

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 28 November 2018
Report Subject	Governance Update
Report Author	Clwyd Pensions Manager

EXECUTIVE SUMMARY

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

- (a) Business Plan 2018/19 update, including an update on the recruitment to the three new posts in the Finance Team and planned tenders
- (b) An update from the last Local Pension Board meeting
- (c) A summary of the key sessions at the Welsh Responsible Investment Seminar
- (d) Various items considered by the National Scheme Advisory Board at their last meeting, including an update on the Cost Transparency Initiative
- (e) The key points from the annual Independent Adviser's report and the annual Pension Board report
- (f) The periodic review of the Fund's Training Policy and Breaches Procedure
- (g) Training implementation and monitoring including the results of Hymans Robertson's recent survey
- (h) The latest changes to our breaches of the law register.
- (i) Monitoring the Governance of the Fund by the Audit Committee.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee discuss what actions could be taken as a result of the information received at the recent Wales Responsible Investment event, and confirm whether the Fund's approach to RI/ESG should be included on the next agenda for discussion and debate.
3	That the Committee consider the current Training Policy and Procedure for Recording and Reporting Breaches of the Law and confirm if they would like any changes to be made to either of these.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p>Business Plan 2018/19 Update</p> <p>Progress against the business plan items for quarter three of this year is summarised in Appendix 1. This quarter's work includes the following items:</p> <ul style="list-style-type: none"> • G5 – Structure Review of Finance Team – as previously reported three new positions have been created in the Finance Team; an Investment Officer, an Accountant and a Governance Support Officer. These posts were advertised earlier in 2018 but no suitable applications were received. Following discussions with Human Resources: <ul style="list-style-type: none"> ○ the Investment Officer post will be re-advertised as a Graduate Investment Officer, which will start at a lower grade with the focus being on recruiting someone who can be trained to the appropriate level of expertise ○ the Accountant post has been reviewed and will now be re-advertised at a higher grade ○ the Governance Support Officer will also be re-advertised but with no change to the grade. • G6 – Review/Tender Actuarial Contract – The preparation work in relation to the tender for this contract, which is currently held by Mercers, has largely been completed and invitations to tender will be issued imminently. • G7 – Review/Tender Investment Consultancy and Independent Adviser Contracts – these contracts, which are held by JLT and Aon respectively, are due to cease on 31st March 2019. It has been agreed under urgency delegations that these contracts should be extended for one further year for business continuity purposes so that the review/tender of the contracts will instead take place during Q3 and Q4 of 2019/20. Further information is contained within Appendix 2.
1.02	The Committee is asked to note the contents of the business plan update.
1.03	<p>Current Developments and News</p> <p><i>Pension board update</i></p> <p>The approved minutes of the Clwyd Pension Fund Board meeting on 28 June 2018 are attached at Appendix 3.</p> <p>The last meeting of the Clwyd Pension Fund Board was held on 11 October 2018. The formal minutes will be circulated in due course. The key items of discussion were as follows:</p> <ul style="list-style-type: none"> • Visit by Cheshire Pension Fund – the Board welcomed Heidi Catherall, the secretary to the Cheshire Pension Fund Board to observe the meeting. Phil Pumford and Phil Latham had previously attended a Cheshire Pension Fund Board and the chairs and secretaries will be meeting to discuss what they have learnt from these visits and any benefits it can bring to their respective sessions.

