

**SUBMITTED 23 April 2020**

**CPF Responses received 27 April 2020 IN RED**

**I would like to ask the Pension Board why two major consultations by CPF in 2020 were not presented to the Pension Board. They were**

- **The Funding Strategy Statement**
- **The Investment Strategy Statement and Responsible Investing Statement**

Both have now produced revisions to key CPF policies, but both were not on the agenda for the Pension Board, and both attracted few responses from employers and members.

Important policy making consultations to revise these policies should not have been rushed by CPF, but be well planned and signposted in work programmes, with wide notice given. These two consultations hastily put out to meet a deadline of 1 April 2020. Consequently they attracted hardly any responses.

The Pension Board role is to ensure that CPF policies are revised and consultations are completed properly, as shown in the PowerPoint at the 4 February 2020 meeting.

These were not even discussed at the two latest Pension Board meetings.

**It is the role of the Committee, not the Board, to ensure that CPF policies are revised and that consultations are completed properly. The role of the Board is to review the overall governance and administration by the administering authority.**

**FUNDING STRATEGY STATEMENT**

This was issued on 20 December 2019. There was no Pension Fund Committee meeting in December 2019 due to the General Election on 12 December.

It was reported under Item 5 to the Pension Fund Committee on 13 March 2020 with reports on the timescale, only after everything was completed

- 31. The administering authority is obliged to consult with all employers when it revises the FSS. A formal consultation was launched for the revised FSS on 20 December 2019 and closed 24 January 2020.
- 32. The Fund received four responses to the consultation, two from academies and two from Housing Trusts. The consultation responses are attached as Appendix C to this report along with the administering authority's proposed response.
- 33. Members are asked to consider the proposed responses and amendments to the FSS in light of feedback from the FSS consultation. The revised FSS is attached at Appendix B to this report. Subject to Members views, the Committee are also asked to approve the revised FSS as the final version for adoption by the Fund.

The consultation was issued to employers over Christmas, just as everywhere was closing down, particularly the academic institutions that comprise the majority of employers in CPF.

It attracted four responses, out of 300 employers.

- Q1 Can the Pension Board explain why this whole process and policy drafts were not on the agenda for scrutiny or information at the Pension Board for 29 October 2019.
- Q2 Why was it not then reported to the Pension Board on 4 February 2020
- Q3 Does the Pension Board consider that because it was sent out over the Christmas and New Year break, this affected the low number of responses

## RESPONSES

- Q1 Can the Pension Board explain why this whole process and policy drafts were not on the agenda for scrutiny or information at the Pension Board for 29 October 2019.
  - The amendments to the FSS and ISS had not been made by 29 October 2019 as the 2019 triennial valuation process had not concluded at that time.
- Q2 Why was it not then reported to the Pension Board on 4 February 2020
  - The Committee and the Board held a joint training session on the 28 February where the consultation and changes to the Funding Strategy Statement were discussed. This not only allowed both the Board and the Committee to receive the same information on the consultation/changes but also allowed Board members to observe the Committee in their scrutiny of the consultation process and responses.
  - Board members also attended an Investment Sub Committee meeting, which took place on the 14 February, where the Investment Strategy Statement and Responsible Investment consultations were discussed and approach agreed
- Q3 Does the Pension Board consider that because it was sent out over the Christmas and New Year break, this affected the low number of responses
  - We don't believe the timing of the FSS consultation impacted the number of employer responses. As part of briefing triennial valuations results, employers were made aware of the need to update the FSS. The FSS consultation was first issued on 20 December with a closing date of 24 January 2020 and we accepted responses up to 31 January 2020.
  - The ISS and RI policy consultation was issued on 16 February and closed on 20 March 2020. The consultation close date of 20 March was dictated by the requirements of Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund has agreed to review whether in future there is any scope to extend the 5 week consultation period while still meeting its statutory commitments.

## INVESTMENT STRATEGY STATEMENT / RESPONSIBLE INVESTMENT POLICY

On 16 February 2020, CPF issued a consultation on the ISS and RIP. A press release was issued dated 25 February, The consultation closing date was 20 March

This consultation was discussed at CPF Committee on 13 March 2020 at item 4, with a summary, the proposed policies, and the press release.

