

MINUTES OF PENSION FUND COMMITTEE HELD ON 8 SEPTEMBER 2023

Present in Person

Cheshire West and Chester: Cllrs Hogg (Chair)
Cheshire East: Cllrs Corcoran, Gorman and Snowball
Member Representative: Neil Harvey, GMB

Apologies

Cheshire West and Chester: Cllrs Gould, Rimmer and Neil
Cheshire East: Cllr Bailey
Warrington: Cllr Mitchell
Halton: Cllr Dennett
CW&C Officer: Simon Riley

In Attendance

External Auditor: Grant Thornton – Ben Stern
Advisor: Aon – Paul McGlone and Mary Lambe (Item 10)
CW&C Officers: Steve Wilcock, Heidi Catherall, Nick Jones, Claire Jones and Debbie Darlington.

PART A:

1. PROCEDURAL MATTERS

- 1.1 There were no declarations of interest.
- 1.2 Councillor Hogg welcomed Neil Harvey to the Committee as the new Member Representative. Neil has taken over from Paul Matthews.
- 1.3 Members thanked Paul Matthews for his long standing contribution to the work of the Committee.
- 1.4 Apologies were received from Councillors Mitchell, Bailey, Gould, Rimmer and Neil, along with Simon Riley.

2. MINUTES OF MEETINGS

- 2.1 The minutes of the Pension Fund Committee held on 2 June 2023 were reviewed, having previously been distributed and agreed by email.
- 2.2 The Committee noted the minutes from the Local Pension Board meeting which took place on 29 August 2023.
- 2.3 The Committee noted the appointment of two new Board members commencing from 26 June 2023, as follows:
 - Jason Lambert – Member Representative
 - Kay Lennon – Employer Representative

- 2.4 Officers advised the Committee that the percentage of Annual Benefit Statements (ABS) which have been issued by the statutory deadline of 31 August will be lower for 2023 than they were in 2022 by around ten per cent. This will be reported to the Pensions Regulator before the end of September.
- 2.5 The reason for the reduction is 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.
- 2.6 The Fund is working with Transactional Services, who provide payroll services on behalf of both Councils, to agree a plan to rectify the issues in order that the missing members can receive their ABS by the end of November 2023.
- 2.7 The Committee also noted that the Fund will be writing to one of its AVC providers to note concerns about their service and performance following their own change of back-office systems in 2022. If the Fund does not see an improvement in the level of service, this too may need to be reported to the Pensions Regulator.
- 2.8 The Committee noted the minutes from the LGPS Central Joint Committee meeting which took place on the 21 July 2023 and the Pensions Employer Forum meeting which took place on 16 June 2023.

3 STANDING ITEMS

Employer Changes

- 3.1 The Committee received a report detailing employers who had joined or exited the Fund over the period 1 June and 31 August 2023 (inclusive). It was noted that the report may have to move to Part B in future as it could include details of financial transactions between the Fund and an exiting employer.

The Committee: noted the changes to employers during the reporting period.

Compliance Update

- 3.2 The Committee received the Compliance Update including a summary of the breaches log for the period to 30 June 2023. Twenty breaches occurred in the period and nineteen required no further action following investigation.
- 3.3 One breach has been classed as amber and relates to late payment of contributions income by an employer. The Fund has written to the employer and issued an invoice for the outstanding contributions. This breach may need to be reported to The Pensions Regulator if the employer does not pay the contributions income.

The Committee: noted the cumulative Breaches Log for the period to 30 June 2023 and noted the position on the amber breach.

Business Plan Update

- 3.4 The Committee were presented with the performance dashboard, outlining progress in achieving the planned actions for quarter two.
- 3.5 The Committee were also presented with the risk register, which had been updated with some minor amendments by officers, along with the forecast outturn.

The Committee:

- a) Noted the progress on the performance dashboard for quarter 2.
- b) Noted the amendments to the Fund's risk register.
- c) Noted the forecast outturn for 2023/24.

Regulatory Update

- 3.6 The Committee received an update outlining an overview of regulatory changes which will impact the Local Government Pension Scheme.
- 3.7 Members noted that, in relation to the McCloud remedy, where the Fund is unable to obtain missing data or has concerns about the quality of the data provided by employers the Scheme Advisory Board policy (Service data for the McCloud remedy), will be followed.

The Committee: noted the position.

Electronic Decision Notices

- 3.8 The Committee noted that no Electronic Decision Notices had been issued since the last meeting.

