

EMPLOYER CHANGES

1. This report updates the Committee on employers that have joined or exited the Fund during the period 1 December 2020 – 28 February 2021 (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 joined or exited the Fund 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 December 2020 to 28 February 2021 (inclusive):
 - The nature of the organisations access to the LGPS e.g. as an Academy, 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)
 - Exit credit due (leavers only)
 - Payment due (leavers only)



- Reason for leaving (leavers only)
8. Should the Committee consider that they need more or less information than this standing item provides, officers will revise the report accordingly.
9. The main issues and themes of the changes experienced are summarised below:
- In total 98 members were transferred to 5 new academies over the period 1 December 2020 to 28 February 2021.
 - There were no cessations over this period.



Employers joining the Cheshire Pension Fund: 01/12/2020 – 28/02/2021

New Admitted Body	Date of Entry	Type of Body	Letting / Ceding Employer/ Guarantor	Service	Bond Details	Contract Length	Members at point of entry	Open / Closed
Utkinton St Paul's CE Primary School	01/12/2020	Academy	CW&C	Conversion of LEA School to an Academy	N/A	N/A	11	Open
Eaton Primary School	01/12/2020	Academy	CW&C	Conversion of LEA School to an Academy	N/A	N/A	13	Open
Tarvin Primary School	01/12/2020	Academy	CW&C	Conversion of LEA School to an Academy	N/A	N/A	21	Open
Simms Cross Primary School	01/12/2020	Academy	Halton	Conversion of LEA School to an Academy	N/A	N/A	26	Open
Manor Park Primary School	01/01/2021	Academy	Cheshire East	Conversion of LEA School to an Academy	N/A	N/A	27	Open
TOTAL							98	



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COMPLIANCE UPDATE

Introduction

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

Recommendation

2. Committee are requested to note and comment on the summary of the Breaches Log for 1 April 2020 to 31 December 2020 and the red breach reported to the Pensions Regulator.

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 2020 and 31 December 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 (TPR). 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. Green breaches are those where following investigation, no further action is deemed necessary.

Table 1: Summary of the Breaches Log

	Total 2019/20	Total 2020/21	Status 2020/21		
			Red	Amber	Green
Contributions	71	34	0	0	34
ABS	1	1	1	0	0
Disclosure	1	0	0	0	0
Administration	26	51	0	0	51
Total	99	86	1	0	85

6. There has been one red, no amber and 85 green breaches in the period. Below is a summary of the breaches.



Contribution Breaches

7. During the period there were thirty-four Green breaches. The majority of these relate to employers who have small numbers of staff and so are easily affected by unexpected staff absences or have been impacted by Covid-19. These breaches have been quickly rectified by the employer.

Administration Breaches

8. The Fund has identified fifty-one breaches relating to administration casework during the period.
9. As staff work through the casework backlog, many older cases are now being processed. This has resulted in an increase in administration breaches as members weren't notified of their pension options within the specified time periods.
10. Processes have been amended to ensure we do not breach disclosure regulations for current cases, however, as the cases which are now being processed pre-date these changes, they will flag up as a breach.

Annual Benefit Statement Breach

11. LGPS Regulations require that all active and deferred members receive an Annual Benefit Statement (ABS) by 31 August each year. In addition, TPR sets a requirement that pension funds must self-report if they don't provide ABS to 100% of eligible members by this deadline.
12. The Fund has reported to TPR a breach relating to the 2020 ABS. Members of the Committee were briefed on the ABS breach at the last meeting on 4 December 2020.
13. The Committee will recall that the Fund delivered 90% of ABS's to active members on time (compared to 85% in 2019). For deferred members 87% (compared to 89% in 2019) received their ABS on time.
14. Since the end of August the Fund has been working through all data queries on active member records and will issue an ABS to a further 6% (c1,900) members by the end of March 2021. Work is continuing to resolve the data issues for the remaining members.
15. For deferred members the fund was unable to issue an ABS to 13% (3,411) members as no current address was held. The Fund commissioned the services of a tracing company and has since located and sent an ABS to a further 2,053 members.
16. The tracing exercise was unsuccessful for 224 members and so the Fund is unable to issue ABS to these members. For those members their benefits will remain frozen with the Fund until the member can either be located by a future trace or, more likely, that the member contacts the Fund when they are nearing retirement. National initiatives



such as the Pensions Dashboard should also provide opportunities for reuniting members with their benefits in the future.

17. For the remaining 787 members, the Fund is continuing with the tracing by prioritising those members who are nearer to retirement.



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BUSINESS PLAN 2020-21 – PERFORMANCE UPDATE

Introduction

1. This report provides the Committee with the updated performance reporting dashboard summarising progress in delivering the 2020-21 Action Plan. The report also provides a forecast outturn for 2020-21.

