

EMPLOYER CHANGES

1. This report updates the Committee on employers that have joined or exited the Fund during the period 1 June 2021 to 31 August 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 few 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 joined and exited the Cheshire Pension Fund during the period 1 June 2021 to 31 August 2021 (inclusive):
 - The nature of the organisation's 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 41 members were transferred to 9 new employers over the period 1 June 2021 to 31 August 2021.
 - Cornerstone Academy were admitted on 1st July 2021 and Midshire Signature Services on 1st August.
 - The remaining 7 employers had all applied for admission retrospectively.
 - There was 1 employer exit (Nirvana Ltd) effective during the last period. The cessation of Cheshire West & Chester Council's contract with Turning Point (which triggered the transfer of 2 staff to Westminster Drug Project) had previously been reported to Committee in June 2019.



Employers joining the Cheshire Pension Fund: 01/06/2021 – 31/08/2021

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
Chelford Parish Council	01/04/2020 (backdated)	Resolution Body	N/A	Parish Council	N/A	N/A	1	Open
Cornerstone Academy	01/07/2021	Independent Academy	Cheshire East	Academy School	N/A	N/A	1	Open
Midshire Signature Services	01/08/2021	Admitted Body	The Sandstone Academy Trust	School Meals at 3 schools	N/A	3 years	4	Closed
Chartwell Ltd	01/04/2017	Admitted Body	CEC Catering	School Meals at Middlewich HS	£0	5 years	5	Closed
Bulloughs Ltd	01/09/2018	Admitted Body	The Sandstone Academy Trust	Cleaning at Tarporley HS	£7k	3 years	6	Closed
Mellors Ltd	01/09/2018	Admitted Body	CEC Catering	School Meals at Learning 4 Life	£12k	3 years	19	Closed
Westminster Drug Project	01/04/2019	Admitted Body	CWaC	Drug Rehabilitation	£0	2 years	2	Closed
Brandalls Ltd	01/04/2019	Admitted Body	Edsential	School Meals at Kingsley Primary	£0	3 years	2	Closed



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
Nirvana Ltd	01/04/2020	Admitted Body	Edsential	Cleaning at Dee Banks Primary	£0	2 years	1	Closed
TOTAL Members							41	



Employers exiting the Cheshire Pension Fund: 01/06/2021 – 31/08/2021

Employer	Type of Employer	Date of Cessation	Exit Credit Due	Cessation payment Due	Cessation Basis	Service	Reason	Letting/Ceding Employer/ Guarantor
Nirvana Ltd	Admitted Body	30/06/2021	No	No	Pass Through	Cleaning at Dee Banks Primary	Last active member left	CWaC

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COMPLIANCE UPDATE

Introduction

1. This report provides the Committee with a summary of the Breaches Log for 1 April 2021 to 30 June 2021.

Recommendation

2. Committee are requested to note and comment on the summary of the Breaches Log for 1 April 2021 to 30 June 2021.

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 2021 and 30 June 2021 are listed below in Table 1 and are categorised as red, amber or 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 2020/21	Total 2021/22	Status 2021/22		
			Red	Amber	Green
Contributions	47	16	0	0	16
ABS	1	0	0	0	0
Disclosure	0	0	0	0	0
Administration	55	11	0	0	11
Total	103	27	0	0	27

6. There were no red and amber breaches and 27 green breaches in the reporting period. Below is a summary of the reasons for the breaches.



Contribution Breaches – 16

7. 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 - 11

8. These relate to ongoing activity to progress legacy casework - triggering breaches as scheme members are now receiving notification of their benefits who weren't notified at the time within the specified limits.



BUSINESS PLAN 2021-22 – PERFORMANCE UPDATE

1. The report provides Committee with the new format of the performance reporting dashboard summarising progress in delivering the 2021-22 Action Plan. The report also provides a forecast outturn for 2021-22.

Recommendation

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

Action Plan Performance Update

3. The Fund's approved Business Plan has four overarching objectives: -

Governance

To have effective governance arrangements which allow Pension Fund Committee, Local Pension Board, officers, and participating employers to discharge their responsibilities effectively and compliantly.

Administration and Communication

To provide high quality, value for money and friendly services for scheme beneficiaries, potential beneficiaries and employers including clear, timely and relevant communications.

Funding

To ensure financial sustainability to meet scheme members' pensions by actively managing investment and liability risk and to deliver stable and affordable employer contribution rates.

Investments

To manage the Fund's investments in line with the Fund's Investment Strategy Statement and Responsible Investment policy to achieve required investment returns.

