

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Thursday, 16 <sup>th</sup> February 2017
<b>Report Subject</b>	Governance Update
<b>Report Author</b>	Pensions Finance Manager

### **EXECUTIVE SUMMARY**

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

- (a) Business Plan 2016/17 update (Appendix 1) for governance.
- (b) Current Developments and News, providing an update on the development of the National Scheme Advisory Board's Investment Cost Code of Transparency. In terms of local news, Philip Latham, the Clwyd Pension Fund Manager, has been appointed to the Pension and Lifetime Savings Association Local Authority Steering Committee.
- (c) Governance related policy/strategy implementation and monitoring including details of future events that Committee members should consider (Appendix 2), training undertaken (Appendix 4) and the Breaches Register (Appendix 6).
- (d) Calendar of future events (Appendix 2)

It also provides a summary of the key governance elements in the current risk register (Appendix 3), with some of the key areas of concern being associated with asset pooling and staff workloads.

### **RECOMMENDATIONS**

1	That the Committee consider the update and provide any comments.
2	That the Committee approve the recommendation to move task G4 (Key Man Risk) of the Business Plan to 2017/18.
3	That the Committee approve the updated Officers' Delegations incorporating changes to Funding Risk Management decisions.

## REPORT DETAILS

<b>1.00</b>	<b>GOVERNANCE RELATED MATTERS</b>
	<b>Business Plan 2017/18 Update</b>
1.01	<p>Appendix 1 provides a summary of progress against the governance section of the Business Plan up to the end of quarter 3 (October to December 2016). The majority of items are as originally planned but the Committee is asked to note the following:</p> <ul style="list-style-type: none"> <li>• Key task G4 (Key Man Risk). This has not commenced due to uncertainty around resource requirements within the asset pooling environment. It is recommended that it be moved to 2017/18 when more clarity will be known around pooling.</li> </ul>
1.02	<p>Appendix 1 also includes progress against the projected cash-flows and budgeted operating costs for 2016/17. The Committee is asked to note the following:</p> <ul style="list-style-type: none"> <li>• There are no areas of concern highlighted either within the projected cash flows or the operating budget.</li> <li>• However, the following points are noted in respect of the operating budget: <ul style="list-style-type: none"> <li>○ Governance overspend – this reflects additional work required during the triennial valuation as well as the impact of pooling.</li> <li>○ Administration underspend – the majority of the underspend is in relation to the costs of the GMP reconciliation project which will now commence in 2017/18. The staffing underspend is due to vacant posts which are currently being advertised. The member self-service underspend is due to a proportion of costs that will not be incurred until 2017/18.</li> </ul> </li> </ul>
1.03	The Committee is asked to note the contents of the business plan update and approve the recommendations in relation to G4 above.
	<b>Current Developments and News</b>
1.04	<p><i>National Scheme Advisory Board Update:</i></p> <p>Investment costs – Code of Transparency. As previously reported to Committee (27<sup>th</sup> September 2016), the SAB is working to develop a voluntary code of transparency a key element of which is a template for use by LGPS asset managers. This is to aid funds to better comply with the accounting standards and the pools to be able to produce transparent costs. The initial template is designed to cover the listed markets of equities, bonds and pooled funds but it is envisaged that, over time, this will expand to encompass other asset classes. Whilst the Code has yet to be formally launched work is continuing. Further information can be viewed at:</p> <p><a href="http://www.lgpsboard.org/index.php/structure-reform/cost-transparency">http://www.lgpsboard.org/index.php/structure-reform/cost-transparency</a></p>
1.05	<i>Local Pension Board Update:</i>

