

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 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) including consideration of the schedule of Committee meetings.
- (b) Current Developments including an update on the National Scheme Advisory Board and the Local Board.
- (c) Governance related policy/strategy implementation and monitoring including the 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.
2	That the Committee expresses a preference to continue with the meetings either in the morning or in the afternoon and that this preference is given to the Constitution and Democratic Services Committee.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p>Business Plan 2017/18 Update</p> <p>At the Annual Meeting of Council on 18th May 2017, the Schedule of Meetings for 2017/18 was approved. An undertaking was given to conduct a survey of members, to find out when meetings should be held, so that the 'new' Council would be able to make an informed decision for future meetings.</p> <p>At the meeting of the Constitution & Democratic Services Committee on 25th October it was resolved that each committee should be canvassed for views on meeting preference as part of their forward work programme item. The options are as follows:</p> <ul style="list-style-type: none">• Morning 9.30 or 10am• Afternoon 2pm• Late afternoon 4.30pm• Evening 6pm• Rotate AM/PM• Rotate AM/PM/evening• Stay with Current arrangements <p>The committee is asked to express a preference for its meeting pattern. This information will be reported back to the Constitution & Democratic Services Committee and then used to prepare the schedule of meetings.</p> <p>The recommendation is that the Committee expresses a preference to continue with the meetings either in the morning or in the afternoon.</p>
1.02	<p>Appendix 1 provides a summary of progress against the governance section of the Business Plan up to the end of quarter ending 30 September 2017. There is only one task for this quarter which is the induction and refresher training for the Committee and Board; this is now substantially completed. As a result of a new Board and Committee member further training will be organised which will also give the opportunity for any catch up for those members that were unable to attend all of the training days. A further training day will be organised for additional legislative requirements such as Freedom of Information and Data Protection.</p> <p>The Business Plan includes a task in quarter 3 to consider key person risk within the finance function of the Fund. The unexpected retirement of a Pension Finance Manager on 31st December 2017 has prompted an earlier and wider review on how this function is delivered. A task and finish group is considering various options on how this function is organised and delivered both in the interim and the longer term. Progress will be reported to Committee in line with delegation of functions to officers for urgent matters, to ensure a solution is in place especially for the closure of the Fund's accounts.</p>
1.03	<p>Appendix 1 also includes progress against the projected cash flows and budgeted operating costs for 2017/18. The Committee is asked to note the</p>

	<p>following:</p> <ul style="list-style-type: none"> • The cash flow now reflects additional commitments made to Permira Credit Solutions III and the BlackRock US Private Debt Fund. The current position reflects lower distributions and higher drawdowns than anticipated leaving a lower closing projected cash figure at year end. • Pooling (Additional Costs) shown against Investment Management Expenses relates to the Pool Operator Cost. The appointment should be made by the end of the calendar year but it is not known whether any costs will be incurred by the end of the financial year. • Investment Management Expenses - the majority of the fund manager fees are reflected in the net asset value of our investments and are only notified to the Fund at the end of the financial year, consequently, they will only be reflected in the financial ledger and the Fund's accounts at that time. • The Administration budget staffing underspend is mostly due to the difference between the budget being at the top of the scale and the actual scale points that individuals are on.
1.04	The Committee is asked to note the contents of the business plan update.
1.05	<p>Current Developments and News</p> <p><i>National Scheme Advisory Board Update:</i></p> <p>The SAB met on the 16th November 2017 and the agenda included the following items: SAB 2017/18 budget/levy, Academies (England) and 3rd tier employers, cost management committee update, Investment committee update, cost transparency/ procurement working group update. Further information can be found at:</p> <p>http://www.lgpsboard.org/index.php/about-the-board/prev-meetings</p>
1.06	<p><i>Local Pension Board Update:</i></p> <p>The minutes of the Board held on the 2nd November are being prepared and when finalised they will be circulated to Committee members. In the meantime, the key points discussed are summarised below:</p> <ul style="list-style-type: none"> • Disaster Recovery – An update was provided on the result of a disaster recovery test undertaken during September. Whilst successful the test highlighted the dependence on corporate systems such as creditor payments and payroll. This will be followed up corporately. • The Pension Regulator Code of Practice (Compliance Checklist) - The Board undertook a detailed review of the Checklist and were pleased with the overall very positive result. • Asset Pooling - An update was given by the Clwyd Pension Fund Manager on the procurement of a pool operator for the Wales Pension Partnership. • 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. Further details are provided at item 8. • GDPR, IT Security and Cybercrime – An update was provided on the work undertaken and the progress achieved regarding these items.

