INTRODUCTION

This briefing note summarises key points to note in the items being presented to the Pension Fund Committee on 1 December 2023 (procedural items have not been included).

PART A

STANDING ITEMS

Compliance Update – "red" breach in period re failure to provide Annual Benefit Statements to all members by 31 August 2023. Not achieved for 19% of active members (reason: replacement of back-office systems by major employers and resulting challenges in data extraction), and 2% of deferred members (reason: tracing difficulties). Impacted members have been contacted.
Regulatory update – items include the impact of the recent Cabinet reshuffle, and an update on the Boycotts, Divestments and Sanctions Bill.

McCLOUD REMEDY

DLUHC laid new regulations in September 23 setting out the McCloud remedy. Previous transitional protection offered to those within 10 years of retirement are now offered to all members. The report sets out the significant challenges in identifying impacted members, and the Fund's assessment of impacted members (approx. 27,000 of which approx. 14,000 are active members). Not all will see their benefits increase. There are significant data collection challenges to support recalculation of benefits. Changes to the Fund's administration system will be required. A rectification plan and timeline, based on DLUHC guidance, has been developed. All members who retire from 1st January 2024 will have their benefits calculated in line with the McCloud remedy and then existing pensioners will be considered. All members and employers will receive a letter by end of December 2023 alerting them to the McCloud changes.

PENSIONS DASHBOARD PROGRAMME

Previous target for connection by the Fund to the national pensions dashboard infrastructure, September 2024, has changed. Connection deadline is now 31 October 2026 for all schemes, but LGPS are expected to be given a target date of between April and September 2025. Challenges in relation to data quality and the impact on the ability of dashboard users to connect to their pensions records are described. Funds are likely to connect to dashboards via an "integrated service provider" – the Fund is working to appoint an organisation into this role. A detailed project plan and budget will be developed and presented to Committee in due course.

RISK MANAGEMENT POLICY

A formal risk management policy is presented for endorsement. It sets out a structured mechanism for capturing, managing and reporting risk at different levels of activity, ie strategic, operational and programme levels. A single risk register has been established to support management and reporting. Members will continue to receive regular reports on strategic risks. The policy will be reviewed when The Pension Regulator's new General Code of Practice comes into force.

FUNDING STRATEGY STATEMENT

Proposals for minor amendments to the Funding Strategy Statement are proposed. They relate to employer exits, specifically cessation costs, impacts on guarantees, the assumptions made on calculating potential exit credits, and exit credit ceilings. A consultation exercise involving all four councils in Cheshire will be launched to support the proposed changes.

FUTURE MEETING DATES

A schedule of meetings for 2024/25 is proposed.   Members are asked to consider the use of hybrid meetings in future, and the timing of any proposed in-person meetings during the year.

PART B - CONFIDENTIAL ITEMS

STANDING ITEMS

Employer Changes and Activity – A report of employer transfers and exits is provided, along with details of recent exit credits paid.

INVESTMENT PORTFOLIO – RESIDENTIAL PROPERTY

Proposal to transfer an amount of Fund assets to the LGPS Central UK Residential Property Fund.

CLIMATE CHANGE TARGETS

Proposed changes to Fund climate change targets are reported.

LGPS CENTRAL POOLING UPDATE

Progress across all eight Partner Funds in the Central Pool in transferring assets to LGPS Central is summarised.

CYBER RISK UPDATE

An update on progress in delivering a review of Cyber Risk Management arrangements is provided.