

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	21 March 2017
<b>Report Subject</b>	Pooling Investments in Wales and Governance Policy Statement
<b>Report Author</b>	Clwyd Pension Fund Manager

### EXECUTIVE SUMMARY

The project to pool investments across the eight LGPS fund in Wales continues.

1. Flintshire County Council agreed the Inter Authority Agreement (IAA) at their meeting on 1<sup>st</sup> March. As a result the Pension Fund Committee's terms of reference have been updated with some additional responsibilities. The Committee are now being asked to agree to some specific officer and Host Council delegations as well as amendments to the Fund's Governance Policy and Compliance Statement.
2. The tender for the procurement of the operator has been issued.
3. There is a Joint Chairs Group meeting on 20<sup>th</sup> March 2017 and a verbal update will be given to this Committee.

### RECOMMENDATIONS

1	That the Committee note the contents of the report and particularly the approval of the Inter Authority agreement at Council, the appointment of the Chair of the Pension Fund Committee to the Joint Governance Committee (and the Vice-Chair as the Deputy) and the delegation to the Chair and Vice-Chair to exercise the delegated function.
2	That the Committee note the updated Pension Fund Committee terms of reference within the Council's Constitution incorporating reserved matters that are delegated to the Pension Fund Committee.
3	That the Committee agree the Pension Fund Manager (currently held by Philip Latham) and Pension Finance Manager (currently held by Debbie Fielder) are the nominated officers for the Officer Working Group and that the Delegation of Functions to Officers is updated accordingly.

4	That the Committee agree that further officer and Host Council responsibilities relating to the Inter Authority Agreement are delegated as outlined in paragraph 1.04 and that the Delegation of Functions to Officers is updated accordingly.
5	That the Committee agree the amendments to the Clwyd Pension Fund Governance Policy and Compliance Statement.
6	That the Committee agree that minor changes may be made to the Fund's policies by the Pension Fund Manager and either the Corporate Finance Manager or the Chief Executive, and that the Delegation of Functions to Officers is updated accordingly.
7	That the Committee note progress with the procurement of an operator.

## **REPORT DETAILS**

<b>1.00</b>	<b>Pooling Investment in Wales</b>
1.01	<p><b>Council Agreement of the Inter-Authority Agreement</b></p> <p>The draft Inter-Authority Agreement was shared with the Committee at the meeting on 16<sup>th</sup> February 2017. On 1<sup>st</sup> March 2017, a report went to Flintshire County Council with the following recommendations:</p> <ol style="list-style-type: none"> <li>1. Note the content of the draft Inter Authority Agreement attached at Appendix B and delegate authority to the Chief Executive in consultation with the Chair of the Clwyd Pensions Committee and the Monitoring Officer to: <ul style="list-style-type: none"> <li>• agree any further minor amendments to the IAA; and</li> <li>• approve and sign the final version of the IAA.</li> </ul> </li> <li>2. Establish a joint committee (hereinafter referred to as the Joint Governance Committee) on the basis of the terms of reference attached within the proposed Constitution amendments.</li> <li>3. Delegate the exercise of certain functions to the Joint Governance Committee as detailed within the proposed Constitution amendments.</li> <li>4. Note the functions reserved to Council, and delegate all matters to the Clwyd Pension Fund Committee apart from the termination or significant amendment of the Inter Authority Agreement.</li> <li>5. Approve the appointment of the Chair of the Clwyd Pension Fund Committee to the Joint Governance Committee as the Flintshire County Council Representative and the Vice-Chair of the Clwyd Pension Fund Committee as his/her nominated Deputy.</li> <li>6. Provide delegation to the nominated representative and his/her Deputy to act within the terms of reference of the Joint Governance Committee to enable the exercise of any delegated function.</li> <li>7. Approve that Carmarthenshire County Council (Dyfed Pension Fund) acts as the host authority with the responsibilities set out in the Inter Authority Agreement.</li> <li>8. Approve the amendments to the Constitution as set out in Appendix A.</li> </ol> <p>The Committee are asked to note that the Council agreed all</p>

