

**BOARD : LOCAL PENSIONS BOARD**  
**DATE : 7 May 2019**  
**TIME : 10am**  
**VENUE : Room 2.1, Nicholas House, Blackfriars, Chester**

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

**PART A**

**1. PROCEDURAL MATTERS**

- The Board will receive the minutes of the meeting on 5 February 2019.
- Pensions Consultative Forum minutes 29 November 2018
- Actions Tracker
- Declarations of interest / Annual Declaration Statements

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

To receive the minutes from the Pension Fund Committee meeting of 15 March and Investment Sub-Committee minutes from 15 February.

**3. UPDATE FROM THE SCHEME ADVISORY BOARD**

The Board will receive a verbal update following the Scheme Advisory Board and its sub-committee’s meetings as outlined below:

<b>Committee</b>	<b>Meeting Date/s</b>
Scheme Advisory Board	8 Apr 2019
Cost Management, Benefit Design and Administration Sub-Committee	5 Feb 2019
Investment, Governance and Engagement Sub-Committee	25 Mar 2019

**4. PERFORMANCE MANAGEMENT FRAMEWORK QUARTER 4 – 2018/19**

The Board will receive the Performance Management Framework covering the period 1 January to 31 March 2019 (along with the quarter 3 comparator – 1 October to 31 December 2018).

**5. TERMS OF REFERENCE / CONFLICT OF INTEREST REVIEW**

The Board will undertake their annual review their terms of reference and conflicts of interest policies.

**6. RISK REGISTER**

The Board will finalise the Risk Register which has been updated following suggestions made by the Board in February.

**7. THE PENSIONS REGULATOR’S CODE OF PRACTICE**

The Board will receive a summary of the Fund’s compliance against the Code of Practice along with details of the actions undertaken during the quarter to improve compliance.

**8. DATA QUALITY, GENERAL DATA PROTECTION REGULATION UPDATE**

The Board will be presented with an update on actions undertaken by the Fund to improve data quality. The Board will also receive an update on progress in meeting compliance with the Data Protection Act.

**9. LOCAL PENSION BOARD ANNUAL REPORT AND OUTTURN 2018/19**

The Board will receive the forecast outturn against the Local Pension Board Budget and will review the draft 2018/19 Annual Report.

**10. COMPLIANCE UPDATE**

The paper also provides a summary of the Breaches Log for the period 1st April 2015 to 31 December 2018.

**11. FEEDBACK FROM EVENTS**

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

Future events:

- CIPFA/Barnett Waddingham – LPB Chairs Spring Seminar – 20 February 2019
- LGPS Central – Stakeholder Day – 27 February 2019
- LGC Investment Seminar – 1-2 March 2019

**12. REVIEW AND DEVELOP THE WORK PLAN FOR 2019/20**

The Board will finalise the plan for 2019/20.

**13.AOB**

The next two meeting will take place on:

- 4 June – Review of Annual Report and Statement of Accounts
- 16 July – Next main Board meeting

**MINUTES OF LOCAL PENSION BOARD 5 February 2019**  
**PRESENT**

**Board Members:** Peter Raynes (PR) (Chairman), Geoff Wright (GW) (Unison), Neil Harvey (NH) (GMB) and Adrienne Laing (AL) (The Challenge Academy Trust)

**Apologies:** Cllr Robert Bisset (RB) (CWAC)

**Officers:** Heidi Catherall (HC), Dan Harte (DH) and Aaron Austin (AA)

**1. PROCEDURAL MATTERS**

The Board reviewed the minutes from the last meeting on 6 November and noted the following:

- TPR 21<sup>st</sup> Century Trustee Training/Toolkit – At the last meeting Board members agreed to complete three of the modules ahead of this meeting.
  - Introducing Pension Scheme
  - The Trustees Role
  - Running a Scheme
- A number of members have completed these and other modules already.
- All Board members will submit their completion certificate to the Fund.
- It was noted that the Toolkit is a useful training tool but is not specifically written for the LGPS therefore it can cause confusion as it is aimed at Trustees.
- All Modules will be completed by the next meeting which takes place on the 7 May.

Board members reviewed the Action Tracker and received a verbal update on progress with the actions identified.

No declarations of interest were received.

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

The Board reviewed the minutes of the Pension Fund Committee meeting which was held on the 7 December and the Investment Sub Committee which was held on the 16 November.

**RESOLVED that****The Board:**

- **Noted the minutes from the Pension Fund Committee and Investment Sub Committee meetings.**

### 3. UPDATE FROM THE SCHEME ADVISORY BOARD

The Board reviewed the agenda of the Scheme Advisory Board (SAB) meeting on the 16 January and the Investment, Governance and Engagement (IG&E) Sub-Committee meeting which took place on 19 December.

The Cost Management, Benefit Design and Administration (CMBD&A) Sub-Committee had not met since 30 August.

The Board received verbal updates on a number of subjects.

- Separation – This project has now been renamed to the Good Governance project. SAB have commissioned Hymans Robertson to look into the issue of separation between pension funds and their administering authorities. The outcomes and recommendations from the project are expected in the summer of 2019.
- Cost Cap – the cost cap mechanism, introduced with the revised CARE scheme in 2014, aims to keep the costs of the LGPS within 19.5% of payroll. Where costs differ from the 19.5% by more than 2% (under or over) the scheme may be changed to bring it back into line. The scheme was found to be under, based on the 2016 valuation and so some amendments to benefits within the scheme are being considered. The changes will be delayed due to a legal challenge.
- Responsible Investment – SAB are looking at the requirements of producing a policy on ESG for the LGPS and specifically including a section on Climate Change Risk.

#### **RESOLVED that**

##### **The Board:**

- **Noted the minutes from the SAB and CMBDA meetings.**

### 4. PERFORMANCE MANAGEMENT FRAMEWORK Qtr 3 – 2018/19

The Board were presented with the Performance Management Framework (PMF) for quarter 3 (1 October to 31 December 2018), which also contained comparator information from the previous quarter/s.

Board members received a detailed update on the casework backlogs that the Fund is managing. A number of actions are in progress, which are designed to improve the quality of data held by the Fund, reduce the demand on the Fund from members and employers, and therefore increase the capacity of the team. A number of IT developments are also being introduced which will allow the Fund to automate processes within the system and speed up the processing of casework. The combination of these actions should both help to reduce the backlog but also improve the customer experience.

Board members will continue to receive regular updates on progress with the above measures and the improvements in the casework backlogs.

Board members have been reviewing the member experience in relation to retirements over previous meetings and have recommended that the Fund explore what measures can be introduced to reduce the number of retirements which take more than 60 days to process.

The Fund are working on a number of measures which should help to make the necessary paperwork, which requires completion by the member prior to retirement, more accessible to members ahead of their retirement. This retirement pack will be supported by guidance, for both managers and members, to help them through the process.

The Pensions Consultative Forum have been consulted on proposals and are working with the Fund to both develop the paperwork and determine the best place for it to be made available. Employers will be given documentation which they can publish on their own internal websites.

**RESOLVED that**

**The Board:**

- **Reviewed the Performance Management Framework for quarter 3 (1 October to 31 December 2018).**

**5. RISK REGISTER**

The Board reviewed the risk register and made some additions to the mitigating actions. One additional risk was also identified and will be added to the register, which will be updated and presented to the Board at the next meeting in May.

**RESOLVED that**

**The Board:**

- **Requested amendments and one additional risk be added to the risk register.**
- **The revised risk register will be presented to the Board at the next meeting.**

**6. THE PENSIONS REGULATOR'S CODE OF PRACTICE 14**

The Board received an update on the Funds compliance with the TPR Code of Practice. The review identified 27 (out of 141 requirements) areas where further work was required in order to ensure full compliance with the Code.

Officers will continue to work through the required actions and will update the Board at the next meeting.

**RESOLVED that**

**The Board:**

- **Noted the position on the Fund's compliance with the Code of Practice.**
- **Officers will work through the actions required and provide an update at the next meeting.**

## 7. DATA QUALITY and GENERAL DATA PROTECTION REGULATION

The Board received a report which provided an update on Data Quality and progress made in meeting compliance with General Data Protection Regulations (GDPR).

- Data Quality

At the last meeting the Board were presented with the common and scheme specific data scores which the Fund issued to the Pensions Regulator (TPR) as part of the 2018 Scheme Return. The Fund is repeating this exercise on a quarterly basis and has now allocated staff to clear as many queries as possible which are identified as part of the process.

The Board will receive quarterly updates on this process.

Also at the last meeting, Board members were reminded that the scheme specific data scores are based upon the funds approach to measuring what it is terming 'foundation data' i.e. data which is required in order to calculate a members pension.

The actual requirements for scheme specific data have not yet been determined and so it is likely that the basis of measurement will be different next year, making the year on year comparison less meaningful.

Officers will seek an update from the SAB as to whether there has been any progress in determining a template for Scheme Specific information.

- General Data Protection Regulations

The Board have previously reviewed the Internal Audit report of the Fund's approach to meeting compliance with the Data Protection Act 2018 (GDPR).

The report contained some recommendations to set out clear actions and timeframes for any remaining aspects of compliance, largely related to cleansing of data held on the database, shared drives and emails.

The Fund have developed plans to meet these remaining areas of compliance and have responded to the deadlines for such plans as set out in the audit report.

The Board will receive an update on progress in achieving the action plans at the next meeting.

### **RESOLVED that:**

#### **The Board:**

- **Noted the Fund's data scores which were submitted as part of the 2018 TPR Scheme Return and the scores as at 1 December 2018.**
- **Noted the progress being made to improve the quality of data held by the Fund.**
- **Noted the progress made by the Fund to date in meeting compliance with DPA 2018 (GDPR) and the action plan to meet the recommendations contained with the Internal Audit Report.**

## 8. LOCAL PENSION BOARD ANNUAL REPORT AND OUTTURN 2018/19

The Board reviewed the format of the Annual Report and made suggestions for what should be included within it. The Board requested that officers draft the annual report based upon their comments.

Officers provided an update on the budget position for 2018/19 which is forecast as an underspend. Officers will provide a further update on the budget in the draft annual report.

### **RESOLVED that:**

#### **The Board:**

- **Requested that Officers draft the Annual Report based upon the comments made by Board members.**
- **Requested that a draft copy be circulated to Board members at the earliest convenience for comment.**

## 9. COMPLIANCE UPDATE

The Board were presented with a summary of the breaches log for the period 1<sup>st</sup> April 2015 to 30 September 2018, noting that a total of 229 breaches had been logged over the period.

The Board noted the actions that the Fund continues to take in chasing the employer who has outstanding contributions due to the Fund.

### **RESOLVED that:**

#### **The Board:**

- **Noted and comment on the cumulative summary of the Breaches Log for 1 April 2015 to 30 September 2018.**

## 10. FEEDBACK FROM EVENTS

Members of the Board provided feedback from the various events they had attended.

PR had attended the Employer meeting, which took place in Tarporley on the 18 January. PR introduced the event and updated Employers on the work of the Board, particularly around improving the quality of data held by the Fund and the work which is being undertaken to improve the member experience of retirements.

