

MINUTES OF PENSION FUND COMMITTEE HELD ON 8 MARCH 2024

Present online

Cheshire West and Chester: Cllrs Hogg (Chair) and Rimmer
Cheshire East: Cllrs Corcoran, Gorman and Snowball
Warrington: Cllr Matthews
Member Representative: Neil Harvey, GMB

Apologies

Cheshire West and Chester: Cllrs Gould and Neil
Cheshire East: Cllr Bailey
Halton: Cllr Dennett

In Attendance

External Auditor: Grant Thornton – John Farrar
Advisor: Hymans – Gemma Sefton and Allan Woodhouse
Mercer – Chris West
Aon – Paul McGlone and Byron Lloyd-Jones (Item 16)
CW&C Officers: Simon Riley, Steve Wilcock, Heidi Catherall, Nick Jones,
Claire Jones, Aaron Thomas and Debbie Darlington.

PART A:

1. PROCEDURAL MATTERS

- 1.1 There were no declarations of interest.
- 1.2 Apologies were received from Councillors Gould, Neil, Bailey and Dennett.
- 1.3 Councillor Hogg welcomed Councillor Denis Matthews to the Pension Fund Committee. Councillor Matthews has replaced Councillor Mitchell who was the previous committee representative from Warrington Borough Council.

2. MINUTES OF MEETINGS

- 2.1 The minutes of the Pension Fund Committee held on 1 December 2023 were reviewed, having previously been distributed and agreed by email.
- 2.2 Officers updated the Committee on recent developments at LGPS Central Ltd. Richard Law Deeks has now been publicly announced as the new Chief Executive and has been introduced to partner funds. He is very much looking forward to meeting Pension Fund Committee members and a visit to a future meeting will be arranged. The LGPS Central Ltd Annual General Meeting scheduled for 27 February 2024 did not go ahead as planned and discussions with partner funds are continuing to seek agreement on the company's Strategic Business Plan for 2024-25.
- 2.3 In response to a query from Members, officers confirmed that the Fund will be applying for accreditation to the UK Stewardship Code in May 2024.

- 2.4 The Committee noted the minutes from the Local Pension Board meeting which took place on 20 February 2024. The Committee noted the recommendation from the Board requesting that the Committee endorse changes to the Board's Terms of Reference and request that they are approved by Audit and Governance Committee.
- 2.5 The Committee endorsed the changes to the Terms of Reference and the recommendation for them to be approved by Audit and Governance Committee.
- 2.6 The Committee also reviewed the minutes from the LGPS Central Joint Committee on 2 February 2024 and the Pensions Employer Forum meeting which also took place on 2 February 2024.

3 **STANDING ITEMS**

Compliance Update

- 3.1 The Committee received the Compliance Update including a summary of the breaches log for the period to 31 December 2023. Forty-one breaches occurred in the period and thirty-four required no further action following investigation.
- 3.2 Six breaches, relating to one employer, have been classed as amber and relate to late payment of contributions income. The Committee noted that this employer is now paying current contributions on time and a plan is being developed to recover the outstanding contributions.
- 3.3 The Committee noted that the Fund had reported a red breach to the Pensions Regulator relating to the Annual Benefit Statements and the subsequent progress that has been made to issue statement to eligible members.

The Committee: noted the cumulative Breaches Log for the period to 31 December 2023 and noted the position on the amber and red breaches.

Business Plan Update

- 3.4 The Committee were presented with the 2023/24 performance dashboard, outlining progress in achieving the planned actions for quarter four.
- 3.5 The Committee also received an updated risk register and an update on key performance indicators for quarter 3.
- 3.6 The Committee also received the forecast outturn for 2023/24.

The Committee:

- a) Noted the progress on the performance dashboard for quarter 4.
- b) Noted the updated risk register for 2023/24.
- c) Noted the key performance indicators for quarter 3 and that they would be reported quarterly hereafter.
- d) Noted the forecast outturn for 2023/24.

Regulatory Update

- 3.7 The Committee received an update outlining an overview of regulatory changes which will impact the Local Government Pension Scheme.

The Committee: noted the position.

4 MCLOUD REMEDY

- 4.1 The Committee received a report providing an update on the McCloud remedy, including an update on collecting the necessary data from employers and progress with IT functionality developments.
- 4.2 Further regulatory consultations and guidance are awaited before the Fund can develop a detailed rectification plan. A high-level 'plan on a page' was presented to the Committee summarising the progress that has been made with the project so far.
- 4.3 Officers confirmed that employers, members and Unions have been informed about the changes brought about by the McCloud remedy and further information is available on the website.

