

MINUTES OF PENSION FUND COMMITTEE HELD ON 30 SEPTEMBER 2022**Present**

Cheshire West and Chester: Cllrs Hogg (Chair) and Gould
Cheshire East: Cllrs Stott, Bulman, Corcoran and Findlow

Apologies

Cheshire West and Chester: Cllrs Lewis and Tonge
Warrington: Cllr Mitchell
Halton: Cllr Wharton
Member Representative: Paul Matthews, GMB
CW&C Officer: Mark Wynn

In Attendance

Local Pension Board Chair: Peter Raynes
Actuary: Hymans Robertson – Gemma Sefton
Investment Advisor: Mercer – Chris West
External Auditor: Grant Thornton – Angela Pieri
LGPS Central Limited: Joanne Segars, Mike Weston, Patrick O’Hara and Matthew Jones
CW&C Officers: Steve Wilcock, Heidi Catherall, Nick Jones, Debbie Darlington and Nigel Dorrington

PART A:**1. PROCEDURAL MATTERS**

- 1.1 This meeting replaced the 9 September meeting which did not go ahead as planned due to the sad passing of Her Majesty Queen Elizabeth II. The Chairman acknowledged it had been extremely difficult, given busy diaries for all members to make the re-arranged meeting.
- 1.2 There were no declarations of interest.
- 1.3 Apologies were received from Councillor’s Wharton, Mitchell, Tonge and Lewis, Paul Matthews and Mark Wynn.

2. MINUTES OF MEETINGS

- 2.1 The minutes of the Pension Fund Committee held on 10 June 2022 were reviewed, having previously been distributed and agreed by email.
- 2.2 The Committee noted the minutes from the Local Pension Board meeting which took place on 12 July 2022.
- 2.3 Members noted the recommendation from the Board that the Committee instruct officers to implement an annual communication to employers to remind them of their

responsibilities under the internal dispute resolution procedure, and to provide employers with a template policy.

- 2.4 The Committee endorsed the recommendation.
- 2.5 The Committee also noted the minutes of the LGPS Central Joint Committee meeting which took place on 23 June 2022.
- 2.6 Given the volatility in markets over the past week, particularly in respect of UK gilts, officers and Mercer provided an update on the position of the Fund. Following the Chancellor's mini budget, the Bank of England had intervened in gilts markets on 28 September to stabilise prices. This move had been prompted by the financial problems impacting a number of mainly private sector pension funds who had invested in Liability Driven Investments (LDIs), which left them vulnerable to sharp movements in the price of UK gilts. Some funds were having to sell their gilts holdings to meet the requirements of lenders, thereby creating a self-perpetuating vicious circle of falling prices and forced sellers. The Cheshire Pension Fund did not have any exposure to LDIs and would therefore not have to sell any investment assets to meet short term cashflow requirements.

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 June to 31 August 2022 (inclusive).

The Committee noted the changes to employers during the reporting period and noted the inclusion of a table showing the breakdown of schools who have converted to academy status.

Compliance Update

- 3.2 The Committee received the Compliance Update including a summary of the breaches log for the period to 30 June 2022. Nineteen breaches occurred in the period and required no further action following investigation.

The Committee noted the cumulative Breaches Log for the period to 30 June 2022.

Business Plan 2022/23

- 3.3 The Committee were presented with the 2022/23 performance dashboard, outlining progress in achieving the planned actions for quarter two.
- 3.4 The Committee also received the forecast outturn for 2022/23.

The Committee noted: Progress in delivering the Action Plan and the forecast outturn.

Regulatory Update

- 3.5 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. ANNUAL REPORT INCLUDING THE STATEMENT OF ACCOUNTS 2021/22

- 4.1 The Committee received the Fund's Annual Report for 2021-22 including the Statement of Accounts. Officers reported that there had been a couple of minor changes to the disclosures in the accounts. There have been no changes to the figures on the face of the primary statements (the Fund Account and Net Asset Statement). The audit is still in progress and any significant changes to the accounts following the meeting will be reported to the Committee.
- 4.2 Grant Thornton presented their audit findings report which concluded that, subject to the satisfactory completion of all outstanding audit work, they anticipated issuing an unqualified audit opinion i.e. one that concluded the accounts do give a true and fair view of the financial position of the Fund.
- 4.3 The risks assessed and work done to date to arrive at this interim judgement was explained. When the audit is complete Grant Thornton will present an updated Audit Findings report to the Cheshire West and Chester Council Audit and Governance Committee. The final audit report will not be able to be issued until the Cheshire West and Chester Council audit is completed.