4 DRAFT STATEMENT OF ACCOUNTS 2022/23

- 4.1 The Committee received the Fund's Annual Report for 2022-23 including the Statement of Accounts. Officers reported that there had been minor changes to the disclosures in the accounts. There have been no changes to the figures on the face of the primary statements (the Fund Account and Net Asset Statement). The audit is still in progress and any significant changes to the accounts following the meeting will be reported to the Committee.
- 4.2 Grant Thornton presented their audit findings report which concluded that, subject to the satisfactory completion of all outstanding audit work, they anticipated issuing an unqualified audit opinion i.e. one that concluded the accounts do give a true and fair view of the financial position of the Fund.
- 4.3 The risks assessed and work done to date to arrive at this interim judgement was explained. When the audit is complete Grant Thornton will present an updated Audit Findings report to the Cheshire West and Chester Council Audit and Governance Committee. The final audit report will not be able to be issued until the Cheshire West and Chester Council audit is completed.

The Committee:

- a) Received the draft audit findings report from Grant Thornton.
- b) Received the Cheshire Pension Fund Annual Report including the Statement of Accounts for the year ending 31 March 2023 and the Local Pension Board Annual Report.
- c) Requested that the Cheshire West and Chester Audit and Governance Committee approve the Cheshire Pension Fund Statement of Accounts for 2022/23 once the audit is complete.

5 OVERPAYMENT POLICY

- 5.1 The Committee were presented with the overpayment policy which has been reviewed and updated. The revised policy contains more detail on the overpayment processes but has retained the principles contained in the original policy which was introduced in 2012.

The Committee: endorsed the updated overpayments policy.

6 LGPS POOLING CONSULTATION

- 6.1 The Committee received a report setting out the key proposals within the consultation, and the key issues for consideration in the Fund's response.
- 6.2 Members noted the issues identified with the three main proposals in the consultation, namely:
- Asset pooling – increased scale and accelerated timescales
 - Levelling Up investment – up to 5% of total Fund assets
 - Private Equity investment – target of 10% of Fund assets
- 6.3 Whilst being supportive of pooling in general, the Committee agreed that there are a number of proposals within the consultation that the Fund does not support including the proposed pooling deadline of 31 March 2025 for listed assets, the delegation of investment decision making and strategy implementation to pools and the proposed revision to the Investment Strategy Statement guidance to require funds to include a 10% allocation to private equity.
- 6.4 In terms of the proposal relating to Levelling Up investment, the Committee noted the requirement for further clarity around the definition of Levelling Up investment. They also commented on the current LGPS Investment Regulations and associated caselaw potentially inhibiting funds from achieving the Government's ambition in this area and requested that this was included in the Fund's consultation response.

The Committee:

- a) Reviewed and commented on the key issues identified with the consultation proposals;

- b) Agreed the key issues identified as the basis for the Fund's response to the consultation and delegated the final submission of the response to Fund officers.

7 ANY OTHER BUSINESS

- 7.1 The Committee were advised that the Fund would be commencing the usual autumn cycle of the training policy and will be requesting Members complete a self-assessment to inform the corporate training plan.

PART B

The Committee resolved that:

The details of the following items remain confidential on the grounds they/it involve the likely disclosure of exempt information as defined by Paragraph 3 Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) and that the public interest would not be served in publishing the information. A non-confidential summary of the items discussed is provided for information.

8 PROCEDURAL MATTERS

- 8.1 The Committee noted the minutes from the Investment Sub-Committee meeting on 25 August 2023 which had been circulated via email.

9 RESPONSIBLE INVESTMENT POLICY UPDATE

- 9.1 The Committee received a report explaining that two of the Fund's existing investment managers were introducing a limited screening or exclusions approach and applying the methodology to investment products that the Fund was already invested in.
- 9.2 Members noted that historically, the Fund has followed a policy of not investing in investment products that apply mechanistic screens or exclusions as part of their investment approach. However, an increasing number of investment managers, particularly those managing sustainable or low carbon funds, were now introducing some exclusions, which meant that a limited number of companies would not be considered for investment.
- 9.3 Members noted that the number of companies excluded across the two existing investments funds impacted was relatively small (between 2-3% of existing holdings) and was therefore unlikely to have any impact on financial performance. The Fund would therefore adopt a pragmatic approach and remain invested. To reflect this decision the Fund's Responsible Investment policy needed a minor amendment, so that the Fund would consider any changes introduced by existing investment managers on a case-by-case basis.

The Committee:

- a) Endorsed the proposal to remain invested in the two investment funds outlined in the report.
- b) Endorsed the proposals set out in paragraph 16 to amend the Fund's Responsible Investment policy as outlined.

10 CYBER RISK AND VULNERABILITY REVIEW – INITIAL FINDINGS

10.1 The Committee received a report outlining the initial findings of an independent review of the Fund's governance arrangements as they relate to the management of the risk of cyber-attack.

The Committee: noted the initial findings, recommendations, and the Fund's responses to the recommendations, arising from the review to date, and to note ongoing progress in the completion of the review and agreement of an action plan.

11 ANY OTHER BUSINESS

11.1 No matters were raised.

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