CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 7 October 2020
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

On each Committee agenda LGPS governance matters and the impact on the Clwyd Pension Fund (CPF) are provided for discussion along with updates on the Clwyd Pension Fund's governance strategy and policies for information. The last update report was provided at the February 2020 Committee and therefore this update report includes developments since that date.

This update includes matters that are mainly for noting, albeit comments are clearly welcome. The matters for approval are:
- Changes to some of the timescales relating to business plan items (some of which are due to delays in guidance or regulations at a national level)
- Approval of the updated Fund's Risk Policy.

The report includes updates on:
- The latest LGPS Scheme Advisory Board (SAB) meetings
- The Clwyd Pension Board meeting in May
- Update to the Fund's risk dashboard and changes to the governance risks since the last meeting
- The latest changes to our breaches of the law register
- The updated training plan following the self-assessment training needs analyses that were completed by members in February.

	RECOMMENDATIONS
1	That the Committee consider the update and provide any comments.
2	That the Committee approve the changes to the timelines for governance tasks in the business plan as outlined in paragraph 1.01.
3	That the Committee approve the updates to the Fund's Risk Policy attached in Appendix 2.

REPORT DETAILS

1.00	**GOVERNANCE RELATED MATTERS**
	Business Plan 2020/21 Update
1.01	Appendix 1 shows progress with this quarter's work in the 2020/21 business plan. Given the impact of Covid-19 and other priorities, relatively good progress is being made with the agreed actions. The Committee should note the following:

- G1: Review against new Pensions Regulator Single Modular Code – The Pension Regulator has delayed the issue of the Code for consultation and this is not now due until early 2021. As a result, the timescales for this have been updated in Appendix 1.
- G2: Review of Governance Related Policies – The Fund's Risk Policy has been reviewed and suggested changes to it are included in Appendix 2. The majority of changes are to reflect recent updates to the CIPFA Managing Risk Guidance. The Committee are asked to approve these changes.
- G3: Review appointment of Pension Fund Committee representatives and Local Board Members - A number of Pension Board and Pension Fund Committee representative appointments were due for review during Q1/2 of this year. These relate to the two Pension Board employer representatives, and the Pension Committee trade union scheme member representative and other employer representative. Mark Owen, one of the existing Pension Board employer representatives stood down at the end of his tenure. Following an agreed appointment process, Steve Gadd (Chief Accountant and S151 Officer, Denbighshire County Council) was appointed to this position, and Steve Jackson, Councillor Andrew Rutherford and Steve Hibbert were reappointed to their respective Pension Board and Pension Fund Committee positions.
- G4: Develop business continuity plan – Preparation of the business continuity plan has been delayed. However, the period since March has evidenced how the effectiveness of the existing business continuity protocols, ensuring that CPF services and processes continued with little impact during the Covid-19 lock down and since then. Officers will be updating business impact assessments having regard to the current and evolving working arrangements which will then feed into the business continuity plan. This work is now expected to take place during Q3 and Q4 of 2020/21, and potentially into 2021/22.
- G5: Ensure appropriate cyber-security is in place – in line with The Pension Regulator's recommended approach to managing cyber risk, a cyber-risk questionnaire is being issued to Heywood (pensions administration system provider) and Flintshire County Council (FCC) (other systems and hardware used by CPF) to assess any cyber risks relating to the Fund's main systems and equipment. The outcome of this exercise will be fed back to future meetings. Officers are also documenting the key relationships and responsibilities for managing cyber-risk within the Fund.
- G6: Process and internal control review – the first stage of this work (identifying any gaps in documented processes) was due to take

	place during 2020/21. This work has not yet started due to the need to reprioritise other work, and therefore it may be necessary to review the timescales. This will be considered at a later meeting if it is deemed necessary.
1.02	The Committee is asked to note the contents of the business plan and approve the updated timescales as shown in Appendix 1.
1.03	**Current Developments and News** *Covid-19* As was mentioned at the informal Committee and Board session on 22 May, the delivery of pension fund services has continued with very little impact, despite the changes in how pension fund officers have been working since 19 March. The continuity in service has been helped by a number of factors including: - Business continuity testing that had been carried out over the previous two years with a particular focus on remote working - A scheme of delegation that ensured ongoing approval of matters despite Committee meetings being temporarily cancelled - Strong support from FCC including IT capabilities and support with flexible working - Regular "Covid catch-ups" with the Fund's advisers, including initial assistance with technology for virtual meetings - Strong national support on Covid-19 issues, including from the Local Government Association (LGA); the Head of Clwyd Pension Fund is a member of the National Covid-19 LGPS Group. The Pensions Team continue to work mainly from home and is expected to do so for the foreseeable future. Business as usual continues to be maintained with little impact on existing service standards, and good progress is being made with many of the projects and tasks that were identified for completion this year. Further information on these matters is contained in the Administration Update and the Funding and Investments Update, including the financial impact on the Fund.
1.04	*Pension Board update* The Clwyd Pension Fund Board met on 30 June 2020 via WebEx. The key points from the meeting are as follows: - Chair of the Board – following the recent reappointment of Aon as the Fund's Independent Adviser, the Board agreed to appoint Karen McWilliam and Mary Lambe as Chair and Alternate Chair to the Board. - GMP rectification – the Pensions Administration Manager noted the progress and that those pensioners who were to have a reduction in their pension would likely be told at the beginning of August, with the reduction being applicable from 1 October 2020. - Covid-19 – the Board were provided with an overview of working arrangements. A discussion took place around the potential impact on older scheme members and the Board were assured that phone calls were being redirected and post was still being dealt with.

