

**BOARD** : **LOCAL PENSIONS BOARD**  
**DATE** : **20 February 2024**  
**TIME** : **10am**  
**VENUE** : **Online – Microsoft Teams**

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

**1. PROCEDURAL MATTERS (Pages 3 - 14)**

The Board will:

- a) Consider any Declarations of interest
- b) Receive the minutes of the meeting on 17 October 2023
- c) Receive the minutes of the Pensions Employer Forum on 2 February 2024
- d) Review the Actions Tracker
- e) Board Membership

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

To receive the minutes from the Pension Fund Committee meeting which took place on the 1 December 2023 and the Investment Sub-Committee minutes from 17 November 2023.

**3. PENSIONS PROGRAMME UPDATE**

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

**4. PERFORMANCE MANAGEMENT FRAMEWORK QUARTER 3 – 2023/24 (Page 15)**

The Board will receive the Performance Management Framework covering the period 1 October to 31 December 2023 (along with the quarter 2 comparator – July to 30 September 2023).

**5. UPDATE FROM THE SCHEME ADVISORY BOARD (Pages 16 - 30)**

The Board will receive an update following the Scheme Advisory Board meetings outlined below:

<b>Committee</b>	<b>Meeting Date</b>
Scheme Advisory Board	4 Dec 23
Cost Management, Benefit Design and Administration Committee	30 Oct 23
Investment, Governance and Engagement Committee	2 Nov 23
Compliance and Reporting Committee	23 Oct 23

The Board will receive an update on the McCloud remedy and the Pensions Dashboards Programme which were presented to the Pension Fund Committee in December.

**6. RISK MANAGEMENT POLICY (Pages 31 - 47)**

The Board will receive a copy of the risk management policy which was endorsed by the Committee on 1 December 2023.

**7. THE PENSIONS REGULATOR'S – GENERAL CODE OF PRACTICE**

The Board will receive a verbal update on the Pensions Regulator's General Code of Practice which was published on 10 January and is expected to be implemented from 27 March.

**8. LOCAL PENSION BOARD ANNUAL REPORT 2023/24 (Pages 48 - 59)**

The Board will be invited to identify the content for the 2023/24 Annual Report.

**9. TERMS OF REFERENCE REVIEW (Pages 60 -75)**

The Board will consider the amended terms of reference following their review in October.

**10. DATA QUALITY (Page 76)**

The Board will be presented with update on the data scores for common and scheme specific data.

**11. COMPLIANCE UPDATE (Pages 77 - 81)**

The paper also provides a summary of the Breaches Log for the period to 30 September 2023.

**12. FEEDBACK FROM EVENTS**

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

- LGPS Central LPB Chairs – 23 October 2023
- Joint Board and Committee Training – 27 October 2023
- LGA Fundamentals Training – Oct-Dec – 3 days
- CIPFA / Isio LPB Seminar – 8 November 2023
- Joint Chairs Meeting – 11 December 2023
- LGA Conference – 18/19 January 2024

**13. REVIEW AND DEVELOP THE WORK PLAN (Page 82)**

The Board will review the plan.

**14. AOB**

The date of the next meeting is 14 May 2024. The Board will determine whether this meeting will take place in person.

Future meeting dates for 2024:

- 21 May 2024 (Statement of Accounts and Annual Report production review)
- 16 July 2024
- 22 October 2024

## **MINUTES OF LOCAL PENSION BOARD – 17 October 2023**

### **PRESENT**

**Board Members:** Peter Raynes (Chair),  
Geoff Wright (Member representative, Unison),  
Jason Lambert (Member Representative, CW&C)  
Kay Lennon (Employer Representative, CW&C)

**CW&C Officers:** Steve Wilcock and Heidi Catherall

**Apologies:** Cllr Robert Bisset (Employer Representative, CW&C)

### **1. PROCEDURAL MATTERS**

- 1.1 No declarations of interest were received.
- 1.2 The Board reviewed the minutes from the meeting which took place on 29 August having previously approved them by email.
- 1.3 Board members welcomed the two new members who were appointed for three years commencing from 26 June 2023, as follows:
  - Kay Lennon – Employer Representative
  - Jason Lambert – Member Representative
- 1.4 The action tracker was reviewed and the contents noted. Board members noted that the internal audit review of retirements has now been concluded and the report is complete.

### **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 8 September 2023 and the minutes from the Investment Sub Committee held on 25 August 2023.
- 2.2 The Board noted that Neil Harvey, formerly a member representative for the Board, was now the member representative for the Pension Fund Committee.
- 2.3 At the last meeting in August, officers advised the board that the percentage of Annual Benefit Statements (ABS) issued by the statutory deadline of 31 August would be lower for 2023 than they were in 2022. In accordance with the Fund's Breaches Policy, the Board approved the reporting of this breach to the Pensions Regulator.

- 2.4 The reduction, between 2023 and 2022 was 11% lower, and was largely due to problems receiving necessary membership information from Cheshire West and Chester and Cheshire East Councils. This follows the replacement of back-office systems in 2021 which have led to problems in extracting the necessary data in a consistent format.
- 2.5 Officers have been working with the Councils to obtain the necessary information with a view to maximising the number of ABS that can be issued by the end of November 2023.

**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 and noted the progress which is being made.
- 3.2 The McCloud remedy regulations came into force from 1 October 2023, however, due to a variety of issues the Fund cannot yet commence the rectification plan. Data is still being collected from employers, further consultations and guidance are awaited and necessary database developments are still in progress.
- 3.3 The Fund will be updating communications to inform members of the current position on McCloud and to make it clear that they do not need to take any action.
- 3.4 The Member Self-Serve functionality, known as My Cheshire Pension portal, has been rolled out to all active members who were invited to register for the portal when they receive their Annual Benefit Statement. To date over 5,400 members have registered for the portal.
- 3.5 Board members discussed the ease of use of the portal and felt that it would be more accessible via an app. This is a longer-term development and will be driven by the Fund's administration database provider who also supply the portal.
- 3.6 Board members were also reminded that the Fund still needs to offer more traditional communication methods to those members who prefer to engage with the Fund using email, telephone and by post.
- 3.7 As well as the member self-serve functionality the Fund is also introducing Employer Hub. This will ultimately become a self-serve portal for employers and will allow the Fund to communicate securely with employers, along with providing many additional features such as allowing employers to process their own estimates. Initiatives such as this will release capacity for the Fund which can be used elsewhere.
- 3.8 Board members will be kept informed of progress in meeting the programme aims.

#### **4. PERFORMANCE MANAGEMENT FRAMEWORK Qtr 2 – 2023/24**

- 4.1 The Board reviewed the Performance Management Framework (PMF) for quarter 2 (July to September 2023), which contained updates on key areas of performance and comparator information from previous quarters.
- 4.2 As noted in previous meetings, the rating on administration casework is categorised as red due to casework backlogs exceeding 10% of membership.
- 4.3 Material progress is being made on reducing historic casework backlogs which have reduced by 54%. However, given the volume of new casework being received the overall balance of casework outstanding remains above 10% of members and this position will continue in the medium term whilst the pension team continues to resolve old and new casework, and implement the developments outlined in the pensions programme.
- 4.4 The Board received a verbal update on progress with the cyber security assessment and the interim report which was presented to the Pension Fund Committee in September. The interim report included four main recommendations that the Fund is implementing.
- 4.5 One of the recommendations was for the Fund to develop its own cyber security strategy. The Board noted that a Fund specific cyber security strategy is being developed and will be presented to the Pension Fund Committee in December
- 4.6 The Board will receive a further progress update at the next meeting in February.
- 4.7 Members of the Board were presented with the internal audit report of the Fund's retirement process. The report assessed that there is Reasonable Assurance in the retirements process and made three recommendations.
- 4.8 The Fund will work through the recommendations and respond within the timescales outlined in the report.
- 4.9 The Board did not receive any direct submissions from members during the quarter.

#### **5. TERMS OF REFERENCE and CONFLICTS OF INTEREST REVIEW**

- 5.1 The Board undertook their annual review of their terms of reference to see if any amendments were required. A thorough review had been carried out in 2022 and those changes had been presented to Audit and Governance Committee in January 2023.
- 5.2 Considering the previous review, the Board did not think that any further amendments were required at this time. However, the Board will review the terms again once the

outcomes from the Good Governance review and the Pensions Regulators combined code of practice are published, in case that results in any changes being required.

- 5.3 The Board did question the meaning of paragraph 2.6.3. regarding involvement in internal dispute resolutions. Officers believe this is simply confirming that the Board itself would not have a role in such matters, however, officers will obtain a legal opinion for confirmation.
- 5.4 Board members also reviewed the Fund’s conflicts of interest policy. The Board noted that the Fund is currently undertaking a review of the policy itself and will share the amended version with the Board in due course. Board members did not have any suggestions to feed into the review but look forward to reviewing the amended version.

**RESOLVED that the Board:**

- a) Reviewed the terms of reference and did not identify any required amendments and requested confirmation of the meaning of one paragraph.
- b) Reviewed the conflicts of interest policy and did not identify any amendments.

**6. TRAINING UPDATE**

- 6.1 The Board received a report outlining the annual process which is undertaken to develop the collective training policy for Committee and Board members.
- 6.2 The process is outlined in the training policy which was approved by the Pension Fund Committee in March 2022.
- 6.3 The annual process commences in the autumn each year when members are requested to complete a self-assessment questionnaire. The results from the questionnaire are then aggregated to determine the areas where collective training is most needed for the following year.
- 6.4 Officers thanked Board members for returning their completed self-assessment questionnaires.

**RESOLVED that:** the Board noted the training policy and annual process.

**7. DATA QUALITY**

- 7.1 The Board were reminded of the Data Scores which have been provided to the Pensions Regulator as part of the annual Scheme Return for the past four years.

	<b>TPR Scheme Return</b>				
	<b>1-Sep-19</b>	<b>25-Sep-20</b>	<b>1-Nov-21</b>	<b>10-Oct-22</b>	<b>9-Oct-23</b>
Common Data	98.07%	98.73%	98.95%	99.10%	99.17%
Scheme Specific Data	74.18%	74.01%	80.09%	77.17%	74.04%

- 7.2 The common data percentage score as of 9 October 2023 was 99.17%. This reflects the work the Fund has been doing to trace lost contact members.
- 7.3 Scheme specific scores are slightly lower as the Fund is in the process of updating the 2022/23 'per member' information.
- 7.4 The Fund continues to work with its database provider to move to the new TPR measurement report which will provide the scores directly from the database.
- 7.5 The report has now been implemented into the administration database and the Fund is continuing to test the report and hopes to switch to this as the main system of reporting as soon as possible.

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

## **8. COMPLIANCE UPDATE**

- 8.1 The Board were presented with a summary of the breaches log for the period to 30 June 2023, noting that 20 breaches had been logged over the period.

**RESOLVED that:** Board members noted the summary breaches log covering the period to 30 June 2023.

## **9. FEEDBACK FROM EVENTS**

- 9.1 JL attended an induction/refresher training event delivered by Fund officers on 31 July. This covered all aspects of the Fund and was recorded so that other members can view it at their leisure.
- 9.2 PR attended the Joint Chairs meeting with Councillor Hogg, Chairman of the Pension Fund Committee, on 18 September.
- 9.3 The Board received a verbal update on the LGPS Central Ltd Annual General Meeting on 26 September, which approved the extension of the current Chair's tenure by a further 18 months. The company confirmed that the process to appoint a new Chief Executive was on track and was still expected to conclude by December. Shareholders from the eight partner funds also meet separately from the company on the same day to review collective and individual partner fund responses to the recent government consultation on the future of LGPS asset pooling.

**RESOLVED that:**

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

## **10. REVIEW OF THE WORK PLAN**

- 10.1 The Board reviewed the work plan.

## 11. AOB

11.1 The next meeting will take place on 20 February 2024.

11.2 Meeting dates for the remainder of 2024 are:

- 14 May 2024
- 21 May 2024 (Statement of Accounts and Annual Report production review)
- 16 July 2024
- 22 October 2024

11.3 Board members would like to have more in person meetings in future. The next meeting in February 2024 will take place virtually but the July 2024 meeting will be in person. In July 2024 Board members will decide the venue for meetings in October 2024 and February 2025.

