

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 23 rd November 2022
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

An update on LGPS governance matters and the impact on the Clwyd Pension Fund (CPF) are provided for discussion at each Committee agenda, including updates on the Clwyd Pension Fund's governance strategy and policies. This update report includes developments since the last update report provided at the August 2022 Committee meeting.

This update includes matters that are mainly for noting, albeit comments are clearly welcome. There is one area for approval which relates to the updating of the Fund's Governance Policy and Compliance Statement. The Committee are asked to approve the changes which, in the main, relate to the changes to the Constitution and Pension Board Protocol as a result of the departure of the last Chief Executive.

The report includes updates on:

- Fund officers success at the Women in Pensions Awards
- Progress against the governance section of the Business Plan
- The extension of Mrs Williams' appointment on the Pension Board
- Recent topical developments
- Changes to the governance risks on the Fund's risk register since the last meeting
- The latest changes to our breaches of the law register
- Forthcoming training and events, some of which are essential for Members.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee note the changes to timescales in the business plan for items G3 and G5, due to Government delays in taking forward The Pension Regulator's Single Code and the SAB Good Governance review outcomes.
3	That the Committee approve the changes to the Fund's Governance Policy and Compliance Statement as shown in Appendix 3.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p data-bbox="320 277 660 309">Business Plan Update</p> <p data-bbox="320 349 1391 454">Appendix 1 summarises progress with the work for the governance tasks in the 2022/23 Business Plan. Good progress is being made with most actions. The Committee should note the following:</p> <ul data-bbox="368 499 1391 2040" style="list-style-type: none"><li data-bbox="368 499 1391 712">• <i>G1 – Induction Training</i> All of the induction training sessions have now been provided for the new members who joined the Committee following the May local authority elections. Not all members were able to attend all the sessions and we are waiting confirmation that they have now watched all the recordings of the missed training sessions.<li data-bbox="368 757 1391 1081">• <i>G2 – Develop business continuity arrangements including managing cyber risk</i> The development of a draft Fund specific business continuity plan is now being undertaken based on the current practices that were identified by the Deputy Head of Clwyd Pension Fund and Pensions Administration Officer. This specific element of the business plan is running slightly behind schedule due to other priorities but it is hoped this will be finalised by the end of the year and an update will be provided at the February committee. A separate report is provided to update the Committee on progress in relation to cyber security.<li data-bbox="368 1238 1391 1451">• <i>G3 – Review against TPR new Single Code</i> The Pension Regulator’s new Single Code has still not been laid before Parliament. Work for the Fund was originally due to start in Q1 of this year but it may now be Q4, in which case work is likely to continue into 2023/24. The timescales in the business plan have been updated accordingly.<li data-bbox="368 1496 1391 1787">• <i>G4 – Review appointment of Local Pension Board and Pension Fund Committee Members</i> The appointments of two members of the Pension Board were due to end or be reviewed this year. As was reported earlier in the year, the trade union scheme representative has already been reappointed to the Board. The review of the appointment of the non-trade union member representative is now also complete and is covered in the next section of this report. .<li data-bbox="368 1832 1391 2040">• <i>G5 – Outcome of Scheme Advisory Board good governance review</i> This area of work was expected to commence in Q3 but DLUHC have not yet issued their consultation on proposed changes from the good governance review. This is now not expected this year and the business plan has been updated accordingly to allow for this to go into 2023/24.

