

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 9 June 2021
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 2021 Committee meeting and therefore this update report includes developments since that report.

This update includes matters that are mainly for noting, albeit comments are clearly welcome.

The report includes updates on:

- The Fund's response to the Pension Regulator's new Code of Practice consultation
- An update from recent Scheme Advisory Board meeting
- A new research project to look at the state of the nation in the LGPS by the PLSA
- 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 for 2021/22.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
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REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p>Business Plan Update</p> <p>Usually the three main update reports at each Committee include the latest progress against the business plan. Given we are only 2 months into 2021/22, there are no updates included for this meeting. Full updates will be provided at the next meeting.</p>
1.02	<p>Current Developments and News</p> <p><i>Pension Board update</i></p> <p>The Clwyd Pension Board met on 23 February and the draft minutes are included in Appendix 1. The main items of discussion were responsible investment, cyber-crime and data improvement plans. The Board also received updates on areas such as asset pooling, business continuity, administration service delivery, and compliments and complaints. The next meeting is on 24 June.</p>
1.03	<p><i>National LGPS Scheme Advisory Board (SAB) Update</i></p> <p>The LGPS SAB met on 8 February and 10 May. At the point of writing the 10 May summary was not published but papers and an agenda for the meeting which covered the 2016 SAB Cost Management Process, climate change and reporting regulations, and the SAB's 2021/22 workplan and budget can be found here – http://lgpsboard.org/index.php/about-the-board/prev-meetings.</p>
1.04	<p><i>The Pensions Regulator (TPR) New Code of Practice</i></p> <p>TPR are replacing their current Codes of Practice with a single new code of practice. The new code brings together 10 existing codes of practice, including Code of Practice 14 (the code of practice which applied to the LGPS), into a single (on-line) code which will apply to all UK pension schemes.</p> <p>TPR has issued its consultation on the new Code of Practice which ran for 10 weeks to 26 May 2021. The Fund has reviewed the new Code of Practice, prepared and submitted a response to the consultation which was approved under the delegation or responsibilities for urgent matters. The response has already been shared with Committee and Board members by email from the Pensions Administration Manager. .</p> <p>The key focus of the Fund's response to the consultation are requests for TPR to:</p> <ul style="list-style-type: none"> • Collaborate with the other bodies which provide guidance and codes of practice for LGPS Funds (e.g. SAB and CIPFA) to ensure consistency in the standards expected from LGPS Funds • Provide further guidance on which modules within the new Code apply to the LGPS

	<ul style="list-style-type: none"> • Provide further guidance on where the responsibility (i.e. Scheme Manager, Pension Committee and or Pension Board) lies for compliance with the new Code • Set out how they intend to assess compliance with the Code and provide guidance on how Funds should demonstrate compliance with the new Code. <p>TPR have indicated that they expect the final version to be issued in November 2021.</p>
1.05	<p><i>PLSA LGPS Best Practice Research</i></p> <p>The Pensions and Lifetime Savings Association (PLSA) has launched a new research project to look at the state of the nation – both areas of best practice, as well as the future challenges for the LGPS. The research is going to look at the biggest issues facing the LGPS including getting the guidance funds will need, attracting the talent they want, and reducing the burden of its administration from complex regulation.</p> <p>The research will have four main objectives:</p> <ul style="list-style-type: none"> • To develop a comprehensive understanding of the major issues and challenges facing the operation of the scheme • To establish a base of understanding to measure against in future years • To identify best practices or gaps in effective operations and • To identify where additional clarity is needed from guidance from the regulators and the Government, and how the scheme may evolve in the future. <p>The research will be conducted through a series of roundtables, a survey and case studies, as well as through the production of one of the PLSA’s biggest pieces of thought-leading policy work for 2021.</p> <p>The Head of Clwyd Pension Fund sits on the PLSA Local Authority Committee and is going to be part of the group managing this research.</p>
1.06	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Training Policy and Plan</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 2 sets out the training plan for the Fund. Recent events included:</p> <ul style="list-style-type: none"> • completion of a set of 7 induction sessions for new members of the Committee and Board,

