

EMPLOYER CHANGES

1. This report updates the Committee on employers that have joined or exited the Fund during the period 1 December 2022 to 28 February 2023 (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 impact on the risk to the Fund and its investment and contribution strategies.
6. 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 December 2022 to 28 February 2023 (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 where applicable (joiners only)
 - Contract length (joiners only)
 - Open or closed to new members (joiners only)
 - Exit credit due where applicable (leavers only)
 - Payment due where applicable (leavers only)



- Reason for leaving (leavers only)
8. As requested, Appendix C provides the Committee with the current position and potential pipeline for academy conversions.
9. The main issues and themes of the changes experienced are summarised below:
- In total 3 members were transferred to 2 Town/Parish Councils.
 - There were no employer exits during this period.



Employers joining the Cheshire Pension Fund: 01/12/2022 – 28/02/2023

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
Sandymoor Parish Council	14/03/2022	Town/Parish Council	N/A	N/A	N/A	N/A	2	Open
Haslington Parish Council	07/11/2022	Town/Parish Council	N/A	N/A	N/A	N/A	1	Open
Total No. of Members							3	

Summary of Academy Conversions as of 28 February 2023

Type	Council	No. of schools	Already converted	Left to convert
Primary	Cheshire West	154	35	119
Secondary	Cheshire West	32	12	20
Primary	Cheshire East	150	73	77
Secondary	Cheshire East	40	21	19
Primary	Halton	50	9	41
Secondary	Halton	17	8	9
Primary	Warrington	87	23	64
Secondary	Warrington	20	11	9
Total		550	192	358

COMPLIANCE UPDATE

Introduction

1. This report provides the Committee with a summary of the Breaches Log for 1 April 2022 to 31 December 2022.

Recommendation

2. Committee are requested to comment on the summary of the Breaches Log for 1 April 2022 to 31 December 2022.

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 2022 and 31 December 2022 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 2021/22	Total 2022/23	Status 2022/23		
			Red	Amber	Green
Contributions	40	29	0	0	29
ABS	1	1	1	0	0
Administration	34	19	0	0	19
Total	75	49	1	0	48

6. There was one red breach, no amber breaches and 48 green breaches in the reporting period. Below is a summary of the reasons for the breaches.



Contribution Breaches – 29

7. The majority of these relate to employers who have small numbers of staff and so are easily affected by unexpected staff absences. All these breaches have been quickly rectified by the employer.

Administration Breaches - 19

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.

RED BREACH - Annual Benefit Statements - 1

9. 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 an ABS to 100% of eligible members by this deadline.
10. The Fund reported to TPR a breach relating to the 2022 ABS. Members of the Committee were briefed on the ABS breach at the last meeting on 2 December 2022.
11. The Committee will recall that the Fund delivered 92% of ABS's to active members on time (compared to 91% in 2021). For deferred members 97% (compared to 95% in 2021) received their ABS on time.
12. 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 5.25% (1,630) members by the end of February 2023. A further 118 members have been identified as not being eligible for an ABS which leaves 833 members who have not received their ABS. Work is continuing to resolve the data issues for the remaining 833 members and statements will be issued once those data issues have been rectified.
13. For deferred members the Fund was unable to issue an ABS to 3% (821) members as no current address was held. The Fund commissioned the services of a tracing company and has now sent an ABS to a further 390 members. Work will continue to trace the remaining 431 members who did not receive their ABS.



BUSINESS PLAN 2022/23 – PERFORMANCE UPDATE

Introduction

1. This report presents the Committee with the performance reporting dashboard summarising progress in delivering the 2022/23 Action Plan.
2. The report also includes a forecast outturn for 2022/23.

Recommendation

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

Action Plan Performance Update

4. The Fund's Business Plan covers the four-year period 2022-2026. To achieve the outcomes in the Business Plan, there are key action delivery targets which must be met each year. The Fund keeps track of these by way of an annual Action Plan Tracker.
5. The 2022/23 Action Plan Tracker was presented to the Committee in June 2022.
6. Attached to this report in Appendix A is the performance dashboard summarising progress against the Action Plan for the end of Quarter 4 of 2022/23.
7. 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.
8. 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.
9. 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 have been identified which are being managed. This rating is primarily due to the delivery dates for several actions moving into the new year, reflecting ongoing activity and some delays due to technical issues, and further explanation is included in the dashboard. No actions are flagged as undeliverable.