1.07	<p><i>LGPS Funds: England and Wales 2016-17 Statistical Release</i></p> <p>The above document has been released by the DCLG based on the annual SF3 Return, completed by all Funds, for 2016/17. The following are some of the main statistics (the totals relate only to England and Wales):</p> <ul style="list-style-type: none"> >Total LGPS expenditure £11.8 billion a 3.6% increase on 2015/16 >Wales LGPS expenditure £0.7 billion a 4.9% decrease on 2015/16 >Total LGPS income £13.9 billion a 5.5% increase on 2015/16 >Wales LGPS income £0.8 billion a 3.3% decrease on 2015/16 >Total LGPS market value £259 billion a 21% increase on 2015/16. A split between England and Wales was not given. <p>The document can be found on the LGPS Scheme Advisory Board website: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/654575/LGPS_England_and_Wales_2016-17.pdf</p>
	<p>Policy and Strategy Implementation and Monitoring</p>
1.08	<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; and • attend at least one day each year of general awareness training or events.
1.09	<p>Appendix 5 details progress made to date in relation to the CIPFA Knowledge and Skills Framework training.</p>
1.10	<p>Appendix 5 also includes training and various external events attended by Committee Members and Pension Board members during 2017/18 as well as The Pension Regulator modules undertaken. Appendix 3 includes details of planned training events including forthcoming events considered suitable for general awareness training. The LAPFF conference on the 6-8 December will be attended by the Chair and a Pension Finance Manager.</p>
1.11	<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> <p>Appendix 6 details a number of current Breaches that have been discussed by the Clwyd Pension Fund Manager and the Fund’s Independent Advisor. At this point none will be reported to the Pension Regulator although this position will be reviewed in January 2018</p>
	<p>Delegated Responsibilities</p>
1.12	<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>
	<p>Calendar of Future Events</p>
1.13	<p>Appendix 2 includes a summary of all future events for Committee and</p>

	Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates.
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2.00	RESOURCE IMPLICATIONS
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2.01	None directly as a result of this report.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	None directly as a result of this report.
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4.00	RISK MANAGEMENT
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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• 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. <p>The actions relating to Risks 2 and 3 have been updated to reflect the training that has been undertaken with the Committee.</p>
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5.00	APPENDICES
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5.01	Appendix 1 - 2017/18 Business plan update Appendix 2 - Calendar of events Appendix 3 - Training Plan Appendix 4 - Risk register update Appendix 5 - Training undertaken Appendix 6 - Breaches
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	Report to Pension Fund Committee – Business Plan 2017/18 to 2019/20 – 21 March 2017
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	<p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>
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7.00	GLOSSARY OF TERMS
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7.01	<ul style="list-style-type: none"> (a) The Fund -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) The Committee - 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) 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. (g) Breaches – refers to the requirement for certain people involved with public service schemes to report breaches of law to the Pension Regulator where they are likely to be of material significance to them (h) GDPR – The General Data Protection Regulation was introduced to strengthen and unify data protection for all individuals within the European Union. (i) Cybercrime – criminal activities carried out by means of computers or the internet. (j) CIPFA – The Chartered Institute of Public Accountancy - accountancy body for public services. (k) iConnect – an interface between an employer’s payroll system and the pension administration system that facilitates the upload of data. (l) 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. (m) SF3 Return – Annual survey by the DCLG used to provide a benchmark on the administration and fund management of the LGPS. The data are also used in compiling the National Accounts and to show the role of pension funds in the economy. (n) 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. (o) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
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	(p) DCLG – Department of Communities and Local Government – the government department responsible for the LGPS legislation.
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