PR also attended the Investment Sub Committee meeting on 16 November which included a presentation on the principles of stock lending. The presentation covered what stock lending was and how it worked, why it was used and what the potential risks and issues were for stock lenders such as the Cheshire Pension Fund

Board members were advised of future events that were coming up in the near future:

- LGPS Central – LPB Chairs – 20 February 2019
- LGPS Central – Stakeholder Day – 27 February 2019
- CIPFA/Barnett Waddingham - LPB Events – March 2019

**RESOLVED that:****The Board:**

- **When Board members attend events they will circulate copies of the slides to all members to help inform future agenda items.**

**11. REVIEW AND DEVELOP THE WORK PLAN for 2018/19 and 2019/20**

The Board reviewed the work plan for 2018-19 which will be closed off for the year.

The 2019/20 workplan will be updated. Bob Holloway from LGA/SAB will be attending the LGPS Central Board Chairs meeting on 20 February and the work plan will be updated with any pertinent points that arise from this meeting.

The Board added a review of the Fund compliance with the Pensions Regulators Code of Practice Number 14, to be considered at the next meeting.

**RESOLVED that:**

- **The Board reviewed the work plan for 2018/19 and made suggestions for the 2019/20 workplan.**

**12. AOB**

PR identified that Board members would benefit from a greater understanding of AVC's. Officers will arrange for the next meeting to be extended so that this training can take place.

The next meeting will take place on the 7 May.

**RESOLVED that:****The Board:**

- **Requested a training session on AVC's. This training will take place after the next meeting on 7 May.**

**GROUP** : **PENSION CONSULTATIVE FORUM**  
**DATE** : **29/11/2018**  
**TIME** : **10am**  
**VENUE** : **Palatine Room, Town Hall, Chester**

Present:

Peter Raynes (PR)

Chairperson

Nick Jones (NJ)  
 Heidi Catherall (HC)  
 Jenny Brien (JB)  
 John Coombes (JC)  
 Ian Fullerton (IF)  
 Julie Hudson (JH)  
 Jennifer Lowe (JL)  
 Sarah Williams (SW)  
 Annemarie Allen

Cheshire Pension Fund  
 Barnett Waddingham

Michael Nulty (MN)  
 Fiona Hodson (FH)  
 Gary Crowe (GC)  
 Chris Pleavin (CP)  
 David Worrall (DW)  
 Helen Barr HB  
 Nicola Kane  
 Helen Woolley  
 Wendy Bebbington  
 Shirley Sheen  
 Melanie Hayes (MH)  
 Rosemary Hodgson (RH)

Cheshire Constabulary  
 North West Fire Control  
 Birchwood Town Council  
 T.S.C Recruitment and Pay  
 Cheshire East Council  
 Warrington  
 Warrington  
 Mottram St Andrew primary School  
 Cheshire Constabulary  
 Adoption Matters  
 University of Chester  
 Cheshire West and Chester Council

Apologies:

Richard Rout (RR)  
 Gareth Deeble (GD)  
 Yvonne Caldwell  
 Jackie Weaver (JW)  
 Louise Jenkins (LJ)  
 Wayne Kelly (WK)  
 Angela McBride (AM)  
 Andrew Wilson (AW)  
 Ruth Hind (RH)  
 Karen Davies (KD)

Halton Borough Council  
 Sanctuary Housing Trust  
 Halton Borough Council  
 Chalc  
 University of Chester  
 Warrington Borough Council  
 ANSA  
 The Guinness Partnership  
 ESAR  
 Adoption Matters

<b>1</b>	<p><b>Minutes of the Last Meeting</b></p> <p>The minutes from the 21 September meeting were reviewed and approved, having previously been circulated via email.</p> <p>Officers provided a verbal update on progress with the actions from the last meeting , as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Action</th> <th style="text-align: left;">Progress</th> </tr> </thead> <tbody> <tr> <td>Employers to feedback any comments, concerns or suggestions to the Fund on how a LGS50 process might be improved, as an LGS50 will be required to cover the period up to go live in MI.</td> <td>No feedback received as yet. Employers to let the Fund know of any comments/suggestions.</td> </tr> <tr> <td>CPF to feedback individual employer performance on completing the 2017/18 LGS50's</td> <td>JB – confirmed that she is still working through the employer performance and identifying themes. As soon as the exercise is completed she will report back to employers.</td> </tr> <tr> <td>CPF to send individual employers the results of their common data exercise</td> <td>The Fund is working through the results of the common data exercise and determining the best way to feedback queries to employers. The Fund expects to have the results ready to share in a couple of weeks.</td> </tr> <tr> <td>CPF to issue a questionnaire to employers re MI</td> <td>Sent to employers not including in the pilot or clients of TSC, on 28/11/18.</td> </tr> <tr> <td>CPF to produce a list Parish Councils with Members in the Fund and send to GC.</td> <td>Provided to CG following last meeting.</td> </tr> <tr> <td>CPF to gather information about the payroll systems being used by employers and share this information with all employers</td> <td>NJ – will be captured in questionnaire circulated to employers on 28.11.2018</td> </tr> <tr> <td>Employers asked to provide feedback of their experience of communications with CPF and suggestions how we might make improvements</td> <td>NJ advised that the fund have started to look at communications/website and apply 'Plain English' principles. With the aim to simplify our communications cut out jargon and help provide our members with easy to understand information.</td> </tr> </tbody> </table>	Action	Progress	Employers to feedback any comments, concerns or suggestions to the Fund on how a LGS50 process might be improved, as an LGS50 will be required to cover the period up to go live in MI.	No feedback received as yet. Employers to let the Fund know of any comments/suggestions.	CPF to feedback individual employer performance on completing the 2017/18 LGS50's	JB – confirmed that she is still working through the employer performance and identifying themes. As soon as the exercise is completed she will report back to employers.	CPF to send individual employers the results of their common data exercise	The Fund is working through the results of the common data exercise and determining the best way to feedback queries to employers. The Fund expects to have the results ready to share in a couple of weeks.	CPF to issue a questionnaire to employers re MI	Sent to employers not including in the pilot or clients of TSC, on 28/11/18.	CPF to produce a list Parish Councils with Members in the Fund and send to GC.	Provided to CG following last meeting.	CPF to gather information about the payroll systems being used by employers and share this information with all employers	NJ – will be captured in questionnaire circulated to employers on 28.11.2018	Employers asked to provide feedback of their experience of communications with CPF and suggestions how we might make improvements	NJ advised that the fund have started to look at communications/website and apply 'Plain English' principles. With the aim to simplify our communications cut out jargon and help provide our members with easy to understand information.
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<b>2</b>	<p><b>Project Chrysalis Briefing</b></p> <p>JL presented the Forum with an update of the Fund's change management project known as 'Project Chrysalis'.</p> <p>The ambition of the project is to make the CPF a Centre Of Excellence. To achieve this, the project will concentrate on improving methods of communication and technology. These improvements will release resources to deal with the more complex enquiries and calculations of Pension Benefits.</p> <p><u>The key themes that the project is focusing on are:-</u></p>																

- Customer First – improvements in communications and data. Introducing ‘self-service’ and easily accessible information to inform and empower members to make decisions.
- Innovation Led Improvement – better use of technology will help monitor and identify demands and allocate resources more effectively.
- Flexible and Mobile Workforce - a workforce trained across all the disciplines of Pensions so that resources can be applied where the demand is the greatest.
- The 4 S’s – Simple, Standard, Shared and Self-Service

The target is to be working smarter not harder.

It is a 2 year Change programme and to help achieve its aims the project has 4 work streams:-

- **Customer Service/Demand Management** – Gathering information on the who, how and why the CPF is being contacted and implementing more efficient ways to meet this demand.
- **Technology/Systems** – introducing transformational developments such as Monthly Interfacing which will improve the quality and timeliness of information received by the Fund.
- **Team Development** – Upskilling the CPF team to a multi skilled workforce that can adapt to and meet the increasing demands.
- **Process Redesign** – Working with our IT providers to maximise the technology available such as Automation and to cut down on clerical processes.

The Forum will be kept informed of progress with the project.

### 3 Administration Strategy

NJ presented the forum with an update of the Administration Strategy.

CPF have taken on board comments and suggestions received at the PCF meeting in April. The strategy has been redesigned to capture measurable performance requirements for both the fund and employers. The content has also been reviewed to remove jargon and to apply plain English principles.

One of the main differences from earlier versions of the strategy is a new distinction between “expectation” and “performance target”. In earlier versions of the strategy all tasks/roles were given a “performance target” or KPI.

The Fund have reviewed whether these earlier “targets” were realistic and deliverable and also reviewed whether the Fund could actually measure performance against them.

In the revised strategy only those tasks that can be clearly measured have been given “performance targets” and all others have been set an “expectation”.

The document is still a work in progress. The aim is to launch the revised Administration Strategy at the Employer meeting, which is being held on the 18<sup>th</sup> January 2019. Followed by a 2 month consultation period, with the aim of putting it into force from 1<sup>st</sup> April 2019.

The strategy will also be updated to include the service levels that employers and members can expect in regard to estimates (i.e. retirements and redundancies). The fund needs to look at the current process

and the number of estimates being requested by employers and members, and develop a proposal for what could be provided as standard and when such requests would need to be paid for by the employer.

The Strategy will also include penalties for poor performance, recognising the additional administrative burden that this places upon the Fund. The Fund recognises that, with the introduction of MI, employers will need time to align their own processes and procedures in order to adhere to the new strategy.

Therefore, following its introduction on 1 April 2019 the CPF suggest that a 6 month period of transition commences so that employers can take any necessary steps to make any changes and embed new processes. In this time employers will not incur any penalties for poor performance.

The group discussed the proposed strategy and raised the following points:

- If the intention is to report performance to employers at the quarter end this would mean they would only have two attempts to get the information correct before they could incur penalties - penalties are only included in the strategy as a last resort. The Fund will work with employers to improve processes and procedures on both sides.
- The structure of what will be reported to employers and how often is yet to be designed. This will be developed once the strategy is finalised.
- NJ agreed that employers should know the outcome of their data cleanse before deciding on transition period.

**Actions:**

- **CPF request employers review the document and provide any feedback as part of the consultation, (in particular the ease of navigating the document and the period of time used as in the expectation columns).**
- **CPF will review all feedback and determine the transition period that will be adopted.**

**4 Retirement Briefing**

PR introduced this session which relates to the members experience of retirement. This is a focus area for the Local Pension Board who are keen to ensure that members receive their pension in a timely fashion once they retire.

JH delivered a presentation detailing the members experience of retirements which are now measured in those that can be processed in 45 days (the target timetable), under 60 days and over 60 days.

Julie highlighted that the CPF current performance shows that more than 20% of retirements take more than 60 days from leaving employment to complete. The aim is to reduce this figure.

The main reasons for the cause of delays have been identified as:-

- CPF not finding out about the retirement until after the member has left employment.
- The member does not receive the retirement pack in good time and so necessary information is not provided to the Fund in a timely manner.
- Members don't return forms or delay returning forms (can be due to taking independent

financial advice).

- AVC's – if a member has an AVC the final payment has to have reached the AVC provider before calculations can be made so if the member doesn't stop the AVC earlier this typically causes a delay.
- Final pay details that include additions such as overtime are often paid the month following and therefore the final pay and care amounts cannot be provided until the month after a person has left employment.