	<ul style="list-style-type: none"> • <i>G6 – Review/Tender Fund Actuary, Investment Consultancy and Independent Adviser Contracts</i> The Fund’s investment consultancy and independent adviser contracts reach their initial break point on 31 March 2023, albeit they can be extended by the Committee for 2 years. A separate report is included in Part 2 of the agenda to consider whether the contracts should be extended.
1.02	<p>Current Developments and News</p> <p><i>Women in Pensions Awards 2022</i></p> <p>Both Debbie Fielder, the Deputy Head of Clwyd Pension Fund and Karen Williams, the Pensions Administration Manager, were nominated and shortlisted for this year’s Professional Pensions’ Women in Pensions awards. Both were shortlisted in the Pensions Manager of the Year and Karen was shortlisted and was Highly Commended for Administrator of the Year. This is an exceptional achievement for them both given the awards cover all private and public pension schemes in the UK.</p>
1.03	<p><i>Pension Board meetings</i></p> <p>The Clwyd Pension Board met on the 30 September 2022 and a verbal update was provided at the last Committee meeting. The Board minutes are currently being finalised but the key discussions at the Board meeting are summarised below:</p> <ul style="list-style-type: none"> • There was an update on the progress of Committee induction training with the Board taking comfort from the fact that a robust and well run process was being undertaken • A significant amount of time was spent discussing the current workforce issues within the Fund. There are ongoing concerns about difficulties filling all the currently available roles and succession planning for staff who are approaching retirement age. Vacant posts as well as increases in work areas are impacting the ability of the Fund to continue to meet target service standards. <p>It was noted that the Fund’s costs are borne from the Fund’s assets and not from Flintshire County Council’s budget, so the Board requested that the Fund officers remind the Council of the differences in structure between the Fund and the Council. In particular, it was noted that the Fund should request that they remain exempt from any requirement to put in business cases for further recruitment. <i>[Please see subsequent update on this point in paragraph 2.02 where it has been agreed that Pension Fund recruitment will not be subject to the any restrictions imposed by Flintshire County Council due to the current budgetary constraints.]</i></p> <p>The Pensions Administration Manager also highlighted an increase in the retirement cases administration staff have had to process in recent months and explained further investigations are being carried out to determine whether this is likely to increase, so the impact on resources can be considered.</p> <ul style="list-style-type: none"> • Another key discussion related to an update from the Board Secretary on the governance arrangements in place to allow the

	<p>Fund to respond to market turbulence which was experienced in early September. The Board took comfort in the robust approach to managing the Fund's investments even during a period of financial crisis.</p> <ul style="list-style-type: none"> • The final main area of discussion related to the Wales Pensions Partnership (WPP) contract with Link as the Operator for the asset pooling arrangement. A proposed takeover of Link Group had fallen through following conditions being imposed by the FCA. Officers had been involved in discussions with the WPP Host Authority and their oversight advisers. Concerns about the uncertainties around the situation were discussed at the meeting and it was agreed that the Chair of the Pension Board would escalate those concerns at the Clwyd Pension Fund Advisory Panel and also the WPP Pension Board Chairs' Engagement meeting in October. • The Board also received an update on the approach being taken to implement the new Communications Strategy. This primarily focused on the timelines for implementation as well as the next steps, such as issuing a member satisfaction surveys and running some member focus groups. The Board did note and welcome the ongoing increase in members using the Fund's Member Self-Service facility. • The Board considered their response to the findings of the Pension Board Effectiveness survey. Broadly speaking they observed the Board appears to be a well-run and effective group. Areas they discussed included how there could be easier ongoing access to Board papers. The Board would try to meet face to face for some future meetings which would be determined in advance of each meeting, noting that hybrid or virtual meetings should still be considered. There was also some discussion about trying to space meetings out more evenly. <p>These were discussed alongside a number of standing and other items covering information such as administration performance, asset pooling arrangements, risks to the Fund, breaches of the law, the ongoing 2022 Actuarial Valuation, cyber security and business continuity.</p> <p>The next Pension Board meeting is on the 1st March 2023.</p>
1.04	<p><i>WPP Pension Board Chairs' Engagement meeting</i></p> <p>The Chair of Clwyd Pension Board attended the twice-yearly WPP Engagement meeting of the Welsh Pension Board Chairs on 26 October 2022. This meeting provides an opportunity for the Welsh Pension Board Chairs to ask questions of officers and advisers relating to the governance and administration of the WPP. Prior to the meeting and following this meeting, the Chair of the Clwyd Pension Fund Board (Mrs Karen McWilliam) has been speaking to the officers of the Fund regarding the risk related to Link Fund Solutions Limited which is the Operator for the WPP. A further update on this matter is included in the pooling update report.</p>