	<ul style="list-style-type: none"> • Responsible Investment (RI) related training including on fossil fuels and the RI roadmap and • the external PLSA Annual Conference, which the Head of Clwyd Pension Fund spoke at. <p>New dates for training added to the plan include:</p> <ul style="list-style-type: none"> • the second session on the Fund’s flightpath taking place on 21 July • a WPP training session in July (date to be confirmed) relating to responsible investment indices, solutions and reporting • the LGC Pensions and Investment Summit which is taking place in Leeds on the 9 and 10 September 2021. This is scheduled to be a face to face event at the Royal Armouries in Leeds. • the LGA Fundamentals three day training (a date in each of October, November and December) with virtual options; these are generally aimed at newer members of Committees and Boards and the agendas are attached in Appendix 3. <p>Officers will continue to be in touch with information as further training sessions and events become available. In the meantime if you wish to attend any of these events please contact the Deputy Head of Clwyd Pension Fund.</p>
1.07	<p><i>Recording and Reporting Breaches Procedure</i></p> <p>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 4 details the current breaches that have been identified.</p> <p>There are three new administration breaches (A21, A22 and A23) including two matters relating to errors by employers and an unfortunate data breach within the Fund's Administration Team, which we have self-referred to the Information Commissioner's Office. Although all serious in nature, none require reporting to the Pensions Regulator, mainly due to the processes around them being updated to avoid a repeat of the issue.</p> <p>Hafan Deg has now paid all outstanding contributions to March and therefore this breach (F38) has now been resolved. Their payment of contributions will continue to be monitored and consideration is being given to further engagement with the employer.</p>
1.08	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. There has been one use of delegated responsibilities since the last Committee meeting which was to approve the Fund’s response to TPR’s new Code consultation as outlined in paragraph 1.04. The response was approved by the Chairman, the Corporate Finance Manager and the Head of Clwyd Pension Fund.</p>

	Calendar of Future Events
1.09	<p>Appendix 5 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 1 September Committee meeting:</p> <ul style="list-style-type: none"> • 23 June – CIPFA Pension Board Annual Event (Board members only) • 24 June – Pension Board meeting (Board members only) • 21 July – Flight Path Training (for all Committee and Board members).

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>Appendix 6 provides the dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk register has been updated since it was last presented to the Committee in February and March (extracts were in the Business Plan). Members should note the reduction in several risks which is extremely positive.</p> <p>The main changes this month relate to:</p> <ul style="list-style-type: none"> • Risk number 2: No or inappropriate decisions are made due to Governance (particularly at PFC) being poor - Given the good progress in delivering the Fund's training plan including completion of the induction training the Likelihood for this risk has been changed from Low to Very Low which matches the target. • Risk number 5: Externally led influence and change such scheme change (e.g. McCloud and £95k cap), national reorganisation, cybercrime, Covid-19 and asset pooling means the Fund's objectives/legal responsibilities are not met or are compromised - Given the solid management of the McCloud programme and in relation to the COVID-19 pandemic, the Likelihood for this risk has been reduced from Significant to Low. There still is uncertainty in relation to cybercrime (with ongoing work to appreciate the risks to the Fund) and an expected consultation on new asset pooling guidance so the risk is not quite on target but will continue to be monitored. • Risk number 6: Insufficient staff numbers (for various reasons) could result in services are not being delivered to meet legal and

	<p>policy objectives – this is the governance risk that remains furthest from target. That being said this risk is also more in control is much more in control as a result of the solid management of the McCloud programme and in relation to the COVID-19 pandemic. Therefore the Likelihood has been changed from Significant to Low. It's not quite on target due to the ongoing vacant Governance Officer position and some further work to ensure succession planning is robust.</p>
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5.00	APPENDICES
5.01	<p>Appendix 1 – Draft Pension Board minutes Appendix 2 – Training plan Appendix 3 – LGA Fundamentals training agenda Appendix 4 – Breaches log Appendix 5 – Calendar of future events Appendix 6 – Risk Register</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Response to TPR New Code consultation – circulated by email from Pensions Administration Manager at beginning of June to all Committee and Board members.</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund 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) 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</p>

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.
- (i) **CIPFA – Chartered Institute of Public Finance and Accountability** - a UK-based international accountancy membership and standard-setting body. They set the local government accounting standard and also provide a range of technical guidance and support, as well as advisory and consultancy services. They also provide education and learning in accountancy and financial management.
- (j) **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.
- (k) **PLSA - Pensions and Lifetime Savings Association** – PLSA aims to bring together the industry and other parties to raise standards, share best practice and support its members. It works collaboratively with members, government, parliament, regulators and other stakeholders to help build sustainable policies and regulation which deliver a better income in retirement.