

MINUTES OF PENSION FUND COMMITTEE 13 September 2019**VENUE:** Room G1, Wyvern House, Winsford**START TIME:** 9.30am**PRESENT****Cheshire West and Chester:** Cllrs Hogg (Chairman), Lewis and Blackmore (substitute for Cllr Gould)**Cheshire East:** Cllrs Findlow, Stott and Bulman**Halton:** Cllr Wharton**Warrington:** Cllr Mitchell**Apologies:** Cllr Williams, Cllr Gould and Cllr Corcoran and Paul Matthews**IN ATTENDANCE****Actuary:** Gemma Sefton and Rob Bilton, Hymans Robertson**Investment Consultant:** Nick Page and Chris West, Mercer**LGPS Central:** Joanne Segars, Mike Weston and Callum Campbell (Item 9)**CW&C Officers:** Mark Wynn, Maggie Sheppard, Heidi Catherall, Nick Jones, Steve Wilcock and Debbie Darlington

PART A:**1. PROCEDURAL MATTERS****1.1 Minutes of previous meeting**

The Minutes of the Pension Fund Committee held on 19 July 2019 were reviewed, having previously been distributed and agreed by email.

1.2 Minutes of other meetings - Committee reviewed minutes as follows:-

- Pension Board held on 16 July 2019. Committee noted that the Board's recommendations in relation to Item 4 of this agenda.
- Pensions Consultative Forum held on 10 June were reviewed and the contents noted.
- LGPS Central Joint Committee held on 21 June.

- 1.3 Appointment of Chair and Vice Chair
Officers requested nominations for Chair of the Committee and Councillor Hogg was re-appointed. Councillor Hogg requested nominations for the Vice Chair and Councillor Wharton was re-appointed.
- 1.4 Investment Sub Committee core membership
The Committee considered whether to set a core membership of five for the Sub-Committee. Committee thought there was merit in such an approach, with other Committee members able to attend as observers should they wish. Committee requested this be re-considered at a future meeting to allow Committee members more time to consider the proposal. Committee was also mindful of the expected SAB guidance flowing from the Good Governance review which may impact.
- 1.5 Declarations of Interest
There were no declarations of interest.

2. **STANDING ITEMS**

2a **Changes to Employers**

The Committee received a report detailing employers who had been admitted into, or exited the Fund over the period 1 June 2019 to 31 August 2019 (inclusive). A revised Appendix A to the report was distributed in the meeting correcting ceding employer details.

The Committee was advised of changes in the period as summarised below:

Members transferred to new employers	144
Members transferred to four new Academies who are open to new LGPS membership	136
Members were transferred to private sector contractors providing a service on behalf of a local authority in the Fund.	8
Employers leaving the scheme	1

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

2b **Funding Level Update**

This standing item was replaced by Item 3 on the Agenda in this instance.

2c **Compliance Update**

The Committee was presented with a summary of the breaches log 1st April 2015 to 31 July 2019, noting that a total of 299 breaches had been logged over the period.

Unpaid contributions

The Committee received an update on two employers (both academies) where outstanding contributions are due and actions being taken to recover these.

Disclosure Breach

Funds are required to notify all scheme members of regulatory changes within a prescribed timeframe. In one instance, the Fund wrote directly to the small number of members affected by a regulatory change and communicated the change to the wider membership in regular scheme communications, meaning the Fund missed the disclosure timeframe for the wider membership.

Annual Benefits Statements Breach

The Fund self-reported a breach the Pensions Regulator in August. This related to the requirement for Funds to send 100% of Annual Benefit Statements (ABS) by 31 August each year. The Fund distributed 85% of statements to employed members (an increase of 8% over 2018). The remaining 15% of statements weren't sent due to issues with data provided to the Fund. An improvement plan has been produced to send all remaining employee member ABS by the end of November 2019.

The Committee noted:-

- the cumulative summary of the Breaches Log for 1 April 2015 to 31 July 2019 and actions being taken, and
- the ABS breach and resulting action plan which have been reported to the Pensions Regulator

2d Business Plan 2019/20 Update

The Committee received an update on progress against the targets in the 2019/20 Plan. The majority of actions are on target, with a few actions assessed as AMBER, denoting a risk of minor delay or marginal underachievement against target. The report explained the reasons for the AMBER ratings.

Officers reported a forecast underspend for the 2019/20 Administration Budget at this early stage in the year of £127,000, mainly due to savings on the staffing budget from staff turnover.