The Fund have developed two retirement guides, one aimed at employers and one aimed at members. The guides are designed to clearly explain the steps required in the lead up to a retirement, including the important step of completing the retirement pack.

In Cheshire West and Chester, the Council has a dedicated site for managers and the guides will be appended to this site, along with the retirement pack, so that both can be easily accessed and used when required.

Similarly the same information will also be made available on the Council's Intranet site so that employees have easy access to them as well.

The Forum are requested to review the guides and provide suggestions of how the CPF might best educate members and employers so that each party is best prepared to provide information to CPF at the earliest opportunity.

Also to consider if the quality and availability of information on the retirement process meets the needs of an employer and a member.

RH pointed out that the guides were targeting 'normal' retirements and suggested that the Fund develop additional guidance for scenarios such as ill health retirements.

There was also a discussion about the value of pre-retirement courses and whether these could be undertaken more often. Such courses play a key role in educating members in the requirements. The Fund is looking to engage with members throughout their lifetime, for instance a mid-life planning course could be developed to help members take stock of pensions planning.

Forum members also made some other suggestions:

- RH – Using the example of the Teachers Pension Fund. Could CPF get members signed up to receive online updates and training. This would make engagement with employees more effective.
- WB – it would be useful to have a checklist of things that need to be completed for a member to retire, to accompany the retirement pack.

A training event called 'Mid Life Planning' is also offered by CPF to employers for their employees. It is aimed at people before they are approaching retirement, allowing them time to make any adjustments for their future retirement plans.

The Forum were asked how they would use the guides once they become available. Could they be put on local websites, in manager guides or adopted as part of existing training. Would employers like the Fund

	<p>to develop an article that could be used for multiple purposes to accompany the guides and retirement pack.</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• <b>The Fund will issue the retirement guides to Forum members and ask them to respond on specific questions:</b> <ul style="list-style-type: none"> <li>○ To provide any comments/suggestions on the guides</li> <li>○ To suggest how they could be used by each employer to best effect</li> <li>○ To provide ideas for further engagement with managers and employees to improve the retirement experience for members</li> </ul> </li> <li>• <b>The Fund will develop an article to accompany the guides which can be used for multiple purposes.</b></li> <li>• <b>A checklist will be developed to accompany the retirement pack and guides.</b></li> <li>• <b>The Fund to consider developing a webinar to assist members and employers with the documentation requirements for a smooth retirement process.</b></li> <li>• <b>The Fund will also consider what training can be provided to members approaching retirement.</b></li> </ul>
5	<p><b>Guarantee Minimum Pension (GMP) Reconciliation</b></p> <p>IF provided the Forum with an update on the GMP Reconciliation Project.</p> <p>Ian began by explaining that a GMP is the guaranteed amount Local Government Pension Scheme (LGPS) will pay a member when they retire. It is used for ensuring that a member does not lose out from having contracted out of what was formerly known as the second state pension in the period from 1978 to 31<sup>st</sup> March 2016.</p> <p>As part of the project CPF are required to reconcile c125,000 records to those held by HMRC. Working with the Fund's database provider, the Fund have already reconciled 55,000 records. A further analysis of the data resulted in 45,000 records being confirmed with HMRC as transferred out/moved to another fund.</p> <p>The remaining records were categorised into 43 different types of queries, the majority of which have been referred back to HMRC.</p> <p>Once the reconciliation process is concluded the Fund will then need to commence the rectification stage i.e. resolving any pensions where the member is either being under or over paid. This stage will commence in the new year and the Forum will be kept informed of progress.</p>
6	<p><b>Employer Meeting</b></p> <p>NJ advised the forum that the Employer Meeting will be held at the MacDonald Portal Hotel, Golf &amp; Spa on Friday 18<sup>th</sup> January 2019. The Fund usually set the agenda but wanted to invite the Forum to help shape it this time.</p> <p>Some items will have to be included, as follows:</p>

	<ul style="list-style-type: none"> <li>• Presentation by the Actuary Hymans Robertson on 2019 Valuation.</li> <li>• Project Chrysalis Update / MI</li> <li>• Administration Strategy Consultation</li> <li>• Fair Deal Consultation</li> </ul> <p>It was suggested that the retirements issue be presented at the meeting so all employers could understand the issue.</p> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>• <b>CPF request employers to make suggestions on any area or specific employer matters they would like to hear about at the meeting. Ideas will need to be received by 31 December 2018</b></li> </ul>
7	<p><b>Round Table Briefing</b></p> <p>This will be a standing item on the agenda which is intended to give the CPF and Employers an opportunity to brief the forum of any upcoming challenges, changes or raise questions that have not already been covered within the agenda.</p> <ul style="list-style-type: none"> <li>• Valuation – employers requested that the results are provided as soon as possible to assist with budget setting.</li> <li>• Brexit – Is included as part of the valuation exercise undertaken by the actuary.</li> <li>• Modelling 31.03.2018 staffing first cut next week – main councils are being modelled with the actuary now and the results will be presented to the section 151 officer in Jan 2019.</li> </ul>
8	<p><b>AOB</b></p> <p>PR highlighted the lateness of the meeting papers being issued and requested that the Fund issue papers a minimum of one week before each meeting in future to give members time to read through them.</p> <p><b>Action: CPF to send out dates for next year’s meeting.</b></p>

## Cheshire Local Pension Board – Actions Tracker

May 2019

Date	Item Raised Under	Action	Progress	Update from 7 May 2019
5/02/19	Minutes – 5 February 2019	TPR Trustee Toolkit	<p>A summary of the TPR 21<sup>st</sup> Century Trustee Guidance, including the toolkit has been produced.</p> <p><b>Board members will each complete all modules of the toolkit before the next meeting on 7 May</b></p>	
5/02/19	Item 11	Project Chrysalis	Officers to provide Board with an update on progress with Project Chrysalis, the Fund’s two year transformation programme.	
5/2/19	Items for May agenda	Review of: <ul style="list-style-type: none"> <li>• Terms of Reference</li> <li>• Conflicts of Interest Policy</li> </ul>	Add to the agenda for the May 2019 meet	

### Scheme Advisory Board Update

Scheme Advisory Board 8 April 2019	Cost Management & Benefit Design Committee 5 February 2019	Investment, Governance and Engagement Committee 25 March 2019
<p>MHCLG statutory guidance on asset pooling –</p> <ul style="list-style-type: none"> <li>• MHCLG issued draft statutory guidance which sets out the requirements on administering authorities in relation to the pooling of LGPS assets and highlights that LPB have a role to play in the oversight of the governance of the pool.</li> <li>• Guidance has been through 12 week consultation period which closed on 28<sup>th</sup> March.</li> <li>• MHCLG confirm 93 consultation responses have been and that many of these were very detailed and would now require careful consideration.</li> <li>• CPF issued a response supporting their involvement in the oversight and governance of the pool whilst giving pools the flexibility to decide for themselves whether LPB observers are included on pool governance bodies.</li> </ul>	<p>Good Governance Project –</p> <ul style="list-style-type: none"> <li>• Hymans Robertson are managing the Good Governance Project (formerly known as the separation project) on behalf of SAB.</li> <li>• Hymans issued over 300 online questionnaires to LGPS stakeholders including LPBs to comment on four proposed governance models.</li> <li>• The questionnaire was issued before Easter and will remain open until 31st May 2019.</li> <li>• The findings from the results will form the basis of a report that Hymans will presented to SAB in July.</li> <li>• Hymans to host a series of events throughout May, providing the opportunity to discuss both the questionnaire and LGPS governance arrangements further.</li> <li>• Final recommendations will be presented to SAB later in the Summer.</li> </ul>	<p>Local Pension Board Survey II –</p> <ul style="list-style-type: none"> <li>• In 2017 SAB issued a questionnaire to all Funds to understand progress of LPBs.</li> <li>• A further survey will now take place in 2019 in order to assess the further progress made over last two years in relation to the effectiveness of LPB in the LGPS.</li> <li>• SAB members have advised that a working draft of the new local pension board survey is near to completion.</li> <li>• The working draft includes a number of suggested changes made by Peter Raynes and Heidi Catherall.</li> <li>• Delegated authority given to the Chair of the Investment committee to agree the final draft and publication arrangements.</li> <li>• Survey expected to be issued in the summer.</li> </ul>

# Scheme Advisory Board

## Agenda

1.00pm, Monday 8th April 2019

Item		Timings
1	Welcome, apologies and introductions	1.00
2	Declarations of conflicts of interest	1.05
3	Actions and agreements from meeting of 16 <sup>th</sup> January – <b>Paper A</b>	1.10
4	Nicola Parish – the Pensions Regulator	1.15
5	Good governance project – Update	1.45
6	MHCLG consultation on asset pooling guidance	2.10
7	2019/20 Workplan and budget – <b>Paper B</b>	2.20
8	Investment committee report – <b>Paper C</b>	2.35
9	Cost management committee report – <b>Paper D</b>	2.45
10	AOB and date of next meeting	2.55

Meeting venue is Room 1 & 2, 18 Smith Square, Westminster, London SW1P 3HZ.

<https://www.google.co.uk/maps/place/Westminster,+London+SW1P+3HZ/@51.4955666,-0.1289997,17z/data=!3m1!4b1!4m5!3m4!1s0x487604c2f22fcf31:0x4d27e283349ac875!8m2!3d51.4955757!4d-0.1267826>)

Please report to reception who will direct you to the meeting room.

# Cost Management, Benefit Design and Administration Committee

DATE:	05 February 2019
VENUE:	St John's Room, 18 Smith Square, London SW1P 3HZ
TIME:	11.00AM – 1.00PM

## AGENDA

Item		Page(s)	Timings
1	Welcome, introductions, apologies and declaration of interests	-	11:00
2	Matters arising	<b>Paper A</b>	11:05
3	Scheme Advisory Board Cost Management Process – Update		11:15
4	Academies/3 <sup>rd</sup> Tier employer projects - Update		11.45
5	Good Governance project – Update		12.00
6	Late Retirement Factors - Update		12.10
7	Local Pension Board Survey II – Update		12.30
8	GAD factor review - Update		12.40
9	TPR scheme return - Conditional Data - Update		12:50
10	AOB and date of next meeting		12.55

# Investment, Governance and Engagement Committee

## Agenda

11.00am – 1.00pm on 25 March 2019

### Item

1. Introductions, apologies and declaration of interests
2. Actions and Agreement from meeting of 15<sup>th</sup> December 2018 (**Paper A**)
3. Update from SAB meeting on 16<sup>th</sup> January 2019 (**Paper B**)
4. Cost transparency - Update
5. Responsible investment guidance - Update
6. MHCLG guidance on pooling - Update
7. Local Pension Board survey II – (**Paper C**)
8. Section 13 Report - Update
9. Good Governance Project - Update
10. AOB and date of next meeting

The venue will be the Victoria Room, 7<sup>th</sup> floor at 18 Smith Square, Westminster, London SW1P 3HZ (see <https://www.google.co.uk/maps/place/Westminster,+London+SW1P+3HZ/@51.4955666,-0.1289997,17z/data=!3m1!4b1!4m5!3m4!1s0x487604c2f22fcf31:0x4d27e283349ac875!8m2!3d51.4955757!2d-0.1267826>)

Please report to reception who will direct you to the right floor.

