

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 20 September 2017
Report Subject	Governance Update
Report Author	Pensions Finance Manager

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 2017/18 update (Appendix 1).
- (b) Current Developments including an update on the development of the National Scheme Advisory Board's Investment Cost Code of Transparency.
- (c) Governance related policy/strategy implementation and monitoring including the latest Internal Audit report (Appendix 6) details of future events that Committee members should consider (Appendix 2) and training undertaken (Appendix 5)
- (d) Calendar of future events (Appendix 3)

It also provides a summary of the key governance elements in the current risk register (Appendix 4), with some of the key areas of concern being associated with asset pooling and resourcing.

RECOMMENDATIONS

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

1.00	GOVERNANCE RELATED MATTERS
1.01	<p>Business Plan 2017/18 Update</p> <p>Appendix 1 provides a summary of progress against the governance section of the Business Plan up to the end of quarter ending 30 June 2017. There is only one task for this quarter which is the induction training for the Committee and which is progressing as originally planned.</p>
1.02	<p>Appendix 1 also includes progress against the projected cash flows and budgeted operating costs for 2017/18. Whilst at an early stage of the financial year the Committee is asked to note the following:</p> <ul style="list-style-type: none"> • Pooling (Additional Costs) is shown against both Governance Expenses and Investment Management Expenses. However, as the Pool Operator is yet to be appointed and work regarding hosting is in development, we do not yet have an indication of the likely costs for this year although they are generally relating to the establishment of the Pool which will only become operational from the 1st April 2018. • The Administration Budget has been adjusted for the full year aggregation project budget increase and a part year increase to the projected full year expenditure. This is explained further within Agenda item 9.
1.03	<p>The Committee is asked to note the contents of the business plan update.</p>
1.04	<p>Current Developments and News</p> <p><i>National Scheme Advisory Board Update:</i></p> <p>Investment costs – Code of Transparency. As previously reported to Committee (16th February 2017), the SAB is working to develop a voluntary code of transparency a key element of which is a template for use by LGPS asset managers. This is to aid funds to better comply with the accounting standards and the pools to be able to produce transparent costs. The initial template is designed to cover the listed markets of equities, bonds and pooled funds and has now been formally launched. Of our managers for which this applies Investec and Pyrford are listed as having signed up to the Code whilst Stone Harbor have agreed to sign up this month. Further information regarding the Code can be viewed at:</p> <p>http://www.lgpsboard.org/index.php/structure-reform/cost-transparency</p>
1.05	<p><i>Local Pension Board Update –The minutes of the Board held on the 27th July are not yet agreed by Board members, and when agreement is received, they will be circulated to Committee members. In the meantime, the main points discussed are summarised below:</i></p> <ul style="list-style-type: none"> • CIPFA – Pension Boards 2 Year On Event. This was attended by the Chair and Mr Owen on behalf of the Board. Key issues raised included cybercrime, General Data Protection Regulations, SAB Code on Cost Transparency and the annual benefit statements. Attending the event

	<p>was viewed as beneficial.</p> <ul style="list-style-type: none"> • Disaster Recovery – An update was provided on the progress made on preparing the Administration team for a disaster recovery test that would include the unavailability of the team office. Preparing for this had necessitated in the purchase of some additional equipment. • TPR Administration and Governance Survey – The summary results of the survey undertaken by the TPR were shared with the Board. Whilst there are going to be differences in the interpretation of some of the questions asked by the TPR there was a national concern regarding data quality although how you measure this is challenging. The Board agreed to include data quality as a future work plan item due to the work being undertaken by the Fund on this matter e.g. iConnect and the backlog project. • SAB Pension Board Survey – The Survey, which had been completed on behalf of the Board by the Chair, was discussed and whilst it was considered that additional work was necessary in some areas, including Breaches, the Board felt that the results in relation to the Clwyd Pension Fund Board were positive. Once the overall results are available from the SAB these will be shared with both the Committee and Board. • TPR Code of Practice – Compliance Check - The Board undertook a preliminary view of the updated TPR Checklist, which is discussed elsewhere on the Agenda (See Agenda item 5), concentrating on items that were red or yellow. It was agreed that this item would be included on the work plan for the next meeting. It was also agreed that the Chair would develop a draft of a questionnaire/self-assessment training needs analysis and the Board Secretary agreed to ensure the IDRPs leaflet was updated. These would result in B10 and I2, which are currently red, changing to green. • AVC Review – default fund. The view of the Board was sought regarding a change by the Fund in that a default fund would no longer be offered by the AVC provider. The Board were in broad agreement with this change and also agreed to review the take up of AVCs after around 18 months following this change to determine any impact. • Asset Pooling – an update was given by the Clwyd Pension Fund Manager following the inaugural Joint Governing Committee. The Board requested that the Clwyd Pension Fund Manager feeds back to the Wales pool to ensure that the work plan includes developing the pool's business plan. Additionally, they requested that JGC meetings papers and minutes (insofar as they are public) should be a regular standard item at Board meetings. • Administration – A presentation was given on the work undertaken regarding key performance indicators, GMP reconciliation project, progress regarding the annual benefit statement and the number of cases referred to the Employer Liaison Team. • Compliments and Complaints – an anonymised log was shared with the Board who were pleased to see the number of compliments received. Whilst two complaints referred to the amount of time taken to resolve them it was clarified that these were particularly complex cases delayed by changes to the regulations and the delay in instructions being released by the Government's Actuary Department.
1.06	<p><i>AVC – update.</i> The AVC review was reported to the March 2017 Committee where it was agreed to delegate implementation to officers. Following a</p>

