

Pecyn Dogfen Gyhoeddus

Gareth Owens LL.B Barrister/Bargyfreithiwr
Chief Officer (Governance)
Prif Swyddog (Llywodraethu)



Swyddog Cyswllt:
Janet Kelly 01352 702301
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At: Cyng Ted Palmer (Cadeirydd)

Y Cynghorwyr: Dave Hughes, Jason Shallcross and Antony Wren
(+ 1 Swydd wag)

Aelodau Cyfetholedig:

Steve Hibbert and Cllr. Andrew Rutherford (+ 2 Swydd wag)

Dydd Iau, 9 Mehefin 2022

Annwyl Gynghorydd

HYSBYSIAD O GYFARFOD ANGHYSBELL
PWYLLGOR CRONFA BENSIWN CLWYD
DYDD MERCHER, 15FED MEHEFIN, 2022 AM 9.30 AM

Yn gywir

Steven Goodrum
Rheolwr Gwasanaethau Democrataidd

Bydd y cyfarfod yn cael ei ffrydio'n fyw ar wefan y Cyngor. Bydd recordiad o'r cyfarfod ar gael yn fuan ar ôl y cyfarfod ar <https://flintshire.publici.tv/core/portal/home>

Os oes gennych unrhyw ymholiadau, cysylltwch ag aelod o'r Tîm Gwasanaethau Democrataidd ar 01352 702345.

R H A G L E N

1 YMDDIHEURIADAU

Pwrpas: I derbyn unrhyw ymddiheuriadau.

2 DATGAN CYSYLLTIAD (GAN GYNNWYS GWRTHDARO O RAN CYSYLLTIAD)

Pwrpas: I dderbyn unrhyw Datganiadau a chynghori'r Aeolodau yn unol a Hynny.

3 PENODI IS-GADEIRYDD

Pwrpas: Penodi Is-gadeirydd a nodi bod y Cadeirydd a'r Is-gadeirydd, felly, wedi'u penodi fel Aelod a Dirprwy, yn y drefn honno, o'r Pwyllgor Cydlywodraethu ar gyfer Partneriaeth Bensiwn Cymru.

4 COFNODION (Tudalennau 5 - 12)

Pwrpas: I gadarnhau, fel cofnod cywir gofnodion y cyfarfod ar 16 Mawrth 2022.

5 CYNLLUN ARCHWILIO 2022 ARCHWILIO CYMRU (Tudalennau 13 - 26)

Pwrpas: Rhoi cynllun Archwilio Cymru 2021/22 i Aelodau'r Pwyllgor er mwyn ei nodi a gwneud sylwadau.

6 STRATEGAETH GYFATHREBU CRONFA BENSIYNAU CLWYD (Tudalennau 27 - 54)

Pwrpas: Rhoi fersiwn ddiweddaraf y Strategaeth Gyfathrebu i Aelodau'r Pwyllgor er mwyn ei thrafod a'i chymeradwyo.

7 CYFUNO ASED AU A CHYNLLUN BUSNES PARTNERIAETH BENSIWN CYMRU 2022 - 2025 (Tudalennau 55 - 84)

Pwrpas: Rhoi'r wybodaeth ddiweddaraf i Aelodau'r Pwyllgor ar Gyfuno Asedau a Chynllun Busnes Partneriaeth Bensiwn Cymru 2022/23 - 2024/25 er mwyn eu cymeradwyo.

8 DIWEDDARIAD LLYWODRAETHU AC YMGYNGHORIADAU (Tudalennau 85 - 170)

Pwrpas: Rhoi'r wybodaeth ddiweddaraf i Aelodau'r Pwyllgor ar faterion llywodraethu.

9 DIWEDDARIAD GWEINYDDU PENSIWN/ CYFATHREBU (Tudalennau 171 - 212)

Pwrpas: Darparu'r wybodaeth ddiweddaraf i Aelodau'r Pwyllgor mewn perthynas â materion gweinyddu a chyfathrebu.

10 **DIWEDDARIAD AR FUDDSODDI AC ARIANNU** (Tudalennau 213 - 234)

Pwrpas: Darparu diweddariad i Aelodau'r Pwyllgor ar faterion buddsoddi ac ariannol Cronfa Bensiynau Clwyd.

11 **DIWEDDARIAD AR YR ECONOMI A'R FARCHNAD A'R STRATEGAETH FUDDSODDI A CHRYNODEB RHEOLWYR** (Tudalennau 235 - 268)

Pwrpas: Darparu diweddariad i Aelodau'r Pwyllgor ar yr economi a'r farchnad a pherfformiad y Gronfa a Rheolwyr y Gronfa.

12 **FFRAMWAITH RHEOLI RISG, LLWYBR HEDFAN A CHYLLID** (Tudalennau 269 - 286)

Pwrpas: Rhoi'r wybodaeth ddiweddaraf i aelodau'r Pwyllgor ar y sefyllfa cyllido, a gweithrediad y fframwaith rheoli risg a llwybr hedfan.

13 **CYFARFODYDD YN Y DYFODOL**

Pwrpas: Cynhelir cyfarfodydd o Gronfa Bensiwn Clwyd yn y dyfodol am 9.30 am ar:-

Dydd Mercher 31st Awst 2022

Dydd Mercher 23rd Tachwedd 2022

Dydd Mercher 15th Chwefror 2023

Dydd Mercher 29th Mawrth 2023

Dydd Mercher 21st Mehefin 2023

Nodyn Gweithdrefnol ar redeg cyfarfodydd

Bydd y Cadeirydd yn agor y cyfarfodydd ac yn cyflwyno eu hunain.

Bydd nifer o Gynghorwyr yn mynychu cyfarfodydd. Bydd swyddogion hefyd yn mynychu cyfarfodydd i gyflwyno adroddiadau, gyda swyddogion Gwasanaethau Democrataidd yn trefnu a chynnal y cyfarfodydd.

Gofynnir i bawb sy'n mynychu i sicrhau bod eu ffonau symudol wedi diffodd a bod unrhyw sain gefndirol yn cael ei gadw mor dawel â phosib.

Dylai'r holl feicroffonau gael eu rhoi "ar miwt" yn ystod y cyfarfod a dim ond pan fyddwch yn cael eich gwahodd i siarad gan y Cadeirydd y dylid eu rhoi ymlaen. Pan fydd gwahoddedigion wedi gorffen siarad dylen nhw roi eu hunain yn ôl "ar miwt".

Er mwyn mynegi eu bod nhw eisiau siarad bydd Cynghorwyr yn defnyddio'r cyfleuster 'chat' neu yn defnyddio'r swyddogaeth 'raise hand' sy'n dangos eicon codi llaw electronig. Mae'r swyddogaeth 'chat' hefyd yn gallu cael ei ddefnyddio i ofyn cwestiynau, i wneud sylwadau perthnasol ac yn gyfle i'r swyddog gynghori neu ddiweddarau'r cynghorwyr.

Bydd y Cadeirydd yn galw ar y siaradwyr, gan gyfeirio at aelod etholedig fel 'Cynghorydd' a swyddogion yn ôl eu teitl swydd h.y. Prif Weithredwr neu enw. O bryd i'w gilydd mae'r swyddog sy'n cynghori'r Cadeirydd yn egluro pwyntiau gweithdrefnol neu'n awgrymu geiriad arall ar gyfer cynigion er mwyn cynorthwyo'r Pwyllgor.

Os, a phan y cynhelir pleidlais, mi fydd y Cadeirydd yn egluro mai dim ond y rheiny sy'n gwrthwynebu'r cynnig/cynigion, neu sy'n dymuno ymatal a fydd angen mynegi hynny drwy ddefnyddio'r swyddogaeth 'chat'. Bydd y swyddog sy'n cynghori'r Cadeirydd yn mynegi os bydd y cynigion yn cael eu derbyn.

Os oes angen pleidlais fwy ffurfiol, bydd hynny yn ôl galwad enwau – lle gofynnir i bob Cynghorydd yn ei dro (yn nhrefn yr wyddor) sut mae ef / hi yn dymuno pleidleisio.

Yng nghyfarfodydd Pwyllgorau Cynllunio a Chyngor Sir mae amseroedd siaradwyr yn gyfyngedig. Bydd cloch yn cael ei chanu i roi gwybod i'r siaradwyr bod ganddyn nhw funud ar ôl.

Bydd y cyfarfod yn cael ei ffrydio'n fyw ar wefan y Cyngor. Bydd recordiad o'r cyfarfod ar gael yn fuan ar ôl y cyfarfod ar <https://flintshire.publici.tv/core/portal/home>

Eitem ar gyfer y Rhaglen 4

CLWYD PENSION FUND COMMITTEE

16 March 2022

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely at 9.30am on Wednesday, 16 March 2022.

PRESENT: Councillor Ted Palmer (Chairman)

Councillors: Haydn Bateman, Dave Hughes, Tim Roberts, Ralph Small.

CO-OPTED MEMBERS: Councillor Nigel Williams (Wrexham County Borough Council), Councillor Andy Rutherford (Other Scheme Employer Representative) and Mr Steve Hibbert (Scheme Member Representative).

ALSO PRESENT (AS OBSERVERS): Phil Pumford (PFB Scheme Member Representative).

APOLOGIES. Cllr Julian Thompson Hill (Denbighshire County Council) and Gary Ferguson (Corporate Finance Manager).

Advisory Panel comprising: Philip Latham (Head of Clwyd Pension Fund), Karen McWilliam (Independent Adviser – Aon), Paul Middleman (Fund Actuary – Mercer), Kieran Harkin (Fund Investment Consultant – Mercer).

Officers/Advisers comprising: Debbie Fielder (Deputy Head of the Clwyd Fund), Paul Vaughan (Fund Accountant), Sharon Carney (Senior Manager – Human Resources and Organisational Development), Megan Fellowes (Actuarial Analyst – Mercer - taking minutes), Ieuan Hughes (Graduate Investment Trainee).

Guest speakers presenting comprising:

Alison Murray (Aon– item 8 only)

182. **DECLARATIONS OF INTEREST (including conflicts of interest)**

There were no declarations of interest.

183. **MINUTES 9 FEBRUARY 2022**

Regarding the Stock Lending Agreement on the bottom of page 8, Mr Hibbert mentioned that the agreement was limited to no more than 90% (rather than 5%). Given the limit, the need for a stock lending report has become a lot more important in his view.

The minutes of the meeting of the Committee held on 9 February 2022 were agreed.

RESOLVED:

The minutes of 9 February 2022 were received, approved and signed by the Chairman.

184. **CLWYD PENSION FUND BUSINESS PLAN 2022/23 TO 2024/25**

Mr Lathan presented the draft business plan to the Committee including stressing that much of the content is driven by external factors outside of the Fund's direct control. He highlighted the following key points from the Governance appendix:

- As a large pension fund with over 50,000 members and 50 employers, there is a significant amount of work involved in running the Fund.
- In regards to the induction training noted on page 42, how this is delivered will be determined after the new Committee has been determined.
- TPR's new Single Code was expected this year and the Fund will look to carry out a compliance check against the new code once it is released.
- The scheme member representative for trade unions on the Local Board is due to be appointed this year. The Fund will contact the trade unions during the year to take that forward.
- The response to the SAB Good Governance review is expected from the government in due course. Once released, the Fund will work through the new statutory guidance and look to ensure we comply.
- The current external contracts with Aon and Mercer are due to expire in March 2023 and the Fund has an option to extend these.

Cllr Rutherford asked in terms of the risks the Fund faces, whether there are any risks factoring in the current cost of living crisis for members and particularly the risk of a greater proportion of scheme members opting out of the scheme. Mrs Williams noted that she had not seen any increases in opt outs yet but that it may be in the early stages and so she will monitor this.

Mr Middleman said that he was also not aware of any trends to date but the officers/Mercer monitor the net cashflow for the Fund so any implications on strategy can be considered. In terms of member contribution rates, he said it was an ongoing debate whether the lower paid members should pay lower contributions to assist with affordability. This was a recognised issue nationally but was overtaken by the McCloud remedy. Mrs Williams added that the Fund also offer the 50:50 option to members if the financial impact is a burden but the members don't want to lose the benefits of their pension, and they can choose to opt back into the scheme at any time.

Mrs Fielder noted the following main points from the Funding and Investments appendix starting at page 48:

- On page 48, there was an error in the table on funding and investments, and the last row should read as F6 rather than F4.
- The triennial valuation and the review of the FSS will be a very intense process for the Fund.
- The Fund wanted to report against the Task Force on Climate related Financial Disclosures ("TCFD") and the UK Stewardship Code in the future. The Fund planned to enlist external support to help with these. Whilst the WPP would be able to help to some extent; there were still some assets held outside the pool which remain with the Fund, meaning the reporting will need to be Fund driven for those.

- Consultations regarding investment related developments are due in the summer. These are expected to include levelling up, TCFD, pooling guidance and also the Competition and Markets Authority Order (“CMA”) which relates to setting strategic objectives for investment advisers which the Fund then monitors. However this is already in place.

Mrs Fielder stressed the large workload that will need to be managed with a smaller team due to staff vacancies.

Mrs Williams highlighted the following key points relating to the Administration and Communications appendix starting at page 53:

- The preparation of the member data for the actuarial valuation was a major project for the technical and operations team .
- A2 was the McCloud judgment in respect of the McCloud programme and the Fund would continue to provide regular updates to the Steering Group, Committee and Board.
- A3 was the National Pensions Dashboard, which was the Government’s initiative to allow all members to view details of their pension entitlements via one system. The resource and budget implications of this could not be fully determined until more detail was available.
- The reviews of the Communications Strategy, Scheme Pays Policy and Administering Authority Discretionary Policy were the first policy and strategy reviews due and these would be considered in quarter 1 of 2022/23 .
- A new area was included at A7 which relates to reviewing the existence checks for pensioner and dependant members, in particular those living overseas. This will help reduce the risk of potential overpayments and reduce the chance of fraud.
- The review of the pension’s administration system contract was included in A8.
- It is desirable for Fund members to have an understanding on their pension benefits and how the Fund works. A9 outlined the development and implementation of the Communications Strategy and the different stages of implementing the Strategy.
- The employer liaison projects starting on page 63 involve the McCloud services and the ongoing expansion of the services provided by the team. The budget for this is recharged to the employers using the service.

In terms of operating costs, Mr Vaughan noted the table of budgets for 2022/23 on page 35 and highlighted the following points:

- The revised budget column includes the trainee accountant post and the 2021/22 pay award of 1.75%. In addition, an allowance for the 2022/23 pay award of 3.25% and the NI increase of 1.25% was also allowed for within the budget.
- The actuarial fees including the additional work surrounding the 2022 actuarial valuation exercise. The investment consultant fees includes the work on private markets, responsible investment, the ISS and the flightpath strategy.
- Pooling fees relate to Wales Pension Partnership (WPP) external fees.
- The investment manager fees and fund manager fees were on a downwards trend having reduced by £3.5 million due to more being held by WPP.
- The only increase to the administration expenses employee costs was in relation to inflation.
- A total of £200k was added to the budget for IT costs, which was seen as the worst-case scenario.

- The employer liaison team included an allowance for the two additional staff members as noted on the bottom of page 35.
- It is likely that the Fund will use some of the governance employee cost budget to pay for consultancy support given the existing vacancies in the Finance Team. The overall reduction in budget is c£2.5m, which is mainly due to investment manager fees.

RESOLVED:

The Committee approved the Business Plan in Appendix 1 relating to the period 2022/23 to 2024/25, including the budget for 2022/23 which included changes to the existing staffing structure as noted therein.

185. CLWYD PENSION FUND POLICES

Mrs Williams introduced this item providing a brief explanation of each policy and reminding members that these had been circulated prior to the Committee report packs being issued.

In relation to the policy relating to communicating annual and lifetime tax allowances, she explained this was a new policy. The policy clarified how these complex matters would be communicated to scheme members and what processes were in place to support scheme members. She mentioned that Mercer had already been providing workshops for scheme members.

Mrs Williams explained she'd received feedback from Mr Hibbert suggesting that employers should have more responsibility, for example, they should inform scheme members of tax implications due to a promotion or pay rises. Mrs Williams explained that this was not in the Policy as this was not an employer responsibility, and therefore they could not force employers to do this. She highlighted that tax implications are an individual scheme member responsibility, but recognising that it is important to provide information and support where possible. She said that the current employer expectations were to be aware of these allowances and to signpost scheme members to the Fund if necessary.

Mr Hibbert believed that most people were aware of the implications of a higher tax bracket. For example, when at an interview, you would have a discussion about this and at very least get signposted to HMRC. However, this was not the case for the annual or lifetime allowance. He thought that it was important for the Fund to put in a strong request to employers to have these matters highlighted at the appropriate time. Mrs Williams agreed to incorporate appropriate wording into the Policy.

Mrs Williams went onto explain that the Personal Data Retention Policy had no major changes, but these were highlighted in the appendix. This first policy was created in October 2019 and the policy described how the Fund would store member data.

The Procedure for Recording and Reporting Breaches of the Law was also an existing policy; it was approved in November 2015 and updated in September 2018. There were only minor updates as highlighted in the appendix .

RESOLVED:

- (a) The Committee reviewed and approved the newly created Policy for Administration and Communication of Tax Allowances to Scheme Members, including that future reviews and updates be made by the Pensions Administration Manager in consultation with the Head of Clwyd Pension Fund as outlined in the Policy and paragraph 1.04.
- (b) The Committee reviewed and approved the updated Personal Data Retention Policy, including that future reviews and updates be made by the Pensions Administration Manager in consultation with the Head of Clwyd Pension Fund as outlined in the Policy and paragraph 1.09.
- (c) The Committee reviewed and approved the updated Procedure for Recording and Reporting Breaches of the Law.

186. **GOVERNANCE UPDATE**

Mr Latham introduced this report. He thanked all members who participated in the effectiveness survey referred to in paragraph 1.03. He emphasised how helpful the responses were for the Fund and reminded the Committee that individual responses were confidential. The main area to consider was around virtual meetings and this would be considered further by the Advisory Panel.

The levelling up whitepaper states that pension funds must declare an ambition to invest up to 5% of assets in to local investments (local meaning in the UK). Mr Latham confirmed that the consultation on this was expected to be in the summer and the Fund will discuss their views and how it would impact the Fund in due course. He added that the Fund currently already had assets in local investments, so there is a risk that this could be an additional 5% for the Fund.

Paragraph 1.06 outlined the amendments to the Public Service Pensions and Judicial Offices Bill in particular to the UK Foreign and Defence policy. The latest amendment was to allow the Secretary of State to make guidance in this area, albeit given this would be statutory guidance it would be subject to consultation.

In relation to paragraph 1.05, Mr Hibbert highlighted that further legal challenge on the cost being passed to scheme members is likely.

Paragraph 1.07 outlined details from the letter from Michael Lynk (United Nations Special Rapporteur on the Palestinian Territories). Mr Latham confirmed the issue on this matter was where the Fund was asked to divest in certain stocks. Mr Hibbert raised his concerns on this issue. Mr Hibbert said that he would continue to support the divestment.

RESOLVED:

The Committee considered and noted the update.

187. ADMINISTRATION AND COMMUNICATIONS UPDATE

Mrs Williams noted the following key points regarding the administration and communications update:

- The 2021/22 business plan was updated and A6 of the plan was complete as the Fund brought employers onto iConnect.
- In paragraph 1.01, the employer liaison team were now carrying out employer notifications on behalf of Coleg Cambria.
- Current developments were listed in paragraph 1.02, in particular the McCloud programme. Mrs Williams confirmed that this programme was progressing well with overall health status as green.
- The pension's administration and contribution internal audit resulted in an amber/green status for the Fund. This confirmed that key controls were in place but fine-tuning needed to take place. Mrs Williams however highlighted that as noted at the top of page 164, the Fund achieved 85% of all processes completed within the KPI target timescales and therefore if you measured on a full scheme membership basis, the results were much more positive. Audit were extremely complimentary of the team and it was an overall pleasing outcome and report.
- The monthly employer feedback report issued in November provided employers with statistical information for their performance relating to providing notifications for new starters, leavers and retiring members. The report informed employers on whether they were meeting their legal timescales. The Fund received positive feedback from employers and the Fund is now developing an escalation process for those employers who were consistently failing. Mrs Williams said the tool was set-up to support employers and improve their efficiency (not to fault employers). She did not want the tool to influence the Fund's relationships with employers in any negative way, so a careful explanation of the reasons for using it was key.
- In regards to the data improvement plan, the team undertook a member address exercise to engage members who had not been in touch for some time. As a result, the Fund were able to update member addresses for 2,191 records and confirmed 3,414 records as holding the correct address. In addition, the member self-service promotional flyer was included in the address-tracing letter and resulted in the Fund receiving 1,962 new registrations.
- In conjunction with the above, the Fund also decided to engage with pensioner members prior to the notification of their annual pension increase award to determine their communication preference. The Fund sent communications to all pensioner members (8,000) that had neither opted for paper communications nor registered for member self-service. The Fund received an overwhelming response from over 2,000 pensioner members requesting paper communication as their preference. The administration team will report on additional member self-service registrations on the back of this exercise.
- She confirmed that over c16,500 pension estimates were calculated so far on the member self-service tool this reporting period.
- The team were working on the agreement to backdate the pay award but there was a lot of work to do on this as it affected many different tasks i.e. transfer values, refunds, requests etc. She noted that this could potentially impact future KPIs.

In terms of the pay award, Mrs Carney highlighted the hard work the payroll team were currently undertaking in order to complete this work for employers and trade unions by the end of March. If the work carried over to the new tax year, there would be additional work and costs for employers and employees. She made the Committee aware that the Fund may be in a further backdating situation next year. Mrs Williams said that she would provide updates on this going forward. Mr Hibbert added that the trade union would support the pay claim being completed as swiftly as possible.

Mrs Williams continued that appendix 4 outlined the case numbers reported over the past few years and that the Fund had done an outstanding job the amount of work done so far. She believed the work done so far on cases and also data cleansing put the Fund in a good position for the actuarial valuation and pension dashboard.

She concluded that the Fund had not yet managed to appoint a pensions officer within the McCloud team and the communications officer advert was under review.

RESOLVED:

The Committee considered and noted the update.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 – TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded for the remainder of the meeting for the following items by virtue of exempt information under paragraph(s) 14 and 18 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

188. CLWYD PENSION FUND CYBER STRATEGY - CONFIDENTIAL

This item of the agenda was presented and discussed.

189. GEOPOLITICAL CRISIS: IMPACT ON THE CLWYD PENSION FUND - CONFIDENTIAL

This item of the agenda was presented and discussed.

The Chairman thanked everyone for their attendance and participation. The next formal Committee meeting is on 15 June 2022 and hopefully the Committee can meet in person. The meeting finished at 12:15pm.

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Chairman

Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 5



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 15th June 2022
Report Subject	Audit Wales Audit Plan 2022
Report Author	Deputy Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

Audit Wales is required to carry out an audit of Clwyd Pension Fund's Statement of Accounts to discharge its statutory duties as Auditor General. The Fund's Statement of Accounts is contained within the Fund's Annual Report. It is the responsibility of the Pension Fund Committee to approve the audited Annual Report including the Statement of Accounts by 31st November each year.

Audit Wales has prepared an audit plan for 2022 for the Fund (attached at Appendix 1 to this report) covering the work they will carry out and associated matters.

RECOMMENDATIONS

1	Members note and comment on the Audit Wales plan.
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REPORT DETAILS

1.00	EXPLAINING THE AUDIT WALES AUDIT PLAN
1.01	The 2022 Audit Plan for the Fund is attached at Appendix 1 and Audit Wales will be in attendance at the meeting to present the plan.
1.02	The Fund's Statement of Accounts is contained within the Fund's Annual Report. It is the responsibility of the Pension Fund Committee to approve the audited Annual Report including the Statement of Accounts by 31 st November each year. It is intended that the draft Annual Report for 2021/22 will be approved in draft by the Treasurer and Flintshire County Council Section 151 Officer in August 2022 and presented to the Pension Fund Committee at its meeting on 31 st August 2022 for consideration. The audited Annual Report will be presented for approval at the Pension Fund Committee at its meeting on 23 rd November 2022.
1.03	External auditors are required to carry out an annual audit of the Fund's Statement of Accounts to discharge their statutory duties as Auditor General and fulfil their obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009, Wellbeing of Future Generations (Wales) Act 2015, the Local Government Act 1999, and the Code of Audit Practice. The external auditor for the Clwyd Pension Fund is Audit Wales.
1.04	The attached Audit Plan explains the extent of the audit, key financial risks considered by the auditors, other audit functions carried out, the fee for the audit, the members of the audit team and the timetable for the audit.

2.00	RESOURCE IMPLICATIONS
2.01	Proposed fees charged for the audit work for Clwyd Pension Fund is included in the Audit Wales plan as Exhibit 2 of the appendix. The fees are within the approved budget.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	All audit work is carried out on a risk based approach which is covered in detail within the Audit Wales's reports.

5.00	APPENDICES
5.01	Appendix 1 – Audit Wales 2022 Audit Plan Clwyd Pension Fund.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Debbie Fielder – Deputy Head of Clwyd Pension Fund Telephone: 01352 702259 E-mail: Debbie.A.Fielder@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
	<p>(a) Audit Wales: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>(b) Financial Audit: The annual external audit of the Fund’s Statement of Accounts.</p> <p>(c) Financial Year: the period of 12 months commencing on 1 April</p> <p>(d) Material: A concept used to inform judgements regarding the accuracy of the Fund’s Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p>(e) Statement of Accounts / Final Accounts / Financial Accounts or Statements: The Fund’s annual finance report providing details of the Fund’s financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p>

Mae'r dudalen hon yn wag yn bwrpasol

2022 Audit Plan – Clwyd Pension Fund

Audit year: 2021-22

Date issued: June 2022

Document reference:3000A2022

This document has been prepared as part of work performed in accordance with statutory functions.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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2022 Audit Plan

Summary

- 1 This document sets out the work I plan to undertake during 2022 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice to examine and certify whether Clwyd Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.

Impact of COVID-19

- 4 The COVID-19 pandemic has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 5 While Wales is currently at Coronavirus Alert Level 0, Audit Wales will continue to monitor the position and will discuss the implications of any changes in the position with your officers.

Audit of pension fund accounts

- 6 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole.
- 7 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Pension Fund Committee prior to completion of the audit.
- 8 Any misstatements below a trivial level (set at 5% of materiality) judge as not requiring consideration by those charged with governance and therefore will not report them.
- 9 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

Financial audit risks

10 The following table sets out the financial audit risks I have identified for the audit of the Pension Fund accounts.

Exhibit 1: financial audit risks

This table summarises the key financial audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
Significant risks	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>We will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
Other areas of audit attention	
<p>Risks related to the financial statements</p> <ul style="list-style-type: none"> • As part of its portfolio, the Pension Fund has substantial holdings in unquoted investments. They are accounted for at fair value determined by valuations provided by fund managers. • External investment managers are appointed to manage the investment portfolio. Their own systems and records will generate account entries made to the Pension Fund account and net assets statement. 	<p>We will:</p> <ul style="list-style-type: none"> • Assess whether the information provided by fund managers and their auditors support the year-end valuations. • Obtain direct confirmation from the fund managers of year-end investment balances and consider whether investment managers' internal control reports indicate specific risks to these balances. • Review the corresponding disinvestment to ensure the completeness of transfers.

<ul style="list-style-type: none"> • The Pension fund made further transfers of assets to the Welsh Pension Partnership during 2021-22. • The Local Government Pension Scheme at a scheme level has committed to the disinvestment of Russian Investments. Discussions with the Pension Fund confirmed that it has Russian investments as part of the Wales Pension Partnership (WPP). The WPP is in the process of disinvesting Russian investments and the valuation and impact will be reflected at year end valuations including any changes in market value if the investments were sold at a loss. The overall level investment in Russian entities is below materiality. 	<ul style="list-style-type: none"> • Obtain confirmation from the auditors of WPP for the values and transactions involved.
<p>Finance department key staff changes</p> <p>The finance team is experiencing changes to key staff involved in the preparation of the Pension Fund's financial statements.</p> <p>This may impact on the capacity and experience of the finance team, which could impact on the quality and timely preparation of the draft financial statements.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the finance team and will monitor the accounts preparation process.</p>

Statutory audit functions

- 11 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 12 As this work is reactive, I have not included an estimated fee in **Exhibit 2** below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

- 13 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed, taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - appropriate facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and

Fee

- 14 As set out in our Fee Scheme 2022-23, our fee rates for 2022-23 have increased by 3.7%, as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 15 The estimated fee for 2022 is set out in **Exhibit 2**. This represents a 3.9% increase compared to your actual 2021 fee due to changes in the skill mix in the audit team.

Exhibit 2: audit fee

This table sets out the proposed audit fee for 2022, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of pension fund accounts ²	40,828	39,281

- 16 Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no

¹ Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

² Payable November 2021 to October 2022.

changes without first discussing them with the relevant Pension Fund Management.

17 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

18 The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

Exhibit 3: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Matthew Edwards	Engagement Lead	02920 320663	matthew.edwards@audit.wales
Michelle Phoenix	Audit Manager	02920 320660	michelle.phoenix@audit.wales
Sabel Wiliam	Audit Lead	02920 829358	sabel.wiliam@audit.wales

Timetable

19 The key milestones for the work set out in this plan are shown in **Exhibit 4**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

Exhibit 4: audit timetable

Planned output	Work undertaken	Report finalised
2022 Audit Plan	April 2022	June 2022
Audit of pension fund accounts: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements	October 2022	November 2022 November 2022
2023 Audit Plan	April 2023	June 2023



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Eitem ar gyfer y Rhaglen 6



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 15 th June 2022
Report Subject	Communications Strategy Review
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

The LGPS Regulations 2013 require that each administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with its key stakeholders. The Clwyd Pension Fund's Communications Strategy was last fundamentally reviewed in March 2016.

Methods of communicating are quickly evolving with a much greater focus on digital communications. There is also much more awareness of the necessity to make communications more inclusive by allowing for the diverse needs of stakeholders, which means a complete move to digital communications only is not appropriate.

Accordingly the officers of the Fund, working with Aon communication specialists, have carried out a fundamental review of the Fund's Communications Strategy.

A key outcome of the proposed new Strategy should be that a greater proportion of stakeholders will understand the benefits of the scheme, whilst reducing the need for face to face meetings (virtual or otherwise) and phone calls which are inefficient and evidence a lack of effective alternative communications.

The Committee are asked to approve the updated Strategy which is included in Appendix 2.

RECOMMENDATIONS

1	That the Committee review and approve the updated Communications Strategy.
---	----------------------------------------------------------------------------

REPORT DETAILS

1.00	STRATEGY FOR APPROVAL
1.01	<p><i>Background</i></p> <p>The LGPS Regulations 2013 require that each administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with:</p> <ul style="list-style-type: none">• members• representatives of members• prospective members and• Scheme employers. <p>The statement must include the Fund's policy on:</p> <ul style="list-style-type: none">• the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers• the format, frequency and method of distributing such information or publicity and• the promotion of the Scheme to prospective members and their employers.
1.02	<p>The Pensions Regulator (TPR) also includes expectations in its Code 14: Governance and administration of public service pensions schemes. It states:</p> <p><i>“Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible. It is important that members are able to understand their pension arrangements and make informed decisions where required.”</i></p>
1.03	<p>TPR will shortly be issuing a Single New Code (which will replace Code 14) and the new Code is also expected to include requirements relating to effective communications. The draft Code includes the following:</p> <p><i>“When preparing communications to members, the governing body should:</i></p> <ul style="list-style-type: none">• <i>ensure that all communications sent to members are accurate, clear, concise, relevant and in plain English</i>• <i>regularly review member communications, taking account of member feedback</i>• <i>when deciding on the format of communications and information to be published, consider any technology that may be available to them and appropriate for their members</i>• <i>consider using various communication methods, including</i>

	<p><i>accessible online content, audio, Braille, large font, and languages other than English</i></p> <ul style="list-style-type: none"> • <i>regularly inform members of the impact their contributions will have on their overall benefits</i> • <i>provide any additional information or explanation that members may need to help them make informed decisions about their benefits.”</i>
1.04	<p>The Fund has approximately 49,000 scheme members and over 50 employers. The quality and effectiveness of communications are critical to help its stakeholders understand the benefits of the LGPS and ensuring employers understand their role in helping to manage the Fund.</p>
1.05	<p>The Clwyd Pension Fund’s Communications Strategy was last fundamentally reviewed in March 2016 and it has been subject to some changes since then. The current Strategy can be viewed on the Fund’s website here. It includes the following objectives which on the face of it are still quite relevant.</p> <ul style="list-style-type: none"> • Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits • Communicate in a clear, concise manner • Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so. • Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working. • Regularly evaluate the effectiveness of communications and shape future communications appropriately.
1.06	<p><i>Strategy review</i></p> <p>Methods of communicating are quickly evolving with a much greater focus on digital communications. There is also much more awareness of the necessity to make communications more inclusive by allowing for the diverse needs of stakeholders. In order to be fully inclusive, a variety of means of communication (not just digital) is still necessary. This is aligned with TPR’s expectations as can be seen from paragraph 1.02 and 1.03 above.</p>
1.07	<p>The Fund has made some fundamental changes recently, such as rolling out Member Self-Service and focussing on issuing benefit statements and newsletters digitally. However, the officers of the Fund recognised that a fundamental review of the Communications Strategy had not been carried out since it was created in 2016 and, given the fast-moving pace of methods of communicating and the need to ensure inclusivity (i.e. ensuring all stakeholders receive and understand communications), they felt it was</p>

	<p>appropriate to carry out such a review. Working with Aon’s communication specialists, the officers have considered alternative ways of communicating and developed a proposed new Communications Strategy. Part of this involved a workshop focussed on scheme member engagement (as the Fund’s biggest stakeholder) from which an Engagement Statement was developed which captures key elements of developing scheme member communications. This is included in Appendix 1 and it has been incorporated into the proposed Strategy.</p>
1.08	<p>The proposed new Strategy is included in Appendix 2. Although there is a lot of overlap with the existing Strategy’s objectives, the new Strategy is focussed on the following key areas:</p> <ul style="list-style-type: none"> • Improving member experience and enhancing self-service. • Identifying smart ways of working on the communications. • Simplifying language and communicating more concisely. • Refreshing the Fund’s visual identity. • Broadening delivery channels to members. • Developing a segmented approach to engagement. <p>A key outcome of the new Strategy should be that a greater proportion of stakeholders will receive relevant and focussed communications, and understand the benefits of the scheme, whilst reducing the need for face to face meetings (virtual or otherwise) and phone calls which are inefficient and evidence a lack of effective alternative communications. The proposed Strategy is well aligned to TPR requirements.</p>
1.09	<p>Committee and Board members were invited to a training session on 8 June which provided them with more information regarding the evolution of communications and the thinking behind the proposed Strategy.</p>
1.10	<p>The Committee are asked to approve the updated Strategy which is included in Appendix 2.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>The Administration Team had a vacant role for a Communications Officer. Given the Strategy review, the skills required for this post have been reviewed to focus more on communications expertise, rather than pensions expertise. This post is currently being advertised and an update will be provided at Committee.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>None directly as a result of this report. However, as part of implementing the new Strategy, there will be greater engagement with scheme members to receive feedback on the effectiveness of communications.</p>

4.00	RISK MANAGEMENT
4.01	<p>There are a number of risks on the Fund’s risk register that directly relate to this Strategy and it is hoped that implementing the revised Strategy will assist with reducing these risks. The two main risks are:</p> <ul style="list-style-type: none"> • Employers don’t understand or meet their responsibilities resulting in the Fund being unable to meet legal and performance expectations (including inaccuracies and delays) • Communications are inaccurate, poorly drafted, insufficient, or not received resulting in scheme members not understanding or appreciating their benefits.

5.00	APPENDICES
5.01	<p>Appendix 1 – Engagement Statement</p> <p>Appendix 2 – draft Communications Strategy</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Existing Clwyd Pension Fund Communications Strategy - https://mss.clwydpensionfund.org.uk/documents/Communication%20Strategies%20September%202019.pdf</p> <p>Contact Officer: Karen Williams, Pension Administration Manager Telephone: 01352 702963 E-mail: karen.williams@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</p>

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 DLUHC.
- (g) **DLUHC – Department of Levelling Up, Housing and Communities** – the government department responsible for the LGPS legislation
- (h) **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.

Objectives

We want our engagement activities to:

- Increase awareness and understanding of the benefits of the pension scheme and how it works.
- Encourage members to take ownership of their pension and understand the broader benefits of the pension scheme.
- Maintain and build positive member experiences along every member's journey, wherever they are on their journey.
- Reduce the need for face-to-face meetings and phone calls.



Areas of Focus

To achieve these objectives, we will:

- Communicate more concisely with shorter, visually compelling communications e.g., shorter newsletters so people will read them.
- Tailor content so it is more relevant to the audience segment.
- Set targets for online activity and increase usage of MSS website.
- Promote self-service.
- Use an omnichannel communications approach – with a focus on allowing members to interact with the Fund in a way that suits their needs.

Support
CS

Initiatives

Improve member experience and enhance self-service

Agree communications strategy.
Provide access to information to enhance self-service for members.

Identify smart ways of working on the communications

Understand which communication projects are labour intensive and what causes the disproportionate effort.
Start with a blank canvas and question why things are done the way they are.
Understand what members want communication on and how.

Simplify language, communicate more concisely

Mindful of the fact that everything has to be written and designed twice.
Recognise that the words we choose are important.
Keep content items short and use clear, plain language that is easy to understand.

Refresh visual identity

Keep brand consistent with Clwyd look and feel and ensure all communications are consistently in line.
Use visuals and infographics to help members visualise messaging more clearly.

Broaden delivery channels to members

Review all delivery channels to members, and look to extend use of MSS and digital comms including video, recognising the ways members consume information are changing.

Develop a segmented approach to engagement

Embrace the variation of the membership 'journey' and adopt an approach that recognises and supports this by delivering different key messages for different segments/age groups because one size does not fit all.

Tasks

Finalise statement of engagement principles.
Improve member understanding.
Track emails and calls to Administration team - possible introduction of telephone IVR (Interactive voice recognition).
Adopt Pathfinder approach for MSS to help improve member self-service and reduce 121's.

Review of hours spent on each communication project.
Identify ways to reduce effort producing communications.
Consider shorter more frequent communications to promote self-service.
Consider feedback mechanisms to respond to member views (annual member-specific survey/listening).
Gather informal member feedback – specifically when any communication is sent out.

Plain language review of all communications.
Simplify language, Jargon busting and language review.
Reduce reading age and improve reading ease on the Flesch-Kincaid scale.

Review and refresh Clwyd pension branding.
Refresh brand guidelines and style guides.
Review format of communications to consider shorter, more impactful formats.

Incorporate all channels of delivery into a holistic communications plan.
Consider tools available to broaden delivery channels (e.g. podcasts and videos)
Monitor video and podcast usage.

Review suitable categories for segmentation of messaging (i.e. age-based communication), particularly around the 4 key stages of pensions communications.
Use a segmented approach for relevant communications and monitor changed behaviours.
Discuss topics that engage a range of member demographics, e.g. 'Can you afford not to be in the Fund?'
Feature warm-up stories in pension newsletters, and in Fund's regular communications channels.
Visual roadmap of moments of truth on the way to retirement.



Mae'r dudalen hon yn wag yn bwrpasol

Cronfa Bensiynau Clwyd Clwyd Pension Fund

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Gweinyddwyd gan
Administered by



Flintshire County Council
Administering Authority for Clwyd Pension Fund

Tudalen 35 Communications Strategy June 2022



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Cover image: Moel Famau, Flintshire

Introduction

This is the Communication Strategy for the Clwyd Pension Fund administered by Flintshire County Council (the Administering Authority). It has been prepared to meet the requirements of the LGPS Regulations as set out in [Appendix 1](#), and outlines our strategic approach to communications.

Stakeholders of the Fund

The Fund's key stakeholders are:

- our 52 employers within the Flintshire, Denbighshire and Wrexham Council areas
- our 49,000 scheme members split into the categories below as at 1 April 2021:

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Active scheme members	17,700
Deferred scheme members	16,900
Pensioner and dependant members	14,400

This Strategy principally focuses on how we communicate with current and prospective scheme members and employers. However, this Strategy covers all our communications including other stakeholders with whom we communicate:

- Pension Fund staff (see [Appendix 2](#))
- Pension Fund Committee and Pension Board members, and Advisory Panel (see [Appendix 3](#))
- Other interested organisations including Government Departments, Scheme Advisory Board and Advisors to the Pension Fund (see [Appendix 4](#)).

Mission Statement

The Clwyd Pension Fund Mission Statement is:

- to be known as forward thinking, responsive, inclusive, proactive and professional, providing excellent customer focused, reputable, and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a 'can do' approach.

Aims and objectives

Our **overriding objectives** in relation to communications are to:

- Increase awareness and understanding of the Scheme and provide sufficient information so stakeholders can make informed decisions.
- Communicate in a clear, concise manner.
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so.
- Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working.
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

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In relation to **member communication**, we want our engagement activities to:

- Increase awareness and understanding of the benefits of the pension scheme and how it works.
- Encourage members to take ownership of their pension and understand the broader benefits of the pension scheme.
- Maintain and build positive member experiences along every member's journey, wherever they are on their journey.
- Reduce the need for face-to-face meetings and phone calls.

Our key scheme member communications are explained later in this Strategy.

In relation to **employer communication**, we want our engagement activities to:

- Increase awareness and understanding of the information required by the Fund from employers.
- Encourage employers to take ownership of the data and help their employees understand the broader benefits of the pension scheme.
- Maintain and build positive relationships with employers regardless of size or pensions expertise.
- Make the management of the Fund more efficient for both the Fund and employers.

Our key employer communications are explained later in this Strategy.

How we communicate

We are committed to ensuring communications are **accessible to all stakeholders** and developing further use of digital communications.

We make sure that communications are **easy to understand** through use of plain language techniques and readability scores.

All generic scheme member communications are **published in both English and Welsh languages** at the same time.