<p>This is the quarterly pack of Pension Fund performance information which is based on the period 1 January to 31 March 2019 and includes a comparison to the previous quarter - 1 October to 31 December 2018.</p> <p>The overall assessment for Quarter 4 is Green.</p> <p>A summary of performance for each area is shown below including a RAG status. There is also a detailed worksheet for each of the subjects which contains more detailed information.</p>	<b>Qtr 4 (Jan-Mar 2019)</b>
	<b>Summary position:</b>
	<b>This Quarter - 1 Jan to 31 Mar 2019</b>
	<b>GREEN</b>
	<b>Last Quarter - 1 Oct to 31 Dec 2018</b>
	<b>GREEN</b>

Subject	Comment	RAG Status
<b>Administration Casework</b>	The completion of casework against the CIPFA benchmarking statistics during the quarter illustrate that the SLA's were met in all but three areas deferred casework, retirements and lump sums. The RAG status is amber to denote the total number of cases outstanding.	<b>AMBER</b>
<b>Breaches</b>	There were 13 new breaches in quarter 4 of 2018/19, which actually covered breaches that related to January and February (compared to 18 in quarter 3 of 2018/19). The majority (9) of the breaches in Qtr 4 were contribution related however there were 4 new Administration related breaches. These relate to the late notification to leavers of their rights and options.  There were no breaches reported to the Regulator during quarter 4.	<b>AMBER</b>
<b>Compliance</b>	The Fund did not identify any material compliance issues in Quarter 4.	<b>GREEN</b>
<b>Contributions Monitoring</b>	The Fund has an internal KPI to receive 98% of contributions income on time. For each of the months between January and February 2019 the Fund received well above the 98% of income on time.	<b>GREEN</b>
<b>Financial Performance</b>	The Pension Fund is currently forecasting an underspend of £248k. The 2018/19 has been temporarily increased in order to account for the running costs of LGPS Central, however, the majority of this increase will not be required.	<b>GREEN</b>
<b>HR (absence)</b>	The service lost 215 days through sickness during quarter 4 of 2018/19 which equates to an annual average of 9%. This compares to 134 days lost in quarter 3 which is an annual average of 6%.  There were 63 sickness days lost in the 4th quarter relating to work related stress.	<b>GREEN</b>
<b>Debt Recovery</b>	The Pension Fund has £671k of debt outstanding at the end of Quarter 4 of 2018/19, some of which relates to prior years (which typically relates to overpayments which are being repaid by installments).  A large proportion of the Quarter 4 debt (£598k) is made up of debt which is up to 30 days old. This relates to debt owed in relation to Early retirement strain recharges and the Fund has received confirmation from the relevant employers that the invoices will be paid in full.  The RAG status is Green to reflect the fact that the value of debt outstanding which is over 30 days old is below 25%.	<b>GREEN</b>
<b>Business Plan Progress</b>	There are 28 actions identified for quarter 4 of 2018/19. 18 have been met and 10 have been classed as amber denoting a minor delay in their completion. The amber actions will be rolled forward into the 2019/20 tracker.	<b>GREEN</b>
<b>Feedback from External Sources</b>	The Board receive feedback from various external sources on a variety of issues.	<b>GREEN</b>
<b>Investment Manager Qualitative and Quantitative Performance</b>	Fund investment returns remain ahead of the asset performance assumptions contained within the actuarial valuation over a rolling 3 year period. Returns are also ahead of the tailored benchmark return and CPI.	<b>GREEN</b>

## **TERMS OF REFERENCE / CONFLICT OF INTEREST POLICY REVIEW**

### **Introduction**

1. The Local Pensions Board has been in operation since the 1 April 2015. At its first meeting the Board reviewed and adopted its Terms of Reference (Appendix A) and the Conflict of Interest Policy (Appendix B). The Board undertakes an Annual Review of both documents.

### **Terms of Reference**

2. The Terms of Reference (ToR) contains a specific requirement for the Board to undertake an annual review to identify any required amendments. The review also provides an opportunity for the Board to refine its working practices in line with the ToR.
3. During 2018/19 the Fund commissioned Barnett Waddingham to undertake a review of the Fund's Governance arrangements. The review included the role of the Board and how it fits within the wider governance framework. The conclusions from the review were positive and contained some recommendations to change the Board's ToR, for instance to recognise that the Board actually meets a minimum of 4 times per year whilst the ToR state the minimum will be twice a year.
4. In addition to the Cheshire specific governance review the Scheme Advisory Board have also commissioned Hymans Robertson to undertake a wider review of governance of the LGPS. The outcomes from this review are expected later in the summer. The Board may want to delay making any changes to the ToR until the outcomes from this national governance review are known.
5. The Board are requested to review the terms of reference, identify and agree any required changes but delay implementing any changes until the outcomes from the national review are known. Any changes would need to be reviewed by the Pension Fund Committee and thereafter, approved by the Audit and Governance Committee.

### **Conflict of Interest Policy**

6. In addition to the ToR the Board also undertake an annual review of the Conflict of Interest policy in order to identify any changes which may be required.
7. Members of the Board each signed a declaration upon appointment confirming that there were no interests which would preclude them from undertaking their role on the Board. Declarations are also requested at the start of each meeting and Board members also complete a declaration of interest form on an annual basis. The annual declaration forms are available on the Fund's website.
8. Any changes to either the Terms of Reference or the Conflicts of Interest Policies would need to be approved by the Pension Fund Committee and then the Audit and Governance Committee.

### **Recommendation**

#### **The Board are asked to:**

- **Comment on the Terms of Reference and identify any required amendment, either to the ToR or to the Board's working practices.**

- **Align any amendments to any recommended changes from the Governance Review.**
- **Delay the implementation of changes to the ToR until the outcomes from the national governance review are known.**
- **Comment on the Conflict of Interest Policy and identify any required amendments.**

**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 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 2013"). Other relevant documents are the Pension Regulator's Codes of Practice, and the "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 Cheshire West and Chester Council and its Chief Finance Officer ("CFO") is ultimately responsible for its affairs with powers delegated by Council. In this capacity the CFO is known as the Scheme Manager. The CFO appointed an advisory panel known as the Cheshire Pension Fund Committee. That committee is convened as necessary by and to advise the Chief Finance Officer on matters relating to the administration of the fund that they require advice on. Its functions are described within the Council's constitution at D1. The CPFC's governance terms will require review and amendment of the Council's constitution in light of the introduction of the Board.

**2. Function and Role**

- 2.1 The role of the Board is defined by sections 5(1) and (2) of the 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 issued by the LGPS Scheme Advisory Board 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 Local Pension 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 Local Pension 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 section 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;
- 2.6.6 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.

**3. Membership and Appointment Process**

3.1 The Board shall consist of 4 members and be constituted as follows:

- 3.1.1 2 employer representatives, of whom;
  - 1 shall be nominated by Cheshire West and Chester 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;
  - 1 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;
- 3.1.2 Employer member selection can be assisted and advised by the Scheme Manager.
- 3.1.3 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;
  - 1 shall be appointed following an openly advertised competition for the role.

- 3.1.4 1 independent member may be 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 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.
- 3.3 Subject to any applicable regulation and legislation in force appropriate advisors shall include but not be limited to:
- 3.3.1 The Fund's Actuary;
  - 3.3.2 The Fund's legal advisor;
  - 3.3.3 The Fund's investment advisor(s);
  - 3.3.4 Other external advisors, so approved by the Scheme Manager.
- 3.4 The Scheme Manager may appoint substitutes for each representative group who may be requested to attend Board meetings if an appointed member is unable to attend and notifies the Scheme Manager at least 2 days in advance.
- 3.5 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.

- 3.6 A Local Pension 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 Local Pension Board being a member of the LGPS and/or Fund.
- 3.7 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.
- 3.8 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:
- 3.8.1 Disclosing all interests and responsibilities which have the potential to become conflicts of interest;
  - 3.8.2 Committing to attend a minimum number of meetings a year;
  - 3.8.3 Committing to undertake development to increase knowledge and understanding; and
  - 3.8.4 Undertaking to abide by the Board’s terms of reference and wider constitutional documents.
- 3.9 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, 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.

## **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 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.

## **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 Local Government Pension Scheme (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 LGPS guidance (Schedule A, Part 2) on Local Pension Boards 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 twice 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 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 Code of Conduct described in the Administering Authority's Constitution at G1A, 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 B5 of the Administering Authority's Constitution. 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 Councils' 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 1998.

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

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

16.4 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.

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

17.2.1 A code of conduct;

17.2.2 A conflicts policy;

17.2.3 Policies dealing with information security, acceptable use (and monitoring) and subject access request.

.....

**Signed on behalf of the Administering Authority**

.....

**Signed on behalf of the Board**

**Annex to**  
**Terms of Reference for the Local Pension Board for the Cheshire Pension Fund**

**Conflicts of Interest Policy**

**1. The Legal Background**

1.1 The Public Service Pensions Act 2013 (the 2013 Act) makes it a legal requirement that members of local pension boards do not have a conflict of interest and that they declare this position. The Local Government Pension Scheme Regulations 2013 (the 2013 Regulations) have been amended accordingly. Regulation 108 of the 2013 Regulations requires that;

*Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest*

1.2 Section 5(5) of the 2013 Act defines a conflict of interest as;

*A financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).*

1.3 Declarations are required as part of the appointment process, as well as regular intervals throughout a Member's tenure to the Scheme Manager's satisfaction, normally on an annual basis but, depending on the circumstances, at the Scheme Manager's discretion.

1.4 The 2013 Regulations allow for elected members to sit on a Local Pension Board. Under the Localism Act of 2011 all elected members will be covered by and subject to their own local authority's code of conduct. Nothing in this policy in any way supersedes or replaces any requirements under an elected member's own authority's code of conduct.

**2. Conflict of Interests – General Principles**

2.1 A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. The basic principle in relation to conflicts of interest is that a member of the Board must not put him or herself in a position where duty and personal interest conflict or where their duty to one conflicts with their duty to another unless expressly authorised'

2.2 Conflicts of interest may arise for Members and their advisors. This simply reflects the fact that individual Members and their advisors will have a variety of other roles and responsibilities outside the Board. Members and their advisors must be able to identify potential conflicts of interest and have procedures in place to manage them. This document outlines the procedure the Members have adopted to do this.

**3. Examples of Conflicts of Interest**

3.1 Some examples of potential conflicts would include;

3.2 A finance officer appointed as a member of a Local Pension Board may, from time to time, be required to review a decision which may be, or appear to be, in opposition to another interest or responsibility. For example, they may be required as a member of the Local Pension Board to review a decision which involves the use of departmental resources to improve scheme administration, whilst at the same time being tasked, by virtue of their employment, with reducing departmental spending.

3.3 A member representative who works in the Administering Authority's internal audit department may be required as part of his work to audit the Fund. For example, the employee may become aware of confidential breaches of law by the Fund which have not yet been brought to the attention of the Local Pension Board.

3.4 An employer representative from the private sector may also have a conflict of interest as a decision-maker in their own workplace. For example, if an employer representative is drawn from a company to which the Administering Authority has outsourced its pension administration services and the Board are reviewing the standards of service provided by it.