The Committee:

- a) Received the draft audit findings report from Grant Thornton
- b) Received the Cheshire Pension Fund Annual Report including the Statement of Accounts for the year ending 31 March 2022 and the Local Pension Board Annual Report
- c) Requested that the Cheshire West and Chester Audit and Governance Committee approve the Cheshire Pension Fund Statement of Accounts for 2021/22 once the audit is complete and sign the Letter of Representation.

5 COMMUNICATIONS STRATEGY UPDATE

- 5.1 The Committee were presented with the Fund's final communication strategy which had been updated following comments received from the Committee in June and a consultation exercise.
- 5.2 Members of the Committee received a summary of the feedback, which was largely positive.
- 5.3 The Committee did not require any further changes to the communication strategy.

The Committee:

- a) noted and provided comments on the feedback to the consultation on the draft communications strategy, and
- b) endorsed that Officers publish the Communications Strategy to come into force with immediate effect and begin implementing the strategy to meet the Fund's communication objectives.

6 ANY OTHER BUSINESS

- 6.1 Members were requested to complete their annual knowledge and skills self-assessment forms.
 - 6.2 Officers updated the Committee on the recent correspondence regarding the Fund's redevelopment proposals for part of the Lansdown Industrial Estate in Cheltenham. The Cheltenham Civic Society had recently sent an email to all Cheshire West and Chester councillors expressing their opposition to the plans and the Council's Chief Executive had replied. In addition, the Cabinet Member for Economic Growth at Cheltenham Borough Council had requested a meeting to discuss the redevelopment plans and this will be facilitated.
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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.

7 PROCEDURAL MATTERS

7.1 The Committee noted the minutes from the Investment Sub-Committee meeting on 26 August 2022 which had been circulated via email.

8 VALUATION AND INVESTMENT STRATEGY REVIEW

8.1 The Committee received a report which set out progress towards delivery of the 2022 Valuation and the Investment Strategy Review.

8.2 The Committee received additional commentary on the recent increase in inflation and volatility in government bond markets. The Committee were reminded that as the majority of employers in the Fund were still long-term employers, the Fund could still take a long-term view. The long-term financial assumptions that the Committee had previously endorsed would therefore not be altered because of recent events.

8.3 The Committee were also advised that the previously endorsed strategy for setting Councils' contribution rates would not be revisited.

8.4 But the recent market volatility would require a review and health check of the Fund's cessation strategy (in the Funding Strategy Statement) for those employers who might exit the scheme during volatile financial conditions.

8.5 Councillor Corcoran again registered his query regarding whether it was appropriate to assume that longevity would continue to improve.

8.6 The Committee also received a presentation from the Fund's Strategic Investment advisor Mercer, which set out the timeline and work programme to review the Fund's investment strategy over the next six months. The plan is that an updated Investment Strategy Statement (ISS) and Responsible Investment (RI) policy will be endorsed and consulted on in early 2023. In line with Investment Regulations a final ISS and RI will then be published on the Fund's website in April 2023.

The Committee endorsed:

- a) Noted the progress made in completing the 2022 Triennial Valuation;
- b) Noted the considerations and proposed timetable for the production of a revised Investment Strategy Statement for publication in April 2023.

9 LGPS CENTRAL AND POOLING UPDATE

- 9.1 The Committee received a presentation from LGPS Central Ltd. The presentation included a company and pooling update and a review of the performance of current investment products and plans for future product launches. The company also described their integrated and proactive Responsible Investment approach and updated on staffing and recruitment issues.

10 ANY OTHER BUSINESS

- 10.1 No matters were raised.