We **comply with accessibility standards for both content and visuals**, including for vulnerable customers. Before issuing communications, all requirements are considered, such as:

- Ensure video content includes subtitles as standard.
- Ensure members are aware that we can meet any requirements for:
 - Braille formats;
 - Plain text for best results with screen readers;
 - Audio CDs;
 - Translated versions.
- Ensure the website and/or app is fully consistent with Web Content Accessibility Guidelines.

Implementation

The aims and objectives outlined in this Strategy require quite a radical shift in how we communicate with stakeholders, particularly scheme members and employers. This Strategy is being implemented at a time when **there are a number of ongoing challenges**, including:

- the need to communicate various scheme and national changes, such as the McCloud remedy, potential increases in minimum pension age and the national pensions dashboard; and
- continuing pressure on resources and budgets for employers and the administering authority.

In addition, we are mindful of the fact that all our communications must be in English and Welsh, as well as being accessible to all stakeholders.

As a result, this Strategy will be implemented over time focussing on the following **key areas**:

- Tudalen 40
- Improving member experience and enhancing self-service.
 - Identifying smart ways of working on the communications.
 - Simplifying language and communicating more concisely.
 - Refreshing the Fund's visual identity.
 - Broadening delivery channels to members.
 - Developing a segmented approach to engagement.

This is considered further within our **2022/23 to 2024/25 Business Plan** and will be considered further in future Business Plans. Our focus in 2022/23 will be on communications with scheme members and will involve:

- Communicating more concisely with shorter, visually compelling communications.
- Tailoring content so it is more relevant to the audience segment.
- Setting targets for online activity and increasing usage of MSS website.
- Promoting self-service.
- Using an omnichannel communications approach – with a focus on allowing members to interact with the Fund in a way that suits their needs.

Our main communications with Scheme members

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?	Regulatory (Y/N)
Website(s)	<p>To provide a first point of contact for all Scheme members and show basic information about the Fund and the LGPS and watch videos.</p> <p>Members can also access or download scheme literature and forms.</p>	<p>Multiple, public facing, unsecured websites:</p> <p>https://mss.clwydpensionfund.org.uk</p> <p>https://www.lgpsmember.org</p>	Permanent	All members	Y (hosts regulatory documents)
Member Self Service (MSS)	<p>The MSS allows members to log into a secure web area to:</p> <ul style="list-style-type: none"> view personal information; update personal details; update death grant expressions of wish; calculate retirement estimates; review Annual Benefit Statements; view newsletters and other communications; upload information for the Fund's Administration Team. <p>The Fund's preference is for members to do this online to reduce the burden on the Administration team.</p>	Secure website plus email alerts.	Permanent	All members	Y (as includes Annual Benefit Statements)
Annual Benefit Statements (ABS)	The ABS gives members an annual snapshot of their own benefit situation. This helps make their pension feel relevant.	Downloadable digital statement from MSS account. Paper copies are sent to members' home addresses where they have opted for paper communications.	Annually by end of August.	All active and deferred members.	Y
Annual Pensions Increase Statements	The annual pensions increase statement provides all pensioners with information on what their pension will increase to as a result of the annual pensions increase award.	Downloadable digital statement from MSS account. Paper copies are sent to members' home addresses where they have opted for paper communications.	Annually before April pay date.	All pensioners and dependants.	Y

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Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?	Regulatory (Y/N)
Generic Newsletters	<p>Penpal is designed to keep active members up to date with important information such as changes to scheme rules and highlights important Facts & Figures from the Annual Report and Accounts.</p> <p>Clwyd Catch Up aims to keep pensioners informed about how new annual rates of pension have been calculated and also includes wider pension news.</p> <p>Deferred Diaries is predominantly used to explain the content of deferred benefit statements, although it can include other LGPS updates too and highlights important facts and figures from the Annual Report and Accounts.</p>	<p>Downloadable digital newsletter from MSS account.</p> <p>Paper copies are sent to members' home addresses where they have opted for paper communications.</p>	<p>Penpal with annual benefit statements.</p> <p>Clwyd Catch Up annually in April.</p> <p>Deferred Diaries with annual benefit statements.</p>	<p>Penpal to active members.</p> <p>Clwyd Catch Up to pensioners and dependants.</p> <p>Deferred Diaries to deferred members.</p>	Y (but not all issues)
Update Newsletters (Pension Extra)	To notify members of urgent LGPS issues that cannot wait for another scheduled communication.	<p>Downloadable digital newsletter from MSS account.</p> <p>Paper copies are sent to members' home addresses where they have opted for paper communications.</p>	As required	To any appropriate members.	Y (but not all issues)
Pension Presentations/ Workshops	<p>To educate members.</p> <p>To promote relevant LGPS literature and services, ranging from MSS to death grant expression of wish forms.</p>	Presentations and workshops, some in person and others online based on audience requirements.	Year round	Active members	N
Telephone and email / Open Office Policy	To answer specific member queries in detail.	<p>Telephone, fax or email: pensions@flintshire.gov.uk</p> <p>Upload questions and information to MSS.</p> <p>Also in person appointments.</p>	Year round	All members, member representatives and prospective members.	N
Pre-Retirement Courses (in partnership with Gwynedd Pension Fund)	To inform about Local Government retirement benefits and procedures.	Face to face or virtual courses.	Year round	All North Wales LGPS members approaching retirement.	N

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?	Regulatory (Y/N)
Other Literature	<p>Fund-related literature includes:</p> <p>A Short Scheme Guide to the Local Government Pension Scheme for new joiners.</p> <p>A retirement pack sent to all members about to retire.</p> <p>Fact-sheets on numerous areas including ill-health retirement, maternity leave, flexible retirement and commutation.</p>	<p>PDFs hosted on the website (although some items like the retirement pack are sent directly to members).</p>	<p>Permanent (or issued to members when required)</p>	All members	Y (but not all)
Pensions Taxation Correspondence	To help members who may be affected or at risk of being affected by the Lifetime or Annual Allowance to understand their obligations.	<p>Personal letters</p> <p>Workshops</p> <p>Factsheets</p>	<p>Annually when required</p> <p>Permanent</p>	Affected and at risk members	Y (but not all)
Annual Report and Accounts	<p>The Annual Report and Accounts is published to highlight how the Fund has performed during the previous financial year.</p> <p>It also includes statements with regards to administration, governance, investment principles, funding strategy, and risk.</p>	PDF hosted on the website.	Annually in November	All members	Y

Our main communications with Employers

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?
Administration Strategy	The Fund's Administration Strategy sets out in detail the obligations and responsibilities of both the Fund and the employers to achieve set performance standards and legal requirements. It provides an overview of how the administering authority and employers will work together to achieve a high-quality service.	PDF on the website. Email to all employers.	Permanent, updated every three years. When updated, on joining for new employers and new employer contacts.	All employers
Employer key contact officers and meetings	Meeting(s) to discuss any issues relating to the LGPS and/or raise any issues around the performance of the employer or services provided by the Fund.	A meeting between the Principal Pensions Officer and the Employer's key contact officer.	As required	Employer's key contact officer
Annual Employer Meeting	To provide administration related updates and address the current issues and upcoming changes to the Clwyd Pension Fund and the LGPS.	Meeting	Annually when required	All employers
Annual Joint Consultative Meeting (AJCM)	To provide an overview of fund performance and keep attendees up-to-date with LGPS changes and matters affecting the Fund, covering all areas of governance, administration, investments and funding.	Meeting Usually includes presentations summarising the main aspects of the Fund's Annual Report and Accounts.	Annually	All employers, Trade Union representatives and other scheme member representatives.
Training Sessions	To bring relevant employer contacts up-to-date with LGPS regulations and administration procedures.	Training session	As required	All employers
Website	To provide information and guidance on how to implement LGPS regulations and manage the Clwyd Pension Fund.	Websites: https://mss.clwydpensionfund.org.uk including a dedicated employer section: https://mss.clwydpensionfund.org.uk/home/employers/index.html https://www.lgpsregs.org/	Permanent	All employers

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?
Email Updates	To highlight important Fund matters, general updates about the LGPS and the services available to the Fund's employers and their staff. The Fund emails employers to inform them when a news alert is added to the website.	Email	As required	All employers
i-Connect	To pass secure scheme member data between employers and the Fund. i-Connect is the software that all employers in the Fund must use to submit information to the Pension Administration Section.	i-Connect system	Permanent	All employers
Employer specific events	To assist employers in understanding their responsibilities.	Face-to-face or virtual events arranged by employers, attended by Fund officer(s) on request by the employer.	As required	All employers

Monitoring

As the delivery of this Strategy evolves we want to ensure we are meeting its objectives. We will do this by monitoring progress as shown below.

Objective/Measure	Monitoring	Specific targets
Increase awareness and understanding of the Scheme/Fund and how it works.	Feedback through annual member and employer surveys and listening groups Collate informal feedback when any communication is sent out. Monitor compliments and complaints from member and employer emails and calls to the Fund.	Surveys – 90% positive responses.
Maintain and build positive member experiences/employer relationships.	Feedback through annual member- and employer-specific survey and listening groups – target 90% positive responses. Monitor compliments and complaints from member emails and calls to the Fund.	
Ensure we use the most appropriate means of taking into account the different needs of different stakeholders.	Feedback through annual member- and employer-specific survey and listening groups.	
Encourage members/employers to take ownership of their pension/information required.	Track video and podcast usage. Track take-up of MSS (members). Track click throughs of all online communication. Monitor website usage.	Video, podcast, online communication and website usage – ongoing increases. MSS take up – 5% per year increases in the proportion of registered members with a long-term target of 75% of all active and deferred members being registered users.
Reduce the need for face to face meetings and phone calls by scheme members.	Track member calls and face to face meetings.	Ongoing decreases.
Make the management of the Fund more efficient for both the Fund and employers. Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working.	Monitor the workload of the Administration Team relating to ad hoc enquiries. Track employer and member emails and calls, and face to face meetings. Track take-up of MSS (members). Ensure mandatory use of i-Connect by all employers. Track click throughs of all online communication.	Ad hoc enquiries, emails, calls and face to face meetings – ongoing decreases. MSS take up – 5% per year increases in the proportion of registered members with a long-term target of 75% of all active and deferred members being registered users. i-Connect take up – 100% of employers.
Regularly evaluate the effectiveness of communications and shape future communications appropriately.	Regularly reviewing communications plan and strategy based on monitoring mentioned above.	

Key Risks

The key risks to the delivery of this Strategy are outlined below. We will monitor these and consider how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness.
- Significant increase in the number of employing bodies causes strain on day to day delivery.
- Significant external factors, such as national change, impacting on workload.
- Issuing incorrect or inaccurate communications.
- Failure to maintain an up to date and accurate employer database leading to information not being sent to correct person.
- Communications to scheme members not being received or read.
- Lack of clear and understandable communication to employers, scheme members and other stakeholders.

Approval and review

This version of the Communications Strategy was approved at the Clwyd Pension Fund Committee on 15 June 2022. It will be formally reviewed and updated at least every three years or sooner if any matters included within it merit reconsideration.

Further information

Any enquiries in relation to the Fund's communications or the principles or content of this Strategy Statement should be sent to:

Karen Williams
Pensions Administration Manager
Flintshire County Council
County Hall,
Mold,
Flintshire
CH7 6NA

E-mail – karen.williams@flintshire.gov.uk

Telephone – 01352 702963

Appendix 1 – Regulatory framework

The strategy has been produced in accordance with regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013. The regulation requires that:

1. An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with:
 - a) Scheme members (active, deferred, retired and dependant)
 - b) representatives of Scheme members
 - c) prospective Scheme members
 - d) Scheme employers

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2. In particular the statement must set out its policy on:
 - a) the provision of information and publicity about the scheme
 - b) the format, frequency and method of distributing such information or publicity
 - c) the promotion of the Scheme to prospective Scheme members and their employers.
 3. The strategy must be revised and published by the administering authority following a material change in their policy on any matters referred to in paragraph (2).

Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other legislation includes various requirements relating to the provision of information relating to pensions (in addition to the requirements in the Local Government Pension Scheme Regulations). The Clwyd Pension Fund aims to adhere with all such legislation and related statutory or best practice guidance. This includes the Pension Regulator's Code of Practice for Public Service Pension Schemes.

There are other regulatory requirements that the Fund adheres to, including the General Data Protection Regulations, the Freedom of Information Act and legislation around the use of Welsh language.

Appendix 2 – Communicating with Pension Fund staff

The Fund recognises that its staff are its greatest resource and ensures that they are kept informed about the Fund’s aims to deliver a quality and accurate service.

The following key personnel are all available for any of the Fund staff who may want a one-to-one with them:

Head of Clwyd Pension Fund

Deputy Head of Clwyd Pension Fund

Pensions Administration Manager

Staff also have unrestricted access to their supervisors and senior colleagues to discuss and resolve work related issues.

Staff are kept informed with:

Communication	Purpose
Administration Section Meetings	Normally held on a monthly basis to discuss operational and technical issues, ensuring there is a shared understanding of any issues and developing a consistent approach towards addressing them. In addition, the Pensions Administration Management team meet weekly.
Appraisals and Training	All new members of staff undergo an induction procedure to acquaint them with the operational running of the Fund. Subsequently, all pension staff also receive both in-house and external training. Staff at all levels in the Fund have annual assessments, with a mid-year review, during which there are open discussions of work issues and areas for development. This dialogue is supplemented by regular one-to-one meetings within team structures.
TEC (Training & Education Centre)	Clwyd Pension Fund utilises an e-learning facility. This allows Fund staff to work through these e-learning modules to enhance other learning and on-the-job training that they receive. The modules include a timeline of LGPS regulations and how to process calculations.
Team Emails	All team members can email any other team member on any matter relating to the delivery of services or other staff updates.
Finance Section Meetings	Held on a regular basis to discuss operational and technical matters relating to accounting, investment and funding aspects of the Fund’s management.
Management Team Meetings	Held on at least a fortnightly basis, involving the Head of Clwyd Pension Fund, the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager. Attendees discuss any strategic or operational Fund matters, including updates on staffing, resources and other managerial aspects.

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Appendix 3 – Communicating with Board members and Pension Fund Committee members

Effective communication gives the Pension Fund Committee and Pension Board members the required information to act in the best interests of the Fund members and employers. The key communication methods, messages and objectives are:

Communication	Purpose
Committee/Board reports	To help Committee and Board members understand the matter to be discussed at the meeting and build their knowledge so they can best serve scheme members when carrying out their role. These reports will include all the Fund's key strategies and other documents such as the Fund's business plan and Annual Report and Accounts.
Committee/Board meetings	Where all decisions will be made and matters considered, providing Committee and Board members with an opportunity to ask questions about any of the matters being considered. Meetings regularly include presentations from officers and advisers to help explain the matters being considered.
Committee/Board minutes	Captures all key points in the meeting including conclusions and decisions, providing a formal record for future reference.
Pre Committee e-mail briefing from Head of Clwyd Pension Fund	To provide Committee and Board members with an overview of the forthcoming meeting and help them understand the key matters that will be considered.
Regular training and briefing sessions	To help Committee and Board members meet expected levels of knowledge and better understand Fund matters, including upcoming Committee/Board agenda items. Committee and Board members are also given access to external training events and conferences relevant to their roles.
General emails	Usually sent by the Fund's management, email will be used to provide general updates on Fund matters, training and other events.
External website – Clwyd Pension Fund and LGPS	Committee and Board members will find useful information about the Fund and the Scheme on these websites: https://mss.clwydpensionfund.org.uk https://www.lgpsmember.org

Communication	Purpose
<p>External website – Flintshire County Council</p>	<p>The majority of reports provided to Pension Fund Committee members, together with the meeting minutes, are available on the Council’s website:</p> <p>Committee minutes – English</p> <p>Committee minutes – Welsh</p>
<p>Annual Joint Consultative Meeting (AJCM)</p>	<p>The Committee papers also include the minutes from the latest Pension Board meeting.</p> <p>Committee and Board members are invited to this annual meeting which provides an overview of fund performance and keep attendees up-to-date with LGPS changes and matters affecting the Fund, covering all areas of governance, administration, investments and funding.</p>

Appendix 4 – Communicating with other bodies

The Fund engages proactively with a number of other bodies. These include:

Department of Levelling Up, Housing and Communities (DLUHC)	The Fund has regular contact with DLUHC as a responsible LGPS Fund, participating and responding to consultations, as required.
Local Government Association (LGA)	The LGA liaises with LGPS funds and DLUHC to ensure that all LGPS regulations are administered correctly as per DLUHC's instructions.
Scheme Advisory Board (SAB)	The national SAB was established following the Public Services Pensions Act 2013. It provides advice to the LGPS funds and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme. We therefore liaise with the SAB as appropriate.
The Pensions Regulator	The Pensions Regulator publishes Codes of Practice and guidance, some of which are relevant to the Public Sector. The Regulator also oversees how pensions schemes are adhering to some legal requirements. The Fund liaises with the Regulator as required to provide information relating to matters of interest to the Regulator.
Trade Unions	The Fund works with relevant trade unions to ensure the Scheme is understood by all interested parties. Efforts are made to ensure all pension related issues are communicated effectively with the trade unions. The trade unions are represented on the Pension Fund Committee and Pension Board.
Employer Representatives	The Fund communicates with relevant employer representative bodies to ensure that the Fund's views are represented to employer groups. Employers are represented on the Pension Fund Committee and Pension Board.
AVC Provider	The Fund has appointed Additional Voluntary Contributions (AVC) providers for Clwyd Pension Fund members to pay additional contributions too. These AVCs are held and invested separately from the main Clwyd Pension Fund. The Fund's current AVC providers are Prudential and Utmost (closed to new contributions).

Pension Fund Investment Managers, Advisers and Actuaries

The Head of Clwyd Pension Fund, Deputy Head of Fund, Finance team and Administration Team have regular meetings with;

- the Fund Managers who invest funds on behalf of the Fund
- Investment Advisers who provide help and advice on the asset allocation and investments of the Fund
- the Fund Actuary to discuss funding levels, employer contributions and valuation of the assets and liabilities of the Fund
- the Independent Adviser who provides help and advice on governance matters.

The Independent Adviser, the Fund Actuary and the Investment Adviser are all members of the Pension Fund Advisory Panel, and attend all Pension Fund Committee meetings. The Independent Adviser is also the Chair of the Pension Board and attends all Board meetings.

Welsh Government

The Fund sometimes needs to liaise with Welsh Government on matters that might impact the delivery of the LGPS.

Wales Pension Partnership (WPP)

The Fund is a member of the Wales Pensions Partnership which has appointed an Operator to invest assets for all Wales LGPS funds. Some of the administration and management of the partnership is carried out by the Host Authority, Carmarthenshire Council. The Fund is represented on the WPP Joint Governance Committee by the Chair of the Pension Fund Committee and on the Officer Working Group by an Officer determined by the Pension Fund Committee. As a result of this the Fund will have ongoing relationships with a number of LGPS Funds and organisations within this and other asset pools. Regular reports on the performance of and decisions made by the pool are presented at Committee meetings and to members via the Fund's Annual Report and Accounts.

Pension Fund Custodian

The Fund's Custodian ensures the safekeeping of the Fund's investment transactions and all related share certificates where not invested with the Wales Pensions Partnership.

Pensions and Lifetime Savings Association (PLSA)

The Fund is a member of PLSA, which provides an opportunity for LGPS administering authorities and pension scheme managers to discuss issues of common interest and share best practice. The Head of Clwyd Pension Fund is a representative on the PLSA Local Authority Committee.

Class User Group	The Pension Administration Manager and other Pensions Officers attend the Class User Group meetings twice a year to discuss software issues and required upgrades to Altair, the Fund's administration system. This also includes additional user groups for i-Connect and Member Self Service.
Local Authority Pension Fund Forum (LAPFF)	The Fund is a member of LAPFF which was established to help local authority Funds share information and ideas about socially responsible investing.
Regional Forums	The Shrewsbury Pension Officers Group takes place quarterly. It is an opportunity for the Pensions Administration Managers, and other Pension Officers from LGPS Funds in the region, to share information and ensure uniform interpretation of the LGPS, and other prevailing regulations.
Partnership Manager Meetings with the eight Pension Funds in Wales	The Pensions Administration Manager, Deputy Head of Clwyd Pension Fund and other Pension Officers regularly meet representatives from the other LGPS Pension Funds in Wales to discuss best practice, to ensure that all Welsh Funds have a consistent approach to their administration, finance and other Fund procedures where appropriate.
Welsh Communications Group with the eight Pension Funds in Wales	All of the Communication Officers from the Welsh Pension Funds meet as and when required to share ideas about methods of communication.
Shared Services Communications Group	The Communications Officer and other Pension Officers attend a regional Communication Group on a quarterly basis, to ensure continuity and share ideas about methods of communication.
Requests for information	Requests for information either under the Freedom of Information Act or otherwise, will be dealt with as openly and swiftly as allowed, providing that such information does not breach confidentiality, by Pension Officers working with the Flintshire County Council Freedom of Information Officer.
Consultations	There are occasions when the Fund will consult with interested parties either as a result of potential changes to the regulations governing the LGPS or specific policy changes relating to the Fund. In these instances, the most effective way of communicating with interested parties is to hold a period of consultation, during which they are given the opportunity to respond to specific changes.
Press releases and comments	Press releases or comments regarding the Clwyd Pension Fund are made either via the Corporate Communications team within Flintshire County Council or in collaboration with them.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 15 th June 2022
Report Subject	Asset Pooling and WPP Business Plan 2022 - 2025
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the work undertaken by the Wales Pension Partnership (WPP) with pooling investments in Wales including the WPP Business Plan 2022 -2025, for approval.

There was a WPP Joint Governance Committee (JGC) on 23rd March 2022 and the draft minutes are appended for information which includes the recommendation of the Business Plan to the eight Constituent Authorities.

The Head and Deputy Head of Clwyd Pension Fund continue to assist the Host Authority (Carmarthenshire County Council) and the WPP Oversight Adviser (Hymans Robertson) with their respective roles, as well as representing the interests of the Clwyd Pension Fund on the:

- Officer Working Group
- Risk sub group
- Responsible Investment sub group
- Private Markets sub group – this includes the procurement process for private market allocators.

RECOMMENDATIONS

1.	That the Committee note and discuss the JGC agenda and agree any comments or questions for WPP.
2.	That the Committee approve the attached draft WPP Business Plan, including the objectives of the pool on page 7 and the budget on page 13, relating to the period 2022/23 to 2024/25.

REPORT DETAILS

1.00	Pooling Investment in Wales
1.01	<p>Joint Governance Committee (JGC) Agenda</p> <p>There was a WPP JGC on the 23rd March 2022. The draft minutes of that meeting are attached (Appendix 1).</p> <p>In summary the JGC considered or approved the following:</p> <ul style="list-style-type: none">• A progress update from the host authority.• The training plan for 2022/23.• The Business Plan (further details below)• A risk register review which this quarter considered the governance and regulation risks.• Annual reviews of the Communication Policy and Governance Matrix.• The appointment of Osian Richards from Gwynedd Pension Fund Board as Scheme Member Representative of the JGC and Ian Guy, City of Swansea Pension Fund Board as Deputy who will attend in Osian's absence, both for a two year tenure.• An update from the operator including the assets within the pool which are £16.6bn as at March 2022. The JGC was advised that it would be kept up to date over the next 6 months as Dye & Durham proceeds with the acquisition of Link Group.• An update on investment performance as at 31st December 2021. From a Clwyd Pension Fund point of view, this is for the Global Opportunities Equity Fund (invested since February 2019) and Multi Asset Credit Fund (Invested since August 2020) and the Emerging Market Equity Fund (invested since October 2021). All three mandates were ahead of their relevant benchmarks for the quarter. <p>Further information on the above is available in the full public agenda which is available here</p> <p>There were a further four items for which the public were excluded:</p> <ul style="list-style-type: none">• The quarterly Global Securities Lending report was received.• The quarterly Engagement report was received from Robeco.• The Allocators for the Infrastructure and Private Credit sub-funds were approved (further details below).• A Responsible Investment and Climate Risk report was received for the Global Credit Fund and the Multi Asset Credit Fund.
1.02	<p>Officer Working Group & Sub Groups</p> <p>The Deputy Head of Clwyd Pension Fund attends the Private Market sub-group and Responsible Investment (RI) sub-group. These are both complex</p>

	<p>areas and important for the Clwyd Pension Fund because 27% of our assets are in private markets and the ambitions within our Responsible Investment and Climate Risk policy. The Head of the Clwyd Pension Fund attends the quarterly meetings of the Risk Register group and all three groups report back to the Officer Working Group.</p> <p>The Deputy Head of the Clwyd Pension Fund was part of the group that evaluated and interviewed the candidates for Allocators for Infrastructure and Private Credit. As mentioned above the appointments have been approved by JGC. These strategies should therefore be available from 2022/23 for commitments from Clwyd Pension Fund. The appointments are</p> <ul style="list-style-type: none"> • Closed Ended Infrastructure – GCM Grosvenor • Open ended Infrastructure – IFM ; CBRE; Octopus • Private Credit – Russell Investments <p>The procurement for a Private Equity Allocator is in progress and again the Deputy Head is part of the group evaluating tenders and interviewing candidates. The deadline for submissions is 22nd June 2022 with the contract award planned for early October 2022.</p> <p>Initial discussions on the approach on investing in a property fund are due to commence this month.</p>
1.03	<p>Since the last Committee the RI sub-group have met in February, April and May 2022. The main areas of discussion were :</p> <ul style="list-style-type: none"> • An update from Robeco on engagement and voting. • Climate risk and ESG reports for the WPP Emerging Market Equity fund and the UK Credit Sub Fund. • A review of the voting and climate risk policies. • Discussions around stock lending. • Feedback from the UK Stewardship Code submission • • Further updates with Russell Investments to progress the implementation of an Active Sustainable Equity Sub Fund. <p>The WPP is now a signatory of the Stewardship Code, however, in their response the Financial Reporting Council (FRC) helpfully highlighted a number of areas where improvements should be made. An action plan is being developed to address these matters ready for next year's submission.</p> <p>Russell Investments have continued to consult with all Constituent Authorities on the development of the Global Active Sustainable Equity Fund which the Clwyd Fund asked the WPP to create. Both Clwyd Officers and Mercer as our Investment Consultants have provided our views on progress reports provided by Russell. It is planned that the sub-fund structure will be recommended to the next JGC. Thereafter approval will be required from the Financial Conduct Authority (FCA) who are heavily scrutinising such funds to ensure there is no 'greenwashing' on the sustainable objectives.</p> <p>The Host Authority and RI sub group are also working with Robeco, (WPP</p>

	<p>Voting & Engagement provider) and Northern Trust (Stock Lending provider) on bespoke reports on voting and stock lending for each Constituent Authority. At the moment the confidential reports for JGC are for the WPP as a whole. A Constituent Authority may not hold the stock voted on or lent if they are not invested in that particular equity fund. Of the four equity funds available the Clwyd Fund is only invested in two.</p>
1.04	<p>WPP Business Plan 2022- 2025</p> <p>In accordance with the Inter Authority Agreement the approval of the WPP Business Plan, which includes the strategic objectives and budget, is a reserved matter for each of the eight Constituent Authorities.</p>
1.05	<p>The draft WPP Business Plan for the three years commencing 2022/23 is attached as Appendix 2. This is the WPP’s third plan since its inception and as mentioned earlier the draft was approved for recommendation to the Constituent Authorities by the JGC. The draft Business Plan was developed in consultation with officers from the eight Constituent Authorities and the WPP Oversight Advisor.</p>
1.06	<p>The Business Plan includes WPP:</p> <ul style="list-style-type: none"> • governance, objectives, beliefs and an overview of the policies • risk management • work plan • training plan • financial budget • investments <p>Within the work plan the main areas of work are categorised as governance, sub-fund development, operator service (Link Fund Solutions), investments & reporting, communication & training and resources, budget and fees. ,</p>
1.07	<p>Excellent progress continues to be made by the WPP in terms of pooling investments, with across the eight Constituent Authorities, 73% of assets pooled with WPP and BlackRock, and the Business Plan outlines how further assets will be transitioned to WPP. Work which is currently on-going is outlined in 1.02 above</p> <p>In terms of investment and reporting this includes all the areas to be covered in relation to Responsible Investing and work which is currently on-going as explained in 1.03 above. This is an area highlighted to be of utmost importance to the WPP and is a positive step in helping the Clwyd Pension Fund achieve its own objectives in our Responsible Investment Policy.</p> <p>The other key area of work is for the preparation for the procurement for the operator service contract with Link Fund Solutions which ends in December 2024.</p>
1.08	<p>The budget on page 14 of the Business Plan has increased from 2021/22. This is due to the additional work expected from the Oversight Advisor in relation to Responsible Investment, especially compliance with the Stewardship Code, Task Force on Climate Related Financial Disclosures (TCFD) and private market procurements. The total fees will be shared equally between the eight Pension Funds. Fees due to the operator and private market allocators will</p>

	<p>increase as more assets are transferred into WPP in line with the operator agreement and will be allocated between the Pension Funds dependant on the individual assets under management. Furthermore, should it transpire that additional expenditure exceeding 30% of the agreed 2022/23 WPP budget is required, then this is also a reserved matter that will be brought back to the Constituent Authorities.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	<p>The costs of resources required for delivering the WPP Business Plan is included in the budget section of the WPP Business Plan.</p> <p>A proportion of the costs from the WPP budget were included in the Clwyd Pension Fund budget within the Clwyd Pension Fund Business Plan.</p> <p>There is considerable time allocated by the Head & Deputy of the Clwyd Pension Fund in delivering and monitoring the WPP Business Plan which is not recognised in the Clwyd Pension Fund budget, however it does result in greater reliance on external advisors on local matters than would otherwise be the case.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>Some elements of the Business Plan, such as the training plan, have been informed by questionnaires completed by all Constituent Authorities. The WPP Inter Authority Agreement requires all eight Constituent Authorities to approve the WPP Business Plan.</p>

4.00	RISK MANAGEMENT
4.01	<p>How the Wales Pension Partnership operates is key in enabling the Fund to implement its investment strategy. If performance is not in line with the assumptions in our strategy, it will impact on the cost of the scheme to employers at future Actuarial Valuations. In addition, further guidance on pooling is expected from DLUHC this year and the implications of that guidance are not yet known.</p> <p>Given these points, this risk (risk number 3 on the funding and investment register) continues to be categorised as significant in the Fund's risk register.</p> <p>The key risks are considered as part of the business planning process and articulated within the WPP Business Plan.</p> <p>The WPP risk register is included in the JGC agenda. The focus last quarter was on governance and regulation risks. The Head of Clwyd Pension Fund attends the WPP Risk sub group.</p>

5.00	APPENDICES
5.01	Appendix 1 – JGC 23rd March 2022 draft minutes. Appendix 2 – WPP Business Plan 2022 - 2025.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> Earlier Committee reports on the progress of the WPP. <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) The Fund – 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) The Committee – 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) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(e) Inter-Authority Agreement (IAA) – the governance agreement between the eight Wales pension funds for purposes of pooling</p> <p>(f) Wales Pension Partnership (WPP) – the name agreed by the eight Wales pension funds for the Wales Pool of investments</p> <p>(g) The Operator – 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>

WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Wednesday, 23 March 2022

PRESENT: Councillor Cllr. C. Lloyd (Chair)

Councillors:

C. Weaver, G. Caron, P. Jenkins, M. Norris, P. Lewis, T. Palmer and D.E. Williams

The following officers were in attendance:

C. Moore – Joint Committee Section 151 Officer (CCC)
L. Rees-Jones – Joint Committee Monitoring Officer (CCC)
C. Lee – Corporate Director of Resources (CoC)
N. Aurelius – Assistant Chief Executive – Resources (TCC)
J. Dong – Deputy S151 Officer/ Chief Finance Officer (C&CS)
D. Edwards – Fund Director (GCC)
J. Thomas – Head of Financial Services (PCC)
P. Latham – Head of Clwyd Pension Fund (FCC)
P. Griffiths – Service Director Finance and Improvement (RCT)
T. Williams – Senior Financial Services Officer (CCC)
M. Evans Thomas – Principal Democratic Services Officer (CCC) [Note Taker]
J. Owen – Democratic Services Officer (CCC) [Assisting]
K. Evans – Assistant Democratic Services Officer (CCC) [Assisting]
E. Evans – Principal Democratic Services Officer (CCC) [Webcasting]
S. Rees – Simultaneous Translator (CCC)

Also in attendance to present reports:

A. Johnston – Hymans Robertson
E. Gough - Link Fund Solutions
K. Midl – Link Fund Solutions
R. Thornton - Link Fund Solutions
N. Round – Northern Trust
A. Knell – Robeco
K. Robertson – Robeco
A. Quinn – Russell Investments
J. Leggate – Russell Investments
T. Paik - Russell Investments
S. Gervaise-Jones - bfinance

Also present as observers:

K. Cobb – Pension Fund Accounting & Investment Manager (C&CS)
M. Falconer – Pension Manager (CoC)
C. Hurst – Pension Fund Manager (PCC)
D. Jones-Thomas – Investment Manager (GCC)
Y. Keitch – Principal Accountant (RCT)
D. Fielder - Deputy Head of Clwyd Pension Fund (FCC)
A. Bull – Head of Pensions (TCC)

Virtual Meeting - 10.00 am - 12.42 pm

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF INTEREST

Member	Agenda Item No.	Interest
Cllr. G. Caron	All agenda items	He is a paying and receiving member of the Greater Gwent Pension Fund, his wife is a receiving member and his son-in-law is a paying member
Cllr. P. Jenkins	All agenda items	He is a member of the Gwynedd Pension Fund
Cllr. P. Lewis	All agenda items	He is a member of the Powys Pension Fund
Cllr. C. Lloyd	All agenda items	He is a member of the County & City of Swansea Pension Fund
Cllr. M. Norris	All agenda items	He is a member of the Rhondda Cynon Taf Pension Fund
Cllr. T. Palmer	All agenda items	His partner and daughter are members of the Clwyd Pension Fund
Cllr. E. Williams	All agenda items	He is a member of the Dyfed Pension Fund

[Note: There is an exemption within the Code of Conduct for Members, which allows a member who has been appointed or nominated by their Authority to a relevant body to declare that interest but remain and participate in the meeting.]

3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 1ST DECEMBER, 2021

UNANIMOUSLY RESOLVED that the minutes of the Joint Governance Committee meeting held on 1st December, 2021 be signed as a correct record.

4. HOST AUTHORITY UPDATE

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a progress update in relation to the following key areas:-

- Governance
- Ongoing establishment
- Operator services
- Communications and reporting
- Training and meetings
- Resources, budget and fees

The Chair took the opportunity to thank the Host authority officers for their contribution to the presentation at the Joint Council for Wales meeting which was held recently.

UNANIMOUSLY RESOLVED that the Host Authority update be received.

5. WPP TRAINING PLAN - 2022/23

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received the Training Plan for 2022/23. The meeting was advised that the WPP's training plan is devised to supplement existing Constituent Authority training and will be relevant to the WPP's pooling activities. The training is primarily focussed on meeting the training needs of members of the OWG and JGC, however it may be extended to Pension Committee members, as well as Pension Board representatives, if relevant.

The 2022/2023 training sessions will be held quarterly and will cover the following topics:

- Product knowledge
- Pool knowledge
- Responsible Investment
- Market Understanding

UNANIMOUSLY RESOLVED that the WPP training plan 2022/23 report be approved.

6. WALES PENSION PARTNERSHIP BUSINESS PLAN 2022-2025

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Business Plan 2022-2025. The meeting was advised that the Business Plan has been drafted in accordance with Section 6 of the Inter Authority Agreement. Following approval by the Joint Committee, the Business Plan would be sent to all Constituent Authorities for their written approval.

The Chair was thanked for his hard work and contribution to the Joint Committee during his period as Chair.

UNANIMOUSLY RESOLVED that the Business Plan be approved.

7. RISK REGISTER Q1 2022 REVIEW

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Risk Register Q1 2022 Review. It was noted that during the last quarter a review was undertaken of the Governance and Regulation section, risks G.1 to G.6. The review outcomes of each risk were summarised in an appendix to the report.

UNANIMOUSLY RESOLVED that the amendments to the WPP Risk Register, as detailed in the report, be approved.

8. ANNUAL POLICY REVIEWS

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a report detailing the Annual Policy Reviews undertaken on the following policies:-

- Communication Policy
- Governance Matrix

These policies were approved by the JGC in December 2019. A second annual review of the policies has taken place and updated documents require approval by the JGC.

UNANIMOUSLY RESOLVED that the updated policies, as detailed above, be approved.

9. SCHEME MEMBER REPRESENTATION ON THE JOINT GOVERNANCE COMMITTEE

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered a report to approve the recommendation of the Joint Governance Committee (JGC) sub-group to appoint:

- Osian Richards from Gwynedd Pension Fund as the Scheme Member Representative of the JGC
- Ian Guy from City and County of Swansea Pension Fund as the Deputy Scheme Member Representative of the JGC (the deputy will be required to attend meetings in the SMR's absence).

The appointment will be effective immediately after the JGC have approved the recommendations, with a tenure of two years. If the individual ceases to be a local pension board scheme member representative within that two-year period, their role as scheme member/deputy scheme member representative will also cease.

Reference was made regarding the high standard of calibre of applicant for the posts and that the successful applicants would be an asset to the JGC.

UNANIMOUSLY RESOLVED that the recommendations of appointments, as detailed above, be approved.

10. OPERATOR UPDATE

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received an update on the progress of the Wales Pension Partnership in relation to the following key areas:-

- Current Fund Holdings
- Fund Launch Progress
- Corporate Update and Engagement

The report also provided an update on the progress and milestones of the following Sub Funds:-

- Tranche 1 – Global Equity
- Tranche 2 – UK Equity
- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets

In response to a query, the JGC was advised that it would be kept updated over the next 6 months, as Dye & Durham proceeds to acquire Link.

UNANIMOUSLY RESOLVED that the Operator Update report be received.

11. PERFORMANCE REPORTS AS AT 31 DECEMBER 2021

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a presentation on the Performance Reports as at 31st December, 2021. It was noted that the sub funds had outperformed/underperformed against their respective benchmarks, as follows:

- Global Opportunities – outperformed by 0.71% gross / 0.34% net
- Global Growth – outperformed by 0.01% gross / underperformed by 0.44% net
- Emerging Markets – outperformed by 0.24% gross / 0.13% net
- UK Opportunities – outperformed by 1.12% gross / 0.68% net
- Global Government Bond – outperformed by 1.06% gross / 0.83% net
- Global Credit – outperformed by 1.23% gross / 1.06% net
- Multi Asset Credit – outperformed by 1.86% gross / 1.43% net
- ARB – underperformed by 0.73% gross / 1.19% net
- UK Credit – outperformed by 0.37% gross / 0.25% net

UNANIMOUSLY RESOLVED that the Performance Reports of the Sub Funds, as detailed above, as at 31st December, 2021, be noted.

12. EXCLUSION OF THE PUBLIC

UNANIMOUSLY RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

13. GLOBAL SECURITIES LENDING REVIEW AS AT 31 DECEMBER 2021

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would adversely impact upon the Pension Fund by disadvantaging Fund Managers in negotiations with borrowers to the detriment of the Fund.

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Global Securities Lending Review for Quarter ending 31st December, 2021.

UNANIMOUSLY RESOLVED that the Global Securities Lending Review as at 31st December, 2021 be noted.

14. ROBECO ENGAGEMENT SERVICE - Q4 2021 ENGAGEMENT REPORT

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Engagement Report for Q4 of 2021, which ended on 31st December 2021.

UNANIMOUSLY RESOLVED that the Engagement Report for Q4 of 2021 be noted.

15. WPP PRIVATE MARKET ALLOCATOR APPOINTMENTS

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Governance Committee considered a report to appoint the Private Market Allocators for the Wales Pension Partnership.

Following the completion of the procurement process, it was recommended:

- To appoint bidder 8 as the preferred bidder for the Wales Pension Partnership Allocator for Private Debt (Lot 1) subject to the completion of the standstill period and the finalisation of the Allocator Contract
- To appoint bidder 7 as the preferred bidder for the Wales Pension Partnership Allocator for Infrastructure (Lot 2) subject to the completion of the standstill period and the finalisation of the Allocator Contract
- To appoint bidders 4,8 and 13 as the preferred bidders for the Wales Pension Partnership Allocators for Open Ended Infrastructure (Lot 3) subject to the completion of the standstill period and the finalisation of the Allocator Contract

UNANIMOUSLY RESOLVED that the Allocator Appointment, as detailed above, be approved

[NOTE: At this point in the meeting Cllr Ted Palmer had to leave the meeting]

16. RESPONSIBLE INVESTMENT & CLIMATE RISK REPORTS

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received an update on the Q3 Responsible Investment & Climate Risk Reports for WPP's:

- Global Credit Sub Fund, and
- Multi Asset Credit Sub Fund.

UNANIMOUSLY RESOLVED that the Responsible Investment & Climate Risk Reports be noted.

CHAIR

DATE



Wales Pension Partnership Business Plan 2022-2025



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Introduction

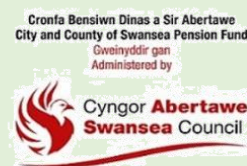
This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2022/23, 2023/24 and 2024/25. The business plan is constantly monitored and will be formally reviewed and agreed every year. The purpose of the business plan is to:

- Explain the background and governance structure of the WPP
- Outline the priorities and objectives of the WPP over the next three years
- Outline the financial budget for the relevant Business Plan period
- Summarise the WPP's Investments & Performance Objectives

About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions with the aim of achieving strong net of fee performance for all the Constituent Authorities. We have a shared vision and agreement on the means and pace at which this vision will be achieved. The eight LGPS Funds (Constituent Authorities) of the Wales Pension Partnership are:



Governance

The WPP is responsible for ensuring that its business is conducted in accordance with regulation and guidance. We must also ensure that: public money is safeguarded and properly accounted for, used economically, efficiently and effectively to ensure value for money. We also strive for continuous improvement and to conform with industry best practice.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure, which has been designed to:



Risk Management

The Wales Pension Partnership ('WPP') recognises that it faces numerous risks which, if left unmanaged, can limit the WPP's ability to meet its objectives and to act in the best interest of its stakeholders and beneficiaries. However, the WPP also understands that some risks cannot be fully mitigated and that in these instances' risks need to be embraced through active and effective management.

