

**SAB Good Governance Project**  
**Clwyd Pension Fund self-assessment against proposals**

Proposal	Why	Suggested Actions	CPF Self Assessment
Critical features of the 'outcomes-based' model to include:			
<p><b>2a - Robust conflict management.</b></p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> <li>• Published conflicts policy.</li> <li>• Protocols for setting and managing budgets.</li> <li>• Schemes of delegation.</li> <li>• Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers.</li> </ul>	<p>Elected councillors and s151 officers have multiple competing statutory responsibilities, within their roles in the LGPS and in wider council responsibilities. High professional standards and experience help them to navigate. Additional measures specific to their LGPS duties can help reduce conflicts and perception of conflicts.</p> <p>Many administering authorities already have a conflicts policy or alternative arrangements to help reduce the risk of conflicts including, for example, schemes of delegation or well defined and documented roles and responsibilities.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>	<p><b>Fully compliant</b></p> <ul style="list-style-type: none"> <li>• CPF has had a pension fund specific conflicts policy since March 2015 which is regularly reviewed. It outlines the requirements in relation to managing both potential and actual conflicts of interest in relation to pension fund matters.</li> <li>• The CPF budget is agreed by the PFC (i.e. the s101 committee) as part of the annual business plan, and budget monitoring is included at each PFC meeting.</li> <li>• As well as the delegated responsibilities relating to the CPF in the FCC Constitution, there is a further officers' scheme of delegation for matters delegated from PFC to officers.</li> <li>• The CPF roles and responsibilities relating to PFC, Pension Board, the Section 151 officer and Chief Executive are contained within the FCC Constitution, and reproduced in the CPF Governance Policy. All CPF employee roles are outlined as part of job descriptions. The key priorities are included in the annual business plan which is agreed by the CPF.</li> </ul>

<p><b>2b - Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.</b></p> <p>This will require a transparent approach to setting and managing budgets.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> <li>• Benchmarking.</li> <li>• External expert advice.</li> <li>• Internal or external audit.</li> <li>• Review by LPB with appropriate expert advice.</li> </ul> <p>Administering authorities may need freedom to use market supplements to attract and retain staff and should not be tied to council staffing policies such as recruitment freezes.</p>	<p>The administrative burden on the LGPS has increased significantly due to increasing complexity (pre- and post-Hutton benefits) and the massive growth in employer numbers.</p> <p>At the same time, there is increased scrutiny from TPR and risk of fines and other regulator interventions.</p> <p>It is critical that pension administration teams are sufficiently well resourced with competent personnel and appropriate administration systems.</p> <p>This aim must be supported by transparent processes for setting appropriate budgets.</p> <p>Pensions administration is a specialist role and, at the current time, it is difficult to attract and retain staff.</p> <p>Many administering authorities already have pay and recruitment policies relevant to the needs of their pension functions rather than being tied to the general policies of the council.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>	<p><b>Fully compliant</b></p> <ul style="list-style-type: none"> <li>• Administration team provide regular measures against regulatory requirements which is reviewed by senior officers, Pension Board and PFC.</li> <li>• CPF budget for resources is the responsibility of the PFC, agreed annually as part of the business plan and monitored at each PFC meeting, with ongoing maintenance of sufficient resources alongside flexibility for changes in budget throughout the year.</li> <li>• Market supplements have been used to a limited degree as part of recent restructuring but this is still operated within FCC framework for job evaluation. There has been some challenges historically in recruiting and retaining staff due to pay rates being lower than expected in the market. This resulted in abandoning recruitment of one post. Currently CPF positions are nearly all filled.</li> <li>• PFC and Pension Board have been supportive in increasing resources.</li> </ul>
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<p><b>2c - Explain policy on employer and member engagement and representation in governance.</b></p> <p>At the current time, employer and member representation (with or without voting rights) should be encouraged but not compelled.</p> <p>Decisions on the approach to member representation should remain a local matter but administering authorities should explain their approach.</p>	<p>Most administering authorities have non-administering authority employer and scheme member representatives.</p> <p>Non-administering authority employers are often chosen to represent certain employer constituencies (e.g. academies, FE, charities and housing associations).</p> <p>In some cases, scheme member representatives have voting rights.</p> <p>Many survey respondents support greater encouragement to include scheme member reps on s101 committees.</p> <p>However, administering authorities prefer some local flexibility on this, including how representatives are selected and whether they have voting rights. Importantly, administering authorities should retain majority voting representation because of the statutory responsibilities they bear.</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1 i.e. an 'outcomes based' approach).</p>	<p><b>Fully compliant</b></p> <ul style="list-style-type: none"> <li>• CPF's Governance Policy and Compliance Statement outlines the participation of both scheme member and employer representatives in governance structure.</li> <li>• For more than 20 years, CPF has embraced the involvement of scheme member and employer representatives: <ul style="list-style-type: none"> <li>○ Before 2014, the Advisory Panel included WCBC, DCC and trade union representatives</li> <li>○ From 2014, the PFC included WCBC, DCC, other bodies and scheme member (trade union) representative, all with full voting rights.</li> <li>○ Legal requirement to introduce the Pension Board in 2015 expanded engagement with scheme member and employer representatives.</li> <li>○ Culture has been of partnership with administering authority including full attendance and participation at PFC meetings.</li> </ul> </li> </ul>

Proposal	Why	Suggested Actions	CPF Self Assessment
<p><b>2d - Regular independent review of governance to assess effectiveness of administering authority's governance arrangements in the context of the desirable features and expected outcomes set out in guidance on an 'outcomes-based' model.</b></p> <p>This should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.</p> <p>Guidance should not prescribe the approach but could set out acceptable methods which may include:</p> <ul style="list-style-type: none"> <li>i. Internal or external audit assessment;</li> <li>ii. Scrutiny by LPBs;</li> <li>iii. A peer review process.</li> </ul>	<p>It is important that any 'outcomes based' approach is policed.</p> <p>Self-assessment is insufficient. Independent review is required for a more objective assessment.</p> <p>We discovered that some funds do this on a regular basis already using a variety of approaches including internal and external audit and other external experts and advisors.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>	<p><b>Fully compliant</b></p> <p>CPF operates a range of independent assessments of effectiveness of governance arrangements including:</p> <ul style="list-style-type: none"> <li>• Independent adviser appointed from 2014 focussed on governance matters who: <ul style="list-style-type: none"> <li>○ Attends all formal meetings (PFC and AP) as well as having regular meetings with officers.</li> <li>○ Carries out annual formal review against a formal good practice governance framework.</li> <li>○ Carried out and now oversees the CPF doing a self-assessment against TPR Code of Practice.</li> </ul> </li> <li>• Internal and external audit assessments of governance have included engagement with Pension Board and also focus on areas such as TPR Code of Practice.</li> <li>• Pension Board regular involvement includes: <ul style="list-style-type: none"> <li>○ Standard agenda items on a number of governance matters including TPR Code of Practice, risk register, PFC meetings, asset pooling.</li> <li>○ Meetings often involve requests from Board for updates on specific matters.</li> <li>○ Attendance at regular meetings with WPP regarding governance standards.</li> <li>○ Attendance at PFCs – since inception, at least one Pension Board member has been at every PFC meeting, as well as all training sessions which are held jointly.</li> <li>○ Annual report produced by Pension Board and published in the Fund's Annual Report highlighting work of Board and any areas of concern.</li> </ul> </li> </ul>

