

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 11 September 2024
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

An update on LGPS governance matters and the Fund's governance policies is provided for discussion at each Committee. This report includes developments since the previous report provided at the June 2024 Committee, including:

- progress against the governance section of the Fund's Business Plan
- governance-related developments at national and Fund level, including:
 - Government appointments following the General Election
 - HMT's Pension Review announcement which includes an area relating to the LGPS
- a recommendation to approve the updated Conflicts of Interest Policy and a recommendation to approve the updated decision-making matrix in the Policy on the Overpayment and Underpayment of Pension Scheme Benefits
- updates to the governance risks on the Fund's risk register and 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 Government's Pension Review and agree the process expected to respond to any consultations that may be required out of the Committee cycle
3	That the Committee approve the updated Conflicts of Interest policy
4	That the Committee approve the updated decision-making matrix in the Policy on the Overpayment and Underpayment of Pension Scheme Benefits.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p data-bbox="320 271 660 304">Business Plan Update</p> <p data-bbox="320 344 1366 600">The business plan update in Appendix 1 shows the latest progress for the governance tasks in the 2024/25 Business Plan. Progress is being made, but some items due in Q2 are behind schedule or have been deferred to Q3. This is largely due to a material amount of officers' time being taken up with the audit of the report and accounts due to a change in timing of the audit, compounded by the retirement of the Deputy Head of the Fund and the summer holiday period. The key points to note are as follows:</p> <ul data-bbox="368 640 1382 2078" style="list-style-type: none"><li data-bbox="368 640 1382 824">• <i>G1 – Succession planning:</i> We are working with the Council to implement the new Management Structure approved by Committee in June with progress expected in time for the November Committee, subject to timescales for the Council HR team to review the job descriptions.<li data-bbox="368 824 1382 936">• <i>G2 – Governance arrangements:</i> Work is ongoing regarding the remit and potential consolidation of the sub-groups that support the Fund's Advisory Panel.<li data-bbox="368 936 1382 1160">• <i>G3 – Review against TPR new General Code:</i> Following the detailed review of the Fund's processes and practices against the new Code, an action plan has been developed for officers to work through. The Pension Board will oversee the progress being made with this at each of their meetings, and an update will be brought to the Committee annually.<li data-bbox="368 1160 1382 1451">• <i>G4 – Implement regulatory and guidance changes:</i> Following the announcement of a Pensions Review (see paragraph 1.02) it is not clear when we might expect the changes to regulations and guidance that were expected (i.e. Good Governance and pooling). For business planning purposes, it has been assumed that these consultations will not be issued prior to the end of quarter 3. The business plan has been updated accordingly.<li data-bbox="368 1451 1382 1787">• <i>G5 – Review of governance related policies:</i> The Conflicts of Interest policy has been reviewed and is presented for approval; further detail is provided later in this update. The Knowledge and Skills Policy was also due for review, but this has been deferred so that any changes flowing from the Good Governance review or other relevant updates to legislation/TPR guidance can be taken into account. We would now expect the review of this policy to be in Q4 at the earliest, and the business plan has been updated accordingly.<li data-bbox="368 1787 1382 1933">• <i>G6 – Review/tender key supplier contracts and Procurement Act changes</i> The tender for Investment consultancy services is now complete and an update is provided later in this paper.<li data-bbox="368 1933 1382 2078">• <i>G7 – Appointments of Local Pension Board and Pension Fund Committee Members</i> The Trade Union representative has stepped down from the Board and the process for appointing a replacement is underway. The

	<p>Unions set a deadline for nominations of 10 September so it is hoped that the Board will be back to full complement by the time of its October meeting.</p> <ul style="list-style-type: none"> • <i>G8 – WPP Governance arrangements</i> Feedback following the Special Committee meeting in April has been sent to WPP and, at the time of drafting the report, a response has not yet been received. An update will be provided at Committee. Due to resourcing constraints, and the change in timescale for the audit of the annual report and accounts, it has not been possible to arrange a Committee discussion on pooling and WPP’s governance arrangements during Q2. This will now be arranged for later in the year and the business plan has been updated accordingly.
1.02	<p>Current Developments and News</p> <p><i>New Government Appointments and Announcements</i></p> <p>Following the General Election on 4 July, we have a new LGPS Minister, Jim McMahon, as well as a new Chancellor, Rachel Reeves, and a new Pensions Minister, Emma Reynolds, whose brief extends across the Department for Work and Pensions and HMT.</p> <p>The Department for Levelling Up, Housing and Communities, which is the Department responsible for overseeing the LGPS in England and Wales, has been renamed the Ministry for Housing, Communities and Local Government (MHCLG), its previous name.</p> <p>On 9 July 2024 the Treasury announced plans to establish a National Wealth Fund to align the UK Infrastructure Bank and the British Business Bank and attract institutional investment to the UK’s “<i>green and growth industries</i>”. The taskforce includes the CIO of one of the LGPS asset pools, Brunel Pension Partnership, so it seems a logical assumption that LGPS funds’ assets are part of the private investment the Government wishes to mobilise.</p> <p>On 20 July 2024 the Chancellor announced a Pensions Review and on 16 August the Government published the terms of reference for phase one of its Pensions Review. Phase one of the review will focus on investment and report initial findings later this year. The review is being led by Emma Reynolds but the announcement said she will work closely with Jim McMahon to “<i>look at how tackling fragmentation and inefficiency can unlock the investment potential of the £360 billion Local Government Pension Scheme in England and Wales,.. including through further consolidation and improved governance</i>”. Its remit also includes “<i>encouraging further pension investment into UK assets to boost growth across the country</i>” which is expected to lead to encouragement to invest more in private markets and UK infrastructure projects. The Government has said it will “<i>consult widely as it develops its analysis and policy options</i>” and that “<i>co-creation with industry and the LGPS will be an essential part of the review process</i>”. The second phase of the review will</p>

