p>

RAG Criteria	
All Breaches in the current quarter were classed as Green (No further implications)	<b>GREEN</b>
Within the quarter there was at least one breach reported as amber and no red breaches.	<b>AMBER</b>
Within the quarter there was at least one breach reported as Red.	<b>RED</b>

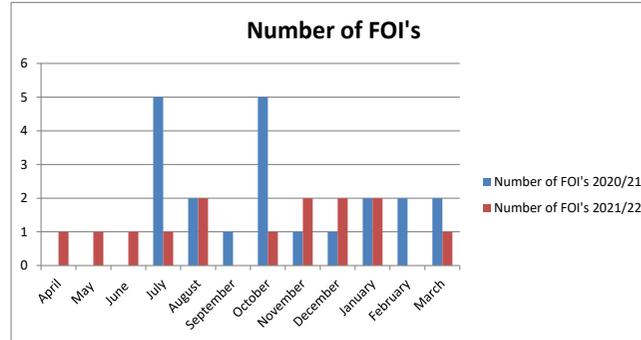
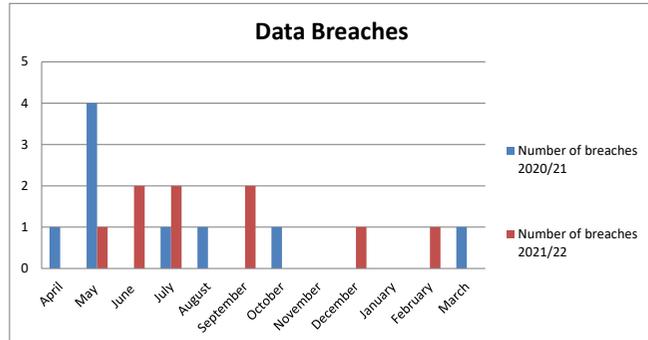


As at the 31st March 2022 there have been a total of 71 Breaches in 2021/22, 37 of which have been regarding the late submission of Contributions, 33 relate to Administration breaches and 1 is in relation to Annual Benefit Statements.



**Compliance**

<p>The Fund received one complaint in Quarter 4 (Quarter 3 - no complaints)</p> <p>There have been 3 FOI requests in Quarter 4 (Quarter 3 - 5). All FOI requests were responded to within the 28 Day deadline.</p> <p>There have been two Contact the Board requests in Quarter 3 (Quarter 2 - 0). There have been 1 IDRPs in Quarter 3 (Quarter 2 - 2).</p> <p>There have been 1 data breaches in Quarter 4 (Quarter 3 - 1). There have been no MP queries in Quarter 1 or Quarter 2.</p>	<b>Qtr 4 (Jan-Mar 2022)</b>
	<b>Summary position:</b>
	<b>This Quarter - 1 Jan to 31 Mar 2022</b>
	<b>GREEN</b>
	<b>Previous Quarter - 1 Oct to 31 Dec 2021</b>
	<b>GREEN</b>



	Quarter 4 2021/22		Quarter 3 2021/22	
	Number	Subject	Number	Subject
Complaints	1	In relation to their pension options, resolved by email	0	
Data Breaches	1	relates to information sent to the incorrect address.	1	relates to information sent to the incorrect address.
FOI's	3	All FOI's were in relation to information on the Funds investments.	5	All FOI's were in relation to information on the Funds investments.
IDRP's	3	3 new cases	1	1 new Stage 1 case against the Fund
Contact the LPB	1	One regarding communication of the CPF Forum website and potential meeting with new	2	One regarding recruitment of members to the Pension Board and one in relation to pooling
MP Query	0		0	
<b>Total</b>	<b>9</b>		<b>9</b>	

RAG Criteria	
Total Complaints, FOI's, Data Breaches etc <5% of membership	<b>GREEN</b>
Total Complaints, FOI's etc >5 and < 10% of membership	<b>AMBER</b>
Total Complaints, FOI's etc > 10% of membership	<b>RED</b>

Membership as at 31 March 2022	
Actives	43,054
Pensioners	32,429
Deferred	32,399
<b>Total</b>	<b>107,882</b>

5% = 5,394

**Contributions Monitoring**

In accordance with regulations contributions should be received by the Fund by the 22nd of the month (if paid electronically) after they have been deducted from pay.

The Fund also has an internal KPI to receive at least 98% of contributions income on time each month. The Fund collected over 99% of contributions income in each month of quarter 3.

Contributions income are monitored against both of these criteria and also whether the income received in aggregate is above the aggregate value of the pensions paid out each month. The Fund has the right to charge interest on late payments and the monetary value of the applicable interest is now included within the tables below. The Fund takes a pragmatic approach to recharge interest.

Employers are also required to provide a contribution form to accompany each amount paid so that the Fund can correctly allocate the income.

RAG Criteria	
Income Received on Time is greater than the Pensions Paid and above KPI (98%)	GREEN
Income Received on time is less than 98% but greater than the Pensions Paid	AMBER
Income Received on Time is less than 98% and less than the Pensions Paid	RED

Qtr 2 (Jul-Sep 2021)
Summary position:
This Quarter - 1 Jan to 31 Mar 2022
GREEN
Previous Quarter - 1 Oct to 31 Dec 2021
GREEN

QTR 4 2021/22	No. of Contribution Payments	KPI (98%)	Received on Time	Income Received on Time	Pensions Paid out	Income Received Late	Income Received Late	Number of Late Payments	Average No. Days Late	Not Received	Income Not Received	Interest	Total	RAG Status	Contribution Forms Received OnTime	Contribution Forms Received Late	% of Forms received on Time
		%	%	£	£	%	£			%	£	£	£				
Jan-22	313	98%	99.97%	16,313,144	12,119,541	0.03%	4,340	3	3	0.00%	-	-	16,317,484	GREEN	289	24	92.33%
Feb-22	312	98%	98.98%	18,231,120	12,125,317	1.02%	188,201	4	1	0.00%	-	-	18,419,321	GREEN	292	20	93.59%
<b>Quarter total</b>	<b>625</b>		<b>99.48%</b>	<b>34,544,263.26</b>	<b>24,244,858.36</b>	<b>0.52%</b>	<b>192,541.00</b>	<b>7</b>	<b>2.00</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>	<b>34,736,804</b>		<b>581</b>	<b>44</b>	<b>92.96%</b>

QTR 3 2021/22	No. of Contribution Payments	KPI (98%)	Received on Time	Income Received on Time	Pensions Paid out	Income Received Late	Income Received Late	Number of Late Payments	Average No. Days Late	Not Received	Income Not Received	Interest	Total	RAG Status	Contribution Forms Received OnTime	Contribution Forms Received Late	% of Forms received on Time
		%	%	£	£	%	£			%	£	£	£				
Oct-21	306	98%	99.97%	15,470,553	12,255,897	0.03%	4,237	2	6	0.00%	-	-	15,474,790	GREEN	286	20	93.46%
Nov-21	312	98%	99.74%	15,983,840	12,024,706	0.26%	42,210	1	25	0.00%	-	-	16,026,050	GREEN	296	16	94.87%
Dec-21	315	98%	99.98%	15,466,018	12,247,467	0.02%	3,025	4	8	0.00%	-	-	15,469,043	GREEN	305	10	96.83%
<b>Quarter total</b>	<b>933</b>		<b>99.90%</b>	<b>46,920,411.25</b>	<b>36,528,069.51</b>	<b>0.10%</b>	<b>49,471.90</b>	<b>7</b>	<b>13.00</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>	<b>46,969,883</b>		<b>887</b>	<b>46</b>	<b>95.05%</b>

QTR 2 2021/22	No. of Contribution Payments	KPI (98%)	Received on Time	Income Received on Time	Pensions Paid out	Income Received Late	Income Received Late	Number of Late Payments	Average No. Days Late	Not Received	Income Not Received	Interest	Total	RAG Status	Contribution Forms Received OnTime	Contribution Forms Received Late	% of Forms received on Time
		%	%	£	£	%	£			%	£	£	£				
Jul-21	312	98%	98.78%	15,248,750	12,122,804	1.22%	188,519	1	4	0.00%	-	-	15,437,269	GREEN	295	17	94.55%
Aug-21	312	98%	98.76%	15,147,656	12,208,812	1.24%	190,603	2	1	0.00%	-	-	15,338,259	GREEN	279	33	89.42%
Sep-21	307	98%	98.88%	15,496,954	12,228,805	1.12%	176,278	3	7	0.00%	-	-	15,673,232	GREEN	288	19	93.81%
<b>Quarter total</b>	<b>931</b>		<b>98.80%</b>	<b>45,893,359.38</b>	<b>36,560,421.37</b>	<b>1.20%</b>	<b>555,400.87</b>	<b>6</b>	<b>4.00</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>	<b>46,448,760</b>		<b>862</b>	<b>69</b>	<b>92.60%</b>

QTR 1 2021/22	No. of Contribution Payments	KPI (98%)	Received on Time	Income Received on Time	Pensions Paid out	Income Received Late	Income Received Late	Number of Late Payments	Average No. Days Late	Not Received	Income Not Received	Interest	Total	RAG Status	Contribution Forms Received OnTime	Contribution Forms Received Late	% of Forms received on Time
		%	%	£	£	%	£			%	£	£	£				
Apr-21	300	98%	99.90%	15,316,605	12,027,933	0.10%	14,820	6	4	0.00%	-	-	15,331,424	GREEN	249	53	83.00%
May-21	307	98%	99.95%	15,272,149	12,174,327	0.05%	7,255	5	5	0.00%	-	-	15,279,404	GREEN	279	25	90.88%
Jun-21	312	98%	99.97%	15,549,981	12,169,215	0.03%	4,026	4	12	0.00%	-	-	15,554,007	GREEN	283	29	90.71%
<b>Quarter total</b>	<b>919</b>		<b>99.94%</b>	<b>46,138,735.01</b>	<b>36,371,474.63</b>	<b>0.06%</b>	<b>26,100.42</b>	<b>15</b>	<b>7.00</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>	<b>46,164,835</b>		<b>811</b>	<b>107</b>	<b>88.19%</b>

QTR 4 2020/21	No. of Contribution Payments	KPI (98%)	Received on Time	Income Received on Time	Pensions Paid out	Income Received Late	Income Received Late	Number of Late Payments	Average No. Days Late	Not Received	Income Not Received	Interest	Total	RAG Status	Contribution Forms Received OnTime	Contribution Forms Received Late	% of Forms received on Time
		%	%	£	£	%	£			%	£	£	£				
Jan-21	297	98%	98.79%	15,151,880	12,053,212	1.21%	185,688	5	11	0.00%	-	-	15,337,568	GREEN	272	25	91.58%
Feb-21	299	98%	99.89%	15,409,530	12,103,204	0.11%	17,465	3	2	0.00%	-	-	15,426,994	GREEN	277	22	92.64%
Mar-21	301	98%	99.99%	15,261,473	12,011,943	0.01%	1,326	1	32	0.00%	-	-	15,262,800	GREEN	280	22	93.02%
<b>Quarter total</b>	<b>897</b>		<b>99.56%</b>	<b>45,822,883.10</b>	<b>36,168,358.21</b>	<b>0.44%</b>	<b>204,479.10</b>	<b>9</b>	<b>15.00</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>	<b>46,027,362</b>		<b>829</b>	<b>69</b>	<b>92.42%</b>

QTR 3 2020/21	No. of Contribution Payments	KPI (98%)	Received on Time	Income Received on Time	Pensions Paid out	Income Received Late	Income Received Late	Number of Late Payments	Average No. Days Late	Not Received	Income Not Received	Interest	Total	RAG Status	Contribution Forms Received OnTime	Contribution Forms Received Late	% of Forms received on Time
		%	%	£	£	%	£			%	£	£	£				
Oct-20	300	98%	99.40%	16,291,115	12,012,160	0.60%	97,694	11	4	0.00%	-	-	16,388,809	GREEN	297	3	99.00%
Nov-20	298	98%	99.22%	20,829,974	12,038,618	0.78%	164,484	4	15	0.00%	-	-	20,994,458	GREEN	290	8	97.32%
Dec-20	298	98%	0.00%	15,594,759	12,008,155	0.00%	705	2	6	0.00%	-	-	15,595,463	GREEN	293	5	98.32%
<b>Quarter total</b>	<b>896</b>		<b>66.21%</b>	<b>52,715,847.85</b>	<b>36,058,933.65</b>	<b>0.46%</b>	<b>262,882.34</b>	<b>17</b>	<b>8.33</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>	<b>52,978,730</b>		<b>880</b>	<b>16</b>	<b>98.21%</b>

QTR 2 2020/21	No. of Contribution Payments	KPI (98%)	Received on Time	Income Received on Time	Pensions Paid out	Income Received Late	Income Received Late	Number of Late Payments	Average No. Days Late	Not Received	Income Not Received	Interest	Total	RAG Status	Contribution Forms Received OnTime	Contribution Forms Received Late	% of Forms received on Time
		%	%	£	£	%	£			%	£	£	£				
Jul-20	296	98%	99.98%	14,845,124	11,921,453	0.02%	2,904	1	6	0.00%	-	0.87	14,848,028	GREEN	283	13	95.61%
Aug-20	297	98%	99.99%	14,812,459	11,912,935	0.01%	1,801	1	9	0.00%	234	0.78	14,814,259	GREEN	264	33	88.89%
Sep-20	301	98%	99.71%	15,340,565	11,944,070	0.29%	45,134	9	39	0.00%	-	-	15,385,699	GREEN	282	19	93.69%
<b>Quarter total</b>	<b>894</b>		<b>99.89%</b>	<b>44,998,147.96</b>	<b>35,778,457.10</b>	<b>0.11%</b>	<b>49,838.10</b>	<b>11</b>	<b>18.00</b>	<b>0.00%</b>	<b>233.54</b>	<b>1.65</b>	<b>45,047,986</b>		<b>829</b>	<b>65</b>	<b>92.73%</b>

