

FLINTSHIRE COUNTY COUNCIL (As Lead Authority for the Clwyd Pension Fund)

CLWYD PENSION FUND BOARD

Minutes of the meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Lead Authority for the Clwyd Pension Fund), held at County Hall, Mold, on Thursday, 11 October 2018 at 9.30am.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mr Paul Friday, Mr Phil Pumford

Employer Representatives: Mr Steve Jackson, Mr Mark Owen

IN ATTENDANCE

Mr Philip Latham (Clwyd Pension Fund Manager and Secretary to the Board) – Dialling in
Mrs Debbie Fielder (Pension Finance Manager)
Mrs Karen Williams (Principal Pensions Officer)
Ms Heidi Catherall, (Cheshire Pension Fund, Pensions Operations Manager) – Observing
Ms Mary Lambe, (Aon, Senior Benefit and Governance Consultant) – Recording minutes

PRESENTERS – ITEM 5

Ms Deb Sainsbury (Information Compliance Officer, Flintshire County Council)
Mr Paul Owens (Head of Customer Relationship, Aquila Heywood)

Actions

1. APOLOGIES/ WELCOME

Helen Burnham (Karen William substituted).

The Chair welcomed Mr Paul Friday to his first official Board meeting and Ms Heidi Catherall to the Board as an observer. Mr Neil Harvey (Cheshire Pension Fund Board member representative) was unable to attend.

Cheshire Pension Fund's attendance at this meeting follows Mr Pumford and Mr Latham's recent attendance at a Cheshire Pension Fund Board meeting. Attendance at that meeting was noted by Mr Latham and Mr Pumford to be extremely beneficial and the Chair noted that it would be helpful for both sides to share observations following this meeting.

Board

Actions

Secretary

New action – Clwyd and Cheshire Pension Fund officers set up a discussion to share observations with Chairs and those who attended.

The Chair introduced Ms Mary Lambe, observing today's meeting and recording the minutes as part of her induction to Aon.

The Board and officers introduced themselves for the benefit of both Ms Catherall and Ms Lambe.

2. DECLARATIONS OF INTEREST

Three declarations of interest made including:

For item 18, Independent Advisor Contract / Chair of the Board, the Chair and Mary Lambe noted their conflict and confirmed they would leave the room during that discussion.

Mr Pumford informed the Board that he knew Ms Lambe in a personal capacity and it was agreed no conflict existed.

It was also noted that Ms Catherall and Ms Lambe knew each other in a professional capacity having previously worked together and it was agreed no conflict existed.

3. MINUTES AND MATTERS ARISING

The draft minutes of the meeting held on the 28 June 2018 were confirmed as a correct record by all Board members. The Chair thanked Mrs Fielder for preparing the minutes.

Completed and/or outstanding actions were considered as part of agenda item 4, action tracker.

4. ACTION TRACKER

The Chair introduced this item explaining that the document was designed to track all action points identified by the Board, identify completed or outstanding actions and also ensure that none are overlooked.

The contents of the Action Tracker were discussed. As previously agreed, completed actions are now removed from the Action Tracker once reported as completed to the Board.

The following points were made in relation to the Action Tracker

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with other actions noted as ongoing:

- 1st action (Freedom of Information (FOI)) – Training is needed; it had been scheduled for September training day. Ms Fielder will pick up and FOI will be covered at the next training event and in new starter training.
- 12th action (Disaster recovery) – Progress now due to be reported at the next meeting as this was delayed due to resource constraints.
- 14th action (Cybercrime/IT Security/ GDPR) – Presentation to Board today 11th October.
- 15th & 16th actions (TPR Code of Practice) – These remain deferred as it was noted resource constraints are still delaying the update.
- 18th action & 20th action (WPP IAA and WPP Business Plan) – both on today's agenda.
- 25th action (ELT and WCBC agreement) – Mrs Williams provided an update noting very positive progress with Wrexham following recent meetings. It is expected that things should continue to progress well now. Mr Owen suggested it could be removed from the list and Chair asked that it be marked as complete.
- 26th action (Asset Pooling) – Picked up in the agenda by Mrs Fielder.
- 27th action (Consideration of Committee papers) – Consideration needs to be given to how the CEMs training can be delivered; this remains ongoing and outstanding.
- 28th action (Consideration of Committee papers) - Ensure balance between risk and return is explained; this remains ongoing.
- 35th action (Action Tracker) – Engagement with Chairs of Boards and letter to WPP; on today's agenda.
- 37th action (Employer Pay Issue) – Update on Project APPLE; on today's agenda
- 40th action (CIPFA Pension Board guidance) – Purchased and Mr Owen noted that it has been received by the Board. The Board agreed that there was nothing in it that wasn't

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already being included in the way the Clwyd Pension Fund Board operated. It was agreed it could now be removed from action tracker.

