

MINUTES OF PENSION FUND COMMITTEE HELD ON 3 DECEMBER 2021**Present**

Cheshire West and Chester: Cllrs Hogg (Chair), Gould and Tonge
Cheshire East: Cllrs Bulman, Corcoran and Findlow
Halton: Cllr Dennett

Apologies

Cheshire West and Chester: Cllr Lewis
Cheshire East: Cllr Stott
Warrington: Cllr Mitchell
Member Representative: Paul Matthews, GMB

In Attendance

Actuary: Hymans Robertson - Gemma Sefton
Investment Advisor: Mercer – Joanne Holden and Chris West
CW&C Officers: Mark Wynn, Maggie Sheppard, Heidi Catherall, Nick Jones, Steve Wilcock, Debbie Darlington and Nigel Dorrington

PART A:**1. PROCEDURAL MATTERS****1.1 Declarations of Interest**

1.2 Apologies were received from Councillor Lewis, Councillor Stott, Councillor Mitchell and Paul Matthews.

1.3 With the Chair's agreement, the Chief Operating Officer, Mark Wynn, made a short statement noting this was the last Committee meeting for the current Head of Pension Fund, Maggie Sheppard, who is retiring at the end of the calendar year. He thanked Maggie for her service to the Fund and in previous roles in the Council and wished her well in retirement. The Chair and Members of the Committee echoed their thanks and best wishes.

2. MINUTES OF MEETINGS

2.1 The minutes of the Pension Fund Committee held on 10 September 2021 were reviewed, having previously been distributed and agreed by email. The Minutes of the Local Pension Board held on 15 September and 5 October 2021 were also reviewed.

2.2 The minutes of the Pensions Consultative Forum held on 22 October 2021 were also reviewed.



3. **STANDING ITEMS**

Employer Changes

- 3.1 The Committee received a report detailing employers who had joined or exited the Fund over the period 1 September to 30 November 2021 (inclusive).

The Committee noted the changes to employers during the reporting period and the addition of a new section for employers where an exit credit determination has been made.

Compliance Update

- 3.2 The Committee received the Compliance Update including a summary of the breaches log 1 April to 30 September 2021. Forty-four occurred in the period, forty-three of those breaches required no further action following investigation.
- 3.3 The Fund has reported a breach to the Pensions Regulator relating to Annual Benefit Statements which didn't meet the 100% target set by LGPS Regulations. The Fund is working through the remaining records to ensure that all eligible members can receive their statement.

The Committee noted the cumulative Breaches Log for 1 April to 30 September 2021.

Business Plan 2021-22

- 3.4 The Committee were presented with the performance reporting dashboard which summarised progress in delivering the 2021-22 Action Plan.
- 3.5 The Committee also received an updated version of the risk register which had been reviewed at the end of September. Following a recommendation from the Local Pension Board the register includes a new risk relating to cyber security. This addition was welcomed by the Committee.
- 3.6 The Committee also received the forecast outturn for 2021-22.

The Committee noted: Progress in delivering the Action Plan, the new risk on the risk register and the forecast outturn.

Regulatory Update

- 3.7 Committee received a report outlining an overview of regulatory changes and events, along with an update on expected future consultations which will impact the Local Government Pension Scheme.

The Committee noted the position as set out in the report.



4. TRIENNIAL VALUATION UPDATE

- 4.1 The Committee received a report outlining the outcomes and recommendations from an actuarial review of the funding and contribution strategies for the four Councils, in advance of the 2022 triennial valuation. The review informs the setting of Council contribution rates from April 2023 (when the next triennial valuation comes into effect).
- 4.2 The approved Funding Strategy Statement sets out the Fund's stabilisation approach for long term, open and tax backed employers such as the Councils. The stabilisation approach seeks to smooth the changes in employer contribution rates by fixing the rate of increase or decrease in steps, expressed as a percentage of pay.
- 4.3 The review found that the funding position for all Councils had improved since the last valuation such that reductions in employer contribution rates were warranted from April 2023 in line with the stabilisation approach.
- 4.4 The modelling undertaken by the Actuary also considered the impact of alternative investment strategies. These produced only marginal changes to the likelihood of funding success for the Councils' pension liabilities and therefore there was a recommendation to make no change from the strategic asset allocation model for Open employers endorsed by the Committee in September 2021.