## Financial Performance

<p>The Fund's 2021/22 budget for Administration/Oversight and Governance Costs is c£5m. The budget was increased by Committee in June 2021 by £0.275m. The increase is to fund the mobilising on the new contract administration database.</p> <p>The table below summarises the outturn position for Quarter-4 with a comparison to Quarter-3. The underspend is mainly due to there being no call on the contingency budget at this stage.</p>	<b>Qtr 4 (Jan-Mar 2022)</b>
	<b>Summary position:</b>
	<b>This Quarter - 1 Jan to 31 Mar 2022</b>
	<b>GREEN</b>
	<b>Previous Quarter - 1 Oct to 31 Dec 2021</b>
	<b>GREEN</b>

### Quarter 4 (January 2022 to March 2022)

	Employee Expenses £	Premises Expenses £	Transport Expenses £	Supplies & Services £	TOTAL £	Budget £	Outturn £
Administration Costs	1,559,711	72,000	213	957,389	2,589,313	2,862,676	-273,363
Oversight & Governance Costs	314,020	0	307	1,590,413	1,904,740	2,144,478	-239,738
<b>TOTAL</b>	<b>1,873,731</b>	<b>72,000</b>	<b>520</b>	<b>2,547,802</b>	<b>4,494,053</b>	<b>5,007,154</b>	<b>-513,101</b>

### Quarter 3 (October 2021 to December 2021)

	Employee Expenses £	Premises Expenses £	Transport Expenses £	Supplies & Services £	TOTAL £	Budget £	Outturn £
Administration Costs	1,594,105	72,250	360	1,073,023	2,739,738	2,862,676	-122,938
Oversight & Governance Costs	316,648	250	883	1,546,756	1,864,537	2,144,478	-279,941
<b>TOTAL</b>	<b>1,910,753</b>	<b>72,500</b>	<b>1,243</b>	<b>2,619,779</b>	<b>4,604,275</b>	<b>5,007,154</b>	<b>-402,879</b>

### Increase / (Decrease)

	Employee Expenses	Premises Expenses	Transport Expenses	Supplies & Services	TOTAL	Budget
Administration Costs	-34,394	-250	-147	-115,634	-150,425	0
Oversight & Governance Costs	-2,628	-250	-576	43,657	40,203	0
<b>TOTAL</b>	<b>-37,022</b>	<b>-500</b>	<b>-723</b>	<b>-71,977</b>	<b>-110,222</b>	<b>0</b>

RAG Criteria	
Outturn Balanced or underspent	<b>GREEN</b>
Outturn Overspent up to 10%	<b>AMBER</b>
Outturn Overspent > 10%	<b>RED</b>

**HR Absence**

<p>The service lost 47 days through sickness during quarter 4 (Jan-Mar) of 2021/22 which equates to an annual average of 2%. This compares to 98 days lost in quarter 3 (Sep-Dec 2021) which is an annual average of 4%.</p> <p>There were no sickness days lost in the 3rd quarter relating to work related stress.</p>	<b>Qtr 4 (Jan-Mar 2022)</b>
	<b>Summary position:</b>
	<b>This Quarter - 1 Jan to 31 Mar 2022</b>
	<b>GREEN</b>
	<b>Previous Quarter - 1 Oct to 31 Dec 2021</b>
	<b>GREEN</b>

Debt Recovery

The Pension Fund has £725k of debt outstanding at the end of Quarter 4 of 2021/22, £14k of which relates to prior years.

93% of the debt relates to invoices that are in the 0-90 day category which is the average time for invoices to be paid.

The RAG status is Green to reflect the fact that the value of debt outstanding over 90 days is less than 25%

Qtr 4 (Jan-Mar 2021)
Summary position:
This Quarter - 1 Jan to 31 Mar 2022
GREEN
Previous Quarter - 1 Oct to 31 Dec 2021
GREEN

RAG Criteria	
Less than 25% of debt is greater than 30 days late	GREEN
Between 25 and 50% of Debt is greater than 30 days late	AMBER
Over 50% of Debt is greater than 30 days late	RED

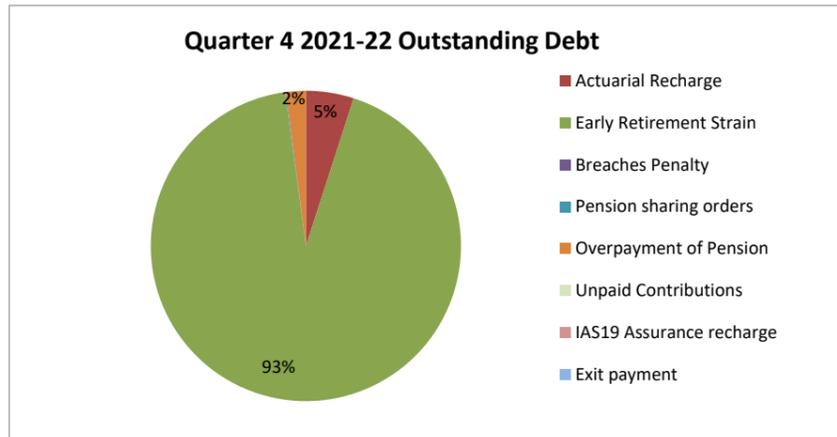
QUARTER 4 - 2021/22

This is the quarterly debt outstanding for the Cheshire Pension Fund, for the period 1 January to 31 March 2022

Summary

	Invoices Raised	Amount paid	Outstanding
2016/17	7,334,361	7,333,189	1,172
2017/18	5,706,774	5,706,774	0
2018/19	4,517,597	4,514,618	2,979
2019/20	2,968,916	2,959,710	9,206
2020/21	6,021,816	6,021,597	219
<b>Total</b>			<b>13,576</b>
Quarter 1 (2021/22)	226,217	226,217	0
Quarter 2 (2021/22)	1,279,201	1,278,153	1,048
Quarter 3 (2021/22)	2,178,584	2,153,662	24,922
Quarter 4 (2021/22)	696,567	21,528	675,039
<b>Total</b>			<b>724,585</b>

Row Labels	Amount	Not Due	31-90 Days	91-180 Days	181-360 Days	361+ Days
Actuarial Recharge	36,120	26,120	0	0	0	0
Early Retirement Strain	672,786	647,689	630	24,467	0	0
Breaches Penalty	100	0	0	100	0	0
Pension sharing orders	650	600	0	50	0	0
Overpayment of Pension	14,929	0	0	305	1,048	13,576
Unpaid Contributions	0	0	0	0	0	0
IAS19 Assurance recharge	0	0	0	0	0	0
Exit payment	0	0	0	0	0	0
<b>Total</b>	<b>724,585</b>	<b>674,409</b>	<b>630</b>	<b>24,922</b>	<b>1,048</b>	<b>13,576</b>



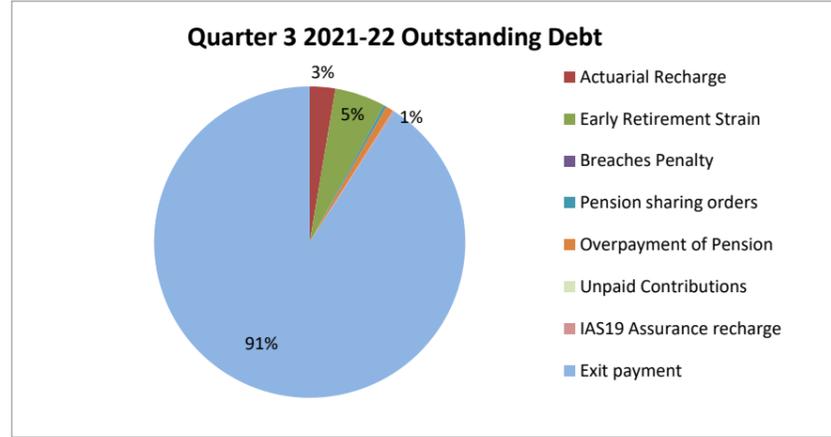
QUARTER 3 - 2021/22

This is the quarterly debt outstanding for the Cheshire Pension Fund, for the period 1 October to 31 December 2021

Summary

	Invoices Raised	Amount paid	Outstanding
2016/17	7,334,361	7,332,909	1,452
2017/18	5,706,774	5,706,774	0
2018/19	4,517,597	4,514,558	3,039
2019/20	2,968,916	2,959,412	9,505
2020/21	6,021,816	6,020,927	889
<b>Total</b>			<b>14,884</b>
Quarter 1 (2021/22)	226,217	174,994	51,223
Quarter 2 (2021/22)	1,279,201	0	1,194,720
Quarter 3 (2021/22)	2,178,584	1,386,426	792,158
<b>Total</b>			<b>2,052,985</b>

Row Labels	Amount	Not Due	31-90 Days	91-180 Days	181-360 Days	361+ Days
Actuarial Recharge	54,420	14,550	14,100	22,560	3,210	0
Early Retirement Strain	108,275	0	108,275	0	0	0
Breaches Penalty	100	0	100	0	0	0
Pension sharing orders	5,629	746	4,633	250	0	0
Overpayment of Pension	16,113	0	481	0	1,676	13,956
Unpaid Contributions	298	0	0	0	0	298
IAS19 Assurance recharge	3,150	0	3,150	0	0	0
Exit payment	1,865,000	0	1,865,000	0	0	0
<b>Total</b>	<b>2,052,985</b>	<b>15,296</b>	<b>1,995,739</b>	<b>22,810</b>	<b>4,886</b>	<b>14,254</b>



**Business Plan Progress**

<p>The 2021/25 Business Plan was approved by the Committee in March 2021.</p>  <p>An Action Plan Tracker has been produced for the 2021/22 year and sets out the milestones to be achieved during that year.</p> <p>A new reporting framework was developed in year which summarises progress on each action and highlight issues on an exception basis. The reporting framework has an overall RAG rating of Amber for Qtr 4 denoting a number of actions that will be achieved but slightly later than planned.</p>	<b>Qtr 4 (Jan-Mar 2022)</b>
	<b>Summary position:</b>
	<b>This Quarter - 1 Jan to 31 Mar 2022</b>
	<b>AMBER</b>
	<b>Previous Quarter - 1 Oct to 31 Dec 2021</b>
	<b>AMBER</b>

RAG Criteria	
>= 50% of milestones are categorised as green	<b>GREEN</b>
> 50% of milestones are categorised as amber	<b>AMBER</b>
> 50% of milestones are categorised as red	<b>RED</b>

**Feedback from External Sources**

<p>The Fund will receive feedback from various external sources who are independent to the Pension Fund.</p>	<p><b>Qtr 4 (Jan-Mar 2022)</b></p>
	<p><b>Summary position:</b></p>
	<p><b>This Quarter - 1 Jan to 31 Mar 2022</b></p>
	<p><b>GREEN</b></p>
	<p><b>Previous Quarter - 1 Oct to 31 Dec 2021</b></p>
	<p><b>GREEN</b></p>

<p><b>Pooling</b></p>	<p><b>A link to the LGPS Central website is enclosed.</b></p>	<p><a href="https://www.lgpscentral.co.uk/">https://www.lgpscentral.co.uk/</a></p>
<p><b>Questions to LPB</b></p>	<p><b>Contact the Pension Board</b></p> <p>There was one question to the Board in Quarter 4 relating to communications.</p>	 <p><b>Document</b></p>
<p><b>Good Governance</b></p>	<p><b>Fund Compliance</b></p> <p>Funds within LGPS Central have completed a template to capture current compliance with the requirements/KIPs in the Good Governance Review. These will be revisited once DLUHC publish the official guidance.</p>	 <p>Good Governance Interim Assessment.xlsx</p>
<p><b>Cyber Security</b></p>	<p><b>Civica Statement</b></p> <p>The Fund's administration database provider have issued a statement confirming changes they have made to their software in order to maintain data security due to the ongoing conflict in Ukraine</p>	 <p>D2EFB6C6.msg</p>
<p><b>Internal Audit</b></p>	<p>5 Year rolling plan of key casework</p>	 <p>Audit Priority Matrix - 5 Year Rolling</p>
<p><b>Hymans - LGPS Online Learning Academy</b></p>	<p>The Fund has subscribed to the new Hymans online training tool for all Committee and Board, and Senior Officers of the Fund.</p> <p>All Committee and Board members should have received an email from 'Aspire' inviting them to register for the portal.</p>	 <p><b>Hymans - Hymans Online Learning Academy</b></p>

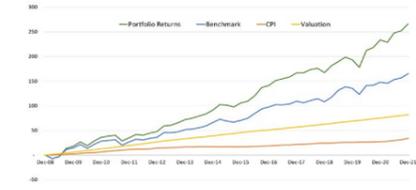
**Investment Manager Performance**

<p>The fund monitors its overall investment performance over periods of at least 3 years. It believes that this is a reasonable period of time over which to begin to meaningfully assess performance. Performance is monitored against the Fund's tailored benchmark, CPI and asset performance assumptions from the most recent valuation. This allows the Fund to monitor its investment performance both on a standalone basis, and relative to the long term funding plan. As shown by the accompanying chart, rolling 3 year investment performance is ahead of benchmark, CPI and the valuation assumption.</p> <p>The graph below summarises the Fund's performance up to December 2021</p>	<p>Over 4 (Jan-Mar 2022)</p> <p>Summary position:</p>
	<p>This Quarter - 1 Jan to 31 Mar 2022</p> <p>GREEN</p>
	<p>Rolling Quarter - 4 Oct 19 to 31 Dec 2021</p> <p>GREEN</p>

Returns as at 31 December 2021



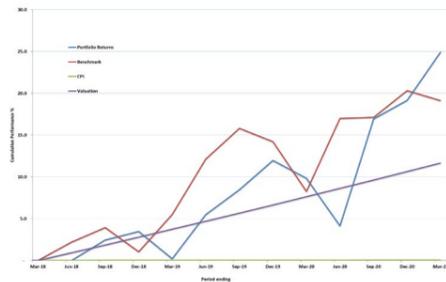
Returns as at 30 September 2021



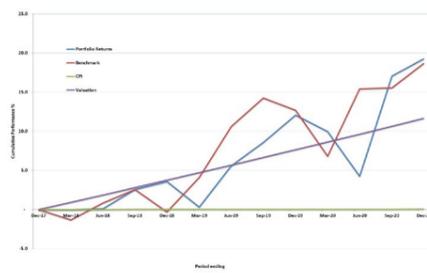
Returns as at 30 June 2021



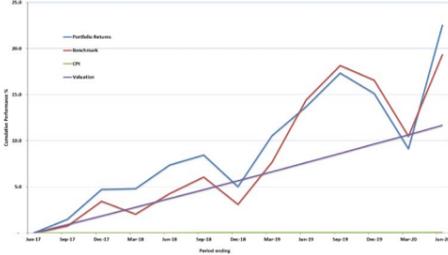
Returns as at 31 March 2021



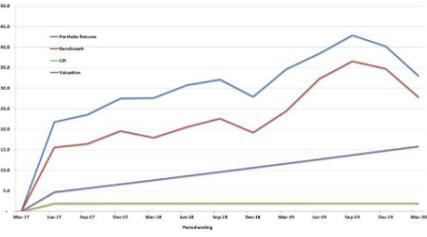
Returns as at 31 December 2020



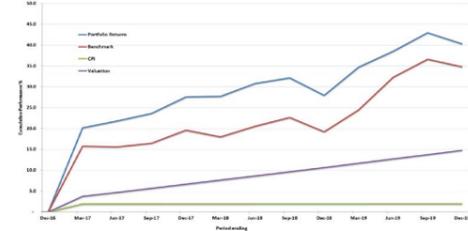
Returns as at 30 June 2020



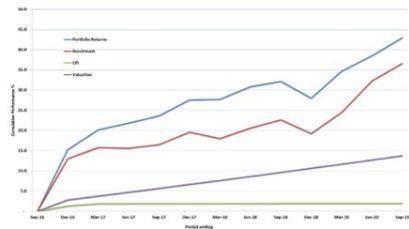
Returns as at 31 March 2020



Returns as at 31 December 2019



Returns as at 30 September 2019



Rolling 3 year investment performance	GREEN
Rolling 3 year benchmark	GREEN
Rolling 3 year CPI	GREEN
Rolling 3 year Valuation	GREEN

## DATA QUALITY

### Introduction

1. This report provides the Board with the quarterly update on the Pensions Regulators (TPR) data quality scores for common and scheme specific data.