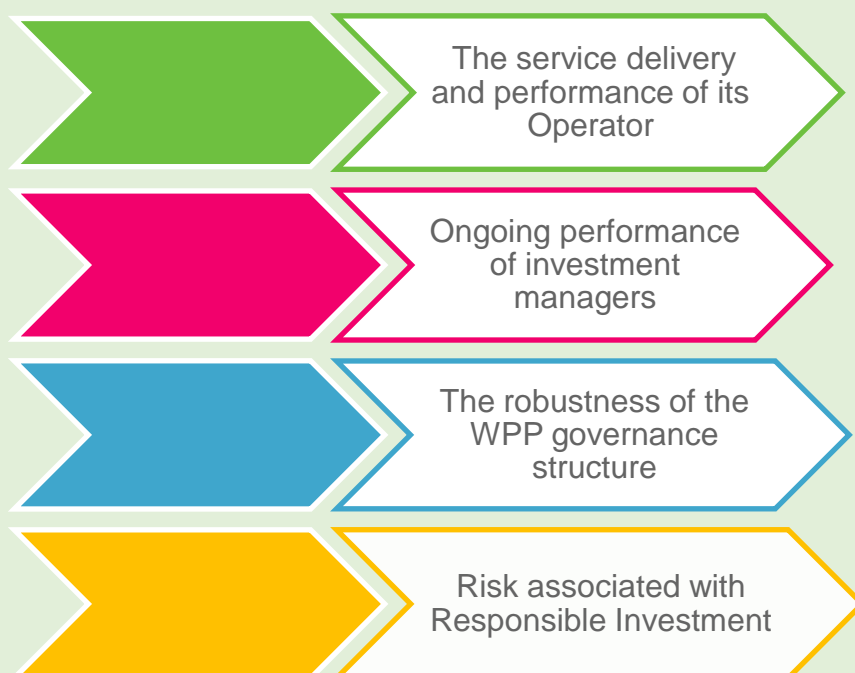
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without warning. To reflect this belief, the WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to risk. The extent to which the WPP is able to effectively balance risk and return will depend on the success of its Risk Policy. It is critical that prior to making decisions the WPP understands the associated risks and considers the means by which these risks could be managed.

The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives. The WPP's Business Plan is an additional means through which the WPP will give special recognition to risks that pose a material threat to the delivery of its objectives and the actions required to manage these risks.

During the course of this business plan the WPP will seek to develop mechanisms, frameworks and process for managing the following key risks:



Objectives

The WPP is proud to represent the eight Constituent Authorities and recognises its duty to ensure the needs and requirements of all stakeholders are met. The WPP, through consultation with all eight Constituent Authorities, has formulated a list of primary objectives these can be summarised as follows:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical)
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers

The eight Constituent Authorities recognise that their strength derives from their shared beliefs and their ability to work together to deliver on their unified objectives for the benefit of all WPP stakeholders.

Beliefs

The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented
- Good governance should lead to superior outcomes for the WPP's stakeholders
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders
- Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of broader Environmental, Social and Governance issues, should result in better outcomes for the WPP's stakeholders
- Effective internal and external communication is vital to achieving the WPP's objectives
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise
- Fee and cost transparency will aid decision making and improve stakeholder outcomes
- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve
- flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

Policies

The WPP believes that good governance should lead to superior outcomes for the WPP’s stakeholders. In recognition of this belief, the WPP, in consultation with the Constituent Authorities, has developed a robust governance structure and framework and a set of governing policies. In all instances the WPP’s policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP and the Constituent Authorities, to:



The WPP’s key policies, registers and plans are listed below and can be found on the WPP website.



The WPP’s policies are reviewed on a regular basis and the WPP will continually assess whether any additional policies, registers or plans are required. The WPP workplan includes a number of additional governance documents that will be developed, these will be made available on the WPP website once completed. The policies play a vital role in the WPP’s governance arrangements and have been formulated with the sole purpose of providing a codified framework which will ensure that the WPP achieves its objectives in an effective and transparent means.

Work Plan

The tables below shows key priorities and objectives that the WPP aims to complete over the next three years. The workplan has been broken down into a number of key sections which are all vital to the continued success of the WPP

- **Governance** - The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework by developing additional policies, registers, plans and carry out ongoing reviews of its existing governance documents and structure.
- **Ongoing Sub-Fund development** – To date the WPP has pooled 73% of its assets and a number of other sub funds are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.
- **Operator Services** - The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers are crucial. The current operator contract comes to an end in December 2024.
- **Investments and Reporting** - The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities. The WPP will continue to deliver on its reporting requirements and will develop further reporting, as and when required.
- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.
- **Resources, Budget and Fees** - The WPP recognises that insufficient resources poses a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2022 - 2023	2023 - 2024	2024 - 2025
Governance			
Development of a WPP Whistleblowing Policy	✓		
Development of a WPP Business Continuity Plan (including Cyber)	✓		
Development of a WPP Complaints Policy	✓	✓	
Development of a WPP Breach and Errors Policy	✓	✓	
Ongoing review of Inter Authority Agreement	✓	✓	✓
Annual/biennial review of WPP's policies and plans	✓	✓	✓
Quarterly reviews of the Risk Register	✓	✓	✓
Ongoing Sub-Fund development			
Appoint Private Market Allocators	✓	✓	
Launch of Private Debt & Infrastructure Sub-Funds	✓		
Launch of Private Equity Sub-Fund	✓		

Launch Sustainable Equities Sub-Fund	✓		
Formulate the WPP's Property requirements and optimal means of implementation ahead of sub-Fund launch	✓	✓	
Review and develop a mechanism to pool any suitable non-pooled assets		✓	✓
Launch of other Private Market sub-funds (TBC)		✓	✓
Consultation with CAs on need for further sub-funds	✓	✓	✓
Consideration of Local Investment opportunities	✓	✓	✓
Operator Services			
Operator contract / procurement process	✓	✓	✓
New Operator Contract			✓
Operator Oversight	✓	✓	✓
Investments and Reporting			
Finalise Voting & Engagement Reporting Requirements	✓		
Formulate WPP Engagement Priorities and Implementation Framework	✓	✓	
Review Sub-Fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs	✓	✓	✓
Task Force on Climate-related Financial Disclosures (TCFD) reporting	✓	✓	✓
Stewardship Code reporting	✓	✓	✓
Consider additional reporting that demonstrates WPP's commitment to Responsible Investment	✓	✓	✓
On-going Investment Manager performance reporting, scrutiny and challenge	✓	✓	✓
Annual review of WPP's Cost Transparency Requirements	✓	✓	✓
Annual performance review of WPP Sub Funds (Equity and Fixed Income)	✓	✓	✓
On-going engagement with Constituent Authorities regarding minimum ESG / RI standards and their climate ambitions	✓	✓	✓
Communication and Training			
Formulation of WPP's Annual Responsible Investment Progress Report	✓	✓	✓
Formulation of the WPP's Annual Training Plan	✓	✓	✓
Formulation of the WPP's Annual Update	✓	✓	✓
Formulation of the WPP's Annual Report	✓	✓	✓
Resources, Budget and Fees			
Annual review of resources and capacity	✓	✓	✓
Formulation of Annual WPP Budget	✓	✓	✓
Review and Monitoring of Fees (including Link & Russell)	✓	✓	✓

Training Plan

It is best practice for WPP personnel to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions;
- the pooling of Local Authority Pension Schemes; and
- relevant investment opportunities.

The WPP's training plan is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

WPP personnel should obtain a degree of knowledge and understanding that ensures they are able to carry out their duties associated with the WPP. WPP personnel should also be aware of the WPP's framework, beliefs, policies, governance matrix, the decision-making process and decision logging process.

To aid WPP personnel, the Host Authority will arrange quarterly training sessions which will cover major areas such as investments, administration, regulation requirements, government guidance and market developments. The WPP's training events will primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

We have set out below a list of training topics which the Host Authority will arrange training for during the 2022/2023 financial year. WPP's training topics are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG'). Potentially there could be a number of member changes on the individual Pension Committees following the council elections in May 2022 and this has also been a factor in setting this year's training topics.

Product Knowledge

- o Private Market Asset Classes & the role of the Allocator
- o Active Sustainable Equities

Pool Knowledge

- o Governance and Administration
- o Roles and Responsibilities

Responsible Investment

- o What RI means for the WPP
- o Stewardship Code and TFCD Reporting

Market Understanding

- o Progress of other LGPS pools
- o Collaboration Opportunities

Budget

The table below outlines the WPP's budget for the next three years.

	2022-23	2023-24	2024-25
	£'000	£'000	£'000
Host Authority *	191	196	200
External Advisors *	1,206	1,168	1,130
TOTAL to be recharged	1,397	1,364	1,330
Operator / Allocator Services **	33,319	36,651	40,316
TOTAL to be deducted from the NAV	33,319	36,651	40,316

**Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

***Operator / Allocator Services costs are based on each Constituent Authority's percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets.*

Investments & Performance

The WPP's Constituent Authorities have total assets of circa £21.6bn (as at 31 March 2021). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies.

The Officers Working Group receives quarterly, six monthly and annual performance reports, the group reviews and challenges the performance of Investment Managers on behalf of the WPP. The WPP hosts annual manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee and Board Members and the WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at local level, this will include manager attendance at Pension Committees. Below we outline the WPP's existing Sub-Funds.

Equity Sub-Funds



* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Growth	MSCI ACWI ND	RCT, Dyfed, Gwynedd, Cardiff and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT, Cardiff and Clwyd	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ, Nissay and Oaktree	Feb 19
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Majedie, Lazard, Baillie Gifford, Ninety-One, J O Hambro and Liontrust	Sept 19
Emerging Markets	MSCI Emerging Markets	Cardiff, Clwyd, Gwynedd and Torfaen	Artisan, Bin Yuan, Barrow Hanley, Axiom, Numeric and Oaktree	Oct 21

Fixed Income Sub-Funds



* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Credit	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Powys and Torfaen	Western, Metlife, Fidelity and T Rowe Price	July 20
Global Government	FTSE World Government Bond Index (GBP Hedged)	Cardiff and Torfaen	Bluebay and Colchester	July 20
Multi-Asset Credit	ICE BofA SONIA + 4% p.a.	Cardiff, Clwyd, Gwynedd, Powys, and Swansea	ICG, Man GLG, BlueBay, Barings and Voya	July 20
Absolute Return Bond Fund	ICE BofA SONIA + 2% p.a.	Gwynedd, Powys and Swansea	Wellington, Putnam, Aegon and Insight	Sept 20
UK Credit Fund	ICE BofA ML Eur-Stg plus 0.65%	RCT	Fidelity	July 20

Contact Details

If you require further information about anything in or related to this business plan, please contact the Wales Pension Partnership:

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website can be found here:

<https://www.walespensionpartnership.org/>



Eitem ar gyfer y Rhaglen 8



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 15 th June 2022
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 March 2022 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 membership of the Pension Board
- The application for professional status as required by MiFID II
- The March LGPS Scheme Advisory Board meeting
- Monitoring of the Pension Fund's objectives as set out in the governance related policies
- Changes to the governance risks on the Fund's risk register since the last meeting
- The latest changes to our breaches of the law register
- Forthcoming training and events, some of which is essential for Members.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee agree that completion and submission of any future applications to opt up to professional client status in respect of MIFID II is delegated to the Head of Clwyd Pension Fund.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p data-bbox="320 271 660 304">Business Plan Update</p> <p data-bbox="320 344 1385 524">Appendix 1 provides the Governance appendix from the Fund’s business plan for 2022/23 to 2024/25 setting out the key priorities for the Fund from a Governance perspective. This is provided in full for the benefit of the new members of the Committee as it is a key document driving the work of the Fund and the Committee.</p> <p data-bbox="320 564 1369 781">Usually, the three main update reports at each Committee include the latest progress against the business plan within a summary dashboard with commentary in the update report. Given we are only 2 months into 2022/23, full updates are not being included for this meeting. Instead any key points are being highlighted in the reports and full updates will be provided at the next meeting.</p> <p data-bbox="320 822 1362 891">In relation to the priorities in the governance section of the business plan, the key points to note are as follows:</p> <ul data-bbox="368 931 1369 1411" style="list-style-type: none"><li data-bbox="368 931 1369 1039">• <i>G1 – Induction Training</i> Induction training is being planned for and discussed with the new members of the Committee.<li data-bbox="368 1079 1369 1411">• <i>G2 – Develop business continuity arrangements including managing cyber risk</i> At the March 2021 meeting, the Committee approved and adopted a Fund specific Business Continuity Policy. The next key step is to develop and document a Fund specific business continuity plan. The Deputy Head of Clwyd Pension Fund and Pensions Administration Officer have documented the current practices and requirements which will form the basis of the business continuity plan. This work is ongoing. <p data-bbox="416 1451 1369 1668">In addition, within the cyber security workstream, the Fund continues to engage with FCC as host authority and the next steps are to develop a Fund specific Cyber Incident Response plan and Fund specific Cyber Hygiene Guidelines. Initial work on both these documents has begun but progress is dependent on engagement from FCC.</p> <p data-bbox="416 1709 1251 1742">Further information will be provided at the next Committee.</p> <ul data-bbox="368 1783 1369 2000" style="list-style-type: none"><li data-bbox="368 1783 1369 2000">• <i>G3 – Review against TPR new Single Code</i> It is possible that The Pension Regulator’s new Single Code may not be laid before Parliament prior to Summer recess, as originally planned. If that is the case, the timing relating to this area on the business plan will need to be moved. This will be confirmed at the next Committee.

1.02	<p>Current Developments and News</p> <p><i>Pension Board update</i></p> <p><u>Pension Board membership</u> Mr Phil Pumford is the existing scheme member representative appointed by the joint trade unions. His term of appointment was due to come to an end in October of this year. The joint trade unions have proposed that Phil continues in this role and it is very pleasing to report that Phil has agreed to his reappointment. This has now been formally agreed by the Chief Executive in accordance with the Pension Board Protocol. The new appointment is for a period of three years, albeit it can be extended up to five years.</p>
1.03	<p><u>Pension Board meetings</u></p> <p>The Clwyd Pension Board provides assistance to the Committee and officers of the Clwyd Pension Fund. Its role is to assist Flintshire County Council as the administering authority of the Clwyd Pension Fund:</p> <ul style="list-style-type: none"> • to secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by The Pensions Regulator • to ensure the effective and efficient governance and administration of the LGPS by the Clwyd Pension Fund. <p>An update was provided at the last Committee meeting of the matters discussed at the Clwyd Pension Board on 17 February. The minutes are now included in Appendix 2.</p> <p>The Board also met on 8 June, and a verbal update on any key matters will be provided at the Committee meeting. The minutes from the June Board meeting will be provided at the August Committee meeting. The next Pension Board meeting is on 30 September 2022.</p>
1.04	<p><u>Pension Board Effectiveness Survey</u></p> <p>It is good practice to regularly consider how effective governance arrangements are, and this is also an expectation within CIPFA's Principles for Investment Decision Making and Disclosure in the LGPS (based on the "Myners principles") where it states that "Administering Authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body".</p> <p>Committee Members were recently asked to complete a survey to establish the Members' views on the effectiveness of the Fund's governance including the Committee arrangements, and the results were reported to the Committee in March.</p> <p>Subsequently, members of the Pension Board have been asked to complete a similar survey in respect of the Fund's governance relating to the Board's arrangements. The survey is still open for responses at the point of drafting this report but a verbal update on the key findings will be provided at the Committee if they are available.</p>

1.05

Professional client opt up under MiFID II

The Markets in Financial Instruments Directive (MiFID II) regime (first implemented in 2007 and then revised in 2014) uses client 'categories' to recognise that investors have different levels of experience, knowledge and expertise. It provides different levels of regulatory protections to ensure that these different investors are appropriately protected.

Under MiFID II, investors will be retail clients, professional clients or eligible counterparties (ECPs). Investors are given a categorisation depending on set criteria but may ask to be treated as a more sophisticated client (resulting in less regulatory protection but potentially enabling access to a wider range of more complex, risky investments) provided they meet the appropriate criteria as set out in regulation. This is known as elective categorisation (or "opting up").

As standard, MiFID II categorises local authorities as retail clients, with the ability to opt-up to professional client status. MiFID II sets out the rules which allow clients to opt up to professional client status. It is up to the investment firm/manager (i.e. the organisation to which the LGPS administering authority wishes to move assets) to evaluate on certain quantitative and also qualitative grounds whether to agree to treat the LGPS administering authority as professional client status.

MiFID II defines the requirements for investment firms to carry out the qualitative test based on experience, knowledge and expertise. The Financial Conduct Authority requires that local authorities must meet the following quantitative tests in order to opt up:

- the size of the authority's financial instrument portfolio defined as including cash deposits and financial instruments, exceeds £10,000,000; AND, [...]:
- Is an 'administering authority' of the Local Government Pension Scheme.

Investment firms are required to review opt-ups. This is usually done on an annual basis and it should also be done where there are key changes to officers and committee members. Accordingly, given the recent changes to the Committee membership, the Committee must confirm to their investment firms/managers that they still wish to opt up to professional investor status.

Previously the applications to opt up were submitted by Colin Everett as Chief Executive of Flintshire County Council in his role as administrator to the Fund. That role no longer exists and it is therefore, recommended that the completion and submission of the application to opt up to professional client status in respect of MIFID II is delegated to the Head of Clwyd Pension Fund and that this is set out within the Officer Delegations Schedule (which is included in Appendix 7).

1.06

LGPS Scheme Advisory Board (SAB) meetings

As set out the last governance update, the LGPS SAB met on 7 March. A Summary of this meeting is attached as Appendix 4.

	<p>One of the matters that was discussed at the meeting was that there is currently only one option for pension provision for local authorities' employees eligible to be in the LGPS, which is the LGPS.</p> <p>Some local authorities reported to the Scheme Advisory Board that occasionally employees opt out of the LGPS on the basis of their religious beliefs. Typically this relates to people of the Muslim faith who are worried that LGPS funds or investments were not Sharia-compliant.</p> <p>The Scheme Advisory Board commissioned legal advice to assess the risk of a successful claim for discrimination or human rights challenge from an employee complaining of a failure, by any employer who is only offering pension provision by LGPS membership, to provide a Sharia-compliant scheme. Advice was not sought on whether the LGPS is Sharia-compliant.</p> <p>The full report and legal opinion are attached in Appendix 3 but as a summary the report for the Board explained: "At a high level, [Counsel's] advice is that at present it is arguable whether employers have the legal power to offer an alternative to the LGPS. If that were to be clarified as permissible, offering alternative pension provision could most likely not be limited just to Muslim employees who opt out of the LGPS by reason of their religious beliefs."</p> <p>Counsel also advised that any alternative provision would need to be offered to all employees. This alternative provision would probably be a defined contribution scheme offering inferior benefits to those offered by the LGPS.</p> <p>SAB noted that there would be implications for administering authorities if employers were required to offer multiple schemes, as well as the possibility of employees choosing a cheaper scheme which provides lesser benefits without fully understanding the benefits of the LGPS.</p>
1.07	<p>The next SAB meeting was due to be held on 6 June 2022. Whilst there was no agenda or meeting papers available for this meeting at the time of writing, it was expected that the Board will be asked to consider a proposal to review its operation and set up a new steering committee as well as to consider and approve the Board workplan.</p> <p>There are no matters to highlight to the Committee that aren't covered in other Committee update reports.</p>
1.08	<p><i>PLSA Report: Local Government Pension Scheme - Today's Challenges, Tomorrow's Opportunities</i></p> <p>The Pensions and Lifetime Savings Association (PLSA) conference is on 13th to 15th June and is being attended by the Deputy Head of Pension Fund. There will be a report launched at the event about the challenges and opportunities in the LGPS which makes many recommendations on the governance and management of the LGPS. The Head of Clwyd Pension Fund was involved in the development of this report.</p>

It is also worth noting that the Deputy Head of Clwyd Pension Fund will be participating at the PLSA conference on a panel discussing local investing.

Policy and Strategy Implementation and Monitoring

1.09

Knowledge and Skills Policy and Training Plan

Policy requirements

The Clwyd Pension Fund Knowledge and Skills Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to:

- attend training on the key elements identified in the CIPFA Knowledge and Skills Framework as part of their induction and on an ongoing refresher basis
- attend training sessions on "hot topic" areas, such as a high risk area or an area of change for the Fund and
- attend at least one day each year of general awareness training or events.

Training undertaken - Appendix 5 sets out the Training Plan for the Fund.

Recent events include:

- 22 March 2022 - WPP Good Governance / Cost Transparency
- 24 to 25 March 2022 - LGC Investment Summit (Carden Park).
- 8 June 2022 - Communications strategy
- 13 to 15 June 2022 - PLSA Local Authority Conference.

A summary of attendance at the Fund's hot topic training sessions over 2021/22 is included below:

	Date	Number of Committee attending (Proportion of total)	Number of Board attending (Proportion of total)
Hot Topic Sessions – Target attendance is 75%			
Funding / Flightpath 1	Apr-21	7 (78%)	1 (25%)
Fossil Fuel and Divestment	May-21	8 (89%)	3 (75%)
RI Roadmap	May-21	8 (89%)	2 (50%)
Funding / Flightpath 2	Jul-21	3 (33%)	2 (50%)
Conflicts of Interest	Nov-21	7 (78%)	4 (100%)
Cyber	Dec-21	8 (89%)	4 (100%)
Tax / Annual Allowance	Jan-22	7 (78%)	4 (100%)
Total		48 (76%)	20 (71%)

The first hot topic session of the 2022/23 scheme year was on Communications Strategy, scheduled for 8 June at 10am. As this session

had not been run at the time of writing a verbal update on attendance will be provided at the meeting.

As can be seen, attendance at hot topic sessions over the year has been good. Over the year as a whole, the Fund has met the target attendance levels for Committee members although Board member attendance fell just short of the target. Reassuringly, the 75% attendance target has been met since the new training policy came into effect in September 2021.

Future training and events

Officers will continue to be in touch with information as further training sessions and events become available. In particular induction training is being arranged for the new committee members. In the meantime, if any Committee or Board members wish to attend any of the following optional events, please contact the Deputy Head of Clwyd Pension Fund:

- 22 June 2022 at 9:30 - CIPFA Pension Board Event (virtual)
- 8 to 9 September 2022 - LGC Investment Seminar (in person, and four places have been provisionally booked at a discount)

Committee members should however note the following training sessions which are classed as essential for all Committee and Board members and senior officers:

- 24 August 2022 at 2.30pm - Funding strategy (in person, if permitted)
- 5 October 2022 at 10.00 am – Investment strategy and asset classes (in person, if permitted).

1.10

Recording and Reporting Breaches Procedure

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 6 details the current breaches that have been identified.

The new breaches that have been added since the last Committee are as follows:

- A23 – this relates to an employer who failed to provide information to individuals in 2008 explaining the option to join the LGPS. The employer is currently determining how to resolve this issue.
- F62 onwards – these all relate to late pension contributions or remittance advices. There is an unusually high number of new breaches this quarter and therefore officers will be issuing an email to all employers reminding them of the legal deadlines. At recent committees it was noted that there were ongoing issues with late contributions and remittances from Hafan Deg. It is pleasing to note that this now appears to have been resolved with the no new breaches being reported this quarter.

1.11	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. There have been no uses of delegated powers for governance matters since the last update report.</p> <p>As noted in item 1.05 it is recommended that the application to opt up to professional client status in respect of MIFID II is delegated to the Head of Clwyd Pension Fund and that this is set out within the Officer Delegations Schedule.</p> <p>Appendix 7 shows the updated Committee Delegations of Functions to Officers Schedule showing this change.</p>
1.12	<p>Calendar of Future Events</p> <p>Appendix 8 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. Key dates to note are:</p> <ul style="list-style-type: none"> • The next Committee meeting is on 31 August 2022. • The Fund's Annual Joint Consultative Meeting will take place on 13 December 2022 – all Committee and Board members are invited to attend this event.

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

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
4.01	<p>Appendix 9 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 March.</p> <p>The main changes this month relate to:</p> <ul style="list-style-type: none"> • Governance Risk 2 - Governance is poor including due to short appointments or poor knowledge at PFC, resulting in inappropriate or no decisions being made <p>and</p>

	<ul style="list-style-type: none"> • Governance Risk 3 - Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers <p>For both of these, the impact has been changed from Negligible to Marginal and the likelihood of this has been changed from Low to Significant. The changes recognise there has been a number of new members appointed to the Committee as a result of the Welsh local authority elections. New actions to mitigate these risks have been added and it is hoped that new members can, in a timely manner:</p> <ul style="list-style-type: none"> • complete the induction training and • ensure that all actual or potential conflicts of interest are registered and managed appropriate <p>to allow the impact and likelihood to fall back to target.</p> <p>The description of risk number 5 (the impact of externally led influence and change on the fund achieving its objectives/legal responsibilities) has been updated to incorporate potential changes relating to the Government's levelling up agenda and new powers it has to make directions in relation to boycotts, sanctions and divestment.</p> <p>Finally, risk number 6 (insufficient staff numbers meaning services are not being delivered to meet legal and policy objectives) has been updated to remove an action to identify how the Finance Team can be supported due to the resignation of the Fund Accountant. Mercer have now been temporarily allocated a number of Finance Team responsibilities over the spring to autumn of 2022 which will better manage the situation particularly whilst the Fund's Annual Report and Accounts are being prepared. However it is worth noting that the Finance Team still have three vacant posts which are all unlikely to be filled in the short term.</p>
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5.00	APPENDICES
5.01	Appendix 1 – Business Plan - 2022-23 to 2024-25 - Governance Appendix Appendix 2 – Pension Board Minutes Appendix 3 – SAB Sharia report and legal opinion Appendix 4 – SAB March meeting summary Appendix 5 – Training plan Appendix 6 – Breaches log Appendix 7 – Delegations of Functions to Officers Schedule Appendix 8 - Calendar of future events Appendix 9 - Risk Register

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None in this report

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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 requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.</p> <p>(g) DLUHC – Department of Levelling Up, Housing and Communities – the government department responsible for the LGPS legislation.</p> <p>(h) JGC – Joint Governance Committee – the joint committee established for the Wales Pension Partnership asset pooling arrangement.</p> <p>(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.</p> <p>(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.</p>

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| <p>(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.</p> <p>(l) HMT – Her Majesty's Treasury – HMT has a responsibility to approve all LGPS legislation before it is made.</p> |
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Mae'r dudalen hon yn wag yn bwrpasol

Appendix - BUSINESS PLAN 2022/23 - 2024/25 – Key Tasks

Governance

Ref	Key Action –Task	2022/23 Period				Later Years	
		Q1	Q2	Q3	Q4	2023/ 24	2024/ 25
G1	Induction training (if required)	x	x				
G2	Develop business continuity arrangements including managing cyber risk	x	x	x			
G3	Review against TPR new Single Code	x	x	x	x		
G4	Review appointment of Local Pension Board and Pension Fund Committee Members		x	x	x		
G5	Outcome of Scheme Advisory Board good governance review			x	x	x	
G6	Review/Tender Fund Actuary, Investment Consultancy and Independent Adviser Contracts			x	x		x
G7	Review of governance related policies				x	x	x

G1 – Induction training (if required)

What is it?

The Pension Fund Committee includes a number of elected members from Flintshire County Council, Denbighshire County Borough Council and Wrexham County Council. The Welsh local authority elections are taking place in May 2022. After those elections each Council will decide which elected members will be put forward as members of the Clwyd Pension Fund Committee.

Given the complexity of managing the Clwyd Pension Fund, it is always preferred that changes to the Committee are kept to as a minimum, but where this is unavoidable, it is important that any new members are given a full programme of induction training as soon as possible. Accordingly, if required, officers and advisers will put in place an induction programme which is likely to commence in June 2022.

Timescales and Stages

Develop and deliver induction training	2022/23 Q1 to Q2
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Resource and Budget Implications

The estimated costs for delivering induction training is included within this year's budget. It is expected this will be led by the Head of Clwyd Pension Fund and the Independent Adviser, albeit other officers and advisers will be involved in the delivery of the training.

G2 – Develop business continuity arrangements including managing cyber risk

What is it?

The Fund has been carrying out a fundamental review of their business continuity arrangements, and this has included developing their cyber resilience given cybercrime is a key risk to the Fund. Although much of this will result in new or enhanced ongoing internal controls which will be part of the Fund’s business as usual activities, there are some key areas that are still being developed including:

- finalising the Fund’s new business continuity plan.
- developing a cyber specific incident response plan.
- creating a testing schedule (covering both general business incidents as well as cyber-attacks)
- documenting processes where gaps were identified as part of the Business Impact Analysis and developing a plan for further staff training.

Timescales and Stages

Developing Business Continuity Plan	2022/23 Q1 to Q2
Develop cyber incident response plan	2022/23 Q1 to Q2
Document processes relating to gaps & identify ongoing training needs	2022/23 Q1 to Q3
Develop Testing Schedule	2022/23 Q2 to Q3

Resource and Budget Implications

To be led by the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager with input from the Head of Clwyd Pension Fund and guidance from the Independent Adviser. All expected costs are included within the existing budgets.

G3 – Review against TPR new Single Code

What is it?

The Pensions Regulator (TPR) is expected to introduce a new Single Code during 2022; it is unlikely to be laid in Parliament before spring 2022 and therefore unlikely to be effective before summer 2022. This new Code will merge the existing 15 codes the Regulator has in place. The first iteration of the new Code will include Code of Practice No.14 (the relevant Code for Public Service Pension Schemes) as part of the merger of 10 of the 15 codes currently in place. This could result in changes to the requirements placed on Public Service Pension Schemes, including the LGPS. Work will be undertaken to review whether the Fund complies

with the requirements within the new Code. After the initial review, ongoing compliance checks will be carried out on a regular basis.

Timescales and Stages

Consider implications of the new Single Code once it is laid in Parliament and start working towards compliance	2022/23 Q1 to 2 (estimated)
Start reporting the CPF's compliance and activity against the new Single Code from TPR	2022/23 Q3 to 4 (estimated)

Resource and Budget Implications

This work will be performed by the Deputy Head of Clwyd Pension Fund and Pensions Administration Manager working with the Independent Adviser. Estimated costs of the review are included within the budgets shown.

G4 – Review appointment of Local Pension Board and Pension Fund Committee Members

What is it?

The employer and scheme member representatives on the Local Board are appointed for a period of three years. This period may be extended to up to five years. The current appointments will be subject to review as follows:

- Scheme member representative (trade union) – October 2022 (five-year point)
- Scheme member representative (non-trade union) – February 2023 (three-year point)
- Two scheme employer representatives – July 2023 (three-year point)

For information, the representative members (for other scheme employers and scheme members) on the Pension Fund Committee are appointed for a period of not more than six years. The existing representative members were appointed in July 2020 and may be reappointed for further terms. Therefore, their existing appointments will need to be reviewed by July 2026 (which is outside the period of his business plan).

When considering Committee and Board appointments, the aspiration for diversity will be considered, albeit it is recognised that for elected members, this is largely out of the Fund’s control as (a) the Councils decide who are to be on the Committee and (b) pool of elected members is subject to local elections.

Timescales and Stages

Appoint Pension Board representative (trade union scheme representative)	2022/23 Q2 to Q3
Review Pension Board scheme member representative (non-trade union)	2022/23 Q3 to Q4

Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser. All costs are being met from the existing budget.

G5 – Outcome of Scheme Advisory Board good governance review

What is it?

The national LGPS Scheme Advisory Board (SAB) carried out a project to help and assist with the successful management of potential conflict of interests arising between a pension fund and its parent local authority. It was originally investigating options for change regarding the separation of LGPS pension funds and their host authorities.

The review has now evolved to focus on the elements of good governance, rather than the structure of the organisation. A number of recommendations have been made including ensuring appropriate conflicts of interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority. The SAB has now made a number of formal recommendations to DLUHC, including the request for DLUHC to issue statutory guidance relating to the areas of best practice identified by the project. SAB will also be undertaking a number of surveys to take forward some of the work and is expected to issue guidance in due course. The actual timescales are estimated and may be delayed due to other national priorities.

Timescales and Stages

Expected period to review existing arrangements against new statutory guidance and/or guidance	2022/23 Q3 to 2023/24 (estimated)
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Resource and Budget Implications

Estimated costs for this work are included within this year's budget although costs are uncertain at this time and may vary depending on the final guidance and requirements. It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser.

G6 – Review/Tender Fund Actuary, Investment Consultancy and Independent Adviser Contracts

What is it?

The Fund's actuary and benefits consultant contract reaches its initial break point on 31 March 2025 albeit, it can be extended by the Committee for 1 year.

The Fund's investment consultancy and independent adviser contracts reach their initial break point on 31 March 2023 albeit, they can be extended by the Committee for 2 years. The independent adviser can also be the Chair of the Pension Board and therefore that needs to be considered at the same point.

Timescales and Stages

Consider extension of investment consultancy and independent adviser contracts	2022/23 Q3 & Q4
Conduct tenders for investment consultancy services and independent adviser (assuming extensions have been applied)	2024/25
Consider extension of actuarial and benefits consultancy contract	2024/25
Conduct tender for actuarial and benefits consultancy services (assuming extension has been applied)	2025/26

Resource and Budget Implications

To be led by the Deputy Head of Clwyd Pension Fund within existing budget.

G7 – Review of Governance Related Policies

What is it?

The Fund has several policies focussing on the good governance of the Fund, all of which are subject to a fundamental review, usually at least every three years. The only policy that is due for review in 2022/23 is the Governance Policy. Although it is not due for review until quarter 4, it may be done earlier due to changes that are expected to be made to the FCC Constitution as a result of the recent departure of Colin Everett as Chief Executive.

Timescales and Stages

Policy	Last reviewed	Next review due	Timescales for review work
Governance Policy and Compliance Statement	February 2020	February 2023	2022/23 Q4
Risk Policy	October 2020	October 2023	2023/24
Business Continuity Policy	March 2021	March 2024	2023/24
Conflicts of Interest Policy	September 2021	September 2024	2024/25
Knowledge and skills policy	September 2021	September 2024	2024/25
Procedure for Recording and Reporting Breaches of the Law	March 2022 (expected)	March 2025	2024/25
Cyber Strategy	March 2022 (expected)	March 2025	2024/25

Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser. Estimated costs are included in the budget.

FLINTSHIRE COUNTY COUNCIL (As Lead Authority for the Clwyd Pension Fund)

CLWYD PENSION FUND BOARD

Minutes of the meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Administering Authority for the Clwyd Pension Fund), held virtually by WebEx, and on Thursday 17th February at 9.30 am.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams, Mr Phil Pumford

Employer Representatives: Mr Steve Gadd, Mr Steve Jackson

IN ATTENDANCE

Mr Phil Latham (Head of Clwyd Pension Fund and Secretary to the Board)

Mrs Karen Williams (Pension Administration Manager)

Mrs Debbie Fielder (Deputy Head of Clwyd Pension Fund)

Mr Chris Emmerson (Aon)

Actions

1. APOLOGIES/ WELCOME

No apologies were received.

Mr Chris Emmerson was introduced and attended to record the minutes of the meeting.

2. DECLARATIONS OF INTEREST

No new declarations were made or recorded.

Mrs Fielder explained the pension board insurance declarations were now due and asked members to respond to her questions as quickly as possible.

3. MINUTES AND MATTERS ARISING

The Chair asked for comments on the minutes of which there were none and the draft minutes of the meeting held on the 28 September 2021 were confirmed as a correct record by all Board members.

4. ACTION TRACKER

The contents of the Action Tracker were discussed. As previously agreed, completed actions are now removed from the Action Tracker once reported as completed to the Board.

The following comments were made on the Action Tracker:

- 70th action: Progress against this action was picked up as part of Pooling update (item 11)
- 77th action was picked up in workforce update (item 5)
- 101st action: The employer has now paid all their backdated contributions, but it is still uncertain whether they will meet their obligations when paying contributions or providing remittances on an ongoing basis. Any failures will continue to be reported to Committee as part of the breaches log.

5. WORKFORCE UPDATE

Mrs K Williams provided an update on the Administration Team's resource position since the last meeting including that COVID is not really impacting them but that there are still two McCloud vacancies which have been advertised a number of times. It was discussed that there has been a wider use of social media platforms with the hope that this will attract more candidates for outstanding vacancies within the team, and that the role and job description for the Communications Officer are being reconsidered as part of communications strategy review.

Mrs Fielder provided an update on the Finance Team. The Fund Accountant has resigned and will be leaving at end of March. Current FCC pay scales have been found to be too low to appoint an accountant at the appropriate level, so Mrs Fielder will take on the role to close the Fund accounts until a suitable replacement is found. The recruitment of the trainee accountant will need to be put on hold during this period. It is more difficult to use an accountant from another department as local authority accounts are quite different to pension fund accounts. Audit Wales are aware and have offered as much help as they can.

Discussions are ongoing with the Fund's consultants to try and establish what support they can provide to free up Mrs Fielder to complete the accounts' work, but it is anticipated that this will lead to budget increases.

Flintshire County Council (FCC) are planning to review their work from home policy but currently most pension officers are working from home. It was also noted that FCC are reviewing pay scales due to living wage expectations.

Steve Gadd noted that these kinds of issues are being seen across council finance teams, with difficulties recruiting accountants and other finance staff.

The Board noted the general difficulties in recruiting and recognised the need for the increase in budget to ensure services were maintained during 2022 until recruitment could take place.

6. INTERNAL AUDIT UPDATE

Mrs K Williams discussed the audit report. The report was overall Amber-Green, which was a slight disappointment. It was noted that it is very difficult to get a green report and that the auditors were very complimentary of the pension team.

The key items that were brought to the attention of the Board were the KPI reports and the finance procedures documentation.

The KPI reports was the area the auditors raised the most concerns, and this is primarily because of the way the reporting is carried out. Internal Audit did not focus on the number of members serviced, but rather than targets on each measure in the monthly reports. It was stressed to the Board that the majority member tasks had achieved the KPI standards expected. The Chair agreed with that the results were focussed on just one area rather than the bigger picture and also highlighted that the review also considered some newly created KPIs that had not had time to bed in.

Mrs K Williams noted the second recommendation relating to introducing the new process for employer reporting and confirmed that it was already planned to develop this.

Mrs Fielder also explained that internal audit want all finance section procedures documented and she confirmed this was taking place.

The Board noted that this report gave the assurance they wanted as there were no high level warnings provided and there were lots of areas where praise was given.

7. ADMINISTRATION UPDATE

The Chair invited Mrs K Williams to provide the administration update. Mrs K Williams started by covering KPIs particularly noting that KPIs for transfers had fallen slightly due to the increased regulatory requirements for these cases. It is expected that Mrs K Williams will review the KPI for these tasks to ensure they are reasonable. It was also noted that the number of outstanding cases has fallen below 5,000 for the first time since recording, which was a very positive result. The Board passed on their thanks to the whole team.

Mrs K Williams then explained that on Member Self-Service (MSS) there had been an address tracing exercise for those members who were over 55 but who hadn't signed up for either paper or MSS communications. This exercise had seen the number of MSS registrations increased which was a positive outcome. It was noted that a similar exercise would be undertaken for pensioners around the time that pension increase letters are issued. ***The Chair suggested adding paper elections to the graphs so it is clearer the proportion of members who are potentially not receiving communications (action).***

Mrs K Williams

Mrs K Williams also provided updates on the service delivery from Prudential, the ongoing strategy for engagement with employers, the significant pension dashboard project and the upcoming pensions administration software procurement exercise. She also confirmed there had been no pension scams and shared new website analytics. ***The Board Secretary asked if the analytics could be split between those accessing Welsh or English (action).***

Mrs K Williams

Action – Add Pension Dashboard to the risk register noting they are a high risk

Mrs K Williams

The Board thanked Mrs Williams for the update and the wealth of extremely useful information allowing them to understand how the Fund was performing over a range of areas.

8. MCCLOUD REMEDY PROJECT

The Chair explained that the McCloud remedy update paper will be discussed at the February Steering Group, and so this item was delayed until then.

Mrs K Williams had provided wording for Clwyd Catch Up in relation to McCloud and asked for approval to use this wording from the Board.

RESOLVED

The Board accepted the draft wording for use in Clwyd Catch Up.

9. COMPLIMENTS AND COMPLAINTS (INCLUDING IDR)

Mrs K Williams provided a summary of the compliments and complaints and highlighted action taken to update Deferred Diaries with information relating to transfers out near retirement as a result of a complaint received. The Chair asked the Board if anyone had any comments on the papers relating to compliments and complaints and there were none other than to recognise the excellent feedback. Mr Jackson also highlighted positive feedback he'd received following the annual/lifetime allowance educational sessions.

10. BUSINESS CONTINUITY & CYBER

An update was given by Mr Emmerson on the ongoing business continuity and cyber security work. It was explained that the work required was considerably more than anticipated at the beginning of the projects.

Mrs Fielder gave an example of a live business continuity incident where they worked through the issue and noted how useful the exercise had been.

It was noted that there is a possibility of an increase in cyber-attacks due to ongoing geopolitical pressures and so this work was very timely. The Board asked that the Board Secretary continue to pursue FCC to finalise their cyber assessment.

Action – Need to request that FCC provide answers to the cyber security questions asked of them.

Board Secretary

11. ASSET POOLING

An update on the WPP was provided by the Board Secretary. Link Fund Solutions are the Operator who manage the WPP and appoint other providers. The WPP JGC approved an extension of the Link Operator contract, however this decision was made ahead of knowledge that Link Group was in the process of being purchased by Dye and Durham, and it is

quite likely Link Fund Solutions will be sold on by them. It was also noted that the Link Chief Executive had resigned.

When asked, the Board Secretary noted that there is risk arising from the uncertainty coming from a change of owner. However Hymans Robertson, as adviser to WPP had highlighted that the overall risk is mitigated due to FCA protection, and so the risks are primarily operational and governance based.

The Chair recommended that WPP and ACCESS pools talk to make sure that they are sharing knowledge on the Link issue. The Secretary mentioned that the WPP Host Authority is speaking to the new Chief Executive of Link next week.

