

## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Tuesday, 28 September 2021
<b>Report Subject</b>	Clwyd Pension Fund and Wales Pension Partnership
<b>Report Author</b>	Joint Report by: Head of Clwyd Pension Fund, Corporate Finance Manager and Chief Executive.

### **EXECUTIVE SUMMARY**

In December 2017 Flintshire County Council, as the administering authority for Clwyd Pension Fund, entered into an Inter-Authority Agreement with the seven other Welsh LGPS administering authorities to collaborate in establishing arrangements for the pooling of their pension fund assets. This arrangement is referred to as the Wales Pension Partnership (WPP) and it includes a Joint Governance Committee (JGC). Following discussions by the JGC and agreement by the Clwyd Pension Fund Committee, it is being proposed that the Inter-Authority Agreement is amended to allow:

- the inclusion of a co-opted Scheme Member Representative on the JGC
- the appointment of an Allocator for Private Markets and
- various other minor changes or updates since the WPP was established.

The Council are being asked by the Clwyd Pension Fund Committee to agree to the amendments to the Inter-Authority Agreement, as well as to the corresponding areas in the Constitution and Pension Board Protocol.

The Clwyd Pension Fund Committee also recommend to Council an amendment to the Financial Procedure Rules to transfer responsibility for the write-off of pension fund bad debt from Cabinet to the Pension Fund Committee.

### **RECOMMENDATIONS**

1.	That the Council considers and approves the amendments to the Inter-Authority Agreement as shown in appendix 1.
2.	That the Council considers and approves the amendments to the Constitution, Financial Procedure Rules and Pension Board Protocol as shown in appendix 2.

## REPORT DETAILS

1.00	<b>EXPLAINING THE NEED TO MAKE AMENDMENTS RELATING TO POOLING INVESTMENT IN WALES AND WRITE-OFF OF PENSION FUND BAD DEBT</b>
1.01	<b>Wales Pension Partnership Inter-Authority Agreement</b>  In December 2017 Flintshire County Council, as the administering authority for Clwyd Pension Fund, entered into an Inter-Authority Agreement with the other seven Welsh LGPS administering authorities (Constituent Authorities) to collaborate in establishing arrangements for the pooling of their pension fund assets to achieve economies of scale and improved investment vehicles. This arrangement, referred to as the Wales Pension Partnership (WPP), has a robust governance structure which includes a Joint Governance Committee (JGC) consisting of the chairs of all the Constituent Authorities' Pension Fund Committees (or equivalent).
1.02	At recent meetings of the JGC, it has been decided it would be appropriate to update the WPP Inter-Authority Agreement to enable: <ul style="list-style-type: none"><li>• A co-opted scheme member representative on the JGC</li><li>• The appointment of an Allocator for private markets and</li><li>• Various other minor changes or updates since the WPP was established.</li></ul> The proposed changes to the Inter-Authority Agreement are included in appendix 1. These changes need to be agreed by all Welsh Constituent Authorities.
1.03	<i>Including a co-opted scheme member representative on the JGC</i>  Since establishment, officers representing WPP have engaged every six months with Pension Board chairs from the eight Constituent Authorities. Pension Boards have both employer and scheme member representatives. More recently, the Local Government Pension Scheme (LGPS) Scheme Advisory Board has raised the profile of scheme member representation in asset pooling and the JGC members have considered the involvement of a scheme member representative as part of the JGC to support the transparency of the WPP and hence strengthen the governance arrangements of the WPP. A scheme member representative on the JGC from one of the eight individual Pension Boards would further enhance the engagement with the Pension Boards. Being an existing board member, they would possess much of the requisite knowledge and skills as well as being accustomed to LGPS legislation.
1.04	The JGC is a joint committee constituted under the Local Government Act 1972, and Section 102(3) of the Act allows appointment of non-members to a committee. Therefore, a scheme member representative can join the JGC but

