

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 5 <sup>th</sup> September 2018
<b>Report Subject</b>	Governance Update
<b>Report Author</b>	Clwyd Pensions Manager

### EXECUTIVE SUMMARY

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

- (a) Business Plan 2018/19 update, including an update on the recruitment to the three new posts in the Finance Team
- (b) An update from the last Local Pension Board meeting
- (c) Various items being considered by the National Scheme Advisory Board, including a system to check compliance against the Code of Transparency, a standard LGPS employer data extract and the resurrection of the review into the greater separation between administering authorities and host authorities
- (d) The initial findings from an Aon survey into administering authorities structures and pay
- (e) Training implementation and monitoring, including an update on the proposed training day in September
- (f) The latest changes to our breaches of the law register.

### RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee approve the proposed changes to the Conflicts of Interest Policy.

## REPORT DETAILS

<b>1.00</b>	<b>GOVERNANCE RELATED MATTERS</b>
<b>1.01</b>	<p><b>Business Plan 2018/19 Update</b></p> <p>Progress against the business plan items for quarter one of this year is generally on track as shown in Appendix 1. This quarter's work includes the following items:</p> <ul style="list-style-type: none"><li>• G4 – Cybercrime – This item was being taken forward by the Pensions Administration Manager and nothing has progressed since she has been absent. However following a request by the Pension Board, they will be receiving presentations from both Flintshire County Council's ICT and Aquila Heywood on 11th October on the steps they take to protect the Fund from Cybercrime. An update will be provided at the November Committee.</li><li>• G5 – Structure Review of Finance Team – as agreed at the last meeting, three new positions have been created in the Finance Team that have now been advertised. The current situation regarding the three posts (Pension Fund Accountant, Investment Officer and Governance &amp; Business Support Officer) is that no suitable applications were received. The Clwyd Pension Fund Manager is discussing the way forward with Human Resources.</li><li>• G6 – Review/Tender Actuarial Contract – The Fund will be progressing this through the National Framework and has requested access to the tender documentation. Next steps are to discuss and produce the documentation for the Fund.</li></ul>
1.02	The Committee is asked to note the contents of the business plan update.
<b>1.03</b>	<p><b>Current Developments and News</b></p> <p><i>Pension board update</i></p> <p>The approved minutes of the Clwyd Pension Fund Board meeting on 27 February 2018 are attached at Appendix 8.</p> <p>The last meeting of the Clwyd Pension Fund Board was held on 28 June 2018. Due to resource constraints, the formal minutes are not yet available. The key items of discussion were as follows:</p> <ul style="list-style-type: none"><li>• Administration Update – discussion around the increases in day to day workloads, the benefits of the Member Self-Service facility, the challenges of implementing the new I-Connect system including the impact on the KPIs. The Board noted the major increase in scheme member satisfaction in two areas but asked the Team to consider how to encourage a greater number of surveys being completed. The Board were supportive that a business case was being completed in relation to the Team's resources as they are concerned about the ongoing challenges the Team face in relation to workloads.</li><li>• Project Apple – the Board received a more detailed explanation of the error covered by the Committee's Part 2 report. The Board suggested that the report to the Pensions Regulator should be carried out as soon as possible. They asked the Team to investigate if APP was being calculated correctly by all other employers and the</li></ul>

difficulties in checking this were highlighted but the Team agreed to carry out further checks. They also asked to be kept up to date with progress.

- Asset pooling – The Board noted the major project to implement asset pooling. However, they asked a number of questions about the governance of asset pooling, noting that their role was not to comment on the assets being considered, but to consider how decisions are made. They highlighted that it appeared unclear as to how decisions should be made and noted there appeared to be lack of clarity within the meeting papers and minutes that were available. Members also highlighted that a number of policies still had not been developed, which could impact on decision making such as the lack of a Conflicts of Interest Policy. As a result of the questions being asked the Board felt they had reason to be concerned. The Board asked the Chair to ask the Chairs of the other Welsh Boards if they had similar concerns, and if so, suggested a joint letter be sent requesting greater clarity on these aspects. The Board also asked that any such letter include a request for a representative from the Welsh Pension Boards to attend the JGC meetings.
- Cheshire Pension Board – the Chair received an invitation for a member of the Clwyd Pension Board to attend a Cheshire Pension Board meeting and vice versa. The purpose of this is to share ideas between the Boards and hopefully learn from each other. Board member Phil Pumford and the Clwyd Pension Fund Manager attended the Cheshire Pension Board on 17<sup>th</sup> July and we expect a member of their Board to attend the Clwyd Pension Board on 11<sup>th</sup> October 2018.

