

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 30 August 2023
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, including updates on the CPF's governance strategy and policies. This update report includes developments since the previous report provided at the June 2023 Committee meeting. It includes matters that are for noting only, albeit comments are clearly welcome.

The report includes:

- progress against the governance section of the 2023/24 to 2025/26 Business Plan
- updates on the membership of the Pension Board
- current developments and news both at national level and any CPF-specific governance matters
- 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.
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REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p>Business Plan Update</p> <p>The business plan update shows progress with the first two quarters' work for the governance tasks in the 2023/24 Business Plan. Good progress is being made with all actions although given national delays to the pensions dashboard, there is no update on dashboards in this report.</p> <p>In relation to the priorities in the governance section of the business plan, the key points to note are as follows:</p> <ul style="list-style-type: none">• <i>G1 – Committee and Board knowledge and skills:</i> The training needs analysis will be issued shortly to Committee members. Responses will be collated and reported at the next Committee meeting.• <i>G2 – Appointment of Local Pension Board and Pension Fund Committee Members:</i> Work is progressing to fill the vacant employer representative position on the Board.• <i>G3 – Review against TPR new General Code:</i> The Pension Regulator's new General Code has still not been laid but is expected to materialise before the end of the year. Essential training on the new code date will be provided in due course.• <i>G4 - Ongoing developments in business continuity arrangements including managing cyber risk:</i> Work is ongoing in relation to cyber security and final documentation relating to the Fund's strategy will be discussed with the Board at their next meeting. Work is also continuing in relation to Business Continuity.• <i>G5: Succession Planning and Ongoing Resource requirements:</i> The Pensions Administration Manager has considered the staffing structure of the Administration team, and an update and recommendations are included within item 14 of the Agenda.• <i>G6: Implement government changes relating to Scheme Advisory Board good governance review:</i> There has been no further progress from Government nor the Advisory Board on the good governance proposals. However, the recent pooling/investment consultation published by DLHUC contains a proposal for administering authorities to develop a training policy for pension committees which was one of the Good Governance recommendations. The consultation is covered in more detail in item 5 of the Agenda.
	Current Developments and News
1.02	<p><i>Pension Board meetings</i></p> <p>There was a special Pension Board meeting on 18 August 2023 to discuss the governance of investment decision making. At the time of writing, the minutes are not yet available, but the Board has agreed the following feedback for the Committee.</p> <p><i>The Board would like to recognise the efforts made by Officers and Advisers in supporting the Committee in its decision-making around</i></p>

	<p><i>climate change and the Fund’s Responsible Investment policy. Climate change is a very important and emotive topic, but it is also a complex and technical area. A huge amount of effort has gone into the provision of training and detailed information on the options for exclusions on climate grounds, and their implications for funding and investment as well as the practicalities of implementing an exclusionary policy in the context of the pooling environment. We believe this demonstrates exemplary governance and has enabled the Committee to make informed decisions. We understand that legal advice is being sought to ensure there can be no grounds for legal challenge from any stakeholder, which we believe is an important part of the process given that this is the first time the Fund has documented an exclusionary policy. We would also like to note that whilst the Board itself is not decision-making, we have found the training sessions and explanations provided by Officers, Advisers and Russell as WPP’s investment manager, to be extremely helpful and informative and we are supportive of an investment approach which is Paris-aligned.</i></p> <p><i>Whilst, we recognise there will always be different opinions on how to achieve the Fund’s climate change objectives and, in particular, how quickly they should be achieved, our hope is that the Fund’s position on climate change is now settled for the short-term at least, to ensure that Committee members (and Officers and Advisers) have the time to focus on other key areas of strategic importance in the management of the Fund. We do of course recognise that strategy evolves and that the decisions will be revisited again in future.</i></p> <p>The Board is also supportive of the proposed amendments to the Investment Strategy Statement as developed by Officers and Advisers following the final training session and circulated to us on 17 August. We have one minor point of feedback which is to amend the wording in the first column in the table in the Exclusions Policy from [x%] to “The % of”. Whilst this is a small change, we believe it will prevent readers thinking the x% is still to be agreed, when in fact it relates to the %s shown in the second and third columns (the minimum objective and the Fund’s ambition).</p> <p>Minutes of the 18 August Board meeting will be provided at the next Committee meeting.</p>
1.03	<p><i>LGPS Scheme Advisory Board (SAB) meetings</i></p> <p>The LGPS SAB met on 17 July. At the time of writing, the meeting summary has not been published but the agenda and non-confidential papers are available here.</p> <p>The date of the next SAB meeting has not yet been published.</p>
1.04	<p><i>Equality Diversity and Inclusion</i></p>