1.05	<p><i>Pension Board Appointment</i></p> <p>Mrs Elaine Williams, the non-trade union scheme member representative on the Pension Board, will have been in position for three years in February 2023. The Pension Board Protocol states that scheme member representatives are appointed for a period of three years but this may be extended up to five years if agreed by the Board Secretary. The Board Secretary is currently Mr Philip Latham, the Head of Clwyd Pension Fund. Given her contribution over the years, the Chair has asked Mrs Williams if she would be willing to continue in this post for another two years which she has kindly confirmed. Mr Latham has confirmed his agreement to this extension to February 2025.</p>
1.06	<p><i>LGPS Scheme Advisory Board (SAB) meetings</i></p> <p>The LGPS SAB met on 10 October. At the point of writing the summary of this meeting was not published but papers and an agenda for the meeting are available here which include:</p> <ul style="list-style-type: none"> • Climate Risk Reporting Consultation – The SAB are preparing their response to DLUHC’s TCFD consultation for LGPS Funds. • Updates from the SAB’s sub-committees. <p>The next SAB meeting is scheduled for 5th December</p>
1.07	<p><i>New Ministerial team at the Department for Levelling Up, Housing and Communities (DLUHC)</i></p> <p>Since our last update there have been a number of changes in the ministerial team at DLUHC. On 4 November, Lee Rowley confirmed he had been appointed as the new Local Government Minister. It is interesting to note that he holds this role as a Parliamentary Under Secretary of State; previously the role was held by individuals with more senior positions (such as Minister of State). Changes in the role-holder continue to result in delays or changes to priorities at a national level, and particularly in delays to expected consultations in areas such as McCloud and asset pooling statutory guidance.</p>
1.08	<p><i>SAB correspondence with DLUHC</i></p> <p>In recent months the SAB Chair wrote to the previous Local Government Minister, Paul Scully MP, on a range of issues including:</p> <ul style="list-style-type: none"> • Audit issues within the LGPS – There have been issues with a number of English LGPS administering authorities not being able to finalise their pension fund accounts because they are part of their local authority accounts and there are delays with the external audit of these. This is different in Wales where the pension fund accounts are separate (albeit there have been some delays with external audit in Wales but this has not impacted on closing the Clwyd Pension Fund accounts on time). SAB has asked DLUHC to consider separating out the pension fund accounts from the local authority accounts in England.

	<ul style="list-style-type: none"> • Age discrimination in LGPS benefits - SAB has recommended reform of elements of the LGPS rules on death grants and survivor benefits to address recent challenges that the current rules are discriminatory in some areas and protect against potential future legal challenge. • Fair deal policy – SAB have requested an update on the Fair Deal policy and whether SAB could contribute to the process of finalising this policy. <p>The SAB Chair had also invited the previous Minister to a future SAB meeting, to assist the Minister to constructively engage on current issues with relevant stakeholders and discuss current developments within the LGPS.</p>
1.09	<p><i>Scheme Advisory Board issues response to HM Treasury's exit pay consultation</i></p> <p>Between 8 August and 17 October, HMT ran a consultation titled “ Public Sector Exit Payments: a new controls process for high value exit payments”. As this was targeted at employees of central government it is likely that this will not affect local government workers directly. However as some LGPS employers are likely to be covered by the new arrangements, the Scheme Advisory Board submitted a response that can be found here.</p> <p>It is also worth noting that the consultation confirmed that the process will not apply to bodies under the devolved administrations which means it will not apply to bodies in Wales. However it could apply to roles located in Wales that relate to functions under the control of HM Treasury.</p>
1.10	<p><i>Scheme Advisory Board 2021/22 SF3 Statistical Return Briefing Note</i></p> <p>Every year all English and Welsh LGPS administering authorities are required to submit certain statistical information to DLUHC covering areas such as income, expenditure, membership and retirements. This is collated and the results made public. SAB issued a briefing note on some key findings from the 2021/22 return which is included in Appendix 2 for information.</p>
1.11	<p><i>Scheme Advisory Board Statement on employer contributions</i></p> <p>On 1 November 2022, SAB issued a statement setting out their recommendations resulting from the discussion had at their meeting on 10 October about the results emerging from the triennial actuarial valuation of LGPS Funds.</p> <p>In this statement, SAB cautioned against adopting reductions in employer contributions as a result of improvements in funding position, in favour of moving towards a more prudent funding strategy that recognises the level of uncertainty in the market. They emphasised that even keeping in mind the level of financial stress currently being experienced by local governments, this would be the more desirable approach to consider.</p> <p>The Fund’s approach to this is discussed in agenda item 5, the item relating to the Funding Strategy Statement.</p>