1.04

#### *National Scheme Advisory Board (SAB) Update*

The following are items to note relating to the work of the national Scheme Advisory Board. More information regarding these and other SAB matters can be found on the SAB website - <http://lgpsboard.org/>. Please note that the minutes of the June meeting are not yet published and so it is possible that some of the recommendations did not receive agreement:

- Academies project – the funding aspects of the academies project do not directly impact the Welsh LGPS funds. However, there is a second strand of this project which has been looking at administration focussing on four key areas:
  - More consistency in pensions administration
  - More effective communication
  - Improved training at local, regional and national level, and
  - Clarifying the duties and responsibilities of stakeholders

One of the key outcomes is the appreciation of what a major obstacle data is, and particularly the inconsistency of the format of data being submitted by academies. With this in mind the Scheme Advisory Board is carrying out a piece of work to develop a scheme wide universal monthly employer extract for future consultation.

- Code of Transparency – the update of the LGPS Code of Transparency has been extremely positive with many fund managers, LGPS administering authorities and asset pool operators demonstrating greater transparency in their fees as part of their ongoing reporting. The Scheme Advisory Board has been considering how best to ensure a high level of engagement but also

	<p>ensuring the accuracy of the information being reported through some sort of compliance checking. SAB were asked at their meeting in June to agree to commence a procurement process for a system to be developed to carry out compliance checking. In addition it has been proposed that the Scheme Annual Report, which is made up of information from each LGPS Fund's Annual Report and Accounts, is enhanced to include additional information on investment costs.</p> <ul style="list-style-type: none"> <li>• LGPS third tier employers – SAB are looking to identify the potential funding, legal and administrative issues and liabilities relating to admitted and scheduled bodies that do not benefit from local or national tax payer backing (Tier 3 employers). Aon were commissioned to assist with this project. At the June meeting SAB considered Aon's report relating to the current issues faced by the LGPS and associated stakeholders in relation to Tier 3 employers participating in LGPS funds in England and Wales. The outcomes of this are not yet known.</li> <li>• SAB Cost Control Mechanism – the provision results of the valuation undertaken by GAD were reported to the SAB at their June meeting. The provisional assessment of the overall cost of the scheme is 19.8% of pay, compared with the target overall cost of 19.5%. The outcome of the discussions at SAB is not yet known. However, the Fund Actuary will provide comment on the potential implications of this at the Committee meeting.</li> <li>• 2018/19 SAB work plan/budget - At its June meeting the Scheme Advisory Board agreed its budget for the 2018/19 work plan. This includes three new areas of work: <ul style="list-style-type: none"> <li>○ Separation – this project commenced a number of years ago but was put on hold whilst asset pooling was in its initial stages. The objective would be to identify both the issues deriving from the current scheme administrative arrangements of the LGPS and the potential benefits of further increasing the level of separation between the host authority and the scheme manager/administering authority role. SAB are now tendering for a consultant to carry out some of this work. Hymans Robertson is hosting an event on 18 September where this topic will be discussed. Further information at Appendix 4. The event will be attended by the Pension Finance Manager. Anyone else who wishes to attend should advise Debbie Fielder, Pension Finance Manager.</li> <li>○ Statutory guidance – MHCLG have proposed a project to identify regulations which may be better sited within statutory guidance and assist with the drafting of revised regulations and guidance.</li> <li>○ Data scoring for scheme specific data – SAB are planning to develop guidance for administering authorities in relation to how data should be assessed. This work did commence this year but has been deferred due to the complexity of it. In the meantime, each administering authority is determining their own process for scoring data for 2018.</li> </ul> </li> </ul>
1.05	<p><i>Aon Administering Authority Survey</i></p> <p>Aon carried out a study of organisational structures and pay within LGPS</p>

administering authorities during the period from March to June 2018 and the summary results have now been published to those authorities who have taken part. The survey was completed by 31 administering authorities, covering 34 funds in England and Wales, which provided information on 1,260 FTE posts.