The Secretary then went onto explain that Russell gave an update on their investment performance at the February Committee. Generally, the Pool is better at managing fund manager risks than the Fund could do locally and performance is at a reasonable standard.

There have been some delays with appointing the Scheme Member Representative of the JGC but the plan is to have the appointment agreed in time for attendance at the July meeting.

The key focus for both the Board Secretary and Mrs Fielder is on the stock lending reporting provided by WPP as the reporting isn't detailed enough at a Fund level; the reporting focuses on the whole of the WPP. It was also noted that the Fund Committee and Board cannot see the reporting as it is provided in the private part of the meeting. It has been requested that WPP reconsider the level of reporting and reporting needs of partner funds. The Chair agreed to pick up reporting as part of the next WPP Board Chairs meeting.

Action – Add question about RI/voting/stock lending reporting to the WPP Board Chairs discussions.

Chair

12. EFFECTIVENESS SURVEYS

The Chair introduced the effectiveness survey results for the Committee. It was noted that effectiveness surveys are best practice for Funds. The Committee members were issued a questionnaire, with the process being managed by the Independent Governance Advisor to retain confidentiality of member views.

The areas where Committee members had the greatest concerns were discussed and in particular it was noted that the Committee found virtual meetings to be less effective.

The Board found these results quite surprising, as the general feeling was that virtual meetings are likely to be more common even once the pandemic has run its course. Mrs K Williams noted that some Committee members miss the greater interaction and social element. Mrs Fielder also noted that virtual conferences are a particular issue as it can be hard to concentrate on a screen for a whole day.

It was also recognised that all Committee members agree that diversity is important. The Chair questioned whether the Committee has enough diversity, other than in cognitive diversity.

Mrs Fielder also noted that the Committee found the input of the Board in their meetings to be very valuable and encouraged Board members to participate at Committee meetings. Some of the Board members noted that they aspired to attend more of the Committee meetings and the Chair stressed that they should feel open to share comments at the meeting even though they were not on the Committee.

A discussion was had around the effectiveness of the Board and it was agreed that a survey should be issued with a follow up discussion at the next meeting.

Action – Independent Advisor to set up a survey, to be completed between the March PFC and the June Board meeting.

Mr Emmerson

13. CHANGES TO BOARD PROTOCOL

The Chair explained that, following the former FCC's Chief Executive's departure, there needs to be some changes made to FCC's Constitution to clarify who will take on the various pension related responsibilities that were delegated to that Chief Executive. The new Chief Executive has confirmed he will not be taking these specific responsibilities on albeit he will continue to be interested in the work relating to the Fund. This does include some changes to the Pension Board Protocol which will need to be approved by the Full Council, albeit the Board can make suggestions.

The Scheme Advisory Board's Good Governance Review sets out that there is a need for a dedicated Head of Fund with a view to greater ring-fencing of LGPS responsibilities. This role is currently with the Board Secretary. The Chair outlined the various responsibilities previously delegated to the Chief Executive in the Pension Board Protocol – which are mainly relating to recruitment of Board members. She suggested

that the Board Secretary is substituted for Chief Executive in all areas the Chief Executive currently has a responsibility in the Protocol. The Board agreed with this proposal.

Following a question by Mr Jackson, the Chair explained that it is quite rare for a chief executive to be overly involved in LGPS Fund matters, and this usually falls to the Section 151 Officer. The new Chief Executive has already expressed his desire not to remain a part of the Advisory Panel (being replaced by Sharon instead) albeit he will obviously continue to have some interest in Fund matters.

Action – Suggest the Chief Executive is replaced with Board Secretary in the Board Protocol.

Chair

14. RISK REGISTER

The Board had no comments on this area.

15. BREACHES LOG

The Board had no comments on this area.

16. UPDATES FROM RECENT EVENTS ATTENDED BY BOARD MEMBERS

There were no recent events attended by Board members

17. CONSIDERATION OF 10th NOVEMBER 2021 AND 9th FEBRUARY 2022 COMMITTEE PAPERS

The Board found the Flightpath and de-risking information very interesting and noted that the reports from advisors were clear and well set out.

18. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE

The Board wished to highlight to the Committee their concern about the workforce issues arising from the Fund Accountant's resignation.

Action – Add a comment within the Governance Update for PFC noting the Boards concerns about workforce issues

Board Secretary

19. FUTURE WORK PLANS

The Board discussed items for the future work plan including:

- **Task Force on Climate-Related Financial Disclosures (TCFD)** – It is expected that there will be a consultation on TCFD in the summer but work on reporting is going ahead anyway, so this should be added to the agenda in June or September, whichever is most appropriate.
- **TPR New Code** – Likely to have more information on this shortly and so hopeful can be added to June agenda.

20. PENSION BOARD BUDGET

Mrs Fielder provided commentary on information shared with the Board noting that through the year the Board was broadly on target against budget. It was noted that fees relating to external parties providing training had been underestimated largely due to the induction training.

It was explained that the Board do not set their own budget but suggest what they need which is then fed into the Pension Fund budget overall for approval by Pension Fund Committee (PFC). The recommended future budget allows for meetings to be face to face. There is also a small allowance for training of Board members if needed. This budget will go to March PFC so Mrs Fielder asked all Board members to come back to her with any comments

Action – Board to come back to Mrs Fielder with queries.

Board members

21. FUTURE DATES

The Board were asked to note the proposed dates relating to future meetings as follows.

- 30th September 2022
- 1st March 2023
- 27th June 2023.

Mrs E Williams confirmed the dates were fine. The other Board were asked to email Mrs Fielder to let them know if they had any issues with the Board dates.

Board members

The Board were further asked to note other meetings and training including the PFC on 16 March, which would discuss

the Fund's Governance and Administration work, and the Business Plan for 2022/23 to 2024/25.

The Board were reminded to let Mrs Fielder know of events they have enrolled on and attended so that they can be recorded on Training Log.

Action – Board members to share attendance at events with Mrs Fielder.

Board members

22. ANY OTHER BUSINESS

There was no other business. The Chair thanked officers for an excellent set of background papers.

DRAFT

Scheme Advisory Board

MEETING HELD ON 7th MARCH 2022

ITEM 5 PAPER C

SHARIA COMPLIANT INVESTMENTS IN THE LOCAL GOVERNMENT PENSION SCHEME IN ENGLAND AND WALES – ADVICE

Background

1. Lydia Seymour a leading junior counsel and specialist in pensions and employment law practice (Outer Temple Chambers) was instructed in October 2021 to provide advice on 4 questions relating to issues raised by some administering authorities.
2. A conference was held via MS Teams with Counsel, LGA Legal and SAB Secretariat members in late November 2021 to discuss the questions in more detail.
3. Counsel provided their written advice recently, which is annexed in full, and has confirmed that it can be published with an appropriate disclaimer.

Consideration

1. A number of LGPS administering authorities have raised the issue of members opting out of the LGPS on the basis of their religious belief – currently as far as we are aware these appear to be limited to those of the Muslim faith who are concerned that LGPS funds/investments are not Sharia compliant / halal.
2. Employers are becoming concerned about potential discrimination claims being brought in the Employment Tribunal (ET) by employees who feel excluded from membership of the LGPS due to their religious beliefs. At present there is no alternative pension provision with their employer beyond the LGPS.
3. We explored with Counsel the risk of a claim made on this basis being successful, and what – if any – defence could be mounted were there to be such a claim. Counsel advised that taking pre-emptive action, such as exploring the legal issues and procuring advice, would be an important part of any future defence.

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4. Counsel was not asked to opine on whether or not the LGPS is Sharia compliant – there are many differing views on this question; what is important is an individual's genuinely held beliefs. Counsel advised that either a discrimination claim in the ET was possible, or a broader human rights-based challenge in the civil courts.
5. Clearly this is a complex area, and Counsel's lengthy advice demonstrates that. At a high level, her advice is that at present it is arguable whether employers have the legal power to offer an alternative to the LGPS. If that were to be clarified as permissible, offering alternative pension provision could most likely not be limited just to Muslim employees who opt out of the LGPS by reason of their religious beliefs. Any alternative provision (which would probably be a DC scheme offering inferior benefits to the LGPS) would need to be offered to all employees.
6. There are obvious implications for employers and administering authorities of offering and administering more than one scheme, especially where those schemes could differ significantly. Clearly there are also implications for employees opting out of the LGPS for reasons other than religious beliefs. They may choose a cheaper, less beneficial DC scheme without fully understanding the benefits they receive through membership of the LGPS.
7. Recognising one group of employees' beliefs may also lead to pressure from others with strongly held philosophical beliefs who may wish to have more control over the funds that their pension contributions are invested in. It is unlikely to be desirable to have an LGPS employer offering a number of different pension options, all of which would likely be inferior to the LGPS (even if the employer contribution rate was the same).

Next steps

8. There are some further questions that could be explored in more detail, on Counsel's recommendation. These would include instructing an Islamic scholar to provide an opinion on the LGPS and Sharia law.
9. The Committee is asked to consider whether further enquiries should be made, and expert advice sought, and whether to recommend that – plus publication of Counsel's advice (if agreeable, an abridged version if necessary) – to the Board.

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Recommendations: The Board are asked to:

- **Note the contents of this paper and Counsel's advice (annexed)**
- **Agree that Counsel's advice is published on the Board's website**
- **Agree that further expert advice is sought on the questions posed by Counsel**

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ANNEX A

This legal advice is provided for the benefit of the named client only and should not be relied upon by, or construed as legal or professional advice to, any other person. Any person other than the named client should take their own legal advice and I disclaim liability for any loss caused to any person other than the named client arising from reliance on the advice.

**IN THE MATTER OF LOCAL GOVERNMENT PENSION SCHEME
EMPLOYERS AND THE PROVISION OF A
SHARIA-LAW COMPLIANT ALTERNATIVE PENSION SCHEME**

OPINION

INTRODUCTION

1. I am asked to advise the Local Government Pension Scheme Advisory Board (England and Wales) (**'the Board'**) on the possibilities, and associated risks, for an LGPS employer offering an alternative pension scheme to eligible employees that is Sharia Law compliant.

2. The question raises a number of potential issues:
 - A. What is the current position in relation to pension provision by LGPS employers?
 - B. What is the risk of a successful claim for discrimination from an eligible employee complaining of a failure by LGPS employer to provide a Sharia Law compliant scheme?
 - C. Is there a potential human rights challenge in addition to any discrimination challenge?

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D. What are the potential risks and consequences of providing a Sharia Law compliant scheme?

A. THE CURRENT POSITION

A.1 Membership of the LGPS

3. The current position in relation to the pension provision offered by LGPS employers is set out in full in my Instructions. I do not repeat those Instructions here, save to note the following key factual background.
4. The current LGPS Regulations¹ provide that anybody employed by a 'Scheduled Body' should be automatically enrolled into the LGPS². For ease of reading this Opinion will refer to Scheduled Bodies collectively as '**LGPS employers**'.
5. It is possible for an individual member to opt out of the LGPS, either at the point of their enrolment or later. If a member does opt out, their employer is obliged to re-enrol them three years later. If they still wish to opt out, they need to do so again, with the 'every three year' re-enrolment obligation continuing to apply.
6. Neither my instructing solicitor nor I are aware of any LGPS employer offering any pension scheme other than the LGPS. Indeed, with the exception of the matters discussed in this Opinion it is difficult to conceive of many scenarios in

¹ Local Government Pension Scheme Regulations 2013

² I should note for completeness, that the employees of a variety of other bodies are also potentially entitled to LGPS membership. The complexities of the LGPS eligibility provisions go beyond the scope of this advice, which is restricted to considering the legal obligations of 'Scheduled Bodies' within the meaning of Part 1 and Part 2 of Schedule 2 of the LGPS Regulations.

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which employees would want, or need, membership of an alternative pension scheme.

A.2 Employees opting out of the LGPS for religious reasons

7. My instructing solicitor understands that over recent years and months a number of employees who are eligible for LGPS membership have been opting out of the scheme due to their religious beliefs – and specifically the belief that the LGPS is not compliant with Sharia Law because of its funded nature and the role of interest on investments.
8. The Board has been approached by a small number of LGPS employers who have raised concerns around their employees opting out for this reason, both because those employees are left without pension provision, and because they have concerns about whether they may be under an obligation to provide an alternative by reason of discrimination legislation.
9. Some employees who have opted out of the LGPS on the basis that it is not Sharia Law compliant have queried whether they might have a claim for discrimination on the grounds of religious belief on the basis of the failure of their employer to provide an alternative scheme. As yet, I understand that no such claim has been made in relation to the LGPS or any other defined benefit scheme³.

A.3 The LGPS and Sharia-Compliance

³ The question of whether defined contribution occupational pension schemes are obliged to offer Sharia-compliant investment funds has been considered in an Opinion by Paul Newman QC, which is available at the Islamic Finance Guru website at <https://islamicfinanceguru.com/wp-content/uploads/2021/05/Sharia-op-v2.pdf>

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10. In the absence of a specific claim for discrimination in relation to the LGPS, it is not possible to be certain of the precise basis upon which employees have concluded that the LGPS is not Sharia Law compliant.
11. Indeed, I understand that the question of whether the LGPS is compliant with Sharia Law is not a simple one, and that this issue is subject to differing views among Islamic scholars. My instructing solicitor refers in my Instructions to the Islamic Finance Guru website which discusses this issue and concludes, in part on the basis of the opinion of Mufti Zambia Butt that the LGPS is Sharia compliant. I am also referred to a decision of the Pensions Ombudsman in 2016⁴ which noted that “different scholars take different views” on the matter of whether the LGPS is Sharia-compliant.
12. This potential difference of opinion as to Sharia-compliance extends beyond the LGPS, to other pension schemes and financial products. In this context it is interesting to note the outcome of research conducted for the NEST Corporation in April 2011, which explored the extent of demand for Sharia compliant pension funds in advance of the introduction of pensions auto enrolment in the UK. This research found that there was no clear consensus as to what would be sufficient for individual employees to consider a pension fund ‘Sharia-compliant’, but rather a range of different views. Further, different individuals may consider different aspects of a pension scheme important for the purpose of identifying Sharia-compliance, or give different weight to different features for that purpose.

B. RISK OF A SUCCESSFUL CLAIM OF DISCRIMINATION

⁴ PO-10901

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13. As I have noted above, the Board is not currently aware of any claims that have been issued in relation to the failure of LGPS employers to offer an alternative pension scheme. Inevitably, therefore, any consideration of potential claims is to some extent speculative. Nonetheless, with that caveat, the most obvious potential claim would be one alleging indirect discrimination on the grounds of religion or belief⁵ in relation to the terms upon which employment is offered⁶.

14. The basic “ingredients” of a claim for indirect discrimination are set out in section 19(2) of the Equality Act 2010, and require the complainant to show that:

- a. there is a provision, criterion or practice (**‘PCP’**) which is applied to everyone but which puts people who share a particular religious or philosophical belief at a particular disadvantage when compared with people who do not share that belief; and
- b. the PCP puts, or would put, the complainant at that disadvantage.

15. If the complainant succeeds in establishing each of these points then the PCP will be unlawful indirect discrimination unless the employer can show that it is justified. A PCP is justified if it is a proportionate means of achieving a legitimate aim.

16. Applying those requirements to potential claims here, the broad questions are whether:

⁵ See Equality Act section 10.

⁶ See Equality Act 2010 section 39.

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- a. there is some form of rule or practice in relation to the LGPS which puts Muslim employees (and the individual complainant) at a particular disadvantage; and
- b. the rule or practice cannot be shown to be a proportionate means of achieving a legitimate aim.

B.1 Potential PCPs

17. The starting point for any claim for indirect discrimination is that the complainant must set out the PCP to which they object. Here, there are various different ways in which a potential complainant might put their case in terms of the PCP relied upon, including:

- a. that their employer only offers the LGPS;
- b. that their employer does not offer a Sharia-compliant scheme;
- c. that the LGPS invests or administers its funds in a manner which is not Sharia compliant?

18. Each of them raises the same essential factual case, but as will be clear from the analysis which follows, they are potentially quite different in legal terms and could therefore end up with a different result. The choice of PCP is a matter for the complainant (provided that the choice is coherent), and so any of these permutations – or another that I have not thought of - might be advanced. For ease of reference I will refer to the potential PCP as ‘**sole provision of the LGPS**’ albeit noting the potential nuances set out above.

B.2 Correct pool for comparison

19. Once the PCP has been identified, the next question is whether that PCP places Muslim employees (and the individual complainant) at a particular

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disadvantage? There is generally no issue as to the disadvantage to the individual complainant, but in deciding whether Muslim employees generally are disadvantaged, a Tribunal would need to decide on which group of people was relevant to consider when making the comparison between the situation of Muslim employees and other employees.

20. This is known as identifying the 'pool' for comparison. The obvious pool for comparison here would be all employees who are eligible to be auto-enrolled into the LGPS – in broad terms all employees of LGPS employers⁷. So the question of particular disadvantage is to be determined by asking whether the decision to only offer the LGPS places Muslim employees of LGPS employers at a particular disadvantage when compared to non-Muslim employees of LGPS employers?

21. However, there is an alternative argument, arising from a line of cases relating to indirect discrimination in the context of access to benefits, particularly *Rutherford v Secretary of State for Trade and Industry*⁸ and *British Medical Association v Chaudhary*⁹.

22. These cases say that where the subject matter of a complaint is the terms on which a benefit is provided, the correct pool for comparison is not all employees, but only those employees who have an interest in the provision of the relevant benefit. Pursuing that argument, in this case, rather than asking whether the sole provision of the LGPS:

⁷ I appreciate that this is in fact an over-simplification, and that there are age and other restrictions on eligibility for the LGPS, but these are not material for the purpose of this Opinion.

⁸ [2004] EWCA Civ 1186

⁹ [2007] EWCA Civ 788

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- creates a particular disadvantage to Muslims when compared with other members of the LGPS employer's workforce?

the Tribunal should ask

- does that provision create a particular disadvantage for Muslims when compared with other people who do not wish to (or are unable to be) members of the LGPS?

23. So, the comparison asks whether Muslim employees are at a particular disadvantage when compared to other employees who also want an alternative to the LGPS, rather than at such a disadvantage when compared to the workforce as a whole. The basis of this argument would be that when looking at whether Muslim people specifically are at a disadvantage the only people who should be considered for the purpose of the comparison are people who have, or might have, an interest in the provision of an alternative scheme. As can be easily seen, characterising the comparison in this way makes it significantly harder for the complainant to establish particular disadvantage.

24. As to which approach a Tribunal might ultimately take, these are technical arguments, and the issue of the pool for comparison in particular, has generated significant case law and legal debate. In the absence of a specific case being brought it is difficult to give a determinative opinion on which the above two approaches would be adopted by a Tribunal. Nonetheless, with that caveat, in my opinion this case demonstrates the limitations of the *Rutherford/Chaudhary* approach, as a pool based solely upon those who are excluded (or exclude themselves) from the LGPS does not properly test the alleged discriminatory effect. Further, although in one sense it is fair to say that a pension scheme is a benefit, which an employee can choose to accept or reject, it is also a fundamental part of the employment relationship. Pensions

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are pay, albeit pay which is deferred to be taken at a later date, and there are strong social policy reasons as well as individual benefits from people be members of pension schemes.

B.3 Group disadvantage?

25. Assuming that the Tribunal does reject the *Rutherford/Chaudhary* approach, the question for the Tribunal is whether a potential complainant could establish that sole provision of the LGPS places Muslim employees generally at a disadvantage when compared with other employees of LGPS employers?
26. The question of group disadvantage in another potentially complex issue in indirect discrimination, particularly where the group share a religion. Clearly, Muslim employees are a very large group of people, who will have significant variations as to their views in relation to this issue. My Instructing Solicitor has sent me a Report prepared for the Nest Corporation from 1 April 2011 which explores some of the issues relating to Muslim employees and their attitudes to Sharia obligations and finance. It contains an interesting discussion of different responses given by Muslim employees to questions about Sharia-compliant financial products generally, and it is reasonable to assume that these differences would extend to their opinions in relation to the LGPS and potential alternatives. There is thus no single 'Muslim' opinion or position, but rather a multiplicity of different approaches. The question therefore arises of how a Tribunal should address group disadvantage in circumstances in which only a proportion of Muslim employees are likely to consider themselves unable to be members of the LGPS by reason of their religious beliefs.
27. A number of cases have recognised that the question of group disadvantage may need to be addressed differently in relation to discrimination on the

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grounds of religious belief, given both the inevitable individual variations within religious groups and the importance of guaranteeing freedom of religion¹⁰. The effect of these is that it is not necessary for all members of a religious group to be impacted in order for group disadvantage to be shown, nor even that a significant number are affected. However, there must be some basis for the assertion that some Muslim employees are particularly disadvantaged by the PCP as a result of their religious beliefs¹¹.

28. It follows that the hurdle of establishing group disadvantage in the context of discrimination on the grounds of religious belief is relatively low - and that it would be sufficient to demonstrate that some Muslim employees feel unable to join the LGPS by reason of their religious beliefs. Given this, and the reference in my Instructions to both LGPS employers and employees' concerns about the Sharia compliance, it seems likely that the relatively low hurdle of group disadvantage will be met. However, this is not a point upon which I can give a firm view without statistical or other evidence as to there being at least some Muslim employees who have refused (or would refuse) membership of the LGPS on the grounds of their religious belief.

B.4 Justification

29. If a potential claim is brought, and the complainant succeeds in relation to each of the points set out above, then the claim will succeed unless the LGPS employer can establish that the sole provision of the LGPS is justified. The precise nature of any justification defence will depend upon the details of the individual claim that is brought, and it is only possible to address potential justification defences in claims have not been brought in general terms.

¹⁰ See, for example, *Eweida v British Airways* [2013] 1 WLUK 142

¹¹ See *Trayhorn v Secretary of State for Justice* [2018] IRLR 502.

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30. In deciding whether a potentially discriminatory provision is justified the Tribunal needs to identify whether it is a proportionate means of achieving a legitimate aim? This requires the Tribunal to balance the reason given by the employer for making the relevant decision against the impact of the discriminatory provision on the complainant¹². The more serious the impact of the discrimination, the more cogent the employer's justification needs to be¹³.
31. The Tribunal is required to scrutinise any justification defence carefully¹⁴. So in this case, it would not be sufficient for an LGPS employer simply to say that they are obliged to enrol members into the LGPS and that they have been doing so for many years. Whilst both of these points are true, the obligation to enrol in the LGPS does not prevent the provision of an alternative scheme to those who opt out, and the mere fact that 'things have always been done this way' is equally irrelevant.
32. Rather, the justification argument would need to scrutinise why the LGPS employer provides only the LGPS, and determine whether its decision not to offer an alternative is proportionate in the light of the fact that this may lead some Muslim employees to opt out of the LGPS and thereby receive no occupational pension provision.
33. Clearly, the justification argument that may be advanced by any particular LGPS employer is a matter for them to determine, on the basis of their own workforce and aims. However, when looking at justification they may wish to

¹² *R (Age UK) v Secretary of State for Business, Innovation and Skills* [2010] 1 CMLR 210 at [39]

¹³ *R (Age UK) v Secretary of State for Business, Innovation and Skills* [2010] 1 CMLR 210 at [40]

¹⁴ *Hardy & Hansons plc v Lax* [2005] ICR 1565 at [54]

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consider the way in which a Tribunal will approach the question of justification, and in particular the following matters which I would expect a Tribunal to wish to consider:

- a. what precise aspects of the LGPS are considered to not be Sharia-compliant?
- b. would it be possible to operate the LGPS in a manner which would be Sharia-compliant, or would compliance require a wholly different scheme?
- c. how large is the group of employees who either have or might opt out of the LGPS for religious reasons, and what is the impact on them? Whilst it is only necessary for some Muslim employees to be affected in order to establish group disadvantage, the size of that group is nonetheless relevant when balancing the employer's aims against the discriminatory impact?
- d. do LGPS employers have the power to offer an alternative to the LGPS?
- e. if so, what alternative could be offered, and to whom must (or should) the choice be provided?
- f. might other groups seek alternative schemes, on the basis of either religious or philosophical beliefs? Would a Sharia-compliant scheme address their concerns, or might further alternatives be necessary?
- g. what would the impact on the funds be of changing to operate in that manner?
- h. what level of benefits would one expect any such potential alternative to provide? I note from my Instructions that the Board anticipates any alternative scheme being defined contribution rather than defined benefit, and that one would therefore expect any alternative to be less generous overall than the LGPS;
- i. is there any single alternative scheme (or set of alternative options) that all Muslim employees would recognise as Sharia-compliant, or

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might an alternative scheme still not be considered compliant by some Muslim employees?

- j. might there be any negative impacts on some Muslim employees if an alternative scheme was offered? e.g. might some Muslim employees who are currently LGPS members switch to the alternative scheme or even opt out altogether as a direct result of an alternative scheme being offered?
- k. what would be the impact on LGPS employers and employees of an obligation to offer two (or more) different schemes, particularly given the requirement to re-enrol members periodically in the LGPS?

34. These are the matters which LGPS employers who are concerned about this issue may wish to consider now, in advance of any claims. They fall into three broad categories:

- a. sub-paragraphs 32(a) – (c): factors which will depend upon the specific complainant and LGPS employer– e.g. the precise reason why the LGPS is not considered Sharia-compliant and the size of the affected group in comparison to the remainder of the workforce;
- b. sub-paragraphs 32(d) – (f): factors relating to the power of an LGPS employer to provide an alternative and the potential legal consequences; and
- c. sub-paragraphs 32(g) – (k): practical issues relating to whether the provision of an alternative scheme would actually solve the problem; the impact of any alternative scheme on the operation of the LGPS; the level of benefits that any alternative scheme might offer and the effect on both Muslim and non-Muslim employees?

35. The factors in the first category will depend upon the individual complainant and workforce. Each individual LGPS employer therefore needs to identify the

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potential extent of LGPS opt outs for religious reasons in relation to their own workforce/Fund. However, the factors in the second and third category are more likely to be generally applicable across LGPS employers, and it may therefore be helpful to address in broad terms the issues which arise.

B.4.1 The power to provide an alternative to the LGPS and the potential consequences

36. The general power of an LGPS employer to decide upon salary (including pension) of its employees is set out in section 112(1)(2) of the Local Government Act 1972, which provides that the authority has the power to employ its officers:

“on such reasonable terms and conditions as to remuneration, as the authority appointing him see fit.”

37. A number of cases in the High Court have addressed the question of whether particular decisions by a local authority as to the remuneration of an individual fall outside the powers of the authority under section 112. Typically these arise either from decisions made by an authority to enhance an individual’s enhancements¹⁵ or policy decisions to provide enhanced benefits across a group, such as long service awards¹⁶.

38. I am not aware of any cases in which the Courts have considered whether a decision by a local authority to provide an alternative pension scheme to the LGPS would be within the powers set out in section 112, although a decision by a local authority to offer additional salary payments in lieu of LGPS

¹⁵ See *Hinckley and Bosworth Borough Council v Shaw* (1999) 1 LGLR 384.

¹⁶ *Barking and Dagenham v Watts* [2003] ICR 1059.

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contributions for staff who would otherwise have breached the annual allowance were recently declared by the authority's auditor to be *ultra vires* that power¹⁷. The key reason for the auditor's opinion that the payments went beyond the authority's power under s112 was that the additional salary payments were being used as a means to avoid the taxation impact of the annual allowance.

39. The position here would be different – any alternative scheme would not be for the purpose of avoiding taxation, but for the sole purpose of providing pension benefits for Muslim staff. In principle, in my view, there would be a power under s112 to provide such a scheme. However, that does not mean that there is an unlimited power to provide an alternative scheme. Any decision to provide a choice of pension schemes, and any alternative scheme itself, would need to comply with the authority's duties under section 112, and other similar duties, including the need for the scheme to provide value for money and adequate benefits to the member.

40. Any decision to provide an alternative pension scheme would also need to consider the potential legal consequences of doing so – including the potential consequences for other groups who share a religious/philosophical belief and the workforce more generally. I discuss these more fully in Section D below, but note here that each of these issues would need to be considered as part of any decision that the provision of an alternative pension scheme would be appropriate under section 112.

B.4.2 Practical issues – impact of an alternative scheme

¹⁷<https://www.wao.gov.uk/publication/senior-officers-pay-and-pensions-pembrokeshire-county-council-report-public-interest-0>

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41. Turning to the third category of factors that would be relevant to justification – these relate to the practicalities of providing an alternative scheme, both for the potential members (in terms of the level of benefits that it might be possible to provide and the ways in which an alternative might influence people’s behaviour) and for the LGPS employers and Funds (in terms of the administrative and other costs that such a scheme might create). This third category also raises the key question of whether the provision of an alternative scheme would be effective in removing the discrimination complained of, by providing a scheme that all (or at least most) Muslim employees who would otherwise have opted out of their pension entitlement would consider Sharia-compliant.
42. These are matters which require expert evidence, and I would suggest that any LGPS employer which is considering whether or not to provide an alternative scheme obtain evidence in relation to these points before reaching a final decision. That is both in order that ensure that any decision is well-informed, and to strengthen their potential justification defence in the event that a claim is subsequently brought. Whilst it is possible to put forward a justification defence which has only been analysed after the event (i.e. after the case has been brought), a justification defence advanced by an LGPS employer who can demonstrate that it explored the issues relevant to justification before reaching its decision is likely to be treated with greater respect by the Tribunal¹⁸.
43. Given that many of these issues are general, in the sense that they will apply in the same or similar ways across LGPS employers, it may be that it would be helpful for the Board to obtain some expert evidence at this stage about these

¹⁸ *R (Elias) v Secretary of State for Defence* [2006] 1 WLR 3213, [128-132]

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general practical questions (i.e. the matters raised in sub-paragraphs 32(c) – (i) above) to inform LGPS employers who are considering these issues.

44. I would suggest that the starting point would be to instruct an expert in Islamic finance to provide evidence including the following:

- a. their opinion on the Sharia-compliance of the LGPS, and insofar as it is (or may be) thought not to be compliant an explanation of why that is;
- b. a summary of the potential range of views that they would expect among Muslim employees of LGPS employers on this issue;
- c. an explanation of what alternative pension schemes exist that the expert considers are Sharia-compliant and their features/benefit structures if one assumes that contribution levels remain as provide in the LGPS;
- d. the extent to which the expert would expect consensus among Muslim employees of LGPS employers on the Sharia-compliance of the alternative schemes.
- e. (if they are able to give an opinion based upon their knowledge of Islamic finance) their view on the overall impact on Muslim employees of offering Muslim employees who opt out of the LGPS an alternative pension scheme– i.e. would they expect more people to opt out or fewer overall, and what would they expect the split between LGPS and alternative scheme to be if people were offered the choice?

45. It would then also be helpful to have the opinion of an actuary with experience of the LGPS to address:

- a. the extent to which any features of the LGPS identified by the Islamic finance expert could be addressed within the existing basic structures of the LGPS such as to make the scheme Sharia-compliant?

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- b. the likely difference in benefits that would be provided by any alternative schemes that have been identified (assuming that same levels of contributions);
- c. any additional administrative costs to LGPS employers of a requirement to offer/provide an alternative scheme (or schemes) to the LGPS, particularly in the light of the obligation to re-enrol employees who opt out every three years;
- d. (if they are able to give an opinion) their view on the potential impact of offering a choice of pension schemes to all employees - i.e. would they expect more people to opt out or fewer, and what would they expect the overall split between LGPS and alternative to be if people were offered the choice?

C. HUMAN RIGHTS CHALLENGE UNDER ARTICLE 9/ARTICLE 14/PROTOCOL 1.

46. For completeness, I should note that in the alternative to bringing a claim for indirect discrimination in the Employment Tribunal, a potential complainant could bring a Human Rights Act challenge in the Civil Courts under Article 14 (right to protection from discrimination in respect of the rights/freedoms under the Act)/Article 9 (right to freedom of thought, belief and religion), and Protocol 1, Article 1 (right to peaceful enjoyment of property).

47. If brought as an indirect discrimination claim the same basic issues would arise as in relation to a claim in the Employment Tribunal. However, a Human Rights Act challenge could also raise what is known as a *Thlimmenos* claim. A *Thlimmenos* claim goes beyond a 'standard' claim for indirect discrimination and says that the right not to be discriminated against can extend to a requirement upon the state to treat people differently when they are in different situations.

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48. Per Lord Wilson in *R (DA) v Secretary of State for Work and Pensions* [2019]

UKSC 21 , at paragraph 40:

“... the concept of discrimination is ... underpinned by the fundamental principle not only that like cases should be treated alike but also that different cases should be treated differently. And in some cases, unlike the A case but exemplified by that in the ECtHR of Thlimmenos v Greece (2000) 31 EHRR 15 , the natural formulation of the complaint is indeed that the complainants have been treated similarly to those whose situation is relevantly different, with the result that they should have been treated differently.”

49. The *Thlimmenos* principle could be used to argue that Muslim employees who opt out of the LGPS for religious reasons are in a relevantly different situation to non-Muslim employees (in that they are unable/unwilling to be enrolled into the LGPS) and they should therefore be treated differently to others by means of the provision of an alternative scheme.

D. RISKS/CONSEQUENCES OF PROVIDING AN ALTERNATIVE SCHEME

50. Turning to the question of the potential risks and consequences of an LGPS Employer deciding to offer a Sharia-compliant scheme (assuming that one could be identified), a number of issues arise:

- a. the consequences for non-Muslim employees of offering an alternative scheme to Muslim employees;
- b. whether any other group of employees might seek alternative schemes?
- c. the risk that any alternative scheme could itself give rise to discrimination allegations.

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51. Considering these in turn:

D.1 Consequences for non-Muslim members

52. If an LGPS authority chooses to offer an alternative pension scheme to Muslim employees who opt out of the scheme for religious reasons then that scheme would also need to be offered to all employees. Any restriction of the offer would be direct discrimination on the grounds of religious belief. That has a variety of potential consequences, depending upon the nature of the alternative scheme offered. Whilst in broad terms one would expect most employees who have no religious belief which would indicate otherwise to opt for the LGPS if given the choice, that might not always be the case. For example, if member contribution levels in the alternative scheme were lower, this could encourage employees to opt out of the LGPS in favour of the alternative scheme for financial rather than religious reasons.

53. Equally, if the alternative scheme were cheaper for the employer, this could give rise to the sort of “cash for pensions” issues which have arisen in relation to teachers and NHS pension in recent years, whereby a hypothetical cash-strapped LGPS employer might seek to encourage its staff into the alternative scheme for its own financial benefit.

D.2 Requests from other groups who share a religious or philosophical belief and alternative schemes

54. Insofar as an LGPS employer is considering providing an alternative pension scheme for Muslim employees who wish to opt out on religious grounds it must also consider whether there are any other groups who might argue that the LGPS is not suitable for them, and as an alternative scheme should

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therefore be provided. I should stress that I am not aware of any such groups in the context of the LGPS. However, in the context of private trust schemes it is becoming more and more common for members to seek to restrict their own investments to ethical, or 'green' schemes. It is not difficult to imagine an argument that a philosophical belief in pacifism, for example, could be advanced as a reason for wishing to avoid certain pension scheme investment choices. LGPS Employers may therefore find that other groups of people are opting out of the LGPS for religious or philosophical reasons, and may receive requests for alternative pension schemes for reasons other than Sharia-compliance.

55. There is no "hierarchy" of protected characteristics by which any religious or philosophical belief is any more or less important than any other. Hence, when considering whether to provide an alternative pension scheme to Muslim employees, an LGPS employer would also need to consider whether there are any other groups which might argue for alternative scheme, and the overall implications of allowing such alternatives.

D.3 Risk that any alternative Scheme would be vulnerable to claim for discrimination.

56. One final point that it is important to consider in relation to the provision of an alternative scheme (or schemes) to the LGPS is whether there is a risk that the alternative schemes themselves could give rise to a claim for discrimination.

57. Any alternative scheme would (by definition) be different from the LGPS, and would therefore result in different cost and benefit structures. As I have noted above, a complete analysis of this issue will require expert advice on how any Sharia-compliant scheme would work, but given the various structural

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advantages of the LGPS it is highly likely that any alternative scheme in which contributions were the same as the LGPS would be likely to generate lower payments at retirement (or at the very least greater volatility).

58. In fact, even if the alternative scheme were able to provide more generous benefits than the LGPS, the key point is that it would be different, and hence the effect of providing an alternative scheme would be that some people would be receiving more pay (in the form of pension) than others for the same work. That is, on its face, a difference in treatment which could be argued to be indirectly discriminatory – in the sense that Muslim employees who opt out of the LGPS are receiving less generous pension benefits than other employees (or vice versa in the unlikely event that the alternative scheme resulted in more generous benefits).

59. Whilst it is likely to be possible to justify the existence of the difference, on the basis that it is caused by the choice of those Muslim employees to opt out, that does not mean that any potential ‘gap’ between the benefits provided by the LGPS and the compliant scheme will automatically be justified. To the contrary, it could be argued that it is the obligation of the LGPS employer to ensure that the alternative scheme is as close as is possible to LGPS benefits.

60. Thus, insofar as an LGPS employer does decide to provide a Sharia-compliant alternative scheme, it will also need to consider potentially difficult issues as to which Sharia-compliant alternative is the closest in terms of benefits to the LGPS, a question made more complex by the lack of consensus as to what constitutes a fully Sharia-compliant scheme in any event.

E. CONCLUSION

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61. Turning to the specific questions I am asked:

- (i) What is the level of risk of a successful claim of discrimination against an LGPS employer from an employee who opts out based on such a genuinely held belief where no alternative Sharia compliant pension provision is made available?

There are two potential claims that could be brought by an employee who opts out of the LGPS on the basis of religious belief and who argues that an alternative pension scheme should be made available - a claim for indirect discrimination in the Employment Tribunal and claim under the Human Rights Act in the civil courts. In the absence of an actual claim and without further information, it is not possible to give a determinative answer as to whether any potential challenge of this nature might succeed. However, I have set out in paragraph 34(a) – (k) above the issues to which the Tribunal or Court would have regard in deciding whether or not the failure to offer an alternative scheme to the LGPS was unlawful discrimination, and the further evidence (including expert evidence) which would be necessary to identify the merits of a potential claim at least on a preliminary basis.

- (ii) Is there any reason in law why an LGPS employer (specifically a council) could not offer an alternative Sharia compliant pension scheme solely for employees who are eligible for the LGPS but opt out on the grounds of a protected characteristic – distinct from any other reason for opting out which is not covered by the Equality Act 2010?

Yes. In my opinion if an LGPS employer chooses to provide an alternative Sharia-compliant pension scheme it would be obliged to offer it to all potentially eligible employees. Any practice of offering the alternative pension

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scheme only to those who shared a particular religion would be direct discrimination on the grounds of religion or philosophical belief.

(iii) Is there any reason in law why an LGPS employer (specifically a council) could not offer an alternative auto-enrolment compliant pension scheme to employees who are eligible for the LGPS, but opt out (for reasons other than those associated with a protected characteristic)?

No, subject to Answer (iv) below. There is no reason in principle why an LGPS employer should not offer an alternative auto-enrolment compliant scheme in those circumstances, although any such decision would need to be made in accordance with section 112 Local Government Act 1972 and their duties as a public authority. The caveat as to answer (iv) below is that whilst an LGPS employer has the power to offer such an alternative, the specific terms of any such alternative could potentially be argued to be unlawfully discriminatory.

(iv) Any alternative Sharia compliant scheme is highly likely to be a defined contribution scheme, not a defined benefit scheme – due to both ease of provision and the certainty of offering a compliant scheme/fund. Even if the employer matches LGPS employer contribution rates the fundamental difference in scheme structure would remain. Therefore what is the level of risk of a successful equal pay claim against an LGPS employer based on the differences in pension provision?

The risk specifically of an equal pay claim in relation to a difference in pension provision is low. Equal pay claims can be brought only in relation to difference in pay between men and women, and insofar as an employee who had chosen to be in the alternative scheme sought to compare themselves with an employee of the opposite sex in the LGPS I would expect their claim to fail as

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the reason for the difference in pension is not related to sex, but to their choice of pension scheme.

However, in my opinion there is a risk of claims for indirect discrimination on the grounds of religion or belief in circumstances in which employees who have opted for the alternative scheme end up with benefits which are less generous than those available under the LGPS. In particular, there is a risk that an employee might argue that any alternative scheme should be as close as it is possible to get to the LGPS (as any difference is a difference in treatment which should be the minimum possible) and that the 'gap' between their compliant pension entitlement and the LGPS was in fact greater than was necessary for Sharia compliance.

- (v) Could an LGPS administering authority ringfence part of its fund solely for Sharia-compliant investments?

Each fund is under an obligation to formulate an investment strategy which is in accordance with guidance and the LGPS Investment Regulations¹⁹. The question of whether it is feasible, whilst complying with these regulations, for an individual LGPS Fund (or section of a Fund) to be Sharia-compliant is a matter which requires expert evidence. Specifically it would require an expert Islamic finance to address the question of what constitutes a Sharia-compliant investment (or, if there is no consensus on that point, the range of views on that issue) and then actuarial evidence as to whether such investments could be ringfenced in the LGPS whilst complying with the LGPS Investment Regulations.

¹⁹ SI 2016/946

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My Instructing Solicitor should not hesitate to contact me if she, or the Board, have any queries on the contents of this Opinion, or if there are any further matters which it would be helpful for me to address.

LYDIA SEYMOUR

3 February 2022

Outer Temple Chambers

London, WC2R 1BA

Mae'r dudalen hon yn wag yn bwrpasol

LGPS Scheme Advisory Board

Summary note of (hybrid) meeting held on 7th March 2022

Full details of the meeting and agenda papers can be found on the [board meetings page](#).

The minutes of the meeting on 13th December were approved.

The main points arising from the meeting are shown below:

Welcome and Introduction - In the absence of Cllr Roger Phillips, the meeting was chaired by Jon Richards. In response to recent events in Ukraine the Board was informed that a statement advising fund authorities to review their investments in Russia has been posted on the SAB website. Fund authorities have also been asked to submit details of any direct holdings in Russian assets over 1%.