	<ul style="list-style-type: none"> • Cybercrime – the Board received presentations from a representative of Aquila Heywood and also Flintshire County Council highlighting how cybercrime was being managed in their respective organisations in relation to the systems that are being used for Clwyd Pension Fund processes. The Board also received an update on cybercrime management from the Clwyd Pension Fund Manager in relation to other systems and suppliers of the Fund, including Link Russell the Wales Pension Partnership (WPP) Operator. As a result of the discussion, the Board has asked for confirmation as to whether Aquila Heywood has appropriate cybercrime insurance. They have also asked for cybercrime to be considered by the Advisory Panel regularly so that the risk is monitored on an ongoing basis. • Asset pooling – The Board received an update from the Clwyd Pension Fund Manager on the transition of assets including the procurement of a transition manager. The Board discussed ongoing concerns about the governance of WPP and the likelihood that this was mainly due to the lack of resources available at the Host Authority. Concerns included lack of a business plan, missing key policies and no formal decision on whether the JGC should include a member representative. The Chair highlighted that she had heard similar concerns from members of other Welsh Pension Boards and discussions had taken place around whether a joint letter could be sent from all Boards asking for clarity around when and how the current areas of concern will be addressed by WPP. The Clwyd Pension Fund Board members were fully supportive of a joint letter being sent from all Welsh Pension Boards. • Section 13 report, cost cap process and third tier employers' review – the Board received updates on these national initiatives. • The Pensions Regulator (TPR) – Annual Scheme Return – Karen Williams, the Principal Pensions Officer, provided an update on a recent data quality exercise that has been carried out, the results of which have now been submitted to TPR. The Board highlighted that some areas of the review highlighted areas of missing data that, in their view, were less critical as they did not impact on the accuracy or quality of information being provided to scheme members or employers, or being used for internal process. A data improvement plan is now being developed by the Administration Team and this will be considered by the Board at a future meeting. • Administration update and Project Apple – the Board received an update including relating to the error covered by the Committee's Part 2 report. The Board noted their support for the Administration Team in dealing with the large workloads as well as resolving the Project Apple issue. The Board noted their support in continuing to outsource work and look for additional resources. They asked for the resourcing constraints to be continued to be considered by the Advisory Panel.
1.04	<p><i>National LGPS Scheme Advisory Board (SAB) Update</i></p> <p>The LGPS SAB Board met on 10 October 2018. A summary of that meeting is attached as Appendix 4.</p> <p>Since then, the Financial Conduct Authority (FCA) has announced the launch of the Cost Transparency Initiative (CTI) which is supported by the</p>

	<p>LGPS SAB as well as other organisations. The CTI will take forward the cost transparency programme at a national level. This is likely to result in ongoing development of disclosure requirements for all investors and the LGPS SAB will continue to be a key contributor to this work.</p>
1.05	<p><i>Annual governance review</i></p> <p>Since the last meeting, Karen McWilliam, the Fund's Independent Adviser and Chair to the Clwyd Pension Fund Board, has completed the annual reports for including in the Fund's annual report and account. The reports can be found on pages 19 to 33 of the annual report at - https://mss.clwydpensionfund.org.uk/documents/Final%20Annual%20Report%202018.pdf. The key points from the reports include:</p> <ul style="list-style-type: none"> • The Fund continues to be well managed with robust governance providing a strong foundation. • There was significant change in the Committee following the last elections but the new Committee carried out intensive training to maintain a high standard of decision making. • There has been significant progress in establishing the Wales Pension Partnership. Some of the governance requirements have not yet been put in place. In the longer term, a crucial measure of success will be whether or not savings are achieved for all participating Pension Funds. • Workforce planning has been carried out within the Finance Team due to the age profile of the staff and the ongoing pressures of asset pooling and governance. It is important that the Council works hard to ensure that the current staffing challenge is overcome. • Unprecedented increases in workloads in the Administration Team continue to cause problems but the team have worked hard to implement improvements including increased management information, a new website, i-Connect and the on-line Member Self Service facility. It is important for efficiencies to continue to be identified whilst continuing to consider the appropriateness of the existing resources. <p>It is recommended that Committee members review the content of these reports and highlight any matters they wish to discuss at the Committee meeting.</p>
1.06	<p><i>Annual Joint Consultative Meeting (AJCM)</i></p> <p>The Clwyd Pension Fund AJCM was held on 6th November. The agenda included the following presentations:</p> <ul style="list-style-type: none"> • Overview of governance and potential changes to the LGPS – Karen McWilliam, Aon • Investment Performance and Financial Markets – Kieran Harkin, JLT • Interim Funding Review and Employer Costs – Paul Middleman, Mercers • Measuring Social Impact – Debbie Fielder, CPF • Investing in Wales – Development Bank of Wales. <p>As expected, the audience were particularly interested in Paul's presentation given the triennial valuation is due to take place as at 31st</p>

