

Worcestershire County Council

Agenda

Pension Board

Wednesday, 31 October 2018, 10.00 am
County Hall, Worcester

DISCLOSING INTERESTS

There are now 2 types of interests:
'Disclosable pecuniary interests' and **'other disclosable interests'**

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your spouse/partner as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
 - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests** **OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
 - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Pension Board

Wednesday, 31 October 2018, 10.00 am, County Hall, Worcester

Membership: Mr K Bray (Independent Chairman)

Employers Representatives

Mr P Grove

Mr N Shaw

Members Representatives

Ms L-M Chapman

Ms K Wright

Agenda

Item No	Subject	Page No
1	Apologies	
2	Declarations of Interest	
3	Confirmation of Minutes - 25 July 2018 To confirm the Minutes of the meeting held on 25 July 2018 (previously circulated).	
4	Pensions Committee - 5 October 2018 Administering Authority – Administration update – for review by the Board LGPS Central update – for review by the Board Pension Investment update– for review by the Board Final External Audit Report on Pensions Annual Report 2017/18 – for review by the Board Government Actuary Department (GAD) Pensions Review update – for review by the Board Training Programme – for review by the Board Administration Budget 2018/19 – for review by the Board Risk Register– for review by the Board Forward Plan – for review by the Board The Agenda papers and Minutes have previously been sent to you. Please bring your copy with you to the meeting.	
5	LGPS Central Partner Funds Audit Assurance Framework For noting by the Board.	1 - 4

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To obtain further information or a copy of this agenda contact Simon Lewis, Committee Officer, on 01905 846621,

All the above reports and supporting information can be accessed via the Council's website

Date of Issue: Monday, 22 October 2018

Item No	Subject	Page No
6	Work Plan For review/action by the Board.	5 - 6
7	Any Other Business	

PENSIONS BOARD
31 OCTOBER 2018**LGPS CENTRAL PARTNER FUNDS AUDIT ASSURANCE**
FRAMEWORK

Recommendation

1. **The Chief Financial Officer recommends that the Board note and comment on the LGPS Central Partner Funds Audit Assurance Framework attached as an Appendix.**

Background

2. The Assurance Framework has been developed using the three lines of defence model focusing on the management controls, governance and independent assurance required to provide assurance to Partner Funds that potential risks regarding pooling have been considered and are mitigated. The current Assurance Framework looks at the control environment of the LGPS Central Pool.
3. In order to complete this work Staffordshire County Council are currently coordinating a collaborative Internal Audit response, which has involved consulting with all Partner Funds' Internal Audit functions, External Audit Partners (Ernst Young), PAF Officers (Practitioners Advisory Forum) and LGPS Central Ltd.
4. The reasons for the collaborative approach are as follows:
 - To ensure a consistent approach for all Partner Funds when providing assurance to their Organisation in relation to investment pooling
 - To prevent duplication so that the LGPS Central Pool and LGPS Central Ltd are not having to deal with audit queries from all Partner Funds' Internal and External Auditors
 - To effectively share information between Internal Audit Partners and also between Internal Audit Partners and the LGPS Central Pool and LGPS Central Ltd
 - To identify risks and required controls at an earlier stage.

Supporting Information

- Appendix – Draft Pension Pooling Assurance Framework

Contact Points

County Council Contact Points

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Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

