

COMPLIANCE UPDATE

Introduction

1. This report provides the Committee with a summary of the Breaches Log for 1 April to 30 September 2023.

Recommendation

2. Committee are requested to comment on the summary of the Breaches Log for 1 April to 30 September 2023.

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 and 30 September 2023 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 2022/23	Total 2023/24	Status 2023/24		
			Red	Amber	Green
Contributions	38	29	0	4	25
ABS	1	1	1	0	0
Administration	21	2	0	0	2
Total	60	32	1	4	27

6. There has been one red breach, four amber breaches and twenty-seven green breaches in the reporting period. Below is a summary of the reasons for the breaches.

Contribution Breaches – 29

7. Of the twenty-five green contribution breaches, the majority 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.
8. The four amber breaches relate to one employer with two members of part time staff, this employer has not paid any contributions to the Fund since October 2022. Due to cash flow difficulties experienced by the employer, the Fund agreed that all remaining contributions relating to the 2022/23 financial year would be paid to the Fund by 31 March 2023. However this agreement has been breached and no contributions have been received by the Fund.
9. The estimated amount of contribution income owed to the Fund for November 2022 to September 2023 is c. £12k. The Fund is continuing to liaise with the employer on recovering the outstanding contributions.

Administration Breaches - 2

10. These relate to ongoing activity to progress legacy administration 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

11. 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 ABS to 100% of eligible members by this deadline.
12. The Fund has reported itself to TPR for a breach relating to the 2023 ABS. Due to a combination of missing data issues, plus a number of lost contact addresses, particularly of deferred members, the Fund was not able to send 100% of ABS on time.
13. Following the Fund's breach process, the ABS breach was approved by the Local Pension Board and the Director of Governance before being issued to TPR. The Fund has since received a response from TPR which confirms that they do not intend to take any enforcement action as a result of this breach.

Active Members

14. The table below summarises the number of active members (those making contributions) eligible to receive an ABS and those that received an ABS on time.

Table 2: Summary of Delivery of Active Members ABS

	2023	%	2022	%
Active Members eligible to receive an ABS	31,596	100	31,015	100
Members who received an ABS on time	25,574	81	28,434	92
Members who did not receive an ABS on time	6,022	19	2,581	8

15. The Fund was able to issue ABS to 81% of active members by the deadline of 31 August.
16. The table shows some 19% of active members did not receive their ABS by the deadline compared to 8% in 2022 (and 9% in 2021).
17. At the September Committee meeting officers advised that the percentage of Annual Benefit Statements (ABS) which have been issued by the statutory deadline of 31 August will be lower for 2023 than they were in 2022 and that this would be reported to the Pensions Regulator before the end of September.
18. The reason for the reduction is primarily due to problems receiving the necessary membership information from Cheshire West and Chester and Cheshire East Councils. This follows the replacement of back-office systems in 2021 which have led to problems in extracting data in a consistent format.
19. The Fund has been working with Transactional Services, who provide payroll services on behalf of both Councils, to rectify these data issues in order that the missing members can receive their ABS by the end of December 2023.
20. There have also been data issues with other employers and the Fund has been working with them as well in order to maximise the number of members who can receive an ABS in December.
21. The Fund identified 1,340 (1,418 in 2022) members for whom contributions had ceased but no leaving notification had been provided by their employer. These members were not active at year end and hence not eligible to receive an ABS. A letter has been sent to the members explaining we are liaising with employers to obtain the missing leaving details.
22. Active members who did not receive an ABS, but we believe should have, received a letter explaining the position and informing them that the Fund is working to resolve any outstanding queries so that they can receive an ABS before the end of December 2023.

Deferred Members

23. The table below summarises the number of deferred members who were eligible to receive an ABS and those that received it on time. As the Committee will note, the Fund was able to send 98% of deferred ABS on time.

Table 4: Summary of Delivery of Deferred Members ABS

	2023	%	2022	%
Deferred Members Eligible to receive an ABS	29,039	100	28,860	100
Members who received an ABS on time	28,451	98	28,039	97
Members who did not receive an ABS on time	583	2	821	3

24. The Fund was able to increase the percentage of deferred members who received their ABS in 2023 to 98% compared to 97% in 2022 (95% in 2021). This was possible as the tracing company which was commissioned by the Fund to trace lost contact members, has been able to locate a number of additional addresses.
25. Some 583 deferred members did not receive their ABS by the deadline. A further tracing exercise is underway to see if addresses for any of these members can be located. Where addresses can be located those members will receive an ABS as soon as possible.

BUSINESS PLAN UPDATE

Introduction

1. This report presents the Committee with the performance reporting dashboard summarising progress in delivering the 2023/24 Action Plan.
2. The report also includes the Fund's forecast outturn for 2023/24.

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 2023-2027. 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 2023/24 Action Plan Tracker was presented to the Committee in June.
6. Attached to this report in Appendix A is the performance dashboard summarising the forecast of progress against the Action Plan for the end of Quarter 3 of 2023/24 (October to December).
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 back one or two quarters, 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 2023/24

10. In March 2023 the Committee endorsed a budget of £5.537m for the Fund to operate within for 2023/24.
11. The forecast outturn at the end of October 2023 is an underspend of £0.319m.

- a) Staffing costs are forecast to be underspent by £230k mainly due to staff vacancies within the year. The Fund is currently undergoing a recruitment exercise to fill some of the vacant posts.
- b) Supplies and services are underspent by £89k. LGPS Central running costs and legal costs forecast for the year are lower than budgeted for however some of these savings have been offset against additional IT expenditure in relation to the pensions administration service and cyber security. In addition, provision has been included for planned expenditure to enhance the Fund's website and branding.