### Recommendation

2. The Board are requested to note the position on the common and scheme specific scores.

### Data Scores

3. As Board members are aware, each year the Fund is required to report data quality scores to the Pensions Regulator (TPR) as part of the Scheme Return.
4. The Fund currently produces the scores from reports which have been developed internally. The scheme specific score is based on a 'foundation approach' to measuring the data, which was previously approved by the Board in the absence of any national guidance
5. The scores for the 2020 TPR return were calculated as at 1 November 2021 and are included within the table below, alongside the scores for the previous two years. The latest scores as at 13 April 2022 are also included within the table.

	TPR Scheme Return			Latest Scores
	1-Sep-19	25-Sep-20	1-Nov-21	13-Apr-22
Common Data	98.07%	98.73%	98.95%	98.97%
Scheme Specific Data	74.18%	74.01%	80.09%	81.76%

6. As the Board can see, the scores for April 2022 are comparable with the scores provided in the November 2021 Scheme return for common data, and slightly improved for scheme specific data.
7. The improvement in scheme specific data results from the Fund completing the process to upload all annual 'per member' information received from employers who have not yet moved onto the Monthly Interfacing system along with the data cleansing work that has been undertaken by the Fund in the past year.

### New Measurement Report

8. As Board members are aware, the Fund's administration database provider has created a report which will produce the common and scheme specific data scores directly from the administration database.
9. The Fund is continuing to work with the database provider to resolve the data validation issues that arise when the report is run. An initial workshop took place to discuss the results which are being produced by the report and a number of actions have been identified to resolve these anomalies.
10. The database provider is now working on the changes that need to be made to the report and will provide the fund with a software update to implement the changes. Once that is complete the Fund will be able to move to using this report.



11. Board members will be kept informed of progress in moving to the new report.

### **Pensions Dashboard**

12. The Money and Pensions Service (MaPS) established the Pensions Dashboard Programme team to design and implement the ecosystem that will make pensions dashboards work.
13. Pensions dashboards will show a user their pension information online, securely and all in one place. The objective of dashboards is that they will reunite individual with lost pension pots and transform the way people think about and plan for future retirement.
14. The Fund is preparing for the implementation of the dashboard by ensuring that our data quality is sufficient to meet the data standards initially set out in the data standards guide which was first issued in December 2020.
15. The data standards themselves are still being developed, however, there is already a wealth of information about the level of data that needs to be available so we can commence the work to baseline current compliance and identify the areas where further work is required.
16. The proposed staging window for LGPS Fund's to move to the pensions dashboard is between October 2023 and April 2024. This does present some challenges for the LGPS, not least in ensuring that all data is present and correct in the right format, but also because the McCloud regulations will also come into force in October 2023 which will mean Fund's will need to commence work on the remedy from that date.
17. Board members will be kept informed of progress on the pensions dashboard.



## **INVESTMENT STRATEGY STATEMENT UPDATE**

### **Introduction**

1. This report presents the Fund's updated Investment Strategy Statement (ISS) and Responsible Investment (RI) policy which were approved by the Pension Fund Committee on 11 March 2022.

### **Recommendation**

2. The Board is asked to review the changes to the Investment Strategy Statement and Responsible Investment Policy and confirm that they agree with those changes.

### **Background**

3. The Board held a special meeting on 15 September 2021 where it undertook a self-assessment of its own performance. A number of recommendations were identified at that meeting which included:
  - Changes to Fund policy documents are typically reviewed in detail at Committee meetings and Joint Training events. Board members felt that specific policy changes should be presented to the Board after they had been approved by the Committee so that the Board could satisfy themselves that they agreed with any changes made.
4. The updated Investment Strategy Statement and Responsible Investment Policy were presented to the Pension Fund Committee at its meeting on 11 March 2022. Both policies are appended to this report as Appendix A and B respectively.
5. The Committee received a report explaining the changes and the content from that report is included below.
6. Following an extensive review and consultation process overseen by the Pension Fund Committee, a revised ISS and RI policy were published on 1 April 2020. This ensured the Fund's compliance with the LGPS Investment Regulations 2016 which require that each fund in the Local Government Pension Scheme must review, revise and republish its ISS at least every three years.
7. The Committee agreed that it made sense to conduct a lighter touch review annually in recognition of two main factors: the pooling agenda and the availability of new products from LGPS Central Ltd (LGPSC), which may influence/inform Strategic Asset Allocation decisions, and the enormous pace of change on RI issues and climate change in particular.
8. This report asks the Committee to incorporate the already endorsed (September 2021 Committee) change to the strategic asset allocation model in respect of the Open Employers and Academies and to clarify the wording in the Fund's Responsible Investment policy to properly reflect the Fund's net zero climate change commitment. All other aspects of the ISS and RI policy remain unchanged.

### **Agreed changes to Strategic Asset Allocation model**

9. On 3 September 2021 the Committee received a report which set out the case to amend the Fund's existing asset allocation model for both the Open Employers and Academies group of employers. The net result of these deliberations was an endorsement of the strategic asset allocation as set out in Table 1:

**Table 1: September 2021 Committee agreed changes to the Fund's Strategic Asset Allocation**

Asset Class	April 2021 Asset Allocation %	Sept 2021 Cttee Approved Asset Allocation %
Equities	24	24
Private Equity	5	5
Infrastructure	5	5
Absolute Return	6	6
Multi Asset Credit	15	15
Emerging Market Debt	5	5
Property	10	7.5
Index Linked Gilts	30	25
Private Debt	0	7.5
<b>TOTAL</b>	<b>100</b>	<b>100</b>

10. The new asset allocation model was approved for application to both the Open Employers and Academies group of employers. However, Committee were advised that it was likely that further options for the Academies group would need to be explored. This was because the Academies group has very different characteristics to the Open Employers group in that it has a lower level of funding level than other groups, a very different and immature liability profile and is significantly cash flow positive (relative to other employers). Therefore, it was likely that a strategic asset allocation which was more likely to deliver higher annual investment returns needed to be considered. Proposal are being modelled with the assistance of the Fund's advisors and those will be presented to the Committee as soon as firm conclusions and recommendations can be made.

## Responsible Investment

11. In March 2021 the Committee considered the Fund's Responsible Investment policy and agreed a small number of changes to ensure the policy was fully aligned to the Fund's Climate Change strategy. In addition, the proposal to attach the Climate Change Strategy as a new annex to the RI policy was also endorsed.
12. Over the past year the Committee has endorsed a number of investment changes to ensure the Fund's short term climate change targets will be delivered in full and ahead of schedule. The latest position with regard to performance against climate change targets as at the end of 2021 will be reported in the Fund's climate risk report which will be available in May/June.
13. Included within the Fund's current Responsible Investment policy is the following commitment:
- *The Fund intends to decarbonise its investment portfolio with the aim of being carbon neutral by 2050.*

14. Since the Fund made this commitment in December 2020 the debate around climate change and best practice for asset owners has progressed and it is recommended that the Fund amends its existing commitment to a clearer and more explicit statement as follows:
- *The Fund commits to decarbonise its investment portfolio to deliver net zero emissions by 2050 at the latest.*
15. This will ensure the Fund is completely aligned with LGPS Central who in January 2022 agreed with partner funds the commitment to:
- transition our investment portfolios to Net Zero emissions... (via)...the Institutional Investor Group on Climate Change's ('IIGCC') Net Zero Investment Framework to achieve Net Zero emissions across our internally and externally managed portfolios by 2050 (or sooner).*
16. The revised and clearer commitment will also help remove any confusion amongst some pressure groups who appear to evaluate the effectiveness of asset owner's approach on climate change to this one statement of intent. Members may recall last year the Fund was criticised by the pressure group Make My Money Matter as they felt our existing net zero commitment was not explicit enough. The proposed new wording should help reduce any future misunderstandings

# Investment Strategy Statement

April 2022

Published by: Cheshire Pension Fund,  
Council Offices, 4 Civic Way, Ellesmere  
Port, CH65 0BE  
[www.cheshirepensionfund.org](http://www.cheshirepensionfund.org)

## **1. Introduction**

- 1.1 This is the Investment Strategy Statement (the “Statement” or “ISS”) of Cheshire Pension Fund (the “Fund”) as required by regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Regulations”).
- 1.2 Cheshire West and Chester Council is the administering authority of the Cheshire Pension Fund.
- 1.3 The regulations require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.
- 1.4 The ISS is an important governance tool for the Fund. The document sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund’s investments are managed, acts as a high-level risk register, and has been designed to be informative for all stakeholders.
- 1.5 In preparing this Statement, the Fund has consulted with such persons as it considers appropriate and the document will be updated based on any factors that the Fund considers material to its liabilities, finances or attitude to risk.
- 1.6 The current regulations require this statement to be reviewed at least triennially but the Fund intends to carry out an annual review and update as appropriate.
- 1.7 Any feedback or comments on this document should be addressed to the Pension Fund Manager and emailed to: [pensions@cheshirewestandchester.gov.uk](mailto:pensions@cheshirewestandchester.gov.uk)

## **2. Investment Objectives and approach**

- 2.1 The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependents, in accordance with LGPS Regulations.
- 2.2 The Funding Strategy and Investment Strategy are intrinsically linked and together aim to deliver stable and affordable contribution rates for employers.
- 2.3 The investment objective is therefore to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers and minimising the long term cost of the scheme. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.
- 2.4 The Fund’s investment approach which helps to inform the investment strategy is as follows:



- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance are important factors for the selection and sustainability of investment returns over the long term.
- Value for money from investments is important, not just absolute costs. Asset pooling will help reduce costs whilst providing more choice of investments and will therefore improve Fund returns.
- High conviction active management adds value to returns over the long term.

2.5 A successful investment strategy, delivering strong investment returns over the long term while managing short-term volatility is essential for the ongoing stable operation of the Cheshire Pension Fund. Benefits are fixed and must be paid through a combination of employer contributions, employee contributions and investment returns. Employee contributions are fixed by law, so if investment returns are below expectations, the only source of income to fill the gap is employer contributions, invariably from public sector organisations that are operating under tight financial constraints.

### **3. Investment Strategy and the Process for Ensuring Suitability of Investments**

3.1 Translating the Fund's investment and funding objectives into a single suitable investment strategy is challenging. The key objectives often conflict. For example, minimising the long-term cost of the scheme is best achieved by investing in higher returning assets e.g. equities. However, equity values are also very volatile (i.e. can go up and down frequently), which conflicts with the objective to have stable contribution rates. Achieving greater stability of contributions may therefore be better achieved by a lower allocation to equities but the resulting contributions may be higher in the longer term.

3.2 Additionally, the number of employers in the Fund has increased significantly in recent years meaning that there are groups of employers with different underlying characteristics and with different long-term funding objectives. For example, for employers approaching the point where they will leave the Fund, the most important objective may be to protect their funding position by minimising volatility in asset values and this may be delivered by an investment strategy with a lower allocation to equities.

3.3 In order that the Fund delivers on its key objectives (ensuring that it takes the appropriate level of investment risk, giving each employer the best opportunity



possible to achieve its long-term funding objective whilst keeping contributions affordable), the Fund has over the past six years divided employers into four separate groups and operated a distinct investment strategy for each group. This approach was taken to recognise the different characteristics, cash flows, maturity of liabilities and funding levels of different employers.

3.4 Following a review of the current groupings of employers, the Fund has re-organised the employers into the following groups:

- Open Employers
- Academies
- Exiting/Closed Employers
- Exited Employers

3.5 Each grouping will have its own investment strategy with its own strategic asset allocation benchmark. The strategic benchmark is consistent with the Fund's views on the appropriate balance between generating required long-term returns, whilst taking account of market volatility, risk and the nature of the Fund's liabilities.