	<p>review that included advice from Mercer and discussion with the Pension Board the decision was taken by the Clwyd Pension Fund Manager that a default fund would no longer be part of the funds offered by the AVC provider Prudential. These amendments will take effect from the 1st November with a launch at the Fund's Annual Employer Meeting on the 14th November (morning session). A communication plan is being put together and updated information concerning current investment options will be provided to scheme members.</p>
1.07	<p><i>GDPR and Cybercrime</i> – Both these items were included on the agenda of the Advisory Panel (30th August). It was agreed to develop an action plan on how to deal with these matters and further information will be provided at future meetings.</p>
	<p>Policy and Strategy Implementation and Monitoring</p>
1.08	<p><i>Internal Audit Report</i> - A routine annual audit was undertaken of Pensions Investments, Management and Accounting (Appendix 6) during the final quarter of 2016/17. An audit opinion is issued on a scale red to green, with green being substantial assurance. This audit resulted in an amber green (reasonable assurance) opinion being given.</p> <p>The audit identified that, whilst key controls are in place, and generally operating effectively, some fine tuning is required. Key controls exist but some refinement or addition would enhance the control environment enabling key objectives to be better achieved with some relatively minor adjustments. There was no evidence of any significant impact.</p> <p>In total, four medium priority action and four low priority actions were identified. These are detailed in the report and remedial actions have been agreed with management. Internal Audit found that all other areas within the scope of their audit were well managed.</p>
1.09	<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.
1.10	<p>Appendix 5 details progress made to date in relation to the CIPFA Knowledge and Skills Framework training.</p>
1.11	<p>Appendix 5 also includes training and various external events attended by Committee Members, Pension Board members and Senior Officers during 2017/18 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.</p>
1.12	<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.</p>

	Whilst breaches have been identified since the last Committee information is still being gathered to enable it to be fully recorded. An updated extracts of the breaches register will be provided to the Committee at the meeting on the 20 th September.
1.13	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegated responsibilities were used in the last quarter in relation to governance matters.</p>
1.14	<p>Calendar of Future Events</p> <p>Appendix 2 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. Please note that the Fund's Employer and Annual Joint Consultative Meetings will be held on the 14th November with the morning focused on employer and administration matters and the afternoon on governance and investments (including some focus on environmental, social and governance matters as they relate to investments). All Committee and Board members are encouraged to attend this meeting.</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	<p>Appendix 4 provides the dashboard showing the current risks relating to the Fund as a whole, as well as the extract of governance risks. The key governance risks continue to relate to:</p> <ul style="list-style-type: none"> • potentially insufficient resource, which puts a risk on us being able to deliver our legal and policy objectives, and • the impact of externally led influence and scheme change (such as asset pooling) which could also restrict our ability to meet our objectives and/or legal responsibilities.

5.00	APPENDICES
5.01	Appendix 1 - 2017/18 Business plan update

	<p>Appendix 2 - Calendar of events Appendix 3 - Training Plan Appendix 4 - Risk register update Appendix 5 - Training undertaken Appendix 6 - Internal Audit Report</p>
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Report to Pension Fund Committee – Business Plan 2017/18 to 2019/20 – 21 March 2017</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(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</p> <p>(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.</p> <p>(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</p> <p>(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.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) AVC – Additional Voluntary Contributions made by pension fund members to enhance their retirement (investments value can rise or fall) to Prudential who are the Fund’s AVC provider.</p> <p>(g) GDPR – The General Data Protection Regulation was introduced to strengthen and unify data protection for all individuals within the European Union.</p> <p>(h) Cybercrime – criminal activities carried out by means of computers or the internet.</p>

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| | <ul style="list-style-type: none">(i) iConnect – an interface between an employer’s payroll system and the pension administration system that facilitates the upload of data.(j) GMP – Guaranteed Minimum Pension – protects you and ensures that a person’s pension value is not below a certain value determined by the Directorate of Works and Pension. Applies only to those people contracted out between 6 April 1978 and 5 April 1997.(k) 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.(l) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.(m) DCLG – Department of Communities and Local Government – the government department responsible for the LGPS legislation. |
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