Levelling Up White Paper - Members were informed that following publication of the White Paper on the 2nd February the Secretariat has met with the pensions team at DLUHC to clarify a number of issues. It has now been made clear that the 5% target for local projects is an ambition and not mandatory but that having a plan to achieve the 5% will be mandatory. Fund authorities may also exceed the 5% target if they wish. DLUHC has also confirmed that in the context of the White Paper's proposals local means the UK rather than just the area local to each individual fund authority.

Sharia Compliant Investments - Members were advised that the Investment Committee had recommended that the Board considers the advice from Counsel on issues for scheme employers around the Sharia compliance of LGPS investments. The advice covered whether scheme employers have the power to offer an alternative scheme. The commission was in response to representations from some authorities that a number of scheme members are opting out of the scheme because they feel that the nature of scheme investments does not comply with their religious beliefs.

PSPJO Bill – The Board was advised that the Queen's Speech had included reference to a new Boycotts, Divestment and Sanctions Bill relating to the expenditure, procurement and investments of all public bodies including the authorities administering the LGPS. Separately and in advance of that Bill, an amendment to the Public Service Pensions and Judicial Offices Bill was tabled by Robert Jenrick MP to create a new clause granting responsible authorities the power to issue guidance or directions on investment decisions which it is 'not proper for a scheme manager to make in light of UK foreign and defence policy' The amendment was successfully passed as contrary to earlier expectations, the government had changed its position and supported the amendment.

Board/Committee Membership - The Board approved a number of appointments to the Board and both committees that do not require formal approval from the Secretary of State. The Board also agreed that the Chair should send letters to former members thanking them for their service to SAB and its committees.

Board Budget, Workplan and Forward Look – The Board agreed that the proposed budget should be submitted to DLUHC for consideration, and that special "forward look" meetings should be held in April to discuss the Board's strategic priorities and annual workplan with the new Board Secretary once she is in post.

Cost Management, Benefit Design and Administration Committee Report - The Board agreed with the committee's recommendation that the Board's cost management process be amended in response to forthcoming changes to HMT's Cost Control Mechanism (CCM), as set out in the relevant committee paper.

Investment, Governance and Engagement Committee Report - The report to members covered a range of issues including the Levelling Up White Paper, the 2020 Stewardship Code, an update on the new Compliance and Reporting Committee, Sharia compliant investments, an update on compliance with the Code of Transparency and a report from the Chair of RIAG.

Date of Next Meeting – 6th June 2022

Mae'r dudalen hon yn wag yn bwrpasol

Clwyd Pension Fund
Training Plan 2021/22 to 2022/23 - as at 8 June 2022

External /CPF event	Essential or Desirable	Title of session	Training Content	Timescale	Training Length	Audience	Complete
CPF	Essential	Governance considerations - Myners Principles	To include reviewing the effectiveness of the PF Committee	March or June 2022 PFC possibly	Estimated at 20 to 30 mins	Committee, Pensions Board and Officers	
External	Desirable	PLSA	Local Authority Conference 2022	13-15 June 2022	2 days (in person)	Committee, Pensions Board and Officers	
External	Desirable	Barnet Waddingham	Pension Board Event	22nd June 2022	1 day	Pension Board	
External	Desirable	Private Market Allocators/ Active Sustainable Equities	WPP/ Hymans	April - June 2022	2 hour 30 mins	Committee, Pensions Board and Officers	
CPF	Essential	Funding considerations - the valuation	Actuarial valuation and Funding Strategy Statement (FSS)	24th August 2022 at 2.30pm	1hour 30 mins	Committee, Pensions Board and Officers	
External	Desirable	LGC	Investment Seminar (Leeds)	8 - 9 September 2022	2 days	Committee, Pensions Board and Officers	
External	Desirable	Governance & Administration / Roles & Responsibilities	WPP/ Hymans	July - September 2022	2 hour 30 mins	Committee, Pensions Board and Officers	
CPF	Essential	Investment considerations - investment strategy review including asset classes	Setting the strategy and delivery of Investment objectives, including the risk and return characteristics of the asset classes	5th October 2022 at 10am	2hours 30mins	Committee, Pensions Board and Officers	
External	Desirable	RI for WPP / Stewardship Code / TCFD Reporting	WPP/ Hymans	October - December 2022	2 hour 30 mins	Committee, Pensions Board and Officers	
External	Desirable	Progress of othe LGPS Pools / Collaboration Opportunites	WPP/ Hymans	January - March 2023	2 hour 30 mins	Committee, Pensions Board and Officers	
Tidalen 145	Essential	Governance update - Various	- The role and powers of The Pensions Regulator and Codes of Practice - MIFID2 knowledge and skills requirements and the impact on the Fund around investment restrictions - Changes to be introduced as a result of The national SAB good governance project	TBC	Max 2 hours Webex/Teams	Committee, Pensions Board and Officers	
	Essential	Administration considerations - £95k Cap	If applies to Wales, the new £95k cap and the impact on scheme members being given early retirement	TBC	Estimated at 30 mins	Committee, Pensions Board and Officers	
	Essential	Administration considerations - Goodwin Case	Overview of Goodwin court case affecting widowers' pension entitlements retrospectively to 2005	TBC	Estimated at 30 mins	Committee, Pensions Board and Officers	
	Essential	Investment considerations - Private Markets	All aspects of investing in Private Markets (addition to BP)	TBC	2 hours Webex	Committee, Pensions Board and Officers	
Previous events							
CPF		Day 4 - Induction / Refresher Training Accounting , Audit and Procurement	Investment Practice	07/04/2021	14.00 - 16.00	Compulsory for new Committee and Pensions Board/optional otherwise	Y
CPF		Day 5 - Induction / Refresher Training Administration	Administration	21/04/2021	14.00 - 16.00	Compulsory for new Committee and Pensions Board/optional otherwise	Y
CPF		Funding, Flight-Path and Risk Management Framework	Part 1 - Including Synthetic Equity Strategy and collateral waterfall	21/04/2021	2 hours Webex	Committee, Pensions Board and Officers	Y
External		WPP Training Event	Private Markets	21/04/2021	14.00 - 16.30	Committee, Pensions Board and Officers	Y
CPF		Day 6 - Induction / Refresher Training Communications	Accounting, Audit & Procurement	28/04/2021	14.00 - 16.00	Compulsory for new Committee and Pensions Board/optional otherwise	Y
CPF		Day 7 - Induction / Refresher Training Communications	Communication	05/05/2021	14.00 - 16.00	Committee, Pensions Board and Officers	Y
CPF		Investment considerations - Fossil Fuels	Briefing Session - Fossil Fuel Investmetns	12/05/2021	1.5 hours Webex	Committee, Pensions Board and Officers	Y
External		PLSA	Local Authority Conference 2021	18 - 19/05/2021	2 days	Committee, Pensions Board and Officers	Y
CPF		Investment considerations - Fossil Fuels	Briefing Session - RI Roadmap	26/05/2021	2 hours Webex	Committee, Pensions Board and Officers	Y

External		CIPFA LB Annual Event	Various	23/06/2021	1 day	Board Members	Y
CPF		TPR new code / Pension Scams	TPR new code / Pension Scams	24/06/2021	30 minutes	Board Members	Y
CPF		Funding, Flight-Path and Risk Management Framework	Part 2 (reminder plus new content)	21/07/2021	Max 2 hours Webex/Teams	Committee, Pensions Board and Officers	Y
External		Responsible Investment Indices and Solutions /Responsible Investment Reporting	BlackRock / Hymans Robertson	20/07/2021	2 hours virtual	Committee, Pensions Board and Officers	Y
External		LGC Investment Summit - Leeds	Various topical presentations	9-10 September 2021	2 days (in person)	Committee, Pensions Board and Officers	Y
External		WPP Role of Operator	Hymans / WPP	22/09/2021	1.5 hours Teams	JGC Members	Y
External		CIPFA Local Pension Board Seminars	Autumn Session	28/09/2021	1 day	Pension Board	N
External		WPP Performance Reporting / ACS Roles and Responsibilities	Hymans / WPP	18/10/2021	2.5 hours Teams	Committee, Pensions Board and Officers	Y
External		Governance considerations - Cyber Security	Cyber risk to the fund and how this is being assessed and controlled	15/12/2021	Max 2 hours Webex/Teams	Committee, Pensions Board and Officers	Y
External	146	LGA Fundamentals - London, Leeds, Cardiff or virtual (for London dates only)	Various topics covering the basics of most pension fund areas of responsibility	Day 1 - 12, 21, 26 October Day 2 - 9, 18, 23 November Day 3 - 2, 8, 15 December Dates relate to London, Leeds, Cardiff respectively	3 separate days - 9.30am to 4pm	New/nearly new Committee and Board members	Y
CPF		Governance considerations - Conflicts of Interest	Understanding the Fund's Conflicts of Interest Policy and examples of potential conflicts	03/11/2021	1 hour Webinar	Committee, Pensions Board and Officers	Y
External		LAPFF, Bournemouth	Annual Conference	8 - 10 Dec 2021	3 days (in person)	Chair plus Officer	Y
CPF		Administration considerations - Pension Scheme Taxation	Including lifetime allowance and annual allowance	19/01/2022	1 hour Webinar	Committee, Pensions Board and Officers	Y
External		LGA	LGPS Governance Conference (Bournemouth)	20 - 21 Jan 2022	2 days (in person or virtual)	Committee, Pensions Board and Officers	Y
External	Desirable	Good Governance / Cost Transparency	WPP/ Hymans	22/03/2022	2 hour 30 mins	Committee, Pensions Board and Officers	Y
External	Desirable	LGC	Investment Seminar (Carden Park)	24 - 25 Mar 2022	2 days (in person)	Committee, Pensions Board and Officers	Y
External	Desirable	CIPFA	Pension Board Event	18th May 2022	1 day (in person)	Board Members	Y
CPF	Essential	Communications considerations - the Communications strategy	What's in the Communications Strategy, how it will be delivered and performance measures/assurances.	8th June 2022 at 10am	1 hour 30 mins	Committee, Pensions Board and Officers	Y

Ref	A1	Date entered in register	19/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late notification of joining	Owner	SB
Party which caused the breach	CPF + various employers		
Description and cause of breach	<p>Requirement to send a Notification of Joining the LGPS to a scheme member within 2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled.</p> <p>Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale. 14/8/19 General data cleansing including year-end is affecting whether legal timescale is met. Individual on long-term sick impacting this. 14/2/22 Previous issues no longer relevant. Current situation is purely due to magnitude of cases being received and potentially employer delays.</p>		
Category affected	Active members		
Numbers affected	<p>2017/18: 2676 cases completed / 76% (2046) were in breach. 2018/19: 3855 cases completed / 66% (2551) were in breach. 2019/20: 3363 cases completed / 50% (1697) were in breach. 2020/21 -Q1 - 442 cases completed / 55% (245) were in breach -Q2 - 1430 cases completed / 56% (799) were in breach -Q3 - 1329 cases completed / 29% (386) were in breach -Q4 - 739 cases completed / 15% (114) were in breach 2021/22 -Q1 - 789 cases completed / 15% (118) were in breach -Q2 - 769 cases completed / 25% (190) were in breach -Q3 - 1444 cases completed / 15% (190) were in breach -Q4- 1070 cases completed / 12% (128) were in breach</p>		
Possible effect and wider implications	<ul style="list-style-type: none"> - Late scheme information sent to members which may result in lack of understanding. - Potential complaints from members. - Potential for there to be an impact on CPF reputation. 		
Actions taken to rectify breach	<ul style="list-style-type: none"> - Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing). / - Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly. / - Training of new team members to raise awareness of importance of time restraint. / - Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task. - 6/6/18 - Updating KPI monitoring to understand employers not sending information in time. 3/6/19 - Review of staff resources now complete and new posts filled. 14/8/19 -Streamlining of aggregation cases with major employers. /- Consider feasibility and implications of removing reminders for joining pack (agreed not to change). /- Consider feasibility of whether tasks can be prioritised by date of joining (agreed not to change). 14/11/19 - Utilising FCC trainees to assist with this procedure. Joined early September. 30/01/2020 - backlog completed and addressed older case work. 25/09/2020 - Appointed and training new members of staff 17/11/2020 - Training of new staff continuing. An increase of cases completed compared to previous. Expecting next quarter results to improve due to completion of training. 02/02/2021 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient. 14/10/2021 - Due to key staff members within this area leaving the Fund in this quarter, recruitment is underway to replace these staff members and new Modern Apprentices are being trained in this area. 14/02/2022 - Appointed to vacant positions and Modern Apprentices trained in this area. 22/05/2022 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient. 		
Outstanding actions (if any)	<p>22/05/22 - Analyse new employer reports and escalate to individual employers if required. Continually review resource requirements to meet KPI.</p>		
Assessment of breach and brief summary of rationale	<p>22/05/2022 Number of cases in breach has reduced this quarter but so has number completed. Improvement should continue as staff become more efficient. Number breached still too high to reduce rating.</p>		
Reported to tPR	No		

Ref	A2	Date entered in register	19/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late transfer in estimate	Owner	SB
Party which caused the breach	CPF + various previous schemes		
Description and cause of breach	<p>Requirement to obtain transfer details for transfer in, and calculate and provide quotation to member 2 months from the date of request.</p> <p>Breach due to late receipt of transfer information from previous scheme and late completion of calculation and notification by CPF. Only 2 members of team fully trained to carry out transfer cases due to new team structure and additional training requirements. 29/1/19 National changes to transfer factors meant cases were put on hold / stockpiled end of 2018 / early 2019.</p>		
Category affected	Active members		
Numbers affected	<p>2017/18: 235 cases completed / 36% (85) were in breach. 2018/19: 213 cases completed / 45% (95) were in breach. 2019/20: 224 cases completed / 32% (71) were in breach 2020/21 -Q1- 59 cases completed / 19% (11) were in breach -Q2- 54 cases completed / 35% (19) were in breach -Q3- 56 cases completed / 29% (16) were in breach -Q4- 55 cases completed / 20% (11) were in breach 2021/22 -Q1 - 76 cases completed / 62% (47) were in breach -Q2 - 76 cases completed / 22% (17) were in breach -Q3 - 91 cases completed / 15% (14) were in breach -Q4 - 66 cases completed / 14% (9) were in breach</p>		
Possible effect and wider implications	<ul style="list-style-type: none"> - Potential financial implications on some scheme members. - Potential complaints from members/previous schemes. - Potential for impact on CPF reputation. 		
Actions taken to rectify breach	<p>17/11/2020 - Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with in a more timely manner. 02/02/2021 - Training to continue. Complex area of work so training taking longer to complete. Training will continue through Q4. 21/05/2021 - Staff members attended external training course. 08/03/2022 - Have investigated how much of the delay is due to external schemes. 22/05/2022 - Additional checks required in transfer process. Schemes taking longer to process therefore knock on effect. Expect this to reduce as industry adjusts to new processes.</p>		
Outstanding actions (if any)			
Assessment of breach and brief summary of rationale	22/05/2022 Number of cases completed consistent with time of year. Number in breach remains too high to amend assessment. Improvements expected over following months.		
Reported to tPR	No		

Ref	A4	Date entered in register	19/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late notification of retirement benefits	Owner	SB
Party which caused the breach	CPF + various employers + AVC providers		
Description and cause of breach	<p>Requirement to provide notification of amount of retirement benefits within 1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age.</p> <p>Due to a combination of:</p> <ul style="list-style-type: none"> - late notification by employer of leaver information - late completion of calculation by CPF - for members who have AVC funds, delays in receipt of AVC fund values from AVC provider. - temporary large increases in work due to retrospective pay award recalculations 		
Category affected	Active members mainly but potentially some deferred members		

Numbers affected	<p>2017/18: 960 cases completed / 39% (375) were in breach. 2018/19: 1343 cases completed / 30% (400) were in breach 2019/20: 1330 cases completed / 25% (326) were in breach 2020/21</p> <ul style="list-style-type: none"> - Q1 - 214 cases completed in total / 37% (79) were in breach - Q2 - 232 cases completed / 25% (59) were in breach - Q3 - 331 cases completed / 19% (63) were in breach -Q4 - 350 cases completed / 19% (68) were in breach <p>2021/22</p> <ul style="list-style-type: none"> -Q1 - 329 cases completed / 16% (53) were in breach -Q2 - 388 cases completed / 16 % (64) were in breach -Q3 - 444 cases completed / 14% (64) were in breach -Q4- 373 cases completed / 11% (41) were in breach
Possible effect and wider implications	<ul style="list-style-type: none"> - Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from members/employers. - Potential for there to be an impact on CPF reputation.
Actions taken to rectify breach	<ul style="list-style-type: none"> - Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of retirees (ongoing). - Set up of ELT to monitor and provide leaver details in a more timely manner. - Prioritising of task allocation. - Set up of new process with one AVC provider to access AVC fund information. - Increased staff resources. <p>3/6/19 - Review of staff resources now complete and new posts filled. 14/8/19 - Improvements have been made and more should be made as staff are settled in and trained. Business case approved. 25/09/20 - Increased engagement with employers to assist with challenges faced due to working from home in relation to Covid-19 requirements. Employers faced challenges in getting information to us in relevant timescales. 17/11/2020- Number of cases completed has increased whilst percentage in breach has reduced compared to last quarter. This is hoped to continue due to increased engagement with employers and processes amended to mitigate challenges faced by Covid-19. 02/02/21 - Completed case numbers continue to increase whilst percentage in breach has reduced again this quarter. Improved engagement with employers via new monthly reporting process should assist in reducing the number of breaches further in future quarters. 21/05/2021 - New reports to employers will go live in June so expected improvement in future quarters.</p>
Outstanding actions (if any)	<p>22/05/22 - Analyse new employer reports and escalate to individual employers if required. Complete all recalculations so all appropriate staff can focus on retirements.</p>
Assessment of breach and brief summary of rationale	<p>22/05/2022 Number of cases completed consistent with time of year. Number in breach remains too high to amend assessment. Recalculation of benefits due to late pay award will impact this KPI. Improvement may not be seen until all recalculations complete.</p>
Reported to tPR	No

Ref	A6	Date entered in register	20/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late notification of death benefits	Owner	SB
Party which caused the breach	CPF		
Description and cause of breach	<p>Requirement to calculate and notify dependant(s) of amount of death benefits as soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative).</p> <p>Due to late completion by CPF the legal requirements are not being met. Due to complexity of calculations, only 2 members of team are fully trained and experienced to complete the task.</p>		
Category affected	Dependant members + other contacts of deceased (which could be active, deferred, pensioner or dependant).		

Numbers affected	2017/18: 153 cases completed / 58% (88) were in breach. 2018/19:184 cases completed / 30% (56) were in breach 2019/20: 165 cases completed / 28% (53) were in breach 2020/21 -Q1- 39 cases completed / 23% (9) were in breach -Q2- 52 cases completed / 38% (20) were in breach -Q3- 31 cases completed / 29% (9) were in breach -Q4- 73 cases completed / 21% (15) were in breach 2021/22 -Q1- 59 cases completed / 8% (5) were in breach -Q2 - 42 cases completed / 5% (2) were in breach -Q3 - 52 cases completed / 17% (9) were in breach -Q4 - 54 cases completed / 19% (10) were in breach
Possible effect and wider implications	- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from beneficiaries, particular given sensitivity of cases. - Potential for there to be an impact on CPF reputation.
Actions taken to rectify breach	- Further training of team - Review of process to improve outcome - Recruitment of additional, more experienced staff. 3/6/19 - Review of staff resources now complete and new posts filled. 3/2/20 - Training of additional staff now complete. 18/8/21 - Further work completed identifying where the delay fell e.g. request or receipt of information to facilitate the calculation of benefits, and action taken to improve these issues.
Outstanding actions (if any)	None
Assessment of breach and brief summary of rationale	22/05/2022 - Number of completed cases and breaches have remained constant, due to more experienced staff helping with retirements / recalculations and newly trained staff taking longer to process cases. Improvement should be seen in next quarter. Assessment level to remain Amber.
Reported to tPR	No

Ref	A20	Date entered in register	03/02/2021
Status	Open	Date breached closed (if relevant)	
Title of Breach	Members not entered into LGPS	Owner	KW
Party which caused the breach	Employer		
Description and cause of breach	Number of employees entered into the Peoples' Pension, rather than the LGPS, by their employer (confidential until all employees are communicated with). Some employees did opt out of Peoples' Pension.		
Category affected	Active members		
Numbers affected	18 employees		
Possible effect and wider implications	- As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively. - Unclear if the employees who opted out, would have also opted out of the LGPS. - LGPS Contributions will need to be collected from employer and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period. - Employer will need to liaise with Peoples' Pension to reverse membership there.		
Actions taken to rectify breach	3/2/2021 - Liaising with employer to determine how best to put employees back in correct position. Letters sent to members to explain 21/05/2021 - Regular meetings held with employer and have an action plan in place. Exact number of 18 members have now been identified. 14/10/2021 - All active members have been communicated with and next steps agreed. 14/02/2022 - CPF Pensions Administration Manager has been chasing for final cases to be resolved. 22/05/2022 - Employer requested figures from payroll department on multiple occasions. CPF Pension Administration Manager contacted payroll team leader requesting dates for completion of outstanding actions.		
Outstanding actions (if any)	14/10/2021 - Contact members who have left (4) that are outstanding. These members still need to be communicated with by the employer. No employee financial impact. 14/02/2022 - Action above still outstanding. Ongoing chasing by CPF Pensions Administration Manager. 22/05/2022 - Action above still outstanding. CPF Pension Administration Manager now escalated to Payroll Team Leader for resolution.		
Assessment of breach and brief summary of rationale	22/05/2022 - Follow up actions for the 4 members that have left are still outstanding. Assessment of breach to remain green as number of members impacted is low and no further contributions are being made.		
Reported to tPR	No		

Ref	A22	Date entered in register	21/05/2021
Status	Open	Date breached closed (if relevant)	
Title of Breach	Members not entered into LGPS	Owner	KW
Party which caused the breach	Glyndwr		
Description and cause of breach	Number of employees entered into alternative pension schemes, rather than the LGPS, by Glyndwr.		
Category affected	Active members		
Numbers affected	6 employees		
Possible effect and wider implications	<ul style="list-style-type: none"> - As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively. - LGPS Contributions will need to be collected from employer and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period. - Employer will need to liaise with alternative provider to reverse membership there. 		
Actions taken to rectify breach	<p>21/05/2021- Liaising with employer to determine how best to put employees back in correct position and detailed plan of actions has been developed. Letters sent to members to explain</p> <p>14/10/2021 - Letter to 5 outstanding employees requesting confirmation of next steps issued with close date of 31/10/21.</p> <p>14/2/2022 - Employer being chased by CPF.</p> <p>22/05/2022 - CPF continuing to work with employer to resolve individual cases once employee responds with preferred action. Three outstanding cases remain.</p>		
Outstanding actions (if any)	<p>14/10/2021 - Final part of action plan to be completed.</p> <p>14/02/2022 - Employer to continue to be chased by CPF, final part of action plan still to be completed.</p>		
Assessment of breach and brief summary of rationale	27/05/2022 - Changed from amber to green given progress is now being made and waiting for employee responses		
Reported to tPR	No		

Ref	A23	Date entered in register	21/05/2021
Status	Open	Date breached closed (if relevant)	
Title of Breach	Incorrect member contributions paid	Owner	KW
Party which caused the breach	Employer		
Description and cause of breach	When employees are stepping up from their substantive post to higher graded post, incorrect employee and employer contributions have been made. This is due to an incorrect recording on the payroll system.		
Category affected	Active and Deferred		
Numbers affected	20 current and previous employees		
Possible effect and wider implications	<ul style="list-style-type: none"> - As a result the employees may have less valuable pension rights, and so LGPS CARE pay and contributions will need to be checked and difference in contributions paid retrospectively. - LGPS Contributions will need to be collected from employer, and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period. 		
Actions taken to rectify breach	<p>21/05/2021- Process has been updated to ensure correct contributions/CARE pay going forward.</p> <p>- Liaising with employer to determine how best to put employees back in correct position retrospectively and letters to be sent to members to explain.</p> <p>14/10/2021 Current employees contacted and all have agreed to pay outstanding contributions/payment plans agreed.</p> <p>14/02/2022 - CPF Pensions Administration Manager has been chasing for final cases to be resolved.</p> <p>22/05/2022 - Employer and Payroll provider being chased by CPF. Escalated to Payroll Team Leader.</p>		
Outstanding actions (if any)	<p>14/10/2021 - Employees who have left employment to be contacted to discuss options and agree actions.</p> <p>14/02/2022 - Action above still outstanding. Ongoing chasing by CPF Pensions Administration Manager.</p> <p>22/05/2022 - CPF will continue to chase payroll as Employer cannot progress until information provided by payroll.</p>		
Assessment of breach and brief summary of rationale	14/02/2022- Members who have left employment are still to be contacted (9). Not all actions completed by employer therefore assessment of breach to remain as amber.		
Reported to tPR	No		

Ref	A24	Date entered in register	22/05/2022
Status	Open	Date breached closed (if relevant)	
Title of Breach	Individuals not offered membership of the scheme	Owner	KW
Party which caused the breach	Employer		
Description and cause of breach	Breach of Disclosure Regulations to a number of individuals who were not given the relevant paperwork to opt-in to the LGPS upon appointment in 2008.		
Category affected	Active members		
Numbers affected	A small number but total not yet known (expected to be less than 50)		
Possible effect and wider implications	<ul style="list-style-type: none"> - As a result the members may have less valuable pension rights, and so LGPS membership will need to be offered retrospectively to the affected members. - If any choose to proceed with retrospective membership, LGPS contributions will need to be collected from the members and then employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period. 		
Actions taken to rectify breach	22/05/2022 Been liaising with employer to determine how best to proceed and develop a detailed plan of actions.		
Outstanding actions (if any)	22/05/2022 - If appropriate, relevant process and forms to be completed by all parties to confirm membership in CPF, payment of arrears of contributions to be made and pensions system to be updated reflecting correct membership.		
Assessment of breach and brief	22/05/2022 - Small number of individuals affected and still determining resolutions.		
Reported to tPR	No		

Ref	F58	Date entered in register	23 Feb 2021
Status	Closed	Date breached closed (if relevant)	17 Mar 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchwiel Community Council		
Description and cause of breach	<p>A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.</p> <p>Contributions relating to January 2022 were received within the legal timescales but no remittance advice was received.</p> <p>Previous similar breaches - F11, 16, 32, 42, 46, 49, F50</p>		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	- 23/02/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 17/03/22		
Reported to tPR	No		

Ref	F62	Date entered in register	23 Mar 2022
Status	Closed	Date breached closed (if relevant)	31 Mar 2022
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	Gresford Community Council		
Description and cause of breach	<p>Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions.</p> <p>Contributions in relation to February 2022 were not received within the deadline. Previous breach F61</p>		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	<ul style="list-style-type: none"> - Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer. 		
Actions taken to rectify breach	- 23/03/22 emailed Employer to request payment		
Outstanding actions (if any)			
Assessment of breach and brief	Payment made 31/03/2022		
Reported to tPR	No		

Ref	F63	Date entered in register	23 Mar 2022
Status	Closed	Date breached closed (if relevant)	30 Mar 2022
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	Ruthin Town Council		
Description and cause of breach	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions. Contributions in relation to February 2022 were not received within the deadline. Previous breach F55		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	- 23/03/22 emailed Employer to request payment		
Outstanding actions (if any)			
Assessment of breach and brief	Payment made 30/03/2022		
Reported to tPR	No		

Ref	F64	Date entered in register	23 Mar 2022
Status	Closed	Date breached closed (if relevant)	30 Mar 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Ruthin Town Council		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions and remittance relating to February 2022 were received late on 30/03/2022		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	- 23/03/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 30/03/2022		
Reported to tPR	No		

Ref	F65	Date entered in register	23 Mar 2022
Status	Closed	Date breached closed (if relevant)	24 Mar 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Wrexham County Borough Council		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to February 2022 were received within the deadline but no remittance advice was received.		
Category affected	Active members and employer		
Numbers affected	4,700 active members		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	- 23/03/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 24/03/2022		
Reported to tPR	No		

Ref	F66	Date entered in register	23 Mar 2022
Status	Closed	Date breached closed (if relevant)	24 Mar 2022

Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Maelor School		
Description and cause of breach	<p>A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.</p> <p>Contributions relating to February 2022 were received within the deadline but no remittance advice was received. (WCBC provide payroll services)</p>		
Category affected	Active members and employer		
Numbers affected	30 active members		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	- 23/03/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 24/03/2022		
Reported to tPR	No		

Ref	F67	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	06 Jun 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Flintshire County Council		
Description and cause of breach	<p>A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.</p> <p>Contributions relating to April 2022 were received within the deadline but no remittance advice was received.</p>		
Category affected	Active members and employer		
Numbers affected	5,500 active members		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 06/06/2022		
Reported to tPR	No		

Ref	F68	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	06 Jun 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Aura (Leisure and Libraries)		
Description and cause of breach	<p>A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.</p> <p>Contributions relating to April 2022 were received within the deadline but no remittance advice was received. (FCC provide payroll services)</p>		
Category affected	Active members and employer		
Numbers affected	183 active members		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 06/06/2022		
Reported to tPR	No		

Ref	F69	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	06 Jun 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Newydd Catering and Cleaning		

Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to April 2022 were received within the deadline but no remittance advice was received. (FCC provide payroll services)
Category affected	Active members and employer
Numbers affected	285 active members
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.
Actions taken to rectify breach	- 27/05/22 emailed Employer to request remittance
Outstanding actions (if any)	
Assessment of breach and brief	Remittance received 06/06/2022
Reported to tPR	No

Ref	F70	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	31 May 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Cefn Mawr Community Council		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to April 2022 were received within the deadline but no remittance advice was received.		
Category affected	Active members and employer		
Numbers affected	3 active members		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 31/05/2022		
Reported to tPR	No		

Ref	F71	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	30 May 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Churchills		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to April 2022 were received within the deadline but no remittance advice was received.		
Category affected	Active members and employer		
Numbers affected	5 active members		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 30/05/2022		
Reported to tPR	No		

Ref	F72	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	30 May 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Connah Quay Town Council		

Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to April 2022 were received within the deadline but no remittance advice was received.
Category affected	Active members and employer
Numbers affected	5 active members
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.
Actions taken to rectify breach	- 27/05/22 emailed Employer to request remittance
Outstanding actions (if any)	
Assessment of breach and brief	Remittance received 30/05/2022
Reported to tPR	No

Ref	F73	Date entered in register	27 May 2022
Status	Open	Date breached closed (if relevant)	
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchweil Community Council		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to April 2022 were received within the deadline but no remittance advice was received. Previous breach F58		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Town Clerk on sick leave. Payments are made by direct debit		
Reported to tPR	No		

Ref	F74	Date entered in register	27 May 2022
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	Ruthin Town Council		
Description and cause of breach	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions. Contributions in relation to April 2022 were not received within the deadline. Previous breach F63		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request payment		
Outstanding actions (if any)			
Assessment of breach and brief	Deputy Head of Fund to try and contact Clerk 08/06/2022		
Reported to tPR	No		

Ref	F75	Date entered in register	27 May 2022
Status	Open	Date breached closed (if relevant)	
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Ruthin Town Council		

Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions and remittance relating to April 2022 were not received. Previous breach F64
Category affected	Active members and employer
Numbers affected	1 active member
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.
Actions taken to rectify breach	- 27/05/22 emailed Employer to request remittance
Outstanding actions (if any)	
Assessment of breach and brief	Deputy Head of Fund to try and contact Clerk 08/06/2022
Reported to tPR	No

Ref	F76	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	06 Jun 2022
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	Gresford Community Council		
Description and cause of breach	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions. Contributions in relation to April 2022 were not received within the deadline. Previous breach F62		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request payment		
Outstanding actions (if any)			
Assessment of breach and brief summary of rationale	Employer contributions received 26/05/2022. Employees contributions received 06/06/2022		
Reported to tPR	No		

Ref	F77	Date entered in register	27 May 2022
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	North Wales Fire Service		
Description and cause of breach	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions. Contributions in relation to April 2022 were not received within the deadline.		
Category affected	Active members and employer		
Numbers affected	179 active members		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request payment		
Outstanding actions (if any)			
Assessment of breach and brief summary of rationale	Employer emailed 08/06/2022 requesting a call to resolve the issue. They had a new payroll and finance system in April. Payment for April had been missed but was now to be made as a matter of urgency.		
Reported to tPR	No		

Mae'r dudalen hon yn wag yn bwrpasol

Delegation of Functions to Officers by Pension Fund Committee – **June 2022**

Key:

PFC – Pension Fund Committee

CFM – Corporate Finance Manager

FA – Fund Actuary

PAP - Pension Advisory Panel

CE - Chief Executive

IA – Independent Advisor

HCPF – Head of Clwyd Pension Fund

IC – Investment Consultant

DHCPF – Deputy Head of Clwyd Pension Fund

PAM – Pensions Administration Manager

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
<p>Investment strategy - approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.</p> <p>Monitoring the implementation of these policies and strategies on an ongoing basis.</p>	<p>Rebalancing and cash management</p> <p>Implementation of strategic allocation including use of both rebalancing and conditional ranges</p> <p>Short term tactical decisions relating to the 'best ideas' portfolio</p> <p>Risk Management Framework - Implementation of the agreed market Flightpath triggers and deciding action(s) to be taken when Flightpath funding triggers are reached within the existing constraints of the Investment Strategy.</p>	<p>HCPF (having regard to ongoing advice of the IC and PAP)</p>	<p>High level monitoring at PFC with more detailed monitoring by PAP</p>

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
	Investment into new mandates / emerging opportunities	HCPF and either the CFM or CE (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP
	Completion and submission of request to opt up to professional client status under the terms of MIFID II	HCPF	Ongoing reporting to PFC for noting, with more detailed monitoring by PAP
In relation to Wales Pooling Collaboration arrangements: <ul style="list-style-type: none"> Nominating Flintshire County Council's officers to the Officer Working Group. 	Members of the Officer Working Group	HCPF and DHCPF	High level monitoring at PFC with more detailed monitoring by PAP
In relation to Wales Pooling Collaboration arrangements: <ul style="list-style-type: none"> Delegating powers to Flintshire County Council's own officers and the Host Council where required. 	All matters included in the Inter Authority Agreement as being responsibilities of officers and the Host Council	Officers – HCPF who may delegate to DHCPF subject to ongoing advice from CFM Host Council – Carmarthenshire County Council	High level monitoring at PFC with more detailed monitoring by PAP
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.	Ongoing monitoring of Fund Managers	HCPF, CFM and CE (having regard to ongoing advice of the IC) and subject to ratification by PFC	High level monitoring at PFC with more detailed monitoring by PAP
	Selection, appointment and dismissal of Fund Managers	HCPF, CFM and CE (having regard to ongoing advice of the IC) and subject to ratification by PFC	Notified to PFC via ratification process.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
	Setting of objectives for investment related consultancy contracts in line with CMA requirements ¹ , and monitoring against those objectives.	HCPF and DHCPF	High level information provided to PFC following annual review.
Agreeing the terms and payment of bulk transfers into and out of the Fund.	Agreeing the terms and payment of bulk transfers into and out of the Fund where there is a bulk transfer of staff from the Fund. Exceptions to this would be where there is a dispute over the transfer amount or it relates to significant assets transfers relating to one employer or the Fund as a whole	HCPF and either the CFM or CE after taking appropriate advice from the FA.	Ongoing reporting to PFC for noting

¹ In accordance with Investment Consultancy and Fiduciary Management Market Investigation Order 2019

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
<p>Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.</p>	<p>Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund including flexibility of exit payments and deferred debt arrangements².</p>	<p>HCPF and either the CFM or CE after taking appropriate advice from the FA.</p>	<p>Ongoing reporting to PFC for noting</p>
<p>Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.</p>	<p>Working with the actuary in determining the appropriate level of employer contributions for each employer between formal actuarial valuations³</p>	<p>HCPF and either the CFM or CE after taking appropriate advice from the FA.</p>	<p>Ongoing reporting to PFC for noting</p>

² Note that any employer appeals to decisions made by officers relating to flexibility of exit payments and deferred debt arrangements are to be decided by the Pension Fund Committee.

³ Note that any employer appeals to decisions made by officers relating to the rate of contributions between valuations are to be decided by the Pension Fund Committee.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Discretions – determining how the various administering authority discretions are operated for the Fund.	Approving administering authority discretions policy (including the Voluntary Scheme Pays Policy and Over/underpayments Policy) other than in relation to: <ul style="list-style-type: none"> • any key strategy/policies and • matters relating to admission bodies and bulk transfers as included in the preceding two rows. 	CFM and CE (having regard to the advice of the rest of the PAP)	Copy of policies to be circulated to PFC members once approved.
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PFC.	HCPF and either the CFM or CE, subject to agreement with Chair and Vice Chair (or either, if only one available in timescale)	PFC advised of consultation via e-mail (if not already raised previously at PFC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PFC for noting.
Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the CIPFA Code of Practice ⁴	HCPF	Regular reports provided to PFC and included in Annual Report and Accounts.

Trustee for

⁴ CIPFA Code of Practice recommends each administering authority delegates responsibility for implementation to a senior officer.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund	Making minor changes to existing strategies, statutory compliance statements, policies and procedures. These will still be required to be considered by the PFC in line with the period stated in that document.	HCPF and either the CFM or CE	Ongoing reporting to PFC for noting
	Personal Data Retention Policy -	PAM in consultation with HCPF	Ongoing reporting to PFC for noting Fundamental changes to this Policy will be highlighted to the Pension Fund Committee prior to its approval to allow the Committee to highlight any concerns.
	Policy for Administration and Communication of Tax Allowances to Scheme Members -	PAM in consultation with HCPF	Ongoing reporting to PFC for noting Fundamental changes to this Policy will be highlighted to the Pension Fund Committee prior to its approval to allow the Committee to highlight any concerns.
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund	Other urgent matters as they arise	HCPF and either CFM or CE, subject to agreement with Chair and Vice Chair (or either, if only one is available in timescale)	PFC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PFC.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Committee.	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PFC and subject to monitoring agreed at that time.

Updates since last version are shown in ***highlighted bold and italics.***

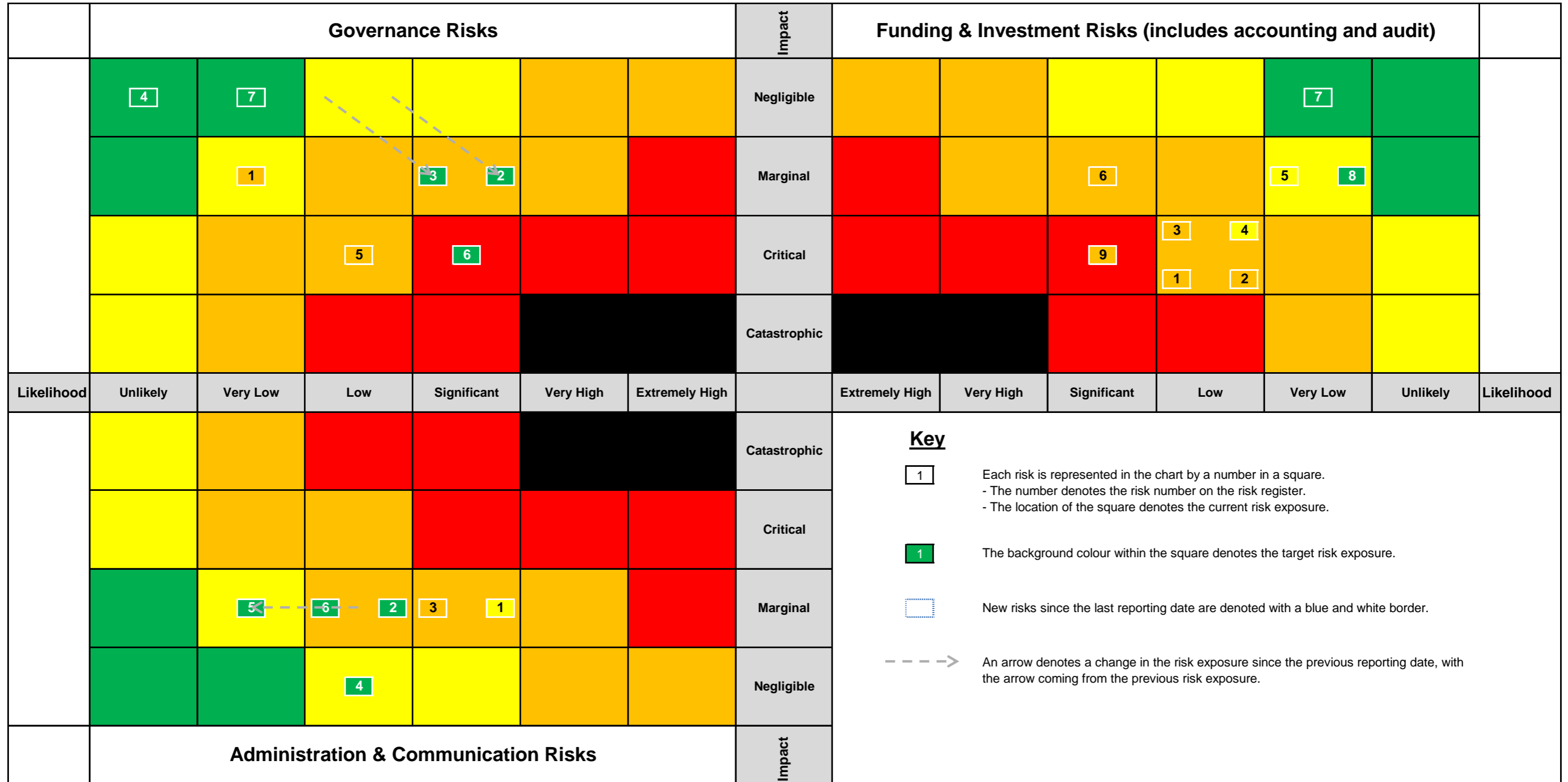
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CLWYD PENSION FUND - CALENDAR OF EVENTS

Month	Date	Day	Committee	Training and Other Events	Pension Board	Location
2022						
Jan						
	19-Jan	Wed		WPP Progress of Pools / Collaboration Opportunitites 10am - 12.30pm		Virtual
	19-Jan	Wed		Essential: CPF training Tax / Annual Allowance 3pm - 4 pm		Virtual
	20 - 21 Jan	Thurs - Fri		LGPS Governance Conference		Bournemouth
Feb						
	09-Feb	Wed	9.30am - 12.30pm			Virtual
	17-Feb	Thur			9.30am - 2pm	Virtual
Mar						
	16-Mar	Wed	9.30am - 12.30pm			Virtual
	22-Mar	Tues		WPP Good Governance / Cost Transparency 10am - 12.30pm		Virtual
	24 - 25 Mar	Thurs - Fri		LGC Investment Seminar		Carden Park
Apr						
May						
June						
	08-Jun	Wed		Essential: Communications Strategy Training 10am - 11.30am		Virtual
	08-Jun	Wed			1pm - 5pm	Virtual
	13 - 15 Jun	Mon - Wed		PLSA Local Authority Conference		Cotswolds
	15-Jun	Wed	9.30am - 12.30am			Virtual
	22-Jun	Wed		Barnet Waddingham Pension Board Event 9.30am - 4pm		London / Virtual
July						
Aug						

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	24-Aug	Wed		Essential: Funding Strategy training 2.30pm - 4pm		TBC
	31-Aug	Wed	9.30am - 12.30am			
Sept						
	8 - 9 Sept	Thur - Fri		LGC Investment Seminar		Leeds
	30-Sept	Fri			9.30am - 2pm	TBC
Oct						
	05-Oct	Wed		Essential: Investment Strategy Review Training 10am - 12.30pm		TBC
Nov						
	23-Nov	Wed	9.30am - 12.30am			TBC
Dec						
	13-Dec	Tues		AJCM		TBC
2023						
Jan						
Feb						
	15-Feb	Wed	9.30am - 12.30am			TBC
Mar						
	01-Mar	Wed			9.30am - 2pm	TBC
	29-Mar	Wed	9.30am - 12.30am			TBC
Apr						
May						
Jun						
	21-Jun	Wed	9.30am - 12.30am			TBC
	27-Jun	Tues			9.30am - 2pm	TBC
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						



Clwyd Pension Fund - Control Risk Register

Governance Risks

Objectives extracted from Governance Policy (02/2020), Knowledge and Skills Policy (09/2021) and Procedures for Reporting Breaches of the Law (03/2022)

- G1 Act in the best interests of the Fund's members and employers
- G2 Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- G3 Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- G4 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- G5 Understand and monitor risk
- G6 Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- G7 Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
- T1 Ensure that the Clwyd Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.
- T2 Those persons responsible for governing the Clwyd Pension Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.
- B1 Ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report.
- B2 Assist in providing an early warning of possible malpractice and reduce risk.