Outturn 2022/23

10. In March 2022 the Committee endorsed a budget of £5.217m for the Fund to operate within for 2022/23. In line with established practice this included a contingency provision of £200,000 to provide additional resilience and to recognise the potential additional resources which may be needed during the year, particularly in response to several government initiatives and associated regulatory changes.

11. An Electronic Decision Notice was endorsed by the Committee in July 2022 to increase the Fund's staffing establishment from 52 to 57. For 2022/23 these posts have been funded from the contingency with a permanent uplift to the base budget required for subsequent years.
12. The forecast outturn at the end of January 2023 is an underspend of £0.312m. The underspend has increased from the mid-year forecast of £0.257m that was reported to the Committee in December 2022, due to staffing vacancies taking longer to fill than originally anticipated.
13. The £0.312m underspend due to:
 - Staffing costs are forecast to be underspent by £168k mainly due to staff vacancies within the year. The Fund underwent a recruitment exercise at the end of 2022 and has now recruited to the majority of vacant posts. A further recruitment exercise will take place in the near future to fill any remaining vacancies.
 - Supplies and services are underspent by £17k. LGPS Central running costs forecast for the year are lower than budgeted for, but these savings have been offset against additional IT expenditure, increased external audit costs and increased Actuarial costs associated with the Fund's triennial valuation.
 - The remaining underspend is the unused contingency for the year. The £200k contingency has been partially called upon to fund the part year cost of the five new posts endorsed by the Committee.

This Quarter	A
Previous Quarter	A

Business Plan Overview

Pension Fund Committee

10 March 2023

Item 3c – Appendix A

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 2022-23.

Key Workstreams	Business Plan Stakeholders	Programme Status	RAG Key	
<ol style="list-style-type: none"> 1. Governance 2. Administration and Communication 3. Funding 4. Investments 	<p>Heidi Catherall – HC Nick Jones – NJ Steven Wilcock – SW</p>	<p>The overall RAG Status is Amber because:</p> <ul style="list-style-type: none"> • Workstream 1 is Amber • Workstream 2 is Amber • Workstream 3 is Green • Workstream 4 is Amber 	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 has been rescheduled to 23/24
- 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

Pension Fund Committee

10 March 2023

Item 3c – Appendix A

Key Achievements (This Quarter)

- Commenced a procurement for third party support to assess the Fund against cyber security requirements

Planned Activities (Next Quarter)

Ref	Key Activities	Actions 2022-23	Original Target Date	Commentary	Revised Delivery date	RAG	Owner
G5	Manage employers' entry into, and exit out of the Fund in line with Regulations and Admissions and Exit Policies	Introduce and report against KPI for the number of admission agreements completed before date of admission	Q 4	There is an ability to report against this KPI via a manual process. Work is continuing to automate as part of key management and performance indicators dashboard	23/24	A	NJ

Workstream 2 – Administration and Communication

This Quarter	A
Previous Quarter	A

Pension Fund Committee

10 March 2023

Item 3c – Appendix A

Workstream Status

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

- AC1, AC4 and AC6 delivery dates have been rescheduled to 23/24
- 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)

- Pensions staff undertook live testing of My Cheshire Pension portal (MCP)
- MCP was rolled out to a pilot employer for further testing

Planned Activities (Next Quarter)

Ref	Key Activities	Actions 2022-23	Original Target Date	Commentary	Revised Delivery date	RAG	Owner
AC1	Process key casework within targets set out in Administration Strategy	Baselining Fund and Employer performance against the requirements in the Administration Strategy.	Q4	Employer performance will be linked to MI. Fund performance will be linked to the Good Governance KPIs	Q4	A	HC
AC4	Implement Member Self-Serve for scheme members	Implement plans to further streamline and standardise data collection methods	Q4	Progress has been made with MI and My Cheshire Pension. Further work will be required	Q4	A	HC
AC6	Meet all regulatory requirements resulting from changes in legislation (e.g. McCloud)	<ul style="list-style-type: none"> • Complete collection of part time hours/service history from employers (2014-2021) • Review further guidance from Gov once received 	Q4	<ul style="list-style-type: none"> • C55% of data collection. LGA producing guidance • McCloud guidance still awaited 	Q4	A	HC

