

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Thursday 16 <sup>th</sup> February 2017
<b>Report Subject</b>	Pooling Investments in Wales
<b>Report Author</b>	Clwyd Pension Fund Manager

### EXECUTIVE SUMMARY

The project to pool investments across the eight LGPS fund in Wales continues.

1. Attached is a draft Inter-Authority Agreement (IAA) which is a legally binding agreement between the eight funds. The Committee is asked to consider and support the recommendation to Council on 1<sup>st</sup> March 2017.
2. Some changes to the Council's Constitution are required to reflect delegations between the Council, the new Joint Governance Committee (JGC) and Clwyd Pension Fund Committee. An outline of these changes to be recommended to Council on 1<sup>st</sup> March 2017 is provided.
3. An update on the progress with the procurement of an operator is provided for noting by the Committee.

The IAA refers to a 'Host Authority' who will be Carmarthenshire County Council, the lead authority for the Dyfed Pension Fund. The responsibilities of the Host are explained within the IAA.

### RECOMMENDATIONS

1	It is recommended that the Committee consider and approve the draft Inter-Authority Agreement (IAA) and support its recommendation to Council.
2	For reasons outlined in the report that the Committee delegates authority to the Chief Executive to approve any minor amendments to the IAA before submission to Council.
3	That Committee support the new delegations between the Council, new JGC and this Committee (paragraph 1.05), including recommending to Council the nominations in paragraph 1.06.
4	That Committee note the progress made with the procurement process for an operator.

## REPORT DETAILS

1.00	<b>Pooling Investment in Wales</b>
1.01	<p><b>The Inter-Authority Agreement</b></p> <p>The eight LGPS funds in Wales are currently progressing this project through a Memorandum of Understanding. This created a Joint Chairs Group but this group has no decision making powers. The JCG has considered an Inter-Authority Agreement (IAA) drafted by Burgess Salmon the legal advisors for the project in consultation with Section 151, Monitoring Officers and practitioners across the eight funds.</p>
1.02	<p>The attached draft IAA remains work in progress but will not change fundamentally from the version attached to this report. It is being shared with pension fund committees or equivalent across Wales to be recommended to Councils for approval, and then will progress to the eight Councils (known as Constituent Authorities) for final agreement. Given that there are likely to be some further minor changes to the attached draft, this report also recommends delegation to the Chief Executive to make any changes before it is recommended to Flintshire County Council on 1<sup>st</sup> March 2017. The IAA is a legally binding agreement.</p>
1.03	<p>The main features of the IAA are:</p> <ul style="list-style-type: none"> <li>• The formation of the JGC and Officer Working Group (OWG) and their Terms of Reference and Procedures (paragraph 3 and Schedules 3,4,6 &amp; 8)</li> <li>• The requirements for a Business Plan for the Wales Pool, reporting by the JGC to Constituent Authorities and other governance policies and procedures ( paragraphs 6 &amp; 14 &amp; Schedule 5)</li> <li>• The role of the 'Host Council', which will be Carmarthenshire County Council (Dyfed Pension Fund), and resourcing (paragraph 7, 8 &amp; 9 + Schedule 7 on TUPE)</li> <li>• Allocation of costs (paragraph 12)</li> <li>• Delegations and matters reserved to Constituent Authorities (Schedule 2). This is discussed further below.</li> <li>• Arrangements for a Constituent Authority to leave the pool (paragraphs 21 &amp; 22) and dispute resolution (paragraph 36)</li> </ul>
1.04	<p>With reference to previous specific discussions at the Committee on the governance of the pooling arrangements the IAA includes provision for the following :</p> <ul style="list-style-type: none"> <li>• A training policy (Schedule 5 and paragraph 3.7)</li> <li>• Both JGC &amp; OWG to take proper advice (paragraph 3.5 &amp; Schedule 8 (m))</li> <li>• Each Constituent Authority's representative member will have one vote (paragraph 7)</li> <li>• Although there is no scheme member representative co-opted onto the JGC, there is a requirement for the JGC under schedule 3 paragraph 10 to liaise with Pension Boards and hence their member representatives. The meeting of the JGC will be open to the public with the opportunity to ask questions. This will be facilitated by</li> </ul>

	<p>rotating locations for the meetings and remote participation via video-conference (schedule 6 paragraph 2.2 &amp; 2.4).</p> <ul style="list-style-type: none"> <li>• The meetings and agendas and reports will be in English and Welsh with simultaneous translation.(schedule 6 paragraph 2.3)</li> <li>• 2 officer representatives from each Constituent Authority will be on the OWG (paragraph 4)</li> <li>• The principle for costs sharing is that governance costs are shared equally but each Constituent Authority are responsible for their own investment costs (paragraph 12).</li> </ul> <p>Based on the above the Committee are asked to agree a recommendation to Council to approve the IAA.</p>
	<p><b>Delegations</b></p>
1.05	<p>In terms of the required delegations to each Constituent Authority as outlined in Schedule 2, it is recommended that these are delegated by Council to this Committee with the exception of major amendments to the IAA or the termination of the agreement (points 6 &amp; 7).</p>
1.06	<p>The Monitoring Officer has advised that the nominations to the JGC (representative Member and Substitute) must be made by Council and cannot be delegated to this Committee. However, the Committee can make a recommendation to Council. The representative Member and Substitute must both be elected members of a Council and members of the Pension Fund Committee.</p> <p>The Committee are asked to agree a recommendation to Council that they agree to the treatment of delegations as outlined above.</p>
	<p><b>Operator Procurement</b></p>
1.07	<p>Officers and advisors to the pool continue to work on the procurement of an operator. The draft tender specification and scoring criteria for the procurement was confidentially circulated to Committee and Board members before Christmas. The original plan for issuing proved over ambitious and the tender has not been issued at the time of writing. Further specialist advice has been obtained on insurance requirements for the operator. The Committee are reminded that Flintshire County Council is facilitating the issuing of the tender. The content of the tender specification remains fundamentally unchanged but further details will be provided at Committee.</p>
1.08	<p>Officers and 'pool advisors' have been working on three documents:</p> <ol style="list-style-type: none"> <li>1. Operator Agreement (contract with the operator)</li> <li>2. Selection Questionnaire (SQ), used at the first stage of the selection process under OJEU rules and includes further details on scoring criteria.</li> <li>3. Invitation to Tender (ITT), the detailed questionnaire upon which the selection will be made.</li> </ol>
1.09	<p>It is planned that a recommendation by OWG will be made to the JGC in July 2017 which under the Schedule 2 and 3 of IAA will then be recommended to Constituent Authorities for appointment.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The costs of advisors appointed on behalf of the 8 funds is being shared equally between the 8 pension funds. The cost charged to the Fund for 2016/17 to date is £73k.
2.02	There has been considerable time allocated by the Clwyd Pension Fund Manager and Pension Finance Managers on this project which has impacted on time available for other Fund matters. This is expected to continue for the foreseeable future and may result in greater reliance on external advisers for other matters than would otherwise be the case.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	How the Wales Pool operates will be key in enabling the Fund to implement its investment strategy in the future, and hence may contribute to the cost of the scheme to employers in future Actuarial Valuations.
4.02	This risk has been identified as significant in the Fund's risk register.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – The Draft Inter-Authority Agreement

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Earlier Committee reports on the progress of the Working Together in Wales project.</p> <p><b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> <a href="mailto:philip.latham@flintshire.gov.uk">philip.latham@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	(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

- (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
- (c) **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) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.

**NB: The Inter- Authority Agreement Section 1 provides a list of agreed terms.**