	The minutes of the Board meeting held on the 13 <sup>th</sup> October 2016 were circulated to the Committee on the 2 <sup>nd</sup> November 2016. They are, however, included at appendix 5.
1.06	<p><i>Local News:</i></p> <p>Philip Latham, Clwyd Pension Fund Manager, has been appointed to the Pension and Lifetime Savings Association (PLSA) Local Authority Steering Committee. As well as Philip bringing his expertise to the PLSA, we expect there to be advantages to the Fund in Philip being involved in national policy matters.</p>
	<b>Policy and Strategy Implementation and Monitoring</b>
1.07	<p><i>Training Policy:</i></p> <p>The Clwyd Pension Fund Training Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to</p> <ul style="list-style-type: none"> <li>• have training on the key elements identified in the CIPFA Knowledge and Skills Framework</li> <li>• attend training sessions relevant to forthcoming business</li> <li>• attend at least one day each year of general awareness training or events.</li> </ul>
1.08	Appendix 4 details progress made to date in relation to the CIPFA Knowledge and Skills Framework training.
1.09	<p>Appendix 4 also includes training and various external events attended by Committee Members, Pension Board members and Senior Officers during 2016/17 as well as The Pension Regulator modules undertaken. Appendix 2 includes details of all future training planned including forthcoming events considered suitable for general awareness training. Members should note the following in particular</p> <ul style="list-style-type: none"> <li>• The LGC Investment Seminar being held at Carden Park, Cheshire on the 2nd to 3rd March 2017 - places have already been booked for this conference.</li> <li>• PLSA Local Authority Conference being held in Gloucestershire from 15th – 17th May 2017 – members interested in attending should contact the Pensions Finance Manager.</li> </ul>
1.10	<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 and this information will be reported to the Pension Fund Committee at each meeting.
1.11	<p>Two additional Breaches (Reference 04 and 05) has been recorded since the 29<sup>th</sup> September Committee and are detailed at Appendix 6. In terms of the Breaches recorded and ongoing:</p> <ul style="list-style-type: none"> <li>• Reference 01 and 03: work is progressing with system reports to identify those deferred benefits affected</li> <li>• Reference 04: mostly resolved although Officers are visiting one employer to attempt to resolve issues. A review of internal processes will be undertaken.</li> <li>• Reference 05: This is a historical issue that will again be raised with the</li> </ul>

	<p>employer. A review of employer notification procedures will be undertaken.</p>
1.12	<p><b>Delegated Responsibilities</b></p> <p>There are a number of areas which the Pension Fund Committee has delegated to officers, to ensure that:</p> <ul style="list-style-type: none"> <li>• there is sufficient time available at Pension Fund Committee meetings to consider business items,</li> <li>• the items considered at Pension Fund Committee are the more strategic and high risk matters, and</li> <li>• decisions can be made in a timely manner.</li> </ul> <p>Due to a recent review of the Flightpath Risk Management Strategy, it is recommended that the existing officer delegation is reworded as shown in Appendix 6 to make it clear that the Pension Fund Manager has some flexibility in considering what changes to implement, whilst still remaining within the overall constraints of the Investment Strategy. The updates are shown in <b>bold</b> in the appendix. This will avoid situations of switches in investments at points where it may be inappropriate to do so due to market conditions. The delegation continues to be to the Pension Fund Manager (having regard to ongoing advice of the Investment Consultant and Pensions Advisory Panel). Recognising that the new delegation provides some additional flexibility, to ensure a robust decision making process a Funding Risk Management Group (FRMG) has been established where all matters will be considered by the Pension Fund Manager having regard to the advice of the Pension Finance Manager, Fund Actuary and Investment Consultants. The FRMG minutes will be shared with the Pensions Advisory Panel on an ongoing basis.</p>
1.13	<p>In relation to the existed delegated responsibilities, none were used in the last quarter in relation to governance matters.</p>
1.14	<p><b>Calendar of Future Events</b></p> <p>Appendix 2 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.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.

<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 3 provides the dashboard showing the current risks relating to governance. In addition, in relation to these risks, it provides details of:</p> <ul style="list-style-type: none"> <li>• the key risks (i.e. ranked 15 or above in the above dashboard)</li> <li>• any new risks</li> <li>• risks that have changed by a score of 3 or more and</li> <li>• risks that have been removed since the previous report.</li> </ul>
4.02	<p>Since the last update, reported to the 27 September Committee, there have been no changes to the Governance Risk Register. However, a review of the risk register is being undertaken and will be presented at the March Committee.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 - 2016/17 Business plan update  Appendix 2 - Calendar of events  Appendix 3 - Risk register update  Appendix 4 - Training undertaken  Appendix 5 - Local Board minutes  Appendix 6 – Breaches of Law  Appendix 7 – Updated Officer Delegations</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Report to Pension Fund Committee – Business Plan 2016/17 to 2018/19 – 22 March 2016.</p> <p><b>Contact Officer:</b> Alwyn Hughes, Pension Finance Manager  <b>Telephone:</b> 01352 701811  <b>E-mail:</b> <a href="mailto:alwyn.hughes@flintshire.gov.uk">alwyn.hughes@flintshire.gov.uk</a></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 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) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p>

- (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) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.
- (g) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
- (h) **DCLG – Department of Communities and Local Government** – the government department responsible for the LGPS legislation.