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	
1	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately considered (recognising that many risks can be identified but not managed to any degree of certainty)	All	Marginal	Very Low	Yellow	1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to each PFC 3 - Advisory panel meets at least quarterly discussing changing environment etc 4 - Fundamental review of risk register annually 5 - TPR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Marginal	Low	Orange	😊				Head of CPF	31/08/2022	18/05/2022	
2	Inappropriate or no decisions are made	Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	G1 / G2 / G3 / G4 / G5 / G6 / G7	Marginal	Significant	Orange	1 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Annual check against TPR Code 4 - Knowledge and Skills Policy, plan, monitoring (regular self assessments) and induction training in place for PFC and PB members based on CIPFA Code/Framework 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PFC, PB and officers in their responsibilities, with formal Advisory Panel 6 - Terms of reference for the Committee in the Constitution allows for members to be on the Committee for between 4-6 years but they can be re-appointed 7 - Different categories of Committee and Board members have different end of term dates, to ensure continuity 8 - Approved schedule of officer delegations, including ability for urgent matters to be agreed outside of formal Committee (involving Chair of PFC) 9 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible	Negligible	Very Low	Green	😊	Current impact 1 too high Current likelihood 2 too high	05/05/2022	Aug 2022	1 - Further self assessment of training needs to be carried out in 2022/23 - after Welsh elections May 2022 (PL) 2 - Induction training planned for any new members following May 2022 Welsh elections (if required) (PL) 3 - Discussions to be held with new PFC and PB members to determine most effective way of delivering induction training	Head of CPF	31/08/2022	18/05/2022
3	Our legal fiduciary responsibilities are not met	Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers	G1 / G2 / G4 / G6 / T2	Marginal	Significant	Orange	1 - CPF Conflicts of Interest Policy focussed on fiduciary responsibility regularly discussed and reviewed 2 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 3 - All stakeholders to which fiduciary responsibility applies represented at PFC and PB 4 - Knowledge and Skills Policy, Plan, monitoring (regular self assessments) and induction training in place for PFC and PB members including training on fiduciary responsibility and the CPF Conflicts Policy 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PFC, PB and officers in their responsibilities, with formal Advisory Panel 6 - Clear strategies and policies in place with Fund objectives which are aligned with fiduciary responsibility 7 - WPP Conflicts of Interests Policy in place	Negligible	Very Low	Green	😊	Current impact 1 too high Current likelihood 2 too high	26/01/2021	Aug 2022	1 - Ensure appropriate due diligence process for investments with potential conflict (Welsh or local) (PL) 2 - Ensure new members receive training on and understand their roles / responsibilities / potential conflicts of interest and how conflicts must be managed.	Head of CPF	31/08/2022	18/05/2022
4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	G2 / G7	Negligible	Unlikely	Green	1 - Range of policies in place and all reviewed at least every three years 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored	Negligible	Unlikely	Green	😊				Dep. Head of CPF	31/08/2022	18/05/2022	
5	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such scheme change (e.g. McCloud, potential exit cap, national reorganisation, cybercrime, Covid-19, asset pooling, levelling up and boycotts / divestments / sanctions)	G1 / G4 / G6 / G7	Critical	Low	Orange	1 - Continued discussions at AP, PFC and PB regarding this risk 2 - Fund's consultants involved at national level/regularly reporting back to AP/PFC 3 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring) 4 - Asset pooling IAA in place 5 - Officers on Wales Pool OWG, and Pension Board Chair attending WPP LPB Chair meetings 6 - Cyber Security Policy in place 7 - Ongoing monitoring of cybercrime risk by AP 8 - McCloud planning undertaken and full programme management in place 9 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible 10 - Covid-19 risk regularly considered including at AP	Marginal	Low	Orange	😊	Current impact 1 too high	28/02/2017	Mar 2023	1 - Regular ongoing monitoring by AP to consider if any action is necessary around potential areas of concern / change (PL) 2 - Deliver final aspects of cybercrime risk mitigations into BAU (PL) 3 - Refresh and document business continuity assessments/procedures (KW)	Head of CPF	31/08/2022	18/05/2022
6	Services are not being delivered to meet legal and policy objectives	Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades.	G3 / G6 / G7 / T1	Critical	Significant	Red	1 - Fundamental review of succession planning and resources carried out over 2017 to 2020 and new structures put in place 2 - Ongoing task/SLA reporting to management AP/PFC/PB to quickly identify issues 3 - Quarterly update reports consider resourcing matters 4 - Consultants provide back up when required 5 - Additional resources, such as outsourcing, considered as part of business plan 6 - Impact of potential or actual Covid absences being discussed regularly ensuring priority work continues unaffected 7 - Resourcing regularly considered as part of major projects (e.g. McCloud)	Negligible	Very Low	Green	😊	Current impact 2 too high Current likelihood 2 too high	01/07/2016	Mar 2023	1 - Recruit to vacant governance, administration, communications, business, Fund accountant and Trainee Fund accountant roles. (PL) 2 - Ongoing consideration of business continuity including succession planning (PL)	Head of CPF	31/08/2022	18/05/2022
7	Legal requirements and/or guidance are not complied with	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches)	G3 / G6 / T1 / T2 / B1 / B2	Negligible	Very Low	Green	1 - TPR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliance areas (relevant individuals provided with a copy and training provided) 4 - Knowledge and Skills policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures 7 - Strategies and policies often included statements or measures around legal requirements/guidance 8 - Wide range of advisers and AP in place 9 - Independent adviser in place including annual report which will highlight concerns 10 - Outstanding actions relating to TPR Code reviewed regularly	Negligible	Very Low	Green	😊				1 - Further documented processes (as part of TPR compliance) e.g. contribution payment failure (DF) 2 - New PFC members to be trained on breaches recording / reporting procedures.	Head of CPF	31/08/2022	18/05/2022

Eitem ar gyfer y Rhaglen 9



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 15 th June 2022
Report Subject	Administration and Communications Update
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

An administration and communications update is on each quarterly Committee agenda and includes a number of administration and communications related items for information or discussion. The last update report was provided at the March Committee meeting, therefore this update report includes matters since that date.

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

The report includes updates on:

- Current Developments and News – this includes updates relating the annual Pension Increase award and the additional workload created by the back-dated pay award.
- Day to day tasks and key performance indicators – showing the position to the end of April 2022.
- Communications – including an update on the usage of the Fund's Member Self-Service (MSS) facility, and details of recent data cleansing and communication preference exercises.

RECOMMENDATIONS

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

1.00	ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS
1.01	<p>Business Plan 2022/23 Update</p> <p>Appendix 1 provides the Administration and Communications appendix from the Fund's business plan for 2022/23 to 2024/25 setting out the key priorities for the Fund from administration and communications perspectives. This is provided in full for the benefit of the new members of the Committee as it is a key document driving the work of the Fund and the Committee.</p> <p>Usually, the three main update reports at each Committee include the latest progress against the business plan within a summary dashboard with commentary in the update report. Given we are only 2 months into 2022/23, full updates are not being included for this meeting. Instead any key points are being highlighted in the reports and full updates will be provided at the next meeting.</p> <p>The key points for noting relating to administration and communications tasks this quarter are:</p> <ul style="list-style-type: none">• A1 – Preparation of Member Data for valuation and funding reviews – this critical area of work is on track and a brief updated is provided later in this report.• A2 – McCloud judgement – as usual an update on this programme is included later in this report.• A6 and A9 – Review Policies and Strategies/Develop and implement a refreshed communications strategy – The proposed new Communications Strategy is included as a separate agenda item. Any proposed changes to the Scheme Pays and Discretions Policy will be brought to the August meeting.
1.02	<p>Current Developments and News</p> <p>The following details developments and news in addition to business as usual</p> <p><i>McCloud update</i> <u>CPF Programme Update</u> - An update on the progress of the Clwyd Pension Fund McCloud programme is attached as Appendix 2. The programme currently has an overall health status of green, meaning that it is largely on track. A review of final data submission dates is currently underway with remaining employers to ensure the data validation timescale of August 2022 remains on target.</p> <p>Recent communications to both Pensioner and Dependant members included a McCloud update as approved by the Programme Management Group (PMG). A similar communication, also agreed by PMG, will be issued with the deferred benefit statements in June.</p>

	<p><u>McCloud Regulatory Update</u> - The Public Service Pensions and Judicial Offices Bill has now received Royal Assent so is an Act of Parliament. The Act is the legal framework which allows for the retrospective changes required by the McCloud judgment to be made in Scheme Regulations, with the remedy period now confirmed as ending on 31 March 2022</p> <p>The consultation response from the Department of Levelling up, Housing and Communities (DLUHC) following the 2020 consultation on LGPS Regulations is expected before the Summer Recess, along with a first set of draft LGPS regulations. A second set of draft LGPS regulations will be issued later this year containing details of how the underpin will operate. Final regulations are not expected to be in force until 1 October 2023 in line with the expected timeframe for the unfunded schemes.</p>
1.03	<p><i>Other updates</i></p> <ul style="list-style-type: none"> • The Technical and Payroll team have successfully completed the Year End process and are now preparing member data ready for the production of the actuarial valuation extract. The administration team as a whole has worked hard to reduce any data anomalies as part of the Data Improvement Plan. It is hoped that the valuation process this year will be more streamlined as a result of the on-going improvements to member data and the fact all employers now submit data monthly via the i-Connect digital facility. • The Operations team has seen an increase in workload due to the retrospective pay award for 2021/2022. Entitled employees can claim arrears of pay which directly results in a recalculation of their pension benefits. This has impacted mostly on the retirement team, due to having to recalculate retirement and deferred benefits for a large number of scheme members with over 150 recalculations at the point of writing this report. The retirement key performance indicator (KPI) has been impacted as a result of this which is explained in more detail in 1.05 of this report. This scenario is likely to be repeated when the 2022/2023 pay award has been finalised. • The Technical and Payroll Team have successfully completed the 2022 Pension Increase award, processing the annual inflationary increase to all pensioners and dependents, and sending letters to them all confirming the increase . Following on from a communication preference exercise with pensioner and dependant members in February, compared to last year approximately 3,500 additional letters were sent to members' home addresses and 1,000 additional letters were accessed via MSS. This evidences that more members are now engaging with the Fund and receiving information about their benefits in a format of their choice. • A slight increase in the number of members opting out of the scheme has been identified through regular member status reports. As a result of this, the Communications Team Leader has reviewed the opt-out form and updated it to include more information in relation to the 50/50 scheme. It is not yet clear what has caused this increase; potentially an affordability issue and therefore it will continue to be monitored. • The number of deferred members reaching age 60 and deciding to take their benefits has doubled in the last couple of months. This and the increase in workload due to the pay award as mentioned above has impacted case numbers. The Operations Team have put together an

	<p>action plan to tackle the increase and prioritise payments. Further monitoring will continue and an update will be provided at future Committee meetings.</p> <ul style="list-style-type: none"> • The Pension Administration Manager completed a Recruitment and Retention survey as requested by the Local Government Association (LGA). The objective of the questionnaire was to gather information to understand how salary levels and homeworking contracts are contributing to the recruitment and retention problems that many pension funds are experiencing. Results will be shared within the LGPS community only.
1.04	<p>Policy and Strategy Implementation and Monitoring</p> <p>Administration Strategy The latest monitoring information in relation to administration is outlined below:</p> <p><u>Day to day cases</u> – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis up to and including April 2022 since April 2019 as well as how this is split in relation to our three unitary authorities and all other employers. Following on from a communication preference exercise and an MSS push in the lead up to the Pension Increase award in April, the number of incoming cases exceeded 5,000 in the month of March (the highest it has been since we started monitoring incoming cases). Regular meetings were held by all teams to prioritise cases and ensure all areas of work were reviewed. The number of open cases at the end of April was 5,088 as opposed to 4,838 in the last reporting quarter which reflects the increase in cases.</p> <p>Despite that, the number of cases completed by the team was higher than typical during the reporting period with a number of staff members working additional hours to ensure the relevant updates were made to member records within the relevant timescales. Priorities for the Operations Team going forward will be to manage challenging regulatory timescales for a significant number of cases, maintaining the currently high case completion numbers on an ongoing basis.</p>
1.05	<p><u>Key performance indicators</u> – Appendix 4 shows our performance against the KPIs that are measured on a monthly basis up to and including April 2022. The summary reports illustrate the number of cases that have been completed over either 3 months or 12 months, as well as the proportion completed within the agreed KPI target timescales.</p> <p>As mentioned above there has been a significant increase in the variety of cases completed over the last three months which has inevitably impacted on the KPIs. Although the number of completed joiner, leaver and retirement cases has reduced on average over the last three months, the number is still higher compared to the last 12 months with a negligible variation of those completed within the legal timescales.</p> <p>The key processes that required improvement were transfers; both in and out of the fund. Internal training is nearing completion and an improvement in both of these areas is now being reported.</p>

	<p>Other matters for consideration relating to performance this quarter are:</p> <ul style="list-style-type: none"> • Retrospective 2021-22 pay award - This has resulted in a considerable number of recalculation of benefits and payment of arrears. The same key staff members that calculate the retirements are also now responsible for the recalculations. This is likely to continue for another couple of months. The numbers relating to these are not included in the KPIs. • One-off technical issue relating to a main employer's i-Connect data submission file resulting in late notification of member events. This had a direct impact on the amount of time the Employer Liaison Team and the Operations Team had to complete all associated cases for that employer including those mentioned above. This will have impacted on a number of the KPIs including joiners, leavers and retirements. • The Operations Team have made great progress in tackling what was previously known as the defer backlog. There are currently only 15 defer cases that relate to pre April 2021 out of a total of 182. When these cases are completed they will reflect negatively within the KPI measure (because they have missed the target timescale) but it will be a positive story overall. • Refunds – there has been some staff movement within teams to prioritise these cases with additional training provided to help tackle outstanding cases in this area. Improvement in this area is expected within the next quarter. <p>The priority remains to focus on meeting KPI standards for cases where a payment is made either to an individual or a third party.</p>
1.06	<p>Internal dispute resolution procedures (IDRP)</p> <p>There is one remaining IDRP case for 2019/2020 still outstanding. This is ongoing due to initial COVID delays and the employer not being able to obtain medical reports from the member's GP. The employer will now be quoting the relevant legislation 'Access to Medical Reports Act 1988' to the GP to force them to hand over the necessary medical reports.</p> <p>With regards to IDRP cases for 2020/2021, the two outstanding Stage One appeals against employers have now been completed. Both appeals were with regards to ill health retirement. One appeal has been upheld and one has been rejected.</p> <p>In relation to the cases for 2021/2022:</p> <ul style="list-style-type: none"> • There are seven Stage One appeals against employers. Three have been rejected and four are still ongoing. Of the three that have been rejected or invalidated, one related to non-award of redundancy pension when the member believed they had been made redundant, one was for non-award of ill health retirement, and the third is an appeal made by a member who is not being permitted to work more than 2 years beyond their flexible retirement date. The four outstanding appeals all relate to either non award of ill health retirement or the member disagreeing with the tier of ill health retirement awarded. • No Stage Two appeals were made during this scheme year. <p>In relation to the cases for 2022/2023:</p>

- There are two Stage One appeals against employers. Both relate to non-award of ill health retirement and are still ongoing.
- Currently, no Stage Two appeals have been made by any members.

	2021/2022			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	7	0	3	4
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	0	0	0	0
Stage 2 - Against Administering Authority	0	0	0	0
	2022/2023			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	2	0	0	2
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	0	0	0	0
Stage 2 - Against Administering Authority	0	0	0	0

In summary, all IDRPCs are against employer decisions and there are no IDRPCs relating to work or decisions made by the Fund.

In addition, there are no Clwyd Pension Fund cases that are currently with the Pensions Ombudsman.

1.07

Communications Strategy

The Communications Team has maintained regular engagement with employers and scheme members over recent months. The following communications have been provided since the last update:

- Seven emails have been sent to all employers providing information in relation to various matters including employee contribution rates for 2022/23 and auto enrolment. Details of the Councillor scheme where also sent to the three unitary councils including a reminder of the opting in process.
- 23 individual member sessions have taken place as part of the 1-2-1 season in conjunction with a pre-retirement seminar for North Wales Fire Service employees.
- Training has also been provided for some Community Councils in relation to completing forms correctly and general refresher training.

1.08

Other key points in relation to communications include:

- Following on from the successful communication preference exercise in February, whereby pensioner and dependant members were asked to either register for paper or electronic communications, the annual Clwyd Catch Up newsletter and Pension Increase letters were issued in April.

	<ul style="list-style-type: none"> All member forms on the website have been reviewed and, if necessary, updated along with factsheets and scheme guides in preparation for the new scheme year.
1.09	<p>Appendix 5 provides an updated summary of Member Self Service (MSS) registered users, which illustrates that enrolment to Member Self Service continues to grow. A further 7% of scheme members have registered since the last update taking the total number of registered members to approximately 50%. This significant increase is due to the communication preference exercise with pensioner and dependant members in February. The graphs also now show the proportion of members who have opted for paper communications. It is therefore easier to see the proportion of members who are neither registered on MSS or receiving paper communications, and therefore will be missing any digital communications we issue. We will continue to focus on minimising this gap.</p> <p>During the reporting period, 127 members have requested a retirement pack for their deferred benefit via MSS as opposed to email/post/telephone. The benefit projector continues to be a very popular function with 13,348 benefit projections having been calculated using MSS functionality by members in this last period. There have also been 605 changes to member's Expression of Wish details on MSS and 504 address updates.</p>
1.10	<p>Delegated Responsibilities</p> <p>A bulk transfer of the Newport Vision staff from the Rhondda Cynon Taf Pension Fund to the Clwyd Pension Fund has been approved using delegated responsibilities since the last committee meeting. Further details are contained within Appendix 6.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>A permanent Pension Officer position within the Employer Liaison Team has become vacant due to a staff member being appointed to a higher graded post within FCC. This vacancy and the challenges experienced recruiting to the vacant temporary Pension Officer positions within the McCloud team has prompted a review of the essential criteria for this role. It is hoped that the review and the combination of permanent and temporary positions will lead to the appointment of successful candidates.</p> <p>As in the last update, it is proposed that any remaining vacant positions are advertised at the lower Pension Assistant grade where recruitment is likely to be easier, albeit it is recognised this will result in a greater level of training with the successful candidate(s).</p> <p>At the time of writing, the position of Communication Officer is currently being advertised with a closing date of 29th May. A verbal update on progress will be given at the Committee meeting.</p>

	Staffing levels will be continuously reviewed within the McCloud, ELT and Administration Teams, and consideration given in relation to potential peaks in workload as the McCloud Programme progresses and other major projects such as the National Pensions Dashboard commence.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	<p>Appendix 7 provides the dashboard and the extract of administration and communications risks. Key changes made to risks since the March Committee are as follows:</p> <ul style="list-style-type: none"> • Risk number 1 - Unable to meet legal and performance expectations due to staff issues. This risk relates to the challenge of recruitment and having sufficient staff numbers to meet expectations. Recent recruitment drives to fill two vacant temporary positions have been unsuccessful. An additional permanent position is now also vacant. It may take a few months to ensure that all positions are filled and therefore the target date has been updated to August 2022. • Risk number 2 - Unable to meet legal and performance expectations due to employer issues. This risk relates to the challenge of receiving high quality data, on time from employers. The Fund has developed employer reports which identify any issues and a six monthly review of these reports with employers is planned in July. The target date has been updated to September 2022.
4.02	<p>The key risks which are furthest from target relate to:</p> <ul style="list-style-type: none"> • Risk number 1 - Unable to meet legal and performance expectations due to staff issues. • Risk number 3 - Unable to meet legal and performance expectations due to external factors.

5.00	APPENDICES
5.01	<p>Appendix 1 - Business Plan 2022-23 to 2024-25 Appendix 2 – McCloud Programme update report Appendix 3 – Analysis of cases received and completed Appendix 4 – Key Performance Indicators Appendix 5 – Member Self Service update Appendix 6 – Delegation details Appendix 7 – Risk register update</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Report to Pension Fund Committee – Pension Administration Strategy (March 2021) • Report to March Pension Fund Committee - 2022/23 Business Plan <p>Contact Officer: Karen Williams, Pensions Administration Manager Telephone: 01352 702963 E-mail: karen.williams@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) 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) 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.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) TPR – The Pensions Regulator – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.</p> <p>(g) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.</p> <p>(h) DLUHC – Department of Levelling Up, Housing and Communities – the government department responsible for the LGPS legislation.</p>

Mae'r dudalen hon yn wag yn bwrpasol

Appendix - BUSINESS PLAN 2022/23 - 2024/25 – Key Tasks

Administration, Communications and Employer Liaison Team

Ref	Key Action -Task	2022/23 Period				Later Years	
		Q1	Q2	Q3	Q4	2023/ 24	2024/ 25
Essential Regulatory Driven Areas							
A1	Preparation of Member Data for Valuation and Funding Reviews	x	x				
A2	McCloud judgement	x	x	x	x	x	
A3	National Pensions Dashboard			x	x	x	
A4	Implement Survivor Benefits Changes (dates unknown)						
A5	Other Expected National Changes (dates unknown)						
Priority Fund Driven Projects							
A6	Review Administration & Communications Related Policies and Strategies	x					x
A7	Review pensioner existence checking	x	x	x			
A8	Conduct appropriate procurement and implementation (if necessary) for CPF administration system	x	x	x	x	x	
A9	Develop and implement a refreshed communications strategy	x	x	x	x	x	x
Lower Priority Fund Driven Projects							
A10	Trivial Commutation			x	x	x	
Employer Liaison Team (ELT) Projects							
E1	McCloud ELT Services	x	x	x	x	x	
E2	Expand ELT to more employers					x	

Essential Regulatory Driven Areas

A1 – Preparation of Member Data for Valuation and Funding Reviews

What is it?

The triennial actuarial valuation as at 31 March 2022 requires the pension administration team to provide data to the actuary. This involves an additional year end cleansing exercise post 31 March 2022 to ensure the data is of sufficient quality for the valuation and to then rectify any anomalies discovered during the valuation process. The CPF data is expected to be more robust than in previous years due to ongoing work implementing i-Connect and dealing with backlogs. An interim valuation was completed during 2021/22 where some initial data validation has been completed already, which highlighted an area to investigate. As a result further work will be done working with employers to close down casual workers records where appropriate.

It is hoped that data can be submitted to the Fund actuary by early July with any data cleansing being investigated and responded to by 31 July 2022.

Timescales and Stages

Preparation of data for 31 March 2022 valuation	2022/23 Q1 to Q2
Investigating and responding to data queries from Fund Actuary	2022/23 Q2

Resource and Budget Implications

This will be carried out by the Technical Team in the main with assistance from the rest of the Operations Team depending on the requirements. All internal costs are being met from the existing budget. The work by the Fund Actuary is also included in proposed budget for 2022/23.

A2 – McCloud judgement

What is it?

The McCloud case has highlighted that the protections given to older members on the introduction of the new CARE schemes for Firefighters and Judges in April 2015 were unlawful age discrimination. This case impacts other public service pension schemes including the LGPS (where the new CARE scheme from April 2014 included a statutory underpin for older members). MHCLG (now DLUHC) issued a consultation setting out its proposals for implementing the McCloud judgement in the LGPS in July 2020. This focused on remedies which will result in changes to scheme benefits some of which will be retrospective. DLUHC's response to the consultation feedback is expected in Summer 2022, along with LGPS regulations. The primary legislation which will enable remedial changes to the LGPS is currently working its way through Parliament.

From an administrative perspective, the impact of the court case is expected to result in a change to how benefits are calculated for a large number of scheme members including members who have left. This is likely to significantly impact on administration processes and

systems as well as requiring a robust communication exercise with employers and scheme members. The additional resource requirements are significant. Whilst regulations are awaited, the focus is on:

- ensuring any existing backlogs or data cleansing are cleared
- fast-tracking training within the team to ensure wider and more senior work knowledge across the existing team members
- collecting data required to calculate the statutory underpin

The Fund has established the McCloud programme to implement the remedy for Clwyd Pension Fund. This includes some team members who will be 100% dedicated to this work for the duration of the programme.

Timescales and Stages

Data collection from all employers (commenced during 2020/21)	By 31/05/2022
Validate data from all employers (commenced during 2020/21)	By 31/08/2022
Use of interface to upload data / data cleansing	2022/23 Q1 to Q3
Load all data onto Altair	By 31/12/2022
Final regulations come into force benefit recalculations can be made	Estimated 01/04/2023
Verifying impact on members and benefit recalculations	By 30/04/2023

Resource and Budget Implications

Although the work is being led and managed by a separate CPF McCloud programme team, it will impact across all of the Administration Team. An estimated allowance for additional resource has been included in the 2022/23 budget, which assumes 7.5 FTE internal posts, 2 of which are within ELT and therefore will be recharged to employers using that service. There are also additional costs relating to consultancy (including programme management which has been outsourced), incidentals such as postage and printing, and system costs. The budget for 2022/23 is £623k in total.

A3 – National Pensions Dashboard

What is it?

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all pension savers in the UK access to view the values of all of their pension pots, including state pension, through one central platform. A consultation was undertaken by Government in early 2019 which sought views on the potential phasing of the introduction of the pensions dashboards as well as how the architecture, funding and governance arrangements would work. The Pension Schemes Act 2021 provides the legal framework for implementing the dashboard. A consultation on regulations closes on 13 March 2022 and these draft regulations include more detail on the requirements to participate in the Pension Dashboard for schemes and clarify that public sector pension schemes will be expected to initially onboard between October 2023 and April

2024. The Pensions Administration Manager is participating in a PLSA working group on the development of the Dashboard. The CPF has also volunteered to be part of the testing of the pension dashboard enhancements being integrated into the administration software.

Timescales and Stages

Development and testing of software (estimated)	2022/23 Q3 to Q4 and 2023/24
Likely launch period	2023/24

Resource and Budget Implications

Resource and budget implications cannot be fully determined until more detail is available. Additional budget may be necessary if work is to commence in 2022/23.

A4 – Implement Survivor Benefit Change:

Amendment LGPS Regulations & Elmes versus Essex High Court Ruling

What is it?

The LGPS (Miscellaneous Amendment) Regulations 2018 (SI2018/1366) came into force with effect from 10 January 2019. These included changes that impact on the calculation of and entitlement to surviving partner pensions in respect of Civil Partners or same sex marriages. As a result, it is necessary for the Fund to carry out a major review to identify any members who are affected and to ensure the correct benefits are paid. In addition, LGPS Funds need to action the outcome of the Elmes versus Essex case where it has been ruled in the High Court that in respect of any LGPS members leaving the scheme between 1 April 2008 and 31 March 2014, and who subsequently died leaving a Cohabiting Partner, that partner could have a survivors pension paid to them even without a completed nomination form in place so long as they still meet the eligibility criteria. Any potential cohabiting partners need to be contacted and surviving partner pensions put into payment if applicable. Guidance is awaited from LGA to finalise the work on these changes.

Furthermore, a June 2020 Employment Tribunal ruling (the "Goodwin ruling") relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The Chief Secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements. It is expected that it will be necessary to contact any female dependant members who were previously in a Civil Partnership to recalculate their benefits.

It is possible there are other elements relating to the inequality of survivor benefits that need incorporated into amending legislation.

The work in relation to these changes commenced during 2019/20 but is now on hold awaiting Regulations.

Timescales and Stages

Tracing, contacting, verifying entitlement and recalculating affected surviving partners	Unclear
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Resource and Budget Implications

This project is being absorbed by the Operations Team within Pensions Administration to ensure all surviving partners are reviewed and amended where applicable.

A5 - Other Expected National Changes

There are a number of further changes that are expected in due course but the final details of the impact of them and the timescales are not yet available. These include the following changes that are detailed below. These explanations are based on the situation in early 2022.

Cost Management

Public Sector Pension Schemes (including the LGPS) were designed to ensure sustainability for 25 years. The design included a cost management mechanism and at the 2016 valuations the lower threshold within that mechanism (i.e. the cost floor) was deemed to be breached which suggested member benefits would need to increase or their contributions reduce. Following the McCloud judgement, Government announced that any additional McCloud costs would fall to be deemed “member costs” within the cost management mechanism and it is not now expected that any changes to member benefits or contributions will be required on account of the 2016 exercise. The LGPS Scheme Advisory Board (SAB) has confirmed that no changes will be needed by virtue of its separate mechanism which applies to the LGPS in England and Wales in addition to the HMT mechanism which applies across all of the public service pension schemes. However, the SAB has set out its determination to revisit third tier ill health and contributions for the lowest paid members with the view to making recommendations in these areas separately to the cost management process. It should also be noted that the Trades Unions have applied for a Judicial Review of the decision to allocate McCloud costs to members as part of the 2016 cost management process. It is not yet known if the Judicial Review will go ahead, nor what the outcome will be if it does, but until the issue is resolved we cannot say with certainty that no changes will be required following the 2016 process.

In relation to the 2020 cost management process, on 24 June 2021 the Chief Secretary to the Treasury published a Written Ministerial Statement announcing publication of a consultation on proposed reforms to the cost control mechanism for Public Service Pension Schemes following the publication of the Government Actuary’s review of the mechanism. On 4 October 2021, HM Treasury released their response to the consultation confirming that there will be changes to the mechanism from the 2020 scheme valuation. In light of this, the LGPS SAB is also reviewing its cost management process for England and Wales. It is not yet known if any changes flowing from the 2020 cost management process will be required. The widening of the corridor in the HMT process is intended to reduce the likelihood that changes will be required, but the LGPS SAB process was originally intended to be far more sensitive to changes in cost.

From an administrative perspective, should there be changes to member benefits and/or contributions as a result of the 2016 or 2020 cost management process, this could have a significant impact on administration processes and systems as well as requiring a robust communication exercise with employers and scheme members.

Fair deal

In May 2016, DCLG (now DLUHC) initially proposed that the New Fair Deal be extended to the LGPS. This would mean that for any staff being outsourced they would remain in the LGPS and their 'new' employer would gain admission body status, rather than using the previous option of being able to offer a pension scheme that is broadly comparable to LGPS.

On 10 January 2019, a consultation document was published around the topic of Fair Deal – Strengthening Pension Protection. The consultation confirmed the 2016 proposal of service providers offering LGPS membership to individuals who have been compulsorily transferred from an LGPS employer, even if the contract is outsourced a second time (and removal of the option of a broadly comparable scheme). Within the 2019 consultation, there were also proposals about automatically transferring LGPS assets and liabilities when scheme employers are involved in a merger or takeover. This consultation closed on 4 April 2019. Final regulations are still to be made.

Exit Payment Reform

With effect from 4 November 2020 a £95k cap on exit payments made by public sector employers came into effect, this included the cost of early payment of LGPS pensions. However, in the face of legal challenge, HMT issued a direction to disapply the £95k exit cap with effect from 12 February 2021. HMT has confirmed it will bring forward proposals to tackle unjustified exit payments in the near future. DLUHC will also be carrying out a separate consultation on the impact on the LGPS. It is unclear at this stage whether this may also include wider reform on exit payments and conditions around how LGPS benefits are paid. Welsh Government might implement a different approach to meeting the exit cap requirements which would then impact on some of the employers in the CPF.

Increase in minimum retirement age

On 11 February 2021 HMT launched a consultation on implementing the increase in the normal minimum pension age from 55 to 57 in April 2028. The proposed change is designed to maintain a 10-year gap between minimum retirement age and state pension age as confirmed as part of Government's policy back in 2014. The proposals form part of the Finance Bill 2021-22 which is currently going through Parliament. Protections to retain the normal minimum pension age lower than age 57 are proposed for those:

- in a pension arrangement on or before 3 November 2021 and
- who are, or become, members of a scheme whose rules as at 11 February 2021 gave them an unqualified right to take their benefits between 55 and 57.

The proposals will require changes to the LGPS Regulations and (at the time of writing) the Bill is not yet an Act, noting that the proposals for protection have already been amended subsequent to the Government's original policy paper issued in July 2021. In the meantime, CPF needs to keep a note of any protected pension ages to which new members may be entitled, which will generally be due to existing scheme membership or a transfer-in from another pension arrangement.

Priority Fund Driven Projects

A6 - Review Administration and Communication Related Policies and Strategies

What is it?

The CPF Administration Strategy was last approved at the May 2021 PFC and the CPF Communications Strategy was last approved at the September 2019 PFC. The strategies state that they will be reviewed at least once every three years to ensure they remain relevant and up to date. The Communications Strategy is undergoing a more fundamental review and that work is included in A9 below.

There are a number of other administration and communications related policies that also need to be reviewed regularly as shown in the table below.

Timescales and Stages

Review of Administration Strategy (last approved May 2021)	2024/25 Q1
Review of Communications Strategy (last approved September 2019)	2022/23 Q1
Review of Scheme Pays Policy (last approved April 2019)	2022/23 Q1
Review of Administering Authority Discretionary Policy (last approved April 2019)	2022/23 Q1
Review of Under / Overpayment Policy (approved September 2021)	2024/25 Q2
Personal Data Retention Policy (assuming reviewed March 2022)	2024/25 Q4
Policy for Administration and Communications of Tax Allowances to Scheme Members (new policy – assuming approved March 2022)	2024/25 Q4

Resource and Budget Implications

This will be led by the Pensions Administration Manager. All costs are being met from the existing budget other than the review of the Communications Strategy where Aon’s costs are included within the budget for 2022/23.

A7 – Review pensioner existence checking

What is it?

When a scheme member retires, a pension is put into payment following the retirement process being completed. Dependants’ pensions are often paid following the death of a pensioner. These pensions are paid continually until the Fund is notified of the pensioner’s/dependant’s death which could be by a relative, executor or another via another source, such as TellUsOnce or the member’s bank. As the Fund relies on notification of the pensioner’s/dependant’s death, there is a chance that pension payments could continue in error where the pensioner’s/dependant’s death is not notified or identified in a timely manner, either unintentionally or as a result of fraud from a person connected to the

pensioner/dependant. Whilst the Fund is confident that adequate reporting procedures are in place for UK residents through the National Fraud Initiative (NFI) and monthly mortality reporting via ATMOS, it is important that from time to time the Fund verifies that all overseas pensioners or dependants currently receiving a pension are still alive so that pensions for any person who cannot be verified do not continue to be paid. This exercise was last conducted in 2014 using a paper based verification exercise for all pensioner/dependants. There are now more efficient and effective ways to carry out pensioner existence checking through specialist providers. It is planned to review the appropriateness of the current processes in place to manage fraud in the event of death of pensioners/dependants, and put in place a fraud policy. This is likely to result in an additional process for overseas members by procuring an external provider to assist in pensioner existence screening (known as mortality screening).

Timescales and Stages

Review current processes and develop Fraud Policy	2022/23 Q1 to 3
Procurement of an external provider to assist with mortality screening	2022/23 Q1 to 2

Resource and Budget Implications

To be led by Pension Administration Manager and Principal Pensions Officer - Technical. All internal costs are being met from the existing budget albeit there will be additional costs relating to the external provider which are not yet known – an allowance of £5k has been included in 2022/23 for this.

A8 - Conduct appropriate procurement and implementation (if necessary) for CPF administration system

What is it?

The Fund has a rolling one-year contract with Heywood Pension Technology in relation to their Altair administration system. It has not been subject to a full review through tender for a number of years and it would be good practice to carry this out in the near future. However, due to significant projects involving the administration system (e.g. 2019 actuarial valuation, implementing i-Connect and scheme/GMP reconciliation) and to tie in with end dates of existing add-on modules within Altair, it was agreed to defer this. Between 2019 and 2021 CPF worked with other founder authorities to develop a national framework for LGPS administration systems. Now that the framework is in place, it will be used for the Fund to carry out their own tender for an administration system. Should a new software supplier be appointed, there will be a significant amount of work required to migrate to the new system.

Timescales and Stages

Conduct appropriate procurement for CPF administration system	2022/23 Q1 to Q3
Transition to new administration system if required	2022/23 Q4 to 2023/24

Resource and Budget Implications

To be led by Pension Administration Manager and Principal Pensions Officer - Technical. The current year system costs will be higher than 2021/22 if the existing provider is maintained due to license fees. This has been incorporated into the existing budget as the minimum costs this year. If transition to a new system is required, there are likely to be significant transition costs and the ongoing cost of systems included in the budget will need to be increased appropriately.

A9 – Develop and implement a refreshed communications strategy

What is it?

Fund members often have questions, need information or require a process to be completed by the Fund; this can equally apply to the Fund's employers. For Fund members, these points of engagement are the key time to increase awareness of the benefits of the Fund and how it works, encourage members to take ownership of their pension and maintain and build positive member experiences wherever they are on their journey. They rely on efficient processes and data coming from employers and the Fund can also enhance efficiency through better use of technology in its communications.

The initial elements of this project will focus on communications with scheme members and will involve:

- Research into member preferences and effectiveness of new communications through focus groups, revised member/employer surveys and a review group to test proposed new communications.
- Creating a communication plan that ensures communication reaches members at the moments that matter to them, which will require a new approach such as segmenting communication by age and focussing on more visual and shorter digital communications.
- Developing messaging and branding for consistent use in all Fund communications ensuring all communications are recognisable, understandable, and accessible for scheme members, employers and other stakeholders.
- Creating a visual roadmap showing members 'moments that matter' to help them understand the value of their pensions and take key decisions.
- Developing a range of videos/webcasts (for loading on the Fund's website) for employers and scheme members relating to various subject matters.
- Reviewing the structure and content of the Fund's website.
- Driving greater use of online services, such as Member Self-Service, through phased promotion exercises and continuing to develop the range of online processes that are available.
- Continuing to focus on collecting email addresses through redesigning of all forms.
- Measuring against a new Fund's communications efficiency objective through monitoring time spent on member 1-2-1s and phone calls for all Administration Team members.

Any changes to how we engage with employers and other stakeholders, in line with the new Communications Strategy, will be considered in 2023/24.

Timescales and Stages

Approve revised Communications Strategy (as per A6 above)	2022/23 Q1
Recruit new Communications Officer	By 2022/23 Q1
Run focus groups and establish test review group for new communications and plan approach to annual surveys (and run first survey)	2022/23 Q1 & Q2
Create a new communication plan	2022/23 Q2 & Q3
Develop messaging and branding guidelines	2022/23 Q1 & Q2
Review the structure and content of the Fund's website	2022/23 Q1 to Q3
Develop initial phase of videos and webcasts for the website	2022/23 Q1 to Q4
Drive greater use of MSS through promotion exercises and develop ongoing plan for promotion	2022/23 Q1 to Q4
Continue to develop the range of online processes	2022/23 Q1 to Q4
Finalise redesign of forms to collect email addresses	2022/23 Q1 to Q4
Ongoing development and delivery of communications relating to new communication plan	2022/23 to 2024/25
Measure efficiency improvements through logging 1-2-1s and telephone calls	2022/23 to 2024/25
Create and deliver a visual roadmap (the journey to retirement)	2023/24
Consider engagement with employers and other stakeholders	2023/24

Resource and Budget Implications

These projects involve a mix of the various teams within the Administration Team with external support from Aon. Internal costs are being met from the existing budget and external consultancy costs are included within Aon's budget for 2022/23. The ability to deliver on these areas to these timescales may depend on resourcing within the Administration Team and in particular whether and when the vacant Communications Officer post is filled.

Lower Priority Fund Driven Projects

A10 - Trivial Commutation

What is it?

