

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 1 September 2021
Report Subject	Clwyd Pension Fund Policies
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The Fund has several policies focussing on the good governance of the Fund, all of which 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, to set out the approach the Fund takes on that issue.

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

- Knowledge and Skills Policy (previously called the Training Policy)
- Conflicts of Interest Policy and
- Policy on the Overpayment and Underpayment of Pension Scheme Benefits.

RECOMMENDATIONS

1	That the Committee review and approve the updated Knowledge and Skills Policy.
2	That the Committee review and approve the updated Conflicts of Interest Policy.
3	That the Committee review and approve the newly created Policy on the Overpayment and Underpayment of Pension Scheme Benefits.
4	That the Committee agree to recommend an amendment to Flintshire County Council's Financial Procedural Rules relating to the write-off of bad debts, changing references from "Cabinet" to the "Pension Fund Committee".

REPORT DETAILS

1.00	Policy Updates
1.01	<p>Knowledge and Skills Policy (Appendix 1)</p> <p>The Clwyd Pension Fund Knowledge and Skills Policy (previously called the Training Policy) provides all Pension Fund Committee members, Pension Board members and senior officers of the Fund with a clear framework setting out how they acquire and retain knowledge and skills required to perform their individual roles. The ultimate aim of the Policy is to ensure that those responsible for the management, delivery, governance and decision making in the Clwyd Pension Fund have the appropriate levels of knowledge and skills.</p>
1.02	<p>The Knowledge and Skills Policy was originally approved in November 2014 and was last reviewed in September 2018 (using officer delegations) . The latest formal review of this policy was delayed due to the impending release by CIPFA of their updated Code of Practice relating to LGPS knowledge and skills alongside their Framework for Elected Members and Officers. As the Code has now been issued (June 2021), the Policy has been reviewed and updated to meet the requirements of the new Code and ensure that the knowledge and skills of our key decision makers fit within best practices.</p>
1.03	<p>The key updates made include:</p> <ul style="list-style-type: none">• Renaming the Policy as the Knowledge and Skills Policy to better reflect the wording of the latest CIPFA Knowledge and Skills Code and Framework, and recognising that the requirements are wider than just delivering training.• Adding a new objective relating to need for a commitment to training which states “Those persons responsible for the management and governance of the Clwyd Pension Fund are expected to be committed to attending and engaging with suggested training in accordance with the Knowledge and Skills Policy.”.• Expanding the ‘to whom this Policy applies’ section to reflect the levels of knowledge requirement in the new Code for Committee and Board members and senior officers. Greater clarity is included on the higher level of knowledge required by the Pension Fund Committee Chair and also on who the officers covered by the Policy are. It also sets out how this area links to Flintshire County Council’s Performance Management process.• Adding more detail on the legislative requirements relating to Knowledge and Skills for the Committee and Board.• Adding the five key principles from CIPFA’s Code of Practice.• Updating the eight knowledge areas to those included in the new CIPFA Framework.

	<ul style="list-style-type: none"> • Incorporating reference to the need for appropriate non-technical skills for Committee Members, Pension Board members and senior officers to effectively discharge their duties. • Adding details about the collective nature of the Committees' knowledge requirement, in line with CIPFA's suggestion in the Code that it is appropriate to consider the knowledge and skills of a committee as a collective. • Adding a statement of compliance as set out as a requirement in the new CIPFA Code. • Adding a new section setting out requirements included in the Wales Pension Partnership Training Policy. • Adding further details about how the Fund monitors and reviews Knowledge and Skills. • Providing details of the availability of training to other key stakeholders – such as the internal auditors, audit committee members and Chief Finance Officers of non-administering authority employers participating in the Fund. This is another expectation from CIPFA's new Code and Framework. This also clarifies that training can be provided to Scheme Employers too. • Confirming that the designated officer is the Head of Clwyd Pension Fund. <p>A contents section has also been added to the Policy to make it easier to navigate. Given the volume of changes to this Policy it has been provided as a clean version only.</p>
1.04	The Committee are asked to approve the updated Policy.
1.05	<p>Conflicts of Interest Policy (Appendix 2)</p> <p>The Conflicts of Interest Policy guides all Pension Fund Committee members, Pension Board members, officers and advisers on how actual and potential conflicts of interest in relation to the management of the Clwyd Pension Fund are identified and managed.</p>
1.06	The Conflicts of Interest Policy was originally approved in March 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 set out below.
1.07	<p>The key updates made include:</p> <ul style="list-style-type: none"> • Clarifying the officers covered by the Policy.

	<ul style="list-style-type: none"> • Clarifying that all conflicts should be recorded in the appropriate conflicts of interest register. • Clarifying that the Pension Fund Committee and Pension Board must include an agenda item on conflicts of interest at each meeting and that the Pension Board provide comment on conflicts of interest within their annual report. • Adding a new section setting out requirements included in the Wales Pension Partnership Conflicts of Interest Policy • Updating the list of key risks to note that there is a risk that individuals will not follow the requirements of the Policy. • Providing additional examples in appendix 1 of the Policy including emphasising where dual roles with Flintshire County Council may lead to a conflict of interest. • A contents section has been added to the Policy to make it easier to navigate • Some minor changes to the grammar to be consistent with other Fund policies. <p>The changes made to the Policy are highlighted in Appendix 2.</p>
1.08	The Committee are asked to approve the updated Policy.
1.09	<p>Policy on the Overpayment and Underpayment of Pension Scheme Benefits (Appendix 3)</p> <p>The Policy on the Overpayment and Underpayment of Pension Scheme Benefits is a new Policy and has been developed to ensure that there is clarity on how overpayments and underpayments in relation to the Fund are managed. The Policy outlines that, when dealing with overpayments and underpayments in the Fund, the principles set out in Flintshire County Council's Corporate Debt Recovery Procedures, the delegation of responsibilities in its Constitution and its Financial Procedure Rules will be followed. The Policy also has regard to the fact that the Fund has specific circumstances which are not covered in the Council's policies, such as payment of benefits following a pension fund member's death, and (as relates to HMRC) authorised and unauthorised payments. The key features of the Policy are set out below for both situations.</p>
1.10	<p><i>Overpayment of benefits (section 7 of the Policy)</i></p> <p>The Fund is obliged by law to correct any overpayment of benefits within a reasonable period of time of this being discovered. The Pensions Regulator also expects pension schemes to have appropriate controls to ensure the scheme is managed correctly. The result is that the Fund must ensure the correct benefits are paid and, in many circumstances, this includes recovering any past overpayments.</p>