The results of the survey provide a useful comparison with other LGPS Funds which we are receiving further analysis on. The key observations overall are:

- Unsurprisingly, the average number of employers, members, and staff is strongly tied to the market value of the fund, with the strongest correlation being between average number of members and market value of the fund.
- Most administering authorities who responded only offer salary, not other elements of pay. However, around 20% pay a Market Supplement/Premium.
- Aon did not find a correlation between salary and market value of the fund. However, London-based administering authorities pay their staff consistently more than non-London administering authorities, across all levels.
- 40% of administering authorities who responded are planning to make changes to their organisational structure.

We are further analysing the results in relation to CPF compared with the universe but initial results highlight that pay levels may be below average for nearly all Pension Fund staff other than support staff. The more detailed analysis may provide explanations for this observation.

## **Policy and Strategy Implementation and Monitoring**

1.06

### *Training Policy*

The Clwyd Pension Fund Training Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to:

- 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.

Appendix 2 details progress made to date in relation to the CIPFA Knowledge and Skills Framework training. Appendix 2 also includes training and various external events attended by Committee Members and Pension Board members during 2018/19. Appendix 3 includes details of planned training events including forthcoming events considered suitable for general awareness training.

A Welsh LGPS Funds Responsible Investment Seminar is being hosted by PIRC on 31 October 2018 in Cardiff (10am to 2.30pm). We have been allocated seven spaces to attend this event. All those wishing to attend should contact Debbie Fielder, Pension Finance Manager.

Members have already been advised that the planned training day on 13 September 2018 has been cancelled. The key elements of training identified for this year have been delivered to the majority of members. A

	catch up day will be organised for some members, and officers will continue to consider any specific topics that merit further training. In the meantime, Committee members are reminded to highlight, at any point, topics where they feel they need further training.
1.07	<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. Appendix 5 details a number of current breaches that have been identified. As highlighted in the Part 2 report, the breach relating to the employer error has been reported to the Pensions Regulator.
1.08	<i>Conflicts of Interest Policy</i>  The Fund's Conflicts of Interest Policy was originally agreed in March 2015. It is good practice to regularly review all policies. The Committee are asked to consider and approve proposed changes which are highlighted in the Policy which is attached as Appendix 9. The majority of the changes relate to the implementation of asset pooling, recognising the potential for conflicts of interest to arise in relation to the additional roles and responsibilities associated with asset pooling.
1.09	<b>Delegated Responsibilities</b>  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.
1.09	<b>Calendar of Future Events</b>  Appendix 6 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.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The report touches on the ongoing challenges as a result of the current workloads and the recent retirement of a Finance Manager. The Pension Fund Manager is continuing to ensure work is prioritised appropriately but it is likely that some non-essential tasks are not being carried out until the full staffing establishment is achieved.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>Appendix 7 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"> <li>• potentially insufficient resource, which puts a risk on us being able to deliver our legal and policy objectives</li> <li>• 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.</li> </ul> <p>The likelihood in relation to risk number 6 has been increased from significant to very high. This risk relates to the risk of services not being delivered to meet legal and policy objectives due to insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit). It is considered this is now very high as of further challenges with sickness and recruitment in an environment where workloads are increasing even further, particularly in the Administration Team where a number of new workload challenges have come to light.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – Business plan progress  Appendix 2 - Training undertaken  Appendix 3 – Training plan  Appendix 4 - Hymans Robertson – LGPS Governance: going our separate ways event  Appendix 5 – Breaches  Appendix 6 – Calendar of future events  Appendix 7 – Risk register  Appendix 8 – 27 February 2018 Pension Board minutes  Appendix 9 – Draft Conflicts of Interest Policy</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>No relevant background documents.</p> <p><b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(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</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County</p>

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) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
- (g) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation.
- (h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pensions Partnership asset pooling arrangement.