	<p>start later this year and, alongside investment, will consider further steps to improve pension outcomes, including assessing pensions adequacy.</p> <p>On 7 August 2024 the Chancellor met with leaders of some of the largest Canadian Pension Funds (known as the Maple Eight) and in a press release in advance of the meeting was quoted as saying “<i>I want British schemes to learn lessons from the Canadian model and fire up the U.K. economy, which would deliver better returns for savers and unlock billions of pounds of investment</i>”.</p> <p>We therefore expect that there will be future changes, whether via guidance or regulation or both, on how we invest and potentially how the LGPS in England and Wales is structured. Fund officers will work with WPP and the Committee as required to ensure the best interests of Clwyd Pension Fund’s stakeholders and those across Wales are represented when engaging with Government on its Pensions Review and wider initiatives, and in responding to consultations.</p> <p>A briefing session has been arranged for Committee and Board members on the morning of 11 September 2024. Further updates will be provided at future Committee meetings but the Committee is asked to provide views on the process to be carried out should there be a need to respond to any consultations out of the Committee cycle.</p>
1.03	<p><i>Pension Board meetings</i></p> <p>Following the update at the last Committee meeting, the draft minutes from the 16 May 2024 board meeting are attached in Appendix 2.</p> <p>Key items discussed, in addition to standard items included:</p> <ul style="list-style-type: none"> • Changes to the Committee and the proposed changes to the organisational structure of the CPF Management Team. • Future accommodation for the CPF team • The Fund’s Business Continuity Plan and Cyber Incident Response Plan. • Engagement with WPP following the Special Pension Fund Committee meeting in April. • Decision making relating to local investments. • Progress on checking the Fund’s compliance against the new TPR General Code of Practice. • Annual report guidance and external audit. <p>The next Board meeting is on 3 October 2024.</p>
1.04	<p><i>LGPS Scheme Advisory Board (SAB) updates relating to governance matters</i></p> <p><i>SAB Meetings</i></p> <p>The LGPS SAB met on 22 July 2024. Key items discussed at the meeting included verbal updates on the King’s speech, the impact of the general election and the consideration of non-financial factors in investment decisions. Updates were also received from the Local Government Pension Committee and the SAB committees (the Compliance and</p>

	<p>Reporting, Cost Management and Investment Committees). The papers can be found here.</p> <p>The date of the next SAB meeting has not yet been published.</p> <p><i>Scheme Annual Report</i> On 12 June SAB released its eleventh Scheme Annual Report, which consolidates information from the 86 LGPS fund annual reports as of 31 March 2023 for the 2022/23 reporting year. This report serves as a comprehensive source of information on the status of the LGPS for members, employers, and other stakeholders. The report can be found here.</p> <p><i>LG Minister's letter</i> In response to the Local Government Minister's letter to all LGPS funds in England dated 15 May 2024, on 25 June the Scheme Advisory Board (SAB) encouraged funds to reply to the DLUHC pensions team to aid in briefing new ministers post-election. The SAB issued a statement and provided suggested text for funds to include in their responses here. Although the letter was not sent to Welsh LGPS funds, the Head of Clwyd Pension Fund has an opportunity to participate in discussions as part of a roundtable with the then minister (Simon Hoare) on 23 May 2024.</p> <p><i>New Local government minister</i> On 18 July, Cllr Roger Phillips, the Board Chair, welcomed the new Local Government Minister, Jim McMahon MP, with a letter outlining the Board's view of key priorities and requesting an early meeting. The letter also seeks urgent clarity on the status of the 1 April 2025 deadline for pooling assets set by the previous government.</p>
1.05	<p><i>Change in Independent Adviser</i></p> <p>Alison Murray, the Independent Adviser, is leaving Aon, and therefore Karen McWilliam will resume this role for the Fund.</p>
1.06	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Conflicts of Interest Policy</i></p> <p>The Conflicts of Interest Policy was last reviewed in September 2021 so has reached the three-year review point as set out in the Policy.</p> <p>The Policy (attached as Appendix 3) has been refreshed to reflect the current environment, including the addition of updated example conflicts and updating the requirements on key advisers so that they are treated in the same way as Committee members, Board members and senior officers of the Fund. The areas with the main changes relating to these points are highlighted in yellow. The language has also been made less formal to make it an easier read in line with the Fund's Communication Strategy.</p> <p>It is recommended that the Committee approve the revised Conflicts of Interest Policy.</p>

