

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	Governance Update
Report Author	Chief Executive

EXECUTIVE SUMMARY

A governance update is on each quarterly Committee agenda and includes a number of governance related items for information or discussion. The items for this quarter are:

- (a) Business Plan 2015/16 update (Appendix 1) for governance which is on plan.
- (b) Current Developments and News. The National Scheme Advisory Board (NSAB) has had its Chair confirmed. The focus of the NSAB's work is around Pooling and the Investment Regulations Consultation. It has also published Counsel's opinion on the legal status of a Local Pension Board. The Local Pension Board met on 1 March and the agenda included Pooling, the future Business Plan and The Pensions Regulator's Code of Practice checklist.
- (c) Governance related policy/strategy implementation and monitoring. The Training Policy is now well embedded with excellent progress. Details are also included of future events that Committee Members should consider (Appendix 4). The Breaches Policy is now in place. An anonymised copy of the Breaches Register is included at Appendix 6.
- (d) Delegated responsibilities (Appendix 2). This details the responsibilities which have been delegated to officers since the last Committee meeting. Two responses have been made to consultations Pooling and Investment Regulations. The former was circulated to the Committee Members but the latter, due to time constraints, was not, which is included at Appendix 5.
- (e) Calendar of future events (Appendix 3). This details future training and other events.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
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REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p>Business Plan 2015/16 Update</p> <p>Appendix 1 provides a summary of progress against the governance section of the Business Plan up to the end of Quarter 4 to 31 March 2016. All items were completed as planned.</p>
1.02	<p>Appendix 1 also includes progress against the projected cash-flows and budgeted operating costs for 2015/16. The Committee is asked to note the following:</p> <ul style="list-style-type: none"> • As previously reported the under-spend for outsourcing within Administration is due to the backlog and GMP projects being over two years (2015/16 and 2016/17). • Early indications have only highlighted one area of major difference in the projected cash-flow for 2015/16. This relates to a variance of £24.7 million between the budgeted and estimated rebalancing of the portfolio due to the greater use of in-house cash to fund the investments within the tactical portfolio.
1.03	<p>Current Developments and News</p> <p><i>National Scheme Advisory Board (NSAB) Update</i> – The main news item is the long awaited announcement by the Secretary of State regarding the appointment to the position of Chair of the NSAB. This has been confirmed as Councillor Roger Philips. As a brief background Councillor Philips was previously the vice chair of the NSAB and also chaired the Local Government Association’s (LGA) UK wide Local Government Pension Committee. He is also a member and former leader (2003-2011) of Herefordshire Council.</p>
1.04	<p>The NSAB have, following questions raised by a number of stakeholders, approached, via the LGA, James Goudie QC for a view against the following questions:</p> <p>The legal status of an LGPS Pension Board.</p> <p>The legal relationship between the Pension Board and the LGPS Administering Authority.</p> <p>Whether there is a conflict between the requirements of the 1972 Act and the Public Service Pension 2013 Act (PSPA 2013) with regard to membership of Section 5(7) Combined Committee Boards?</p> <p>Generally on any other issues relevant to this matter.</p> <p>As Flintshire County Council has kept the Clwyd Pension Fund Committee and the Pension Board separate, most of the issues raised in his opinion do not apply. He states that the Pension Board is constituted entirely under the PSPA 2013 and are not local authority committees. He goes on to point out some practical difficulties that arise from this view such as access to council officers and indemnity insurance cover. As far as the Fund is concerned we</p>