#### **4. How a Conflict or Potential Conflict Might Arise**

4.1 The Public Service Pensions Act 2013 defines a conflict of interest as a financial interest which is likely to prejudice a person's exercise of functions.

4.2 Therefore, a conflict of interest may arise when an individual:

- Has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by Cheshire West and Chester Council, and
- At the same time has:
  - A separate personal interest (financial or otherwise) or
  - Another responsibility in relation to the matter,
- giving rise to a potential conflict with their first responsibility

4.3 An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

#### **5. Procedure**

5.1 For this procedure to work the Members have agreed that they must:

- declare any actual or potential conflict of interest they may have;
- be open with each other on any conflicts of interest they may have;
- provide information reasonably requested to assess whether there is any actual or potential conflict of interest;
- adopt practical solutions; and
- plan ahead and agree on how they will manage any conflicts of interest which arise.

5.2 The following procedures have been adopted:

5.2.1. To maintain a register of Members' interests which could give rise to a conflict.

5.2.2. To maintain a register of interests which could give rise to a conflict covering the Members' advisors.

5.3.3. Each Member and advisor will sign an annual return confirming that their information contained in the register of interests is correct. The updated register will then be circulated to all Members and the Scheme Manager. These two events will be added to the agenda at the appropriate annual meeting.

5.3.4. The Scheme Manager's representative advising the Board will identify any potential or actual conflicts of interest and advise the Chair. The Chair in conjunction with the Scheme Manager is to decide on the action required and to advise the Members of any actions taken.

5.3.5. Any Member who feels that they, another Member or advisor has a conflict of interest must seek early advice from the Scheme Manager.

5.3.6. Any Member or advisor must withdraw from a Local Pension Board meeting if they have a conflict of interest. The conflict of interest and the action taken must be recorded in the minutes.

5.3.7. If a conflict is identified outside a Local Pension Board meeting the Chair shall consult with the other Members prior to making a decision. The conflict of interest and the action taken must be recorded.

## **6. Perception of Conflicts of Interest**

6.1 Members of the Local Pension Board should be aware that even if no actual conflict of interest exists it is important to guard against the perception among, for example, Scheme members, the Pensions Regulator, elected members or members of the public that a real conflict of interest exists.

6.2 If there is the possibility that a perceived conflict of interest may exist, it should be managed by the Local Pension Board in the same way as a real conflict of interest.

## **7. Confidential Information**

7.1 A member of the Local Pension Board may, by virtue of their employment by an employing authority within the Cheshire Pension Fund, have access to confidential information about their employer. A member of the Board is not obliged to reveal this information as part of their role on the Local Pension Board. However, if an affected member considers that the information to which they are party may:

7.1.1 adversely affect the Cheshire Pension Fund or an employer within the Fund,

7.1.2 reasonably cause the Local Pension Board to interpret a decision by the Pensions Committee differently or act in a different way were it to be known at the time and;

7.1.3 the information will not be made available to the Local Pension board through some other means within such time as the Board is able to fully act upon it;

that Local Pension Board member shall withdraw from all discussion in relation to that issue and notify the Board that a conflict of interest exists. The details of the conflict need not be disclosed. For example, this scenario may occur where a Board member is aware of legally confidential negotiations around, for example, the takeover of a Cheshire Pension Fund employer which may radically alter that business and have a corresponding effect on its participation in the fund or the size of its liabilities.

### **8. Managing Conflicts of Interest**

8.1 In the event that the Local Pension Board is of the view that a potential conflict of interest may become an actual or perceived conflict in respect of one or more of its members the Board must determine the appropriate mechanism for managing that conflict. The approach taken will depend on the nature and extent of the potential conflict. Some possible methods for the management of potential conflicts are given below:

8.1.1 Requiring that the member for whom the conflict exists takes no part in discussions or does not vote in respect of the matter for which they are conflicted.

8.1.2 If practical the member may relinquish or divest themselves of a personal interest which is the source of a conflict of interest with their Local Pension Board responsibilities.

8.1.3 If the conflict is likely to be persistent and ongoing in such a way that it is likely to limit a member's meaningful participation in the Local Pension Board, that member should consider resigning from their position.

8.1.4 The Scheme Manager may remove any individual from the Local Pension Board where they consider there is an actual conflict of interest or a potential conflict which it is impractical to manage.

### **9. Adviser and Officer Conflicts**

9.1 The Local Pension Board will be supported and advised by officers of the Fund in its day to day business. Similarly the Board may, if appropriate, seek independent or professional advice for legal or governance advice.

9.2 The Local Pension Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the Pension Fund. For this reason officers and advisers giving advice to the Local Pension Board must also declare any situation where a potential, perceived or actual conflict exists, in order that it can be appropriately managed.

## **LPB RISK REGISTER**

### **Introduction**

1. This paper is to present the updated Risk Register to the Board following the review which was undertaken in February. The Board will be requested to approve the register and agree the approach for planned risk actions.

### **Risk Register**

2. The Board undertook a review of the Risk Register (RR) at its last meeting in February 2019 and agreed some additional information to be included within the existing risks, along with identifying a new risk to be added to the register.
3. The updated RR is attached to the report in Appendix A. The RR is now made up of six risks which could prevent the Board from undertaking its role effectively, with the sixth one having been added at the February meeting.
4. Two out of the five risks are categorised as red for the gross score, however, once mitigating actions are factored in the scores reduce to amber.
5. The remaining four risks have a gross score of amber which reduced to green once mitigating actions are taken into account.
6. For the two risks which are classed as amber after mitigations have been taken into account, the Board have identified a number of planned risk actions that will be introduced. Board members are requested to review these planned actions and determine the specific steps that will be taken to introduce them, along with the proposed timeframe for their completion.
7. It is proposed that the RR be reviewed every 6 months with the next review taking place at the end of September.

### **Recommendation**

#### **The Board are asked to:**

- **Approve the updated Risk Register and the review date of 30 September.**
- **Agree the approach for planned risk actions and the timeframe for their implementation.**

Objective / Priority	Risk No	Risk / Opportunity	Gross (without any controls)			Current Mitigating Controls (in place and effective mitigation of risk)	Current / Net (as it is now)			Risk Owner	Planned Risk Actions	Timescale	Target / Aspiration (When all Actions in Place)			Status of Risk (←, ↑, ↓, ☀)	Next Review Date
			Likelihood	Impact	Total Risk Score		Likelihood	Impact	Total Risk Score				Likelihood	Impact	Total Risk Score		
Securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS	1	Failure to identify (Board members) conflicts of interest results in failure to act in the best interests of the Fund leading to challenge/cost.	2	4	8	<ul style="list-style-type: none"> <li>The Board has a conflict of Interest Policy</li> <li>The Conflict of Interest policy is reviewed on an annual basis</li> <li>All Board members sign a declaration upon appointment to confirm there are no conflicts which would prevent them from undertaking the role</li> <li>Annual declarations of interest are completed by Board members and are published on the Fund's website</li> <li>Declarations of Interest are requested at the start of each Board meeting</li> <li>Information supplied to the Board is anonymised to allow them to make recommendations free from any unconscious bias</li> </ul>	1	4	4				1	4	4		30-Sep-19
	2	Failure to maintain a Competent Board with adequate skills and knowledge, results in failure of Board members to properly exercise their functions as a member of the Pension Board.	3	4	12	<ul style="list-style-type: none"> <li>All Board members receive an induction upon joining the Fund and are required to read all statutory Fund documents within a short timeframe of being appointed</li> <li>All Board members attend training events delivered by Pensions Experts such as the LGA, PLSA and CIPFA</li> <li>All Board members have access to accurately maintained core documents and policies</li> <li>Board members attend quarterly joint training sessions with the Pension Fund Committee in accordance with the Fund's Training Policy</li> <li>Each member has agreed to adopt the knowledge and understanding policy framework</li> <li>The Chair of the Board has a role to ensure that the terms of reference are adhered to by all Board members</li> </ul>	2	4	8		<ul style="list-style-type: none"> <li>The knowledge and skills of the Board will be regularly reviewed and any training requirements will be addressed</li> <li>Board members will complete the TPR Toolkit training online</li> <li>Board members will take every opportunity to attend external events and training sessions</li> </ul>		2	4	8		30-Sep-19
	3	Change of membership of the Board leading to loss of knowledge and skills, resulting in inability to fulfil its obligations under the Terms of Reference	3	4	12	<ul style="list-style-type: none"> <li>5 Board members are appointed for a term of 3 years, with the option to extend</li> <li>where a member leaves during that term a recruitment process is undertaken by the Fund to replace them</li> <li>Every 3 years the Fund will seek expressions of interest for suitably qualified and experienced members to join the Board and/or extend the tenure of existing members</li> <li>Terms of office have been staggered to avoid a cliff edge scenario of all members leaving on the same date.</li> </ul>	2	4	8		<ul style="list-style-type: none"> <li>The Board will consider whether they can introduce any steps to assist with succession planning</li> <li>The Board also has the option of co-opting additional members to provide support on either specific issues, or general matters.</li> </ul>		2	4	8		30-Sep-19
	4	Failure of the Board to implement the correct mechanisms in order to effectively monitor the compliance of the Fund leading to the inability to undertake their role efficiently	2	4	8	<ul style="list-style-type: none"> <li>The Pension Fund's Governance Policy clearly outlines the role of the Board and the Pension Fund Committee</li> <li>Board members review the Pension Fund Committee papers and minutes and attend joint training sessions so have a detailed understanding of the decisions the Committee are asked to make</li> <li>The Board's Terms of reference provides the framework for how the Board should perform their duties</li> <li>The Board receive a comprehensive set of standard performance reports on a regular basis which allow them to monitor the performance of the Fund</li> <li>The Chair of the Board also holds regular liaison meetings with the Chair of the Committee and Board minutes are a standing item on the Committee agenda allowing any recommendations by the Board to be escalated</li> <li>The Board continually reviews systems and processes and implement regular changes to improve efficiency</li> <li>The Board constantly review their systems and processes and make incremental changes throughout the year or at annual reviews</li> <li>The Board adhere to national guidance from The Pensions Regulator and the Scheme Advisory Board and ensure that they are monitoring performance against high risk areas.</li> </ul>	1	4	4				1	4	4		30-Sep-19

Objective / Priority	Risk No	Risk / Opportunity	Gross (without any controls)			Current Mitigating Controls (in place and effective mitigation of risk)	Current / Net (as it is now)			Risk Owner	Planned Risk Actions	Timescale	Target / Aspiration (When all Actions in Place)			Status of Risk (←, ↑, ↓, ☀)	Next Review Date
			Likelihood	Impact	Total Risk Score		Likelihood	Impact	Total Risk Score				Likelihood	Impact	Total Risk Score		
	5	Failure of the Board to receive the required support from The Fund resulting in the inability of the Board to carry out its functions	2	4	8	<ul style="list-style-type: none"> <li>A key officer is appointed to provide support to the Board</li> <li>Additional officer support is available from within the Fund</li> <li>Officers attend network groups in order to share ideas to help facilitate the Board</li> <li>The Board has its own budget and so can appoint external advisers if required</li> <li>Two career grade posts have been implemented by the Fund and are providing support to the Board</li> </ul>	1	4	4				1	4	4		30-Sep-19
	6	Failure of the Board to be aware of national developments or have inadequate links with outside bodies resulting in failing to assist the Fund with efficient and effective management.	4	2	8	<ul style="list-style-type: none"> <li>LGPS Central - Local Pension Board Chairs meeting - where common issues are discussed and developing links with the Scheme Advisory Board</li> <li>Regular attendance by Board members at national conferences and seminars</li> <li>Undertaking additional training such as the TPR Trustee Toolkit</li> </ul>	1	2	2				1	2	2		30-Sep-19

## THE PENSIONS REGULATORS CODE OF PRACTICE

### Introduction

1. The Board will be presented with a progress update on the Fund's compliance with the Pensions Regulators (TPR) Code of Practice (CoP) Number 14 following the review conducted in February.