1.07

Policy on the Overpayment and Underpayment of Pension Scheme Benefits

The Fund's Policy on the Overpayment and Underpayment of Pension Scheme Benefits was last reviewed in September 2021 so has reached the three-year review point as set out in the Policy.

Officers are reviewing the Policy to ensure it is updated to:

- reflect recent experience
- refer to the Fund's Anti-Fraud and Corruption policy (which was developed since the current Policy on the Overpayment and Underpayment of Pension Scheme Benefits was last reviewed and includes some measures which also seek to prevent overpayments)
- make it more readable in line with the Fund's Communication Strategy.

Legal advice has also been sought from the Fund's legal advisers including to ensure that the Policy remains appropriate given a recent Pensions Ombudsman decision.

As set out in the Scheme of Delegation, approving the Policy, other than in relation to any strategic elements, is delegated to the Head of Clwyd Pension Fund and either the Corporate Finance Manager or Corporate Manager People and Organisational Development (having regard to the advice of the rest of the Pension Advisory Panel).

In relation to the strategic elements which are the responsibility of the Committee, it is not expected that there will be any changes to the principles of how the Fund approaches over or under payments of benefits but the decision-making responsibilities in relation to writing-off any overpayments has been reviewed in light of:

- the retirement of the Deputy Head of the Fund, with references being replaced by the Head of Fund where highlighted
- the removal of the Pensions Administration Manager role, with all references being replaced by the new role of Pensions Operations Manager* and
- the removal of the Pension Fund Accountant role, with all references being replaced by the new role of Pensions Finance Manager (Funding and Accounting)*.

*Until appointments to these new positions are made, it is proposed that decisions will continue to be made by the Pensions Administration Manager and Pension Fund Accountant in line with the existing Policy.

The Committee is recommended to approve the revised decision-making table from the Policy as set out below.

Cause of overpayment	Total value of over-payment	Agree recommendation to write off overpayment	Approve write off of overpayment
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount.	Up to £100	Automatic write off with no specific recommendation required	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £101 and £250	Team Leader with (Pensions Administration Manager) Pension Operations Manager	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £251 and £1,000	(Pensions Administration Manager) Pension Operations Manager with (Pension Fund Accountant) Pensions Finance Manager (Funding and Accounting)	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £1,001 and £5,000	(Pensions Administration Manager) Pension Operations Manager with (Deputy) Head of Clwyd Pension Fund	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £5,001 and £25,000	(Pensions Administration Manager) Pension Operations Manager with (Deputy) Head of Clwyd Pension Fund	Chief Finance Officer in consultation with the Clwyd Pension Fund Committee
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount.	More than £25,000	(Pensions Administration Manager) Pension Operations Manager, with (Deputy) Head of Clwyd Pension Fund and Chief Finance Officer	Clwyd Pension Fund Committee

Once the review of the full policy is concluded by officers, the final policy will be circulated to the Committee for information.

1.08

Knowledge and Skills Policy and Training Plan

Policy requirements

The Fund's Knowledge and Skills Policy requires all Pension Fund Committee members, Pension Board members and Senior Officers to:

- 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.

The Fund's training plan forms part of the Fund's business plan for 2024/25 which was approved by the Committee at their March 2024 meeting.

Appendix 4 sets out the Fund's training plan and training undertaken since the last Committee meeting.

Training undertaken

A summary of attendance at the Fund's essential training sessions (other than induction training) over 2024/25 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%				
Impact Investing	Jun 24	7 (78%)	2 (50%)	4 (80%)
Total		(78%)	(50%)	(80%)

Non-essential, general awareness training attended by Committee members since the last update includes the PLSA Local Authority Conference. Committee and Board members also attended the WPP Quarter 1 training on product knowledge and cyber security on 18 June.