3.6 The strategic asset allocation at 1 April 2021 for each of the four groups is shown in table 1.



**Table 1 – Strategic Asset Allocation**

Asset Class	Investment Objective	Investment Strategy (%)			
		Open employers	Academies	Exiting/Closed Employers	Exited Employers
<b>Growth</b>		<b>50</b>	<b>50</b>	<b>50</b>	<b>-</b>
Equity	<ul style="list-style-type: none"> <li>- Exposure to global equity markets</li> <li>- Outperform global equity markets</li> <li>- Contains allocation to active strategies with meaningful outperformance targets</li> </ul>	24	24	24	-
Absolute Return	<ul style="list-style-type: none"> <li>- Provide significant real returns (currently CPI+ 5%)</li> <li>- Lower volatility than equities</li> <li>- Low correlation to equities (beta)</li> <li>- Preserve capital at times of stress</li> </ul>	6	6	6	-
Illiquid Alternatives	<ul style="list-style-type: none"> <li>- Long term returns in excess of public equity markets</li> <li>- Access to assets that provide link to inflation</li> <li>- To provide a source of regular cash flow</li> <li>- Includes new allocation to Infrastructure</li> </ul>	20	20	20	-
<b>Diversifying &amp; Matching</b>		<b>50</b>	<b>50</b>	<b>50</b>	<b>-</b>
Diversifying Fixed Income	<ul style="list-style-type: none"> <li>- Diversified exposure to global fixed income</li> <li>- Focus on return generation</li> <li>- Flexible duration</li> </ul>	20	20	20	-
Low Risk Fixed Income	<ul style="list-style-type: none"> <li>- Provides diversification and inflation protection</li> </ul>	30	30	30	100

*The Fund allows asset allocations to fluctuate around the target allocations subject to the tolerances set out in table 2.*



- 3.7 At present, the Fund believes that the funding objectives of all open employers, academies and exiting/closed employers can be met by the same investment strategy as set out above. However, this will be reviewed annually, and it is possible that different investment strategies may be implemented when it is considered appropriate to do so.
- 3.8 Between 2014 and 2021, the Fund operated a dynamic Risk Management strategy for the major employers in the Fund. This gave the Fund the opportunity to adjust the strategic asset allocation in the event that a group of employers are ahead or behind their funding plan. This mechanism was used by the Fund to ensure that each group of employers continued to take the appropriate level of investment risk, giving each the best opportunity possible to achieve its long-term funding objective whilst increasing certainty of cost. The Fund now considers this Risk Management strategy to have delivered its objectives and therefore the automatic de-risking and/or re-risking steps linked to changes in funding levels has ceased. All employers formerly governed by the Risk Management strategy have now been allocated to the 'Open Fund' or 'Academies' investment strategies as set out in Table 1 above.
- 3.9 The performance of each investment strategy will however, continue to be regularly monitored and changes proposed as and when the Fund and its advisors believe changes will improve the chances of employers meeting their funding objectives.
- 3.10 The Fund is required to monitor its investment strategy relative to the agreed asset allocation benchmark in order to ensure that it remains consistent with the overall objective. The Fund also monitors compliance with this statement and the progress of groups of employers towards their long-term funding objective at least quarterly.

**Table 2 – Tolerance Ranges**

<b>Asset Class</b>	<b>Open Employers and Academies</b>	<b>Exiting/Closed Employers</b>
Equities	+/-5%	+/-2.5%
Absolute Return	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)
Illiquid Alternatives	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)
Diversifying Fixed Income	+/-2.5%	+/-2.5%
Low Risk Fixed Income	+/-2.5%	+/-2.5%

- 3.11 The above tolerance ranges may be relaxed from time to time to allow the Fund to efficiently manage the transition of investment assets to LGPS Central.



3.12 The maximum percentage of assets to be held in each asset class is set out in table 3.

**Table 3 – Maximum Allocations**

<b>Asset Class</b>	<b>Open, Academies and Exiting/Closed</b>
Equities	29.0%
Absolute Return	8.5%
Illiquid Alternatives	22.5%
Diversifying Fixed Income	22.5%
Low Risk Fixed Income	32.5%

3.13 A fundamental review of the strategic asset allocation is undertaken every three years following the actuarial valuation to provide assurance that the investment strategy is aligned to the long-term funding plan. This review utilises both qualitative and quantitative analysis, and covers:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit /surplus
- An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security
- The level of cash flow and liquidity required by the Fund.

#### **4. Risk measurement and management**

4.1 The Fund assesses risks both qualitatively and quantitatively, with the starting point being the investment strategy review, which is undertaken as a minimum every three years. The Fund’s approach to risk is informed by the Pension Fund Committee, its professional advisors and officers of the Fund.

4.2 The key risks that the Fund is exposed to can be grouped under the following headings:

- a) Investment
- b) Funding
- c) Operational
- d) Governance

4.3 These risks are identified, measured, monitored and managed on an active basis with the Pension Fund Manager being responsible for the oversight of this process.



4.4 These risks are summarised as follows:

**A. INVESTMENT RISK**

4.5 There is a risk of funding levels deteriorating because of a fall in asset values or an unexpected increase in inflation increasing the value of future pensions and benefit payments. For open employers the funding level itself is not an immediate concern as the deficit or surplus will never be crystallised. However, a sustained weakening of the funding position and/or deterioration in the outlook for future returns may eventually feed through into higher employer contribution requirements.

4.6 To give an illustration of the potential scale of these risks, Table 4 below shows how a range of events could impact the funding position of the Fund:

**Table 4 – Sensitivity Analysis**

Event	Event movement (a)	Possible Impact on Deficit (b)
Fall in equity markets	25% fall in equities	c.£430m
Fall in property markets	20% fall in property values	c.£120m
Rise in Inflation	0.75% increase in long-term inflation expectations	c.£660m
Fall in interest rates	1% fall in interest rates	c.£740m
Active Manager underperformance	3% underperformance from all active managers	c.£80m

(a) One off impact of market changes, broadly equating to a 5% chance of occurring in a one-year period

(b) Figures estimated based on current strategic allocation and total Fund asset value as at 30 September 2019. Assumes index-linked gilts and liabilities are equally sensitive to changes in interest rates and inflation and makes no allowance for sensitivity of other assets, e.g. diversified fixed income, property or infrastructure. Figures assume no “rebound” or “unwinding” of the event movement, which may or may not subsequently occur.

**Interest Rates**

4.7 Long-term interest rates provide an indicator of future investment returns. Therefore, if interest rates fall, this can indicate that future investment returns are expected to be lower. Lower investment returns would lead to the investment strategy underperforming the funding target. To mitigate this risk, the Fund already has a significant allocation to fixed income assets, such as index-linked gilts and corporate bonds, which increase in value with falling interest rates. This higher asset value helps to protect against a possible reduction in future investment returns on the other assets in the portfolio. The Fund will review this allocation periodically in response to changing market conditions.



### Equities

- 4.8 The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains viable. The Fund believes that the extra returns that are expected to be generated by equities over the long term compensates for the volatility involved in equity investing. The investment strategy is diversified which helps to mitigate equity risk by investing significantly in bonds and alternatives.

### Alternatives

- 4.9 The risks associated with investing in alternative asset classes including absolute return, property, infrastructure and private equity are relevant considerations when assessing the overall level of risk within the investment strategy. The Fund believes that over the long term, alternative asset classes will provide a level of return that compensates for the inherent risk. The additional level of diversification provided by these assets helps to reduce the Fund's reliance on equity returns. At the aggregate Fund level, investing in alternative asset classes reduces the overall level of risk.

### Active Manager Risk

- 4.10 The Fund undertakes extensive due diligence on its appointed investment managers and formally monitors their performance and operation on a quarterly basis. This process is overseen by the Investment Sub-Committee and is advised by Officers and the Fund's advisors.

### Liquidity risk:

- 4.11 The Fund invests in both liquid and illiquid assets meaning that not all assets can be realised at short notice. Given the long-term investment horizon, the Fund accepts some liquidity risk given the potential for higher returns. The Fund monitors its liquidity position carefully to ensure that it is not a forced seller of long-term assets in order to make day to day payments of benefits. Around 80% of Fund assets are expected to be highly liquid. Investment in cash flow generative assets is undertaken to assist the Fund's cash flow needs.

### Exchange rate risk:

- 4.12 The Fund as a long-term investor can tolerate some short-term currency fluctuations, however this is managed carefully by its investment managers who are monitored against Sterling benchmarks and therefore use hedging techniques to contain this risk. The Fund does not at present directly hedge against the risk of foreign currency fluctuations but has the capacity and processes in place to do so if necessary.

## **B. FUNDING RISK**

- 4.13 The Fund's investment strategy is a fundamental part of ensuring that affordable



contributions can be set in the long term. Employer contribution strategies are aligned with the investment strategy. There are, however, a number of factors that could lead to a disconnect between the investment and contribution strategies. These risks are set out below:

#### Inflation

- 4.14 Future benefit payments to be made by the Fund are linked to inflation. Therefore, increases in the rate of inflation will increase the value of payments to pensioners. The Fund invests in assets such as index-linked gilts and property with inflation linked income streams to manage and mitigate this risk.

#### Demographic risks

- 4.15 The Fund is subject to a range of demographic risks. A more mature membership base would mean that there were a greater number of pensioner members receiving benefits than active members paying contributions. The projected maturity of the membership base is factored into the investment strategy in order to ensure that as the membership base matures, the fund is invested in the appropriate level of income generating investments or investments that are realisable at short notice and at low cost.

#### Climate Change Risk

- 4.16 In its revised Responsible Investment policy, the Fund acknowledges that there may be a significant risk from climate change which could impact on the ability of the Fund to meet its long-term liabilities. It has therefore resolved to adopt an evidence based precautionary approach to climate change to monitor and actively manage any identified risks. Further information is included in the Fund's Responsible Investment policy which is attached in Appendix B.

### **C. OPERATIONAL RISK**

- 4.17 Operational risks arise through the implementation of the Fund's investment strategy. These risks are set out below:

#### Transition risk

- 4.18 The Fund may incur unexpected costs in relation to the transition of assets between managers and/or asset classes. When carrying out significant transitions, the Fund takes professional advice and considers the appointment of specialist transition managers in order to mitigate this risk when it is cost effective to do so.

#### Custody risk

- 4.19 The Fund must ensure that it retains the economic rights to all Fund assets, when held in custody or when being traded. It does this through the use of a global custodian for custody of assets, the use of formal contractual arrangements



for all investments and maintaining independent investment accounting records.

#### Credit default risk

- 4.20 A counterparty related to a Fund investment could fail to meet its contractual obligations. The Fund monitors this through robust internal compliance arrangements where applicable, contractual requirement for investment managers to manage counterparty risk on the Fund's behalf and robust due diligence prior to making any investment.

#### **D. GOVERNANCE RISK**

- 4.21 Good governance is an essential part of the Fund's investment strategy and the Fund therefore identifies poor governance as a potential risk that can have a detrimental effect on the successful operation of the Fund. The Fund ensures that its decision-making process is robust and transparent, and this is documented in the Governance Compliance Statement which is published on the Fund's website.

#### Environmental, Social and Governance risks

- 4.22 The Fund's investment strategy contains its own policy on Responsible Investment. Non-compliance with this policy would expose the Fund to financial and reputational risk. The Fund believes that effective management of financially material Responsible Investment risks should support the Fund's requirement to protect returns over the long term. The Fund will seek to further integrate Responsible Investment factors into the investment process across all relevant asset classes. Further information on the Fund's approach to managing this risk is provided within the Responsible Investment Policy which is published on the Fund's website and as at Appendix B.

### **5. Securities Lending**

- 5.1 Securities lending is undertaken in respect of the Fund's directly owned quoted equities holdings through an arrangement with the Fund's Custodian, BNY Mellon. The Fund receives a fee whenever it loans stock out via this arrangement and the income is used to help the Fund meet its liability payments. The Fund's securities lending programme was reviewed by the Investment Sub-Committee in 2018 and again in 2021; they examined the potential risks and concluded that sufficient safeguards were in place and that the programme should continue.

### **6. Approach to asset pooling**

- 6.1 LGPS Central Ltd ("LGPS Central") has been set up as an arms-length company, accredited by the Financial Conduct Authority, to manage the pooled investment assets of eight LGPS funds across the centre of England.
- 6.2 The Cheshire Pension Fund is one of the eight partner funds, all of whom hold equal shares in the company. The other partner LGPS pension funds are:



Derbyshire, Leicestershire, Nottinghamshire, Staffordshire, Shropshire, West Midlands and Worcestershire.

- 6.3 LGPS Central started trading on 3 April 2018 and partner funds have started to migrate assets over to the company as and when appropriate investment products become available. As at the end of December 2021 the Cheshire Pension Fund has migrated 30% of its total investment assets to LGPS Central and this percentage will increase as LGPS Central launch more investment products across different asset classes. In respect of migrated investment assets, LGPS Central will assume responsibility for the day to day monitoring of investment performance and the appointment and dismissal of external investment managers.
- 6.4 The Fund is committed to making a success of LGPS asset pooling in the belief that the Fund will benefit from lower investments costs achieved via economies of scale and greater bargaining power driven through the aggregation of assets. In addition, the Fund will have greater access to a broader range of investable asset classes, including new and innovative products and services. LGPS Central and the partner funds have put in place a robust governance framework to ensure the company operates effectively and delivers timely and transparent reporting to shareholders and client funds.
- 6.5 The Fund will retain full responsibility and control over its strategic investment allocation policy. Subject to satisfactory due diligence and value for money considerations being satisfied, the Fund intends to eventually invest all its assets with LGPS Central but will maintain some cash balances locally. However, some existing assets held are illiquid and difficult to transfer (e.g. private equity limited partnership holdings and property assets) and these will be evaluated carefully to assess whether best value for money is delivered by the transfer of the assets to LGPS Central or continuing to be held directly by the Fund.

## **7. Responsible Investment (RI)**

- 7.1 The Cheshire Pension Fund is a long-term investor aiming to deliver a sustainable Pension Fund for all stakeholders.
- 7.2 Cheshire West and Chester Council, as the administering authority of the Fund, has a fiduciary duty to act in the best, long-term, interests of the Fund's employers and members. The Fund believes that in order to fulfil this duty, it must have a clear policy on how it invests in a responsible manner.
- 7.3 Responsible Investment is a fundamental part of the Fund's overarching investment strategy as set out in this Investment Strategy Statement – that is to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers and minimising the long-term cost of the scheme. The Fund believes that consideration of Environmental, Social and Corporate Governance (“ESG”) factors are fundamental to this, particularly where they are likely to impact on the overarching investment objective.



7.4 The Fund's approach aims to ensure that consideration of ESG factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors.