The Committee:

- a) Endorsed continuation of the Fund's existing funding and contribution strategies for the four Councils and the existing stabilisation parameters, these being:
- Cheshire East contribution rates will step down by 1.5% of pay per annum.
 - Cheshire West and Chester, Halton and Warrington rates will step down by 1% of pay per annum.
- b) Endorsed that in all cases stepping down will cease when the employer reaches their 2022 valuation target rate of 20% of pay.
- c) Requested that Officers discuss the review recommendations with the Councils' respective Section 151 Officers.

5. LGPS CENTRAL POOLING – PROGRESS UPDATE

- 5.1 The report continued the series of updates to Committee on the progress in launching pooled products within the Central investment pool and the Fund's own asset transition.
- 5.2 The Fund has invested 20% of its assets into pooled funds, this will rise to 30% when decisions already made (infrastructure and private debt) are implemented. This percentage may increase further as Committee considers the report later in today's agenda regarding the new pooled sustainable equity fund.



- 5.3 The report summarised Fund assets not yet pooled and the Fund's approach to these and noted that some investments, such as close ended private equity funds, will take many years to unwind.
- 5.4 As requested by Committee the report included a snapshot of Fund costs and savings experienced to date in relation to pooling. The report described the different sources of costs and savings and that some costs are front loaded. The position to date is consistent with the forecast pooling savings for the Fund previously reported, acknowledging that this forecast is based on several key assumptions.
- 5.5 Regular reports on pooling related costs and savings for the Fund will be presented to Committee, typically on an annual basis.

The Committee: Noted the position as set out in the report.

6. COMMUNICATIONS STRATEGY REVIEW

- 6.1 The Committee were introduced to the Fund's new Communications Manager (who joined in late August 2021) and received an update on the timeline for reviewing and updating the Fund's communication strategy.
- 6.2 Members were also briefed on activity to date and other key priorities that will be the focus of communication resources in the short term.

The Committee: Noted the position as set out in the report.

7. PENSIONS ADMINISTRATION STRATEGY

- 7.1 The Committee were presented with the revised Pensions Administration Strategy for the Fund and its participating employers. The strategy outlines the policies and performance standards required to deliver the pensions administration service. Efficient administration is dependent on effective procedures and strong joint working between participating employers and the Fund.
- 7.2 Officers consulted with and took feedback from the Pensions Consultative Forum (the employer forum) in reviewing and updating the strategy. The revised strategy was then subject to a consultation period with all employers. The consultation has now closed with no amendments required.

The Committee: Endorsed the revised Pensions Administration Strategy and its implementation date of 1 April 2022.

8. CONFLICTS OF INTEREST POLICY

- 8.1 The Committee were presented with the proposed Conflicts of Interest Policy for the Fund.



8.2 Development of a Fund wide policy was an action flowing from the Fund's self-assessment of its arrangements against the recommendations of the Scheme Advisory Board's Good Governance Review.

8.3 The policy codifies existing best practice and will apply to members of the Pension Fund Committee and Local Pension Board, Officers and Advisers.

The Committee: Endorsed the Conflicts of Interest Policy which will come into force with immediate effect.

9. **FUTURE MEETINGS**

9.1 The Committee were invited to consider the approach to future meetings and agree dates for specific meetings which will take place in person.

9.2 Members suggested that the Pension Fund Committee meeting would take place in either June or September and the Joint Training Session would take place in July.

The Committee:

- a) noted the proposed future meeting dates and
- b) agreed the dates for in person meetings for the Pension Fund Committee and Joint Committee and Board training meetings.