The Committee noted:-

- progress in delivering the Business Plan and actions for quarter 2, and
- the early financial outturn forecast of an underspend £127,000

3. VALUATION UPDATE

- 3.1 The Committee received an update on progress towards delivery of the 2019 Triennial Valuation and Investment Strategy Review.
- 3.2 The report restated the assumptions recommended by the actuary to be used in the 2019 triennial valuation which were endorsed by Committee in March 2019.
- 3.3 The report explained that initial whole fund valuation results had been received, which showed that
 - 3.3.1 There has been an improvement in the reported funding level from 90% to 99% and hence a reduction in the funding deficit from £467m to £69m
 - 3.3.2 Liabilities increased by £1.032bn to £5.652bn over the valuation period. The biggest drivers of the increase in liabilities were; reduction in future assumed investment returns which place a higher present value on liabilities and interest on benefits already accrued.
 - 3.3.3 The increase in the value of liabilities has however been more than offset by an increase of £1.43bn to £5.583bn in the value of the Fund's assets, primarily due to stronger than expected investment returns.
- 3.4 The report clarified that results are for the whole fund. Each employer is valued separately based on their own data and demographic. Changes in employer funding positions will vary compared to that of the whole fund. Officers and the Actuary are working together to review individual employer's valuation results and proposed contribution rates. All employers will be briefed by 1 November.
- 3.5 The report informed Committee of the work underway to review the Funding Strategy Statement (FSS) in light of the emerging 2019 valuation results. A number of areas where change to the current FSS is likely be required were highlighted. Once valuation results have been fully confirmed, officers will prepare a revised FSS incorporating the changes outlined in the report for consultation with employers. Following employer consultation, the revised FSS will be presented to Committee.
- 3.6 The triennial valuation results will also lead to a review of the investment strategy, the Fund's investment consultant (Mercer) will review and advise on the appropriateness of the Fund's investment strategies and the most appropriate strategy for each employer which will be reported to Committee in due course.
- 3.7 Hymans Robertson, the Fund's appointed actuary, gave a presentation to Committee which provided more detail on the whole fund valuation results, the sensitivity of results to different assumptions, particularly in relation to future investment returns and next steps for communicating results to employers.
- 3.8 Mercer Consulting, the Fund's appointed investment advisers, gave a presentation recapping existing employer investment strategies and factors to be considered in reviewing the existing investment strategies

The Committee noted:-

- progress made in completing the 2019 triennial valuation and investment strategy review
- initial whole fund 2019 valuation results
- proposed principle amendments to amend the Funding Strategy Statement, subject to employer consultation
- next steps and the timetable to complete the 2019 triennial valuation
- key considerations and proposed timetable for the investment strategy review

4. CASEWORK DEMINIMUS LIMITS / GMP

- 4.1 The Committee received an update on progress in completing the Guaranteed Minimum Pension (GMP) review project and the approach the Fund is taking to dealing with under and over payments of pension.
- 4.2 The Committee considered a summary of existing and proposed casework de-minimus limits used to ensure operational efficiency.
- 4.3 The Committee noted that both of the above issues had been considered by the Local Pension Board at its meeting on 16 July and the Board had recommended the Committee endorse the recommendations set out in the report.

The Committee:

- endorsed the approach to under and over payments of GMPs, and
- endorsed the casework de-minimus limits and the new refund limit of £25

5. GOOD GOVERNANCE REVIEW

- 5.1 This update item was deferred pending further information from SAB on next steps flowing from the review.

6. TRAINING POLICY / PLAN FOR THE COMMITTEE AND BOARD

- 6.1 Committee members were reminded to complete the self-assessment questionnaire, which had been circulated via email. The results from the questionnaire will be used to inform the training plan.

7. AOB

- 7.1 No matters were raised

PART B – NOT FOR PUBLICATION

The Committee resolved that:

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

8. PROCEDURAL MATTERS

- 8.1 The Committee noted that the draft Minutes from the Investment Sub-Committee meeting which took place on the 6 September had been circulated via email. Officers were awaiting confirmation from attending members that these minutes were agreed.

9. LGPS CENTRAL AND POOLING UPDATE

- 9.1 The Committee received a presentation from LGPS Central outlining the progress made by the company to date and reaffirming LGPS Central's core objectives and desire to engage regularly with partner funds to ensure effective joint working.
- 9.2 The presentation highlighted the Cheshire Pension Fund's assets under management with, or about to transition to, LGPS Central and the protocols in place to develop further investment vehicles for partner funds to access.
- 9.3 The company described its proactive approach to Responsible Investment & Engagement highlighting four key themes being focussed on in 2019/20 which are; climate change; impact of technology & disruptive industries; reducing single use plastics and tax transparency.

10. AOB

- 10.1 The Committee was briefed on communication received by officers that morning from Arrowgrass; one of the Fund's appointed Absolute Return managers. The Manager had that morning notified the Fund that the investment vehicle is closing with assets to be distributed back to investors. Officers are working closely with the Fund's investment advisers, Mercer on managing the implications of this closure. Further information will be shared with the Committee as soon as possible.