The Committee: noted the position on the McCloud remedy and the Fund's high-level rectification plan.

5 PENSIONS DASHBOARDS PROGRAMME

- 5.1 The Committee received a further update on the Pensions Dashboards Programme and the Fund's progress in preparing for its implementation.
- 5.2 Following approval of an Electronic Decision Notice by the Committee, the Fund has now appointed an Integrated Service Provider (ISP). A Data Protection Impact Assessment has also been submitted to the Council's Data Protection Officer who has provided their approval.
- 5.3 The Fund will continue to work with the ISP to prepare for pensions dashboards.

The Committee: noted the position on the Fund's preparation for the pensions dashboards programme.

6 AUDIT FINDINGS REPORT 2022-23 UPDATE

- 6.1 The Committee received the updated Audit Findings Report now that the audit work for 2022/23 is substantially complete. Grant Thornton updated the Committee on the two recommendations that have been added to the report since the September meeting.

- 6.2 There has also been one further change to the accounts to update the membership numbers in Note 1 at 31 March 2022 to reflect the results of the triennial valuation and additional narrative has been added to the note regarding the membership numbers.
- 6.3 Committee members were reminded that the audit report for the Pension Fund cannot be issued until the completion of the Cheshire West and Chester Council audit.
- 6.4 The Chairman thanked officers for their hard work in producing the accounts and completion of the audit.

The Committee received the updated Audit Findings Report.

7 DRAFT BUSINESS PLAN 2024-28

- 7.1 The Committee received the Fund's draft Business Plan for 2024-28, which set out a range of key activities and milestones themed under the four primary objectives, which are:
- To be a well-managed pension fund that delivers value for money.
 - To be a customer focused organisation.
 - To communicate effectively with our stakeholders.
 - To increase the availability of online services.
- 7.2 The key themes and objectives were considered by the Local Pensions Board and Pension Fund Committee at their joint training session on 23 February 2024. Subject to any further views from the Committee, officers will finalise the Plan (with a focus on refining the KPIs and actions) and report any significant amendments to the June Committee. The Fund's progress against the Business Plan and in particular the Risk Register and Action Plan, will be reported to the Committee on a quarterly basis through the year.
- 7.3 The forecast budget for 2024-25 is £5.754m; this is a net increase of £217k or 3.9% on the approved budget for 2023/24. The reasons for the increase included an increase in staffing costs (including funding expected pay awards for 24/25) and charges from many suppliers increasing in line with inflation or above.

The Committee endorsed the Business Plan and the proposed 2024-25 budget.

8 RESPONSIBLE INVESTMENT POLICY AND CLIMATE CHANGE STRATEGY UPDATES

- 8.1 The Committee were presented with the Fund's updated Responsible Investment (RI) policy and Climate Change Strategy for endorsement prior to consultation.
- 8.2 Whilst there have been no material or fundamental updates, officers outlined the key changes that have been made to both documents.

- 8.3 Following further information provided by officers in response to a query raised by Committee in respect of current Fund assets that could be converted to sustainable or low carbon funds, the Committee endorsed a new climate change target to increase the percentage of total Fund assets in such funds to 25% by 2026. This target is in addition to the three climate change targets previously endorsed by the Committee at its meeting on 1 December 2023.
- 8.4 Officers advised that, subject to Committee endorsement, the Responsible Investment Policy and Climate Change Strategy would be subject to an eight-week public consultation exercise. This is deemed to be an appropriate length of time to give consultees the opportunity to submit responses. Following the consultation period, the evaluation of the feedback received will be shared with the Committee to determine whether any updates are required before final approval.
- 8.5 Consultation responses will not be provided to individual respondents, but an overall consultation response will be published on the Fund's website following Committee review.

The Committee endorsed the updated Responsible Investment policy and Climate Change Strategy for an eight-week consultation period.

9 TRAINING POLICY and PLAN FOR COMMITTEE AND BOARD

- 9.1 The Committee received the Training Policy for Committee and Board, which is unchanged from the version approved by the Committee in March 2020. The policy will be reviewed and updated during 2024/25 in line with emerging national developments.
- 9.2 Committee Members will receive the outcome of their individual knowledge and skills self-assessment and individual training plan. Members were reminded of the opportunities for developing their knowledge and understanding by attending regular conferences and seminars and through online learning.