4. Each year specific actions are identified to contribute to meeting those objectives and these are set out in an annual Action Plan. The 2021-22 Action Plan was presented to Committee in June. Committee will recall that officers proposed to develop a reporting framework which would provide an overview of progress in meeting the Action Plan and highlight any key issues on an exception basis.
5. Attached to this report in Appendix A is the performance dashboard summarising progress against the Action Plan for to the end of Quarter 2 of 2021-22.
6. The four objectives set out in the Business Plan are categorised as Workstreams in the dashboard to enable appropriate programme management discipline to be applied to monitor delivery.

7. The dashboard provides an overview of progress in delivering the Action Plan as a whole (using RAG status flagging) and includes a summary of the position for each workstream. It is hoped that this format provides an appropriate balance of information for Committee throughout the year by way of quarterly reports.
8. In terms of delivery to date, Members will note that overall progress is flagged as Amber – which is defined as being on target to be delivered but delivery date is up to two quarters later than originally agreed or some issues identified which are being managed. This rating is primarily due to the delivery dates for several actions moving back one quarter, reflecting either ongoing activity, some delays due to Covid and impact of re-tenders, and further explanation is included in the dashboard. No actions are flagged as undeliverable.

Fund Risk Register

9. The Committee reviewed the Risk Register at the last meeting in June and noted that the register would be reviewed again at the end of September. The Risk Register will be presented to the Committee in December.

2021-22 Forecast Outturn

10. The original 2021-22 budget was £4.731m and included a contingency of £250,000 to meet costs which were unquantifiable at the time the budget was set. These included responding to:
 - National developments
 - Scheme changes due to the McCloud remedy
 - Good Governance Review
 - Further exit reform
 - Pending consultations (investment guidance, Combined Code, Climate Risk etc)
 - Local re-tenders (actuarial services and administration database)
11. Committee will recall that an additional temporary in year budget increase of £275,660 was agreed at the June meeting for mobilising the new contract for the Fund's administration database - which specified a move to a cloud hosted solution. Therefore, the adjusted budget for 2021-22 is £5.007m.
12. The forecast outturn at the end of July 2021 is an underspend of £0.257m. Most of this underspend is due to there being as yet no call on the contingency budget at this stage. Within the overall position, underspends on staffing due to turnover (see below) are forecast to be offset by temporary additional buy back of programme management support and ongoing enhanced communication resource.
13. Draw down from the contingency may be required as the national and local issues highlighted above progress.

Staffing

14. The staffing establishment approved in the 2021-21 Business Plan is 52 FTE (an approved increase of 5 FTE on 2020-21). Members have asked for updates on staffing levels during the year. The table below provides a snapshot of the current staffing establishment in the three teams.

	Budget FTE	Vacant posts	Secondments	Long term absence & maternity	Short term cover	Actual FTE
Management Team	4	-		-		4
Operations	42	-5	-2	-2	-	33
Finance & Investments	3		-1	-1	2	3
Stakeholder	3			-1	-	2
	52	-5	-3	-4	2	42

15. Recruitment to fill the vacant posts in the Operations team has been ongoing with appointments imminent but it will take time for the new staff to become fully trained.

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Pension Fund Business Plan: September 2021

This Quarter	A
Previous Quarter	G

Business Plan Overview

The primary long term aims of the Pension Fund are:

Governance

To have effective governance arrangements which allow Pension Fund Committee, Local Pension Board, officers, and participating employers to discharge their responsibilities effectively and compliantly.

Administration and Communication

To provide high quality, value for money and friendly services for scheme beneficiaries, potential beneficiaries and employers including clear, timely and relevant communications.

Funding

To ensure financial sustainability to meet scheme members' pensions by actively managing investment and liability risk and to deliver stable and affordable employer contribution rates.

Investments

To manage the Fund's investments in line with the Fund's Investment Strategy Statement and Responsible Investment policy to achieve required investment returns.

To meet these goals effectively, the Business Plan has been broken down into **4 key workstreams** (listed below), which are further subdivided into various key activities to be undertaken during 2021-22.

Key Workstreams	Business Plan Stakeholders	Programme Status	RAG Key	
1. Governance 2. Administration and Communication 3. Funding 4. Investments	Maggie Sheppard – MS Heidi Catherall – HC Nick Jones – NJ Steven Wilcock – SW	The overall RAG Status is Amber because: <ul style="list-style-type: none"> Workstream 1 is Amber Workstream 2 is Amber Workstream 3 is Amber Workstream 4 is Green 	Green	On Target to be delivered by original delivery date and no likely risks/concerns to indicate otherwise.
			Amber	On target to be delivered but delivery date is up to 2 quarters later than originally agreed or some issues identified which are being managed
			Red	Passed original delivery date. Or serious issues identified and recovery plan required

Workstream 1 – Governance

This Quarter	A
Previous Quarter	G

Workstream Status

The **Workstream's RAG Status** is **Amber** because:

- G5 and G6 expected delivery date has rescheduled to Q3
- There are no other tasks which are on Amber status or need immediate management attention.
- There are no tasks which are on Red status.