1.11	<p>The Policy outlines principles for how overpayments are recovered which include:</p> <ul style="list-style-type: none"> • Fund officers will try to engage with the member and encourage a dialogue to agree how the overpayment will be resolved. However, where this has not been successful, the overpayment will usually be recovered from the ongoing pension over the same length of time as overpayments were made for. • Where a scheme member has died, the overpayment will generally be recovered from the estate of the member. • In cases of overpayments due to fraud, pension payments will be suspended immediately and attempts made to recover the pension immediately. The principles of the Council's Corporate Anti-Fraud and Corruption Strategy and Fraud and Irregularity Response Plan will be followed, including involving internal audit and potentially the police.
1.12	<p>The Policy outlines circumstances where overpayments will or may not be recovered which include:</p> <ul style="list-style-type: none"> • There will be no recovery of overpaid benefits where the aggregate overpayment is less than £100. This approach is taken on administrative grounds as the cost of recovery would likely be more than the amount recovered. • Where recovery of the overpayment would cause the member significant financial hardship, Fund officers will consider reasonable evidence provided by the individual or their family to support that claim in line with HM Treasury guidance “Managing Public Money”. <p>The Policy also sets out details on how a recovery of overpayment would be managed in a case where the employer provided incorrect information.</p>
1.13	<p><i>Underpayment of pension (section 8 of the Policy)</i></p> <p>The Policy outlines that where a member has been underpaid their pension or lump sum, Fund officers will immediately increase the pension to the correct level and inform the member in writing of the underpayment. The underpayments to date will then usually be paid back to the member in one payment in the next monthly pension payment. Interest will be paid on underpayment amounts in line with the LGPS regulations. In the case of underpayments to a member who has died, this payment will be made to their estate.</p> <p>The Policy provides that, if the underpayment is due to employer error, then the employer may be charged for administrative costs and any interest the Fund has had to pay due to the delayed payment(s).</p>

1.14	<p><i>Other elements of the Policy</i> The Policy also includes:</p> <ul style="list-style-type: none"> • Section 9 - alternative approaches to managing overpayments and underpayments may be agreed for ad-hoc bulk situations, as was the case with the recent reconciliation of Guaranteed Minimum Pensions exercise. • Section 10 - how the under and overpayment of other benefits, including transfer values and refunds of contributions, is managed. • Section 11 - the authorisation process including that all write offs will be subject to approval by the Chief Finance Officer (in line with FCC Financial Procedure Rules) as well as the parties set out in the table on page 17/18 of the Policy. • Section 12 - the treatment of unauthorised payments (as defined by HMRC) and the processes that will be followed in such cases • Section 13 - details of internal controls in place to minimise the risk of overpayments or underpayments occurring.
1.15	The Committee are asked to approve the Policy.
1.16	<p><i>Council's Financial Procedure Rules</i> Whilst developing this Policy it was noted that the Council's Financial Procedure Rules include the following wording relating to the responsibilities of the Chief Finance Officer relating to the management of debt:</p> <p style="padding-left: 40px;"><i>"c) Agree the write-off of bad debts up to £5,000 in aggregate for each single domestic or business debtor, agree in consultation with Cabinet the write-off of bad debts over those amounts but up to £25,000 and refer for approval items for write-off in excess of £25,000 to the Cabinet. A record of all sums written off up to the approved limit is maintained to adhere to the requirements of the Accounts and Audit Regulations."</i></p> <p>For the following reasons, this provision would benefit from clarification:</p> <ul style="list-style-type: none"> • the responsibility for the management of the Pension Fund is delegated by the Council to the Pension Fund Committee • the monies that are being written off will impact on scheme members and/or participating employers and • pension fund matters are non-executive and therefore should not be considered by Cabinet. <p>Accordingly, the Committee are asked to recommend that the provision is amended to clarify that write-off of bad debt relating to the Clwyd Pension Fund should involve the Pension Fund Committee, rather than Cabinet, in the circumstances outlined.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The Chief Finance Officer has been consulted on the development of this Policy in relation to the authorisation of write-offs of overpayments.

4.00	RISK MANAGEMENT
4.01	<p>The Knowledge and Skills Policy and Conflict of Interest Policy are internal controls relating to Governance Risk 2 (Risk inappropriate or no decisions are made) and Governance Risk 3 (Our legal fiduciary responsibilities are not met).</p> <p>The new Policy on the Overpayment and Underpayment of Pension Scheme Benefits provides an internal control relating to Administration and Communication Risks 1, 2 and 3 relating to being unable to meet legal and performance expectations (including inaccuracies and delays) due to staffing issues (1), due to employer issues (2) and due to external factors (3).</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – Knowledge and Skills Policy,</p> <p>Appendix 2 – Conflicts of Interest Policy, and,</p> <p>Appendix 3 – Policy on the Overpayment and Underpayment of Pension Scheme Benefits</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Philip 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	(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.

- (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.
- (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.
- (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.
- (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 Accountancy** - 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.