	only as co-opted, non-voting member. The proposed amendment to the Inter-Authority Agreement would allow a scheme member representative to be appointed to the JGC as well as appointing a deputy.
1.05	The amendments would allow nominees for the scheme member representative to be made either by a Constituent Authority or their Pension Board. For the purposes of Flintshire County Council, it is recommended that the Clwyd Pension Fund Board are asked to consider and make any nomination. The Chair of the Clwyd Pension Fund Committee will be on the appointment panel for the scheme member representative with the final appointments being agreed by the JGC.
1.06	<p><i>The Appointment of an Allocator for Private Markets</i></p> <p>As enabled by the Inter-Authority Agreement, the WPP have already provided investment vehicles for Constituent Authorities to invest in liquid asset classes such as equities and bonds through the WPP Operator. The Clwyd Pension Fund has assets invested in these vehicles. The next stage is to consider the approach to providing Constituent Authorities with investment vehicles for illiquid private market asset classes, such as infrastructure, private credit, private equity and property. A detailed review determined the optimum approach is to appoint an 'Allocator' for each of the private market asset classes. The Allocator(s) role will be to select "best in class" private market managers across the separate asset classes. To allow this to happen, the Inter-Authority Agreement needs to be updated. Currently, there is 27% of Clwyd Pension Fund assets invested in private markets.</p>
1.07	<p><i>Changes to Constitution and Pension Board Protocol</i></p> <p>Given some of the elements in the Inter-Authority Agreement are areas which are incorporated into the Council's Constitution, Council's approval of the amendments to the Inter-Authority Agreement will necessitate updates to the Constitution. Changes will also be required to the Pension Board Protocol to allow the Clwyd Pension Fund Board to make a nomination for the scheme member representative on the JGC. It is also recommended that the Pension Board Protocol is amended to clarify that hybrid and remote meetings are permitted. Appendix 2 details the proposed changes, which are highlighted, to the Constitution and Pension Board Protocol.</p>
1.08	<p><b>The Write-Off of Bad Debt relating to the Clwyd Pension Fund</b></p> <p>The Council's Financial Procedure Rules, which also apply to the management of the Clwyd Pension Fund, include the following wording relating to the responsibilities of the Chief Finance Officer relating to the management of debt:</p> <p><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</i></p>

	<i>up to the approved limit is maintained to adhere to the requirements of the Accounts and Audit Regulations."</i>
1.09	For the following reasons, this provision would benefit from clarification: <ul style="list-style-type: none"> <li>• the responsibility for the management of the Pension Fund is delegated by the Council to the Pension Fund Committee</li> <li>• the monies that are being written off will impact on scheme members and/or participating employers of the Pension Fund and</li> <li>• pension fund matters are non-executive and therefore should not be considered by Cabinet.</li> </ul>
1.10	Accordingly, the Council are asked to agree that the Financial Procedure Rules are amended to clarify that the write-off of bad debt relating to the Clwyd Pension Fund should involve the Pension Fund Committee, rather than Cabinet, in the circumstances outlined. Appendix 2 details the proposed change.
1.11	The Clwyd Pension Fund Committee have considered the proposed changes to the Inter-Authority Agreement, the Constitution, Pension Board Protocol and Financial Procedure Rules and recommend to Council that they are approved.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The Clwyd Pension Fund Committee has been consulted and supports amendments to the Inter-Authority Agreement, Constitution, Pension Board Protocol and Financial Procedure Rules.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Not applicable.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Addendum to the Inter-Authority Agreement. Appendix 2 – Amendments to the Council Constitution, Financial Procedure Rules and Pension Board Protocol

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<ul style="list-style-type: none"> <li>• Council's Constitution (including Pension Board Protocol and Financial Procedure Rules) - <a href="https://www.flintshire.gov.uk/en/PDFFiles/Democratic-Services/Flintshire-Constitution.pdf">https://www.flintshire.gov.uk/en/PDFFiles/Democratic-Services/Flintshire-Constitution.pdf</a></li> <li>• Flintshire County Council - 1 March 2017: Pooling of Pensions Investments in Wales</li> </ul> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> <a href="mailto:philip.latham@flintshire.gov.uk">philip.latham@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>The Fund – Clwyd Pension Fund</b> – 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) <b>Administering authority or scheme manager</b> – 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) <b>The Committee – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) <b>The Pension Board – Clwyd Pension Fund Board</b> - also sometimes referred to as Local Pension Board or LPB. Each LGPS Fund has a Pension Board. 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) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) <b>Inter-Authority Agreement (IAA)</b> – the governance agreement between the eight Wales pension funds (Constituent Authorities) for purposes of pooling</p> <p>(g) <b>Wales Pension Partnership (WPP)</b> – the name agreed by the eight Wales pension funds (Constituent Authorities) for the Wales Pool of investments</p> <p>(h) <b>The Operator</b> – an entity regulated by the FCA, which provides both the infrastructure to enable the pooling of assets and fund management advice. For the Wales Pension Partnership, the appointed Operator is Link.</p>