

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 16 th March 2022
Report Subject	Pension Fund Policies
Report Author	Pensions Administration Manager and Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The Fund has many policies, strategies, and procedures articulating the Fund's objectives and how it will be managed. All of these are subject to regular review, usually at least every three years. In addition, updates can also take place between formal reviews, often after a national update in either guidance or regulations that changes the requirements placed on the Fund. The Fund may also need to develop new policies to take account of new situations or requirements, setting out the Fund's approach.

This report considers and includes recommendations to approve each of the following three documents:

- Policy for Administration and Communication of Tax Allowances to Scheme Members – this is a new policy for consideration
- Personal Data Retention Policy – this is an existing policy which has been updated
- Procedure for Recording and Reporting Breaches of the Law – this is an existing procedure which has been updated.

RECOMMENDATIONS

1	That the Committee review and approve the newly created Policy for Administration and Communication of Tax Allowances to Scheme Members, including that future reviews and updates be made by the Pensions Administration Manager in consultation with the Head of Clwyd Pension Fund as outlined in the Policy and paragraph 1.04.
2	That the Committee review and approve the updated Personal Data Retention Policy, including that future reviews and updates be made by the Pensions Administration Manager in consultation with the Head of Clwyd Pension Fund as outlined in the Policy and paragraph 1.09.
3	That the Committee review and approve the updated Procedure for Recording and Reporting Breaches of the Law.

REPORT DETAILS

1.00	POLICIES AND PROCEDURES FOR APPROVAL
1.01	<p><i>Policy for Administration and Communication of Tax Allowances to Scheme Members (Appendix 1)</i></p> <p>This newly created policy for the Administration and Communication of Tax Allowances to Scheme Members clarifies how this complex area of pensions will be communicated to scheme members and how the Pensions Administration team will support the members of the Fund.</p> <p>The purpose of the policy is to provide a clear framework setting out how the Fund will communicate information relating to tax allowances to scheme members.</p> <p>The ultimate objectives of the Policy are to:</p> <ul style="list-style-type: none">• provide regular information to all scheme members on the AA and LTA thresholds, including where further information may be found• identify specific groups of individuals who may be impacted by either of the thresholds in the near future, and highlight this risk to them• communicate with individuals where it appears that they have exceeded either of the thresholds, providing information beyond the minimum legal responsibilities to assist the scheme member in fully understanding the impact on them.
1.02	<p>The Annual Allowance (AA) and the Lifetime Allowance (LTA) thresholds were introduced by HMRC in 2004 (effective from April 2006) with a view to ensuring that pension scheme members would pay tax charges where they were to benefit from extremely large pension savings, either on an annual basis or at the point of retirement or another crystallisation.</p> <p>Originally very few pension scheme members were impacted by the thresholds, however the amount of the AA and LTA thresholds have decreased significantly. As a consequence, year on year, more members are brought into scope of a potential tax charge.</p> <p>Given the complexity of calculations and rules as to how benefits are compared with the thresholds, the Fund has developed this policy to clarify how this complex area of pensions will be communicated to scheme members and how the Pensions Administration team will support the members of the Fund.</p>
1.03	<p>The Policy outlines principles for how communications will be made to scheme members mainly focussed on the following three areas:</p> <ul style="list-style-type: none">• Generic communications to all scheme members, via the website/newsletters/alerts and on Annual Benefit Statement (ABS) for all active members