This is where a member who is entitled to a small pension can elect to give up the entirety of that pension and instead receive their benefit as a single lump sum payment. A project will be carried out to identify any pensioners and dependants who may be eligible for trivial

commutation and to offer it to them. This will reduce the administrative burden on the Fund paying a large number of very small pensions over a number of years as well as providing greater clarity from a funding perspective. The government has a limit for members to trivially commute their pension in relation to their single pension (£10,000 value – called a "small pot") and total benefits (£30,000 – called "trivial commutation"). As well as reducing the number of pensioner payments that require ongoing payment, this could also have a positive impact on the funding level as it removes the liabilities for these members. It will also be welcomed by a number of pensioners who would prefer a one-off lump sum payment rather than ongoing smaller payments of little value.

Timescales and Stages

Timescales below are indicative and subject to prioritisation of other administration work streams.

Identify members eligible to commute under £10,000	2022/23 Q3
Communicate with eligible members and pay lump sums	2022/23 Q4 to 2023/24
Identify members eligible to commute under £30,000	To be determined
Communicate with eligible members and pay lump sums	To be determined

Resource and Budget Implications

It is hoped that the first stage of this work (relating to the £10k cases) can be completed internally within the existing budget. This is likely to be led by the Technical and Payroll Team with some assistance from the Operational Team.

Employer Liaison Team Projects

Understanding the continuing pressure on resources and budgets for employers and the administering authority, the CPF offers assistance to Fund Employers in providing accurate and complete notifications to the Fund (and other Employer duties) in a timely manner. The Employer Liaison Team (ELT) mainly assists in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. It undertakes outstanding requests for information in order to cleanse the pension records. All ELT costs are recharged to employers using the ELT service through their employer contribution rate. Resources continue to be reviewed to meet demand depending on ongoing employer uptake. The total budget allocated for 2022/23 is £363k which includes £62k of staffing costs to allow for two new posts if required. £60k of this total budget relates to temporary McCloud services.

E1 – McCloud ELT Services

What is it?

Provide and continue developing ELT services in relation to data provision and other ongoing support to assist with the impact of the McCloud Judgement.

Timescales and Stages

Assisting employers with data collation for McCloud	2022/23 Q1 to 4 and 2023/24
-----------------------------------------------------	-----------------------------

E2 – Expand ELT to more employers

What is it?

Consider expanding the ELT service to a wider range of employers and generally making employers more aware of the facility that is available, particularly to those employers that are not meeting their KPIs.

Timescales and Stages

Start discussions with other employers	2023/24
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**Cronfa Bensiynau Clwyd
Clwyd Pension Fund**

Administered by



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Clwyd Pension Fund

McCloud Programme Update

Prepared for: Clwyd Pension Fund Pension Board

Prepared by: Aon






Date: 24 May 2022

High level Programme Plan

Key	Description
Complete	Complete
On track	On track
Overdue	Overdue
At risk	At risk
Not started	Not started

Workstream /key deliverables	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22 to Sep-23	Oct-23	
Regulations																										
i. Submit Fund response (milestone 1)	X																									
ii. Consultation response & draft regulations from DLUCH (milestone 2) - estimated																							X			
iii. Ministerial statement								X																		
iv. Regulations made (milestone 3) – estimated																									X	
v. Regulations come into effect (milestone 4)*																									X	
Communications workstream																										
i. Pensions Saving Statements issued	X																									
ii. Pensions Extra issued	X																									
iii. Other McCloud communications (TBC)								X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Data workstream including Heywood data solutions																										
i. Data collection template, decision process and collection protocol & employer questionnaire	X	X	X	X	X	X	X	X																		
ii. Employer engagement – pilots, 1to1s, monitor/manage timetables		X	X	X	X	X	X	X	X																	
iii. Data collection from employers, review & validate data				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
iv. Data decision protocol – flowchart / roadmap – draft, finalise							X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
v. Heywood confirm data solutions and timescales	X	X	X	X	X	X	X	X	X	X	X															
vi. Upload data, testing, final, further cleansing / manual input																						X	X	X		
vii. Further data cleansing / manual input																						X	X	X		
Funding, accounting and cashflows workstream																										
i. Agree plan with actuary regarding funding implications, contributions etc																								X		
ii. Delivery - TBC																							X	X		
Ongoing administration																										
i. Scoping workstream												X	X	X	X	X										
ii. Delivery																	X	X	X	X	X	X	X	X	X	
Benefits rectification																										
i. Scoping workstream														X	X	X	X	X	X	X						
ii. Receive further details and patch releases of initial Heywood functionality, testing														X	X	X	X	X	X	X	X					
iii. Delivery (other)																							X	X		
Programme meetings																										
i. Workstream meetings including governance	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
ii. PMG / SG meetings	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

*Latest update suggests that regulations could come into effect as late as October 2023 (previously April 2023)

Key	Description
	Complete
	On track
	Overdue
	At risk
	Not started

Programme background: The Court of Appeal has ruled that changes to public service pension schemes, including the LGPS, for future service made in 2014 and 2015, were discriminatory against younger members. The Government eventually gave a commitment to make changes to all public service pension schemes to remove discrimination.

Programme purpose: To implement the regulations the Government will make to remedy the discrimination against younger members of the LGPS for the Clwyd Pension Fund

Key deliverables 1 September 2021 – 30 June 2022

Programme workstream deliverables / Description	Responsibility	Sign-off	Deadline	Notes	Status
1. Data collection - checking and validations i. Data collection ii. Data checking and quality analysis (data validation procedure)	Data workstream	PMG	August 2022	Full data collected for 32 mostly smaller employers and part data for 7 (includes Careers Wales, FCC and Wrexham County Council). Data team to form a proposal around data validation process for PMG approval. Data validation expected to be complete by August 2022 for all employers and loaded to Altair by the end of 2022.	In progress
2. Heywood solutions i. Data collection solution ii. Heywood plans for benefits rectification and ongoing administration	Data workstream	PMG	September 2021	Complete.	Complete
	Data workstream	PMG	September 2022	Ongoing consideration by Heywood – awaiting regulations.	In progress
3. McCloud communications i. PENPAL newsletter / ABS guidance notes ii. Deferred diaries DBS guidance notes	Communications workstream	PMG / SG	Aug / Sep 2021	Following ministerial statement, wording to be included in member communications.	Complete
	iii. Clwyd catch up – McCloud article	Communications workstream	PMG / SG	March 2022	McCloud article to be included in Clwyd catch up to be issued to pensioner members.
4. Consultation outcome announcement / ministerial statement	n/a	n/a	Expected Spring 2022	Ministerial statement issued in May 2021. Consultation announcement from DLUHC expected in July 2022 with the first of 2 sets of regs, to come into force from October 2023. PMG agreed to continue with programme as planned.	Overdue
5. Programme meetings i. Data workstream (every 3 weeks) ii. Communications workstream (2 per quarter) iii. Other workstreams (TBC) iv. PMG (2 per quarter) v. SG (quarterly)	Programme Manager	n/a	Ongoing	Agree appropriate time to commence other workstream meetings – ongoing administration commenced in September 2021 and benefits rectification workstream expected to commence in September 2022.	In progress

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Programme success criteria (SC)

SC1	Identify in-scope members with 100% accuracy
SC2	Obtain and load to the administration system all data required to calculate final salary underpin, adopting agreed assumptions where data cannot be reasonably obtained
SC3	Administration processes and systems are all amended and operate in line with the regulations from the effective date
SC4	Benefit rectification is completed accurately for all affected members by the required/agreed date
SC5	Member communications are effective, evidenced by few queries and complaints
SC6	Automation minimizes the impact on resources and SLAs/KPIs during implementation, rectification and ongoing administration
SC7	The programme is completed without unplanned disruption to business as usual and other Clwyd Pension Fund projects
SC8	The programme is completed within budget and timescale (subject to reasonable tolerances), noting that these will be agreed and reassessed from time to time throughout the programme.
SC9	The additional costs falling to employers transpire to have been reasonably estimated at the 2019 actuarial valuation

Programme Risks (1 of 2) – current risks furthest from target

There are several risks that the programme's success criteria will not be achieved – these have been identified by CPF's programme management, are captured in a formal risk log and monitored on an ongoing basis. The current risks that are red and furthest from target are shown on in the table below.

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Success criteria at risk	Current risk impact	Current risk likelihood	Current risk status	Proposed controls in place	Target risk impact	Target risk likelihood	Target risk status
3	Unable to load data efficiently and accurately, and in a timely manner	Data cannot be loaded onto the system in an efficient, accurate and timely manner, leading to project delays or issues with the underpin calculation. Risk covers inappropriate data format provided from employer as well as issues with uploading the data into the interface.	Data Workstream	SC1, SC2, SC8	Critical	Very High (65%)		<ol style="list-style-type: none"> 1. Early engagement with Heywood on a one to one basis. 2. Initial virtual meeting and ongoing one-to one meetings with employers to highlight strict data requirements/formats. 3. Full instructions, including checklist provided to all employers at initial engagement stage. 4. Ongoing discussions around resourcing including upskilling and flexibility of employees. 	Negligible	Unlikely (5%)	
30	Heywood toolkit – not fit for purpose or delay in provision or service	Inability to identify aggregation cases leading to inaccurate benefit calculations and / or delay to provision of toolkit resulting in programme delays or detrimental impact on programme resourcing	Data Workstream	SC2, SC3, SC8	Critical	Significant (50%)		<ol style="list-style-type: none"> 1. Pressure on Heywood client manager to come up with a feasible solution 2. Stop deleting status 8s 3. Try to identify cases to come up with an action plan if Heywood cannot come up with a workable solution (potentially liaise with other funds) 4. Work out overlapping cases. 	Negligible	Unlikely (5%)	
5	Insufficient or inappropriate resources	Inability to source appropriate resources required to deliver the programme deliverables (including data uploading) in the required timescales	Programme Management Group	SC8	Critical	Significant (50%)		<ol style="list-style-type: none"> 1. Thorough programme planning, scoping of work & recruitment programme (recruitment is currently underway at June 2020, and further recruitment from March 2021). 2. Forward planning and ongoing monitoring of resource requirements. 3. Concern raised and action taken as matter of urgency. 4. Flexibility to utilise resource (including training or physical resource) from consultants if required. 5. Refer all stakeholders to roles and responsibilities document to ensure resources are matched with correct roles alongside regular reminder at points throughout the programme. 6. Strong engagement with software supplier looking for alternative efficiencies. 7. Build resourcing plan (discussed & agreed with ERs) & understanding staff skill 8. Monitoring resource of Alicia Howells' team once more info on toolkit provided / Consider interface process being carried out in McCloud team (after training). 9. Consideration of external resource. 	Negligible	Very Low (15%)	

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Programme Risks (2 of 2) – current risks furthest from target

There are several risks that the programme's success criteria will not be achieved – these have been identified by CPF's programme management, are captured in a formal risk log and monitored on an ongoing basis. The current risks that are red and furthest from target are shown on in the table below.

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Owner	Success criteria at risk	Current risk impact	Current risk likelihood	Current risk status	Proposed controls in place	Target risk impact	Target risk likelihood	Target risk status
6	Other external interference	Work on other projects including GMP Equalisation / cost cap / Goodwin case / pensions dashboard leading to resource constraints on McCloud programme unable to be delivered.	Programme Management Group	Karen Williams	SC7	Critical	Significant (50%)		1. Thorough programme planning linking in with BAU planning. 2. Attendance of VB and KM on working groups allowing stakeholders to keep abreast of developments. 3. Data cleansing can still be done and staff to be side-tracked temporarily to assist with work on the other projects where appropriate.	Critical	Very Low (15%)	
13	Final regulations	Regulations are delayed, do not meet objectives or are subject to further challenge, leading to programme delays (including delay in toolkit production) and impact on budgets	Programme Management Group	Karen Williams	SC7, SC8	Critical	Extremely High (80%)		1. Thorough project planning. 2. Attendance of VB & KM on working groups allowing stakeholders to keep abreast of developments. 3. Ongoing engagement with Heywood, volunteered as testing site. 4. Manual uploads with some of the smaller employers.	Critical	Very Low (15%)	

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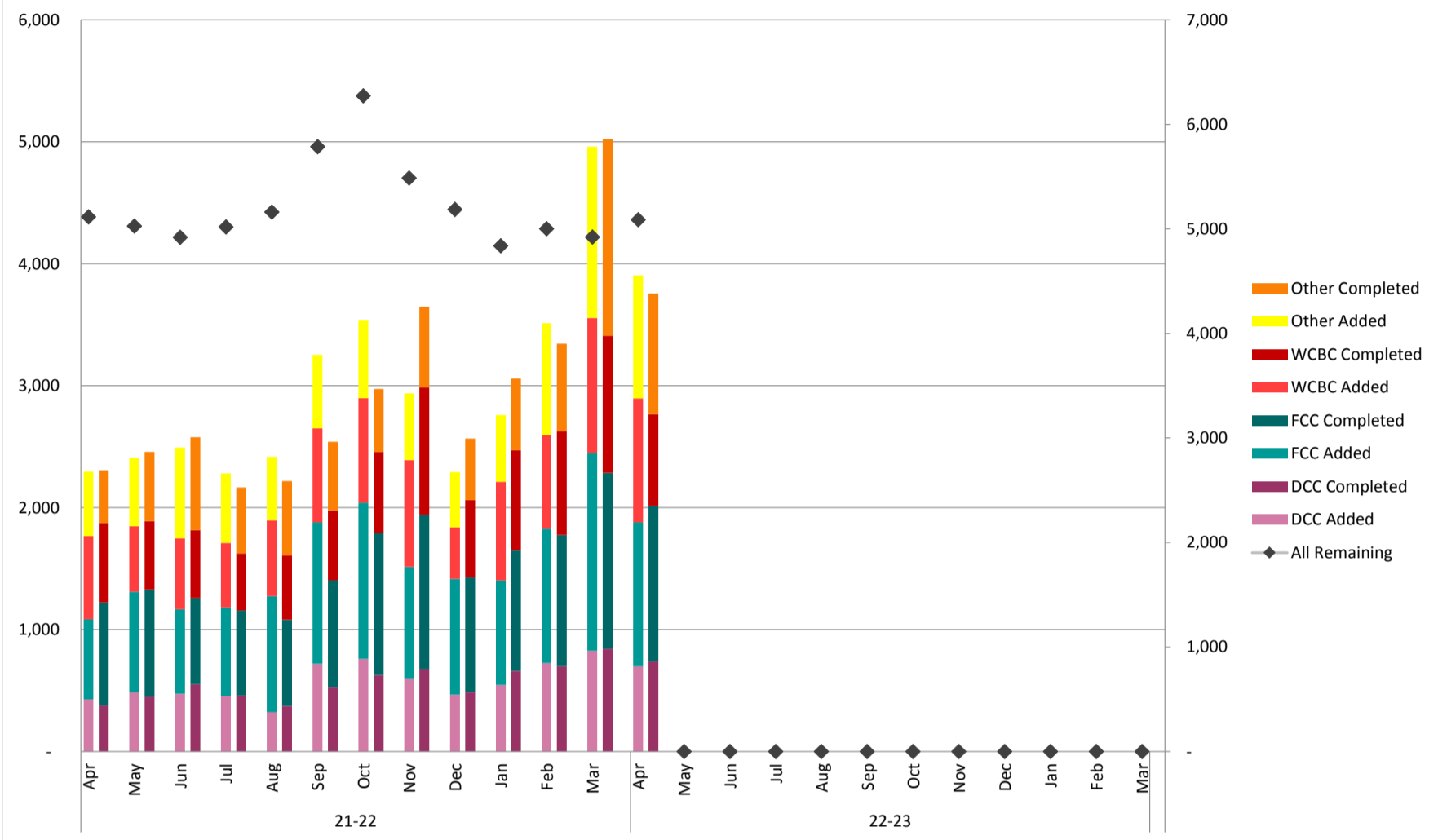
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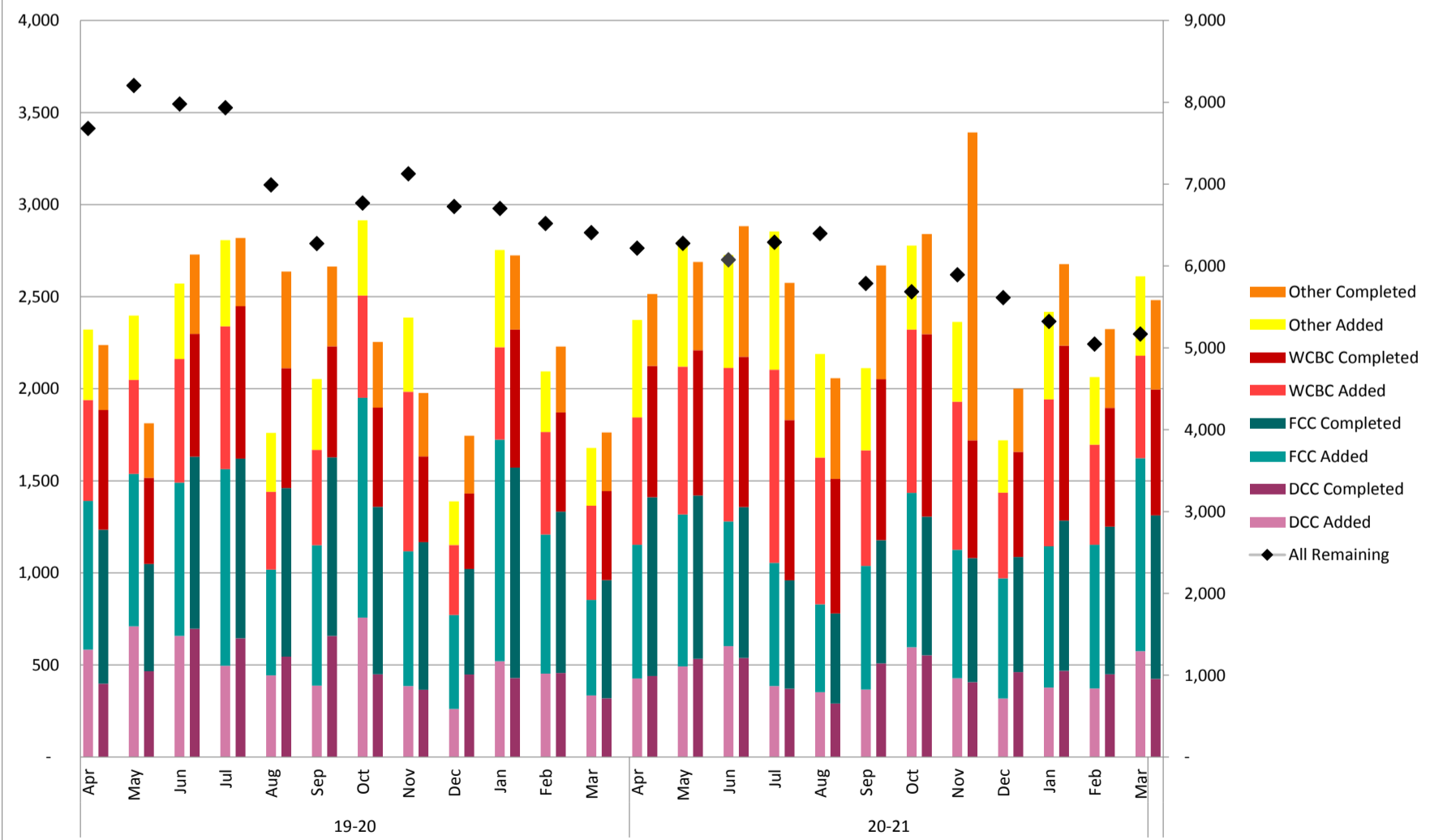


Mae'r dudalen hon yn wag yn bwrpasol

Case Levels – Current and Previous Year



Case Levels – Historical



Mae'r dudalen hon yn wag yn bwrpasol

Key Performance Indicators

The following pages show the performance against the key performance indicators (KPIs) which have been agreed within Clwyd Pension Fund's Administration Strategy. They cover thirteen areas of work, and for each there is a KPI for each of the following:

- The legal timescale that must be met
- The overall timescale for the process (including any time taken by employers and/or scheme members)
- The timescale relating to the Clwyd Pension Fund administration team only

The KPIs are specific to each process (as set out in the Administration Strategy) and illustrated by the graphs are as follows:

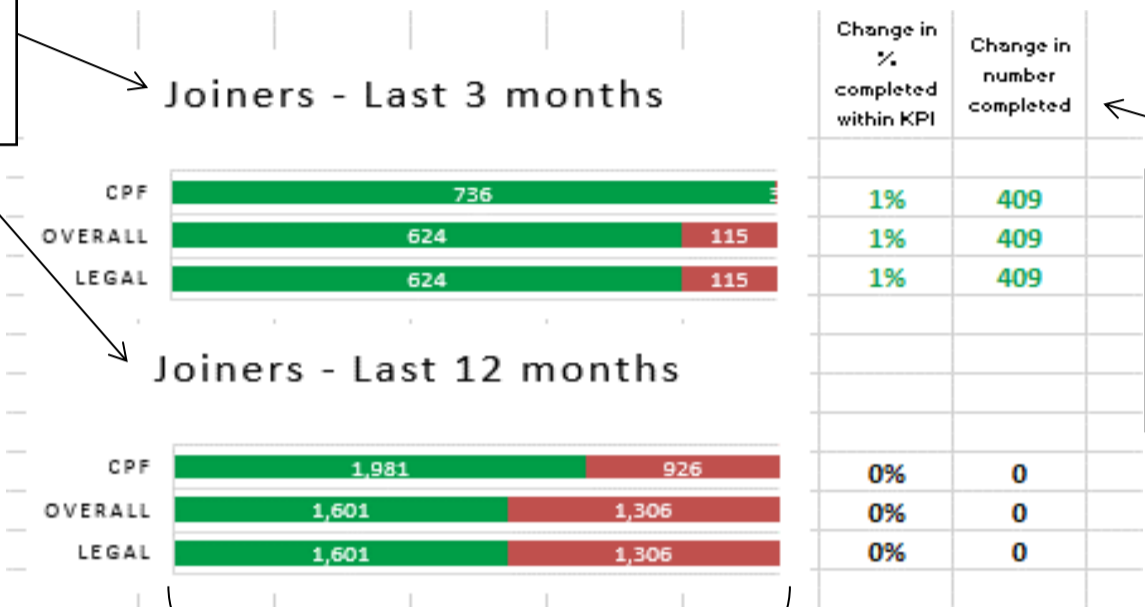
		A	B	C
	Process	Legal Requirement	Overall	CPF Administration element target
1	To send a Notification of Joining the LGPS to a scheme member	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled	46 working days from date of joining (i.e. 2 months)	30 working days from receipt of all information
2	To inform members who leave the scheme before retirement age of their leaver rights and options	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member)	46 working days from date of leaving	15 working days from receipt of all information
3	Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request	46 working days from date of request	20 working days from receipt of all information
4	Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate) 3 or within a reasonable period (cash transfer sum)	46 working days from date of request	20 working days from receipt of all information
5	Notification of amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age	23 working days from date of retirement	10 working days from receipt of all information
6	Providing quotations on request for retirements	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	46 working days from date of request	15 working days from receipt of all information
7	Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months to beneficiary from date of becoming aware of death, or from a date of request by a third party (e.g. personal representative)	25 working days from date of death	10 working days from receipt of all information
8	Calculate and Notify member of CETV for Divorce/Dissolution Quote	3 months from the date of request	46 working days from date of request	20 working days from receipt of all information
9	Calculate and Notify members of Actual Divorce Share	4 months from the date of the pension sharing order, or the date where all sufficient information is received to implement the order	46 working days from date of request	15 working days from receipt of all information
10	Calculate and pay a Refund of contributions	Not applicable	13 working days from receipt of request	10 working days from receipt of all information
11	Calculate and Pay retirement lump sum	Not applicable	Not applicable	15 working days from receipt of all information
12	Calculate and Notify member of Deferred Benefits	Not applicable	76 working days from date of leaving	30 working days from receipt of all information
13	Initial letter acknowledging death of member	Not applicable	Not applicable	3 working days from receipt of all information

Interpretation of graphs

One graph has been provided for each KPI in the table above.

This is illustrated further below.

Each KPI shows the stats for the previous 3 months and the previous 12 months

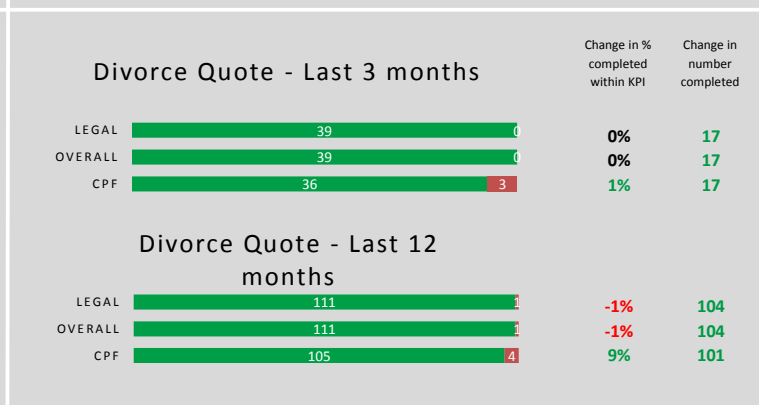
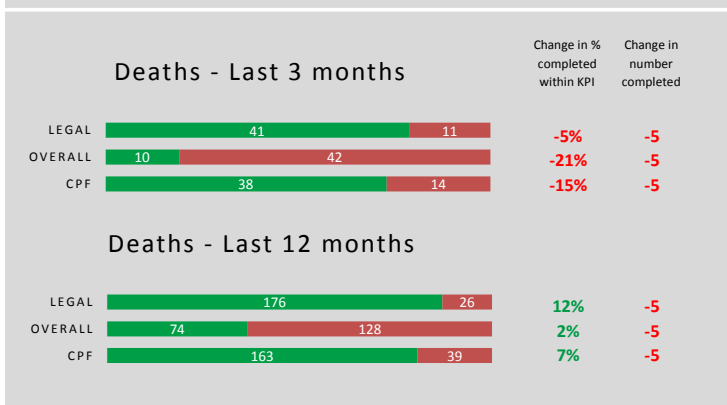
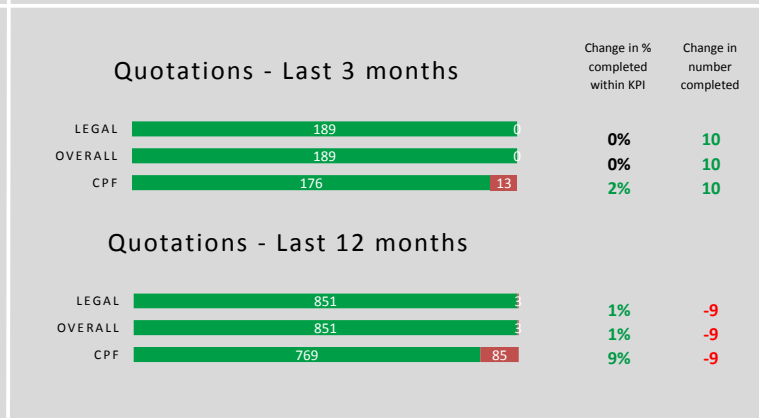
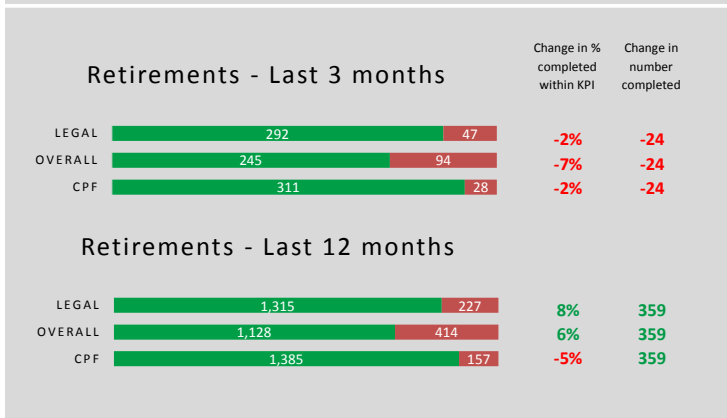
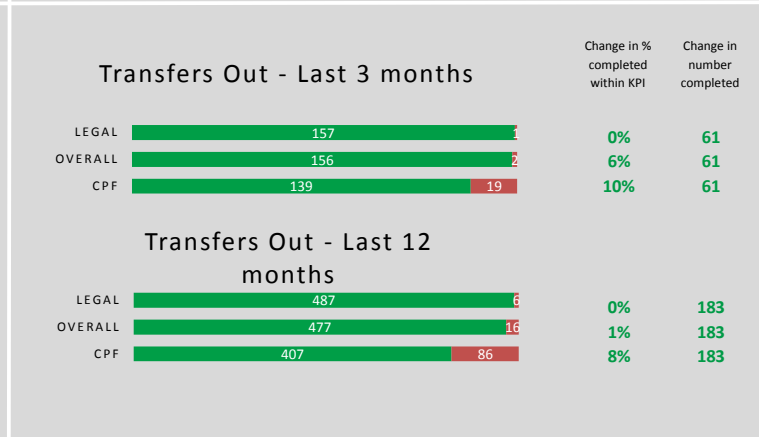
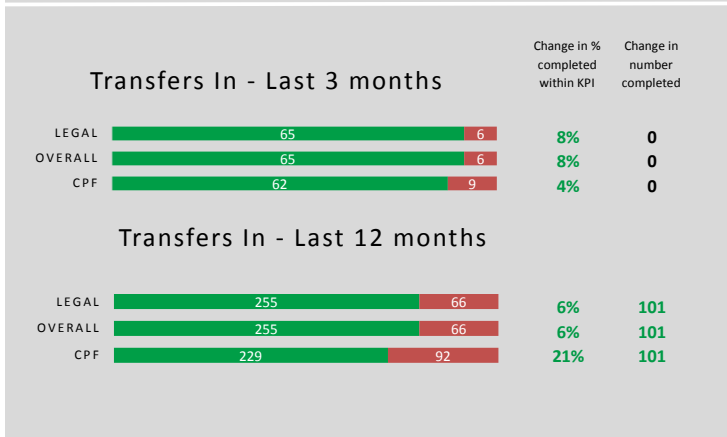
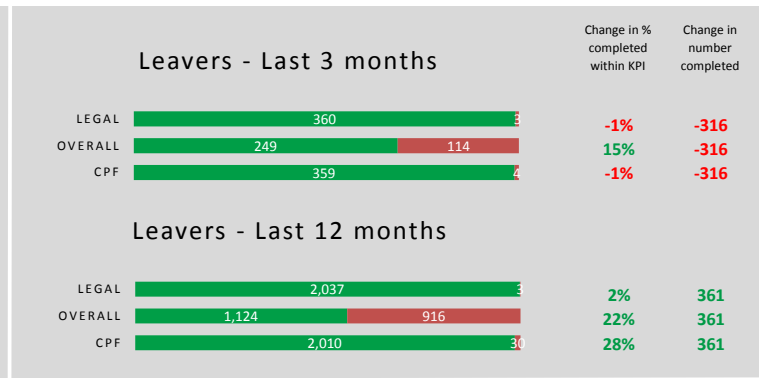
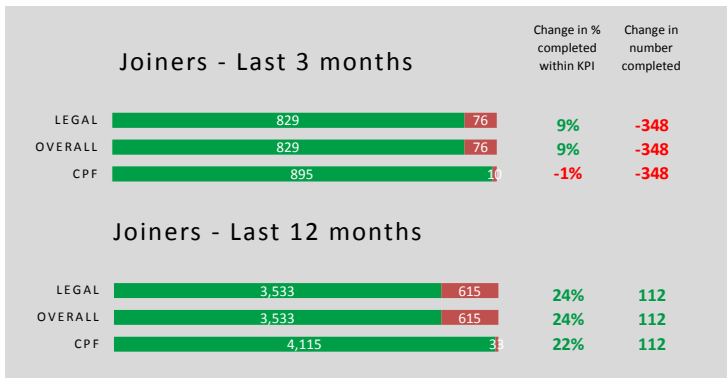


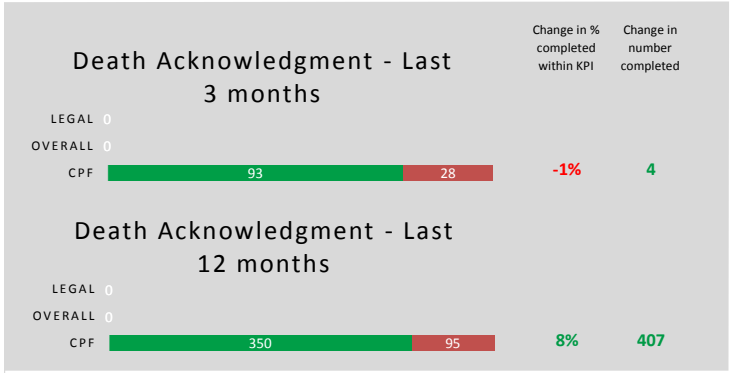
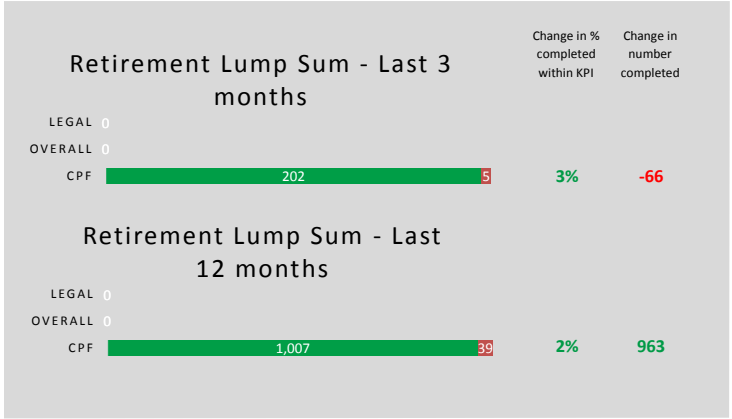
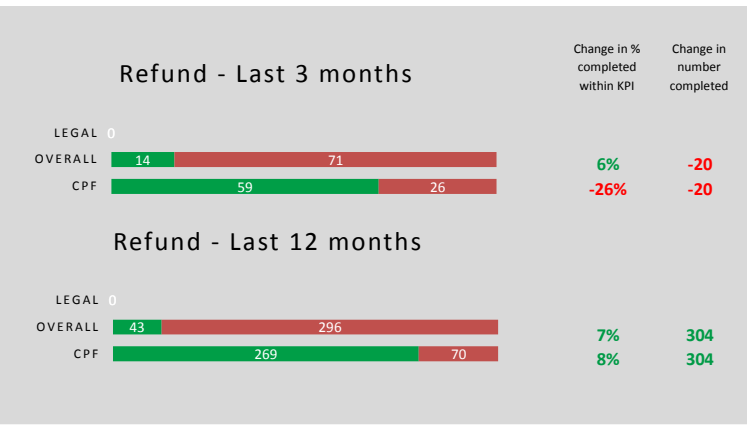
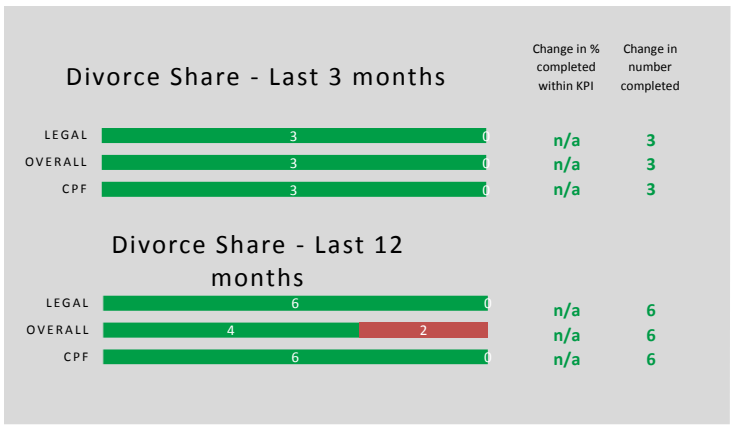
This column tells you the change in % completed within the KPI target compared to either the 3 months before last or the 12 months before last.

This column tells you the change in number of tasks completed over either the 3 months before last or the 12 months before last.

Green bars represent total cases completed that were within the KPI target in the relevant period. Red bars represent the total number of cases completed that were not done within the KPI target in the relevant period.

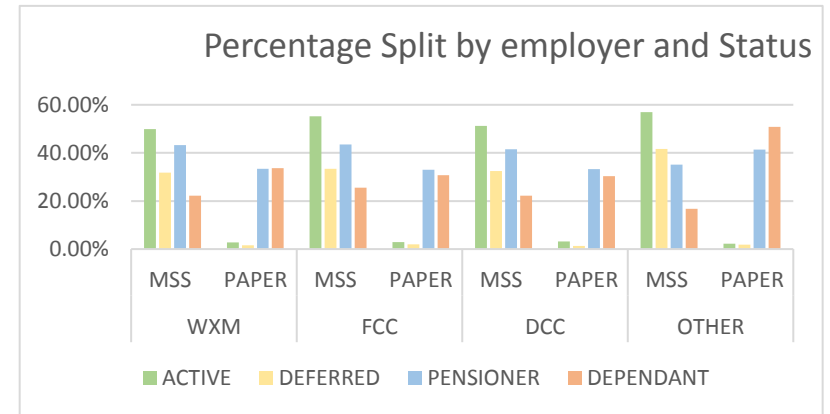
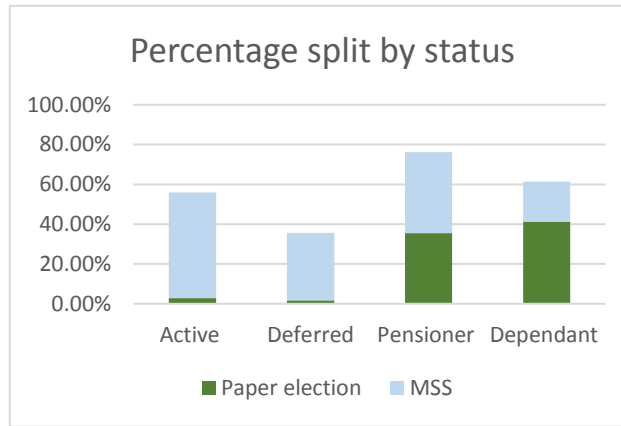
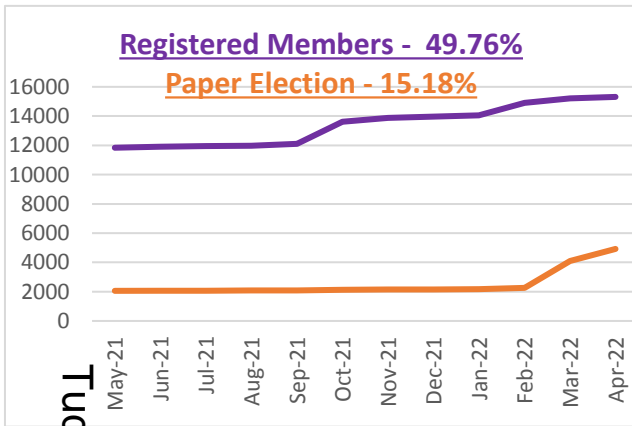
Key Performance Indicators - Executive Summary - to April 2022







MEMBER SELF SERVICE: 01/02/2022 – 30/04/2022



Update from 01/02/2022 – 30/04/2022

You will have noticed from the graphs above that the Clwyd Pension Fund is now reporting slightly differently on members' communication preference. The graphs show a better 'at a glance' comparison of those members registered for MSS and those who have opted for paper, whilst still breaking down status types and employers.

As at 30/04/2022 49.76% of our members have registered for MSS. This means that the percentage of registered members has increased by 7.23% since our last update.

As at 30/04/2022 15.18% of our members have opted for paper correspondence. This percentage has increased by 8.98% since our last update.

Both of these figures have increased exponentially due to our letter that was issued to our pensioners in February 2022 reminding them to choose a communications preference. Many of our pensioners responded to the request.

(Statistics between 01/02/2022 to 30/04/2022: 89 days)

Contact Us Tasks

- 624 **MSSKEY Key requests**
- 127 SSFCASE (pay deferred)
- 57 MSENQ Enquiry tasks
- 10 MSSEST Estimate tasks
- 42 MSSRET Retirement tasks
- 18 MSSTVT Transfer tasks
- 254 **Contact Us 2.85 p/day)**
- 504 **MSSADD Address update**
- 37 **Bank details updated**

Benefit Projections

13,348 benefit projections calculated

Avg 149.98 per day

Expression of Wish

605 changes of expression of wish

6.80 per day

Mae'r dudalen hon yn wag yn bwrpasol

CLWYD PENSION FUND

SCHEME OF DELEGATION

The Clwyd Pension Fund has certain functions which are delegated to the Chairman, Vice-Chairman and/or Officers of the Fund by the Pension Fund Committee. This paper outlines the decision made, the powers under which it is made, when the decision was taken, and by whom.

DELEGATED POWERS BEING USED (extracted from agreed PFC delegations):	Delegation:	Agreeing the terms and payment of bulk transfers into and out of the Fund where there is a bulk transfer of staff from the Fund. Exceptions to this would be where there is a dispute over the transfer amount or it relates to significant assets transfers relating to one employer or the Fund as a whole.
	Delegated Officer(s):	HCPF and either the CFM or CE after taking appropriate advice from the Fund Actuary.
	Communication and Monitoring of Use of Delegation	Ongoing reporting to PFC for noting

Subject matter	Bulk transfer of the Newport Vision staff from the Rhondda Cynon Taf Pension Fund to the Clwyd Pension Fund.
Recommendation	Agree the terms of the bulk transfer as set out below and agree to the acceptance of the bulk transfer which would have been in the region of £1.8-1.9m at the point of transfer (noting that the data is still in the process of being finalised).

BACKGROUND:

A bulk transfer of 37 members took place on 1 April 2018 from Rhondda Cynon Taf County Borough Council (in the Rhondda Cynon Taf Pension Fund - RCTPF) to Denbighshire County Council (in the Clwyd Pension Fund).