11.4 All in person meetings will take place in Winsford which is accessible for all.

**GROUP** : PENSIONS EMPLOYER FORUM  
**DATE** : 2/2/2024  
**TIME** : 10am  
**VENUE** : Virtual Meeting via Microsoft Teams

Present:

Chair	Peter Raynes (PR)
Cheshire West and Chester Council	Rosemary Hodgson (RH)
Cheshire East Council	Craig Hughes (CH)
Warrington BC	Helen Barr (HB), Nic Kane (NK)
Halton BC	Yvonne Caldwell (YC)
Police and Crime Commissioner	Mike Nulty (MN)
Cheshire Fire and Rescue Services	Jill Swift (JS)
ANSA	Melanie Henniker (MH)
CHALC	Jackie Weaver (JW)
Reaseheath College	Samantha Straker (SS)
Everybody Health and Leisure	Julie Halsall-Hewitt (JH)
Cheshire Pension Fund	Heidi Catherall (HC), Nigel Dorrington (ND), Andy Jones (AJ), Johannes Eagling (JE), Matt Phoenix (MP), Jenny Brien (JB), Ian Fullerton (IF) and Rebekah Sarnowska (RS)
Pension Fund Committee	Neil Harvey (NH)
Local Pension Board	Jason Lambert (JL)
Apologies:	Geoff Wright – Local Pension Board Chris Pleavin – Cheshire West and Chester Council Judith West – Police Ruth Hind – Everybody Health and Leisure

Item	Minute
<b>1</b>	<p><b>Minutes of the Last Meeting</b></p> <p>The minutes of the 10 November 2023 meeting were reviewed and approved, having previously been circulated via email.</p> <p>Samantha Straker was welcomed to the Forum as the new representative for the higher education sector.</p>
<b>2</b>	<p><b>Pensions Programme</b></p> <p>The Forum received an update on important areas of the pensions programme.</p> <p>The My Cheshire Pension (MCP) portal has been rolled out to all active members with 7,900 now registered. The Fund welcome any assistance from employers in encouraging their members to register so that members can view their own record but also their Annual Benefit Statement (ABS) which will be available online from August 2024.</p>

Item	Minute
	<p>The Fund sends an ABS to c31,000 members and with c8,000 registered there is the potential that many members won't have access to their ABS if they don't register for MCP.</p> <p>The Fund will be issuing a further communication ahead of the August ABS to encourage members to register and remind them that the ABS will now be available online.</p> <p>Work is continuing on development of additional functionality within the portal on a number of areas, including:</p> <ul style="list-style-type: none"> <li>• Modeller – members will be able to model their own benefits at different ages</li> <li>• Retirement quotes for deferred members</li> <li>• Secure messaging – contact the Fund directly and securely</li> <li>• Making documents available</li> </ul> <p>The Fund are working on the developments listed above, as well as the digital ABS, all of which will be rolled out during 2024.</p> <p>The Fund will also be developing a policy to advise employers of any changes members may make via MCP. Members can log onto the portal and make changes to their personal details, for instance they could update their address.</p> <p>If that happens the Fund needs to ensure that the next Monthly Interfacing (MI) file does not overwrite the update, so warnings have been built into the system to prevent such changes being overwritten within 3 months of the change.</p> <p>Of course, there could be occasions when the member does not inform their employer which could mean that the MI file overwrites the record with the old address after 3 months. To avoid that the Fund is introducing a process to inform employers of personal details changes so the employer record can be updated as well.</p> <p>Employers will need to consider how they can liaise with their employees to confirm such changes.</p> <p>Forum members were advised at the last meeting that the Fund is also working to implement a self-serve portal for employers known as Employer Hub.</p> <p>This will be delivered in two phases with the first phase replacing the current web 1 system which is used by employers to load Monthly Interfacing (MI) files. The web 1 system is nearing its end of life so the Fund will focus on moving MI to Employer Hub. This will include transferring the c600 employer staff members who are registered to use the system.</p> <p>One fundamental change that employers need to be aware of is that Multi Factor Authentication (MFA) will be introduced with the new employer hub. MFA provides additional security to protect the data of members/employees.</p> <p>When an employer logs in to the employer hub, they will need to receive a One Time Code (OTC), either via a mobile or via email, in order to access the site.</p>

Item	Minute
	<p>In order to implement MFA each employee who requires access to employer hub will need to register.</p> <p>The Fund will provide clear instructions as part of the rollout in June. Additional training will also be provided in the form of online videos.</p> <p>Phase 2 will see the system developed so that employers can access the records of their employees that are held by the Fund, communicate securely, receive and respond to queries and much more.</p> <p>The introduction of phase 2 will present new opportunities for the Fund to interact with employers and the Fund will be developing new systems and processes for how we engage with employers, both on day to day issues and strategically.</p> <p>Training will be provided on using the employer hub along with any changes to processes.</p>
3	<p><b>Pensions Employers Forum</b></p> <p>Membership of the Forum was discussed at the last meeting in November. Following that discussion, the Fund looked to expand the representation of the group to ensure all major employer groups are included.</p> <p>Samantha Straker has joined the Forum, representing further and higher education establishments.</p> <p>The Fund continues to look for an academy representative to join the Forum.</p>
4	<p><b>Employer Engagement</b></p> <p>The Forum reviewed the Employer Engagement Strategy (EES) which included the calendar for the remainder of 2023/24, November 2023 to March 2024. It also contained an outline calendar for 2024/25.</p> <p>The updated calendar for the 2024/25 year was presented to the Forum for comment ahead of its publication with all employers.</p> <p>The calendar will be updated to include the Forum meeting which takes place in October. This had been omitted from the calendar in error.</p> <p>PR also questioned how employers know what training is being made available to them. Once training has been organised the Fund email all employers with details of what is contained within the session and how to register.</p>
5	<p><b>McCloud Update</b></p> <p>HC presented an update on the McCloud remedy. Forum members were reminded that the regulations are in effect from 1 October 2023, however, there is still work to do in preparing to implement the new underpin and to begin rectifying any benefits which have already been processed to date.</p> <p>The Fund is working on the data required from employers and loading that which has been received on to the database.</p>

Item	Minute
	<p>The Fund issued communications to all employers and members prior to 31 December 2023, advising them of the change to regulations because of the McCloud remedy. These communications made it clear that members do not need to take any action, nor do they need to contact the Fund. Any rectification work will be identified and processed by the Fund and members will be contacted where required.</p> <p>The Fund is working with its database provider to develop the functionality to rectify any member records for any benefits processed since 1 April 2014 where required. This functionality will not be available until later this year.</p> <p>In addition, there remains aspects of the remedy where further consultations and guidance are required from Government.</p> <p>The Fund will be developing a rectification plan in the months ahead. The plan will be developed fully once further guidance is provided.</p> <p>The Fund’s website summarises the current position on McCloud and contains links to a national website where members can view further information including FAQs, videos and interactive tools.</p>
6	<p><b>Round Table Briefing</b> No issues were raised.</p>
7	<p><b>AOB</b> Dates for future meetings were agreed as:</p> <ul style="list-style-type: none"> <li>• 14 June 2024</li> <li>• 11 October 2024</li> <li>• 7 February 2025</li> </ul> <p>There was a discussion about the 14 June meeting and Forum members expressed an interest in a hybrid meeting. The Fund will issue a short survey to canvass views but will also book a venue for 14 June which can accommodate a hybrid meeting.</p> <p>At a previous meeting Forum members requested that meeting dates be planned for three meetings ahead, as such a new date has been added for 7 February 2025.</p>

## Cheshire Local Pension Board – Actions Tracker

### February 2024

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.	<p>The long-term plan is to develop the online self-serve capabilities for members so they can retire online in the future.</p> <p>Internal Audit completed their review of the retirement processes of the Fund and have issued their final report.</p> <p>The report recommended that the Fund review the current SLA's and amend as required.</p>

### LPB Membership 2024

<b>Name</b>	<b>Role</b>	<b>Employer</b>	<b>Date Appointed</b>	<b>Re-appointment Date</b>	<b>Term of Office - Years</b>
Peter Raynes	Chair	Independent	26 June 2021	25 June 2024	3 Years
Councillor Robert Bisset	Employer Representative	Cheshire West and Chester Council	26 June 2021	25 June 2024	3 Years
Kay Lennon	Employer Representative	Cheshire West and Chester Council	26 June 2023	25 June 2026	3 Years
Geoff Wright	Member Representative	UNISON	26 June 2021	25 June 2024	3 Years
James Lambert	Member Representative	Cheshire West and Chester Council	26 June 2023	25 June 2026	3 Years

<p>This is the quarterly pack of Pension Fund performance information which is based on the period 1 October to 31 December 2023 and includes a comparison to the previous quarter - 1 July to 30 September 2023.</p> <p>The overall assessment for Quarter 3 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 3 (Oct-Dec 2024)</b>
	<b>Summary position:</b>
	<b>This Quarter - 1 Oct to 31 Dec 2023</b>
	<b>RED</b>
	<b>Previous Quarter - 1 Jul to 30 Sep 2023</b>
	<b>RED</b>

Subject	Comment	RAG Status
<b>Administration Casework</b>	<p>Overall administrators have completed 14,389 cases during the 3 month period to 3 December 2023, compared to 17,023 in quarter 2 of 2023/24.</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 9 new breaches in quarter 3 of 2023/24 (compared to 12 in quarter 2 of 2023/24). 7 of the breaches related to the collection of contributions income and 2 were administration breaches (i.e. late notification of rights and options).</p> <p>During quarter 2, all breaches were recorded as Green with the exception of 2 contribution breaches in relation to one employer which was amber.</p>	<b>GREEN</b>
<b>Compliance</b>	The Fund did not identify any material compliance issues during the quarter.	<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 of the last five months.</p>	<b>GREEN</b>
<b>Financial Performance</b>	The Fund's 2023/24 budget for Administration/Oversight and Governance Costs is c£5.5m. The forecast outturn is an underspend of £319k.	<b>GREEN</b>
<b>HR (absence)</b>	<p>The service lost 66 days through sickness during quarter 3 (Oct-Dec) of 2023/24 which equates to an annual average of 3%. This compares to 4 days lost in quarter 2 (Jul-Sep 2023) which is an annual average of 1%.</p> <p>There were no sickness days lost in the quarter relating to work related stress.</p>	<b>GREEN</b>
<b>Debt Recovery</b>	<p>The Pension Fund has £408k of debt outstanding at the end of Quarter 3 of 2023/24, £28k of which relates to prior years.</p> <p>91% of the debt relates to invoices that are in the 0-90 day category which is the average time for invoices to be paid.</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>The 2023/27 Business Plan was approved by the Committee in March 2023.</p> <p>An Action Plan Tracker has been produced for the 2023/24 year and sets out the milestones to be achieved during that year.</p> <p>A reporting framework summarises progress on each action and highlight issues on an exception basis. The reporting framework has an overall RAG rating of Amber for Qtr 3 denoting that actions under Administration and Communication will be slightly delayed.</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 website.	<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>

# Scheme Advisory Board

## HYBRID MEETING – 4 December 2023

### AGENDA

1.00pm – 3.00pm, Monday 4 December 2023

Beecham Room, 7<sup>th</sup> Floor, 18 Smith Square and MS Teams

Item		Timings
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 17 July 2023 – <b>Paper A</b>	1.10
4	Economic Activity of Public Bodies (Overseas Matters) Bill – verbal update	1.15
5	King’s Speech – verbal update	1.20
6	Autumn Statement – verbal update	1.25
7	Surpluses Statement – <b>Paper B (CONFIDENTIAL)</b>	1.35
8	Risk Register – <b>Paper C</b>	1.45
9	Code of Transparency reporting system – <b>Paper D (CONFIDENTIAL)</b>	1.55
10	Board budget and workplan 2024/25 – <b>Paper E (CONFIDENTIAL)</b>	2.05
11	Terms of Reference and committee scope – <b>Paper F</b>	2.15
12	Board and Committee Membership – verbal update	2.20
13	Scheme Cost Assessment – <b>Paper G</b>	2.25
14	Compliance & Reporting Committee report – <b>Paper H</b>	2.35
15	Cost Management, Benefit Design and Administration Committee report – <b>Paper I</b>	2.45
16	Investment Committee report – <b>Paper J (CONFIDENTIAL)</b>	2.50
17	AOB and date of next meeting	2.55

Scheme Advisory Board Secretariat

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# Cost Management, Benefit Design and Administration Committee

DATE:	30 <sup>th</sup> October 2023
VENUE:	Hybrid meeting (MS Teams and 18 Smith Square)
TIME:	11:00am to 1:00pm

## AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:00
2	Meeting protocol		11:05
3	Actions and Agreements from 26 <sup>th</sup> June meeting	<b>Paper A</b>	11:10
4	McCloud Update		11:15
5	Update from Gender Pensions Group working group	<b>Paper B</b>	11:25
6	Update from surpluses working group	<b>Paper C</b>	11:40
7	GAD Update on LGPS data for CCM valuation	<b>Paper D (CONFIDENTIAL)</b>	11:55
8	GAD advice on Scheme Cost Assessment Assumptions	<b>Paper E</b>	12:05
9	Opt Outs data and survey	<b>Paper F</b>	12:15
10	Workplan	<b>Paper G</b>	12:25
11	Updated terms of reference	<b>Paper H</b>	12:40
12	DLUHC Update		12:50
13	AOB and date of next meeting		12:55

# Investment, Governance and Engagement Committee

<b>DATE:</b>	<b>20<sup>th</sup> November 2023</b>
<b>VENUE:</b>	<b>Hybrid Meeting (MS Teams and 18 Smith Square)</b>
<b>TIME:</b>	<b>11:00 – 13:00</b>

## AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:00
2	Meeting protocol		11:05
3	Actions and Agreements from 3 <sup>rd</sup> July 2023	<b>Paper A</b>	11:10
4	Sharia Compliance Update (presentation from Mufti Faraz Adam)		11:15
5	Code of Transparency Compliance Update	<b>Paper B</b>	11.40
6	Provision of Code of Transparency On-Line Compliance System	<b>Paper C (CONFIDENTIAL)</b>	11:45
7	Update on Economic Activity of Public Bodies (Overseas Matters) Bill - aka Boycotts, Divestment & Sanctions (BDS) Bill		12:05
8	Climate Risk Reporting		12:15
9	Private Equity Lobbying		12:25
10	Updated terms of reference	<b>Paper D</b>	12:30
11	Committee workplan	<b>Paper E (CONFIDENTIAL)</b>	12:35
12	RIAG Report		12:40
13	DLUHC Update		12:50
14	AOB and Date of next meeting		12.55

# Compliance and Reporting Committee

<b>DATE:</b>	<b>23<sup>rd</sup> October 2023</b>
<b>VENUE:</b>	<b>Hybrid meeting – MS Teams &amp; 18 Smith Square</b>
<b>TIME:</b>	<b>11.00am – 1.00pm</b>

## AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:00
2	Hybrid meeting protocol		11:05
3	Actions and Agreements from the 19 <sup>th</sup> June Meeting	<b>Paper A</b>	11:10
4	Process for producing statutory guidance		11:15
5	Annual Reporting guidance update	<b>Paper B</b>	11:25
6	Knowledge & Skills Survey of pension committees and boards	<b>Paper C</b>	11:40
7	Good Governance		11:50
8	ICAEW report on audit	<b>Paper D - CONFIDENTIAL</b>	12:00
9	Update from recent LGA meeting with TPR		12:15
10	Update on workplan and workstreams	<b>Paper E</b>	12:25
11	AOB and date of next meeting		12:50

## **Pension Fund Committee – 1 December 2023 McCLOUD REMEDY**

### **Introduction**

1. This report is to provide the Committee with an update on the Fund's progress with implementing the changes required as a result of the McCloud remedy, including the rectification plan.