	recommendations at the meeting.
1.02	Appendix 1 includes the updates agreed at Council to the Constitution. The Committee are asked to note these updates, particularly the updated responsibilities within the Terms of Reference for the Pension Fund Committee.
1.03	<p><b>Officer and Host Council delegations</b></p> <p>As a result of the updated responsibilities for the Pension Fund Committee, the Committee are being asked to confirm the officer nominations for the Officer Working Group from Clwyd Pension Fund. It is recommended that the officers to be nominated are:</p> <ul style="list-style-type: none"> <li>• The Clwyd Pension Fund Manager – this position is currently held by Philip Latham</li> <li>• The Pension Finance Manager – there are two positions in the Pension Fund Management Team and the position currently held by Debbie Fielder is the recommended position to be the second nomination.</li> </ul>
1.04	<p>The updated responsibilities for the Pension Fund Committee also provide that it may delegate powers to Flintshire County Council's own officers and the Host Council where required. Accordingly, the Committee are being asked to agree:</p> <ul style="list-style-type: none"> <li>• that any further responsibilities within the Inter Authority Agreement for officers of the Fund are delegated to the Clwyd Pension Fund Manager (i.e. Philip Latham), who may in turn delegate them to a Pension Finance Manager (i.e. currently Debbie Fielder or Alwyn Hughes) subject to ongoing advice from the Pension Fund Manager.</li> <li>• that any responsibilities within the Inter Authority Agreement that are relevant to the Host Council are delegated to Carmarthenshire County Council.</li> </ul> <p>A copy of the current Inter Authority Agreement is attached at Appendix 2 for information.</p>
1.05	The existing Delegations of Functions to Officers has been updated to incorporate these recommendations and is attached at Appendix 3.
1.06	<p><b>Governance Policy</b></p> <p>As a result of the changes to the Council's Constitution, it is necessary to update the Clwyd Pension Fund Governance Policy and Compliance Statement. The recommended changes include:</p> <ul style="list-style-type: none"> <li>• updating the governance structure explanation to include the Joint Governance Committee and Officers Working Group for the Asset Pooling Collaboration arrangement</li> <li>• updating the Pension Fund Committee terms of reference in the appendix in accordance with the changes agreed by Council on 1<sup>st</sup> March 2017.</li> </ul> <p>The opportunity has also been taken to update the compliance statement with more information about the interaction between the Pension Board and Pension Fund Committee, illustrating improved engagement with</p>

	<p>employer and scheme member representatives.</p> <p>The Committee are asked to agree the updated Governance Policy and Compliance Statement as attached in Appendix 4. All changes to the Policy are highlighted in yellow.</p>
1.07	<p>The move to asset pooling will require further changes to other existing Clwyd Pension Fund policies, as well as day to day procedures. During 2017/18, all existing policies will be reviewed to ensure they remain appropriate and any recommended changes will be brought to the Pension Fund Committee for approval. The Committee is asked to agree that any minor changes to these policies (due to asset pooling or otherwise) can be made by the Pension Fund Manager and either the Corporate Finance Manager or Chief Executive, noting that all policies will be brought back to Pension Fund Committee periodically (most being every three years). The Delegations of Functions to Officers has been updated to incorporate these recommendations and is attached at Appendix 3.</p>
1.08	<p><b>Operator Procurement</b></p> <p>Officers and advisors to the pool (Hymans Robertson and Burges Salmon) continue to work on the procurement of an operator. The contract notice has now been published and expressions of interest have been received. The Committee are reminded that Flintshire County Council is facilitating the issuing of the tender. The contract notice and selection questionnaire recognise the potential issue of MIFID II. The Officer Working Group (OWG) and advisor will evaluate the responses in late April and agree a short list of bidders to go forward to the 'Invitation to Tender' stage in May.</p>
1.09	<p>Officers and 'pool advisors' continue to work on:</p> <ol style="list-style-type: none"> <li>1. Operator Agreement (contract with the operator)</li> <li>2. Invitation to Tender (ITT), the detailed questionnaire upon which the selection will be made.</li> </ol>
1.10	<p>It is planned that a recommendation by OWG will be made to the Joint Governance Committee (JGC) in July 2017 which under the Schedule 2 and 3 of IAA will then be recommended to the Constituent Authorities for appointment.</p>
1.11	<p>There is a Joint Chairs Group meeting on 20<sup>th</sup> March. The agenda will provide Chairs with a detailed update on the procurement and governance arrangements. It is intended that the LGA will be able to provide an update on MIFID II and any other matters developing nationally which may impact on pooling. A verbal update will be provided to this Committee.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>The costs of advisors appointed on behalf of the eight funds are being shared equally between the eight pension funds. The cost charged to the Fund for 2016/17 to date is £73k.</p>
2.02	<p>There has been considerable time allocated by the Clwyd Pension Fund</p>

	Manager and Pension Finance Managers on this project which has impacted on time available for other Fund matters. This is expected to continue for the foreseeable future and may result in greater reliance on external advisers for other matters than would otherwise be the case.
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<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The recommendations to Council on 1 <sup>st</sup> March 2017 were consulted with the Pension Fund Committee on 16 <sup>th</sup> February 2017.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	How the Wales Pool operates will be key in enabling the Fund to implement its investment strategy in the future, and hence may contribute to the cost of the scheme to employers in future Actuarial Valuations.
4.02	This risk has been identified as significant in the Fund's risk register.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Pension changes to Council Constitution agreed on 1 <sup>st</sup> March 2017. Appendix 2 – Current Inter Authority Agreement. Appendix 3 - Delegation of Functions to Officers. Appendix 4 – Governance Policy and Compliance Statement

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Earlier Committee reports on the progress of the Working Together in Wales project.  <b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager <b>Telephone:</b> 01352 702264 <b>E-mail:</b> <a href="mailto:philip.latham@flintshire.gov.uk">philip.latham@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	(a) <b>CPF – Clwyd Pension Fund</b> – 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) <b>Administering authority or scheme manager</b> – 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) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.

**NB: The Inter- Authority Agreement Section 1 provides a list of agreed terms.**