### The Pensions Regulators Code of Practice Number 14 – Compliance Review February 2019

2. At the last meeting Board members were reminded that the Fund first undertook a detailed review of its compliance against the TPR's CoP in 2015. Board members held a special meeting to review those results in December 2015 and a further improvement plan was implemented to address areas that were not fully compliant.
3. The Fund then conducted a further review of its compliance with the code early in 2019 and a summary of the results were presented to the Board at the meeting in February 2019. This summary outlined the areas of partial compliance and the actions being taken by the Fund in order to address them.
4. The table below summarises the results which were presented to the Board at the February meeting. As the table shows, there are 141 requirements in the CoP and it was identified that 27 (19%) of the 141 requirements, were classed as amber, denoting that some further work is required. None of the requirements were classed as red meaning there are no urgent areas of non-compliance that require immediate resolution.

Section	Topic	Requirement	Red	Amber	Green	Comment
A	Knowledge and Understanding	15	-	5	10	The amber actions will be addressed in the 2019 Training Policy and Plan.
B	Conflicts of Interest	26	-	3	23	All amber actions will be green once the register of interests is produced.
C	Publishing Information about the Scher	7	-	-	7	
D	Internal Controls	19	-	6	13	The Internal Control Framework will be updated in 2019. A framework for monitoring employer covenant is also being introduced.
E	Scheme Record Keeping	16	-	10	6	The amber actions will be addressed with the review of the Internal Control Framework and the introduction of Monthly Interfacing.
F	Maintaining Contributions	6	-	-	6	
G	Providing Information to Members	15	-	3	12	The introduction of Monthly Interfacing will directly impact upon the ability to send Annual Benefit Statements on time. Member tracing services are being explored where the Fund has lost contact,
H	Internal Dispute Resolution	16	-	-	16	
I	Breaches	21	-	-	21	
<b>Total</b>		<b>141</b>	<b>-</b>	<b>27</b>	<b>114</b>	
<b>%</b>			<b>0%</b>	<b>19%</b>	<b>81%</b>	

5. It was agreed at the February meeting that the Board would keep the Fund's compliance with the CoP under review and would receive a further update at the next meeting.

## Update

6. Board members were advised that, in some cases, once one action is completed it would resolve multiple amber actions for the Fund.
7. A number of actions have now been completed, or are in the process of being completed, which will reduce the number of outstanding amber actions. The table below confirms the actions that have/will be been taken and the impact they have on reducing the number of amber actions.

Section	Topic	Amber	Change in compliance rating to Green.	Remaining Amber Actions	Comment
A	Knowledge and Understanding	5	1	4	No. A7 - AVC Training has been scheduled for the board on 07/05/19 anticipated completion of training will fulfill full compliance of this requirement of the code.
B	Conflicts of Interest	3	3	-	No. B5, B9 & B20 - related to the completion of Register of interests and outside bodies list. This list has been compiled in preparation for publishing on the CPF Pension Board section of the website. The scheme is now fully compliant in section of the code.
E	Scheme Record Keeping	10	2	8	E6 & E7 - Related to the requirement for employers to provide the fund with accurate and timely data. The fund has recently relaunched their Administration Strategy following a consultation with scheme employers. The strategy has set out clear responsibilities for employers in meeting their record keeping requirements. the relaunch fulfills the compliance criteria and will be enhanced through the introduction of monthly interfacing.

8. As board members will note five sections of the code which were previously categorised as amber have now been reclassified as green to reflect the change in status to full compliance.
9. Following the actions taken over the past quarter the Fund's outstanding amber actions have reduced from 27 (19%) to 21 (15%) out of the 141 requirements. This has raised the funds overall compliance level to 85% (up from 81%).
10. A table summarising the full position on compliance with the CoP is shown below. Work will continue to ensure that the fund reaches full compliance with the CoP and the Board will be kept informed of progress.

Section	Topic	Requirement	Red	Amber	Green	Comment
A	Knowledge and Understanding	15	-	4	11	The remaining Amber actions will be addressed through the updating of the training policy and plan for Board Members and through the completion of the trustee toolkit
B	Conflicts of Interest	26	-	-	26	All Amber actions have been resolved and the scheme is now fully compliant
C	Publishing Information about the Scheme	7	-	-	7	
D	Internal Controls	19	-	6	13	The remaining amber actions will be resolved through updating the Internal Control Framework and reviewing monitoring process for the employer covenant .
E	Scheme Record Keeping	16	-	8	8	full compliance with the code in this area will require the fund to complete its review of the internal control framework and through the introduction of a data retention policy and data improvement plan which incorporates the delivery of monthly interfacing within the fund.
F	Maintaining Contributions	6	-	-	6	
G	Providing Information to Members	15	-	3	12	The introduction of Monthly Interfacing will directly impact upon the ability to send Annual Benefit Statements on time. Member tracing services are being explored where the Fund has lost contact,
H	Internal Dispute Resolution	16	-	-	16	
I	Breaches	21	-	-	21	
<b>Total</b>		<b>141</b>	<b>-</b>	<b>21</b>	<b>120</b>	
<b>%</b>			<b>0%</b>	<b>15%</b>	<b>85%</b>	

## Recommendation

*The Board are requested to:*

- Note the improvement in the Fund's progress in complying with the Code of Practice.

## DATA QUALITY and DATA PROTECTION COMPLIANCE

### Introduction

1. This report provides the Board with an update on the numerous actions being undertaken by the Fund in order to improve Data Quality.
2. The Board will also receive an update on the Fund's progress in meeting compliance with Data Protection Regulations and the Funds response to recommendations set out in the audit report carried out by the Administering Authority's Internal Audit Department.

### Data Quality

3. Enclosed below is a table showing the data scores for common and scheme specific data for the last three quarters. As Board members will recall the Fund now produces data scores, based on the Pensions Regulators criteria, on a quarterly basis. These scores, along with an update on actions taken by the Fund to clear the queries, will be produced and presented to the Board on a quarterly basis.
4. The table below summarises the data scores as at 1 September and 1 December 2018, along with the 1 March 2019.

	01-Sep-18	01-Dec-18	01-Mar-19
Common Data	98.1%	97.87%	97.72%
Scheme Specific Data (SSD)	68.8%	68.76%	76.48%

5. As the Board can see, the common data score is 97.72% and this equates to c2,300 data queries which the Fund needs to resolve. Examples of the data queries include missing addresses, National Insurance numbers and titles etc.
6. The Fund has been able to resolve around 100 of the data queries from the March exercise. The remaining 2,200 however, are more problematic to resolve.
7. The 2,200 actually relate to members who ceased working for their employer, who is a member of the Fund, and so is due to refund of the contributions they made whilst they were an employee. In order to make the refund the fund requires the member to complete a form to confirm that they wish to receive the refund and to confirm their bank details.
8. For many of the 2,200 the Fund may no longer hold the correct address for the members and so a task is being undertaken to write to all affected members to establish if the Fund holds the correct address and to see if the member can complete the necessary form in order to affect the refund.
9. For those members where the Fund does not have the correct address a member tracing company will be required and the Fund is exploring the possibility of appointing these services through an existing framework.
10. The Board will be kept informed of progress with this task.
11. The scheme specific data score for March is 76.48%. Board members will recall that, in the absence of any national guidance to confirm what is actually meant by the term Scheme

Specific Data, the Fund introduced its own method of recording what it has termed 'foundation data'. That is, the basic data that is required in order to calculate a pension.

12. Board members will note that there has been a marked improvement in the score for foundation data between December (68.76%) and March (76.48%). This improvement is due to developments made to the report itself. It was recognised that the report was including records that should not have been measured at that time and therefore, were over inflating the data score. The report has now been refined to capture the correct records.
13. Having measured this data score for March to Fund has identified that out of the c36,000 active members, the data is available for c27,400. That means that there are c8,400 members where data appears to be missing.
14. In order to clear queries relating to foundation data the Fund will have to obtain the missing service history and/or payroll data for each member. It may be that the Fund does have access to some of this information and that it simply needs allocating to the specific field within the database in order for the report to identify it.
15. The data scores will continue to be run on a quarterly basis and actions will be taken to clear any missing or incorrect data.
16. In addition to the quarterly completion of TPR data scores and associated data cleansing, the Fund has also undertaken numerous other tasks throughout the year which were all designed to improve the quality of data held by the Fund.
17. These tasks demonstrate how the Fund is meeting the requirements set out in the Data Improvement Plan (Appendix A) which was presented to the Board at an earlier meeting. The table below summarises the additional actions taken by the Fund.

	<b>Action Taken</b>	<b>Progress</b>
Dedicated Monthly Interfacing / Data Cleansing Team	As well as managing the transition to MI the team are also taking responsibility for undertaking tasks to cleanse data.	A suite of exception reports is being designed to identify other areas where data may be incorrect or missing. The team will undertake an exercise to clear these queries every 3 months. This task will take place 6 weeks after the TPR exercise so the team can focus on each one.
Monthly Interfacing – Data Cleanse	Ahead of Employers uploading monthly online payroll data to the Fund an exercise is being carried out with each employer to compare the common data held by the Fund and the employer and resolve any data issues.	To date the Fund has cleansed records relating to c30,000 (86%) of the c35,000 members in the Fund. This equates to 126 or the 315 Employers currently in the Fund.
Pre-valuation modelling / data cleanse	Ahead of the valuation exercise the Fund uploaded data relating to the largest employers within the Fund to	The results from this exercise has allowed the Fund time to resolve the major queries ahead of

	the actuaries data portal which identifies potential data queries.	providing the main data to be used for the valuation in the summer.
Backlogs	The Fund is working with a external provider to clear a specific backlog in relation to aggregation casework.	The provider is responsible for clearing around 2,400 cases from the backlog.
Year-end Queries	During 2018 the Fund undertook an exercise to identify all outstanding data queries from the year-end exercises dating back to 2014.	Bulk lists of missing data have been sent to employers who are working through them and sending the data to the Fund.

- 18.** The Fund has a number of complimentary workstreams ongoing which will improve the quality of data it holds. Key to maintaining the quality of data in the future is for the Fund to streamline and standardise the methods of receiving data from employers.
- 19.** The introduction of Monthly Interfacing is an important step to maintaining data quality. However, there are other data items which are not captured within the MI file and the Fund needs to identify ways to streamline and standardise the way that it receives this non-standard data as well.
- 20.** The Fund now needs to bring the above strands of work together into a Data Management Strategy which will clearly set out how the Fund receives data, where they data comes from, when and how it should be received and how it should be stored and used. The 'Strategy will be developed over the coming months and the Board will be presented with a draft for comment at the appropriate time.
- 21.** The Board will receive regular updates on the TPR data scores along with progress on clearing the queries identified as part of the process. The Board will also receive regular updates on the other workstreams on improving data quality and the development of a Data Management Strategy.