LGPS Central - ASSURANCE MAP DETAIL August 2018 v.2													
Objective	Risk Ref	Risk	1 st line of defence				2 nd line of defence			3 rd line of defence			Assurance Provided to
			Management Controls				Management Oversight			Independent Assurance			
			Control Ref	Control Title	Control Owner	Control Objective	Oversight Provided By	Frequency of Activity	Evidence Required	Assurance provided by:	Frequency	Scope	
(1) Governance Risk													
<p>Pool governance arrangements are established, clearly documented and communicated to all Members and Officers. (including SOD)</p>	1	Governance arrangements for the Pool are not established, unclear and not known by all partners.	C.1	Governance Arrangements	Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers)	<p>There is a clear governance structure which sets out roles and responsibilities of the following partner groups;</p> <ul style="list-style-type: none"> - Joint Committee - Practitioners Advisory Forum - Shareholders Forum <p>This governance structure has been approved and is understood and communicated to all relevant staff.</p>	Pensions Committee (Partner Funds)/ Audit and Standards Committee	Annual	<p>Regular review/update of;</p> <ul style="list-style-type: none"> - Terms of Reference - Schemes of Delegation - Articles of Association/Shareholders Agreement/Inter Company Agreement - Constitution (of Partner Funds) <p>Minutes/Agendas of relevant governance groups. (Pension Committee, PAF, Joint Committee and Shareholders Forum)</p>	Internal Audit (Individual Partners)	Annual	<p>Work completed to confirm;</p> <ul style="list-style-type: none"> - Appropriate governance arrangements are in place. - Governance groups are attended by the appropriate Members or Officers. - Governance inline with key documentation e.g. Terms of Reference, Scheme of Delegation. - Decision making is appropriate and evidenced - Members and Officers aware of governance arrangements. <p>N.B; External Audit review of AAF/0106 report</p>	Pension Committee Audit and Standards Committee
<p>Policies and Procedures and have been communicated to relevant Members and Officers.</p>	2	Appropriate policies and procedures are not in place to support Governance Arrangements.	C.2	Policies and Procedures	Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers) as representatives of Partner Funds	<p>Policies and procedures are in place within administering authorities to support governance arrangements. This includes;</p> <ul style="list-style-type: none"> - Codes of Conduct - Register of Interest - Gifts and Hospitality - Whistleblowing - Anti-Fraud, Bribery and Corruption 	Individual administering authorities committee structure	Within administering authorities timetables.	<p>Regular review/update of following policies within administering authorities;</p> <ul style="list-style-type: none"> - Codes of Conduct - Register of Interest/declaration of interests - Gifts and Hospitality - Whistleblowing - Anti-Fraud, Bribery and Corruption 	Internal Audit (Individual Partners)	As per audit plan cycle	<p>Work completed to confirm;</p> <ul style="list-style-type: none"> - Policies and procedures are in place and regularly reviewed. - Compliance with policies and procedures. 	Pension Committee Audit and Standards Committee
<p>Training regarding Governance Arrangements have been received.</p>	3	Appropriate training has not been provided to Members or Officers with regard to the governance arrangements of Joint Committee, Shareholders Forum.	C.3	Training	Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers) LGPS Central Ltd in relation to training required regarding Company and FCA matters.	<p>Officers and Members involved in the Governance of the Pensions Pool receive the appropriate training, knowledge and skills to effectively understand their role and perform their responsibilities.</p>	Pensions Committee (Partner Funds)	Annual	<p>Training and Development Policy and Needs Analysis.</p>	Internal Audit (Individual Partners)	Annual	<p>Work completed to confirm;</p> <ul style="list-style-type: none"> - Training Programme in place and reviewed regularly - Training logs maintained. 	Pension Committee Audit and Standards Committee
<p>The Governance structure in place is effective and suitable for the needs of the Partner Funds.</p>	4	Governance structure is not effective	C.4	Effective Governance	Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers)	<p>The Governance structure in place is effective and includes the following features;</p> <ul style="list-style-type: none"> - Interests of partners are represented adequately. - Clear business plan (Company) and set of linked objectives (company, pool and partner fund) which are regularly monitored. - Effective communication/reporting between the Company, the Pool and Partner Funds - Effective decision making processes. - Adequate oversight and control of Company Operations. - Appropriate legal arrangements in place. 	Pensions Committee (Partner Funds)	Annual	<p>Effective oversight evidenced through;</p> <ul style="list-style-type: none"> - Company Board oversee Company Strategy and effectiveness of ExCo. - Shareholder Forum reviews relevant shareholder matters e.g. budget. - Joint Committee oversees effectiveness of Pool e.g. delivery of pool objectives. Including process in place for escalation of requests for information. - PAF regularly review progress against key objectives and has resources to address any governance/legal issues. - Reporting requirements are linked to performance targets and benchmarks. - Process in place for escalation of requests for information. 	Internal Audit (Individual Partners)	Annual	<p>Work completed to confirm;</p> <ul style="list-style-type: none"> - Strategies and business plan are in place - Coherent link between objectives of the Company, Pool and Partner Funds. - Appropriateness of Monitoring Arrangements e.g. KPIs/Dashboards, meeting minutes, papers). - Communication between all parties is appropriate. - Reporting requirements are in place and requirements are adhered to. - Transparent and open reporting between all governance groups. - Timely reporting arrangements 	Pension Committee Audit and Standards Committee
