

MINUTES OF PENSION FUND COMMITTEE HELD ON 05 JUNE 2020

Present

Cheshire West and Chester: Cllrs Hogg (Chair), Lewis, Tonge and Gould
Cheshire East: Cllrs Corcoran, Findlow, Stott and Bulman
Halton: Cllr Wharton
Warrington: Cllr Mitchell
Member Representative: Paul Matthews, GMB

In Attendance

Actuary: Hymans Robertson - Gemma Sefton
Investment Advisor: Mercer - Chris West, Nick Page
External Auditor: Grant Thornton - Stuart Basnett
CW&C Officers: Mark Wynn, Maggie Sheppard, Heidi Catherall, Nick Jones,
Steve Wilcock, Debbie Darlington and Charles Riley
Local Pension Board: Peter Raynes

PART A:

PROCEDURAL MATTERS

1. Declarations of Interest - There were no declarations of interest.

MINUTES OF MEETINGS

2. Minutes of previous meetings

The minutes of the Pension Fund Committee held on 13 March 2020 were reviewed, having previously been distributed and agreed by email. The Minutes of the Local Pension Board held on 5 May 2020 were also reviewed.

STANDING ITEMS

3. Changes to Employers
The Committee received a report detailing employers who had joined or exited the Fund over the period 1 March to 31 May 2020 (inclusive).

The Committee noted the changes to employers during the reporting period

4. Compliance Update
The Committee received a summary of the breaches log 1 April 2019 to 31 March 2020, noting that 99 breaches had been logged over the period.

The Committee noted the cumulative summary of the Breaches Log for 1 April 2019 to 31 March 2020 and actions taken.



DRAFT STATEMENT OF ACCOUNTS 2019-20

5. The Committee received a report providing an overview of the draft Statement of Accounts for the Cheshire Pension Fund for the year to 31 March 2020. Officers outlined the main changes to the draft Statement of Accounts from the prior year.
6. Due to the Covid-19 pandemic, Committee noted that Government had revised the deadline for preparation of draft accounts from 31 May to 31 August. The audit of the statement of accounts also moved from 31 July to 30 November. The finance team had managed to prepare the draft statement of accounts to the usual deadline of 31 May. The Committee thanked the Finance team for preparing the accounts to a high standard to the usual 31 May deadline despite the additional challenges this year due to the Covid-19 pandemic.
7. The key future dates for committee to note are:

Date	Action
1 July	Grant Thornton commence the audit testing of the accounts
10 Sept	Majority of the audit completed and Grant Thornton produce their Audit Findings Report
11 Sept	Audit Findings Report and Annual Report, including the Statement of Accounts, presented to Pension Fund Committee
TBC	Audit Findings Report and audited Statement of Accounts will be presented to the CW&C Audit and Governance Committee
30 Nov	Audited Statement of Accounts published on CW&C website Annual Report including the Audited Statement of Accounts published on the Fund's website

8. If the audit is not complete by the Committee meeting on 11 September, any changes required to the accounts following this date will be circulated to the Committee for recommendation via an Electronic Decision Notice.
9. The Committee was reminded of the Local Pension Board's role to ensure the accounts are produced in compliance with statutory and best practice guidance, and that the Committee discharges its duty of reviewing the accounts and recommending them to Audit and Governance Committee. The Local Pension Board reviewed the draft Statement of Accounts at their meeting on 2 June 2020 and confirmed that, in their opinion, the accounts had been prepared in accordance with statutory and best practice guidance.
10. The report also included the final outturn for the 2019/20 Administration Budget, which showed an underspend of £528k. This underspend was in line with the £525k forecast underspend reported at the March 2020 Committee meeting.

The Committee:-

- provided comment on the draft Statement of Accounts for the year ending 31 March 2020



- recommended that the draft Statement of Accounts are presented to the Audit and Governance Committee following completion of the audit
- noted the outturn position for 2019/20

AUDIT UPDATE

11. Grant Thornton, the external auditor, presented an update to their Audit plan, which now included Covid-19 as a significant risk area for the 2019/20 audit. Grant Thornton also provided an overview of the interim audit work completed to date.
12. Members asked whether the impact of Covid-19 on the Pension Fund would be included in the remit of Cheshire West and Chester Council's new Covid-19 scrutiny committee and whether members of the Pension Fund Committee would contribute to this committee. The Chief Operating officer explained that the terms of reference of the Committee are still being set up but he would feed in this Committee's views.