### General Data Protection Regulations (GDPR)

- 22.** As Board members will recall, during 2018 the Administering Authority's Internal Audit department conducted an audit of the Fund's approach to meeting compliance with the new Data Protection Requirements.
- 23.** The report concluded that the Fund are 'proactively and proportionately addressing the steps required to ensure that GDPR is being appropriately dealt with and embedded into working practices'.
- 24.** The report also included recommendations on a couple points which could strengthen the control environment:
- The progress matrix currently reflects a target date of 31st March 2019 for the removal of all non-essential personal information from UPM. During the audit it became apparent that this exercise has not yet begun and appears unlikely to be achieved within target. As such, the amber rating assigned to it does not sufficiently reflect the risk in regard to possibility of non-compliance in this area for those receiving progress updates and associated reports.

- Further to the above, the progress matrix generally lacks sufficient detail. Actions on the matrix do not routinely have an accompanying target date or detailed plan of action, potentially reducing its overall effectiveness as a tool for ensuring The CPF is reasonably addressing all concerns with regard to compliance with the GDPR.

25. The recommendations outlined above required a response from the Fund to demonstrate how they would be met. The Fund issued a response in line with the deadline, in December 2018. The response set out the Fund's detailed action plan and proposed timetable, to meet the recommendations.

26. Before the Fund can commence the above actions a data retention policy needs to be implemented. This policy will confirm the length of time that documents can be retained by the Fund and so will inform the outstanding actions. The policy has been produced and is awaiting approval from the Council's Information Governance Team. This delay will mean that the proposed timetable for completion will now need to be refined. Internal audit are aware of the position and

27. Once the data retention policy is approved the Fund can commence work on the remaining steps required as set out in the audit recommendations and develop the revised timetable for completion.

## Recommendation

*The Board are requested to:*

- **Note the Fund's data scores for March 2019.**
- **Note the progress being made to improve the quality of data held by the Fund.**
- **Note the progress made by the Fund to date in meeting compliance with DPA 2018 (GDPR) and the action plan to meet the recommendations contained with the Internal Audit Report.**

## **LPB 2018/19 DRAFT ANNUAL REPORT and OUTTURN**

### **Introduction**

1. This Board will receive the draft LPB Annual Report for 2018/19 and will be requested to comment on the draft report and request any amendments. A revised report will then be issued via email for final approval by the Board.
2. The draft report is attached to this report in Appendix A and includes the 2018/19 outturn against the Board's allocated budget of £10k.

### **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.
4. The Board's Annual Report will be required to be completed by the end of May 2019 in order to be incorporated into the Fund's Annual Report, however, as the next standard Board meeting will not take place until July the Board are requested to approve the content of the report at the May meeting. The format of the report is the same as the 2017/18 report which was published on the Board area of the Fund's website as well as within the main Scheme Annual Report.
5. The report is split into six sections as summarised in the table below:

Introduction
Details of Membership
Summary of 2018/19 activity and plans for 2019/20
Attendance at Meetings
Skills and Development Activities
Budget

6. Included within the Annual Report is the outturn for the Board's allocated budget of £10k. The expenditure for the year is £3.1k therefore the underspend is £6.9k for the year.
7. The Board are requested to review the draft report and identify any required amendments.

### ***Recommendation***

#### ***The Board are asked to:***

- ***The Board are requested to review the draft Annual Report for 2018/19 and identify any required amendments.***
- ***Approve the final version of the Annual Report via email following this meeting.***

## **Cheshire Pension Fund**

### **Local Pension Board – Annual Report 2018-19**

#### **INTRODUCTION**

Welcome to the third annual report for the Local Pension Board (LPB) for the year ending 31 March 2019.

During 2018 the board went through a re-nomination process as four of the five members of the Board had been in post for 3 years, in accordance with the terms of reference. Nominations were sought for the posts and the outcome from this process was that the existing members were re-appointed into their roles, albeit with different terms of office to assist with continuity of members.

During the year the Board wanted to expand its knowledge and understanding and to learn from the experience of other Board's. In order to achieve this, the Chairman of the Cheshire board instigated a meeting with all Board Chairs from other Funds within LGPS Central, the pool operator company.

This group met twice during the year and has also improved links with the Scheme Advisory Board by inviting a representative to the second meeting. The group will continue to meet twice a year to discuss common issues.

The Board have had a particular focus this year on improving the member experience in relation to administration casework. The initial focus has been on improving the timeliness of process retirement cases which is often delayed as the relevant documentation has not been completed ahead of time.

As a result of this focus the Fund has now developed retirement guides which contain clear checklists for both members and employers detailing the steps required on the journey to a member retiring. The guides will be rolled out to all employers following a pilot phase in early 2019.

The Board has also continued to monitor the Fund's performance on compliance with regulations and the Pensions Regulator's Code of Practice Number 14. In addition the Board have also monitored the Fund's approach to meeting the requirements of key projects including the GMP reconciliation with HMRC and the introduction of the Data Protection Act 2018.

The Board has met five times in the last year and members have attended joint training sessions with the Committee in order to maintain and develop knowledge and understanding in key areas which has allowed the Board to satisfy itself that the Fund has managed these key areas compliantly and effectively.

The Board places a great importance on being open and transparent. A wealth of information relating to the Board, including minutes of meetings, can be found on the fund’s website using the link below. There is also a facility for members to contact the Board should you have any questions/issues they would like to raise:

[www.cheshirepensionfund.org/governance-of-the-cheshire-pension-fund/pension-board/](http://www.cheshirepensionfund.org/governance-of-the-cheshire-pension-fund/pension-board/)

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

Peter Raynes  
 Local Pension Board Chairman

### **Details of Membership**

The Board consists of 5 members, 2 member representatives and 2 employer representatives as well as an Independent Chair. All members are unpaid volunteers.

Many of the members had been in post since 2015 and so, in accordance with the Board’s terms of Reference, a re-nomination process was carried out during 2018. The outcome of the process was that the four existing members who had been in place since 2015 were re-appointed.

The terms of office, however, have been split between two and three years to ensure continuity of membership.

Further information, including biographies of each member is available on the website.

<b>Type</b>	<b>Name</b>	<b>Organisation</b>	<b>Date Appointed</b>	<b>Term End Date</b>
Employer	Adrienne Laing	The Challenge Academy Trust	1/4/17	31/3/20
Employer	Cllr Robert Bisset	Cheshire West and Chester Council	27/6/18	26/6/21
Member	Geoff Wright	UNISON	27/6/18	26/6/21
Member	Neil Harvey	GMB	27/6/18	26/6/20
Chairperson	Peter Raynes	Independent (non-voting)	27/6/18	26/6/21

### **Summary of 2018/19 and plans for 2019/20**

Below is a summary of key achievements during the year and the Board’s plans for the year ahead.

#### **Joint Chairs Meetings**

The Chairman of the Board and the Pension Fund Committee continue to meet on a quarterly basis to discuss common issues. This allows the Chairs to agree how issues should be taken forward thereby ensuring that the work of the Board complements and assists the Administering Authority, and avoids duplication of effort.

#### **Pensions Consultative Forum**

The Pensions Consultative Forum work with the Fund to ensure that it delivers an efficient service for all stakeholders, with particular emphasis on administration and communication. The Forum's membership is made up of representatives from the main employers and employer groups within the Fund.

As well as acting at the Chair of the Board, Peter Raynes is also the Chair of the PCF providing an important link between the Board and the Forum.

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

#### **Attendance at Committee Meetings / Joint Training**

Given that the role of the Board is to assist the Fund in ensuring compliance with laws and regulations, which extends to include assurance that the Committee is carrying out its functions effectively, Board members will attend Committee meetings in an observer capacity as required.

The Board and Committee also attend joint training sessions on a variety of topics throughout the year.

#### **Governance Review**

During the year the Pension Fund commissioned the services of Barnett Waddingham to conduct a review of the governance arrangements within the Fund, including the role of the Board. The review found that the pension fund worked well and there were no material issues to be addressed. The review did, however, identify some specific issues relating to the Board, mainly relating to tidying up the Terms of Reference to reflect actual practice. Board members will consider the points raised in 2019/20 and determine whether any changes are required.

#### **Performance Management Framework**

At each meeting the Board is presented with a Performance Management Framework (PMF). The PMF captures key performance information from across the Fund, including administration, finance, HR, complaints, debt recovery and feedback from external sources.

The framework is updated on a quarterly basis and provides comparator information from prior quarters to allow the Board to determine the extent of any changes between the periods.

The framework will satisfy a number of purposes:

- It allows the Board to monitor performance against the outcomes identified in the Fund's Business Plan.
- It provides supporting evidence to demonstrate compliance with regulations and best practice, and;
- It provides a focus for further improvements.

The Board will review the framework on a quarterly basis and make any necessary recommendations to the Pension Fund Committee in order to improve the performance of the Fund. A summary of the PMF results are published along with the Local Pension Board meeting papers.

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

The Chairman of the Cheshire LPB arranged a meeting with the Chairs of all other Boards within LGPS Central. The meeting was arranged to gain a better understanding of how boards are set up and how they operate.

At the first meeting in October 2018 the 'Chair's agreed that they would value a close relationship with the Scheme Advisory Board so that they could be sure that they were operating effectively and were considering the relevant issues.

A representative from SAB was invited to the February 2019 meeting. Bob Holloway attended on behalf of SAB and there was a useful discussion on a number of topics. SAB are now considering how this same level of engagement can be achieved with all Funds/Pools going forward.

SAB will be repeating the 2017 survey, which was designed to understand progress being made by Boards nationally, in 2019. The Cheshire Board Chairman was pleased to have been given the opportunity to comment upon the draft survey and that the comments have been accepted.

### **Local Government Association – Fundamentals Training**

The Cheshire Pension Fund Local Pension Board has been recognised as a best practice leader in the LGPS.

As a result officers have been asked to present a slot on Day 3 of the 2019 Fundamentals training programme explaining how the Cheshire Board works, what topics it considers and how the Board has assisted the Fund to improve its efficiency and effectiveness.

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

The Fund undertook a further review of its compliance with the Code of Practice and presented the results to the Board at the meeting in February. The Fund is largely compliance in most areas and did not identify any areas of major concern or requiring immediate attention.

There are, however, areas where further improvement is required in order to secure full compliance. The Board will continue to monitor the Fund's progress with this improvement plan.

### **Data Quality**

Another key area of focus for the Board is to track the Fund's progress in improving the quality of data held by the Fund. The Fund complied with the TPR requirements to provide data scores for its common and scheme specific data in the 2018 Scheme Return.

Following this disclosure the Fund now repeats this exercise on a quarterly basis and reports the results to the Board so that they can track the improvements being made. As well as the scores the

Board are also updated on the actions being taken to resolve the data queries on records which are not 100% compliant.

Board members are also regularly updated on all other measures which are taking place in order to improve data quality across the Fund.

### **Breaches Policy/Log**

The Board continues to have a critical role in the Breaches process. The Breaches Log is updated on a monthly basis with any new breaches identified. In the first instance Officers investigate the breach (seeking expert opinion as and when required) and make a recommendation to the Board advising them whether Officers consider that the breach should be reported to the Pensions Regulator.