	<p>The Pensions Regulator (TPR)'s survey of Pension Board members asking for their views on EDI closed on 4 August. The questions related to whether a diverse and inclusive Pension Board membership assists the Pension Board in their responsibilities, personal diversity/inclusion issues and what TPR should be doing in this area. TPR's Louise Davey also published a blog titled <i>How trustees can improve pension industry diversity in just 20 minutes</i> on 1 August.</p>
1.05	<p><i>Economic Activity of Public Bodies (Overseas Matters) Bill</i></p> <p>The Bill, which had its second reading in the House of Commons on 3 July, seeks to prevent LGPS administering authorities from making investment decisions influenced by “political and moral disapproval of foreign state conduct”. There are exceptions proposed to ensure that funds can still comply with formal Government legal sanctions, embargoes, and restrictions.</p> <p>The LGA have produced a technical guide on the Bill which includes their views on pensions, as follows:</p> <ul style="list-style-type: none"> • The LGPS is a well-funded and well-run scheme. There are very few Pensions Regulator or Pensions Ombudsman cases for a scheme of its size. • Administering authorities take their statutory and fiduciary duties around the investment of pension funds very seriously. • Investment decisions are taken in line with the fiduciary duty. Where an LGPS fund decides to divest from particular investments based on non-financial factors they follow the requirements that any financial impact on the fund should not be significant and the decision would likely be supported by scheme members. • The enforcement regime set out within the Bill plans to increase the Pension Regulator's existing remit in relation to the LGPS to include decisions relating to investments. It will be extremely important that TPR does not intentionally or unintentionally make determinations which are beyond the remit set out in the Bill. • LGA express concerns around the use of judicial review by “interested third parties” due to existing pressures on the court system and the lack of clarity around who or what may be deemed to be a sufficiently interested party. <p>The Bill has now moved to Committee stage. SAB will be providing written evidence on the Bill to the Public Bill Committee,</p> <p>In addition, the Vice-Chair of the Board and LGA's Head of Pensions have been invited to give oral evidence to the Committee, which we assume will be based on LGA's comments within its technical guide as summarised above.</p>
1.06	<p><i>Publication of the tenth Scheme Annual Report</i></p>

	<p>On 26 June the SAB published the Scheme Annual Report which aggregates information supplied in the 86 fund annual reports, as at 31 March 2022.</p>
1.07	<p><i>Gender Pensions Gap</i></p> <p>Following GAD's next steps report on its Gender Pension Analysis for the SAB meeting of 22 June, the SAB has proposed that GAD put in place a common reporting framework for all public sector schemes and is setting up a small working group to consider next steps for the LGPS.</p>
1.08	<p><i>Preparing the Annual Report Guidance</i></p> <p>The Compliance and Reporting Committee's Annual Report working group has been reviewing the 2019 CIPFA 'Preparing the Annual Report' guidance and has identified several areas which require updating and clarification.</p> <p>One aim is clearer guidance on how to categorise the allocation of assets to make the process simpler for funds, and to improve consistency of reporting. Administrative KPIs are also being reviewed to allow for standardised reporting so that funds can properly benchmark themselves against others.</p> <p>The aim is for new guidance to be in place ready for the 2023/24 reporting period. It is also worth noting that amendments to fund reporting on asset allocation is one of the proposals in the recent pooling/investment consultation published by DLUHC.</p>
1.09	<p>Policy and Strategy Implementation and Monitoring</p> <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 Needs Analysis</u> – As part of the CPF 2023/24 business plan, and in line with the requirements of the Knowledge and Skills Policy, a training needs analysis will be carried out to identify any gaps in knowledge of Committee and Board members. This will then drive the ongoing training plan. The training needs analysis will be issued to all Committee and Board members and results will be reported at the next meeting.</p> <p><u>Training undertaken</u> - Appendix 2 sets out the training plan for CPF showing training undertaken. There were no recent non-essential training</p>

events. Details of essential training sessions are set out in the tables below.