1.12	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Governance Policy and Compliance Statement</i></p> <p>At the last Committee meeting, the Committee agreed proposed changes to the Fund’s Constitution and the Pension Board Protocol that mainly related to the departure of the former Chief Executive. For most of these, it was proposed that the responsibilities moved to the Head of Clwyd Pension Fund. These proposed changes were considered and approved in full by Flintshire County Council on 18 October 2022.</p> <p>As these changes have now been approved, it is necessary to incorporate them into the Fund’s Governance Policy and Compliance Statement. Accordingly, Appendix 3 includes the Policy with the proposed changes highlighted within it. The Committee are asked to approve these changes.</p>
1.13	<p><i>Annual Review of Objective Measures for Governance Related Policies/Strategies</i></p> <p>Within the Fund’s strategies and policies, there are a number of measures to illustrate whether the Fund’s objectives in those areas are being achieved. Many of these measures are included in the Committee’s quarterly updates (such as training attendance and key performance indicators) and also in the Annual Report and Accounts. However, as there are some within the Fund’s governance related policies which are not otherwise reported, a summary of all measures is provided on an annual basis as part of this Governance Update report. This ensures transparency that all measures are being considered.</p> <p>Appendix 4 includes a list of the measures in the governance related policies and the outcomes relating to them, which are mainly very positive. For security reasons, the measures relating to the Business Continuity Policy and Cyber Strategy are included as part of the cyber security update report in part 2 of the agenda.</p>
1.14	<p><i>Knowledge and Skills Policy and Training Plan</i></p> <p><u>Policy requirements</u></p> <p>The Clwyd Pension Fund Knowledge and Skills Policy requires all Pension Fund Committee members, Pension Board members and Senior Officers to:</p> <ul style="list-style-type: none"> • attend training on the key elements identified in the CIPFA Knowledge and Skills Framework as part of their induction and on an ongoing refresher basis • attend training sessions on "hot topic" areas, such as a high risk area or an area of change for the Fund and • attend at least one day each year of general awareness training or events. <p><u>Training undertaken</u> - Appendix 5 sets out the Training Plan for the Fund. Recent events include:</p> <ul style="list-style-type: none"> • June to October – Induction training for new Committee members

- 8 to 9 September - LGC Investment Seminar
- 5 October – Investment strategy review and asset classes
- 19 October – WPP training on governance, administration and roles/responsibilities within the WPP

A summary of attendance at the Fund's essential training sessions (other than induction training) over 2022/23 to date is included below:

	Date	Number of Committee attending (Proportion of total)	Number of Board attending (Proportion of total)	Number of Officers attending (Proportion of total)
Hot Topic Sessions – Target attendance is 75%				
Communications Strategy Review	Jun-22	6 (100%)	4 (80%)	4 (80%)
Actuarial Valuation and Funding Strategy	Aug-22	7 (78%)	5 (100%)	5 (100%)
Investment Strategy	Oct-22	7 (78%)	4 (80%)	4 (80%)
Total		20 (83%)	13 (87%)	13 (87%)

Future training and events

Officers will continue to provide information on further training sessions and events as this becomes available. In the meantime, if any Committee or Board members wish to attend any of the following optional events that count as general awareness training, please contact the Deputy Head of Clwyd Pension Fund:

- 5 December 2022 – WPP responsible investments, Stewardship Code and TCFD reporting
- 20 January 2023 – LGA annual LGPS governance conference (Cardiff)
- 30 to 31 March 2023 – LGC Investment Conference (Carden Park, Cheshire).

Committee members should note the following training sessions which are classed as **essential** for all Committee and Board members and senior officers:

- 18 January 2023 - Private Markets
- 1 February 2023 – LGPS Task Force on Climate-Related Financial Disclosures.

1.15

Recording and Reporting Breaches Procedure

The Fund's procedure requires that the Head of Clwyd Pension Fund maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 6 details the current breaches that have been identified.

The new breaches that have been added since the last Committee are as follows:

	<ul style="list-style-type: none"> F89 onwards – These four new breaches relate to late submission of remittances by four separate employers. All but one of the breaches have now been resolved. <p>It is also worth noting that all the breaches highlighted at the last meeting relating to late payment of contributions have also been resolved, albeit there is one outstanding contribution admittance.</p>
1.16	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee have delegated a number of responsibilities to officers or individuals. There have been no uses of delegated powers for governance matters since the last update report.</p>
1.17	<p>Calendar of Future Events</p> <p>Appendix 7 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. Key dates to note are:</p> <ul style="list-style-type: none"> The Fund’s Annual Joint Consultative Meeting will take place on 13 December 2022 – all Committee and Board members are invited to attend this event and a “save the date” has been issued by Charley Evans, the Fund’s Communications Officer. The next Committee meeting is on 15th February 2023.