- McCloud – the Pensions Administration Manager updated the Board on the proposed arrangements for the McCloud programme. The Board agreed to be part of the Programme Steering Group which could feed into the development of key member and employer communications and provide general oversight of the programme. The Board suggested a two-page overview of the programme could be developed, which has since been done. The Board also noted their concern around the amount of work that is involved over a two or three-year period and encouraged the Pension Fund Management Team to ensure appropriate resource was put in place to minimise the impact on business as usual.
- The Pensions Regulator (TPR) Developments – officers presented the latest position on the outstanding actions relating to the current TPR Code of Practice. It was agreed that the full compliance report should be considered at the next meeting.
- Data Quality Scores and Data Improvement Plan – the Board were updated on progress against the CPF Data Improvement Plan which evidenced good progress.
- Pension Administration Update – the Board received an update on the latest performance statistics and particularly noted the excellent progress being made in reducing the overall number of outstanding cases (from approximately 10,000 12 to 18 months ago to 5,800 at June 2020).
- Compliments and complaints – the Board noted an increased number of compliments many of which related to the period since Covid-19 lockdown. It was also noted that there were no IDRP cases upheld against the Fund.
- Asset Pooling – the Head of Clwyd Pension Fund updated the Board on recent developments with the Wales Pensions Partnership (WPP) pool, including the virtual update meeting for Joint Governance Committee members that had taken place. That update included confirmation that investment returns continue to be meeting their targets. The transition of some portfolios had been delayed due to Covid-19. A number of governance policies were being developed including conflicts of interest, risk and climate. The Chair of the Board highlighted that the WPP Board Chairs meeting that was due to take place in April had been cancelled.
- General update – the Board were also provided with a brief update on Brexit, the Supreme Court Judgement on Palestine Case, the SAB Good Governance project, the cost management process, the Goodwin Court Case and the National Pensions Dashboard.
- Training and events – the Board fed back that the 22 May virtual PFC/PB session had been particularly useful. The Chair of the Board provided an update of a recent CIPFA event she had attended.
- Feedback to Advisory Panel and PFC – the Board asked that two areas should be fed back:
  - the Board's support for proper resourcing of the McCloud project
  - the Board's support for ensuring PFC meetings continue during Covid-19 albeit they may be managed differently (and perhaps shorter) due to them being held virtually.

1.05	*National LGPS Scheme Advisory Board (SAB) Update*

The LGPS SAB met on 3 February, 5 May and 25 August. Summaries of the February and May meetings are attached in Appendix 3 and 4. No summary is available yet relating to the August meeting. The papers can be found here – http://lgpsboard.org/index.php/about-the-board/prev-meetings.
The key items discussed were McCloud, the £95k cap (which is covered in the Administration Update) and proposals for drafting of Responsible Investment Guidance.

There are no matters to highlight to the Committee that aren't covered in other Committee update reports, other than noting that the Good Governance project was delayed and is expected to be considered at the next SAB meeting in November. |
| 1.06 | **Policy and Strategy Implementation and Monitoring**

Training Policy

The Clwyd Pension Fund Training Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to:
- have training on the key elements identified in the CIPFA Knowledge and Skills Framework
- attend training sessions relevant to forthcoming business and
- attend at least one day each year of general awareness training or events.