(2) Company Risk													
<p>The Company has systems and controls in place to provide suitable assurance to Partner Funds.</p>	5	Partner Funds can not place reliance on the Company's systems and controls.	C.5	Company Assurance	LGPS Central Ltd (EXCO)	<p>The company has effective systems and controls in place and ensures assurance documentation is available to LGPS Central. Including the following;</p> <ul style="list-style-type: none"> - AAF/0106 or gap analysis - Internal Control Reporting - Internal/External Audit Reports - Compliance Monitoring - Depositary SOC Report - Evidence of Compliance with FCA Standards and Breach Meeting - Reporting Requirements - Access to Policies and Procedures e.g. Cyber security, Financial Regulations, 	Shareholders Forum (supported by PAF) and Partner Pension Committees	Annual	<p>Shareholders Forum (supported by PAF) ensures company provides assurance that systems and controls are operating effectively.</p>	Internal Audit (Individual Partners)	Annual	<p>Work completed to confirm administering authorities has received assurance that Company systems and controls are sufficient.</p>	Pension Committee Audit and Standards Committee
(3) Financial/Operational Risk													
<p>Budget for LGPS Central Ltd is set and approved annually and assurance is provided that financial management systems are robust.</p>	6	An approved annual budget is not in place or has been exceeded therefore requiring partners to add additional contributions.	C.6	Annual Budget	LGPS Central (EXCO)	<p>LGPS Central Ltd set an Annual Budget includes the following criteria;</p> <ul style="list-style-type: none"> I. Cash flow forecast and estimated working capital. II. a projected profit and loss account. III. an operating budget (including estimated capital expenditure requirements and balance sheet forecast); IV. a summary of business objectives; and V. Variance analysis for previous financial year (Strategic Plan vs Actual Collective Vehicles) <p>Throughout the financial year LGPS Central Ltd produce regular financial reporting.</p>	Shareholders Forum (supported by PAF) and Partner Pension Committees	Annual	<p>PAF review and Shareholders Forum agree information included in the annual budget. Shareholders Forum approve Annual Budget for LGPS Central Ltd.</p> <p>Shareholders Forum review financial information regarding how LGPS Central Ltd is performing. This information will include;</p> <ul style="list-style-type: none"> • Quarterly management accounts and reports on operational effectiveness; • Unaudited annual accounts; • Audited annual accounts; a medium term Strategic Plan; and • A report on the company's progress against objectives/milestones set out in the Strategic Plan. • Annual audit report <p>Pension Committee have oversight of Budgets and Financial Reporting.</p>	Internal Audit (Individual Partners)	Annual	<p>Work completed to confirm Annual budget was approved by Shareholders Forum and financial monitoring arrangements are in place and variances reported promptly.</p> <p>Evidenced through monitoring arrangements e.g. Minutes of Shareholder Forum, Financial Reporting.</p>	Pension Committee Audit and Standards Committee
(4) Investment Risk													
<p>The transition process is monitored and progress is regularly reported.</p>	7	Risks associated with the transition process e.g. lack of suitable products are not monitored or reported.	C.7	Product Delivery Timescales	PAF Investment Working Group LGPS Central Ltd	<p>A co-ordinated product delivery plan is in place and progress against this is regularly monitored.</p>	Joint Committee and Partner Pension Committees	As required	<p>Regular monitoring against the LGPS Central's product delivery plan is received and reviewed by the Joint Committee and Pension Committee.</p>	Internal Audit (Individual Partners)	Annual	<p>Work completed to confirm transition plan is in place, transitions are being completed in line with the plan and the progress of the plan is regularly reported.</p>	Pension Committee Audit and Standards Committee
<p>Transition services procured are appropriate for the needs of the LGPS Central Pool and estimated transition costs are identified and monitored</p>	8	Transition services procured are inappropriate for the needs of the LGPS Central and costs are not identified or monitored.	C.8	Transition costs	Product Delivery Liaison Group	<p>For each transition a detailed and costed transition plan is in place and regularly reviewed. Consultant/ Transition managers are appointed using a National Framework or appropriate procurement route.</p>	Joint Committee and Partner Pension Committees	As required	<p>Joint Committee/Pension Committee receive reports in relation to individual transitions.</p>	Internal Audit (Individual Partners)	Annual	<p>Work completed to confirm that transition managers have been appropriately selected and costed transition plans are in place and reported retrospectively to relevant committees</p> <p>N.B - External Audit undertake verification testing of transitions completed.</p>	Pension Committee Audit and Standards Committee External Audit (Individual Funds)
<p>LGPS Central Ltd delivers against shared objective to act as a responsible, long term investor</p>	9	Investments do not adhere to responsible investment principles	C.9	Responsible Investment	LGPS Central (EXCO)	<p>Responsible investment framework and policies are in place and integrated into performance reporting</p>	Joint Committee (supported by the PAF) and Partner Pension Committees	Minimum six monthly	<p>Joint Committee/Pension Committee regularly review progress against key objectives including Responsible Investment. Evidenced through;</p> <ul style="list-style-type: none"> - Responsible Investment Policy - RI Reporting 	Internal Audit (Individual Partners)	Annual	<p>Work completed to review monitoring arrangements and confirm that Joint Committee/Pension Committee regularly review progress against shared objectives.</p>	Pension Committee Audit and Standards Committee Local Pension Board