### **Recommendation**

2. The Committee is asked to note the position on the McCloud remedy and the Fund's plan for rectification.

### **Background**

3. When the Government reformed public service pension schemes in 2014, for the Local Government Pension Scheme (LGPS), and 2015 for all other public services, transitional protections were introduced for older members.
4. In the LGPS the transitional protections are known as the underpin.
5. In December 2018, the Court of Appeal ruled that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them.
6. This ruling is called the McCloud judgment, after a member of the Judicial Pension Scheme involved in the case. Because of the ruling, there will be changes to all public service pension schemes that provided transitional protection, including the LGPS.
7. The changes required as a result of the judgment are called the McCloud remedy and are intended to remove the age discrimination found in the McCloud court case.
8. On 8 September 2023 the Department for Levelling Up Housing and Communities (DLUHC) laid the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023.
9. The regulations implement the McCloud remedy and change the existing underpin to ensure it works effectively and consistently for qualifying members. The regulations took effect from 1 October 2023.

### **McCloud Remedy – Changes**

10. In 2014 the LGPS changed from a final salary scheme (where a pension is based on your pay when you leave) to a career average scheme or CARE scheme (where a pension builds up based on what you earn each year).
11. Prior to the McCloud remedy, members who were within 10 years of retirement as at 31 March 2012 qualified for the transitional protection known as the underpin. The

underpin works by assessing the benefits a member would receive in both the final salary and care scheme, and the member receives the higher amount.

12. The McCloud remedy extends the underpin protection to all members who meet the qualifying criteria, regardless of age. The qualifying criteria is that the member:
  - was a member of the LGPS or any other public sector scheme before 1 April 2012;
  - was a member of the LGPS at any time between 1 April 2014 and 31 March 2022 and some or all of this was before the members final salary normal retirement age (usually 65);
  - does not have a disqualifying gap (a continuous period of more than 5 years where they were not a member of a public service pension scheme).
  - *If the member has more than one period of LGPS membership, they do not have to join up or 'aggregate' these memberships to qualify for the underpin protection.*
  - *If the member has membership of another public service pension scheme before 1 April 2012, they do not have to transfer that membership to the LGPS to qualify for underpin protections.*
13. The remedy came into force with effect from 1 October 2023. All public sector schemes now need to apply the underpin to all affected members and revisit any benefits which were calculated since 1 April 2014 to check whether they require rectification.
14. Underpin protection only applies to pension build up in the remedy period, between 1 April 2014 and 31 March 2022. The underpin will have stopped earlier if the member left the scheme or reached their final salary normal retirement age (usually 65) before 31 March 2022. From 1 April 2022, there is no underpin protection. Pension built up after this date is based on the career average scheme only.

### **Impact**

15. Implementing the McCloud remedy has been described as the biggest challenge to face the LGPS since the introduction of the CARE scheme in 2014. It is a multi-faceted project that will require considerable resource and it will take considerable time to complete the rectification work required as a result.
16. In order to enact the remedy, the Fund has to identify all qualifying members, including those who have left since 2014, and who did not qualify for the previous underpin, to recalculate their benefits.
17. The Fund will also have to revisit those members who did qualify for the original underpin to see whether they are affected. That is because the original underpin regulations were not detailed enough to ensure all protected members received a CARE benefit which was at least as good as the final salary benefits would have been. The new underpin regulations includes more detail to ensure it is consistently applied to all members.

18. The Fund will also need to include information about underpin protection for all qualifying members in Annual Benefit Statements (ABS) from 2025.
19. The Fund has undertaken an initial assessment of the number of qualifying members and has identified around 27,500 members who are 'in scope' of the remedy. That is, they meet the qualifying criteria set out in paragraph 12. Not all of these members will require rectification.
20. As the CARE scheme has an accrual rate of 1/49<sup>th</sup>, the majority of members are better off in this scheme, rather than the final salary scheme and therefore, the underpin will not apply.
21. The table below summarises the members who have been identified as being 'in scope' of the remedy. As Members can see 20,454 are active and deferred members who will need the new underpin applied to their future benefits. However, a significant number have already left the scheme and their benefits will need to be revisited.

<b>Type of Member</b>	<b>No. of Members</b>
Active	14,435
Deferred	6,019
Pensioner	5,988
Transfer Out	636
Deceased	412
<b>Total</b>	<b>27,490</b>

22. Excluded from this table are those members who may become eligible for the underpin due to aggregating with public sector service they may have built up in other roles.

## Data

23. To be able to rectify any benefits for qualifying members the Fund has been required to obtain additional information from employers dating back to 1 April 2014, which was no longer required when CARE was introduced.
24. This data consists of part time hours worked and details of any service breaks for all employees covering the period 1 April 2014 to 31 March 2022. The McCloud remedy requires Funds to take into consideration previous LGPS and other public sector service. For that reason, we have been requesting data for all members, rather than simply those identified as being in scope of the remedy.
25. The Fund has managed to obtain the data from around 65% of employers. A number of employers have not provided the information required. For some this may be because they simply may not be able to provide the information. For instance, they may have ceased as an employer or may have changed payroll provider in recent years and no longer have access to previous data.

26. Therefore, for the remaining 35% the Fund has extracted the data currently held on the administration database and sent this to the employers for verification. That could mean there are gaps in the data held by the Fund and we require employers to check the data, fill in any gaps, then return this information to us.
27. To assist funds who have not been able to obtain the data, and for when the data is unsuitable, the Scheme Advisory Board (SAB) have produced guidance called 'Service data for the McCloud remedy'. The guidance has been produced to assist administering authorities to recreate a suitable history of the member's LGPS service for the McCloud remedy period.
28. Where the Fund cannot obtain the data, or has concerns about the quality of data held, the SAB guidance will be followed.

### **Administration Database Developments**

29. The Fund is working with the administration database provider, Civica to implement functionality for the McCloud remedy. The developments broadly cover the following 4 areas:
  - Identifying 'in scope' members
  - Loading the part time hours and service breaks data into the database
  - Implementing calculation of the new underpin for all new leavers
  - Implementing bulk calculations to 'rectify' benefits already processed
30. As can be seen in paragraph 21, the Fund has been able to implement the flag into the database which now identifies each member that is 'in scope' of the remedy. That is that they meet the qualifying criteria. It does not mean that their benefits will require rectification.
31. Civica have also produced the functionality to load the part time hours and service breaks data into the system. This will be loaded into a new service history data view within the database. This allows the Fund to retain the original service history which will allow a comparison between the two in the event of a query.
32. The Fund have not yet loaded the data into the database, as we were working to maximise the data collection first before completing the data load. However, all data will be loaded into the database before the end of December 2023.
33. Civica have been focusing their development initially on being able to apply the new underpin to new members leaving the scheme. Some issues have been identified throughout the testing of this functionality which has meant that the implementation has been slightly delayed.
34. The implementation of the developments for the new underpin are nearing completion and the Fund will be undertaking user acceptance testing (UAT) of this functionality in December. That will mean that from January 2024 the Fund will be able to use the new underpin to process the following benefits for those members who are retiring:

- Ordinary retirement calculations for active members
- Redundancy retirement calculations for active members
- Ill-health retirement calculations for active members
- Ordinary retirement calculations for deferred members

35. The database development for all other areas of administration casework affected by McCloud will be phased in over the coming months. Civica are developing their timeline and plan for this further development.
36. It is expected that this development will include a basic calculation of the underpin and will automatically set up processes for these records to be rectified. This applies to deferred, pensioner and deceased members' records.
37. The Fund requires the timeline and plan from Civica to inform its own rectification plan for all benefits which were calculated for the period from 1 April 2014 to 31 December 2023.

### Rectification Plan

38. The Fund is holding a series of workshops throughout November and December to develop the rectification plan.
39. To assist Funds in developing a rectification plan, on 12 October DLUHC issued a draft document entitled the McCloud Initial Prioritisation Policy. The final policy will be published in early 2024.
40. The policy suggests that Fund's should approach prioritisation in groups as outlined in the table below:

Group	Headline Group	Detail
Group 1	New final underpin dates and deaths	New retirements and deaths
Group 2	Cases falling under part 3 of the 2023 regulations	a) Cases where a member or survivors' benefit is in payment b) Cases where payments have been made in the past but there is no ongoing liability: <ul style="list-style-type: none"> <li>• Deceased members</li> <li>• Transfers Out</li> <li>• Trivial commutation</li> <li>• Death grant (no survivor pension)</li> </ul> c) Cases where members leave active membership but haven't reached their final underpin date
Group 3	All other cases	Anyone who does not fall in the scope of Group 1 or 2

41. Whilst DLUHC have outlined a prioritisation plan for Funds to follow they have also explained that where it is beneficial to switch the order, for instance if there are opportunities to rectify members in bulk, then they should be taken.
42. DLUHC also understand that it will take Funds many months to rectify all casework and they have not put an absolute deadline on when this work should be completed by.
43. On 15 November 2023, the Local Government Association (LGA) published the first instalment of their McCloud technical guide for administrators.
44. The guide explains how the underpin protection works in the LGPS as a result of changes made because of the McCloud case.
45. LGA are releasing the guide in instalments 'due to the breadth and complexity of the McCloud remedy project and because they are still waiting for guidance in some areas'.
46. The first instalment of the guidance includes an overview of which pension accounts qualify for underpin protection and how to perform provisional and final underpin calculations.
47. There are two sections of the guide (sections 6 and 7) which are not included in this first instalment. These relate to 'other types of calculations' and 'revisiting past calculations'. LGA aim to publish sections 6 and 7 'in early 2024'. Guidance on sections 6 and 7 will be required for the Fund to be able to develop its rectification plan.
48. There are a number of areas within the McCloud remedy where further clarity is required on how they can be implemented. They include cases where a member has previous membership of another public service pensions scheme on or before 31 March 2012 and those where a member has flexibly retired on or before 31 March 2012.
49. Officers will develop the initial rectification plan in December, for implementation from January 2024, and will keep both the Committee and Local Pension Board informed of progress.

## **Communications**

50. The Fund's website has been updated to include the latest position on McCloud. The website also includes a link to further information available on the national [lgpsmember.org](http://lgpsmember.org) website which includes an overview of McCloud, a summary of key dates, an interactive tool so members can check if they are affected as well as other guidance and FAQs.
51. As the changes brought about by the McCloud remedy constitute a material change to regulations the Fund will be writing to all members (active, deferred and pensioner) to inform them about the changes. The communication is being produced in line with

Disclosure Regulations which means we must inform members of the change within 3 months i.e. by 31 December 2023.

52. An important message within these communications to members is that they do not need to take any action and do not need to contact the Fund. Where members are affected, the Fund will contact them and will rectify any benefits.
53. As well as writing to members the Fund is also writing to employers to make them aware of the changes. We will also take this opportunity to remind them of the data requirements.
54. As members can see there is considerable work ongoing by the Fund to comply with the requirements of the McCloud remedy. However, there are also numerous complex areas where further information and guidance is required which will be pivotal to developing a clear rectification plan.

### **Summary**

55. In summary, the immediate focus for the Fund is working with the database provider so that we can process all new retirements from January 2024 using the new underpin to ensure compliance with McCloud.
56. The next priority after that will be to review existing pensioner benefits to determine whether any uplift is required to their benefits due to McCloud.
57. As Members will understand, managing the work required to comply with McCloud will be a significant undertaking for the Fund and will inevitably have an impact on service levels and the Fund's ability to meet existing priorities, such as clearing historic backlogs.
58. Members will recall that 3 posts were added to the Operations team in July 2022 to assist with McCloud and other regulatory changes. The Fund will continually assess the adequacy of the staffing resource as the McCloud project progresses and any impact on current service levels alongside the rectification plan.

**Pension Fund Committee – 1 December 2023**  
**PENSIONS DASHBOARDS PROGRAMME****Introduction**

1. This report provides an update on the Pensions Dashboards Programme and the Fund's progress in preparing for its implementation.

**Recommendation**

2. The Committee is asked to note the position on the Fund's preparation for the pensions dashboard programme.

**Background**

3. Pensions dashboards are digital services that allow savers to see their pension information securely in one place, including their state pension. They will not contain any details for pensions that are already in payment.
4. The purpose of pensions dashboards is to help members to plan better for their retirement and reconnect members with any lost pension pots.
5. In 2019 the Money and Pensions Service (MaPS) established the Pensions Dashboard Programme to help design and deliver the central digital architecture required to make the dashboards work. It is envisaged that there will be multiple dashboards available with banks and financial institutions offering access alongside the government backed Money Helper website.
6. The Fund was previously given a staging date of September 2024. This meant that the Fund would need to be able to connect to the digital architecture by this date and be ready to provide individuals' data to them via the dashboards.
7. However, in March 2023 a reset to the dashboards programme was announced.