Future training and events

Officers will continue to provide information on further training sessions and events as this becomes available. New members of the Board and Committee will be expected to attend Induction Training. In addition, 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:

- LGA LGPS Governance Fundamentals training series – running In York, London and Online through October to December

	<ul style="list-style-type: none"> • WPP training – WPP policies - 18 October 2024 (2pm to 4.30pm) • WPP training – Responsible investment - 28 November 2024 (9.30am to 12 noon). <p>The following are the next essential training sessions, which should be attended by all Committee and Board members (both will be run in hybrid format). It is proposed to hold these sessions after the Committee meetings and so members should make themselves available for the full day. Lunch will be provided for those attending in person.</p> <ul style="list-style-type: none"> • CPF Funding strategy training – 27 November 2024 (pm) • Taskforce on Nature-related Financial Disclosures (TNFD) and how the CPF intends to implement these – 19 February 2025 (pm) • Training topic to be confirmed – 19 March 2025 (pm).
1.09	<p><i>Recording and Reporting Breaches Procedure</i></p> <p>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 5 details the current breaches that have been identified. There were no new breaches over the period since the last update. In addition, the previous ongoing case relating to late remittance advice and late payment of contributions involving a community council (with 1 member), has been resolved.</p>
1.10	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee have delegated a number of responsibilities to officers or individuals. Since the last update report, the only governance matter where the delegated powers have been used relates to the appointment of the Investment Consultant as part of a procurement exercise. Mercer was (re)appointed as a result of this procurement. Appendix 6 provides the information relating to this decision.</p>
1.11	<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 and training dates.</p> <p>Members should note that the Fund’s Annual Employer and Scheme Member Representatives Meeting will take place on 26th November. The meeting will be hybrid and all Committee and Board members are invited to attend.</p> <p>It is proposed to also have the WPP Governance Workshop on the same day which all Committee and Board members are strongly encouraged to attend.</p> <p>The next Committee dates, confirmed at the May Annual General Meeting, are as follows (all morning meetings starting at 9:30am):</p> <p>27 November 2024</p>

	19 February 2025 19 March 2025 18 June 2025
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2.00	RESOURCE IMPLICATIONS
2.01	No material resource or budgetary implications are expected from the items in this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None

4.00	RISK MANAGEMENT
4.01	Appendix 8 provides the risk dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks and the risk register key. The risk register has been updated since it was last presented to the Committee in June.
4.02	The main changes to the governance risks are as follows: <ul style="list-style-type: none"> • Various actions have been updated or added including new actions in relation to carrying out a knowledge and skills gap analysis with the new management team, and ensuring all staff are clear on their roles relating to business continuity and cyber security during the transition to and once the new management team are appointed. • The likelihood associated with risk 4 (decisions not implemented – resourcing issues) has been increased from ‘unlikely’ to ‘possible’. This is mainly due to the departure of the Deputy Head of Clwyd Fund and the transition to the new management structure, including the need to ensure those appointed to the new management team have or attain the appropriate knowledge and skills as mentioned above.
4.03	Risk numbers 3 (WPP delegated decision-making is inappropriate), 9 (unable to adequately/appropriately implement governance changes – external) and 11 (no or restricted access to our systems) also remain higher than target, albeit marginally. It is hoped that the actions which are planned in relation to risks 3 and 11 will help bring these back to target by the end of the year. Risk 9 has a longer timeframe (estimated March 2026) mainly due to uncertainty about Government changes and other external factors. There is likely to be some inter-dependency in returning risks 3 and 9 to target given the terms of reference of Phase one of the Government’s Pensions Review.

5.00	APPENDICES
5.01	Appendix 1 - Business plan update for governance tasks

<p>Appendix 2 – Pension board meeting minutes from 16th May</p> <p>Appendix 3 - Conflicts of interest policy</p> <p>Appendix 4 - Training plan</p> <p>Appendix 5 - Breaches log</p> <p>Appendix 6 – Investment Consultant procurement delegation</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>Report to Pension Fund Committee - 2024/25 Business Plan (March 2024 and June 2024)</p> <p>Full hyperlinks for referred to information:</p> <ul style="list-style-type: none"> • 1.02 – New Government appointments and announcements https://www.gov.uk/government/news/chancellor-vows-big-bang-on-growth-to-boost-investment-and-savings https://www.gov.uk/government/publications/pensions-review-terms-of-reference-phase-one/terms-of-reference https://www.gov.uk/government/news/chancellor-reeves-pension-funds-can-fire-up-the-uk-economy https://www.gov.uk/government/news/boost-for-new-national-wealth-fund-to-unlock-private-investment • 1.04 – SAB meeting papers https://lgpsboard.org/index.php/about-the-board/prev-meetings • 1.04 – Ministers letter https://lgpsboard.org/images/Other/25062024_SABstatement_EfficienciesinLGletter.pdf • 1.04 – Scheme Annual Report https://lgpsboard.org/index.php/foreword-2023 <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, scheme manager or Governing Body – Flintshire County Council is the administering authority, scheme manager and Governing Body 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) MHCLG – Ministry of Housing, Communities and Local Government – the government department responsible for the LGPS legislation. (Previously DLUHC – Department for Levelling Up Housing and Communities)</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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