	do not regard access to officers as an issue and further work is being undertaken to clarify the position regarding indemnity insurance with Flintshire County Council.
1.05	The main focus of the NSAB's work in recent months has been around the Pooling of Assets and the Investment Regulations consultation. No particular points have come out of this. Pooling of assets is covered by agenda item 7 Pooled Investments. Additionally, a briefing session will be held immediately before the Committee on the pooling of assets. A briefing/training session is being arranged regarding the implications of the changes that will follow the Investment Regulations consultation. (Also see paragraph 1.12)
1.06	<p>Local Pension Board Update – A Local Pension Board (LPB) was held on the 1 March 2016. Whilst the minutes are currently being drafted the main agenda items included:</p> <ul style="list-style-type: none"> • Internal Audit Plan 2016/17 Onwards – a verbal update on the planning process was given by the Internal Audit Manager highlighting the areas audited. A discussion followed concerning potential areas for inclusion in future audits. • Pooling of Assets – an update was given by the Clwyd Pension Fund Manager (CPFM). • Consideration of Engagement with Employers on Actuarial Valuation - The CPFM gave a verbal update and shared a project plan from the Fund Actuary. Engagement has already commenced with the three Unitary Authorities and a detailed plan has been drawn up by the Fund Actuary covering the whole process. CPF Committee agenda 16 expands on this. • The Pension Regulator Code of Practice – Compliance Checklist – Aon Hewitt has undertaken work within the Pension Teams to ascertain compliance with the TPR Code of Practice. CPF Committee Agenda item 6 expands on this. • CPF 2016/17 to 2018/19 Business Plan and Draft Administration and Communications Strategies – A discussion was had on the workshop of the 23 February 2016. The LPB feedback was very positive particularly for the two strategies presented by the Pension Administration Manager and her Team Leaders. Further discussions revolved around the customer satisfaction survey and whether there are any national equivalents.
1.07	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Training Policy</i> – The Clwyd Pension Fund Training Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to</p> <ul style="list-style-type: none"> • have training on the key elements identified in the CIPFA Knowledge and Skills Framework • attend training sessions relevant to forthcoming business • attend at least one day each year of general awareness training or events.
1.08	Appendix 4 details progress made to date in relation to the CIPFA Knowledge and Skills Framework training. Whilst excellent progress has been made some Committee Members have outstanding modules to

	complete and officers will be in touch with those concerned to arrange suitable dates.
1.09	<p>Appendix 4 also includes training and various external events attended by Committee Members, Pension Board members and Senior Officers during 2015/16 as well as The Pension Regulator modules undertaken. Appendix 3 includes details of all future training planned including forthcoming events considered suitable for general awareness training. Members should note these and inform Senior Officers if they wish to attend. Further information will be circulated closer to the dates of the events.</p> <p>The Chief Executive will shortly be carrying out a training needs analysis with Committee members to assist in identifying any further training requirements.</p>
1.10	<p><i>Recording and Reporting Breaches Procedure</i> – The Fund’s procedure requires that the Clwyd Pension Fund Manager maintains a record of all breaches of the law identified in relation to the management of the Fund and this information will be reported to the Pension Fund Committee at each meeting. The register of breaches is now in place and a letter has been sent to all employers detailing their responsibilities and enclosing a return to be completed whenever a breach is being reported. Where necessary additional training is being provided to employers. Appendix 6 includes summary information in relation to the breaches identified since the last quarter. Information has been anonymised where necessary for data protection or commercial confidentiality.</p>
1.11	<p><i>The Pensions Regulator’s Code of Practice</i> – Following a review of the Fund’s compliance with Code of Practice by the Independent Advisor, a checklist was produced identifying areas of full compliance, partial compliance and non-compliance. This is detailed in agenda item 6.</p>
1.12	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 updates the Committee on the areas of delegation used since the last meeting. Due to time constraints the Investment Regulations consultation response was not circulated to Committee Members before being sent to the DCLG. A copy is included at Appendix 5.</p>
1.13	<p>Calendar of Future Events</p> <p>Appendix 3 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	The governance risks facing the Fund are currently being reviewed and a report will be presented at the next Committee. However, the key governance risks for the Fund include not meeting our fiduciary responsibilities, that no decisions or inappropriate decisions are made, that objectives are not agreed or achieved, that risk is not defined and/or considered, that legal requirements or guidance are not complied with and that reportable breaches are not identified and/or reported.

5.00	APPENDICES
5.01	Appendix 1 - 2015/16 Business plan update Appendix 2 - Delegated responsibilities Appendix 3 - Calendar of events Appendix 4 - Training undertaken Appendix 5 - Response to Investment Regulations Consultation Appendix 6 - Breaches Register

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee – Business Plan 2015/6 to 2017/18 – 24 March 2015
6.02	Counsel’s opinion on Local Pension Boards - http://www.lgpsboard.org/images/Guidance/Pension_Boards_opinion.pdf Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (b) Administering authority or scheme manager – Flintshire County

Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.

- (c) **PFC – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.
- (d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of.
- (f) **SIP – Statement of Investment Principles** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
- (g) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers’ contributions to the Fund.
- (h) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.
- (i) **NSAB – The National Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
- (j) **DCLG – Department of Communities and Local Government** – the government department responsible for the LGPS legislation.
- (k) **LGA – Local Government Association** – A politically-led, cross-party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government.
- (l) **Breaches Register** - There is a requirement to maintain a register of all breaches of the law which affect pension schemes. Where these breaches are likely to be of material significance to the Pensions Regulator there is an additional requirement to report them to the Pensions Regulator.