**Pensions Dashboards - Timelines**

8. On 2 March 2023 the Department for Work and Pensions (DWP) delivered a Ministerial Statement to say that the pensions dashboard programme (PDP) would be delayed, allowing more time to meet the significant challenges in developing the necessary digital architecture.
9. On 19 July the DWP laid the Pensions Dashboards (Amendment) Regulations 2023 which came into force on 9 August 2023. The amendment regulations introduced a single 'connection deadline' of 31 October 2026 for relevant schemes to connect to pensions dashboards.
10. The explanatory memorandum which accompanied the amendment regulations states:

‘Through this instrument, the Department for Work and Pensions is retaining the policy of compulsory connection by a set date and intends to encourage a staged approach set out in guidance, rather than mandated in Regulations.

The connection timetable set out in guidance will be developed in collaboration with industry and is expected to be published in due course.’

11. On 7 November 2023 the Local Government Association (LGA) published the draft Pensions Dashboards connection guide for administering authorities.
12. The guide sets out the steps that Funds will need to take to connect to pensions dashboards.
13. The guide also sets out that ‘It is important your pensions committee and local pension’s board are kept up to date with the latest guidance and developments on dashboards. Including your plans to implement dashboards and maintain dashboards once live. Dashboards should be a standing agenda item at each meeting’.
14. A separate report has been added to the Pension Fund Committee agenda for this purpose.
15. The MaPS are expected to publish staging date guidance which will confirm when LGPS funds should connect to the dashboards. The MaPS guidance is expected to be published in the first quarter of 2024 and the staging dates for the LGPS are estimated to be between April and September 2025.
16. There is a considerable amount of work to be completed for the fund to prepare for dashboards, both for the initial connection to the dashboards and the ongoing business as usual once the dashboards are live.

## **Data**

17. An important aspect of preparing for the implementation of dashboards is to have accurate data. Implementing dashboards does not generally require new information but rather that the information held by the Fund on each member is correct and available to be shared digitally.
18. As Committee are aware, a couple of the Fund’s pensions programme workstreams are around data quality and clearing casework backlogs. The Fund is working to streamline and standardise data collection practices and clear historic data queries, along with any casework.
19. The Fund also complies with the Pensions Regulators (TPR) requirement to measure the presence and accuracy of common and scheme specific data. We submit information to TPR on an annual basis as part of the Scheme Return and also report quarterly figures to the Local Pension Board.
20. The data cleansing work completed to date, and the progress being made with clearing casework backlogs, will assist in preparing for dashboards albeit there remains more work to be done.

21. The data required for dashboards is split into two main categories, matching data and value data.
22. Once a member has registered for a dashboard they will submit their personal details which will then be verified by an identification and verification service. Once they pass this stage they will be asked to give their consent to send their details to all pension funds to check whether they hold a record for the member.
23. The first stage is for the members' data to be matched with the data held by a Fund. The Fund will need to determine what matching criteria they will require for this process. Matching data typically includes surname, date of birth and address but can also include middle names, national insurance numbers and other details.
24. Where a member cannot be matched entirely, for instance if there was a discrepancy with the date of birth or the address, this would be classed as a partial match. The member will not receive any detail of the benefits at this point but would be given the contact details of the Fund so they could follow it up.
25. The Fund will also receive the details of the partial match and will need to follow this up with the member. Partial matches have the potential to add considerable extra work to the Fund in investigating and resolving them, so it is vital that the optimum matching criteria is defined from the outset.
26. Once a member is matched to the record held by the Fund, their 'value data' will be provided to them via the dashboard. That is the details of the pension we hold for them will be displayed.
27. Clearly there is a lot of work for the Fund to do in terms on ensuring all data is up to date and agreeing the matching criteria that it will use. The Fund will determine the matching criteria once an Integrated Service Provider (ISP) is appointed.

### **Integrated Service Provider**

28. The dashboards are essentially a set of related systems working together to provide the service to members and are known collectively as the ecosystem.
29. Connecting directly to the dashboards ecosystem is a significant undertaking requiring specialist resource and experience in order to meet the technical standards and requirements. It is highly unlikely that any LGPS Fund will connect directly to a dashboard and will instead appoint an ISP.
30. As ISP will create their own connections to the dashboards. They will take a regular cut of the Fund's data, typically monthly, and make that available to the dashboards so that members can be matched, and the relevant value data can be viewed.
31. The LGA guidance states that it is expected that Funds will appoint their current database provider, at least initially, as the ISP. However, there are a number of providers who can deliver this service.

32. The Fund will need to appoint an ISP as soon as practicable. Once an ISP is appointed the Fund can agree the matching criteria which will be used and then commence the baselining and data cleansing work required.
33. Setting up and then maintaining an ISP will be complicated and the associated costs are expected to be significant. Once costs are known they will be reported to Committee, together with a request to endorse any additional funding required.
34. Officers are liaising with legal and procurement on the appointment of an ISP. It is possible that this appointment may be completed before the next Committee meeting. If that happens officers will contact Committee members using the Electronic Decision Making (EDN) process to request endorsement.

### **Project Plan**

35. The Fund will need to develop a detailed project plan to prepare for the implementation of dashboards. The plan will cover all the points outlined above about data and appointing an ISP.
36. It will also include other considerations, such as producing a Data Protection Impact Assessment, to ensure all data security aspects have been considered before any data is shared with the dashboards.
37. The Fund will also need to document its internal controls relating to the project, including how decisions are made and who was consulted. For example, this will include how the Fund appointed the ISP and who was consulted as part of the decision making process.
38. The Fund will have to determine a budget for the pensions dashboard project. This will include, appointing as ISP, potentially procuring data analytics services to assist with organising the data cleansing work and potentially consultancy services to help organise the project.
39. A full budget will be presented to the Committee once it is available.
40. The main elements of this project relate to working with the ISP to implement the functionality and baselining and data cleansing. The project is being supervised by the Operations Manager with support from the project manager who sits within the Business Information Development and Improvement team (BIDI). This post is in place to work on projects to help maintain and develop the Fund's database, known as UPM.
41. The project manager will also be supported by another member of the BIDI team. Some aspects of the project will be picked up by the wider pensions team as and when required.
42. Other than the absolute connection deadline of 31 October 2026 no other deadlines are yet confirmed for the project. Despite this uncertainty the Fund will continue its work in preparation for the dashboards and will keep the Committee, and Local Pension Board, regularly informed of progress.

## **RISK MANAGEMENT POLICY**

1. This report presents the Fund's new Risk Management Policy for review by the Local Pension Board.

### **Recommendation**

2. The Board are requested to review the Risk Management Policy.

### **Background**

3. The Board has previously agreed that any changes to Fund policy or strategy documents should be presented to the Board after they had been endorsed by the Pension Fund Committee. Board members can then satisfy themselves that they agree with any changes to the documents.
4. The new Risk Management policy was presented to the Pension Fund Committee at its meeting on 1 December 2023. The policy is appended to this report in Appendix A.
5. With the launch of The Pension Regulator's new General Code of Practice expected imminently, and with the Scheme Advisory Board's Good Governance review also due to result in final recommendations in the short to medium term, it can be seen that expectations in respect of Fund governance are becoming ever more demanding. It is increasingly important that the Fund not only acts in a well governed manner but is able to actively demonstrate that it does so.
6. Risk management is an inherent element of Fund activities. However, in the absence of a formal Risk Management Policy, there is the potential for the risk management processes followed by Fund officers to lack consistency, and for some of these processes to lack supporting evidence which would demonstrate their effectiveness if subjected to scrutiny.

### **Risk Management Policy**

7. The proposed Risk Management Policy is attached at Appendix A to this report. The Policy begins by defining risk as "the effect of uncertainty on the Fund's aims and objectives". It is important to note that the Fund recognises that it is not possible to eliminate all risks, and that accepting and actively managing risk is therefore a key part of the Fund's risk management strategy.
8. The Policy describes a consistent approach to risk management, to be applied across all of the Fund's activities. It describes how risks will be identified, how risks will be assessed and scored to indicate their priority, approaches to how risks may be controlled and managed to lessen their impact, and how identified risks will then be monitored and reported upon. This cyclical approach represents best practice in risk management.
9. The Policy notes that risks will be managed at three levels:

- Strategic – these are the risks which Board and Committee Members will be familiar with as part of regular updates on the Fund’s Business Plan and Action Tracker;
  - Programme – these risks relate to the delivery of the Fund’s transformation programme, which was described as part of the Member Induction Training in July and August 2023; and
  - Operational – these are risks which affect the day to day running of the Fund and the key business processes that support our outcomes.
10. All types of risk will be captured in a single “risk register”, which will facilitate efficient management, monitoring and reporting of the Fund’s risks to a range of different audiences and stakeholders, including the Board and Committee. Risk will focus on strategic risks. The Policy notes that any operational and programme risks assessed as sufficiently significant will be escalated to strategic risks, and included in Committee and Board level reporting.

### **Regulatory environment**

11. The legislative and regulatory context underpinning this Policy is set out in Annex B to the Risk Management policy document.
12. At the time of recommending the adoption of this policy, the Fund anticipates the imminent publication of the General Code of Practice, replacing the existing code of practice on “Governance and administration of public service pension schemes”. The General Code is expected to set out updated guidance on risk management approaches for pension funds. This Risk Management Policy will be reviewed, updated and reissued as required in light of the guidance set out in the General Code. This Policy may therefore be seen as an interim measure; however, the principles set out in this proposal reflect good risk management practice and are not expected to require fundamental change once the General Code is published.

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## **Cheshire Pension Fund Risk Management Policy**

### **Introduction**

This is the Risk Management Policy of the Cheshire Pension Fund ("the Fund"), which is managed and administered by Cheshire West & Chester Council ("the Authority"). This policy details the approach to delivery of risk management for the Fund.

### **What is risk and risk management?**

There are varying definitions of risk, and as individuals, we will all perceive risk differently. The Fund defines risk as "the effect of uncertainty on the Fund's aims and objectives", and risk management as "the activities designed and operated to manage risk and exercise internal control within the Fund".

Risk management is central to the overall management of the Pension Fund, as reflected by the coverage of risk in key documents such as the Funding Strategy Statement and the Investment Strategy Statement.

The Fund recognises that effective risk management is an essential element of good governance in the Local Government Pension Scheme (LGPS).

By identifying and managing risks through an effective policy and risk management strategy, the Fund can:

- demonstrate best practice in governance;
- ensure high quality administration;
- improve financial management;
- minimise the risk and effect of adverse events; and
- identify and maximise opportunities that might arise.

Further information on the Fund's risk appetite is set out in Annex A.

## **Why do we need Risk Management?**

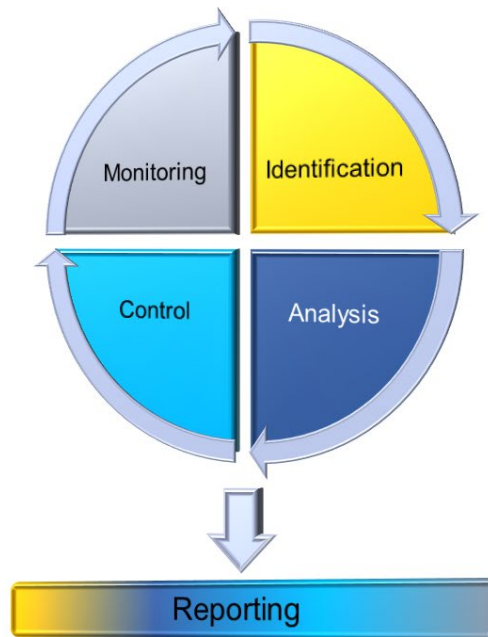
Effective risk management will deliver a number of tangible and intangible benefits to the Fund, for example:

1. Improved strategic management
  - greater ability to deliver against objectives and targets;
  - more informed policy-making;
  - transparent decision making subject to effective scrutiny and risk assessment;
2. Improved operational management
  - reduced risk of interruptions to service delivery;
  - reduction in management time spent dealing with the consequences of a risk event having occurred;
3. Improved financial management
  - better informed financial decision-making;
  - enhanced financial control;
  - reduction in the financial costs associated with losses due to service interruptions, litigation etc; and
4. Improved customer service
  - Reduced risk of service disruption to customers.

The Fund is also required to carry out effective risk management to ensure compliance with the regulatory framework within which we operate. The legislative and regulatory context underpinning this policy is set out in Annex B.

## How do we deliver our Risk Management process?

The Fund's risk management process is in line with that recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). The main processes involved in risk management are identified in the figure below:



Each process is described in more detail below.

### Risk identification

The Fund's risk identification process is both forward and backward looking, ie horizon scanning combined with learning lessons from past events. Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the Committee, the Board and the Leadership Team;
- monitoring against the Fund's business plan, agreed objectives and key performance indicators;
- findings of internal and external audit and other adviser reports;
- feedback from the Board, employers and other stakeholders;
- formal and informal meetings of the Leadership Team or other staff involved in the management of the Pension Fund;
- meetings with the Fund's advisers;
- liaison with other organisations in the Central region, eg Partner Funds in the local investment pool, and the pooling company LGPS Central Ltd;
- liaison with other organisations, regional and national associations, professional groups, etc;

- legal determinations including those of the Pensions Ombudsman, the Pensions Regulator, and relevant court cases;
- business planning or strategic workshops; and
- business or service continuity plans.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of risks.