7.5 The Fund's core principles of responsible investment are:

1. We will apply **long-term thinking** to deliver **long-term sustainable returns**.
2. We will seek **sustainable returns** from **well-governed assets**.
3. We will use an **evidence-based** long term investment appraisal to inform **decision-making** in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.

7.6 The way in which the Fund ensures that these core principles are met, and how it monitors its own performance is provided within the Responsible Investment Policy presented in Appendix B.

## 8. **Myners Principles**

8.1 Although not specifically referenced in the Regulations, the Fund continues to assess its own compliance with the Myners Principles of Good Investment Governance. A statement that sets out an assessment of compliance is presented in Appendix A.

## 9. **Advice taken**

9.1 In creating this statement, the Fund has taken advice from its Officers and external advisors.

9.2 In relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant, Mercer, and the Scheme Actuary, Hymans Robertson. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.



**APPENDIX A**

**COMPLIANCE WITH MYNERS PRINCIPLES OF GOOD INVESTMENT  
GOVERNANCE**

Principle	Evidence of Compliance
<p><b>Principle 1 Effective Decision Making:</b> Administering authorities should ensure:</p> <ul style="list-style-type: none"> <li>- That decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and</li> <li>- That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> </ul>	<p><b>Compliant</b></p> <ul style="list-style-type: none"> <li>- Decisions are taken by the Section 151 Officer of the Administering Authority, advised by the Pension Fund Committee.</li> <li>- The Section 151 Officer and the Committee has support from Council officers with sufficient experience to assist them.</li> <li>- The Fund is also advised by professional actuarial and investment advisers.</li> <li>- The Committee makes robust challenges to advice and is aware of where potential conflicts of interest may reside within the Committee and in relation to service providers.</li> </ul>
<p><b>Principle 2 Clear objectives:</b></p> <ul style="list-style-type: none"> <li>- An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.</li> </ul>	<p><b>Compliant</b></p> <ul style="list-style-type: none"> <li>- The Fund has established investment objectives, which take account of the nature of Fund liabilities and the contribution strategy. The objectives are set based on advice from the Fund Actuary and Strategic Investment Advisor, which informs the overall risk budget for the Fund. The overarching objective is reflected in the investment mandates awarded to the asset managers.</li> <li>- There is dialogue with admitted bodies within the Fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide.</li> </ul>
<p><b>Principle 3 Risk and liabilities:</b></p> <ul style="list-style-type: none"> <li>- In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</li> <li>- These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default</li> </ul>	<p><b>Compliant</b></p> <ul style="list-style-type: none"> <li>- The investment strategy is considered in the light of the nature of the Fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity</li> <li>-</li> </ul>



Principle	Evidence of Compliance
and longevity risk.	<ul style="list-style-type: none"> <li>- The Pension Fund Committee and Council officers challenged the contribution strategy with the Actuary, in order that it takes into account of risk factors for the Fund including strength of covenant. Discussions have also taken place with admitted bodies in relation to the affordability of contributions and the</li> </ul>
<p><b>Principle 4 Performance assessment:</b></p> <ul style="list-style-type: none"> <li>- Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.</li> <li>- Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.</li> </ul>	<p><b>Partially compliant</b></p> <ul style="list-style-type: none"> <li>- The performance of the Fund and its individual managers are monitored on a regular basis.</li> <li>- The quality of advisers is assessed on a qualitative basis and is subject to periodic retender in order to ensure value for money.</li> <li>- The Pension Fund Committee does not yet have a formal process in place to measure its own effectiveness.</li> </ul>
<p><b>Principle 5 Responsible Ownership:</b> Administering authorities should</p> <ul style="list-style-type: none"> <li>- adopt, or ensure their investment managers adopt, the Financial Reporting Council's (FRC) Stewardship Code on the responsibilities of shareholders and agents.</li> <li>- include a statement of their policy on responsible ownership in the Statement of Investment Principles.</li> <li>- report periodically to scheme members on the discharge of such responsibilities.</li> </ul>	<p><b>Compliant</b></p> <ul style="list-style-type: none"> <li>- The Pension Fund Committee encourages its investment managers to adopt the Financial Reporting Council's (FRC) Stewardship Code on the responsibilities of shareholders and agents on the Fund's behalf and all relevant managers comply.</li> <li>- This Investment Strategy Statement includes a statement on the Fund's policy on responsible ownership.</li> <li>- The Fund will publish an annual summary of voting and engagement activity.</li> </ul>
<p><b>Principle 6 Transparency and Reporting:</b> Administering authorities should</p> <ul style="list-style-type: none"> <li>- act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives</li> </ul>	<p><b>Compliant</b></p> <ul style="list-style-type: none"> <li>- The Fund maintains minutes of all Pension Fund Committee meetings and documents all key decisions through the EDN and ODN process. Minutes are available on the Fund website.</li> <li>- The Council holds a formal annual meeting for employers and meets periodically with sponsoring employer</li> </ul>



Principle	Evidence of Compliance
<ul style="list-style-type: none"> <li>- should provide regular communication to scheme members in the form they consider most appropriate.</li> </ul>	<p>bodies.</p> <ul style="list-style-type: none"> <li>- A member representative attends Committee meetings.</li> <li>- The Investment Strategy Statement is published on the Fund's website and is available to members on request.</li> <li>- Other information on the Scheme is available to members on the Fund's website.</li> </ul>



## Glossary of Terms

Term	Definition
<b>Absolute return</b>	A fund that aims to achieve a positive return irrespective of movements in the equity and bond markets.
<b>Alternatives</b>	Typically seen as an “unconventional” asset class – i.e. an asset class, other than traditional asset classes such as public equities, bonds, property and cash.
<b>Bonds / Fixed Income</b>	A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate. Seen as a good “matching” asset for a pension scheme.
<b>De-risking</b>	Moving from growth to matching assets to reduce risk.
<b>Diversifying fixed income</b>	A bond like investment that is return seeking and provides a different source of return other than equities.
<b>Equities</b>	A share in a company. Seen as a “risky” or “growth” asset from a pension scheme perspective.
<b>ESG</b>	Environmental, social and corporate governance factors which could impact company performance and therefore investment returns. Examples include (but are not limited to) climate change, workforce issues, remuneration, independence of the board and auditors, board composition and diversity.
<b>Funding basis</b>	The assumptions used by the Scheme Actuary to place a value on the Fund’s liabilities (the value of the benefits to be paid out of the Fund).
<b>Funding level</b>	The difference in the value of the Fund’s assets and liabilities. Assesses the financial health of the Fund.
<b>Hedging</b>	Currency hedging is an approach that is intended to manage the degree of risk that may be present when engaging in some type of foreign investment strategy. Essentially, the structure of a currency hedging process would attempt to compensate for any shifts in the relative value of the currency types utilized in the investment scheme or the transaction.
<b>High Conviction</b>	High conviction is a style of active management often associated with active equity investment funds. Such managers seek to deploy a high conviction approach over time with the aim of outperforming the benchmark or passive fund equivalent for their target sector.
<b>Illiquid alternatives</b>	An alternative asset which is not easily traded (i.e. cannot be converted into cash quickly or without an impact to the price received)
<b>Liquid asset</b>	An asset which is easily traded (i.e. can be converted into cash quickly and with minimal impact to the price received)



# Responsible Investment Policy

April 2022

Published by: Cheshire Pension Fund,  
Council Offices, 4 Civic Way, Ellesmere Port,  
CH65 0BE  
[www.cheshirepensionfund.org](http://www.cheshirepensionfund.org)

## RESPONSIBLE INVESTMENT POLICY

### 1. Introduction

- 1.1 The Cheshire Pension Fund (“the Fund”) is the name of the Local Government Pension Scheme (LGPS) in Cheshire.
- 1.2 Cheshire West and Chester Council (“the Council”) as the administering authority of the Fund, has a fiduciary duty to act in the best, long-term, interests of the Fund’s scheme members and participating employers.
- 1.3 The Fund’s primary investment objective to meet its fiduciary duty is to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers given the long term nature of the scheme.
- 1.4 The Fund believes that in order to fulfil this duty, it must have a clear policy on how it invests in a responsible manner. Consideration of Environmental, Social and Governance (“ESG”) issues are fundamental to responsible investment, particularly where they are likely to impact on the primary investment objective.
- 1.5 This Responsible Investment (RI) policy sets out the Fund’s approach to embedding consideration of ESG issues in the investment process, utilising the various tools available to manage ESG risks and harness opportunities presented by ESG factors.

### 2. What is our policy on Responsible Investment?

- 2.1 The Fund’s core principles guiding our approach to Responsible Investment are:
  - We will apply **long-term thinking** to deliver **long-term sustainable returns**.
  - We will seek **sustainable returns** from **well-governed assets**.
  - We will use an **evidence-based** long-term investment appraisal to inform **decision-making** in the implementation of Responsible Investment principles and consider the costs of Responsible Investment decisions consistent with our fiduciary duties.
- 2.2 The Fund will invest in sustainable assets to deliver long term financial returns to enable pension promises to be paid now and into the future. This approach places the full consideration of financially material ESG factors at the heart of the Fund’s investment decision making and monitoring process. This approach is distinct from the commonly used definition of ‘ethical’ investing: an approach in which the values or moral beliefs of an organisation or its key decision makers takes primacy over its investment considerations. Such an approach is often typified by an exclusions policy whereby certain sectors or groups of companies are excluded at the initial stage of the investment analysis process.



### 3. What actions will the Fund take to meet these principles?

Core Principle	Associated Actions
We will apply long-term thinking to deliver long-term sustainable returns	<ul style="list-style-type: none"> <li>- Investment objectives are clearly set out in the published Investment Strategy Statement.</li> <li>- Set longer-term performance objectives for investment managers.</li> <li>- Seek to ensure that long term interests are aligned with that of its investment managers on all issues including on ESG considerations.</li> <li>- Policies relating to ESG will be considered as part of the Fund's long term investment planning process, following a thorough and robust investment appraisal.</li> </ul>
We will seek sustainable returns from well-governed assets	<ul style="list-style-type: none"> <li>- Apply a robust approach to stewardship, linked to the Fund's approach that engagement can positively and effectively influence behaviours.</li> <li>- Engage with companies when engagement to improve ESG outcomes and add value to the Fund.</li> <li>- Comply with the UK Stewardship Code and work within the spirit of the United Nation backed Principles of Responsible Investment ("PRI").</li> <li>- Hold investment managers to account to ensure compliance with this policy.</li> <li>- Collective engagement through membership of the Local Authority Pension Fund Forum (LAPFF), the LGPS Central pool and other opportunities that arise from time to time.</li> <li>- Exercise voting rights in all markets where practicable.</li> </ul>
We will use an evidence-based long-term investment appraisal to inform decision-making in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.	<ul style="list-style-type: none"> <li>- Consider the potential financial impact of ESG related issues (such as climate change or executive remuneration) on an ongoing basis.</li> <li>- Consider the potential financial impact of investment opportunities that arise from ESG related factors (e.g. investment in renewable energies or housing infrastructure).</li> <li>- Monitor the carbon footprint of its publicly listed investment assets and actively manage any potential financial risks that this identifies through a Climate Change Stewardship Plan.</li> <li>- Consider investment opportunities that have positive impacts and recognises that the changing external environment presents new opportunities i.e. renewable energy, green technology and social impact investments.</li> </ul>



#### 4. How will we monitor performance on Responsible Investment?

4.1 The Fund will be **transparent and accountable** in terms of its performance on Responsible Investment.

4.2 To achieve this the Fund will: -:

- publish the Investment Strategy Statement on the Fund's website in line with the scheme regulations
- explain decisions relating to the setting of the investment policy
- publish the Responsible Investment Policy on its website, review the policy on an ongoing basis and formally consult on the policy at least every three years
- closely monitor its appointed investment managers whom the Fund rely on to partly implement its Responsible Investment Policy
- publish a Climate Change Report showing the carbon footprint of the Fund's publicly listed investment assets and how the Fund will manage any related risks
- undertake an annual review of corporate governance, voting and engagement activity undertaken by the Fund and its underlying managers
- publish an annual summary of voting and engagement activity
- ensure that its decision makers are properly trained and kept abreast of ESG issues
- include ESG as standing item on the Investment Sub Committee (or equivalent) agendas with a view to reporting on manager performance in relation to ESG investing, and noting any hot topics / issues arising
- undertake a fundamental review of any specific ESG issues that are considered by the Investment Sub Committee to be of potentially material financial impact
- consider and respond to feedback from stakeholders in relation to issues of concern.

#### 5. Responsible Investment and LGPS Central pool

5.1 The Fund has joined with seven other LGPS Funds (Derbyshire, Staffordshire, Shropshire, Leicestershire, Nottinghamshire, West Midlands and Worcestershire) to create the LGPS Central pool. This is one of eight pools across the LGPS.

5.2 The pool was set up to deliver the Government's requirement for all administering authorities in England and Wales to join together and pool the way they managed their investment assets to drive economies of scale and increase opportunities in asset classes which partner funds may not have had the capacity to invest in individually.

5.3 In April 2018, the partner funds created a jointly owned company called LGPS Central Ltd, a Financial Conduct Authority accredited investment company, to manage their pooled investment assets, collectively valued at some £40bn.

5.4 It will take a number of years to transition assets securely and economically from



current management arrangements across to LGPS Central Ltd.

- 5.5 LGPS Central Ltd has now launched a number of investment products and the Fund will continue to work with LGPS Central Ltd and partner funds to help shape further investment products that meet the requirements of the Fund's Investment Strategy Statement.
- 5.6 All partner funds retain ownership and control of their Investment Strategy and asset allocation decisions. Day to day investment decisions such as to engage or dismiss investment managers, and monitoring of investment performance passes to LGPS Central as assets transfer.
- 5.7 To date the Cheshire Pension Fund has transitioned over £2billion of assets across to LGPS Central (approx. 30% of the Cheshire Fund's total assets) and this figure will increase as LGPS Central launch new investment products.
- 5.8 It is expected that the Fund's ability invest in a responsible way will be enhanced through LGPS Central due to the inherent benefits of scale, collectivism and innovation that will result from the project.