Workstream Planning

Key Achievements (This Quarter)

- Actuarial Services procurement live
- Draft Statement of Accounts completed
- Multi Skilling training plans developed for Operations staff

Planned Activities (Next Quarter)

- Complete actuarial services procurement
- Consult employers on revised Pensions Administration Strategy
- Undertake a procurement exercise for tracing services
- Consider Investment Advisor extension/re-procurement.

Ref	Key Activities	Actions 2021-22	Original Target Date	Commentary	Revised Delivery date	RAG	Owner
G5	Effective contract management e.g. Extend or re-procure contractors as required (including Actuarial Services, Investment Advisor)	Consider Investment Advisor extension/re-procurement	Q2	Rescheduled to Q3 after completion of actuarial procurement	Q3	A	SW/HC
G6	Manage employers' entry into, and exit out of the Fund in line with Regulations and Admissions and Exit Policies	Implement revised employer flexibilities policy (post consultation)	Q1	Rescheduled to Q3 as Officers continue to work with 1 st wave of employers who wish to utilise these new flexibilities	Q3	A	NJ

Workstream 2 – Administration and Communication

This Quarter	A
Previous Quarter	G

Workstream Status

The **Workstream's RAG Status** is **Amber** because:

- AC1 and AC2 have Rescheduled to Q3
- AC7 has been amended to Q4 to reflect updated project plan
- There are no other tasks which are on Amber status or need immediate management attention.
- There are no tasks which are on Red status.

Workstream Planning

Key Achievements (This Quarter)

- Annual Benefit Statements issued to active members
- Draft Statement of Accounts completed
- Agreed a roadmap with Civica for hosting and to determine the other system development required and the timing/sequencing of implementation

Planned Activities (Next Quarter)

- Consult revised Pensions Administration Strategy with employers
- Commence Member Self Serve project with Civica

Ref	Key Activities	Actions 2021-22	Original Target Date	Commentary	Revised Delivery date	RAG	Owner
AC1	Process key casework within targets set out in Administration Strategy	Update the Pensions Administration Strategy (PAS) and republish	Q1	PAS updated after consultation with Pension Consultative Forum. Consultation with wider employer base to take place in Q3	Q3	A	NJ
AC2	Develop plans to reduce casework backlogs to agreed levels	Develop plan to clear backlogs	Q2	Rescheduled to Q3	Q3	A	HC
AC7	Implement Member Self-Serve for scheme members AC7	Sign off what functionality each category of member will be able to access.	Q2	Rescheduled to Q4 to reflect revised project plan and agreed roadmap with Civica	Q4	A	NJ

Workstream 3 – Funding

This Quarter	A
Previous Quarter	G

Workstream Status

The **Workstream's RAG Status** is **Amber** because:

- F4 and F4 have Rescheduled into Q33
- There are no other tasks which are on Amber status or need immediate management attention.
- There are no tasks which are on Red status.

Workstream Planning

Key Achievements (This Quarter)

- Sign off agreed valuation timetable with Hymans Robertson and Committee
- Draft Statement of Accounts completed
- Commissioned initial modelling to review Academies Funding and Investment Strategies

Planned Activities (Next Quarter)

- Agree strategy for Councils and contribution rates

Ref	Key Activities	Actions 2021-22	Original Target Date	Commentary	Revised Delivery date	RAG	Owner
F4/F5	<p>Implement process for reviewing employer contributions intra valuations, in line with new flexibilities</p> <p>Implement and review phased Exit payments and Deferred debt arrangements in line with regulations and Funding Strategy Statement</p>	Implement revised employer flexibilities policy (post consultation)	Q1	Rescheduled into Q3 as Officers continue to work with 1 st wave of employers who wish to utilise these new flexibilities	Q3	A	NJ

Workstream 4 – Investments

This Quarter	G
Previous Quarter	G

Workstream Status

The **Workstream's RAG Status** is **Green** because:

- All tasks are On Target to be delivered by original delivery date and no likely risks/concerns to indicate otherwise
- There are no other tasks which are on Amber status or need immediate management attention.
- There are no tasks which are on Red status.

Workstream Planning

Key Achievements (This Quarter)

- Approved investment in LGPS Central's new Multi Asset Credit Fund implemented,
- Fund's second Climate Risk report (in line with TCFD requirements) published

Planned Activities (Next Quarter)

- Engage with new Communications Officer to produce and implement new engagement/comms strategy.

Ref	Key Activities	Actions 2021-22	Original Target Date	Commentary	Revised Delivery date	RAG	Owner
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