LGPS Central Ltd delivers against shared objectives to provide sufficient investment choice for participating Partner Funds.	10	LGPS Central Ltd does not deliver sufficient investment choice resulting in shared objectives not being met and inability of LGPS Central Ltd to deliver Partner Fund Investment Strategy.	C.10	Investment Products	LGPS Central (EXCO)	LGPS Central Ltd have a strategy in place to ensure investment pooling delivers products / services inline with strategic asset allocation requirements and meets the needs of partner fund investment strategies.	Joint Committee (supported by the PAF) and Partner Pension Committees	Quarterly	Joint Committee/Pension Committee regularly review progress against partner fund strategic asset allocation.	Internal Audit (Individual Partners)	Annual	Work completed to confirm; - That Joint Committee regularly review progress against shared objectives. - Choice of investments available are sufficient and inline with the Authority's investment strategy N.B. External Audit complete work to confirm how strategy is being delivered	Pension Committee Audit and Standards Committee Fund Actuaries External Audit
LGPS Central Ltd has improved the performance of investment returns.	11	Failure to deliver improved performance and poor performance is not challenged leading to lower investment returns	C.11	Performance (Investment Returns)	LGPS Central Ltd (EXCO)	Investment performance targets are in place and the performance of investment returns (internal and external) is regularly monitored and reported.	Joint Committee (supported by the PAF) and Partner Pension Committees	Quarterly	The Joint Committee / Pension Committee regularly review investment performance against performance targets and poor investment performance is challenged. Manager Reports Independent Investments Performance Reports	Internal Audit (Individual Partners)	Annual	Work completed to confirm that investment performance is in line with targets and that the Joint Committee / Pension Committee receive regular reporting regarding investments. N.B Work completed by External Audit to value investments	Pension Committee Audit and Standards Committee Fund Actuaries External Audit
Investment pooling delivers cost saving through a reduction in manager fees.	12	Pooled investments fail to deliver reduction in manager fees leading to lower net returns	C.12	Reduction in Manager Costs	LGPS Central Ltd (EXCO)	Procurement processes in place ensure value for money and the costs of investment management is regularly monitored and reported, including the completion of benchmarking.	Joint Committee (supported by the PAF) and Partner Pension Committees	Quarterly	The Joint Committee / Pensions Committee regularly receive and review manager cost reporting, including benchmarking, to ensure manager costs are inline with cost savings model and previously agreed assumptions. Mechanisms are in place to challenge manager costs.	Internal Audit (Individual Partners)	Annual	Work completed to review the costs in comparison with the cost saving model to confirm that manager costs are reasonable and that the Joint Committee/Pensions Committee have received regular reporting in relation to manager costs including benchmarking.	Pension Committee Audit and Standards Committee Local Pension Board
Assets invested in the pool are as expected.	13	Assets invested by the pool are lower than expected leading to increased oversight and governance costs for Partner Funds.	C.13	Investment of Assets	Individual Partner Funds (Pension Committees)	A shared investment plan is in place and partner funds invest assets as per an agreed plan and inline with strategic asset allocation.	Joint Committee (supported by the PAF) LGPS Central Ltd	Six Monthly	The Joint Committee monitor the investment of assets against an LGSP Regulatory Business Plan/Product Delivery Plan.	Internal Audit (Individual Partners)	Annual	Work completed to confirm that assets have been invested as per agreed plans and that changes to plans are documented.	Pension Committee Audit and Standards Committee Local Pension Board