The Fund categorises risks as “strategic”, “operational” or “programme” risks:

- Strategic risks are those which relate to the Fund’s approved objectives, as set out in the annual business plan.
- Operational risks relate to the delivery of day-to-day Fund “business as usual” activities.
- Programme risks are those relating specifically to the Fund’s transformation programme, which is managed and controlled under a specific governance framework, including programme risk reporting.

All risks will be monitored by Fund officers. Reporting to the Pension Fund Committee and the Local Pension Board will focus on strategic risks. Any Operational and Programme risks assessed as sufficiently significant will be escalated to Strategic risks, and included in Committee and Board level reporting. A full review of the risk register, including all operational and programme risks, will be conducted by the Leadership Team at least annually.

New risks can emerge at any time, and risk identification should include allocation of sufficient time and resource identifying these, and should therefore be integral to the day to day management of the Fund.

### Risk analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk.

Risks will be assessed against the following criteria, where the score for likelihood will be multiplied by the score for impact to determine the current risk rating.

Impact	1 – Low	Low	Low	Low	Low
	2 – Medium	Medium	Medium	Low	Low
	3 – High	High	High	Medium	Low
	4 - Very High	High	High	Medium	Low
		4 – Very High	3 - High	2 - Medium	1 - Low
Likelihood					

Criteria for assessing likelihood and impact are included at Annex C to help promote consistent risk evaluation across the Fund.

When considering the current risk rating, Fund officers will have regard to any relevant existing controls in place, and these will be summarised on the risk register.

The resulting risk scores are interpreted as follows:

Risk score	Action required
High	Unacceptable level of risk exposure which requires immediate, corrective action to be taken. Regular monitoring required, at least monthly.
Medium	Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.
Low	Acceptable level of risk exposure subject to regular active monitoring measures, at least annually.

### Risk control

The risk register will show what Fund officers consider to be the target risk score for each of the risks shown, in other words, how much risk is the Fund prepared to accept. This will help determine whether any additional actions are required to further control each risk.

Risk control actions may reduce the likelihood of a risk event occurring, or may reduce the severity of the consequences should the risk event occur, or both.

Risk control actions will vary depending on the type of risk and the activity involved. Key mechanisms include:

- Governance and decision-making structures;
- System procedures and controls;
- Resource allocation and management;
- Separation of duties;
- Actuarial / Audit / Regulatory Reviews; and
- Advice received from external advisors.

The result of any change to the internal controls could result in any of the following:

- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction – for example, choosing a course of action that has a lower probability of risk, or putting in place procedures to better manage the risk if it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

- Risk toleration - where the risk is deemed unavoidable, more tolerable than alternatives (including the cost of risk control actions), or its impact is assessed to be minimal. This is partially driven by the Fund's risk appetite.

It is important to strike a balance between the cost of risk control actions against the possible result of the risk occurring. As the Fund recognises that it is not possible to eliminate all risks, accepting and actively managing risk is therefore a key part of the Fund's risk management strategy.

Note that if the target risk score for a risk has already been achieved via existing risk control actions, no further action may be needed.

Reflecting the processes set out above, the Fund's risk register details:

- A description of the risk, including consequence and impact;
- The overall owner for the risk;
- Current risk control actions, including owner and delivery status;
- Current risk score, having regard for existing control actions;
- Any planned future risk control actions, including owner, delivery status and target delivery date; and
- Target risk score, assuming delivery of future mitigating control actions.

Where necessary, the Leadership Team will update the Fund's business plan in relation to any agreed action arising from an identified risk.

### **Risk monitoring**

Having identified and documented key risks and controls, risk monitoring will be carried out operationally by the Leadership Team.

Officers review emerging risks, together with risks where the planned or future action due date is imminent. These reviews allow current controls to be assessed and analysed to ensure they are still in place and relevant. It also gives the opportunity to identify areas for improvement and additional controls required.

New and emerging risks are also discussed at these reviews and added into the Risk register. Risks associated with specific areas of the Fund are discussed as part of relevant Fund officers' regular team meetings. Emerging risks in particular are highlighted as part of this process.

The Fund risk register will be regularly and continuously updated to reflect the outcomes of the monitoring process.

### **Reporting**

Progress in managing risks will be monitored and recorded on the risk register and key information will be provided on at least a biannual basis to the Committee and the Board as part of the regular update reports on governance, investments and

funding, and administration and communications. This reporting information will include as a minimum a summarised version of the strategic risk register and a summary of the main changes since the previous report.

## **Responsibility**

The Head of Cheshire Pension Fund is responsible for ensuring this policy is carried out, subject to the oversight of the Pension Fund Committee and the Local Pension Board.

However, it is the responsibility of each individual involved in delivery of Fund activities to identify any potential risks for the Fund, and to ensure that such risks are fed into the risk management process.

## **Monitoring of policy**

The Leadership Team will review the delivery of the requirements of this Policy on an annual basis, taking into consideration any feedback from the Committee and the Board.

## **Approval and review**

This Risk Management Policy was initially approved at the Pension Fund Committee meeting on 1 December 2023 and at the Local Pension Board meeting on 20 February 2024. It will be formally reviewed and updated at least every three years, or sooner if the risk management arrangements or other matters included within it merit reconsideration.

At the time of adoption of this policy, the Fund anticipates the imminent publication of The Pension Regulator's General Code of Practice, replacing the existing code of practice on "Governance and administration of public service pension schemes". The General Code is expected to set out updated guidance on risk management approaches for pension funds. This Risk Management Policy will be reviewed, updated and reissued as required in light of the guidance set out in the General Code.

## **Further Information**

If you require further information about anything in or related to this policy, please contact:

Steven Wilcock, Head of Cheshire Pension Fund, Cheshire West & Chester Council  
Email: [Steven.Wilcock@cheshirewestandchester.gov.uk](mailto:Steven.Wilcock@cheshirewestandchester.gov.uk)  
Telephone: 07554 458831

## **Annex A - Risk appetite**

The Fund recognises that it is not possible, or even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of the Fund's risk management strategy. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives. Equally important is striking a balance between the cost of risk control actions against the possible impact should the risk occur.

The main strategic risk to the Fund is failing to meet its primary objective of having sufficient funds to meet its liabilities when they become due for payment. This particular risk is managed through the Funding Strategy, which models the likelihood of a range of possible outcomes occurring and the way in which the contribution rate strategy and the investment strategy combine to deliver those outcomes.

The Fund also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Authority. However, it is a sound management technique that is an essential part of how the Fund is managed. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

## **Annex B - Legislative and Regulatory context**

This policy, and the delivery of associated processes and outcomes, will aim to comply with:

- the CIPFA Managing Risk publication;
- the managing risk elements in the CIPFA Investment Pooling Governance Principles guidance;
- the managing risk elements of the Pensions Act 2004; and
- the Pensions Regulator's Code of Practice for Public Service Pension Schemes (or successor regulatory codes).

### **CIPFA Managing Risk Publication**

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

### **CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities**

CIPFA has published guidance on investment pooling and the number of different risks this introduces for LGPS administering authorities. It also highlights how investment pooling potentially changes the magnitude of existing risks and how administering authorities might respond to them through appropriate internal controls.

### **The Pension Regulator's Code of Practice**

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 related to the requirement to have internal controls in public service pension schemes.

#### **“249B Requirement for internal controls: public service pension schemes**

(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed:

- (a) in accordance with the scheme rules, and
- (b) in accordance with the requirements of the law.“

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued

such a code in which they encourage scheme managers (administering authorities) to employ a risk-based approach to assess the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's Code of Practice guidance on internal controls require scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme;
- determining the various functions and activities carried out in the running of the scheme; and
- identifying the main risks associated with those objectives, functions and activities.

Schemes should then consider the likelihood of risks arising and the effect if they do arise as well as what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them.

The code states risk assessment is a continual process, and should take account of a changing environment and new and emerging risks including significant changes in or affecting the scheme and employers who participate in the scheme. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage, and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

### Annex C - Criteria for assessing likelihood and impact

Note that risk assessment scoring is by definition a subjective exercise. These criteria and examples are designed to provide guidance, rather than to be exhaustive or prescriptive.

#### Criteria for assessing likelihood

Description	% risk of occurrence	Frequency
Very high	80%	At least once a year
High	65%	Once every 1-3 years
Medium	50%	Once every 3-5 years
Low	30%	Once every 5 years or more

#### Criteria for assessing impact

Description	Examples
Very High	<ul style="list-style-type: none"> <li>• Incorrect actual benefit calculations affecting more than 500 members</li> <li>• Incorrect general / estimate information being communicated that could impact 80% or more active, deferred or pensioner members</li> <li>• Delay in paying pensioners by more than 3 working days</li> <li>• Consistently missing both legal and Fund's agreed delivery timescales</li> <li>• Impact on assets or liabilities changing funding level by more than 20% over a one month period</li> <li>• Formal DLUHC / other Central Government / TPR / SAB or other regulatory intervention / exercise of their powers</li> <li>• Serious impact on workforce impacting more than one area of Fund team</li> <li>• No confidence in Senior Management / Leadership</li> <li>• Multiple fatalities</li> <li>• Complete / critical service failure</li> <li>• Exceedingly negative national publicity</li> <li>• Serious impact on workforce across more than one Directorate</li> <li>• Legal action almost certain, unable to defend</li> <li>• Serious financial impact to budget, not manageable within existing funds and may impact on reserves</li> <li>• Non-compliance with law resulting in imprisonment</li> </ul>

Description	Examples
High	<ul style="list-style-type: none"> <li>• Incorrect actual benefit calculations affecting 100-500 members</li> <li>• Incorrect general / estimate information being communicated that could impact 25-80% active, deferred or pensioner members</li> <li>• Delay in paying pensioners by 2 working days</li> <li>• Missing some legal and regularly missing Fund's agreed delivery timescales</li> <li>• Impact on assets or liabilities changing funding level by 10-20% over a one month period</li> <li>• Informal DLUHC / other Central Government / TPR / SAB or other intervention</li> <li>• Negative national level information (e.g. outlier on league tables)</li> <li>• Serious impact on workforce impacting one area of Fund team</li> <li>• Limited confidence in Senior Management / Leadership</li> <li>• Significant service failure</li> <li>• Negative national publicity</li> <li>• Impact on workforce across more than one Directorate</li> <li>• Legal action almost certain and difficult to defend</li> <li>• Serious financial impact to budget, manageable across the Authority</li> <li>• Negative external regulatory reports impacting on Corporate Governance</li> <li>• Single fatality</li> </ul>
Medium	<ul style="list-style-type: none"> <li>• Incorrect actual benefit calculations affecting 50-100 members</li> <li>• Incorrect general / estimate information being communicated that could impact 10-25% active, deferred or pensioner members</li> <li>• Delay in paying pensioners by 1 working day</li> <li>• Meeting the majority of legal but missing some Fund's agreed delivery timescales</li> <li>• Impact on assets or liabilities changing funding level by 5-10% over a one month period</li> <li>• Negative regional level information (e.g. outlier on Central or North West league tables)</li> <li>• Expected, but manageable, impact on workforce impacting one area or more areas of Fund team</li> <li>• Significant service under performance</li> <li>• Negative local publicity</li> <li>• Expected impact on workforce, but manageable within Directorate contingency arrangements</li> <li>• Legal action expected</li> <li>• Expected financial impact to budget, manageable within Directorate</li> <li>• Non-compliance with law resulting in fines</li> <li>• Negative external regulatory reports</li> <li>• Extensive, permanent / long term injury or long-term sickness</li> </ul>

Description	Examples
Low	<ul style="list-style-type: none"> <li>• Incorrect actual benefit calculations affecting up to 50 members</li> <li>• Incorrect general / estimate information being communicated that could impact up to 10% active, deferred or pensioner members</li> <li>• Delay in paying pensioners by less than 1 working day</li> <li>• Meeting the majority of legal and Fund's agreed delivery timescales</li> <li>• Impact on assets or liabilities changing funding level by up to 5% over a one month period</li> <li>• Some risk to normal service delivery but manageable within contingency arrangements</li> <li>• Legal action possible but unlikely and defensible</li> <li>• Possible financial impact to budget, manageable within service</li> <li>• Non-compliance with regulations / standards or local procedures resulting in disciplinary action</li> <li>• First Aid or medical treatment required</li> </ul>

**LOCAL PENSION BOARD 2023/24 ANNUAL REPORT**

**Introduction**

1. This Board will be invited to discuss the content to be included in the Local Pension Board Annual Report for 2023/24.

**Recommendation**

2. The Board are requested to identify the content to be included in the draft Local Pension Board Annual report for 2023/24.

**Annual Report**

3. As set out in their Terms of Reference, the Board are required to produce an Annual Report specifically for the Local Pensions Board (LPB).
4. The Board’s Annual Report will be required to be completed by the end of May 2024 in order to be incorporated into the Fund’s Annual Report. The LPB Annual Report requires production so that it can be completed in time for approval at the next Board meeting in May.
5. The format of the report will be the same as the 2022/23 report which was published on the Fund’s website as within the main Scheme Annual Report. A copy of the 2022/23 report is enclosed in Appendix A.
6. The report is split into six sections as summarised in the table below:

Introduction
Details of Membership
Summary of past year activity and plans for year ahead
Attendance at Meetings
Skills and Development Activities
Budget

7. Included within the Annual Report is the outturn for the Board’s allocated budget of £5k.
8. The Board are requested to identify items to be included in the draft of the 2023/24 report.