Recommendation

2. Committee is asked to note progress in delivering the Action Plan, and the forecast outturn.

Action Plan Performance Update

3. The latest performance dashboard update is attached as Appendix A to this report. The dashboard shows there are twenty-three actions due for completion in Quarter 4 (ending March 2021).
4. Members will note that no actions are flagged as red, six actions are flagged as amber and seven are green. Twenty actions move to 2021-22, highlighted blue, reflecting the impact of the pandemic and external dependencies which mean they cannot be achieved this financial year.
5. Committee will continue to receive quarterly updates on progress in achieving the Action Plan for 2020-21.

2020-21 Forecast Outturn

6. The 2020-21 budget is £4.613m and includes a contingency of £250,000 to meet costs which were unquantifiable at the time the budget was set. These were:
 - Resourcing outcomes of scheme changes due to the McCloud remedy
 - Resourcing outcomes of the Good Governance Review
 - Impact of actuarial re-procurement
 - LGPS Central budget for 2020-21 not yet finalised
7. The outturn forecast at the end of February is an underspend of £282,000. This is an increase of £50,000 compared to the forecast underspend of £232,000 reported to the Committee in December. Further detail is provided below.
8. The main reason for underspend is that £193,000 of the agreed contingency has not been utilised in 2020-21. However, the contingency will be required to fund work on the changes required by the McCloud remedy and the Good Governance project, along with potential other regulatory reform and will be built into the budget projections for 2021-22.



9. There is also an underspend on the computer software budget of £40,000. The main reason for the increase in the underspend from the December report is slippage of £36,000 project work into 2021-22.
10. There has been a further reduction of £22,000 in salary costs as the Fund did not fill two vacant posts. It is hoped that these can be filled in 2021-22.



Action Plan Tracker 2020-21
Progress Update

Action Plan Ref.	Action	Quarter Due	Progress Red/Amber/Green	Comments on progress
AP1	Review governance arrangements in the light of recommendations from national LGPS Good Governance review/ Barnett Waddingham CPF Review. (Dependent on SAB timeline)	Move to 2021-22		SAB has now published its final recommendations. Officers are reviewing the outputs, along with Barnett Waddingham's recommendations which were put on hold pending SAB review outcomes to consider if any should now be taken forward. Move to 2021-22
AP1	Collate results from the self-assessment questionnaires and develop the 2021-22 training plan.	Q4		Members completed the self assessment questionnaires, the results have been collated and the training plan for 2021-22 has been developed for approval by the Committee on 12 March 2021.
AP1	Produce individual training plans for members for 2021-22	Q4		Individual training plans will be circulated to members by the end of March 2021.
AP2	Implement transition to pooled Multi Asset Credit Sub-Fund (if approved).	Move to 2021-22		Will now move to Q1/Q2 in 2021-22 assuming decision made by Committee in March 2021 to invest.
AP2	Implement decision to invest in LGPS Central's Infrastructure Sub Fund (if approved).	Move to 2021-22		Realign to LGPS Central timeline. Move to 2021-22
AP2	Implement decision to invest cash or transition assets into LGPS Central's Property Fund (if approved).	Move to 2021-22		Realign to LGPS Central timeline. Move to 2021-22
AP2	Report on review of Fund's equity portfolio and level of interest rate/inflation protection in Fund's portfolio.	Q4		Equity portfolio review considered at December 2020 Committee and will be concluded at March and June 2021 Committee meetings. Additional reviews of other areas will be scheduled for 2021-22.
AP3	Improve the member experience at retirement and reduce the number of retirees waiting over 60 days to receive their pension to below 20%	Move to 2021-22		Progress has been delayed due to the pandemic. Work will resume in 2021-22



Action Plan Tracker 2020-21
Progress Update

Action Plan Ref.	Action	Quarter Due	Progress Red/Amber/Green	Comments on progress
AP3	Provide information for National Fraud Initiative (database extract).	Qtr 4 (from Q3)	Green	The NFI process has been completed and the Fund has received some matches for further investigation.
AP3	Receive results from the NFI matching exercise and commence work on any queries identified	Q4	Green	The NFI process has been completed and the Fund has received some matches for further investigation.
AP4	Develop a plan for how we engage with employers who have less than 100 members in line with Client Relationship Management model.	Move to 2021-22	Amber	Will be considered in line with a strategic review of the communication and training resource required by the Fund as part of the new pensions programme. Move to 2021-22.
AP4	Commence delivery of engagement with employers who have less than 100 members in line with Client Relationship Management model.	Move to 2021-22	Amber	Will be considered in line with a strategic review of the communication and training resource required by the Fund as part of the new pensions programme. Move to 2021-22.
AP4	Enhance performance reporting suite – to include overview of employer (as well as Fund) performance relative to Administration Strategy	Move to 2021-22	Amber	The Administration Strategy has been reviewed by the Pensions Consultative Forum and will be updated in early 2021-22.
AP4	Develop standard training offering for employers	Move to 2021-22	Amber	Will be considered in line with a strategic review of the communication and training resource required by the Fund as part of the new pensions programme. Move to 2021-22.



