

EMPLOYER CHANGES

1. This report updates the Committee on bodies that have joined or exited the Fund during the period 1 March to 31 May 2020 (inclusive).

Recommendation:

2. The Committee is asked to note and comment on the update on employers that have entered or exited the Cheshire Pension Fund in the reporting period.

Background

3. The Committee will be aware, from previous updates discussing the changes to the membership profile of the Fund and the wider public sector (for example a significant increase in the number of outsourcings and the conversion of maintained schools to Academy status); that the number of new bodies admitted to the Fund has increased markedly over the last couple of years.
4. Likewise, the Committee will be aware that the impact of the different characteristics of newly admitted bodies to the Fund's risk profile was identified as a key driver in developing the employer monitoring work stream.
5. Changes in the characteristics of new admitted bodies and differences in key risk metrics such as covenant, cash flows, maturity of membership profile, lifespan in the LGPS etc. have been identified as a key strategic risk to the Fund and its investment and contribution strategies.
6. In recognising the increased volume and potential impact of these drivers, it was resolved that a report on new admitted bodies and employers who have left be a standing item on the Committee's agenda.

Summary of Changes

7. Appendix A and B to this Report provides the following details for employers who either joined or left the Cheshire Pension Fund during the period 1 March 2020 to 31 May 2020 (inclusive):
 - The nature of the organisations access to the LGPS e.g. as a Community Admitted Body or Transferor Admitted Body
 - A brief summary of the services provided by the new body (joiners only)
 - The ceding authority or employer (both joiners and leavers)
 - Date joined/left the scheme
 - The number of members who have transferred to the new body (joiners only)
 - The value of the pension indemnification bond (joiners only)
 - Contract length (joiners only)
 - Open or closed to new members (joiners only)

- Cessation basis (ongoing or gilts)
 - Payment due (leavers only)
 - Reason for leaving (leavers only)
8. Should the Committee consider that they need more or less information than the proposed standing item provides, officers will revise the report accordingly.
9. The main issues and themes of the changes experienced are summarised below:
- In total 85 members were transferred to new employers over the period 1st March 2020 to 31 May 2020.
 - 52 members transferred to 3 new Academies who remain open to new LGPS membership
 - 33 members were designated by a Cheshire West and Chester Council owned waste collection company as eligible to join the LGPS.
 - 8 employers exited the Cheshire Pension Fund.
 - 2 of the exited employers were on a managed exit from the Fund with agreed payment plans and have met their funding objectives

New Admitted Body	Date of Entry	Type of Entry	Letting / Ceding Employer / Guarantor	Service	Bond Details	Contract Length	Members at point of entry	Open / Closed
Cheshire West Recycling Limited	29/03/2020	Designating Body	Cheshire West and Chester	Domestic Waste Collection Services	Deed Of Guarantee	6 years	33	Closed
Disley Primary School	01/04/2020	Academy	Cheshire East	Conversion of LEA School to an Academy	N/A	N/A	21	Open
Little Bollington CoE Primary School	01/04/2020	Academy	Cheshire East	Conversion of LEA School to an Academy	N/A	N/A	14	Open

Comberbach Primary School	01/05/2020	Academy	Cheshire West and Chester	Conversion of LEA School to an Academy	N/A	N/A	17	Open
TOTAL							85	

Employers exiting the Cheshire Pension Fund: 01/03/2020 – 31/05/2020

Employer	Type of Employer	Date of Cessation	Exit Credit Due	Cessation payment Due	Cessation Basis	Service	Reason	Letting / Ceding Employer / Guarantor
Vision Enhancement Services	Admitted Body	31/01/2020	n/a – last member leaving predates exit credit regime	Managed Exit Employer. Funding target achieved 31/01/2020	Gilts	Specialist Advice & Support for Vision impairment	Managed Exit Employer. Funding target achieved 31/01/2020	n/a
Warrington Community Living	Admitted Body	31/01/2020	n/a – last member leaving predates exit credit regime	Managed Exit Employer. Funding target achieved 31/01/2020	Gilts	Support for people with learning and physical disabilities	Managed Exit Employer. Funding target achieved 31/01/2020	n/a
Cheshire County Sports Club	Admitted Body	30/11/2019	tbc	tbc	Gilts	Sporting Venue and Social Facilities	Last member left	n/a
Silk Heritage Trust	Admitted Body	31/12/2019	No	tbc. Managed Exit Employer. Will continue to pay deficit payments only	Gilts	Museum and educational services	Last member left	Cheshire County Council
Keys Care Limited	Admitted Body	31/03/2020	tbc	tbc	ongoing	Care and Education services	End of Contract	Cheshire East
Kier (MG) Ltd	Admitted Body	29/03/2020	No – side agreement between Cheshire West and Chester Council and Kier	No – side agreement between Cheshire West and Chester Council and Kier	ongoing	Waste Collection Service	End of Contract	Cheshire West and Chester