**Cheshire Pension Fund**  
**Local Pension Board**  
**Annual Report 2022/23**

## INTRODUCTION

Welcome to the eighth annual report for the Local Pension Board (the Board) for the year ending 31 March 2023.

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.

Throughout the year, Board members received regulator updates on the fund's pensions 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 group received a presentation from the pooling company, LGPS Central Limited, to understand how Central provides support to the funds within the pool on responsible investing.

The Board also received a presentation on the Internal Dispute Resolution Procedure (IDRP), recommending that the fund provide an annual update to employers to remind them of their responsibilities as part of the IDRP process. An article was included in the fund's autumn employer newsletter regarding IDRP.

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

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

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- 1.1 The Board consists of five members, two scheme members 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.

Role	Name	Organisation	Date Appointed	Term End Date
Employer representative	Adrienne Laing*	The Challenge Academy Trust	1/4/20	26/6/23
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

\*Adrienne is continuing in the role until the Summer of 2023

- 1.4 The fund will invite expressions of interest for the member representative role currently held by Neil Harvey, in May 2023.

## 2. Review of 2022/23

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- 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 Chair of the Board has continued to hold quarterly meetings with the Chair of the Pension Fund Committee (the Committee) 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 Employer Forum**

- 2.4 The Pensions Employer Forum (PEF) is made up of representatives from the main employers and employer groups within the fund. The group changed their

name from the former Pensions Consultative Forum during the year. PEF more accurately describes the purpose and attendees of the group.

- 2.5 The PEF works with the fund to ensure an efficient service is delivered for all stakeholders, with particular emphasis on administration and communication.
- 2.6 The Board Chair, Peter Raynes is also Chair of the PEF providing an important link between the Board and the Forum.
- 2.7 The Forum is key to assisting the fund in developing new ways of working which improve efficiency for both the Fund and Employers.
- 2.8 Forum members assisted the fund by advertising a series of Focus Events run by the fund in the autumn of 2022. As a result of this employer engagement, the focus groups were well attended and the feedback from those events will help to inform the funds employer engagement strategy.

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

- 2.9 The Board Chair continues 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.
- 2.10 Two meetings took place during the year on 24 October 2022 and 27 March 2023.
- 2.11 The Scheme Advisory Board plays an important role in this group. A SAB representative (Ona Ehimuan) 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.
- 2.12 The Board Chairs are also interested in the subject of responsible investment and in particular, how funds are supported by LGPS Central in this area. Central attended the March meeting and provided an update on the various ways in which they provide support on this important area.

#### **Knowledge and Skills**

- 2.13 The Committee endorsed the fund's training policy at its meeting on 13 March 2020. The policy was effective from 1 April 2020 and covers the collective training requirements for Committee and Board members.

- 2.14 A joint training plan was developed for the 2022/23 year which was based upon the results of CIPFA knowledge and skills self-assessment questionnaires which had been completed by Committee and Board members.
- 2.15 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.
- 2.16 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).
- 2.17 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.
- 2.18 The training plan for 2023/24 was derived from these results and approved by the Chairs.

### **Governance Review and Terms of Reference Changes**

- 2.19 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 recommendations in relation to the Board, including updating the Terms of Reference (ToR) to reflect actual working practices (for instance the actual number of Board meetings held each year is higher than the two as set out in the terms of reference).
- 2.20 Board members delayed amendments to the ToR awaiting the outcomes from the Scheme Advisory Board Good Governance review to be officially adopted, however, as the changes are largely a reflection of common practice the board requested that they be implemented.
- 2.21 At their meeting on 18 October 2022, board members worked through each of the proposed changes to determine whether they wanted to amend the ToR for each one. Those changes were then presented to the Audit and Governance Committee in January 2023 where they were approved.
- 2.22 The Board await a further 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). The ToR will be reviewed annually and amended as required.

### **Regulatory Changes**

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

McCloud Judgement

2.24 The first related to the McCloud judgement where a court case found that transitional protections introduced in public sector pension schemes amounted to age discrimination to younger workers.

2.25 This regulatory change presents a significant challenge and will require input from all areas of the fund. Further guidance and draft regulations are awaited from DLUHC with the new regulations themselves 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.

2.26 The Board regularly monitor the fund's progress in preparing for and meeting the requirements of this regulatory change.

Pensions Dashboard Programme

2.27 The second regulatory change relates to the Pensions Dashboard Programme, which requires all pension funds in the UK to onboard to allow members to view their pensions in one place.

2.28 The initial onboarding date for the LGPS was September 2024 but the programme has been delayed and the new onboarding date is yet to be confirmed.

2.29 In the meantime, the Board is reviewing the fund's progress on preparing for onboarding to the dashboard which includes appointing an integrated service provider to facilitate the transfer of data to and from the dashboard, and to assess the quality of data held by the fund to ensure its suitability for use with the dashboard.

**Risk Register**

2.30 The Board undertakes regular reviews of its risk register during the year.

2.31 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 seek to implement these where possible.

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

Risk	RAG Status
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

2.33 The fund’s Risk Register was reviewed at the Board meeting on 12 July 2022 and agreed that it contained all necessary risks.

**Internal Dispute Resolution Procedure**

2.34 At their meeting on 12 July 2022, Board members received a presentation on the Internal Dispute Resolution Procedure (IDRP), which included the recommended timescales for such cases to be completed within.

2.35 The Board issued a recommendation to the Pension Fund Committee that the fund introduce an annual reminder to employers about their obligations under IDRP and the suggested timescales for managing these cases.

2.36 The Board also recommended that a template IDRP policy be drafted for employers to assist them with adopting the principles more easily.

2.37 The recommendations were endorsed by the Committee at their meeting on 30 September 2022.

2.38 The fund issued an employer newsletter in the autumn of 2022 which included an article on IDRP, along with a link to the template policy.

**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 TPR is expected to publish its new Single Code of Practice during 2023.

2.41 At that point the Board will undertake a thorough review of the fund’s compliance with the new code along with any action plan required to address any areas where further work may be required.

**Data Quality**

2.42 The Board has a key role in managing oversight of the fund’s essential work to improve the quality of data.

- 2.43 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.
- 2.44 The fund has also identified a number of other actions, as part of the pensions programme, to improve data quality and has been providing updates to the Board on a regular basis.
- 2.45 The Board was pleased to note that the fund issued Annual Benefit Statements to 92% of active members by the 31 August deadline, compared to 91% in 2021 and 90% in 2020. This demonstrates that the Fund's data quality is improving.

#### **Breaches Policy/Log**

- 2.46 The Board has a key 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.
- 2.47 In addition to reviewing the breaches log, the Board undertakes a quarterly review to identify any trends which require further investigation.
- 2.48 The Breaches policy and Breaches Log are available on the fund's website.

#### **Member Engagement**

- 2.49 The Board has a dedicated facility on the fund's website to allow members to contact the Board with any questions.
- 2.50 The Board received three questions, from the same group, during the year and provided a response to each. The subjects covered included
- Presentation of information on the LGPS Central website
  - The fund's taskforce on Climate Related Financial Disclosures Report
  - Cheshire Chat – pensioner newsletter

### **3. Board Attendance at Meetings 2022/23**

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- 3.1 The updated terms of reference for the Board state that there should a minimum of four meetings per year. There were five meetings held during 2022/23.
- 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	3 May 2022	31 May 2022	12 Jul 2022	18 Oct 2022	21 Feb 2022	%
Peter Raynes	✓	✓	✓	✓	✓	100
Cllr Robert Bisset	✓		✓	✓	✓	80
Adrienne Laing		✓	✓	✓	✓	80
Geoff Wright	✓	✓	✓	✓	✓	100
Neil Harvey	✓	✓	✓	✓	✓	100

3.3 The meeting on the 31 May was dedicated to the review of the fund’s draft Statement of Accounts and Annual Report for 2021/22 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.

3.4 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.

### Skills and Development Activities

3.5 The Board and Committee have attended 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.

3.6 A summary of the training provided for the Board, including attendance, during 2022/23 is shown below.

Date	Topic	Delivered by	Board Attendees
28 October 2022	Financial Markets and Product Knowledge	Mercer	Peter Raynes
	Markets and Investments Update	Mercer	
	Residential Housing	Mercer	
	Pensions Programme	Officers	
	Training Plan Update 2023/24	Officers	

Date	Topic	Delivered by	Board Attendees
24 February 2023	Pensions Governance and Legislation	Officers	Peter Raynes Neil Harvey
	Business Plan	Officers	
	Infrastructure	LGPS Central Limited	

### External training events

- 3.7 Board members also attended a number of external conferences and seminars in order to maintain knowledge and keep up to date with current issues facing the LGPS.

Event Date	Organised by	Topic
13-15 June 2022	PLSA	Local Authority Conference
9-10 November 2022	Baillie Gifford	LGPS Investment and Training Seminar
9 March 2023	LGPS Central Ltd	Responsible Investing Summit

### Budget

- 3.8 The Board agreed a budget of £5,000 for 2022/23 to assist with its operation. This included costs for training, external advice, expenses and travel costs.
- 3.9 The Board incurred costs of £450 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 2022/23.

## 4. 2023/24 Work Plan

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- 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 2023.
- 4.2 A consultation on changes to regulations and statutory guidance resulting from the SAB Good Governance review is also expected in 2023. The Board will be consulted on the fund's response to this consultation.

- 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 also keep a close eye on any changing guidance from TPR and SAB and ensure the fund implements any recommendations as prescribed.
- 4.5 The Board will continue to 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.
- 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**

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- 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/>

## **TERMS OF REFERENCE REVIEW**

### **Introduction**

1. This report invites the Board to endorse changes to their terms of reference following the review which was undertaken in October.

### **Recommendation**

2. The Board are requested to:
  - Review and endorse the amended terms of reference, and
  - Recommend that the Pension Fund Committee endorse the changes for approval by Audit and Governance Committee.

### **Background**

3. The Board undertake an annual review of their terms of reference (ToR) to see if any amendments are required. In line with the requirements of the ToR and changes presented to Audit and Governance Committee for approval.
4. The Board undertook their annual review of the ToR at their last meeting on 17 October 2023. The Board did not identify any required amendments at that time but did identify some wording within the terms which required clarification.

### **Terms of Reference Changes**

5. The Board questioned the meaning of paragraph 2.6.3. which relates to internal dispute resolutions. Officers suggested that the wording is simply to confirm that the Board itself does not have a role in such matters but that a legal opinion would be obtained to confirm the position.
6. The Fund instructed a solicitor to review the wording and a few minor changes have been suggested to make the position clearer. Paragraphs 2.6.3. to 2.6.5. have been reordered so the internal dispute resolution and complaint paragraphs are together, one sentence has been slightly amended, and an additional sentence has been added to clarify the applicability of the specific terms relating to internal disputes to individual members in their roles outside of the Board.
7. A copy of The ToR are attached to this report in Appendix A and the amendments have been tracked so the Board can easily identify the changes.
8. Whilst undertaking the review of the ToR following the query from the Board, the solicitor has also suggested changes to paragraphs 3.1.3. and 9.1. around the appointment of an independent chair to the Board.
9. The solicitor found that the existing wording was unnecessarily restrictive and that it narrowed the potential pool of candidates for the role of independent chair. In particular, the wording “who shall have no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in a fund or funds administered by the Administering Authority” could exclude candidates who may

otherwise have the necessary knowledge, skills and independence that would be required of the Chair.

10. The ToR have also been amended in paragraphs 3.1.3. and 9.1. to reflect the solicitors' findings. Again, the changes have been tracked so the Board can easily identify them.
11. Finally, a couple of minor changes have been made to reflect correct titles. In paragraph 1.2 the Chief Finance Officer has been changed to the Chief Operating Officer, reflecting the correct role title. Also, in paragraph 9.4 the Pensions Consultative Forum has been changed to the Pensions Employer Forum, reflecting the groups new name which was revised in 2023.
12. Board members are invited to endorse the changes to the ToR and recommend that the Pension Fund Committee also endorse the changes and request they be approved by Audit and Governance Committee, in line with the requirements of paragraph 11.2. in the ToR.

## SCHEDULE

### LOCAL PENSION BOARD

#### TERMS OF REFERENCE

##### 1. Introduction

- 1.1 The purpose of this document is to set out the terms of reference for the establishment of a Local Pension Board. Administering Authorities are now required to establish a new body to be known as the Local Pension Board (“**the Board**”) to assist Cheshire West and Chester Borough Council (“**the Council**”) in its role as Administering Authority and Scheme Manager of the Cheshire Pension Fund. This requirement stems from the provisions of the Public Service Pensions Act 2013 (“**the 2013 Act**”) and Regulation 106 of the Local Government Pension Scheme Regulations 2013 (“**LGPS Regulations**”). Other relevant documents are the Pension Regulator’s Codes of Practice, and the LGPS Scheme Advisory Board’s “Guidance on the Creation and Operation of Local Pension Boards in England and Wales” (“**the Guidance**”). The Board is not intended as a replacement for the present Cheshire Pension Fund Committee (“**CPFC**”). The Board’s functions, listed below at Paragraph 2.1-2.5, should complement those of the CPFC.
- 1.2 The Cheshire Pension Fund is part of a nationwide pension scheme called the Local Government Pension Scheme (“**LGPS**”). The pension fund administers the LGPS for the local authorities in Cheshire together with a number of other bodies who participate in the fund, including colleges, academies and housing trusts. The fund is administered by the Council and its Chief Finance-Operating Officer (“**CF~~O~~O**”) is ultimately responsible for its affairs with powers delegated by Council. In this capacity the **CF~~O~~O** is known as the Scheme Manager. The **CF~~O~~O** appointed an advisory panel known as the Cheshire Pension Fund Committee. That committee is convened as necessary by and to advise the Chief Finance-Operating Officer on matters relating to the administration of the fund that they require advice on. Its functions are described within paragraph 9.20 of Part 1 of the Council’s constitution.