Company strategy adapts to changes in Market Conditions.	14	Market volatility leads to either; - A drop in assets invested which impacts on the level of income - A significant rise in assets invest resulting in over recovery of costs and leading to tax implications.	C.14	Market Volatility	LGPS Central (EXCO)	Cost Sharing Agreement is in place and cost charging mechanisms are regularly reviewed with consideration given to market conditions.	Joint Committee (supported by the PAF)	As required	Cost charging mechanisms is reviewed by Joint Committee/PAF if relevant criteria met. Cost Sharing Agreement	Internal Audit (Individual Partners)	Annual	Work completed by Internal Audit to confirm that Joint Committee regularly review cost charging mechanisms	Pension Committee Audit and Standards Committee Local Pension Board
Consider Pooling Risks													
The LGPS Central Pool meets the four key criteria stipulated by Central Government.	15	The LGPS Central Pool can not demonstrate that it is meet the four key government criteria resulting in possible intervention from central government or requirement to join another pooling arrangement. Thus increasing costs and potentially reducing savings for Partners.	C.15	Pooling Criteria	Practitioner Advisory Forum LGPS Central Ltd	The PAF monitor and report progress against four key government criteria. Completion of MHCLG Returns	Pension Committee (Partner Funds)	Six Monthly	Individual Pension Committee's regularly receive and review reports in regard to progress against key government criteria.	Internal Audit (Individual Partners)	Annual	Work completed to confirm that Pension Committee's receive and review reports regarding progress of key government criteria.	Pension Committee Audit and Standards Committee
LGPS Central is aware of developments in government policies/reform of the Local Government Pension Schemes	16	The Pool fails to respond to changes in government policy/LGPS reforms	C.16	Changes to Government Policy	Practitioners Advisory Forum (PAF)	PAF ensure effective communication with all partner funds, key government departments and associated groups e.g. LGA, cross pool working group in order to maintain abreast of developments regarding Local Government Pooling.	Joint Committee Shareholders Forum and Partner Pension Committees	As required	Ensure any changes or developments to Local Government Pooling are communicated to relevant partners. Minutes/Papers produced by PAF	Internal Audit (Individual Partners)	Annual	Work completed to confirm that there is monitoring of central government guidelines in relation to pooling and that changes are communicated to relevant partners.	Pension Committee Audit and Standards Committee

Pension

Worcestershire County Council Pension Fund

Pension Board Work Plan 2018/19 & 2019/20

No.	Activity	Q1 2018/19	Q2 2018/19	Q3 2018/19	Q4 2018/19	Q1 2019/20
1	LGPS Central Governance and update transitions etc					
2	Strategic Asset Allocation Review					
3	Actuarial Valuation - Full Results					
4	Risk Register Update					
5	Investment Strategy Statement					
6	External Audit Plan 2018/19					
7	Key Performance Indicators 2018/19					
8	GAD Survey					
9	Equity Protection Strategy					
10	Update on Guaranteed minimum pension					
11	Pension Fund Annual Report and Accounts 2017/18					
12	Covenant Review Funds Employers					
13	Fund Performance update					
14	Board annual report					
15	Pension Board Training Review and update					
16	Work plan CIPFA Suggested items as per 2018 guide					
Quarter for Board activity to be reviewed and/or actioned at the arranged Board meeting						

QUARTER 1 is from April 2018 to June 2018

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