RESOLVED:

The Board noted the ***action tracker which is to be updated*** as agreed.

**Board
Secretary**

5. CYBERCRIME PRESENTATIONS

The Chair introduced this item highlighting the importance of protecting pension funds from Cybercrime and welcomed the first of two external speakers, Ms Deb Sainsbury. Ms Sainsbury from Flintshire County Council (FCC)'s Information Governance team shared slides with the Board which covered key messages including the top 10 controls and sources for further advice including the National Cyber Security Centre and the Information Commissioners Office (ICO).

Ms Sainsbury outlined that the fundamental key message is that there is no silver bullet in how to be completely cyber compliant and that we are only as strong as our weakest link.

Ms Sainsbury noted that it is a fine balance between the risks you are prepared to tolerate (for example, offering on-line systems) and not prepared to tolerate and she was aware that the Fund has a comprehensive risk register.

There are a number of key controls including:

1. Patching – extremely important that software patches are applied ASAP. ICO take a dim view of organisations where patches not applied in a timely manner. It would likely result in high fines if breach found as a result of such inaction.
2. Malware – this must be set up correctly and needs to be as up to date as possible to ensure that Fund is always searching for threats and vulnerabilities.
3. Filtering – Emails are scanned for malicious content.
4. Passwords – at least 8 complex characters recommended and for administrators then its 15 characters (with letters and numbers).
5. Cloud data – Aquila Heywood holds member record data in the Cloud. Therefore the Fund should be asking all same questions of Heywood regarding cyber compliance.
6. Staff training – FCC has a regular programme of training.

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Evidence of that training must be recorded and held. Example of a recent situation for another organisation was mentioned where a data stick was lost (resulting in £125,000 fine) and where the fine may have been less if staff training could have been evidenced.

7. GDPR compliance – since May 2018 both processors and data controllers can be fined. FCC is reviewing all contracts at the moment to ensure they are compliant. All GDPR controls are also expected to be in place by Fund suppliers, including Aquila Heywood and any third parties they use.
8. Part of public services network – Requires an annual health check be undertaken.

The Board discussed the helpful presentation and made some observations. A number of questions raised including one by Mr Owen who asked if there has been penetration testing of systems including iTrent, Masterpiece and Heywood's Altair?

New action – Board Secretary to check and provide an update to the Board.

The Chair thanked Ms Sainsbury and asked her to remain for the second presentation with Aquila Heywood and to participate in the discussion.

The Chair welcomed Mr Paul Owens from Aquila Heywood to the Board meeting.

Following a brief update on Aquila Heywood and its partners Mr Owens gave an update on cyber security threats, Altair hosting solution and relevant accreditations (ISO 9001/ ISO27001) as well as their data centre partner Blue chip, and the infrastructure improvement programme that they have underway.

Hosting is undertaken by their partners Blue chip with a site located near Bedford. Aquila Heywood regularly audit and check Blue chip. As part of that they undertake annual penetration tests and will share the results of those with clients who request it.

There CIA (confidentiality, integrity, availability) security incident model is being rolled out; the first customer has moved over to this and Aquila Heywood will be speaking to the Fund in the coming months about moving across.

Mr Owens took questions from the Board including from Mr Pumford who asked how the daily system back up gets from site to site (given he confirmed it was sent off site daily). Mr Owens wasn't sure but confirmed that the files are encrypted.

**Board
Secretary**

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There was a discussion about learning lessons from experience and the Chair and Mr Friday asking what breaches the company have had to date. Mr Owens confirmed only minor issues have arisen. They had once dealt with what they thought was a server attack but it transpired to be faulty software; nonetheless it was considered a good learning experience.

The Chair asked if Fund or Council has cyber insurance in place. Ms Sainsbury noted that FCC don't have it specifically but she believes any attacks would be covered to some degree by their public liability insurance. Mr Owens was unsure if Aquila Heywood have cybercrime insurance but agreed to find out.