This Quarter	A
Previous Quarter	A

Business Plan Overview

Pension Fund Committee

1 December 2023

Item 3b – 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"> Governance Administration and Communication Funding Investments 	Steven Wilcock – SW Heidi Catherall – HC Nick Jones – NJ Aaron Thomas – AT Claire Jones - CJ	The overall RAG Status is Amber because: <ul style="list-style-type: none"> Workstream 1 is Amber Workstream 2 is Amber Workstream 3 is Green 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:

- One task is rated as amber as it will be achieved later than originally planned but is otherwise on track.
- 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)

- A cyber strategy for the Fund has been produced for endorsement by the Committee

Ref	Key Activities	Actions 2023-24	Original Target Date	Commentary	Revised Delivery date	RAG	Owner
	The Pensions Regulators General code of practice - self assess and deliver actions.	Self assessment against final outcomes – currently expecting final requirements to be released Summer 23 – therefore self assess Q3 23/24	Qtr 3	The Code has not yet been published so we cannot undertake the review.	Qtr 4	A	AT

This Quarter	A
Previous Quarter	G

Workstream Status

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

- Some tasks are rated as amber as they will be achieved later than originally planned but are otherwise on track.
- There are no tasks which are on Red status.

Workstream Planning

Key Achievements (This Quarter)

- Issued communications to employers and members to inform them about the McCloud remedy

Ref	Key Activities	Actions 2023-24	Original Target Date	Commentary	Revised Delivery date	RAG	Owner
	Improve Data Quality	Training all staff on the correct building blocks of a member record	Qtr 3	Training will take place in early 2024	Qtr 4	A	HC
	Monthly Interfacing	<ul style="list-style-type: none"> Complete the onboarding of remaining employers onto MI (Qtr 2) Refine processes so all employers load MI files and remuneration data is accurate (Qtr 3) Once all employers on MI develop a plan for automation of processes (Qtr 3) 	Qtr 3	Working with last large employer. 27 Small employers to onboard. Will refine processes once all employers on MI.	Qtr 1 24/25	A	HC
	McCloud	<ul style="list-style-type: none"> Collect remaining part time hours and service break data from employers (Qtr 2) Once guidance and regulations are published work through to understand what rectification work is required and in what order it should be completed (Qtr 2) Develop a detailed rectification plan/timeline (Qtr 2) 	Qtr 3	Work is continuing to collect the data from employers. SAB guidance will be used for missing data. The rectification plan is being developed in Qtr 3.	Qtr 4	A	HC
	Pensions Dashboards Programme	<ul style="list-style-type: none"> Appoint an Integrated Service Provider (Qtr 2) Undertake baselining against data requirements (Qtr 3) Develop a plan to resolve issues identified in the baselining (Qtr 3) 	Qtr 3	Working with Legal/Procurement to appoint the ISP. Once the ISP is appointed the Fund can commence the data baselining/cleansing.	Qtr 4	A	HC
	Implement Communications Plan	Develop and launch new pensions website	Qtr 3	The project timeline has been agreed with the Council's internal web design team. The revised implementation / launch is planned for Q1 2024/25	Qtr 1 24/25	A	NJ

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REGULATORY UPDATE

Introduction

1. This report provides an overview of recent regulatory changes and events, along with an update on expected future consultations which will impact the Local Government Pension Scheme (LGPS).

Recommendation

2. The Committee is asked to note the position as set out in the report and that further reports will be presented as consultations and/or guidance on amending regulations are received.

Department for Work and Pensions

3. Following the recent cabinet reshuffle Paul Maynard MP was appointed Parliamentary Under Secretary of State for Pensions at the Department for Work and Pensions (DWP) on 13 November.
4. Laura Trott, who previously held the position, was promoted to Chief Secretary to the Treasury.

Economic Activity of Public Bodies (Overseas Matters) Bill

5. On 19 June 2023 the Government introduced into Parliament the Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the Boycotts, Divestment and Sanctions Bill.
6. The Bill aims to prevent public bodies from being influenced by political or moral disapproval of foreign states when taking certain economic decisions, subject to certain exceptions. The Bill will extend to LGPS investment decisions. The Pensions Regulator will be responsible for overseeing compliance of LGPS administering authorities, although details in respect of demonstrating compliance with the Bill are yet to be published.
7. The Bill had a second reading on 3 July 2023 and was considered by the House of Commons Public Bill Committee in September 2023.
8. The Local Government Association has submitted written evidence on the Bill to the Public Bill Committee. The written evidence can be viewed on the following link: [Economic Activity of Public Bodies \(Overseas Matters\) Bill \(14th September 2023\) \(parliament.uk\)](https://www.parliament.uk/evidence-submissions/economic-activity-of-public-bodies-overseas-matters-bill-14th-september-2023)
9. LGA do not expect the bill to have any significant effect on local authority investment or procurement practices. However, they do have significant concerns about the impact the current drafting will have on the operation of the LGPS.

10. LGA have not identified any examples of any boycotts, divestments and sanctions having been made in the LGPS. LGA also have some concerns around the drafting of the wording in the Bill, particularly around exemptions, how enforcement will work and any restrictions this places on LGPS funds.
11. The Bill is now at the 3rd reading stage in the House of Commons before going on to the House of Lords. Officers will keep the Committee updated on progress with the Bill.