	<p>March 2019 which will impact ongoing employer costs. The audience also appeared to welcome the work being carried out on Social Impact and the opportunities highlighted for investing in Wales.</p> <p>Unfortunately attendance was lower than expected. The Communications Team will be considering how to improve attendance in future years.</p>
1.07	<p><i>Welsh Pension Funds Responsible Investment Seminar</i></p> <p>A number of committee members plus Debbie Fielder, Pension Finance Manager, and Karen McWilliam, Independent Adviser/Chair of the CPF Board, attended the Welsh Pension Funds Responsible Investment (RI) Seminar on 31st October in Cardiff. This event was well attended by all the Welsh LGPS funds. The agenda included a variety of speakers including:</p> <ul style="list-style-type: none"> • Bob Holloway, Secretary of the LGPS SAB – providing an overview of Environmental, Social and Governance (ESG) thinking at a national LGPS level • Alan MacDougall, PIRC Limited – considering the responsibilities of funds on ESG matters within the WPP • Nathan Bear, Robbins Geller Rudman & Dowd – providing examples of how trustees fulfil their fiduciary duty when corporate governance fails • Tessa Younger, PIRC - the mission of LAPFF to protect the long term investment interest of LGPS beneficiaries through company engagement • Ian Coleman, Chair Torfaen Pension Fund Board – the role of the Pension Boards in relation ESG • David Cullinan, PIRC – monitoring of performance in a pooling environment including ESG and proxy voting. <p>Based on informal discussions with some of the Clwyd Pension Fund attendees, it was felt this was an extremely interesting event covering a matter that perhaps needs more focus and discussion at a local level. Committee members are asked to discuss what actions could be taken as a result of the information received at this event, including whether the Fund's approach to RI/ESG should be included on the next agenda for discussion and debate. The Fund's current Sustainability Policy is reproduced within the Fund's Investment Strategy Statement - https://mss.clwydpensionfund.org.uk/documents/Clwyd%20ISS%20-%202018.pdf.</p>
1.08	<p>Review of Policies, Strategies and Procedures</p> <p><i>Training Policy</i></p> <p>The Clwyd Pension Fund Training Policy was originally approved by the Committee in November 2014. It is now due for a review and a copy of the existing policy is attached in Appendix 10. The officers have reviewed the existing policy and have not identified any changes to be recommended to the Committee. Committee members are asked to review the existing policy and consider if they require any changes to be made to it.</p>
	<p><i>Procedure for Recording and Reporting Breaches of the Law</i></p>

1.09	The Clwyd Pension Fund Breaches Procedure was originally approved by the Committee in November 2015. It is now due for a review and a copy of the existing procedure is attached in Appendix 11. The officers have reviewed the existing policy and have not identified any changes to be recommended to the Committee. Committee members are asked to review the existing policy and consider if they require any changes to be made to it.
1.10	Committee members are also asked to consider whether they fully understand their responsibilities under the Training Policy and Breaches Procedure. They should highlight any concerns at the Committee meeting or beforehand with Phil Latham, Clwyd Pension Fund Manager, or Debbie Fielder, the Pensions Finance Manager.
1.11	<p>Compliance with the TPR Code of Practice</p> <p>The Pensions Regulator (TPR) issued a Code of Practice relating to the governance and administration of public service pension schemes (Code of Practice (COP) number 14) which came into force in April 2015. TPR expects all public service pension schemes to ensure that they are reviewing their management against the COP requirements on an ongoing basis. The COP is split into 10 key areas, and overall there are around 90 requirements or areas of recommended best practice, which can be directly tested and evidence of compliance provided. A review against these areas is carried out each calendar year for the Clwyd Pension Fund and previous results were reported to the Committee in March 2016 and September 2017. Officers have now undertaken the 2018 review.</p>
1.12	<p>The contents of the review are included in Appendix 12. The details of the checks completed are shown on pages 4 onwards and the summary on page 3 shows a snapshot of all checks and whether or not the Fund is compliant. The numbers shown in brackets below relate to the results in September 2017 for comparison purposes. This review illustrates that the Fund is fully compliant in 79 (71) out of the 99 areas tested. Of the remaining 20 (29) areas:</p> <ul style="list-style-type: none"> • 1 (1) is not relevant to the Fund, • 2 (3) are cases where the full evidence is not readily available and there is ongoing work investigating that area to determining whether the Fund is compliant or not. • Excluding the above, 2 (4) areas are considered to be non-compliant with the requirements or best practice. • The remaining 16 (20) are partially compliant, with 2 of these being employer responsibilities, rather than Fund responsibilities.
1.13	The results clearly show an improvement in some areas since the last review, albeit it is important to recognise that some measures may be more significant than others. For example, some may be required by law whereas others are best practice, or some may have a greater level of risk with not being compliant than some of the other checks. The key areas for development included actions in the final column of the tables in the Appendix from page 4 onwards. These areas and the other areas of improvements identified will be collated into a separate action plan.