## **6. Engagement versus Exclusion**

- 6.1 The Fund believes that its influence as a shareholder is most effective by engaging with companies, in order to influence behaviour and enhance shareholder value.
- 6.2 Consequently, the Fund does not implement a divestment approach that excludes certain types of investments, companies or sectors except where barred by UK law.
- 6.3 The Fund actively engages with companies in which it is invested through LGPS Central Ltd, its investment managers and through membership of the Local Authority Pension Fund Forum (LAPFF).
- 6.4 Ultimately the Fund retains the right to divest from certain companies or sectors in the event that all other approaches are unsuccessful, and it is determined that the investment is no longer aligned with the interests of the Fund or that the issue poses a material financial risk.
- 6.5 Specifically, in respect of climate change, the Fund does not adopt an approach to divest from companies or sectors on a mechanistic basis. For example, calls to divest from fossil fuel companies by default take insufficient account of the relatively high carbon footprint of many companies outside of the energy sector. In addition, there is strong evidence that some companies within this sector are transitioning quickly and effectively to a net zero carbon emissions position and/or are engaging positively with the requirements of the Paris Climate Change agreement. The Fund therefore believes that it is not sensible to divest from such companies when pursuing a holistic and evidence based approach to managing and monitoring climate change risk.



## 7. Responsible Investment Engagement Themes

7.1 Working in partnership with LGPS Central the Fund has adopted the following key engagements themes for particular focus during the year:

- 7.1.1 Climate Change
- 7.1.2 Plastic Pollution
- 7.1.3 Human Rights risks
- 7.1.4 Responsible Tax Behaviour

7.2 LGPS Central Ltd has appointed a specialist engagement provider, Hermes EOS. Every quarter LGPS Central Ltd reports on their activities and progress in a Quarterly Stewardship report, which is publicly available at:

[LGPSC-Stewardship-Update-Q2-2021-22-2.pdf \(lgpscentral.co.uk\)](#)

7.3 In addition to the focus on the four themes outlined above, LGPS Central Ltd have a wealth of active engagement activity on numerous other themes including executive remuneration, board composition, diversity and workforce rights.

## 8. Exercise of Voting Rights

8.1 The Fund exercises its ownership rights by actively voting stock it holds.

8.2 The Fund delegates responsibility for voting to LGPS Central Ltd or the Fund's directly appointed investment managers who are required to vote wherever the Fund has a voting interest.

8.3 For Fund assets managed by LGPS Central Ltd, wherever practicable, votes must be cast in accordance with LGPS Central's Voting Principles (available on LGPS Central's website) at:

[LGPSC-Voting-Principles 2021.pdf \(lgpscentral.co.uk\)](#)

8.4 For Fund assets managed by appointed external investment managers, votes must be cast in line with industry best practice as set out in the Combined Code of Corporate Governance with a clear focus on enhancing long term shareholder value.

8.5 Investment managers' quarterly performance reports are required to include a specific briefing on corporate governance, detailing all votes cast on the fund's behalf. The Investment Sub Committee receives these reports on a quarterly basis and any exceptions or examples of non-compliance are addressed directly with the Fund's managers.

8.6 The Fund is committed to becoming accepted as a signatory to the recently



relaunched and revised UK Stewardship Code and will submit an annual stewardship report for assessment by the Financial Reporting Council by the required deadline.

## 9. Climate Change

9.1 The Fund recognises that, in addition to the wider impacts of climate change, owning investment assets with a significant exposure to fossil fuels, poses a particular potential investment risk in that markets may re-price fossil fuel assets in response to growing public concerns over climate change and the response of policy makers to this concern.

9.2 It is impossible to predict the timing or quantum of any market re-pricing. Given this, the Fund believes it is sensible to adopt a precautionary approach to climate change related investment risk and this approach was articulated in the Fund's Climate Change Strategy document which was published in December 2020. In the document the Fund commits itself to:

- i) Support the Paris Climate Agreement, which seeks to limit increases in global temperatures below 2 degrees centigrade. By extension, the Fund expects all investee companies to align their business activities with the Paris Agreement.
- ii) The belief that climate change is a long-term material risk and therefore it is correct that the Fund consider it as an integral part of its statutory fiduciary duties.
- iii) The belief that climate change may impact the Fund through asset pricing, life expectancy, employer covenants, long term inflation and interest rates.
- iv) The belief that the Fund believes that the transition to a low carbon world economy presents both risk and opportunities and therefore, the Fund will consider climate change as a part of all asset allocation, manager selection and individual investment decisions.
- v) Decarbonise its investment portfolio to deliver net zero emissions by 2050 at the latest.
- vi) To support the long-term aim of net zero by 2050 by setting specific shorter-term targets to lower the carbon footprint of its equity portfolio year on year compared to the general market.

9.3 Further details of the Fund's approach to climate change are included in the Fund's Climate Change Strategy document which is available at:

<https://www.cheshirepensionfund.org/members/wp-content/uploads/sites/2/2020/12/Climate-Change-Strategy-December-2020.pdf>

and is attached to this Responsible Investment policy as an Annex.



9.4 The shorter-term decarbonisation targets that the Fund has set are:

- i) A commitment to reduce the carbon footprint of the Fund's equity portfolio by 7.6% per year.
- ii) A commitment to reduce the carbon footprint of the Fund's equity portfolio to a level 50% below that of the general equity market by the end of 2023.
- iii) The Fund will seek to invest an increasing proportion of total Fund assets in low carbon and sustainable assets.

9.5 The Fund believes that the above targets can be delivered without jeopardising its fiduciary duty to act in the best long-term financial interests of members and employers.



## Climate Change Strategy

### Introduction

This Climate Change Strategy sets out the Cheshire Pension Fund's approach to managing the risks and opportunities to its investment portfolio from climate change.

The publication of a separate Climate Change Strategy reflects the Fund's view that there is a significant material risk from climate change to the value of the Fund's investment assets and this risk needs to be actively monitored and managed.

### Climate Change Risk

Climate action failure is *the* stand-out, long-term risk the world faces in likelihood and impact according to the 2020 Global Risks Report from the World Economic Forum. If 'business as usual' continues, the world could heat up by about 5 degrees by 2100 which would cause profound societal damages and significant human harm. According to the Intergovernmental Panel on Climate Change (IPCC), greenhouse gas (GHG) emissions need to fall by 45% vs 2010 levels by 2030 in order to avoid the worst effects of climate change.

As a long-term asset owner, the Fund would like to see stable, well-functioning and sustainable markets which will foster long-term value creation and sustainable returns. Climate change cuts across industries, markets and economies and is a risk that cannot be fully diversified. How companies manage climate-related transition and physical risks and opportunities is highly likely to affect long-term profits and company returns. The Fund will endeavour to take a holistic approach to managing climate change risk and to act in a manner that will enable the broader transition towards a low-carbon economy through a combination of portfolio construction, engagement and policy advocacy.

### Governance of Climate Change Risk

The Pension Fund Committee is responsible for endorsing the Fund's policies and procedures including the Fund's *Climate Change Strategy*. Responsibility for the implementation of the Strategy is held by the Head of the Cheshire Pension Fund and the Finance and Investments Manager. The Pension Fund Committee will review the strategy on a bi-annual basis and agenda time will be scheduled twice a year for discussion of progress on the strategy.

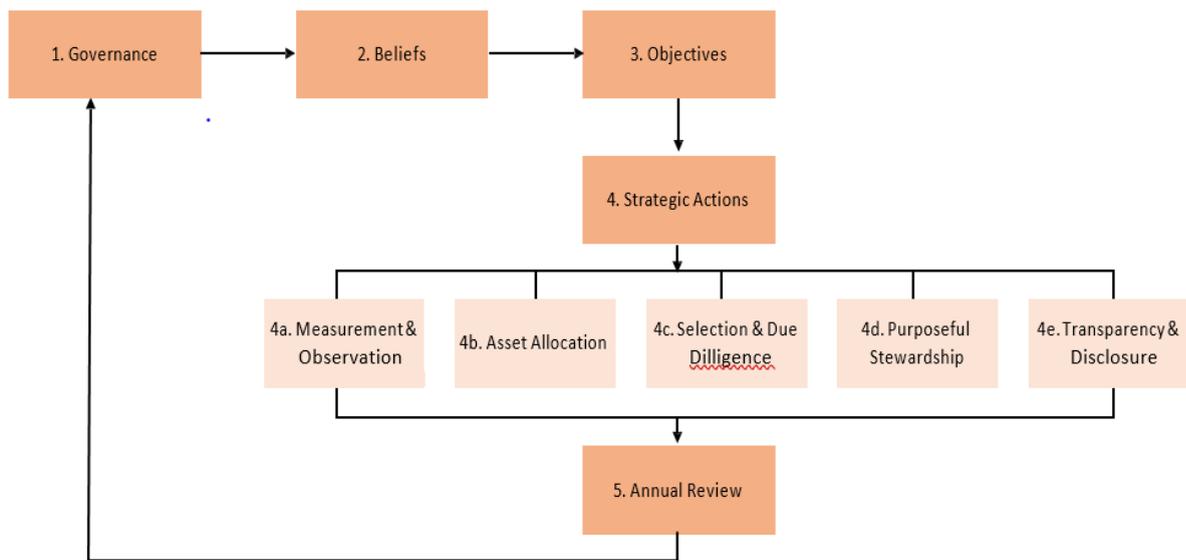
The Fund is committed to providing decision-makers with appropriate training, including specialised training on climate change. The Investment Sub-Committee includes responsible investment (including climate change) as a standing item on the Investment Sub-Committee agendas, and investment managers' quarterly performance reports are required to include a specific briefing on responsible investment (including



climate change as relevant).

As a primarily externally managed Fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers, with oversight from Fund officers. Where appropriate, the Fund’s asset pooling company, LGPS Central Ltd, assists in assessing and managing climate- related risks.

Figure 2: Depiction of the Climate Change Strategy



### Evidence-based beliefs related to climate change

The Fund believes that:

- i) Climate change is a financially material risk for the Fund. It has the potential to impact our beneficiaries, employers and all our holdings across asset classes. Due consideration of climate risk falls within the scope of the Fund’s fiduciary duty.
- ii) There is overwhelming evidence that climate change is impacting the environment. This will have long-term consequences for our financial system. The Fund holds that the economic damages of climate change will outweigh the costs of precautionary mitigation.
- iii) As a result of human activities, the world is warming at an unsustainable rate. Already the world is approximately 1°C warmer than pre-industrial levels. Unabated, such change would be devastating for our way of life.
- iv) Climate change has the potential to impact the funding level of the Fund through impacts on employer covenant, asset pricing, and longer-term inflation, interest rates and life expectancy.
- v) The Fund strongly supports the Paris Agreement on climate change.
- vi) The Fund believes that a transition to a low-carbon economy is essential. This requires greenhouse gas emissions to decline to



- net-zero well before the end of this century. This will happen not only by focussing on the suppliers of energy but also, the demand for energy must undergo a major transformation.
- vii) The Fund believes all companies should align their business activities with the Paris Agreement on climate change. It is possible for a high- emitting company to undergo this transformation and thrive in the transition to a low-carbon future.
  - viii) Investors have an important role to play in the transition to a low-carbon economy. The Fund believes the global economy will be less likely to realise a Paris-aligned energy transition were investors to cease influencing company behaviours.
  - ix) A global co-ordinated response is needed to limit the rise intemperatures. No individual investor is influential enough to act alone. Governments, policymakers, consumers, companies and investors all have a role to play. Acting in collaboration will increase the likelihood of an orderly transition to a low-carbon economy.
  - x) Climate-aware decisions can only be made with accurate, relevant, complete, and comparable data.

## Objectives

### Identify, understand and assess risks and opportunities

The Fund aims to utilise the best available information and tools to identify, understand and assess climate change risks and opportunities across regions and sectors that are material to our Fund. This includes both relevant climate-related transition and physical risks and opportunities likely to impact on the Fund's Investment Strategy and Funding Strategy.

### Integration

The Fund intends to ensure that its investment portfolio; Funding Strategy and Employer Covenant Framework are resilient to climate change impacts.

To achieve climate change resilience, the Fund will ensure that material short, medium and long-term climate change considerations play an integral part in the stewardship of our investment portfolio. This includes climate change integration in theselection and due diligence, and continuous monitoring of assets.

The Fund will seek to influence investee companies and fund managers through routine engagement and voting on climate change issues.

### Climate solutions and decarbonisation

The Fund aims to promote the transition to a low carbon economy through identifying and investing in sustainable and low carbon products across all asset classes. The Fund will also aim to benefit from the opportunities posed by the transition to a low



carbon economy.

To further support the low carbon transition, the Fund will continue to steadily decarbonise our listed equities portfolios.

### **Policy advocacy and transparency**

The Fund will work alongside like-minded organisations to support the ambitions of the Paris Agreement. This includes advocating for Paris-aligned regulations and policies with governments, policy makers, the investment industry and other stakeholders.

The Fund will aim to be fully transparent with our stakeholders through regular public disclosure, aligned with best practice.

### **Strategic Actions**

#### **Measurement & Observation**

The Fund recognises that methodologies for assessing investment related climate change risk are evolving rapidly and we will seek to use the best information available. The Fund will make regular measurements and observations on the climate-related risks and opportunities relating to investment performance. This will include:

- Identification of the most material climate-related risks and opportunities relevant to the Fund;
- Economic assessment of the Fund's asset allocation against plausible climate-related scenarios;
- A carbon risk metrics assessment of the Fund's listed equities and fixed income assets. This includes the following metrics; Portfolio Carbon Footprint, Fossil Fuel Exposure, Carbon Risk Management and Clean Technology. The Fund aims to expand this type of analysis to other asset classes once reliable climate-related data becomes available.
- Regular assessment of progress against the Fund's carbon reduction targets.

Recognising the deficiency of relevant, consistent and comparable climate-related financial data, the Fund will encourage disclosure and the adoption of the recommendations of the TCFD across our investment chain, including external managers and investee companies.

#### **Asset Allocation and Targets**

Where permitted by a credible evidence base, the Fund will integrate climate change factors into reviews of our asset allocation, subject to the requirements of the Investment Strategy statement (ISS) and Funding Strategy Statement (FSS). In light of this, the Fund will actively consider allocations to asset classes that improve our ability to meet our investment objectives.