2.00	RESOURCE IMPLICATIONS
2.01	<p>As referred to in the other update reports, difficulties in recruitment and retention are resulting in pressures on resources, which are beginning to impact on services. There are also likely to be a number of retirements over the next few years which could also impact on service delivery. Ongoing discussions are taking place at the Advisory Panel, with further work being undertaken on succession planning and forecasting trends in workloads. Any immediate concerns may result in requests for additional temporary positions, and some longer term requirements are expected to be incorporated into the business planning and budget proposals for 2023/24 which will be brought to the Committee in March 2023.</p>
2.02	<p>The Council may need to introduce restrictions on recruitment due to budgetary pressures. As the administration of the Fund is a direct cost to the Fund, the Senior Manager, Human Resources and Organisational Development agreed with the Chief Executive that the Fund would be exempt from any such FCC’s requirements.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
4.01	Appendix 8 provides the dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk register has been updated since it was last presented to the Committee in August.
4.02	<p>The key changes relates to:</p> <ul style="list-style-type: none"> • risk number 3 - decisions are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers, meaning our legal fiduciary responsibilities are not met. The likelihood has been reduced from Significant to Very Low, and the impact has been reduced from Marginal to Negligible, which brings this risk back to target. This is due to the fact that induction training with new members on understanding their roles and responsibilities, potential conflicts of interest and how conflicts must be managed is now complete. • risk number 5 - externally led influence and change meaning the Fund's objectives/legal responsibilities are not met or are compromised. The likelihood has been updated from Low to Significant due to the issues that Link Fund Solutions Limited, a supplier to WPP, are facing (considered further in the Supplier contract report).
4.03	The other risk that is furthest from target is risk number 6 (insufficient staff numbers meaning services are not being delivered to meet legal and policy objectives). This remains high due to the difficulties with recruiting to vacant positions and retention (including potential retirements in the next few years).

5.00	APPENDICES
5.01	<p>Appendix 1 - Business plan progress 2022/23</p> <p>Appendix 2 - SAB 2021/22 SF3 Statistical Return Briefing</p> <p>Appendix 3 - Governance Policy and Compliance Statement</p> <p>Appendix 4 - Annual Review of Objective Measures for Governance Related Policies/Strategies</p> <p>Appendix 5 - Training plan</p> <p>Appendix 6 - Breaches log</p> <p>Appendix 7 - Calendar of future events</p> <p>Appendix 8 - Risk Register</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None in this report</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund</p> <p>Telephone: 01352 702264</p> <p>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) Committee or 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) Board, 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) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.</p> <p>(g) DLUHC – Department of Levelling Up, Housing and Communities – the government department responsible for the LGPS legislation.</p> <p>(h) JGC – Joint Governance Committee – the joint committee established for the Wales Pension Partnership asset pooling arrangement.</p> <p>(i) CIPFA – Chartered Institute of Public Finance and Accountancy - a UK-based international accountancy membership and standard-setting body. They set the local government accounting standard and also provide a range of technical guidance and support, as well as advisory and consultancy services. They also provide education and learning in accountancy and financial management.</p>

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| <p>(j) TPR – The Pensions Regulator – TPR has responsibilities to protect UK's workplace pensions and make sure employers, scheme managers and pension specialists can fulfil their duties to scheme members. This includes oversight of public service pension schemes, including the LGPS. Specific areas of oversight are set out in legislation and also expanded on within TPR's Guidance and Codes of Practice.</p> <p>(k) PLSA - Pensions and Lifetime Savings Association – PLSA aims to bring together the industry and other parties to raise standards, share best practice and support its members. It works collaboratively with members, government, parliament, regulators and other stakeholders to help build sustainable policies and regulation which deliver a better income in retirement.</p> <p>(l) HMT – His Majesty's Treasury – HMT has a responsibility to approve all LGPS legislation before it is made.</p> |
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