The Board then provide their own opinion within 3 days. Any cases which require reporting to the Regulator are also then sent to the Director of Governance, who is the responsible person as set out in the breaches policy, for a final decision.

In addition to reviewing the breaches log on a monthly basis the Board also review the entire breaches log on a quarterly basis in order to identify any trends which require further investigation. The Breaches policy and Breaches Log are available on the Fund's website.

### **Member Engagement**

The Board has a facility on the Fund's website to allow members to contact them with any questions. The Board received one question from a pensioner member via this facility during the year and provided a response.

### **2019/20 Work Plan**

The Board will continue to monitor the Fund's progress in improving the data quality of the Fund and in meeting the requirements of GDPR. In addition, the Board will monitor progress on the various work strands designed to ensure that the Fund improves the efficiency of how it delivers the service going forward which includes critical developments to the administration database, changes to the way the team is structured and how the Fund interacts with its stakeholders.

The Board will continue with its compliance role in ensuring that Fund documents are produced and updated in line with statutory and best practice guidance. Examples of such documents are the Statement of Accounts, the Funding Strategy Statement, Investment Strategy Statement, Breaches Policy, Administration Strategy and Communications Policy.

The Board also undertake annual reviews of their own policies, such as the Terms of Reference and Code of Conduct Policy, to ensure that they remain fit for purpose.

This will allow the Pension Fund Committee to concentrate on 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.

### Attendance at Meetings

The terms of reference for the Board state that there should be a minimum of 2 meetings per year. However, at its first meeting members of the Board elected to meet a minimum of 4 times per year. There were xx meetings held during 2018-19.

The table below summarises the meetings which have taken place including attendance by members of the Board.

<b>Members</b>	<b>25-Apr-18</b>	<b>08-Jun-18</b>	<b>17-Jul-18</b>	<b>06-Nov-18</b>	<b>05-Feb-19</b>	<b>Percentage</b>
Peter Raynes	✓	✓	✓	✓	✓	100%
Cllr Rob Bisset	✓	✓	✓	X	X	60%
Adrienne Laing	✓	✓	✓	✓	✓	100%
Geoff Wright	✓	✓	✓	✓	✓	100%
Neil Harvey	✓	X	✓	✓	✓	80%

The meeting on the 8 June was dedicated to the review of draft Statement of Accounts for 2017/18 to ensure that they 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.

The meeting took place ahead of the Pension Fund Committee's own review of the draft accounts and provided assurance to the Committee that they could recommend the draft accounts to be presented to the Audit and Governance Committee.

### Skills and Development Activities

The Board and Committee have again attended several joint training sessions during the year which, as well as developing Board members knowledge, have also 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.

A summary of the training provided for the Board, including attendance, during 2018-19 is shown below.

<b>Date</b>	<b>Topic</b>	<b>Delivered by</b>	<b>Attendees</b>
20 July 2018	Pooling Update  National Governance Assessment	Officers  Hymans Robertson	Peter Raynes Geoff Wright Neil Harvey
23 November 2018	Good Governance Project / National Confidence Assessment  Equity Portfolio Review	Hymans Robertson  Mercer	Peter Raynes Geoff Wright Neil Harvey

	Managing risk in property portfolios	Patrizia	
1 March 2019	Review of Fund Governance Investment Pooling Transition 2019 Actuarial Valuation	Barnett Waddingham Mercer Hymans Robertson	Peter Raynes

Board members will also attend external conferences and seminars in order to maintain knowledge and also to keep up to date with current issues facing the LGPS. The events which Board members have attended during the year include:

- Government Actuaries Department - Section 13 / Data Quality Seminar – 11 June 2018
- CIPFA / Barnett Waddingham – Local Pension Boards Annual Seminar – 27 June 2018
- LGC Investment Summit – ????
- LPB Spring Seminar – CIPFA/Barnet Waddingham – March 2019
- Annual Pensions Conference – CIPFA – ?? November 2018???
- LGC Investment Seminar – March 2019 ???
- LGPS Central – LPB Chairs Meetings - 10 December 2018 and 20 February 2019
- LGPS Central – Stakeholder Day – 27 February 2019
- Cross Pool Open Session – Scheme Advisory Board – 27 March 2018

### **Budget**

The Board agreed a notional budget of £10k for 2018-19 to assist with its operation. This included costs for training, external advice, expenses and travel costs.

In its fourth year of operation the Board incurred costs of £3.1k with £1.9k spent on training, £1.2k on travel and subsistence costs.

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

[www.cheshirepensionfund.org/governance-of-the-cheshire-pension-fund/pension-board/](http://www.cheshirepensionfund.org/governance-of-the-cheshire-pension-fund/pension-board/)

## COMPLIANCE UPDATE

### Introduction

1. This paper provides the Board with a cumulative summary of the Breaches Log for the period 1 April 2015 to 31 December 2018.

### Breaches Log

2. In accordance with the Breaches Policy, both the Board and the Pension Fund Committee review the Log on a quarterly basis, in order to identify any trends that may require further action.
3. A summary of the breaches included on the log between 1 April 2015 and the 31 December 2018 is shown in Table 1 below. The table includes the 12 month periods for 2015/16, 2016/17 and 2017/18 along with the 9 month period for 2018/19. The table also includes the details of the number of breaches which have been categorised between Red, Amber or Green in each of the four years.
4. Red breaches are those which require reporting to the Pensions Regulator. Amber breaches are where the Fund has highlighted an issue with the Employer which requires further monitoring. Green breaches are those where following investigation, no further action is deemed necessary.

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

	Contributions	Year-End Returns	Overpayments	ABS	Administration	Total	Status		
							Red	Amber	Green
2015/16	43	5	4	1	1	54	0	2	52
2016/17	40	1	1	1	1	44	0	1	43
2017/18	60	0	0	0	26	86	1	3	82
2018/19 (9 months)	47	0	0	1	15	63	0	13	50
<b>Sub-totals</b>	<b>190</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>43</b>	<b>247</b>	<b>1</b>	<b>19</b>	<b>227</b>

5. As can be seen from Table 1, the majority of breaches on the log relate to late payment of contributions. The majority of these cases relate to Employers who have joined the Fund in year and are in the process of setting up their payment systems, and/or Employers who have small numbers of staff and so are easily affected by unexpected staff absences and so are not considered a major risk.
6. Aside from contributions, the Fund has also identified 15 breaches relating to administration casework during the year. These breaches relate to historic cases caught up in the Fund's backlogs which can only be identified once the case is completed. The breaches relate to cases where a member was not notified of their options within the requisite 2 months of the relevant trigger, as set out in regulations. Fund processes were changed in 2016 to ensure that the Fund complies with Regulations.
7. The remaining breach relates to late submission of Annual Benefit Statements (ABS) which the Board were briefed on during 2018/19.

### **Amber Breaches**

8. All Amber breaches identified above relate to late payment of contributions.
9. Nine out of the thirteen Amber breaches, identified in Table 1, relate to the same Employer. In the third quarter of 2017/18 the Fund reported a Red beach for this Employer to the Pensions Regulator as they had failed to pay contributions since April 2017 and had not implemented an indemnity bond.
10. Members of the Board will recall that this Employer has one part time Employee and so the monetary value of the contributions due to the Fund are relatively small.
11. The Fund raised an invoice to this Employer for c. £1,450 for outstanding contributions, late payment interest and penalties covering the period between 1 April 2017 and 30 June 2018 in August 2018. This invoice was outstanding at the last Board meeting and was passed to collection agents to begin recovery proceedings at the end of 2018. As a result of these proceedings the balance on this invoice has now been recovered by the collection agents and funds received will be transferred to the Pension Fund.
12. Further invoices, totalling £500, for penalties regarding late payments and late receipt of contribution forms from this employer remain outstanding. These have been charged in line with the Funds contribution policy. A further invoice has also been raised of c. £1,110 for outstanding contributions and late payment interest covering the period 1 July 2018 to 28 February 2019. The Fund will continue to raise invoices quarterly to the Employer if monthly contribution payments fail to be made.
13. The Fund will continue to try and liaise with the Employer regarding the issues outlined above.
14. The remaining four amber breaches in 2018/19 relate to another Employer who had been experiencing difficulties in meeting contribution payments to the Fund. They had agreed a payment plan and had adhered to the first two payments of the plan; the third payment was received late.
15. The following two payments of the payment plan have not been received. The monetary amounts are relatively small as the Employer only has two employees that are members of the Fund.

16. Having contacted the Employer the Fund has confirmed that the payments had been missed due to a key staff member leaving. The Fund is liaising with the new accountant for the employer with a view to resuming the payment plan.

**Recommendation**

**The Board are requested to:**

- **Note and comment on the cumulative summary of the Breaches Log for 1 April 2015 to 31 December 2018.**

Role	Area of Work	Action	Quarterly	Annual	Training Required	Training - Planned Delivery Date	Date for Annual Review
<b>Governance</b>	<p>PFC and ISC decisions Compliance with TPR CoP No 14 Breaches Log</p> <p>Statutory Policies (FSS, ISS, Comms Policy, Admin Strategy Gov Policy and Breaches Policy)</p> <p>Internal and External Audit</p> <p>Investment Strategy Review</p> <p>tPR CoP - Knowledge and Understanding Section 11. LPB members should be able to identify and where relevant challenge failures</p> <p>Knowledge and Understanding of Officers</p> <p>Data Protection</p>	<p>Agree reporting requirements / Review decision taken Ensure ongoing compliance Regularly review the breaches log</p> <p>Review policies are kept up to date and produced in accordance with legislation and guidance</p> <p>Review the process for IA in assessing internal controls of the fund and external audit process for reviewing the Accounts and Annual Report</p> <p>Conduct a review to assess the boards ability to challenge failures</p> <p>Review Officers Training Plan</p> <p>Review the progress made by the Fund including the detail of any ongoing actions</p>	<p>✓ ✓ ✓</p>	<p>✓ ✓ ✓ ✓</p>			<p>As each policy is reviewed</p> <p>Jan and Apr</p> <p>Ongoing</p> <p>Link to review of training plan</p> <p>Feb-19</p>
<b>Administration</b>	<p>Fund Communication and engagement Cost efficiency and VFM</p> <p>Production of Statement of Accounts Production of Annual Report</p> <p>Review LPB Terms of Ref/ Conflicts of Interest Policy / Communications Policy Review Training Plan</p>	<p>Monitor fund performance of availability and quality of information Monitor performance of the fund</p> <p>In accordance with legislation and best practice guidance In accordance with legislation and best practice guidance</p>		<p>✓ ✓ ✓ ✓</p>			<p>Quarterly Quarterly</p> <p>June June</p> <p>Annual Annual</p>
<b>Other</b>	<p>Benchmarking information</p> <p>LPB Risk Register</p> <p>Determine LPB Success measures Deliver Annual Report Monitor the Fund's progress on the Investment Strategy Review</p>	<p>Compare CPF against peers</p> <p>Review Risks and Mitigating Actions</p>	<p>✓</p>	<p>✓ ✓ ✓</p>			<p>As required</p> <p>Feb-19</p> <p>June Ongoing</p>