In addition, the Fund believes that the setting of meaningful and measurable targets



can be a meaningful aid to set, measure and demonstrate progress towards net zero. The fund commits to decarbonise its investment portfolio to deliver net zero emissions by 2050 at the latest. To support this longer term target the Fund commits to:

- Reduce the carbon footprint (scope 1 and 2 emissions) <sup>1</sup> of the Fund's listed equities portfolio from its current 30% below the general market (the FTSE All World baseline) to 50% below by the end of 2023.
- The Fund will also reduce the carbon footprint of its listed equities portfolio by a minimum 7.6% each year. This would ensure the Fund's equity portfolio is aligned with the recommendations of the United Nations Environment Programme's report (published November 2019), which stated that global greenhouse gas emissions must fall by 7.6% per year between 2020 and 2039 to deliver the Paris Climate target of reducing the rise in global temperatures to 1.5C.
- The Fund will seek to invest in an increasing proportion of total Fund assets in low carbon and sustainable assets. The paucity of carbon emissions data across many asset classes makes it impossible to set a meaningful Fund wide target for this commitment at present. The Fund will regularly review this with a view to setting a target once sufficient data is available.

The Fund commits to review progress on delivering against these targets on an annual basis. The targets themselves will be regularly reviewed and the Fund expects to amend the targets as both the scope and quality of investment asset carbon data improves.

### **Selection, Due Diligence and Monitoring**

When considering all new investment decisions, the Fund will assess the material climate-related risks and opportunities and the investment manager's approach to managing climate-related risks. Wherever possible, the Fund will fully assess the impact of all new investment decisions on the carbon footprint of the investment portfolio.

Appointed investment managers will be regularly monitored to ensure climate-related risk is fully integrated into the managers investment process. The Fund will also regularly monitor and review the managers climate-related engagement and voting activity.

---

<sup>1</sup> Scope 1 Greenhouse Gas Emissions: Direct emissions from owner or sources controlled by the owner, including: on-campus combustion of fossil fuels; and mobile combustion of fossil fuels by institution-controlled vehicles.  
Scope 2 Greenhouse Gas Emissions: Indirect emissions from the generation of purchased energy



## **Purposeful Stewardship**

The Fund will develop an Annual Climate Stewardship Plan, which will set clear goals of engagement, particularly on Paris Alignment, with companies, fund managers, policymakers and other organisations of influence. It is clear that the transition to a low carbon economy will depend on policy intervention, changes in corporate behaviour and changes in technology. It is therefore critical that the Fund engages in these discussions to help shape the policy and business landscape. The Fund's engagement efforts are carried out through its asset pooling company LGPS Central Ltd and through other investment managers.

The Fund will use stewardship techniques to manage the risks and opportunities within our investment portfolio, focusing on the risks and opportunities of greatest magnitude. Engagement will be prioritised using the following criteria: perceived level of climate risk, considering carbon risk metrics; weight of the company in the portfolio; likelihood of achieving change; and ability to leverage investor partnerships. Climate related investment risk is not restricted to just companies in the energy sector; the Fund will therefore engage across all relevant sectors and on both the energy supply and demand side, including but not limited to fossil fuels, diversified energy, mining, cement, aviation and utilities.

The Fund will collaborate with like-minded investors where possible and be an active participant in selected collaborative initiatives that support the Fund's stewardship aims, such as the Climate Action 100+ (CA100+) engagement project. The objectives of this engagement activity with companies will be largely aligned with a Benchmark Framework launched by CA 100+ in September 2020. In line with this Framework, the Fund will ask companies to:

- i) Work toward providing disclosures consistent with the Framework enabling investors to assess a company's potential for long-term value creation;
- ii) Set an ambition to achieve net zero emissions by 2050 or sooner across all material GHG emissions, and establish short, medium, and long-term targets to support that ambition;
- iii) Work with investors on action plans to develop and implement net zero transition pathways toward achieving net zero emissions for specific sectors or value chains.

The Fund will make full use of its voting rights and will co-file or support climate-related shareholder resolutions where these align with the Fund's Climate Change Strategy.

## **Transparency & Disclosure**

The Fund will prepare and publish a TCFD report annually, which will include our carbon risk metrics.

The Fund will disclose the stewardship reports of the Fund's key investment managers on a quarterly basis and report on progress against the Fund's Climate Stewardship Plan every year.



**LPB 2021/22 ANNUAL REPORT and OUTTURN****Introduction**

1. This Board will be requested to approve the LPB Annual Report for 2021/22 which includes a summary of the expenditure incurred during the year. A copy of the Annual Report is attached as Appendix A.

**Recommendation**

2. The Board are requested to approve the LPB 2021/22 Annual Report.

**Annual Report**

3. Board members reviewed the 2020/21 LPB Annual Report at the last meeting in March and discussed and agreed the content to be included within the 2021/22 report.
4. A draft of the 2021/22 report was previously circulated to Board members via email and the final version is presented today for the Board to approve.
5. Included within the Annual Report is a summary of the expenditure incurred by the Board during the year against the allocated budget of £5k. The total expenditure for the year was £950, the majority of which was spent on attending conferences and seminars to maintain knowledge and understanding of Board members.
6. The LPB report which be published as part of the wider Cheshire Pension Fund Annual Report and will be available on the website.



# **Cheshire Pension Fund Local Pension Board Annual Report 2021/22**

## INTRODUCTION

Welcome to the seventh annual report for the Local Pension Board (the Board) for the year ending 31 March 2022.

The Board assists Cheshire West and Chester Council, as Administering Authority, with the efficient governance and administration of the Cheshire Pension Fund, the name of the local government pension scheme in Cheshire.

In accordance with the Board's terms of reference, an annual report is required to provide an overview of the nature and effect of the Board for consideration by the Administering Authority.

The Board have continued to hold meetings virtually and intend to hold the majority of future meetings in the same way, perhaps meeting face to face once a year.

Board members received regulator updates on the fund's transformation programme, which is designed to make the best use of technology and other resources in order to deliver an effective service to customers and employers.

Further meetings were held with other Funds within LGPS Central (the pooling partnership with seven other local government pension funds) to share ideas and best practice.

The Board met seven times in the year and Board members attended three joint training sessions with the Pension Fund Committee to maintain and develop knowledge and understanding.

Two special meetings took place during the year. One meeting was convened to review the Pension Regulators single code of practice and respond to the consultation. The other was for the Board to undertake a self-assessment of their own performance.

A collaboration between the Cheshire and Shropshire Local Pension Board took place during the year with the aim of sharing best practice.

During the year, the term of office for the chair, one employer representative and one member representative came to an end. The Board sought expressions of interest and Peter Raynes was reappointed as the chair, and Geoff Wright as the member representative for a further three-year term commencing 27 June 2021.

Councillor Robert Bisset was again nominated as the employer representative by Cheshire West and Chester Council, in accordance with the Board's terms of reference. This appointment is for a three-year term commencing 27 June 2021

The Board places great importance on being open and transparent. A wealth of information relating to the Board, including minutes of meetings, can be found on the Pension Fund website using the link below. There is also a facility for members to contact the Board for any questions/issues relating to the Board's role:

<https://www.cheshirepensionfund.org/members/resources/forms/contact-the-pension-board/>



A summary of the work undertaken by the Board in the past year, along with information about the work plan for the year ahead can be found below.

Peter Raynes  
Local Pension Board Chair



## 1. Board Membership

---

- 1.1 The Board consists of five members, two scheme member and two employer representatives and an Independent Chair. All members are unpaid volunteers.
- 1.2 Terms of office are staggered to ensure business continuity.
- 1.3 Further information, including biographies of each member, is available on the Fund's website.

<b>Role</b>	<b>Name</b>	<b>Organisation</b>	<b>Date Appointed</b>	<b>Term End Date</b>
Employer representative	Adrienne Laing	The Challenge Academy Trust	1/4/20	31/3/23
Employer representative	Cllr Robert Bisset*	Cheshire West and Chester Council	27/6/21	26/6/24
Member representative	Geoff Wright*	UNISON	27/6/21	26/6/24
Member representative	Neil Harvey	GMB	27/6/20	26/6/23
Chair	Peter Raynes*	Independent (non-voting)	27/6/21	26/6/24

\*Reappointed following requests for Expressions of Interest

## **2. Review of 2021/22**

---

2.1 Below is a summary of key areas of activity for the Board during the year and an outline of the plans for the year ahead.

### **Joint Chairs Meetings**

2.2 The Chairs of the Board and the Pension Fund Committee (the Committee) continue to meet on a quarterly basis to discuss common issues.

2.3 These meetings provide the Chairs with a regular opportunity to discuss important topics and to ensure that their work compliments and avoids duplication of effort.

### **Pensions Consultative Forum**

2.4 The Pensions Consultative Forum (PCF) is made up of representatives from the main employers and employer groups within the Fund. It works with the Fund to ensure an efficient service is delivered for all stakeholders, with particular emphasis on administration and communication.

2.5 The Board Chair, Peter Raynes is also Chair of the PCF providing an important link between the Board and the Forum.

2.6 The Forum is key to assisting the Fund in developing new ways of working which will improve efficiency for both the Fund and Employers.

2.7 Forum members assisted the Fund by sharing information with their employees on a baselining survey on communication with the Fund during the autumn of 2021. The support from the Forum meant that the Fund received just under 1,000 responses. The valuable feedback from the surveys is now being used to inform the new communications strategy which will be published in the summer of 2022.

### **LGPS Central Board Chairs / Scheme Advisory Board Engagement**

2.8 As in previous years, the Board Chair has continued to meet with Chairs from the Boards of the LGPS Funds within the Central Pool (these are Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire LGPS Funds). These meetings allow the Boards to discuss important topics and share ideas.

2.9 Two virtual meetings took place during the year on 25 October 2021 and 28 March 2022.



- 2.10 The Scheme Advisory Board continues to play an important role in this group. A SAB representative (Bob Holloway) attends the joint meetings and provides regular updates on regulatory and other relevant issues. The updates are helpful as they provide an overview of the upcoming issues that Local Pension Board members need to consider.

### **Knowledge and Skills**

- 2.11 The Committee endorsed the training policy at its meeting on 13 March 2020. The policy was effective from 1 April 2020 and covered the collective training requirements for Committee and Board members.
- 2.12 A joint training plan was developed for the 2021/22 year which was based upon the results of CIPFA knowledge and skills self-assessment questionnaires which had been completed by Committee and Board members.
- 2.13 In addition, members each received a summary of their own results in the form of an individual training plan which they would update with details of other training they attended. This training would be accessed through conferences and seminars, along with details of any online learning, such as the Pensions Regulator's Trustee Toolkit and the Hymans Robertson LGPS Online Learning Academy (LOLA).
- 2.14 In the autumn the Board and Committee Chairs undertook a review of the collective training which had been delivered to members, the results of the individual training plans and the results from the further self-assessment questionnaire which had been completed by members.
- 2.15 The training plan for 2022/23 was derived from these results and approved by the Chairs.

### **Governance Review**

- 2.16 In 2018/19 the Pension Fund commissioned Barnett Waddingham (BW) to conduct a review of the governance arrangements within the Fund, including the role of the Board. The review found that the governance arrangements worked well and there were no material issues to be addressed. The review did, however, make some minor recommendations in relation to the Board, including updating the Terms of Reference to reflect some changes to working practices (e.g. the number of Board meetings held each year had increased).
- 2.17 Board members agreed to align implementation with the outcomes from the Scheme Advisory Board's Good Governance Review, so that any changes needed flowing from the SAB's recommendations could be incorporated.
- 2.18 At its meeting on 4 May 2021 the Board identified the specific changes they would like to make to the terms of reference following the BW review.



- 2.19 The Board also received an update on the outcomes from the SAB Good Governance review, which were published in February 2021, and the recommendations that have been made to the Department for Levelling Up, Housing and Communities (DLUHC).
- 2.20 Board members reviewed the sixteen recommendations from the outcomes report and were comfortable that the Fund would be able to meet them without the need for material changes.
- 2.21 Further regulations and guidance are required to bring the recommendations into full effect and are expected sometime during 2022. The proposed changes to the Board's ToR will be made alongside any required changes resulting from the Good Governance review.

### **Regulatory Changes**

- 2.22 The Board received detailed briefings on regulatory changes during the year.

#### McCloud Judgement

- 2.23 The first related to the McCloud judgement which refers to the case in which the Supreme Court found that transitional protections introduced in the firefighters and judges pension schemes in 2015 amounted to age discrimination to younger workers. Similar protections were introduced into other public sector schemes, and the Government confirmed the ruling applies to those schemes as well.
- 2.24 This regulatory change presents a significant challenge and will require input from all areas of the Fund. The regulations themselves are expected to come into force from October 2023. In the meantime the Fund is working on obtaining necessary information from employers dating back to 2014 when the scheme changed to a career average revalued earnings scheme.
- 2.25 The Board regularly monitor the Fund's progress in preparing for and meeting the requirements of this regulatory change.

#### Exit Reform

- 2.26 Board members also received a briefing on caps on exit payments resulting from redundancy and efficiency.
- 2.27 The Government initially introduced the Restriction of Exit Payment Regulations in autumn 2020 but they were revoked early in 2021.

2.28 It is expected that a further consultation on proposed exit reforms will be received in 2022/23. Board members will be briefed on the consultation once it is received.

### **Risk Register**

2.29 The Board reviewed and updated the risk register during the year.

2.30 The register contains six risks that relate specifically to the Board itself. The register identifies additional mitigating actions which could be taken in future to further mitigate the risks. The Board will seek to implement these where possible.

2.31 A high level summary of the risks outlined in the Board's register along with their current rating is shown below:

<b>Risk</b>	<b>RAG Status</b>
Conflicts of Interest	Green
Maintaining knowledge and skills	Amber
Changes to Board membership	Amber
Monitoring compliance effectively	Green
Support to the Board	Green
National developments	Green

2.32 At the meeting on 15 September 2021, where Board members undertook a review of their own performance, it was suggested that it would be beneficial for the Board to conduct a detailed review of the Pension Fund's risk register as well.

2.33 The Fund's Risk Register was reviewed at the Board meeting on 5 October 2021 and a recommendation was made to include a specific risk on cyber security. The Pension Fund Committee agreed and added this risk to their register at the meeting on 3 December 2021.