1.14	A particular area of responsibility for the Pension Board, as detailed in the Public Service Pensions Act is "to assist in ensuring compliance with TPR requirements". Accordingly the results of this review will be part of the agenda for the next Pension Board including the separate action plan.
1.15	<p>Policy and Strategy Implementation and Monitoring</p> <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"> • 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. <p>Appendix 5 details progress made to date in relation to the CIPFA Knowledge and Skills Framework training. Appendix 5 also includes training and various external events attended by Committee members and Pension Board members during 2018/19. Appendix 6 includes details of planned training events including forthcoming events considered suitable for general awareness training.</p> <p>Members are asked to note that bookings are now being made for the LGC event at Carden Park. Any Committee or Board members wishing to attend should contact Debbie Fielder, the Pensions Finance Manager.</p> <p>The key elements of training identified for this year have been delivered to the majority of members. A catch up day has been organised for some members on the afternoon/evening of 19th December covering the administration, governance and funding training. If any member wishes to attend this, they should contact Debbie Fielder, the Pensions Finance Manager.</p> <p>Officers will continue to consider any specific topics that merit further training. In the meantime, Committee members are reminded to highlight, at any point, topics they feel they need further training in.</p>
1.16	Committee and Board members were recently invited to take part in Hymans Robertson survey of national confidence. The results are included as Appendix 13 and 14 and show that three Committee and three Board members completed the survey. Committee and Board members will recall that we carried out our own training needs assessment in December 2017 which drove the contents of our training plan for 2018. Further training needs assessments will be repeated periodically by the Clwyd Pension Fund officers and advisers.
1.17	<p><i>Recording and Reporting Breaches Procedure</i></p> <p>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. Appendix 7 details a number of current breaches that have been identified. As highlighted in the Part 2 report, the breach relating to the employer error has been reported to The Pensions Regulator</p>

	and there are ongoing discussions with The Pensions Regulator.
1.18	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 summarises the urgency delegation that has been used in relation to item G7 of the business plan (forthcoming tenders). No other delegated responsibilities were used in the last quarter in relation to governance matters.</p>
1.19	<p>Calendar of Future Events</p> <p>Appendix 8 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. Committee members are asked to note that the February 20th PFC will be taking place at 9.30am and the Fund's business plan for 2019/20 to 2021/22 will be presented for approval at that meeting. It is possible that the March 20th PFC may be used as a training day. Members will be notified nearer the time if this is the case.</p>
1.20	<p>Monitoring of Fund Governance by the Audit Committee</p> <p>Following the reporting of the draft Pension Fund Accounts to the Audit Committee in June 2018 a report was requested on the monitoring of fund management fees and value for money. The Clwyd Pension Fund Manager presented a report to Audit Committee on 21st November. Further consideration will be given to the most effective way of the Audit Committee performing their role going forward. The Audit Committee has been provided with the Fund's Annual Report as requested.</p>

2.00	RESOURCE IMPLICATIONS
2.01	The report touches on the ongoing challenges as a result of the current workloads and the retirement of a Finance Manager at the end of 2017. The Pension Fund Manager is continuing to ensure work is prioritised appropriately but it is likely that some non-essential tasks are not being carried out until the full staffing establishment is achieved.

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

4.00	RISK MANAGEMENT
4.01	<p>Appendix 9 provides the dashboard showing the current risks relating to the Fund as a whole, as well as the extract of governance risks. The key governance risks continue to relate to:</p> <ul style="list-style-type: none"> • potentially insufficient resource, which puts a risk on us being able to deliver our legal and policy objectives • the impact of externally led influence and scheme change (such as asset pooling) which could also restrict our ability to meet our objectives and/or legal responsibilities.
4.02	<p>Although there has been no changes to the scores this quarter, risk number 5 (the Fund's objectives not being met or being compromised due to external change) has been updated to note the ongoing monitoring of cybercrime risk as an internal control.</p>
4.03	<p>The officers have also considered the potential risk as a result of JLT being merged with Marsh & McLennan (which includes Mercers as a subsidiary). They consider the risk of the current investment consultants being removed or their services being impacted extremely small and believe appropriate controls are in place as a result of internal expertise and access to other advisers. No changes have therefore been made to the risk register in relation to this matter.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – Business plan progress Appendix 2 – Delegations Appendix 3 – 28 June 2018 Pension Board minutes Appendix 4 – LGPS SAB update Appendix 5 – Training undertaken Appendix 6 – Training plan Appendix 7 – Breaches Appendix 8 – Calendar of future events Appendix 9 – Risk register Appendix 10 – Training Policy Appendix 11 – Breaches Procedure Appendix 12 – Review against TPR Code of Practice Appendix 13 – Hymans Robertson National Confidence Assessment Report Appendix 14 – Hymans Robertson National Confidence Assessment Clwyd Results</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>No relevant background documents.</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 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) 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) 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 DCLG.</p> <p>(g) MHCLG – Ministry of Housing, Communities and Local Government – the government department responsible for the LGPS legislation.</p> <p>(h) JGC – Joint Governance Committee – the joint committee established for the Wales Pension Partnership asset pooling arrangement.</p>