10. **ANY OTHER BUSINESS**

10.1 Councillor Hogg highlighted the requirement to appoint a Vice Chair for Pension Fund Committee meetings. Members are encouraged to volunteer for the role and this will be considered at the next meeting on 11 March 2022.



PART B

The Committee resolved that:

The details of the following items remain confidential on the grounds they/it involve 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. A non-confidential summary of the items discussed is provided for information.

11. PROCEDURAL MATTERS

11.1 The Committee noted the draft Minutes from the Investment Sub-Committee meeting on 12 November 2021 which had been circulated via email.

12. INVESTMENT PORTFOLIO – SUSTAINABLE EQUITY

12.1 The Committee received a report which proposed the Fund make a commitment to the new LGPS Central (LGPSC) Global Sustainable Active Equity Fund.

12.2 The Committee had previously considered the issue of sustainable equity investing and in March 2019 had endorsed a proposal to invest in the West Midlands Sustainable Equity Framework. However, the Committee had subsequently agreed to pause the implementation of this decision, to allow LGPSC to develop their own pooled Sustainable Equity Sub Fund.

12.3 LGPSC had now completed their competitive procurement process and had recently announced the appointment of three managers across three sustainable equity sleeves as follows:

- Broad – Mirova,
- Thematic – Liontrust,
- Targeted – Baillie Gifford Positive Change.

12.4 The Committee reviewed the approach and performance of the three managers and received a presentation from the Fund's Strategic Investment Advisors Mercer. This presentation included a reminder of the investment case for sustainable equities and reviewed the different approaches to sustainability taken by the three managers. The proposal put forward was for a multi manager approach spanning more than one of the investment styles on offer.

12.5 The Committee were advised that additional analysis would be undertaken by officers and Mercer to evaluate where the proposed £400m sustainable equity investment to the Broad and Targeted sleeves could be funded from. A further report would be brought before the Committee once this review had been concluded.

The Committee:



- a) considered and endorsed the proposal to invest 20% (c. £400m) of the Fund's equity portfolio in the new LGPS Central Global Sustainable Equity Active Fund, split equally between the Targeted sleeve and the Broad sleeve.
- b) Authorised officers, in liaison with Mercer to complete their evaluation of funding options from within the Fund's existing active equity portfolio. This will include an evaluation of the blend of managers across the revised equity portfolio, the degree of overlap between stocks held by the managers, the carbon footprint of the resulting equity portfolio and the transition costs of different options. The favoured option will be brought before the Committee for endorsement prior to any action being taken.

13. **AOB**

13.1 No matters were raised.



THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK



GROUP : PENSION CONSULTATIVE FORUM
DATE : 4/02/2022
TIME : 10am
VENUE : Virtual Meeting via Microsoft Teams

Present:

Chair	Peter Raynes (PR)
Cheshire West and Chester Council	Rosemary Hodgson (RH)
Cheshire East Council	Craig Hughes (CH)
Cheshire Police	Michael Nulty (MN)
Cheshire Fire and Rescue	Jill Swift (JS)
CHALC	Jackie Weaver (JW)
Halton BC	Yvonne Caldwell (YC)
Warrington BC	Helen Barr (HB)
Guinness Partnership	Andrew Wilson
ANSA	Angela McBride (AM)
Adoption Matters	Karen Davies
ESAR	Katie Harrop
Cheshire Pension Fund	Heidi Catherall (HC), Nick Jones (NJ), Nigel Dorrington (ND), John Coombes (JC) and Jenny Brien (JB)

Apologies:

Cheshire West and Chester Council	Chris Pleavin
Cheshire Police	Wendy Bebbington and Jude West
Halton BC	Richard Rout
Warrington BC	Nicola Kane

Item	Minute
1	<p>Minutes of the Last Meeting</p> <p>The minutes of the 22 October 2021 meeting were reviewed and approved, having previously been circulated via email.</p> <p>Forum members were advised that a further consultation on McCloud was expected in the autumn of 2022 and the regulatory changes required for the remedy will not be implemented until October 2023.</p>
2	<p>Pensions Programme</p> <p>Officers presented an overview of progress on the pensions programme.</p> <p>The Fund is making progress in developing plans for clearing casework backlogs and improving the quality of data held by the Fund. Forum members can assist by responding to requests for information in a timely manner.</p>