The Pension Board is not mentioned in paragraphs 7 to 11 of that paper. Paragraph 11 states A final version of the ISS and RI Policy will need to be published by the Fund by 1 April 2020.

The policies are now on the CPF website.

<https://www.cheshirepensionfund.org/members/about-us/how-we-manage-our-investments/investment-strategy-statement/>

Six responses were received, with a CPF commentary at

<https://www.cheshirepensionfund.org/news/2020/02/19/consultation-on-the-draft-investment-strategy-statement-responsible-investment-policy/>

The Pension Board had met on 4 February 2020 only two weeks before the consultation was published, but did not discuss this major development.

If the Pension Board is to have any credibility, then surely it should have monitored and scrutinised the process, and be kept informed of the policies issued for consultation

The payslips received in March do not mention this ISS / RIP consultation. When we met in September 2019 with the Chair of the Committee and the Board, it was accepted that payslips or Cheshire Chat were a way of involving members. Several of the comments received relate to the haste in which this was conducted,

Additionally, responses which were sent in by the deadline of 20 March 2020 may have not been included, or considered. One is my own. There may be others

- Q4 Can the Pension Board explain why this consultation was not on the agenda or minutes of the 4 February 2020 meeting of the Pension Board.
- Q5 Why did this go to the Committee, but not the Pension Board ?
- Q6 Is the Pension Board concerned that just six responses were analysed out of a possible 100,000 members, and could the number have been higher if other ways of informing members were adopted.
- Q7 Will the Board please follow up why at least two, and therefore possibly more responses from members, were not included in that six.
  - o My own personal response was emailed in on 17 March 2020.
  - o A response from the CPF Members Forum was also sent in 13 March 2020.
  - o The Members Forum is named as a consultee to the Committee in paragraph 9 of Item 4.
- Q4 Can the Pension Board explain why this consultation was not on the agenda or minutes of the 4 February 2020 meeting of the Pension Board.
- See answer to Q2

- Q5 Why did this go to the Committee, but not the Pension Board ?
  - It is the role of the Committee to review and recommend changes to policies.
- Q6 Is the Pension Board concerned that just six responses were analysed out of a possible 100,000 members, and could the number have been higher if other ways of informing members were adopted.
  - In total, four responses were received on the FSS and eight responses were received to the ISS and RI policy consultation. The Fund issued a media release to encourage engagement in the ISS consultation and this release was widely published by Councils and media outlets across Cheshire. Both consultations were also published on the Fund's website
- Q7 Will the Board please follow up why at least two, and therefore possibly more responses from members, were not included in that six.
  - Human error caused delays to two ISS consultations responses and we apologise for this oversight. These two ISS submissions and the Fund's response will be published alongside other ISS consultations responses . The Fund is exploring options to ensure this doesn't happen again.

## PENSION BOARD ANNUAL REPORT

The Pension Board was formed in 2015. It will produce shortly its Annual Report for its fifth (not fourth) year of operation which will then be included in the 2019 / 2020 CPF Annual Report. Slide 13 of the PowerPoint at the 4 February 2020 Pension Board meeting identifies a clear role in the "Review of Policies".

But the Pension Board does not seem to have been involved in the last few months, or even kept informed afterwards.

- Q8 Will the Pension Board identify these shortcomings within CPF, and strengthen its own role within CPF for 2020 / 2021 in order to carry out its legally designated functions properly.
- Q9 Will the Pension Board ensure that CPF consultations are well publicised, and ensure that CPF officers and CPF Committee set out to genuinely involve employers and members. **Not answered**
- Q10 Will the Pension Board now support our Members Forum suggestion of an AGM for members, in addition to that for employers, to achieve a far greater interest in CPF. **Not answered**

**Q8 Will the Pension Board identify these shortcomings within CPF, and strengthen its own role within CPF for 2020 / 2021 in order to carry out its legally designated functions properly.**

- The Board has a strong role in undertaking its functions as a Local Pension Board. The Board will be asked to reflect on the consultation process used.

**Sent on behalf of the Cheshire Pension Fund**