New action – Mr Owens to let Board Secretary know if Aquila Heywood have cybercrime insurance.

Mrs Fielder asked if Aquila Heywood undertake third party screening as part of their audit. Mr Owens said he would take that question away.

New action – Mr Owens to provide confirmation to the Board Secretary as to whether Aquila Heywood undertake third party screening.

Mr Owen and Mrs Fielder asked if officers should receive the annual report detailing the penetration report, as a matter of course. Mr Owens confirmed it can be shared on request.

Mrs Fielder also asked Mr Owens a question on the level of training and he confirmed he would circulate report of what training is undertaken by staff.

New action – Mr Owens agreed to provide the training report for Aquila Heywood staff to the Board Secretary.

The Chair asked Mr Latham about the issue of cyber security in respect of their other advisers including asset managers and the Welsh Investment Pool. Mr Latham confirmed he asked a question of those parties and they all confirmed they have controls in place. Specifically Russell has internal control checks for all managers which includes cybercrime.

The Chair noted that it is good to see the proactive stance of the Fund in considering cybercrime and recommended that this is considered on an ongoing basis going forward given the continual changing environment relating to cybercrime. The Chair thanked both speakers for their helpful presentations.

Board Secretary

Board Secretary

Board Secretary

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6. ASSET POOLING

The Board received an update from the Chair on her recent discussions with other Chairs of Welsh Pension Boards and a draft letter which has been prepared by the chairs relating to issues of governance standards for WPP. The Board asked for views on whether a joint approach from all Wales Pension Boards is the best way forward and on the contents of the draft letter.

The Board confirmed they supported the sending of the letter as currently drafted, if being sent from all the Wales Pension Boards and asked the Chair to discuss this further with the other Chairs. The Board also concluded that the letter should be addressed to both the JGC and the Host Authority.

New action – The Chair to confirm the Board's acceptance of the draft letter at 31 October Chair of Pension Boards meeting.

The Board received an update from the JGC meeting held 25 September from Mrs Fielder including the tender for a transition manager, the fixed income portfolio, preparation of the reporting pack and the appointment to the vacant post at the Host Authority. Ms Catherall also gave a brief update of Central Pool progress which Cheshire are part of for comparison purposes..

Note that Mr Jackson left the meeting.

Chair

7. SECTION 13 REPORT

The Board received an update on the recent Government Actuary Department (GAD) Section 13 report, as required under the Public Service Pensions Act 2013. Mr Latham noted that a letter from the four actuarial firms was sent to MHCLG given some concerns arising from the report. It was agreed that letter should be shared with the Board for information.

New action – Actuaries' letter to MHCLG to be circulated to Board members.

Board Secretary

8. COST CAP PROCESS

The Board received an update on the recent government announcement on public sector schemes valuations, and the separate cost cap process underway for the LGPS.

Actions

The outcome of the cost cap process confirmed that the current benefit structure is coming out cheaper than the target cost. This is likely to result in a change to the existing benefits and/or contribution rates, which in turn will create an increase in work for both the administration and communication teams with 1 April 2019 being the likely date for any changes to benefits and contributions.

9. THIRD TIER EMPLOYERS REVIEW

The Board received an update on the report for the Scheme Advisory Report on third tier employers participating in the LGPS in England and Wales. Mr Latham noted that the Fund has two employers that fall in this category i.e. with a poor covenant, one university and one college. It may also impact on charitable organisations, although those in the Fund would have backing from a local authority or other organisation.

10. TPR ANNUAL SCHEME RETURN REQUEST

The Board received an update on the requirements of the annual scheme return for TPR from Mrs Williams. This year the return includes a requirement to include information on the common and scheme specific scores. Mrs Williams explained certain areas of the scoring where data cleansing may be required. This included address data and Mrs William confirmed that member address tracing is to be carried out for deferred members which will help improve that score.

The Chair outlined that the SAB is seeking to find a way to have a standard set of scheme-specific data checks for all LGPS funds but that hasn't been put in place for 2018 return.

Mrs Williams highlighted that the results of the exercise are being used to develop a Fund Data Improvement Plan. The Board requested that the data improvement plan with priority areas should be brought back to a future Board meeting.

New action – Data improvement plan to be taken to future Board meeting.