### **Coronavirus and Changes to Working Practices**

2.34 At the outset of the pandemic in 2020 pension fund staff switched from being mostly office based to working wholly from home. This position has largely continued over the past two years with a small number of staff members attending the office when required in order to carry out tasks that cannot be completed remotely.

2.35 The Board received regular updates on how the Fund was able to maintain service delivery and support staff members and customers through this challenging time.



- 2.36 The switch to home working required some changes to working practices, such as how the Fund deals with post, suspension of the office based pension helpline, setting up a recorded message to explain how customers could reach us via email.
- 2.37 The Board were pleased to find that, similar to the previous year, the Fund had been able to maintain its standards of service to members throughout the year.
- 2.38 The Fund will be implementing new ways of working for all staff in line with the Council's modern workforce strategy. The strategy classes pension fund staff members as agile workers which means they will continue to work from home but will attend the office, and other collaboration spaces, in line with business need.

### **The Pensions Regulator – Code of Practice**

- 2.39 One of the key tasks for the Board is to monitor the Fund's compliance with the Pensions Regulators (TPR) Code of Practice.
- 2.40 On 17 March 2021 TPR issued a consultation on its Modular/Single Code of Practice. The consultation was on ten of the 15 codes of practice, relating to the public sector, which had been combined into one.
- 2.41 The Board considered the consultation questions and provided responses by the 26 May deadline.
- 2.42 The new code is expected to be published in 2022. At that point the Board will undertake a thorough review of the Fund's compliance with the new code along with any action plan to address any areas where further work may be required.

### **Data Quality**

- 2.43 A key objective of the transformation programme is to improve the quality of data held by the Fund. The Board has continued its oversight of the Fund's important work to improve the quality of data held throughout the year.
- 2.44 A quarterly report is presented to the Board confirming the Fund's TPR common and scheme specific data scores, along with an explanation of any work which is underway to improve those scores.
- 2.45 The Fund has also identified a number of other actions that it can take, as part of the transformation programme, to improve data quality and has been providing updates to the Board on a regular basis.
- 2.46 This is a significant and resource intensive activity and the data quality work in 2021/22 has included:
- a) **Tracing services** – commissioning a third party to locate members that the Fund has lost contact with.



- b) **Monthly Interfacing** – the project to move from annual to monthly employer submissions of membership and contributions information. This involves a specific data cleanse for each employer and creation of unique identifier numbers so individual contracts of employment can be clearly identified. By the end of 2021/22 80% of employers had moved onto monthly interfacing.
- c) **Resolving historic data queries** - including liaison with employers to retrieve missing data.

2.47 The Board received regular detailed updates on progress for all three areas.

2.48 The Board was pleased to note that the Fund issued Annual Benefit Statements to 91% of active members by the 31 August deadline, compared to 90% in 2020 and 85% in 2019. This demonstrates that the Fund's data quality is improving.

### **Breaches Policy/Log**

2.49 The Board has a critical role in monitoring breaches and reviews the breaches log on a monthly basis. The Board reviews any new breaches to monitor local actions to redress the breach and to determine if the breach meets the requirement for reporting to TPR.

2.50 In addition to reviewing the breaches log, the Board undertakes a quarterly review to identify any trends which require further investigation.

2.51 The Breaches policy and Breaches Log are available on the Fund's website.

### **Member Engagement**

2.52 The Board has a dedicated facility on the Fund's website to allow members to contact the Board with any questions.

2.53 The Board received seven questions, from four members, during the year and provided a response to each. The subjects covered included

- The Fund's investments and responsible investing, including carbon neutrality/net zero
- The pooling of assets
- Local Pension Board membership
- Cheshire Chat – pensioner newsletter
- Consultations on the Funding Strategy Statement and Investment Strategy Statement
- Individual member queries on transfer of pension.



### 3. Board Attendance at Meetings 2021-22

- 3.1 The terms of reference for the Board state that there should be a minimum of two meetings per year, however, the Board has chosen to meet a minimum of four times per year. There were seven meetings held during 2021/22.
- 3.2 The table below summarises the meetings which have taken place including attendance by members of the Board. (A tick denotes the Board member was present)

Members	19 Apr 2021	4 May 2021	1 Jun 2021	20 Jul 2021	15 Sep 2021	5 Oct 2021	10 Mar 2022	%
Peter Raynes	✓	✓	✓	✓	✓	✓	✓	100
Cllr Robert Bisset	✓	✓		✓	✓		✓	71
Adrienne Laing	✓	✓	✓	✓		✓	✓	86
Geoff Wright	✓	✓	✓	✓	✓	✓	✓	100
Neil Harvey	✓	✓	✓	✓	✓	✓	✓	100

- 4.1 A special meeting was convened on 19 April 2021 so that Board members could review the consultation on the Pension regulator's Single Code of Practice and respond to the questions in that consultation.
- 4.2 John Hall, Local Pension Board Chair for Shropshire Pension Fund attended the meeting on 4 May 2021. John attended the meeting in an observer capacity to share knowledge and best practice between the two funds.
- 4.3 Peter Raynes attended the Shropshire Local Pension Board meeting on 23 July as an observer. A comparison of the Terms of Reference for the Board's has also been completed.
- 4.4 The meeting on the 1 June was dedicated to the review of the Fund's draft Statement of Accounts and Annual Report for 2020/21 so that the Board could ensure these had been produced in accordance with statutory requirements and best practice. This is an important part of the Fund's governance process for the production of the Statement of Accounts and Annual Report.
- 4.5 The Board's review provided assurance to the Committee that they could recommend the draft accounts to be presented to the Council's Audit and Governance Committee.

- 4.6 A further special meeting took place on 15 September 2021 where the Board undertook a self-assessment of its own performance as a means of identifying how it could add more value to the Cheshire Pension Fund via improving outcomes.

### Skills and Development Activities

- 4.7 The Board and Committee have attended several joint training sessions during the year which, as well as developing Board members' knowledge, have helped the Board to gain assurance that the Committee decision making processes are robust and properly informed, and are in accordance with regulations and best practice.
- 4.8 A summary of the training provided for the Board, including attendance, during 2021/22 is shown below.

Date	Topic	Delivered by	Board Attendees
16 July 2021	Pensions Legislation	Officers	Peter Raynes
	Online Learning Academy	Hymans Robertson	
	Cheshire Pension Fund Annual Report 2020/21 – key facts and figures	Officers	
	Valuation Process	Hymans Robertson	
19 November 2021	Financial Markets and Product Knowledge	Officers/Mercer	Peter Raynes Neil Harvey
	Committee/Board Joint Training Policy and Plan Update	Officers	
	Valuation – Assumptions and Funding Strategies	Hymans Robertson	
25 February 2022	Valuation – Setting Assumptions	Hymans Robertson	Peter Raynes Geoff Wright
	Valuation – Employer Considerations and Section 13	Hymans Robertson	

## External training events

- 4.9 Board members attended a number of external conferences and seminars in order to maintain knowledge and keep up to date with current issues facing the LGPS. These events have taken place virtually this year due to the pandemic. These were

Event Date	Organised by	Topic
18-19 May 2021	PLSA	Local Authority Conference
23 June 2021	CIPFA/ Barnett Waddingham	LPB Annual Seminar
13 October 2021	LGPS Central Ltd	Responsible Investing Summit
20-21 January 2021	LGA	LGPS Governance Conference

## Budget

- 4.10 The Board agreed a budget of £5,000 for 2021/22 to assist with its operation. This included costs for training, external advice, expenses and travel costs.
- 4.11 The Board incurred costs of £950 which was spent on attending conferences and seminars, reflecting the reduced number of in person events in the year. Budgeted provisions for external advice were not required in 2021/22.



## 4. 2022/23 Work Plan

---

- 4.1 The Board will undertake a review of compliance with the Pensions Regulator's new single code of practice, which is expected to be published in 2022.
- 4.2 Changes to regulations and statutory guidance resulting from the SAB Good Governance review are expected in 2022. Once published the Board will review the requirements to ensure that the Fund is compliant and monitor progress on any actions that the Fund may need to take are implemented as soon as possible. This will include the introduction of a Fund specific cyber security policy.
- 4.3 The Board will ensure that the Fund adheres to any regulatory changes which may come into effect during the year, including clear and timely communication of those changes with members and employers.
- 4.4 The Board will monitor progress in delivering the Fund's transformational pensions programme, including the ongoing work to improve data quality ahead of the introduction of the pension dashboard in 2023.
- 4.5 The Board will keep a close eye on any changing guidance from TPR and SAB and ensure the Fund implements any recommendations as prescribed.
- 4.6 The Board will continue with its compliance role in ensuring Fund policies and publications are produced and updated in line with statutory requirements and best practice guidance.
- 4.7 The Board will undertake the annual review of its own policies, such as the Terms of Reference, to ensure that they remain fit for purpose.
- 4.8 The Board's activity will support the Administering Authority and Pension Fund Committee in making decisions safe in the knowledge that the fund is compliant with statutory and best practice and that any areas for development will be highlighted to them by the Board.
- 4.9 Board members will attend external conferences and seminars in order to maintain knowledge and also to keep up to date with current issues facing the LGPS.

## 5. Further information

---

- 5.1 If you would like to further information regarding the Cheshire Pension Fund Local Pension Board or have any questions please visit our website:

<https://www.cheshirepensionfund.org/members/about-us/how-we-manage-the-fund/governance-structure/>

## COMPLIANCE UPDATE

### Introduction

1. This report provides the Board with a summary of the Breaches Log for the period 1 April 2021 to 31 December 2021.

### Recommendation

2. The Board are requested to note and comment on the summary of the Breaches Log for the period 1 April 2021 to 31 December 2021.

### Breaches Log

3. In accordance with the Breaches Policy, both the Board and the Pension Fund Committee review the Breaches Log on a quarterly basis, in order to identify any trends that may require further action.
4. A summary of the breaches included on the log between 1 April 2021 and 31 December 2021 are listed below in Table 1 and are categorised as red, amber or green. For comparison purposes the total numbers of breaches for the prior year have also been included.
5. Red breaches are those which require reporting to the Pensions Regulator (TPR). Amber breaches are where the Fund has highlighted an issue with the employer which requires further monitoring but are not material enough to require reporting to TPR. Green breaches are those where, following investigation, no further action is deemed necessary.

**Table 1: Summary of the Breaches Log**

	Total 2020/21	Total 2021/22	Status 2021/22		
			Red	Amber	Green
Contributions	47	31	0	0	31
ABS	1	1	1	0	0
Disclosure	0	0	0	0	0
Administration	55	28	0	0	28
<b>Total</b>	<b>103</b>	<b>60</b>	<b>1</b>	<b>0</b>	<b>59</b>

6. There has been one red, no amber and 59 green breaches in the period. Below is a summary of the breaches.

### Contribution Breaches – 31

7. The majority of these relate to employers who have small numbers of staff and so are easily affected by unexpected staff absences. These breaches have been quickly rectified by the employer.

#### **Administration Breaches - 28**

8. These relate to ongoing activity to progress legacy casework - triggering breaches as scheme members who weren't notified of their benefits at the time, are now receiving notifications of their benefits. These notifications were received outside the specified time limits.

#### **Annual Benefit Statements - 1**

9. LGPS Regulations require that all active and deferred members receive an Annual Benefit Statement (ABS) by 31 August each year. In addition, TPR sets a requirement that pension funds must self-report if they don't provide an ABS to 100% of eligible members by this deadline.
10. The Fund reported to TPR a breach relating to the 2021 ABS after receiving the necessary approval to do so from the Board.
11. The Board will recall that the Fund delivered 91% of ABS's to active members on time (compared to 90% in 2020). For deferred members 95% (compared to 87% in 2020) received their ABS on time.
12. Since the end of August the Fund has been working through all data queries on active member records and will issue an ABS to a further 6% (1,946) members by the end of March 2022. A further 255 members have been identified as not being eligible for an ABS which leaves 428 members who have not received their ABS. Work is continuing to resolve the data issues for the remaining 428 members.
13. For deferred members the Fund was unable to issue an ABS to 5% (1,369) members as no current address was held. The Fund has recently commissioned a new contract for the services of a tracing company and will trace as many of the remaining deferred members as possible ahead of the 2022 ABS exercise.

Local Pension Board - Workplan

Standard Meetings			
February	May	July	October
Review of Pension Fund Committee, Investment Sub Committee and Pensions Consultative Forum Minutes	Review of Pension Fund Committee, Investment Sub Committee and Pensions Consultative Forum Minutes	Review of Pension Fund Committee, Investment Sub Committee and Pensions Consultative Forum Minutes	Review of Pension Fund Committee, Investment Sub Committee and Pensions Consultative Forum Minutes
Review Scheme Advisory Board and Sub Committee meetings Review the Performance Management Framework Review the Fund Compliance /Breaches Log	Review Scheme Advisory Board and Sub Committee meetings Review the Performance Management Framework Review the Breaches Log	Review Scheme Advisory Board and Sub Committee meetings Review the Performance Management Framework Review the Breaches Log	Review Scheme Advisory Board and Sub Committee meetings Review the Performance Management Framework Review the Breaches Log
Draft Annual Report	Sign off LPB Annual Report		
Review the TPR Data Scored and associated actions	Review the TPR Data Scored and associated actions	Review the TPR Data Scored and associated actions	Review the TPR Data Scored and associated actions
Review policies are kept up to date and produced in accordance with legislation and guidance	Review LPB Terms of Ref/ Conflicts of Interest Policy	Review policies are kept up to date and produced in accordance with legislation and guidance	Cyber security  **Special meeting to undertake a self-assessment of Board effectiveness**
Statutory Policies (FSS, ISS, Comms Policy, Admin Strategy Gov Policy and Breaches Policy)	Review the progress made by the Fund including the detail of any ongoing actions	LPB Risk Register  Update the Register of Interests/update website  Statutory Policies (FSS, ISS, Comms Policy, Admin Strategy Gov Policy and Breaches Policy)	Review the progress made by the Fund including the detail of any ongoing actions  Review the process for IA in assessing internal controls of the fund and external audit process for reviewing the Accounts and Annual Report. Include a practical session on the rolling programme of audits.