Riverside Truck Rental	Admitted Body	29/03/2020	tbc	tbc	ongoing	Maintenance and servicing depot	End of Contract	Kier (MG) Ltd
Kingsley Parish Council	Town/ Parish council	31/03/2020	n/a. Pooled arrangement	n/a Pooled arrangement	ongoing	Parish Council	last member left	n/a

COMPLIANCE UPDATE

Introduction

1. This report provides the Committee with a summary of the Breaches Log for the year 1 April 2019 to 31 March 2020.

Recommendation

2. The Committee are requested to note and comment on the summary of the Breaches Log for 1 April 2019 to 31 March 2020.

Breaches Log

3. In accordance with the Breaches Policy, both the Committee and the Local Pension Board review the Breaches Log on a quarterly basis, in order to identify any trends that may require further action.
4. A summary of the breaches included on the log between 1 April 2019 and 31 March 2020 are listed below in Table 1 and are categorised by Red, Amber and Green. For comparison purposes the total numbers of breaches for the prior year have also been included.
5. Red breaches are those which require reporting to the Pensions Regulator. Amber breaches are where the Fund has highlighted an issue with the Employer which requires further monitoring but are not material enough to require reporting to the Pensions Regulator (TPR). Green breaches are those where following investigation, no further action is deemed necessary.

Table 1 – Summary of the Breaches Log

	Total 2018/19	Total 2019/20	Status 2019/20		
			Red	Amber	Green
Contributions	64	71	1	24	46
ABS	1	1	1	0	0
Disclosure	0	1	0	0	1
Administration	20	26	0	0	26
Sub-totals	85	99	2	24	73

6. There have been no new red and 4 new amber breaches in the past quarter. Below is a summary of those new breaches.

Contribution breaches

7. During the quarter there were eleven Green breaches. The majority of these relate to employers who 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.
8. The four amber breaches in the last quarter relate to two employers.

Employer 1- Admitted Body

- This employer has repeatedly made late payments to the Fund.
- The employer has made their April 2020 contribution payment on time and has agreed a payment plan with the Fund to clear their underpaid contributions to March 2020 by the end of the 2020-21 financial year.

Employer 2- Admitted Body

- The employer has not signed the Admission Agreement however the employer made a payment to the Fund in April 2018 for outstanding pension contributions up to February 2018. Legal advice is that by making this payment the employer has acknowledged their responsibility to the Fund.
- The employer was reported to the Pensions Regulator in October 2019.
- The Fund has now come to an agreement to resolve these unpaid contributions and due to the contract ceasing in July there will be no further issues with this Employer.

Administration breaches

9. The Fund has identified twenty six breaches relating to administration casework during the year. With sixteen occurring in the last quarter.
10. Twenty of these breaches relate to historic issues which have been identified as casework has been completed. The breaches relate to cases where a member was not notified of their options within the requisite two months of the relevant trigger event, as set out in regulations. Fund processes were changed in 2016 to ensure that the Fund complies with Regulations.
11. A further six breaches relate to a new type of administration breach which has resulted in a change in process. These breaches again relate to cases where a member was not notified of their options within the requisite two months of the relevant trigger event, as set out in regulations.
12. Last year the Fund obtained access to the National Insurance Database (NID) meaning that before contacting a member who leaves the Fund to advise them of their options (i.e. refund, transfer or deferment), the Fund is now able to use the database to check if the member has any service with any other LGPS Funds which may result in them being ineligible for a refund.

13. The NID is only able to confirm if the member had service with another Fund and does not confirm whether the member received a refund for this service. That means that the Cheshire Fund have to write to the original Fund to check the position in order to confirm if the member is eligible for a refund or not, which causes a delay.
14. This additional step in the process has led to a number of members receiving their option letters outside of the 60 days outlined in regulations.
15. In order to avoid further breaches the Fund is amending its standard options letter to include the refund form, but will only issue a refund once it has been confirmed that the member is eligible to receive it.