Action Plan Tracker 2020-21
Progress Update

Action Plan Ref.	Action	Quarter Due	Progress Red/Amber/Green	Comments on progress
AP4	Complete mop-up exercise for ABS members.	Q4	Green	An ABS was issued to 90% of active members and 87% of deferred members by the statutory deadline of 31 August 2020. A further 6% of active members will receive their ABS by the end of March 2021. The Fund undertook a tracing exercise to locate lost deferred members and as a result has been able to send an ABS to a further 8% of members.
AP4	Carry our tracing for any preserved refund members with whom the Fund has lost contact.	Q4	Amber	The Fund has conducted an exercise to write to preserved refund members to confirm which ones require a trace. The Fund has written to 500 of the c1,300 members and will write to the remaining members in 2021. The Fund will conduct a tracing exercise for any members who cannot be located.
AP5	Appoint actuary following further competition.	Move to 2021-22	Red	Tender to be launched once LGPS national framework for actuarial services has been published.
AP5	Appoint database provider following further competition exercise.	Q4	Green	The contract will be awarded by the end of March 2021.
AP5	,	Move to 2021-22	Red	The Good Governance outcomes were published in February 2021. This action will be addressed in the new year. Move to 2021-22.



Action Plan Tracker 2020-21
Progress Update

Action Plan Ref.	Action	Quarter Due	Progress Red/Amber/Green	Comments on progress
AP6	Member Self-Serve - Commence phased roll out to scheme members. Start the process to enrol members onto MSS.	Move to 2021-22		Member Self-Serve project delayed until procurement of Pensions Admin Software is completed. Roll out plan will be considered in line with a strategic review of the communication resource required by the Fund as part of the new pensions programme. Move to 2021-22
AP6	Member Self-Serve - Investigate opportunities to introduce calculators so members can obtain estimate of benefits in future	Move to 2021-22		Member Self-Serve project delayed until procurement of Pensions Admin Software is completed. Move to 2021/22
AP6	Investigate options to deliver 2021 ABS via Member Self-Serve	Move to 2021-22		Member Self-Serve project delayed until procurement of Pensions Admin Software is completed. Move to 2021-22
AP6	Explore options to enable Member Self-Serve for pensioner members	Move to 2021-22		Member Self-Serve project delayed until procurement of Pensions Admin Software is completed. Move to 2021-22
AP7	Re-run the skills matrix exercise for all staff to assess improvements in personal development and to identify further areas for training.	Q4		Will be considered in line with a review of staffing resource and training required by the Fund as part of the new pensions programme. Move to 2021-22.
AP8	Complete the transition of all employers onto Monthly Interfacing.	Q4		By the end of March 226 (75%) out of 302 employers (30,769 (75%) out of 40,822) members will be live on MI. The Fund is working with the remaining 76 employers and expect them to move onto MI early in 2021-22.



Action Plan Tracker 2020-21
Progress Update

Action Plan Ref.	Action	Quarter Due	Progress Red/Amber/Green	Comments on progress
AP8	Commence the plan to start to tackle the aggregation backlog.	Q4	Amber	Priority cases identified by the triage of aggregation casework are being completed and the backlog has reduced by 35%. A revised plan for tackling specific aspects of the backlog is being developed and is due to be implemented in late March 2021.
AP8	Continue work to clear deferred casework backlog.	Q4	Amber	The deferred backlog of c4,300 has been reduced by 72% to c1,200 cases. Work is ongoing to clear the remainder of the backlog.
AP8	Complete all Transfer associated (e.g. AVCs) related casework process reviews	Q4	Amber	Due to the pandemic an interim review has been conducted to make sure any processes can be dealt with whilst remote working. The timetable for the ongoing review has been paused as the main transfer casework process review needs to be completed first.
AP9	Produce Fund's proposals to initiate Fund's compliance with the Financial Reporting Council's revised UK Stewardship Code.	Move to 2021-22	Green	Although the FRC's revised UK Stewardship Code came into operation on 1st January 2020, any organisation that wants to be accredited needs to submit a retrospective report explaining their compliance for the calendar year 2020 by 30th April 2021. Therefore, this item will be considered in early/mid 2021, resources permitting. Move to 2021-22.
AP9	Carry out annual review of Fund's Investment Strategy Statement and Responsible Investment policy.	Q4	Green	Report presented to Committee at 12 March meeting.



Action Plan Tracker 2020-21
Progress Update

Action Plan Ref.	Action	Quarter Due	Progress Red/Amber/Green	Comments on progress
AP11	Roll out employer dashboard(s) to relevant stakeholder(s) e.g. PLT, CRM	Move to 2021-22		Will be considered in line with a strategic review of the communication and training resource required by the Fund as part of the new pensions programme. Move to 2021-22.
AP11	Develop resilience and knowledge and understanding of covenant across the pensions department	Move to 2021-22		To be considered as part of review of employer dashboard information and review of internal processes to meet new employer flexibilities
AP12	Implement phase 2 B4B implementation (payroll)	Move to 2021-22		Move to 2021-22 in line with the Unit 4 ERP (B4B) timetable.