##### 2. Function and Role

- 2.1 The role of the Board is defined by sections 5(1) and (2) of the 2013 Act and related legislation and Regulations. The Board’s aim is to assist the Administering Authority to ensure the effective and efficient governance and administration of the LGPS, including;
- 2.1.1 Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS;
- 2.1.2 Securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;

- 2.1.3 Such other matters as the LGPS Regulations may specify.
- 2.2 The Board will ensure it effectively and efficiently complies with the Guidance and may determine the areas it wishes to consider including:
- 2.2.1 Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
  - 2.2.2 Monitor complaints and performance on the administration and governance of the scheme.
  - 2.2.3 Review the implementation of revised policies and procedures following changes to the Scheme.
  - 2.2.4 Review the arrangements for the development of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
  - 2.2.5 Review the exercise of employer and administering authority discretions.
  - 2.2.6 Review the outcome of internal and external audit reports, review draft accounts and scheme annual report.
  - 2.2.7 Any other area within the core function (i.e. assisting the Administering Authority) the Board deems appropriate.
- 2.3 The Board will also help ensure that the Cheshire Pension Fund is managed and administered effectively and efficiently and complies with the Codes issued by the Pension Regulator.
- 2.4 The Board will assist the Scheme Manager to be satisfied that a person to be appointed as a member of the Board does not have a conflict of interest, and to be satisfied from time to time that none of the members of the Board have a conflict of interest.
- 2.5 The Board will assist the Administering Authority to include undertaking work requested by the Administering Authority for the purposes of scrutiny of Scheme Manager and CPFC decisions including funding and investments. However, the Board does not replace the Administering Authority or make decisions which are the responsibility of the Scheme Manager or the CPFC.
- 2.6 The Board shall not:
- 2.6.1 Counter or alter investments decisions that have or have not been made by the Scheme Manager other than to review that due process has been followed when making decisions;

2.6.2 Amend the statements, strategies and reports prepared in compliance with regulations 57 to 61 of the LGPS Regulations;

~~2.6.3 Become involved in any internal dispute resolution appeals;~~

2.6.4 Enter into contracts on behalf of the Scheme Manager;

2.6.5 Dismiss any members of the CPFC;

2.6.3 Become involved in any internal dispute resolution appeals;

2.6.6 ~~Be used~~Use the Board to act on behalf of a particular constituency or Pension Fund Member in general or in relation to a specific complaint at any time.

Save that the above shall not prevent a member of the Board from bringing a complaint or becoming involved in an internal dispute resolution appeal in their individual capacity, either on their own behalf or as a representative of another member of the Fund.

### **3. Membership and Appointment Process**

3.1 Subject to paragraph 3.2 below, the Board shall consist of 6 voting members and 1 non-voting member and be constituted as follows:

3.1.1 3 employer representatives, of whom:

- 1 shall be nominated by Cheshire West and Chester Borough Council. Where they are elected members or officers, they shall meet the requirements of the relevant Regulations in relation to avoidance of conflict with the Council's role as Administering Authority. No officer or elected member of an Administering Authority who is responsible for the discharge of any function under the Regulations may be a member of the Board within the authority they represent or are employed by. An elected member presently sitting on the Pension Committee may not be a member of the Board;
- 2 shall be nominated by agreement between the representative employer bodies who are employers within the Cheshire Pension Fund. Such appointment will only be made following an openly advertised competition for the role.

Employer member selection can be assisted and advised by the Scheme Manager.

3.1.2 3 Scheme member representatives (who may be elected members) of whom;

- 1 shall be appointed by the recognised Trade Unions representing active members of the Cheshire Pension Fund;
- 2 shall be appointed following an openly advertised competition for the role.

3.1.3 1 independent member selected by the Scheme Manager who shall be appointed as a non-voting independent Chair of the Board. The appointment will only be made following an openly advertised competition for the role and the appointee must demonstrate that they have the requisite knowledge, skills and independence to adequately fulfil the role of Chair as set out in these Terms of Reference~~1 independent member selected by the Scheme Manager, who shall have no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in a fund or funds administered by the Administering Authority and who shall be appointed as a non-voting independent Chair of the Board. Such appointment will only be made following an openly advertised competition for the role.~~

- 3.2 There shall be an equal number of employer representative and scheme member representative Board members. If from time to time it has not been practicable to appoint either 3 employer representatives or 3 scheme member representatives in accordance with paragraphs 3.1.1 or 3.1.2 respectively, there shall be 4 voting members instead of 6 until such time as a third employer representative or scheme member representative can be appointed. During any such period the provisions of paragraph 4.5 below shall apply.
- 3.3 The appointment of substitutes for any Board members shall not be permitted.
- 3.4 The Board may, with the approval of the Scheme Manager, co-opt other persons who are not members of the Board to serve on the Board as non-voting members, particularly where this would assist the other Board members to gain appropriate knowledge and understanding of the Board's functions and duties in the context of the Administering Authority and the Pension Committee. The maximum number of members to be co-opted to the Board will be 2. These potential members may include access to an agreed pool of senior pension fund officers from other (possibly neighbouring) authorities where such advice and assistance will not prevent a conflict of interest or breach of confidentiality.
- 3.5 Subject to any applicable regulation and legislation in force appropriate advisors shall include but not be limited to:
- 3.5.1 The Fund's Actuary;
  - 3.5.2 The Fund's legal advisor;
  - 3.5.3 The Fund's investment advisor(s);
  - 3.5.4 Other external advisors, so approved by the Scheme Manager.

- 3.6 The methodology for appointing employer and member representatives is not prescribed by the Regulations. It therefore falls to each Administering Authority to establish an appropriate process. All Board members will be formally appointed by the Scheme Manager in accordance with the appointment process to be settled by the Scheme Manager. Recognised trade unions, scheme employers and members of the scheme are being asked to nominate representatives for appointment to the board. The Scheme Manager will establish a formal selection process in the event that the number of nominees exceeds the available places. The selection process will assess relevant experience, capacity to represent scheme members and their knowledge and understanding of the Local Government Pension Scheme. The Administering Authority must be satisfied that a person to be appointed as an employer or scheme member representative has the capacity to represent employers or scheme members. Proposed appointments will be ratified by the Audit and Governance Committee.
- 3.7 A Board member should not have a conflict of interest as defined under the Act and the relevant Regulations, The Localism Act 2011 and the Nolan Principles on conduct in public office. However, a financial or other conflict of interest will not arise merely by virtue of a member of a Board being a member of the LGPS and/or Fund.
- 3.8 A “conflict of interest”, in relation to a person, means a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the Board.
- 3.9 The Scheme Manager should obtain confirmation from the appointee in the form of a written undertaking that they understand the requirements of the role and to commit to those requirements, by:
- 3.9.1 Disclosing all interests and responsibilities which have the potential to become conflicts of interest;
  - 3.9.2 Committing to attend a minimum number of meetings a year;
  - 3.9.3 Committing to undertake development to increase knowledge and understanding; and
  - 3.9.4 Undertaking to abide by the Board’s terms of reference and wider constitutional documents.
- 3.10 The Board will provide the Scheme Manager with such information as he or she requires in order to ensure that any member of the Board or person to be appointed to the Board can show they do not have a conflict of interest.

#### **4. Term of Office**

- 4.1 Each employer representative and scheme member representative so appointed shall serve for a fixed 3-year period which can be extended for further period(s) subject to re-nomination.

- 4.2 Each Board member should endeavour to attend all Board meetings.
- 4.3 In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager and the other Board members may vote to remove the non-attending Board member and re-appoint their successor.
- 4.4 Other than by ceasing to be eligible as set out above, and subject to paragraph 4.5 below, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other voting members. The removal of an independent member requires the consent of the Scheme Manager.
- 4.5 In the event that there are to be 4 voting Board members instead of 6, in accordance with paragraph 3.2 above:
- 4.5.1 the representative employer bodies shall, as necessary, remove or suspend from office 1 employer representative Board member, and
- 4.5.2 the Scheme Manager shall (after consulting the Trade Unions representing active members of the Cheshire Pension Fund), as necessary, remove or suspend from office 1 member representative Board member,

in either case, and for only so long as is necessary, so that there are an equal number of employer representative and scheme member representative Board members.

## **5. Quorum**

- 5.1 A quorum will comprise 2 of which at least one shall be an Employer representative and one a scheme member representative.

## **6. Voting Rights**

- 6.1 Each member representative and employer representative will have one vote. This excludes other members including any independent member, co-opted member, and advisor. There shall be no casting vote in the event of a tie of votes such that the debate and voting must continue until a majority is reached, or the item of business deferred.

## **7. Termination**

- 7.1 Termination will arise at the expiry of a member's term of office.
- 7.2 The Board may also make a decision to terminate a member's term of office for the following:

- 7.2.1 A member discloses or it is determined that they have a conflict of interest which cannot be managed in accordance with the Board's code of conduct policy;
- 7.2.2 A member dies or becomes incapable of acting;
- 7.2.3 A member who is a Councillor of the Administering Authority is appointed to a Pensions Committee;
- 7.2.4 A member is appointed to the role of an officer of the Administering Authority with responsibility for the discharge of functions under the Regulations;
- 7.2.5 A member wishes to resign; and
- 7.2.6 A representative member ceases to represent his constituency, for example if an employer representative leaves the employment of his employer and therefore ceases to have the capacity to represent the Fund's employers.

## **8. Remuneration of Board Members**

- 8.1 Members of the Board shall be reimbursed for reasonable subsistence and travel expenses in accordance with relevant policies held by the Administering Authority.
- 8.2 Although the appointments to the Board fall outside the provisions of the Local Government Act and therefore are not strictly subject to the Council's established remuneration procedures, the Administering Authority should still clearly make reference to any appropriate Council policies and principles.
- 8.3 All members of the Board shall be reimbursed for travel and subsistence expenses they have actually and necessarily incurred in the conduct of their duties as a member of the Board, including attendance at relevant training and development activities. Rules in relation to the production of receipts and other financial procedures will apply.
- 8.4 In relation to members of the Board who are not elected members and are in employment, their employer may be able to reclaim a sum equivalent to salary, employers' national insurance contributions and employers' pension contributions, in respect of time spent by the individual in fulfilling their duties as a member of the Board during normal working hours of their employer's business, including attendance at relevant training and development activities.
- 8.5 These measures attempt to ensure that no member of the Board will be out of pocket as a result of their membership and seeks to remove potential disincentives to membership while not providing a solely financial incentive to take part in the work of the Board.
- 8.6 For elected members who are appointed to the Board the role would be part of the various council appointments they participate in in accordance with the relevant approved Members Allowance Scheme.

- 8.7 The Board must seek written consent from the Scheme Manager (such consent not to be unreasonably withheld) for:
- 8.7.1 The allocation of a Budget;
  - 8.7.2 Instructing the Pension Fund actuary to provide a report;
  - 8.7.3 Request any external advisor to attend a meeting of the Pension Board which shall require remuneration;
  - 8.7.4 Incurring a cost to the Scheme Manager;

## 9. **Chair**

- 9.1 ~~An independent non-voting Chair of the Board will be appointed in accordance with paragraph 3.1.3 above. The independent Chair does not have a casting vote."An independent Chair will be appointed, who shall have no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in a fund or funds administered by the Administering Authority and who shall be appointed as a non-voting independent Chair of the Board. Such appointment will only be made following an openly advertised competition for the role. An independent Chair does not have a casting vote.~~
- 9.2 It shall be the role of the Chair to:
- 9.2.1 Ensure that all members of the Board show due respect for process, that all views are fully heard and considered and that decisions are democratically made where consensus cannot be reached.
  - 9.2.2 To uphold and promote the purpose of the Board and to interpret its Terms of Reference when necessary.
  - 9.2.3 Ensure that the Board members have relevant knowledge and skills and maintain a training record where appropriate.
  - 9.2.4 Liaise with the administrator from the Administering Authority who supports the Board and agree the agenda and minutes for each Board meeting.
  - 9.2.5 Ensure an attendance record is maintained along with advising the Scheme Manager on remuneration and expenses to be paid.
  - 9.2.6 Advise the Scheme Manager on an appropriate budget for the Board.
  - 9.2.7 Write reports required by Scheme Manager on the performance of the Board.

9.2.8 Liaise with the Scheme Manager on the requirements of the Board, including advanced notice for Officers to attend and arranging dates and times of Board meetings.

9.2.9 To annually review and report on the performance of the Board.

9.3 The decision of the Chair on all points of procedure and order and the Chair's interpretation of the Protocol shall be final.

9.4 The Chair will accept appointment as the chair of the Cheshire Pension Fund's Pension ~~Consultative-Employer~~ Forum ("PCEEF"), if and for so long as required to do so under the PEGF's terms of reference.

## **10. Knowledge, Skills and Training**

10.1 To be appointed as a member of the Board a person must be conversant with:

10.1.1 The legislation and associated guidance of the LGPS; and

10.1.2 Any document recording policy about the administration of the LGPS which is adopted by the Cheshire Pension Fund.

10.2 In addition, a member of the Board must have knowledge and understanding of:

10.2.1 The law relating to pensions, and

10.2.2 Any other matters which are prescribed in regulations.

10.3 Individual Pension Board members should be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

10.4 To ensure that the knowledge and understanding requirements are met:

10.4.1 The Board should adopt a knowledge and understanding policy and framework

10.4.2 The Board should designate a person to take responsibility for ensuring that the knowledge and understanding policy and framework is developed and implemented.