Item	Minute
	<p>There are c80% of employers who are now submitting monthly files via the MI system. Work is ongoing to onboard the remaining 20%. Forum members were encouraged to contact the Fund to complete their onboarding process.</p> <p>Once all employers are on MI the Fund will be refining the process so that all files are received in line with regulatory guidelines. The Fund will also be undertaking reconciliation processes with a view to removing the need for employers to submit the separate EMP remittance form in the future.</p> <p>Communications will be sent to employers confirm the process for uploading MI files on time and to confirm when they can cease sending the EMP form.</p> <p>McCloud regulations will not be amended until October 2023. In the meantime the Fund is working with employers to obtain the missing part time hours and service break data. So far the Fund has received the information from 45% of employers.</p> <p>Forum members were requested to send their McCloud data and contact the Fund if they require any support with this.</p> <p>The Fund will be introducing Member Self-Serve later this year. A phased roll out of functionality available to members is being devised and will be communicated in due course.</p> <p>Initially the Fund had intended to move to online ABS in August 2022, however, this has been moved back to 2023 to allow more time to update processes and procedures and to make further progress on clearing backlogs and improving data quality.</p> <p>The Fund has been working on the ABS mop-up exercise for active members. Of the 2,629 members who did not receive their ABS in August 2021 1,946 will be issued by the end of February, 255 have been confirmed as not eligible to receive one and the Fund continues to work with employers for the remaining 428 members.</p> <p>The Fund is in the process of awarding a contract to a tracing provider and will then trace the remaining 1,369 deferred members so that they can receive their ABS in July 2022.</p>
3	<p>Administration Strategy</p> <p>Forum members received an update on the Pensions Administration Strategy (PAS).</p> <p>Forum members reviewed the PAS in detail at their meeting on 5 February 2021. A discussion on the proposed changes to the PAS, including clarification on specific areas such as estimates, took place on 25 June 2021.</p> <p>The PAS was updated, taking on board all comments and suggestions from the Forum, and was issued for consultation with all employers.</p> <p>The consultation was issued on 21 October with a closing date of 5pm on 5 November 2021. Two responses were received but no changes were requested.</p>

Item	Minute
	<p>A final draft of the PAS was endorsed by the Pension Fund Committee on 3 December.</p> <p>The PAS will be published on 1 April 2022. The Fund will develop a reporting framework to assess performance of employers and itself against the roles and responsibilities throughout 2022/23.</p> <p>The Fund will work with employers during the year to address any material issues. The results from the performance report will inform whether any amendments are required to the strategy and will be made prior to 1 April 2023.</p> <p>The PAS will be fully implemented from 1 April 2023.</p>
4	<p>Engagement and Communication Strategy</p> <p>Forum members were reminded that the Fund is developing a new engagement and communication strategy and undertook some research with employers and members to help inform it.</p> <p>A pulse survey was carried out in November 2021 and received a good response, thanks to the support of Forum members. The Fund received 905 responses.</p> <p>A breakdown of the feedback from the survey was presented to the Forum and some ideas for where the fund could improve communication in the future were identified.</p> <p>The findings from the pulse survey have been used to inform the draft communication and engagement strategy which will be presented to the Pension Fund Committee on 11 March for endorsement.</p> <p>This will be followed up with a consultation which Forum members will be invited to take part in.</p> <p>The 'strategy is being designed as a fluid document and the Fund will continually seek feedback from stakeholders to inform the communication plan for the Fund.</p> <p>To that end focus groups are being planned for the Spring/Summer and Forum members are encouraged to assist the fund by identifying members who could take part. A number of Forum members offered to assist.</p>
7	<p>Round Table Briefing No issues were raised.</p>
8	<p>AOB Future meetings dates for 2022.</p> <p>24 June 2022 21 October 2022</p>