The Board also asked Mrs Williams to ask Aquila Heywood if they can share all Funds' results anonymously so that CPF can see how they measure up.

New action – Board Secretary to contact Aquila Heywood

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to request an anonymous summary of the results.

11. PROJECT APPLE UPDATE

The Chair reminded the Board members that the information being provided in relation to this project is confidential due to the need to manage communications carefully. The Chair then provided the Board with a summary of the assumed pensionable pay issue and the work being undertaken to rectify the errors for up to 2,200 records (1,300 members).

Work is underway to develop letters for various types of members and to seek a build a bulk approach to resolve the cases that need to be dealt with.

The Board considered if a similar issue could exist with other employers and officers confirmed they have used workarounds where issues have been found. It was also noted that the impact of this work would be felt by the team given the increasing volume of work needed to rectify the errors.

The Board noted the intention to include some references for assumed pensionable pay to be included in presentations at the next employer forum meeting.

12. ADMINISTRATION UPDATE

Mrs Williams provided an administration update to the Board including:

Key Performance Indicators

The Board received the summaries of KPI's for the previous quarters. These were explained to the Board and also noted that staffing appointments have been made and additional resources should increase administration activity going forward.

Current Workloads

Mrs Williams presented details of the due dates and outstanding cases relating to the Operations, Employer Liaison and Aggregation teams.

Mr Owen asked for an update on the GMP cases recently progressed and Mrs Williams confirmed that the reconciliation project is on track . Mrs William noted that the team are mindful of further activity which will arise from this project and that

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updating member records may align with timing of pension increase activity which could cause some challenges.

iConnect files were noted as an issue for FCC, with concern that in recent months (since June) there is a resource constraint with the employer resulting in lack of files being transmitted to the Fund. The Board asked that the Board Secretary liaise with the employer to understand and resolve this and express the Board's concern.

New action – Board Secretary to raise late iConnect extract concerns with FCC.

Staffing update

The staffing appointments to the vacant finance roles were also discussed and in particular the challenge of offering appropriate salaries to attract candidates. The Board noted its support for the Fund in filling those vacancies as soon as possible and the Chair asked that the Board's concern regarding the time and process being imposed on the Fund is fed back to relevant HR colleagues at the administering authority.

The Board expressed their gratitude and support to the officers given the progress that is being made in an ongoing difficult environment.

13. CONSIDERATION OF 5TH SEPTEMBER 2018 PENSION FUND COMMITTEE MEETING PAPERS

The Board noted the papers from the latest Pension Fund Committee Board meeting.

14. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE

The Board asked that resource issues and their impact on the team are brought to the next advisory panel and Committee. In addition Cybercrime information should be taken to the next Advisory Panel meeting so that a plan for ongoing action can be agreed.

New action – Items to be taken forward to agendas at Advisory Panel.

15. COMPLIMENTS AND COMPLAINTS

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**Board
Secretary**

Actions

An anonymised log of the latest compliments and complaints had been circulated to the Board with the agenda. The Board noted some excellent compliments received and no major complaints included.

16. FUTURE WORK PLAN

The Board received an update from the Chair on the future work plan. It was noted that some items had been pushed back and it would be good to see those at a future Board meeting.

Mr Owen noted the Board's key role relating to the TPR Code of Practice activity and the Board requested that it should be brought to the next Board meeting. The Board suggested that the disaster recovery testing could be deferred to February or later depending on the ongoing resource constraints.

New action – Update work plan.

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17. PENSION BOARD BUDGET MONITORING

The Board received an update on the Board's budget. Mr Friday and Mr Owen raised a query regarding year to date figures and cumulative figures. Mrs Fielder agreed to review figures and provide explanation to the Board.

New action – Updated information on Budget to be provided to the Board.

**Board
Secretary**

18. INDEPENDENT ADVISOR CONTRACT / CHAIR OF THE BOARD

The Chair and Ms Lambe left the meeting for this item following a declaration of interest.

The Board discussed the future role of the independent Chair

19. FUTURE DATES

The Board noted forthcoming dates including 31st October Wales Pension Board Chairs/Wales Pension Partnership event and AJCM on 6th November.

The Chair reminded the Board that members are invited to attend Pension Fund Committee meetings with the next

Actions

Committee meeting taking place 28th November.

20. ANY OTHER BUSINESS

No other business raised.