10.4.3 The Board should prepare (and keep updated) a list of the core documents recording policy about the administration of the Fund and make the list and documents (as well as the rules of the LGPS) accessible to its members.

10.4.5 Advisors to the Board should have regard to the Guidance (Schedule B, Part 2) as it contains detailed information regarding sources and information required to achieve applicable levels of knowledge and understanding.

10.4.6 Appropriate records should be kept of the learning activities of members and the Board as a whole.

## **11. Board Review Process**

- 11.1 The Board will undertake a formal review process each year to assess the performance of the Board's functions in order to seek continuous improvement.
- 11.2 The Board may vary these terms of reference and adopt revised terms following approval from Audit and Governance Committee.

## **12. Meetings**

- 12.1 The Scheme Manager shall give notice to all Board members of every meeting of the Board, and shall ensure that all papers are published on the Cheshire Pension Fund website at least 5 working days prior to each meeting. These may be edited at the discretion of the Scheme Manager to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act and/or they represent data covered by the Data Protection Act 1998.
- 12.2 The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Subsequent to each meeting the Chair will be asked to approve the minutes for publication as a draft and circulation to all members of the Board.
- 12.3 The Pension Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Administering Authority. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board, but should include, inter alia:
  - 12.3.1 Details of the attendance of members of the Board at meetings;
  - 12.3.2 Details of skills and development activities provided for members of the Board and attendance at such activities;
  - 12.3.3 Details of any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations; and
  - 12.3.4 Details of the costs incurred in the operation of the Board.

- 12.4 The Board in considering items of business at its ordinary meetings shall in relation to each item consider whether it wishes to make a recommendation to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.
- 12.5 The Board shall meet at least four times a year and may call additional meetings if the need arises.
- 12.6 An extraordinary meeting will be called when the Chair considers this necessary and/or in circumstances where the Chair receives a request in writing by 50% of the voting membership of the Board.

### **13. Decision making**

- 13.1 Each voting member of the Board will have an individual voting right but it is expected that the Board will, as far as possible, reach a consensus.

### **14. Standards of conduct and conflicts of interest**

- 14.1 The Board should cultivate a culture of openness and transparency.
- 14.2 All members of the Board are expected to act in accordance with the Member Code of Conduct described in the Administering Authority's Constitution (Part 4 Section 6), and any other requirements provided for in associated government guidance and relevant legislation, where applicable.
- 14.3 Following the establishment of the Board the Administering Authority may prepare and approve a conflicts policy for the Board to adopt. The conflicts policy should cover issues relating to the identification, monitoring and management of potential conflicts of interest (including adviser conflicts). Once adopted, the Board should keep this policy under regular review.
- 14.4 The conflicts policy should include as a minimum examples of scenarios giving rise to conflicts of interest how a conflict might arise specifically in relation to a member of the Board and the process to be followed by members of the Board and the Administering Authority to address a situation where members are subject to a potential or actual conflict of interest.
- 14.5 As the function and role of the Board develops, a review should be undertaken after Year 1 to assess whether Board members require a supplementary or separate code of conduct owing to their duties under the Pension Act 2004 and Regulations. This would be in addition to member duties under the Local Government Acts as defined in the Administering Authority's Code of Conduct.
- 14.6 In accordance with s5 (5) Public Service Pension Act 2013, a Board member must not have a financial or other interest that could prejudice them in carrying out their Board duties.

- 14.7 The Scheme Manager shall not appoint as a member, a person who has an existing conflict of interest.
- 14.8 Where a member encounters a conflict of interest during their appointment, they shall inform the Scheme Manager without delay and their tenure shall end with immediate effect.
- 14.9 Where a member has been removed from the Board under this clause they may be entitled to be reappointed once the conflict has been resolved at the Board's discretion.
- 14.10 Such reappointment shall be made by the Board, only where written approval from the Scheme Manager (advised by the Monitoring Officer) has been provided.
- 14.11 The role of Board members requires the highest standards of conduct and therefore should have regard to the 'Seven Principles of Public Life' (known as the Nolan Principles):

**Selflessness** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

**Integrity** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

**Objectivity** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

**Accountability** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

**Openness** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

**Honesty** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**Leadership** Holders of public office should promote and support these principles by leadership and example.

## **15. Publication**

- 15.1 The Board's method of reporting shall be in accordance with established Committee rules procedures as prescribed in the Administering Authority's Constitution (Part 4 Section 1). Its reports shall be taken to the Council's Audit and Governance Committee.
- 15.2 Where the Board considers reports or information should be communicated for additional scrutiny, the Board will refer to matters to the Council's scrutiny process.
- 15.3 The annual review shall be published on the Cheshire Pension Fund website and made available in hard copy upon request.
- 15.4 The minutes of Board meetings shall be published on the Cheshire Pension Fund website and made available in hard copy upon request.
- 15.5 The minutes may, at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act and/or they represent data covered by the Data Protection Act 2018.
- 15.6 Up to date information will be posted on the Cheshire Pension Fund website showing:
- The names and information of the Board members
  - How the scheme members are represented on the Board
  - The responsibilities of the Board as a whole
  - The full terms of reference and policies of the Board and how they operate
  - The Board appointment process
  - Who each individual Board member represents
  - Any specific roles and responsibilities of individual Pension Board members.

## **16. Wider Board Reporting Duties**

- 16.1 The Board will be accountable to report under the relevant provisions of the Pension Act 2004, the 2013 Act and the relevant LGPS Regulations.
- 16.2 In accordance with section 70 of the 2004 Act, certain individuals, including persons involved in advising trustees or managers of pension schemes, must report to the Regulator as soon as reasonably practicable where that individual has reasonable cause to believe that:
- 16.2.1 A duty which is relevant to the administration of the LGPS, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with by:
- any CPFC member;

- the CPFC collectively;
- any Board Member;
- the Board collectively;
- the Scheme Manager;
- any Fund officer

16.2.2 The failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

16.3 The Board will liaise with and notify the Scheme Manager and CPFC if any formal report is to be referred to the Regulator, Council or other interested parties.

**17. Data Protection, Confidentiality and Freedom of Information**

17.1 The Board will initially incorporate the Administering Authority's own codes in respect of Data Protection, Confidentiality and Freedom of Information. The Board will assess whether it requires adoption of separate Board codes to enable the performance of its functions.

**18. Assessment and adoption of policies**

18.1 The Board will assess the requirement to adopt the following policies to be appended to these Terms of Reference

17.2.1 A code of conduct, in accordance with paragraph 14.5 above;

17.2.2 A conflicts policy, in accordance with paragraph 14.3 above;

17.2.3 Policies dealing with information security, acceptable use (and monitoring) and subject access request, in accordance with paragraph 17.1 above.

.....  
**Signed on behalf of the Administering Authority**

.....  
**Signed on behalf of the Board**

## 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. To date the Fund has produced 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 Pensions Regulators Scheme Return for 2023 has again been completed using the results from this foundation approach.
6. The scores for the 2023 TPR return were calculated on 9 October 2023 and are included within the table below, alongside the scores for the previous four years.

	TPR Scheme Return				
	1-Sep-19	25-Sep-20	1-Nov-21	10-Oct-22	9-Oct-23
Common Data	98.07%	98.73%	98.95%	99.10%	99.17%
Scheme Specific Data	74.18%	74.01%	80.09%	77.17%	74.04%

7. There is a slight reduction in scheme specific data scores between October 2022 and October 2023 reflecting the ongoing work with employers on data cleansing following the March 2023 year-end.

### Inbuilt Measurement Report

8. As Board members are aware, the Fund’s administration database provider has a report which will produce the common and scheme specific data scores directly from the administration database.
9. The Fund has been producing this report, alongside the foundation report, over the past year and is seeing similar scores between the two reports. The Fund continues to work with the database provider to iron out the small number of remaining validation issues with the new report.
10. Once resolved the Fund should be able to move to this report as the sole report for the common and scheme specific data scores.
11. The inbuilt report also allows the Fund to identify specific areas where data cleansing is required and the Fund is working through those data issues.
12. Board members will be kept informed of progress in moving to the inbuilt report.

## COMPLIANCE UPDATE

### Introduction

1. This report provides the Local Pension Board with a summary of the Breaches Log for 1 April to 30 September 2023.

### Recommendation

2. The Board are requested to note the summary of the Breaches Log for 1 April to 30 September 2023.

### 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 and 30 September 2023 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 the Pensions Regulator. Green breaches are those where, following investigation, no further action is deemed necessary.

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

	Total 2022/23	Total 2023/24	Status 2023/24		
			Red	Amber	Green
Contributions	38	29	0	4	25
ABS	1	1	1	0	0
Administration	21	2	0	0	2
<b>Total</b>	<b>60</b>	<b>32</b>	<b>1</b>	<b>4</b>	<b>27</b>

6. There has been one red breach, four amber breaches and twenty-seven green breaches in the reporting period. Below is a summary of the reasons for the breaches.

### **Contribution Breaches – 29**

7. Of the twenty-five green contribution breaches, the majority relate to employers who have small numbers of staff and so are easily affected by unexpected staff absences. All these breaches have been quickly rectified by the employer.
8. The four amber breaches relate to one employer with two members of part time staff, this employer has not paid any contributions to the Fund since October 2022. Due to cash flow difficulties experienced by the employer, the Fund agreed that all remaining contributions relating to the 2022/23 financial year would be paid to the Fund by 31 March 2023. However this agreement has been breached and no contributions have been received by the Fund.
9. The estimated amount of contribution income owed to the Fund for November 2022 to September 2023 is c. £12k. The Fund is continuing to liaise with the employer on recovering the outstanding contributions.

### **Administration Breaches - 2**

10. These relate to ongoing activity to progress legacy administration casework - triggering breaches as scheme members are now receiving notification of their benefits who weren't notified at the time within the specified limits.

### **RED BREACH - Annual Benefit Statements - 1**

11. 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 ABS to 100% of eligible members by this deadline.
12. The Fund has reported itself to TPR for a breach relating to the 2023 ABS. Due to a combination of missing data issues, plus a number of lost contact addresses, particularly of deferred members, the Fund was not able to send 100% of ABS on time.
13. Following the Fund's breach process, the ABS breach was approved by the Board and the Director of Governance before being issued to TPR. The Fund has since received a response from TPR which confirms that they do not intend to take any enforcement action as a result of this breach.

### Active Members

14. The table below summarises the number of active members (those making contributions) eligible to receive an ABS and those that received an ABS on time.

**Table 2: Summary of Delivery of Active Members ABS**

	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
Active Members eligible to receive an ABS	31,596	100	31,015	100
Members who received an ABS on time	25,574	81	28,434	92
Members who did not receive an ABS on time	6,022	19	2,581	8

15. The Fund was able to issue ABS to 81% of active members by the deadline of 31 August.
16. The table shows some 19% of active members did not receive their ABS by the deadline compared to 8% in 2022 (and 9% in 2021).
17. At the October Board meeting officers advised that the percentage of Annual Benefit Statements (ABS) issued by the statutory deadline of 31 August would be lower for 2023 than they were in 2022 and that this would be reported to the Pensions Regulator before the end of September.
18. The reason for the reduction is primarily due to problems receiving the necessary membership information from Cheshire West and Chester and Cheshire East Councils. This follows the replacement of back-office systems in 2021 which have led to problems in extracting data in a consistent format.
19. The Fund worked with Transactional Services, who provide payroll services on behalf of both Councils, to rectify these data issues in order that the missing members could receive their ABS by the end of December 2023.
20. There have also been data issues with other employers and the Fund has also worked with them in order to maximise the number of members who can receive an ABS in December.
21. The Fund were able to fix the records and send an ABS for a further 3,589 members by the end of December 2023. Another 530 members were identified as having left the Fund before 31 March meaning they are ineligible to receive an ABS and would instead be contacted separately.
22. This meant that the percentage of ABS sent to active members increased from 81% in August to 94% by the end of December.
23. There are 1,903 members who have not received their ABS and the Fund continues to work on these records so that the member can receive their statement.

**Deferred Members**

24. The table below summarises the number of deferred members who were eligible to receive an ABS and those that received it on time. As the Committee will note, the Fund was able to send 98% of deferred ABS on time.

**Table 4: Summary of Delivery of Deferred Members ABS**

	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
Deferred Members Eligible to receive an ABS	29,039	100	28,860	100
Members who received an ABS on time	28,451	98	28,039	97
Members who did not receive an ABS on time	583	2	821	3

25. The Fund was able to increase the percentage of deferred members who received their ABS in 2023 to 98% compared to 97% in 2022 (95% in 2021). This was possible as the tracing company which was commissioned by the Fund to trace lost contact members, has been able to locate a number of additional addresses.
26. Some 583 deferred members did not receive their ABS by the deadline.
27. Since August the Fund has carried out another tracing exercise and has been able to locate a further 170 members and issue their ABS. This takes the percentage of deferred members who received their ABS from 98% to 98.5%.
28. That leaves 413 members who have not received an ABS and for whom the Fund has already conducted address tracing.

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**Local Pension Board - Workplan**

<b>Standard Meetings</b>			
<b>February</b>	<b>May</b>	<b>July</b>	<b>October</b>
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 Review Terms of Reference
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  Climate change impact on investments	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.  Review Fund's Conflict of Interest Policy