The Committee noted:-

- the update to the Audit Plan ahead of it being presented to Audit and Governance Committee, and
- the progress update from Grant Thornton

CORONAVIRUS UPDATE

13. The Committee received an update on the impacts to date on the Fund due to the response to the Coronavirus pandemic and the steps, where required, which will be taken to monitor and manage these impacts going forward. The report considered current and potential impacts in relation to benefits administration, investment performance, pension liabilities, and employer funding.
14. The report highlighted the actions taken to maintain services to scheme members during the Covid-19 lockdown and the potential impact on key year-end data flows due from employers.
15. The need for ongoing monitoring of the longer-term impacts of the Covid 19 pandemic was noted, particularly on contribution inflows, investment income, employer covenants, and longevity assumptions. Committee will receive further monitoring reports in due course.
16. The Committee received an investment update from Mercer on market conditions across a range of asset classes highlighting risks and opportunities for the Fund. No immediate Fund actions or changes were recommended.
17. However, Mercer did recommend early consideration of switching the Fund's additional fixed interest gilts holding back to index linked. Officers confirmed that any such move would be the subject of an explicit recommendation to Committee, most likely via an Electronic Decision Notice.

The Committee noted the contents of the report



BUSINESS PLAN

18. Committee received an updated copy of the Business Plan which included the two changes requested at the March meeting, along with an updated key statistics table as at 31 March 2020.
19. The Committee also received the quarterly action plan for 2020/21 and the updated risk register which now includes a specific risk relating to the Fund's response to the coronavirus.
20. A dashboard summarising progress in meeting the actions due in quarter one of 2020-21 was presented. Members noted three actions were categorised as amber denoting a minor delay in completion. The remainder of the actions were green.

The Committee endorsed the amended Business Plan and the 2020-21 Action Plan and Risk Register and noted progress as set out in the performance dashboard.

INVESTMENT PORTFOLIO – SUPREME COURT JUDGEMENT

21. Committee received a report on the Supreme Court decision upholding the case brought by the Palestinian Solidarity Campaign against elements of the statutory guidance on preparing and maintaining an investment strategy statement.
22. MHCLG had already amended the statutory guidance in 2016 to remove the challenged wording pending the outcome of the appeal process. The legal position remains therefore that an LGPS fund may make a conscious decision not to invest in specific sectors or a specific foreign country, subject always to the general legal principles that such decisions must not involve significant risk of financial detriment to the scheme and the fund should have good reason to think that scheme members would support their decision
23. Committee had approved the Fund's updated Investment Strategy Statement and Responsible Investment (RI) Policy in March 2020. The Fund continues to build on an approach founded on the principle that engagement has greater capacity to bring about Environmental, Social and Governance improvements than disinvestment.
24. The report highlighted lobbying activity by the Palestinian Solidarity Campaign following the Supreme Court judgement. At the date of the Committee, the Fund had not received a direct approach from the campaign but its content and the Fund's position were set out in full in the report.
25. The report noted that a great deal of information is available on Fund investment activity on the Fund website. Over the coming months it was proposed that officers review the Fund's communication approach with the aim of sharing information, where permitted under contract provisions with third parties, more proactively on the Fund's website.



The Committee noted the contents of the report and the proposed approach to the review of Fund communications with respect to investment activity

CASHFLOW FORECAST 2020/21

26. Committee received a cash flow forecast for 2020/21 drawing out the key income drivers for the year as follows.
- Contributions receivable reflected employer rates from the 2019 valuation that came into effect 1 April 2020. Overall, there is a forecast increase in employer contributions for 2020/21. This is primarily due to the timing of secondary rate contributions from the four local Councils.
 - Investment income is forecast to decrease primarily due to lower rental income from the Fund's property portfolio due to impact of the Covid 19 lockdown, particularly on retail tenants. Some retailers may not reopen which could have a permanent impact on rental income. In addition, there may be an impact on office accommodation rent as companies permanently change their working practices and reduce their office footprint.
 - A reduction in dividends from equities is also forecast as companies reduce their payments to shareholders to prioritise other creditors.
27. Overall the forecast showed that despite the reduction in investment income the Fund is estimating a net positive cash flow of £22.8m in 2020-21. Officers will continue to monitor the cash flow position throughout the year.
28. The Committee queried whether it would be possible to regain any of the lost income from Covid-19 via claims that the Administering Authority is making to the government and officers will investigate this possibility.
29. Members also queried whether premises vacant for long periods could be put to alternative uses, such as social housing. It was confirmed that should this occur all options regarding alternatives would be considered.

The Committee noted the contents of the report.

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30. No matters were raised



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