The Committee:

- a) Noted the current Training Policy and that it will be reviewed during 2024/25 in line with national developments,
- b) Endorsed the 2024/25 Training Plan.

10 ANY OTHER BUSINESS

- 10.1 Committee Members were requested to complete and return their declaration of interest forms.

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 minutes from the Investment Sub-Committee meeting on 9 February 2024 which had been circulated via email.

12 STANDING ITEMS

Employer Changes and Activity

12.1 The Committee received a report detailing changes on employers that joined or exited the Fund during the period 1 December 2023 to 29 February 2024 (inclusive).

The Committee: noted the update on employers that have entered or exited the Cheshire Pension Fund in the reporting period.

Electronic Decision Notices

12.2 The Committee received a report summarising the Electronic Decision Notices that have been approved outside of formal Committee meetings by committee Members during the period 1 September 2023 to 1 March 2024 (inclusive).

The Committee: noted the approvals provided outside of formal Committee meetings in the reporting period.

13 FUNDING STRATEGY STATEMENT

13.1 The Committee received an update setting out the feedback received in relation to the recent consultation on proposed amendments to the Funding Strategy Statement (FSS) which the Committee had endorsed at the meeting in December 2023.

13.2 The Fund received two responses to the consultation and members received a summary of the comments made and the Fund's responses to them.

13.3 Members endorsed two changes to the FSS in response to consultation responses received but did not feel that any fundamental changes were required.

13.4 The Committee endorsed the amended FSS and noted that it will come into force with immediate effect.

The Committee:

- a) Noted the feedback received to the FSS consultation.
- b) Noted the proposed responses and actions.
- c) Endorsed that the revised FSS come into force with immediate effect.

14 FUNDING UPDATE AND OUTLOOK FOR 2025 VALUATION

14.1 The Committee received an update from the Fund's actuary, Hymans Robertson, on the evolution of funding levels since the 2022 valuation.

14.2 The Committee also received an update on the outlook for the 2025 valuation, noting the improvements in funding levels.

14.3 Given the number of new Members who has joined the Committee since the local elections in May 2023, the Committee requested a training session outlining the valuation process. Officers will ensure this takes place at the July training session.

The Committee noted and commented on the Funding update attached to the report.

15 INVESTMENT STRATEGY REVIEW

15.1 The Committee received a report setting out the proposed timetable for completing the review of the Fund's Investment Strategy Statement (ISS) in line with timescales for the 2025 triennial valuation. It also provided the outcomes of the initial review and considerations for each asset class that will be the focus for more detailed review.

15.2 The initial review of the investment strategy was undertaken in consultation with the Fund's investment consultants (Mercer) who attended the meeting to outline the proposals for each employer group and asset class that will be the focus for more detailed review over the next six months to ensure that all employer groups have an investment strategy that is appropriate to their funding objectives.

15.3 The report also provided a summary of the key actions and decision points along with respective timescales for the completion of the investment strategy review.

The Committee noted the considerations and proposed timetable for the production of a revised Investment Strategy Statement.

16 CYBER RISK UPDATE

16.1 The Committee received a report providing updates on i) the outcome of a review by Aon into the cyber risk management arrangements of the Council's ICT service, ii) the Council's ICT service's responses to the Aon recommendations, iii) an update on the response received from one of the Fund's main service providers to earlier

recommendations from Aon, and iv) a consolidated cyber risk action plan for 2024-25. This item was supported by attendees from Aon Limited, the Fund's external cyber risk partners.

16.2 A consolidated cyber risk action plan for 2024-25 was presented and was endorsed by the Committee.

The Committee:

- a) Noted the findings and recommendations arising from the independent review of the Council's ICT service's cyber risk management arrangements;
- b) Noted the Council's ICT service's responses to the recommendations arising from the independent review;
- c) Noted responses from one of the Fund's main service providers to the recommendations arising from the independent review into their cyber risk management arrangements, as reported to the 1 December 2023 meeting of this Committee; and
- d) Noted the summarised Fund cyber risk action plan for the financial year 2024-25, arising from completion of the Fund's cyber risk and vulnerability review, and the adoption of the Cyber Risk Strategy approved at the 1 December 2023 meeting of this Committee.

17 ANY OTHER BUSINESS

17.1 No matters were raised.

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