	<ul style="list-style-type: none"> Targeted communications for those members at risk of breaching an allowance including letters with the offer of workshops and one-to-one guidance sessions, and For those members that do exceed a threshold and therefore may be subject to a tax charge, the communications they will receive highlighting what has happened and how to deal with it. <p>The Policy clearly highlights that members of staff employed by the Fund are not financial advisers and they cannot provide financial advice.</p>
1.04	<p>Due to the nature of the Policy, it is suggested that the Committee do not need to be involved when it is regularly reviewed and it is therefore proposed as part of the Policy that <i>“It will be formally reviewed and updated by the Pensions Administration Manager in consultation with the Head of Clwyd Pension Fund at least every three years or sooner if the LTA/AA arrangements or other matters included within it merit reconsideration. Any proposed fundamental changes to this Policy will be highlighted to the Pension Fund Committee prior to its approval by the Pensions Administration Manager and Head of Clwyd Pension Fund to allow the Committee to highlight any concerns.”</i></p>
1.05	<p>The Committee are asked to approve this new Policy including the delegation for ongoing review.</p>
1.06	<p><i>Personal Data Retention Policy (Appendix 2)</i></p> <p>The Fund’s Personal Data Retention Policy was first created in October 2019 and it clarifies how the Fund will store members data and how long this will be stored for. Proposed changes to the existing policy are highlighted in the appendix.</p> <p>The purpose of the policy is to provide the technical detail to ensure that members data is stored correctly and destroyed after the appropriate period of time in accordance with data protection legislation.</p>
1.07	<p>As data controllers, the Fund is required by data protection legislation to comply with the principles of data minimisation and storage limitation. Personal data process by the Fund:</p> <ul style="list-style-type: none"> must be adequate, relevant and limited to what is necessary in relation to the purposes for which it is processed and must not be kept in a form which permits identification of a data subject for longer than is necessary for the purposes for which the personal data is processed. <p>However, it is necessary to retain certain records (whether in hard copy or electronic form) for various periods of time because:</p> <ul style="list-style-type: none"> there is a statutory obligation to do so, and/or the information contained in those records may be necessary

	<p>for the future (for example, questions may arise about the calculation of benefits paid in the past, and data that may be relevant to a possible legal claim needs to be kept until the period within which that claim could be brought has expired).</p>
1.08	<p>The Policy outlines the retention periods and member's and beneficiary's rights, as well as the right of the Fund's members and beneficiaries to access data, obtain copies of data and ask for personal data to be corrected.</p>
1.09	<p>Due to the nature of the Policy, it is suggested that the Committee do not need to be involved when it is regularly reviewed and it is therefore proposed as part of the Policy that <i>"it will be formally reviewed and updated by the Pensions Administration Manager in consultation with the Head of Clwyd Pension Fund at least every three years. Any proposed fundamental changes to this Policy will be highlighted to the Pension Fund Committee prior to its approval by the Pensions Administration Manager and Head of Clwyd Pension Fund to allow the Committee to highlight any concerns."</i></p>
1.10	<p>The Committee are asked to approve the updated Policy including the delegation for ongoing review.</p>
1.11	<p><i>Procedure for Recording and Reporting Breaches of the Law (Appendix 3)</i></p> <p>Breaches of the law can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions</p> <p>This procedure has been developed to assist those individuals who have a legal responsibility to report certain breaches to The Pensions Regulator in determining whether a breach they have identified should be reported. It has also been developed to assist Flintshire County Council, in its role as Administering Authority, in ensuring it is aware of all breaches of the law in relation to the Clwyd Pension Fund and that these are appropriately recorded and then dealt with.</p>
1.12	<p>The Procedure for Recording and Reporting Breaches of the Law was originally approved in November 2015 and was last updated in September 2018. The Policy is therefore being reviewed as it has been 3 years since the last review. It is the view of the Head of Clwyd Pension Fund and the Fund's Independent Adviser that the Policy remains fit for purpose with some minor updates made which are highlighted in the appendix.</p>
1.13	<p>The Committee are asked to approve the updated Policy.</p>

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	<p>The Personal Data Retention Policy and Procedure for Recording and Reporting Breaches of the Law are internal controls relating to Governance Risk 7 (Legal requirements and/or guidance are not complied with).</p> <p>The new Policy for Administration and Communication of Tax Allowances to Scheme Members provides an internal control relating to Administration and Communication Risks 4 (Scheme members do not understand or appreciate their benefits) and will assist the Fund in achieving its communications objectives.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – Policy for Administration and Communication of Tax Allowances to Scheme Members</p> <p>Appendix 2 – Personal Data Retention Policy</p> <p>Appendix 3 – Procedure for Recording and Reporting Breaches of the Law</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>For Policy for Administration and Communication of Tax Allowances to Scheme Members and Personal Data Retention Policy:</p> <p>Contact Officer: Karen Williams, Pension Administration Manager</p> <p>Telephone: 01352 702963</p> <p>E-mail: karen.williams@flintshire.gov.uk</p> <p>For Procedure for Recording and Reporting Breaches of the Law:</p> <p>Contact Officer: Phil 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) 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>