Training Plan
Committee members may recall completing a self-assessment training needs analysis in February. Responses were received from the majority of Committee and Board members and the following chart shows that in most areas, members' levels of confidence in their understanding of a subject matter is good or very good. Note that the number of responses is in relation to all individual subject matters.
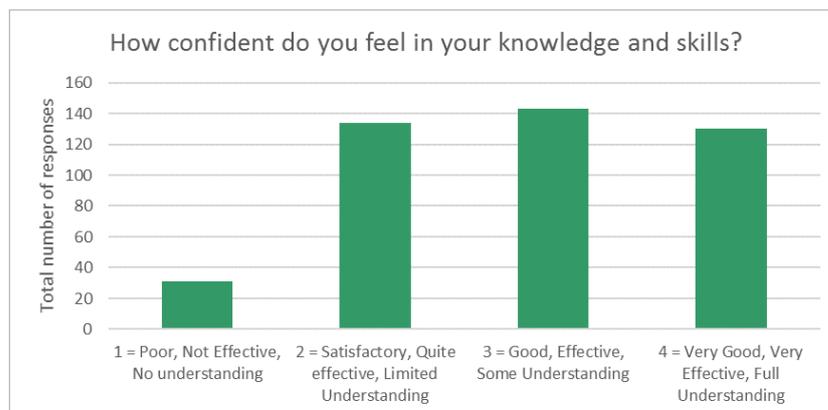
However all members did highlight the need for training in relation to at least one subject matter with much of this being the need for refresher training, rather than full training. Analysis of the results has been completed which has been used to develop the attached updated Training |

	Plan which is shown at Appendix 5. Given recent changes to both Committee and Board membership, this will be supplemented by induction training for the new members. Appendix 5 also includes various external events attended by Committee members and Pension Board members during 2020/21 as well as details of forthcoming external events considered suitable for general awareness training. Officers will continue to be in touch with further information as these training sessions and events become available.
1.07	*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. A number of existing breaches have now been resolved and have therefore been closed. In addition, all the new breaches, since the last update provided to Committee in February, have also been resolved, apart from F35 which relates to a late contribution remittance advice from the employer Hafan Deg. As you will see in breaches F25, F33 and F34, this employer has also been late in paying most of the monthly contributions this year, albeit the August contributions were paid on time. This will continue to be monitored.
1.08	**Delegated Responsibilities** The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Due to Covid-19 the March 2020 Committee was cancelled, and so the Fund's 2020/21 business plan and the WPP 2020/21 business plan were approved under delegated powers in April 2020. These papers were already circulated to Committee members in March and can be found on the Committee system or via FCC website's calendar of meetings. The delegation was approved by the Chairman, the Chief Executive and the Head of Clwyd Pension Fund.
1.09	**Calendar of Future Events** 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. Members should note the events taking place before the 25th November committee meeting: • 23 October - WPP training event on performance metrics and alternative asset classes (open to all committee and board members) • 6 November – Pension Board meeting (board members only) • 10 November – The Fund's Annual Joint Consultative Meeting "AJCM" (open to all committee and board members) • 24 November – WPP training event on progress of pools and collaboration (open to all committee and board members). Members should confirm attendance at these events, if not already done so, with Debbie Fielder, the Deputy Head of Clwyd Pension Fund.

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	Appendix 8 provides the dashboard showing the current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk register has been updated on a number of occasions since it was last presented to the Committee in February including updating the existing controls and outstanding actions. However the only risks where the current scores have changed compared to February's register are as follows (and these are also the two biggest governance risks): • Risk 5 - the biggest governance risk continues to relate to the impact of externally led influence and scheme change which could also restrict our ability to meet our objectives and/or legal responsibilities. This is mainly due to the ongoing uncertainty around the McCloud judgement and other national changes. The description in this risk has been updated to clarify that this risk also incorporates cybercrime risk. Since February, the likelihood of this risk arising has decreased from "very high" to "significant" due to the excellent progress to date in establishing the McCloud programme of works and also the Fund's positive response to Covid-19. However this risk still remains higher than target. It is hoped that the proper planning that is taking place in relation to McCloud will assist in reducing this risk score further over the coming months but there is still a large amount of uncertainty around matters such as the £95k cap legislation, cybercrime and Covid-19. • Risk 6 - This is the risk of insufficient staff numbers meaning services are not delivered to meet legal and policy objectives. The likelihood score of this risk has been increased since the last Committee meeting from "low" to "significant". This has been increased due to the uncertainty around Covid-19 related absences amongst staff members. This risk may be difficult to manage until a vaccine is introduced.

5.00	APPENDICES
5.01	Appendix 1 – Business plan progress 2020/21 Appendix 2 – Clwyd Pension Fund Risk Policy Appendix 3 and 4 – SAB updates Appendix 5 - Training plan Appendix 6 – Breaches Appendix 7 – Calendar of future events Appendix 8 – Risk register.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	No relevant background documents. **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(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. (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) **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. (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. (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of. (f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to MHCLG. (g) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation.

	(h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pension Partnership asset pooling arrangement.