

**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

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**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.

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**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.



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