A summary of attendance at the Fund's essential training sessions (other than induction training) over 2023/24 to date is included below:

	Date	Number of Committee attending (Proportion of total)	Number of Board attending (Proportion of total)	Number of Senior officers attending (Proportion of total)
Essential Training Sessions – Target attendance is 75%				
Governance of Pensions	April 23	7 (78%)	3 (60%)	4 (80%)
Tactical Asset Allocation and Responsible Investing	May 23	9 (100%)	3 (60%)	3 (60%)
Divestment Framework	Aug 23	8 (89%)	1 (25%)	3 (60%)
Total		(89%)	(50%)	(67%)

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 Governance Administration Assistant:

- SAB Code of Transparency workshop on 12 September in Wolverhampton, 13 September in Leeds and 26 September in Cardiff.
- LGA Fundamentals training – run over three days, this is particularly useful for new and nearly new members of Committee or Board (agenda attached in Appendix 4). Dates/venues are as follows:

Day 1

5 October	Manchester	Piccadilly Hotel
12 October	Westminster	LGA Offices
19/26 October	Online	

Day 2

2 November	Westminster	LGA Offices
8 November	Manchester	Piccadilly Hotel
16/23 November	Online	

Day 3

5 December	Westminster	LGA Offices
13 December	Manchester	Piccadilly Hotel
11/19 December	Online	

- LGA LGPS Governance conference on 18/19 January 2024 in York

1.10

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 3 details the current breaches that have been identified. There were three new breaches relating to late contributions or remittance advice for two employers (both community councils). This has been resolved for one employer and the Chair of the council is being contacted in relation to the two unresolved breaches for the second employer. There are no new administration breaches.
1.11	Delegated Responsibilities 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.
1.12	Calendar of Future Events <ul style="list-style-type: none"> Appendix 4 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.

2.00	RESOURCE IMPLICATIONS
2.01	National developments do have an impact on workloads within the in-house CPF Team. Vacancies within the investment and accounting section have now been filled which should alleviate some of the resource constraints although there are ongoing training requirements. Work has been ongoing in relation to the Administration Team and proposals for amending the structure and increasing permanent resources are included elsewhere on the Committee agenda.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
4.01	Appendix 5 provides the risk 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 June.
4.02	The key changes relate to: Risk number 2 - Governance (particularly at PFC) is poor including due to: short appointments, poor knowledge and advice, poor engagement /preparation / commitment & poor oversight, meaning inappropriate or no decisions are made. The Current likelihood of this risk has been reduced to Very Low reflecting the number of training sessions completed recently and ongoing engagement of the Committee.

	Risk number 6 (Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile / FCC pay grades versus other LAs, asset pools, private sector / cost of living), meaning services are not being delivered to meet legal and policy objectives) is still the risk furthest from target, although good progress is being made against the actions required to bring this risk back in line with target. These largely relate to the administration structure review and associated proposals in Item 14 of the Agenda.
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5.00	APPENDICES
5.01	Appendix 1 – Business Plan progress 2023/24 Appendix 2 - Training plan Appendix 3 - Breaches log Appendix 4 - Calendar of future events Appendix 5 - Risk Register

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Report to Pension Fund Committee - 2023/24 Business Plan (March 2023)</p> <p>Full hyperlinks for referred to information:</p> <ul style="list-style-type: none"> • 1.03 - LGPS Scheme Advisory Board meetings - https://lgpsboard.org/index.php/board-meetings • 1.04 – TPR blog on EDI – https://blog.thepensionsregulator.gov.uk/2023/08/01/how-trustees-can-improve-pension-industry-diversity-in-just-20-minutes/ • 1.05 – Tenth Scheme Annual Report - https://lgpsboard.org/index.php/scheme-annual-report-2022 • 1.06 – GAD’s Next Steps Gender Pensions Gap Report - https://lgpsboard.org/images/GADReports/LGPSGenderPensionsGapNextStepsReport22062023.pdf • 1.08 – Investments in the LGPS in England & Wales - https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments <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> <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>

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| <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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