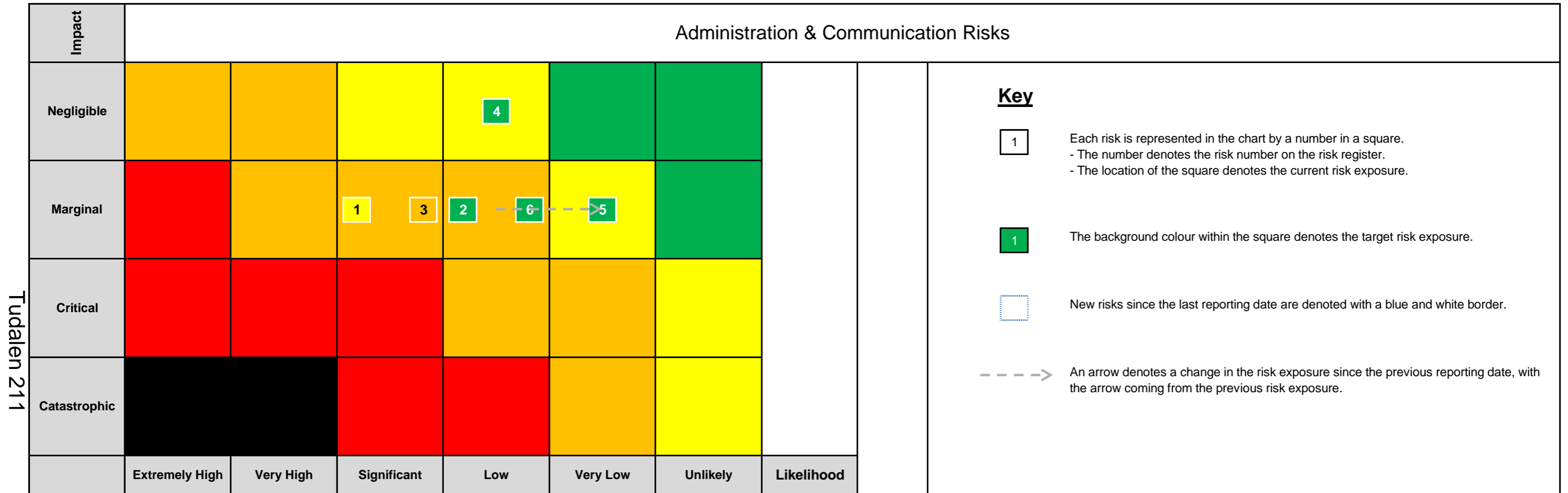
A draft Actuary's letter has since been provided for agreement by the CPF Actuary, and this sets out the proposed assumptions to use in the calculation of the payment amount.

In order to determine whether the proposed assumptions are appropriate, the Actuary has approximately calculated:

- a) the value of the member's liabilities using the assumptions proposed in the Actuary's letter (e.g. this determines the payment that will be made to CPF)
- b) the value of the member's liabilities using the CPF 2019 valuation assumptions (e.g. this determines the liabilities that CPF will be taking on)

Based on the initial data provided (noting that some data queries are outstanding), the Actuary calculates that the liabilities of the members joining CPF will be c£70,000 higher than the payment that will be made to CPF (compared to a total liability transferring of potentially £1.8m-£1.9m on CPF's 2019 valuation basis).

Due to this relatively small shortfall, the Actuary recommends that the Fund accepts the terms in the letter to avoid the potential cost of protracted negotiations with RCTPF's actuaries with the only variation being to request they include reference to the McCloud remedy costs being included. It is unlikely that there would be any such cost (or if so it would be very small) so it is likely to be only a cosmetic change to the terms. Therefore, if RCTPF do not agree to this amendment then Actuary has confirmed that the Fund can still accept the current terms to avoid the cost of further discussions which could outweigh any benefits. It will also bring the matter to a swift conclusion given the original delay in the Fund being notified of the potential transfer and subsequent resolution of the final member data.



Clwyd Pension Fund - Control Risk Register
Administration & Communication Risks

Objectives extracted from Administration Strategy (05/2021) and Communications Strategy (09/2019):

- A1 Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- A2 Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- A3 Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- A4 Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- A5 Maintain accurate records and ensure data is protected and has authorised use only
- C1 Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- C2 Communicate in a clear, concise manner
- C3 Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders but with a default of using electronic communications where efficient and effective to do
- C4 Look for efficiencies and environmentally responsible ways delivering communications through greater use of technology and partnership working
- C5 Regularly evaluate the effectiveness of communications and shape future communications appropriately

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades (including due to Covid-19)	All	Marginal	Significant	High	1 - Training Policy, Plan and monitoring in place 2 - Benefit consultants available to assist if required 3 - Ongoing task/SLA reporting to management/AP/PC/LPB to quickly identify issues 4 - Data protection training, policies and processes in place 5 - System security and independent review/sign off requirements 6 - ELT established 7 - Temporary staff changed to permanent, and further resource increase/recruitment to new posts 8 - Ongoing monitoring of ELT and Ops resource/workload for backlogs 9 - Establishment of aggregation team 10 - Ongoing training within the team 11 - Impact of potential Covid absences being discussed at regular management catch ups and plans in place for ensuring priority work continues unaffected 12 - Reviewed wording of job descriptions to ensure fit for purpose	Negligible	Low	High	☹️ Current impact 1 too high Current likelihood 1 too high	31/10/2021	Aug 2022	1 - Ongoing recruitment of vacant posts (KW) 2 - Use internal secondment to officer role and then backfill with new pension assistants (KW)	Pensions Administration Manager	31/08/2022	26/05/2022
2	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters (including due to Covid-19)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Low	Medium	1 - Administration strategy updated 2 - Employer steering group established 3 - Greater engagement through Pension Board 4 - Backlog project in place 5 - Establishment of ELT 6 - Increased data checks/analysis (actuary and TPR) 7 - Implemented further APP data checks to identify issues 8 - Increased engagement with employers as to how they are managing due to Covid, and ongoing CPF requirements, and introduced monthly monitoring of employers 9 - Developed and issuing monthly KPI reporting for employers 10 - I-connect in place for all Fund employers 11 - Monthly meetings with Employers to discuss any ongoing data issues	Negligible	Very Low	Medium	☹️ Current impact 1 too high Current likelihood 1 too high	01/07/2016	Sep 2022	1 - Carry out employer training requested by FCC (KM) 2 - Implement new process for employers relating to service standards (KW/AH)	Pensions Administration Manager	31/08/2022	26/05/2022
3	Unable to meet legal and performance expectations due to external factors	Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes including McCloud, Pensions Dashboards and potential exit cap, pay negotiations)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Significant	High	1 - Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues 2 - Benefit consultants available to assist if required 3 - Recruitment to new posts 4 - McCloud planning undertaken, including governance structure with Steering Group and PMG 5 - The Pension Administration Manager sits on PLSA working group for Pensions Dashboards 6 - The Fund has volunteered to test the integration of the Administration system and Pensions Dashboard	Marginal	Low	High	☹️ Current likelihood 1 too high	27/08/2018	Mar 2023	1 - Ongoing consideration of the impact on resource of pay structure reviews, likely national changes and Pensions Dashboards (KW) 2 - Ongoing consideration of potential exit cap on processes etc (KW/KM)	Pensions Administration Manager	31/08/2022	26/05/2022
4	Scheme members do not understand or appreciate their benefits	Communications are inaccurate, poorly drafted, insufficient or not received (including McCloud and potential exit cap)	C1/ C2 / C3	Negligible	Low	Medium	1 - New Communications Strategy - focussed on digital engagement - approved June 2022 2 - Annual communications survey for employees and employers 3 - Specialist communication officer in team 4 - Website reviewed and relaunched (2017) 5 - Member self service in place 6 - Ongoing identification of data issues and data improvement plan in place 7 - Address tracing exercise undertaken for members who have not set a communication preference 8 - A Member self service activation key has been re-issued to all members who do not have a communication preference set	Negligible	Very Low	Medium	☹️ Current likelihood 1 too high	01/07/2016	Mar 2023	1 - Implement new communications strategy in line with 2022/23+ business plan (KM/KW)	Pensions Administration Manager	31/08/2022	26/05/2022
5	High administration costs and/or errors	Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and potential exit cap)	A2 / A4 / C4	Marginal	Very Low	Medium	1 - I-connect and MSS implemented 2 - Review of ad-hoc processes (e.g. deaths and aggregation) 3 - Participated as a founding authority on national framework for admin system 4 - Implementation of other Altair modules including Altair Insights (relating to TPR scores) 5 - Increased engagement with Heywood about change in their business model 6 - Increased engagement with Heywood re McCloud software enhancements 7 - Ongoing identification of data issues and data improvement plan in place	Negligible	Very Low	Medium	☹️ Current impact 1 too high	01/07/2016	Dec 2022	1 - Review Altair contract (KW) 2 - If delays in system upgrades, look for alternative solutions to administer regulatory changes (KW)	Pensions Administration Manager	31/08/2022	26/05/2022
6	Service provision is interrupted	System failure or unavailability, including as a result of cybercrime and Covid-19	A1 / A4 / C2	Marginal	Low	High	1 - Disaster recover plan in place and regularly checked 2 - Hosting implemented 3 - Implemented lump sum payments via pensioner payroll facility 4 - Regular communications carried out during pandemic with Heywood and FCC regarding areas of risk 5 - Data/asset mapping complete and cyber strategy in place	Negligible	Unlikely	High	☹️ Current impact 1 too high Current likelihood 2 too high	08/11/2019	Sep 2022	1 - Develop updated business continuity plan for CPF (KW) 2 - Implement remaining elements of cyber strategy 3 - Develop post Covid-19 approach to working arrangements (KW/PL)	Pensions Administration Manager	31/08/2022	26/05/2022

Tudalen 242

Eitem ar gyfer y Rhaglen 10



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 15 th June 2022
Report Subject	Investment and Funding Update
Report Author	Deputy Head, Clwyd Pension Fund

EXECUTIVE SUMMARY

An investment and funding update is on each quarterly Committee agenda.

There are separate agenda items on asset pooling in Wales, investment performance and the funding and flight path risk management framework. This update includes matters that are mainly for noting, albeit comments are clearly welcome.

This report provides updates on the following items:

- Triennial Actuarial Valuation Process (1.03)
- The Business Plan 2022/23 – all projects are currently on track
- Risk register - there have been no changes to the current risks.
- Delegated responsibilities – this details the delegated responsibilities which have been completed by officers since the last Committee meeting.

RECOMMENDATIONS

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

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p>Business Plan Update</p> <p>Appendix 1 provides the Funding and Investment appendix from the Fund's business plan for 2022/23 to 2024/25 setting out the key priorities for the Fund from funding and investment perspectives. This is provided in full for the benefit of the new members of the Committee as it is a key document driving the work of the Fund and the Committee.</p> <p>Usually, the three main update reports at each Committee include the latest progress against the business plan within a summary dashboard with commentary in the update report. Given we are only 2 months into 2022/23, full updates are not being included for this meeting. Instead any key points are being highlighted in the reports and full updates will be provided at the next meeting.</p> <p>The key points for noting relating to funding and investments this quarter are:</p> <ul style="list-style-type: none">○ F1 (Funding Strategy Statement Review and Triennial Actuarial Valuation) – the Actuarial Valuation process for 31st March 2022 is underway and Members will be updated throughout the year. 1.03 provides more details.○ F4 (UK Stewardship Code) – The Fund is working with its consultants to develop the submission which will be brought to the August Committee for approval to submit in October. The WPP was successful in their submission although there were some recommendations of areas for improvement which the Fund can also consider.
1.02	<p>Current Development and News</p> <p><i>Foresight Regional Investment Fund III</i></p> <p>In 2021, the Fund agreed a commitment of £12m alongside other LGPS investors to invest in local areas including North East Wales. It was publically announced in June that Foresight have invested in Rooms & Views, a manufacturer of UPVC windows headquartered in Buckley, Flintshire. Whilst the previous Foresight Fund did invest in Wrexham, this is the first investment in the Flintshire Council area.</p>
1.03	<p><i>2022 Actuarial Valuation</i></p> <p>The 2022 actuarial valuation will take place this year with an effective date of 31 March 2022. The valuation project can generally be split into three categories:</p> <p>Initial planning and strategy – this includes high level indications of the results that might emerge, and the review of and proposed updates to the</p>

	<p>Funding Strategy Statement (FSS).</p> <p>Data provision and actuarial calculations - including collection of the renewal data from the employers, quality testing and the actuarial calculations.</p> <p>Finalise results and consultation with employers - includes the FSS consultation with employers and its approval by the Committee. The employers will consider their results and liaise with the Fund (including the actuary as required) to arrive at their final results, within the agreed parameters documented in the FSS.</p> <p>Formally certify contribution requirements – including finalisation of the actuarial valuation report.</p>
1.04	<p>As part of the initial stage, the Actuary has performed calculations to determine high-level valuation indications and potential contribution outcomes for the Fund and individual Councils at 31 March 2022. The results incorporated initial indications of the life expectancy analysis outcomes (based on data provided by the Fund) - this is the most financially significant demographic assumption. Meetings then took place to discuss the results of the calculations with Fund officers on 18th May and with the individual Councils that participate in the Fund as part of the Councils' Finance Directors' Steering Group on 23rd May.</p>
1.05	<p>The next stages of the actuarial valuation process will see:</p> <p>Final membership data provided to the Actuary during early July.</p> <p>Finalisation of the demographic analysis in July so that the outcomes can be incorporated into the calculations. The formal calculations will commence at that point with the larger employers' results expected during September 2022.</p> <p>The Actuary and Fund officers will commence discussions regarding the updates required to the FSS in August. Once updated, the consultation with employers on the FSS is expected to commence during October/November 2022. As part of the consultation, the employer results and contribution outcomes will be communicated. These will be discussed further at the AJCM in December, including an opportunity for all employers to discuss their draft results with the Actuary.</p> <p>Once the FSS consultation period and any discussions with employers have been concluded, , the valuation report can be drafted.</p> <p>The Committee will be updated further on the progress of the valuation project at future committee meetings during 2022/23.</p>

1.06	<p><i>Investment Strategy Review Update</i></p> <p>In conjunction with the triennial actuarial valuation the Committee will undertake its triennial review of the Fund’s Investment Strategy. Over the next 9 months this will involve undertaking a review of the Fund’s asset allocation by conducting asset modelling in order to determine an appropriate risk and return budget. These are intrinsically interlinked with the actuarial valuation given the interdependencies of the investment and funding strategies. Initial work on the investment strategy will begin in earnest once the preliminary actuarial valuations results are known. Recently announced local investment ambitions of up to 5% from the DLUHC will be considered once greater clarity on the announcement has been confirmed. The review will also incorporate strategic climate change scenario analysis modelling.</p>									
1.07	<p>Policy and Strategy Implementation and Monitoring</p> <p>The Advisory Panel receive a detailed investment report from the Fund’s Investment Consultants, Mercer, which shows compliance with the existing approved Investment Strategy, as well as reports on fund manager performance. A summary of this performance is shown in the Mercer report included in agenda item 11.</p> <p>The Advisory Panel also receive reports from the following Clwyd Pension Fund officer/adviser working groups:</p> <ul style="list-style-type: none"> • Tactical Asset Allocation Group (TAAG) • Cash and Risk Management Group (CRMG) • Private Equity and Real Assets Group (PERAG) <p>Any decisions arising from these meetings which have been agreed using delegated responsibilities are detailed in Appendix 2.</p>									
1.08	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 updates the Committee on the areas of delegation used since the last meeting. To summarise:</p> <ul style="list-style-type: none"> • Cash-flow forecasting continues to be monitored through the Cash and Risk Management Strategy. • Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG). • The following commitments to Private Market investments have been made in line with the Fund’s Investment Strategy and recommendations from Mercer, the Fund Consultant; more details are provided in 1.10. <table border="1" data-bbox="304 1910 1356 2089"> <thead> <tr> <th>Asset Class</th> <th>Fund</th> <th>Commitment</th> </tr> </thead> <tbody> <tr> <td>Private Debt</td> <td>Neuberger Berman Private Debt Fund IV</td> <td>\$18m (£13m)</td> </tr> <tr> <td></td> <td>Bridgepoint Direct Lending Fund III</td> <td>€15m (£13m)</td> </tr> </tbody> </table>	Asset Class	Fund	Commitment	Private Debt	Neuberger Berman Private Debt Fund IV	\$18m (£13m)		Bridgepoint Direct Lending Fund III	€15m (£13m)
Asset Class	Fund	Commitment								
Private Debt	Neuberger Berman Private Debt Fund IV	\$18m (£13m)								
	Bridgepoint Direct Lending Fund III	€15m (£13m)								

1.09	<p>Private Market Allocations</p> <p>As reported to previous Committees, due to the WPP currently running a tender for Allocators to implement private markets, Mercer as the Fund's investment consultant have been working with officers to determine the Fund's requirements for infrastructure and private debt in addition to private equity and impact opportunities until they are transitioned to WPP. This work includes identifying potential managers on a sustainable basis.</p>
1.10	<p>As part of this process, Mercer share relevant reports on their research views and full due diligence on any recommended managers for the Fund officers to consider and discuss. From there, meetings are conducted with the recommended managers and Fund officers to discuss the mandates in more detail and facilitate any further information the Fund may require. As can be seen from the table above, the Fund and Mercer have been busy making new allocations. A brief summary of the investments is shown below. All are highly rated managers by Mercer including ESG credentials.</p> <p>Neuberger Berman Private Debt Fund IV A private debt manager raising \$3bn, focussed on first-lien (i.e. first lien debt holders are paid back before all other debt holders, including other senior debt holders), senior secured loans to US private equity sponsor owned companies across a broad cross section of the middle market.</p> <p>Bridgepoint Direct Lending Fund III A private debt manager raising €3bn, focussed on a diversified direct lending strategy in Europe and targeting resilient sectors such as healthcare and business services.</p>

2.00	RESOURCE IMPLICATIONS
2.01	Due to three post vacancies in the Fund's Finance Team, a proportion of the work of the team has been outsourced to the Fund's consultants. This is a temporary measure until the posts are filled.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report, albeit consultation on updates to the Funding Strategy, and perhaps the Investment Strategy, will be carried out during 2022/23.

4.00	RISK MANAGEMENT
4.01	Appendix 3 provides the dashboard and risk register highlighting the current risks relating to investments and funding matters.
4.02	<p>There have been no additional risks added to the register since the last Committee and all of the risks have remained the same as reported to the December 2021 Committee. Of these, most remain on target and all of the remainder, apart from one, are one step away from the target impact or likelihood, which is mainly due to the uncertainty around markets.</p> <p>The risk which is furthest from target is risk four, which is that the value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions. The target for this risk is longer term and this and other risks will be reassessed as part of the Actuarial Valuation.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – 2022/23 Business plan Appendix 2 – Delegated Responsibilities Appendix 3 – Risk dashboard and register – Investments and Funding</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Debbie Fielder, Deputy Head, Clwyd Pension Fund Telephone: 01352 702259 E-mail: Debbie.a.fielder@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) The Fund - 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) The Committee - 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) TAAG – Tactical Asset Allocation Group – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and</p>

consultants from JLT Employee Benefits, the Fund Consultant.

- (e) **AP – Advisory Panel** – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.
- (f) **PERAG – Private Equity and Real Asset Group** – a group chaired by the Clwyd Pension Fund Manager with members being the Pensions Finance Managers, who take specialist advice when required. Recommendations are agreed with the Fund’s Investment Consultant and monitored by AP.
- (g) **In House Investments** – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments. The due diligence, selection and monitoring of these investments is undertaken by the PERAG.
- (h) **WPP – Wales Pensions Partnership** - The WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. WPP has appointed an Operator to manage assets collectively for the eight Wales LGPS funds. A proportion of the Clwyd Pension Fund assets are invested via WPP.
- (i) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (j) **ISS – Investment Strategy Statement** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
- (k) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (l) **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- (m) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- (n) **Actuary** - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.

(o) **Department for Levelling Up, Housing & Communities (DLUHC)** – supports communities across the UK to thrive, making them great places to live and work.

A full glossary of Investments terms can be accessed via the following link.
<https://www.schroders.com/en/uk/adviser/tools/glossary/>

Appendix - BUSINESS PLAN 2022/23 - 2024/25 – Key Tasks

Funding and Investments (including accounting and audit)

Ref	Key Action –Task	2022/23 Period				Later Years	
		Q1	Q2	Q3	Q4	2023/ 24	2024/ 25
F1	Funding Strategy Statement Review and Triennial Actuarial Valuation	x	x	x	x		
F2	Review of Investment Strategy		x	x	x	x	
F3	Climate Change and TCFD		x	x		x	
F4	UK Stewardship Code	x	x	x			
F5	LGPS Investment Related Developments (later timescales unknown)		x	x			
F6	Interim Funding Review						x

F1 – Funding Strategy Statement Review and Triennial Actuarial Valuation

What is it?

The formal triennial actuarial valuation of the Fund is due to be undertaken as at 31 March 2022. This considers the solvency position and other financial metrics and is a legal requirement of the LGPS Regulations. It determines the contribution rates payable by the employers to fund the cost of benefits including the impact of any shortfall or surplus. These aspects are driven by the contents of the separate Funding Strategy Statement, which is reviewed and consulted on as part of the process.

This is considered in conjunction with the employer risk management framework implemented by the Fund. Employers will be required to provide financial statements and evidence of affordability and security before contributions can be agreed. Consideration will also be given as to the sustainability of any contribution reductions. The exercise will include cash flow projections to input into the Cash and Risk Management policy framework.

Timescales and Stages

Effective date	31 March 2022
Demographic Analysis including covid-19 impact	2022/23 Q1
Update risk management and monitoring framework	2022/23 Q1 & Q2
Initial whole Fund results (expected)	2022/23 Q2
Integration with climate change considerations	2022/23 Q2
Individual Employer results including review of McCloud allowances (expected)	2022/23 Q2 & Q3
Funding Strategy Statement review and consultation with employers	2022/23 Q2 & Q3
Funding Strategy Statement approval	2022/23 Q4
Deadline for agreement of all contributions and sign-off valuation report	31 March 2023

Resource and Budget Implications

The exercise is led by the Deputy Head of Clwyd Pension Fund and will be performed by the Fund Actuary. It will involve considerable resource from the Administration and Finance teams over 2022/23. The Fund Actuary's costs in relation to this exercise are included in the 2022/23 budget.

F2 – Review of Investment Strategy

What is it?

This relates to the triennial review of the Investment Strategy having regard to the findings of the actuarial valuation and the review of the Funding Strategy.

The review will also have regard to DLUHC's recently published Levelling Up agenda and the requirement for LGPS Funds to draft a mandatory plan setting out an ambition as to how they will allocate at least 5% to "new" local investments (with local being defined as the UK). Note however that this is not a mandatory requirement in scale nor does it represent a ceiling. In addition, the review of investment strategy will incorporate strategic climate change scenario analysis modelling.

This is expected to take place concurrently with the review of the Funding Strategy Statement in 2022/23.

Timescales and Stages

Review of Investment Strategy	2022/23 Q2 & Q3
Approve Investment Strategy (with consultation if required)	2022/23 Q4
Implementation of any changes	2023/24

Resource and Budget Implications

The work will be led by Deputy Head of Clwyd Pension Fund, working with the Fund's Investment Consultant. The Investment Consultant's estimated costs in relation to this exercise are included in the 2022/23 budget.

F3 – Climate Change and TCFD

What is it?

The Task Force on Climate-Related Financial Disclosures (TCFD) have released climate-related financial disclosure recommendations to help organisations provide better information to support informed capital allocation. The Fund will look to report on a TCFD basis to ensure transparency of the work the Fund is undertaking with respect to climate change. This will include reporting on the various commitments the Fund has made relating to meeting its net zero target.

As noted in F5, DLUHC will be launching a wide-ranging consultation in the summer of 2022, and this will include how TCFD should be adopted within the LGPS. The Fund will have regard to this whilst carrying out the development of their reporting.

Design TCFD compliant reporting template	2022/23 Q2 to Q3
Review TCFD reporting template (if required) in line with LGPS requirement	2023/24

Resource and Budget Implications

This work will be led by the Deputy Head of Clwyd Pension Fund, supported by the Investment Consultant. Estimated costs for the development of the reporting are contained within the 2022/23 budget.

F4 – UK Stewardship Code

What is it?

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The UK Stewardship Code 2020 comprises a set of 12 'apply and explain' Principles for asset owners. As part of the Fund's desire to demonstrate its good governance and stewardship of

its assets, the Fund will look to become a signatory to the Code by submitting its report by October 2022. The WPP have already submitted its application to become a signatory of the Stewardship Code, and the Fund will need to use this submission to inform their application.

Timescales and Stages

Develop Stewardship Code template	2022/23 Q1 to Q2
Stewardship Code submission (pre October 2022 deadline)	2022/23 Q3

Resource and Budget Implications

This work will be led by the Deputy Head of Clwyd Pension Fund, supported by the Investment Consultant. Estimated costs for the development of the submission are contained within the 2022/23 budget.

F5 – LGPS Investment Related Developments

What is it?

The Government (DLUHC) will continue to produce guidance for the LGPS community. It is expected that, in summer 2022, the Fund will be asked to consider a significant single consultation exercise. The Fund intends to respond to the consultation in respect of all areas covered.

Further detail will be provided in due course but it is anticipated that it will encompass the following areas:

- Levelling up – as described in section F2 (will eventually result in the publication of a mandatory plan by the Fund)
- TCFD – as described in section F3
- Asset Pooling Guidance - DLUHC undertook an informal consultation on new asset pooling guidance during early 2019. DLUHC has since confirmed its intention to carry out a formal consultation in due course (and it will now be contained within this wider consultation)
- Competition and Markets Authority Order 2019 – covering the requirement to set strategic objectives for investment consultants.

Timescales and Stages

Respond to consultation (in full)	2022/23 Q2 to Q3
Respond to changes in requirements	Unclear

Resource and Budget Implications

This work will be led by the Deputy Head of Clwyd Pension Fund, supported by the Investment Consultant. Estimated costs for the development of the reporting are contained within the 2022/23 budget albeit this may need revisited when the requirements are better understood.

F6 – Interim Funding Review

What is it?

In advance of the 2025 actuarial valuation, the Actuary will assess the funding position as at 31 March 2024 in order to prepare the Fund and employers for the potential contribution outcomes from the 2025 valuation.

The 2024 interim review will be carried out in the same way as a full actuarial valuation process. It would allow the Fund to update the contribution requirements in the same way as a statutory valuation for some employers where appropriate and permissible under the Funding Strategy Statement.

This analysis will assist the Fund to understand employer contribution affordability and budgets so that plans can be made considering the current funding position and the outlook for returns. It will also involve discussions with the Fund's employers.

Timescales and Stages

Carry out interim funding review	2024/25
Results and discussion with employers including via steering groups	2024/25

Resource and Budget Implications

This exercise will be performed by the Fund Actuary. It will involve input from both the Clwyd Pension Fund Administration and Finance teams.

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DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.08.1	Rebalancing and cash management	HCPF (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Rebalancing Asset Allocation

Background

The Investment Strategy Statement (ISS) includes a target allocation against which strategic performance is monitored (Strategic Allocation). There are strategic ranges for each asset category that allow for limited deviation away from the strategic allocation as a result of market movements. In addition there is a conditional medium term asset allocation range (Conditional range) to manage major risks to the long term strategic allocation which may emerge between reviews of the strategic allocation.

The Tactical Asset Allocation Group (Investment Consultant & Officers) which meets each month consider whether it is appropriate to re-balance to the strategic asset allocation. Recommendations are made to the Head of the Clwyd Pension Fund who has delegated authority to make the decision. Re-balances or asset transitions may be required due to market movements, new cash into the Fund or approved changes to the strategic allocation following a strategic review.

Action Taken

In the period January to March 2022 there were no movements between assets.

Cash Management

Background

The Deputy Head of the Clwyd Pension Fund forecasts the Fund's 3 year cash flows in the Business Plan and this is monitored quarterly and revised on an annual basis. The bank account balance is monitored daily. The main payments are pension related, expenses and investment drawdowns. New monies come from employer and employee contributions and investment income or distributions. This cash flow management ensures the availability of funds to meet payments and investment drawdowns. The LGPS investment regulation only allow a very limited ability to borrow. There is no strategic asset allocation for cash, although there is a strategic range of +5% and a conditional range of +30% which could be used during times of major market stress.

Action Taken

The cash balance as at 31st March 2022 was £79.6m (£73.9m at 31st December 2021). The Fund continued to receive Private Market distributions in excess of drawdowns during the quarter which resulted in another uplift in cash. The cash flow is monitored to ensure there is sufficient monies to pay benefits and capital calls for investments. Work is continuing with the Consultant and Actuary to monitor the cash-flow situation and be aware of any unforeseen issues. As part of the Investment Strategy Review, the new Cash Management and Risk Strategy can be utilised if this situation reverses. Monthly cash flows for the financial year 2021/22 are shown graphically at the end of the delegations appendix.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.08.2	Short term tactical decisions relating to the 'best ideas' portfolio	HCPF (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Tactical Asset Allocation Group (Investment Consultant and Officers) meet each month to consider how to invest assets within the 'Best Ideas' portfolio given the shorter term market outlook (usually 12 months). The strategic asset allocation is 11% of the Fund. The investment performance target is CPI +3 %, although the aim is to also add value to the total pension fund investment performance.

Action Taken

Since the previous report to Committee in February 2022 the transactions agreed within the portfolio were:

- Invest £14.0m in BlackRock Emerging Market Equity
- Sell £14.0m of LGIM Sterling Liquidity Fund
- Full Redemption of BlackRock European Equity -£11.2m (crystallised -9.6%)
- Partial Redemption LGIM UK Equity -£5.5m (crystallised +3.0%)
- Partial Redemption BlackRock Emerging Market Equity -£5.5m (crystallised -3.8%)
- Partial Redemption LGIM US Equity -£5.5m (crystallised +16.3%)
- Partial Redemption LGIM Infrastructure -£8.3m (crystallised +7.5%)
- Invest £22.1m in LGIM REIT (Property)
- Invest £13.9m in LGIM Sterling Liquidity Fund

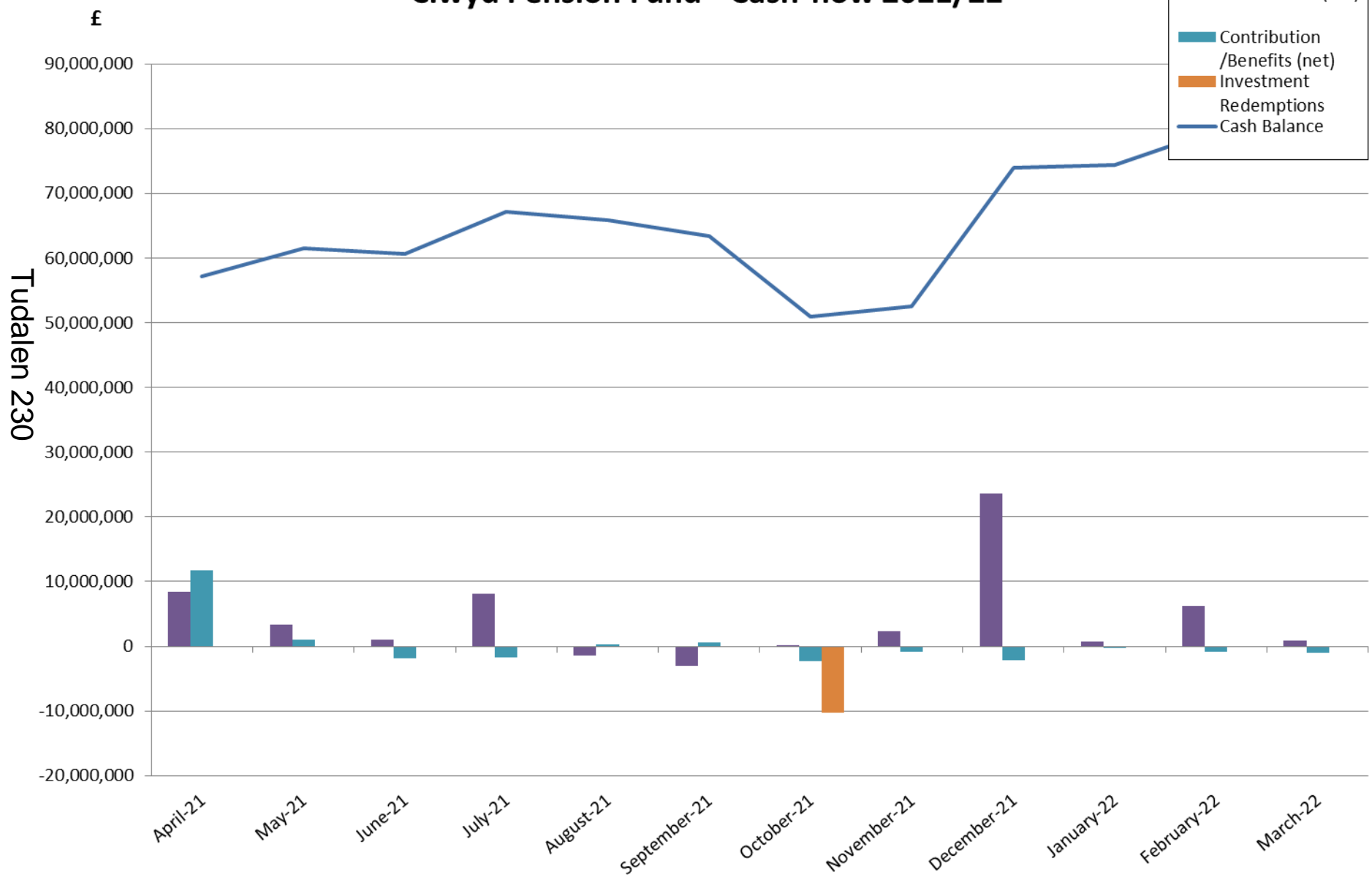
The current allocations within the portfolio following the transactions are:

- US Equities (1.9%)
- Commodities (2.4%)
- Infrastructure (1.7%)
- Global Property (0.9%)
- UK Equity (0.6%)
- EM Equity (1.3%)
- Liquidity Fund (2.2%)

Detailed minutes of the Group identifying the rationale behind the recommendations made to the Head of the Clwyd Pension Fund and decisions made under this delegation are circulated to the Advisory Panel.

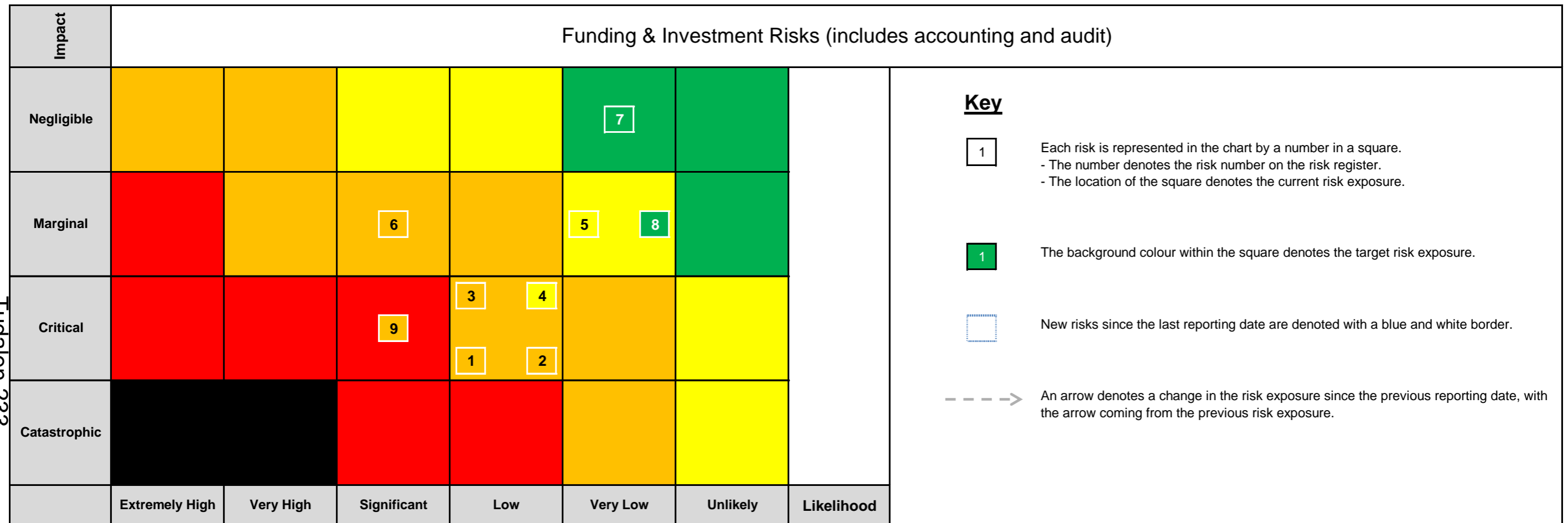
As at the end of April 2022, the Best Ideas portfolio 1 year performance was +18.0% against a target of +12.3% and the 3 year performance was +11.6% against a target of +6.8%.

Clwyd Pension Fund - Cash-flow 2021/22



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Clwyd Pension Fund - Control Risk Register
Funding & Investment Risks (includes accounting and audit)

Objectives extracted from Funding Strategy Statement (06/2021) and Investment Strategy Statement (03/2022):

- F1 Achieve and maintain assets equal to 100% of liabilities within the 13 year average timeframe whilst remaining within reasonable risk parameters
- F2 Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- F3 Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- F4 Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- F5 Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- F6 Ensure net cash outgoings can be met as/when required
- F7 Minimise unrecoverable debt on employer termination
- F8 Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- I1 Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- I2 Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable longterm costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	
1	Employer contributions are unaffordable and/or unstable	An appropriate funding strategy can not be set	F1 / F2 / F3 / F4 / F5	Critical	Low	Orange	1 - Ensuring appropriately prudent assumptions on an ongoing basis 2 - All controls in relation to other risks apply to this risk 3 - Consider employer covenant and reasonable affordability of contributions for each employer as part of the valuation process and as part of the ongoing risk management framework.	Critical	Very Low	Orange	☹️ Current likelihood 1 too high	07/05/2020	Dec 2022	1. Discussions with Employers to assess affordability as part of Interim Valuation review (DF) 2 - Consider as part of Triennial Actuarial Valuation (DF)	Head of CPF	31/08/2022	26/05/2022	
2	Funding level reduces, increasing deficit / reducing surplus	Movements in assets and/or liabilities (as described in 3,4,5) in combination, which leads to a reduction in funding level and increased contribution requirements in particular	F1 / F2 / F3 / F4 / F5 / F7	Critical	Low	Orange	See points within points 3,4 and 5	Marginal	Low	Orange	☹️ Current impact 1 too high	31/03/2016	Mar 2023	1 - Equity Protection Strategy to be reviewed regularly (DF) 2 - In conjunction with Risks 3, 4 and 5 - overall return outlook will be considered in light of COVID-19 (PL) - See points within points 3, 4 and 5	Head of CPF	31/08/2022	26/01/2022	
3	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented - Black swan event e.g. global pandemic such as Covid-19 - Wales Pension Partnership (WPP) does not provide CPF with portfolios to deliver the Investment Strategy - Internal team do not have sufficient knowledge in order to challenge the investment managers on the advice given or understand the implications of all investment choices issues on the fund	F1 / F2 / F3 / F4 / F7	Critical	Low	Orange	1 - Use of a diversified portfolio (regularly monitored) 2 - Flightpath in place to exploit these opportunities in appropriate market conditions 3 - Monthly monitoring at Investment Day, FRMG and TAAG meetings 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee 5 - On going monitoring of appointed managers (including in house investments) managed through regular updates and meetings with key personnel 6 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of investment opportunities available 7 - Consideration and understanding of potential Brexit implications. 8 - Equity Protection and Currency Hedging Strategy in place to protect equity gains and potentially reduce volatility of contributions. 9 - Assess impact of Covid-19 on markets and likelihood of achieving required outcomes as part of Interim Valuation review 10 - Officers work closely with the WPP to ensure that CPF has the ability to pool its assets in an efficient and effective manner	Critical	Low	Orange	☺️					Dep. Head of CPF	31/08/2022	26/01/2022
4	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates	F1 / F2 / F4 / F5 / F7	Critical	Low	Orange	1 - LDI strategy in place to control/limit interest and inflation risks. 2 - Use of a diversified portfolio which is regularly monitored. 3 - Monthly monitoring of funding and hedge ratio position versus targets. 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee. 5 - Consideration and understanding of potential Brexit implications. 6 - Consideration and understanding of potential Covid-19 implications. 7 - The level of hedging is being monitored and reported.	Marginal	Very Low	Yellow	☹️ Current impact 1 too high Current likelihood 1 too high	31/03/2016	Mar 2023	1 - Consider as part of Triennial Actuarial Valuation (DF)	Dep. Head of CPF	31/08/2022	26/01/2022	
5	Value of liabilities/contributions change due to demographics being out of line with assumptions	This may occur if employer matters (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	F1 / F2 / F5 / F7	Marginal	Very Low	Yellow	1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases.	Marginal	Very Low	Yellow	☺️			1 - Longevity assumption being considered in light of Covid-19 and as part of Triennial Actuarial Valuation (DF)	Dep. Head of CPF	31/08/2022	26/05/2022	
6	Investment and/or funding objectives and/or strategies are no longer fit for purpose	Legislation changes such as LGPS regulations (e.g. asset pooling), progression of Brexit and other funding and investment related requirements - ultimately this could increase employer costs	F1 / F2 / F3 / F4 / F5 / F6 / F7	Marginal	Significant	Orange	1 - Ensuring that Fund concerns are considered by the Pensions Advisory Panel and Committee as appropriate 2 - Employers and interested parties to be kept informed and impact monitored 3 - Monitor developments over time, working with investment managers, investment advisers, Actuary and other LGPS 4 - Participation in National consultations and lobbying 5. Costings performed in relation to the potential impact of McCloud on employers. Employers informed as part of the valuation regarding the potential contribution provision over 2020-23. Major employers agreed to include McCloud. 6. Fund policies updated to reflect latest flexibility Regulations on contribution rate reviews and deferred debt arrangements	Marginal	Low	Orange	☹️ Current likelihood 1 too high	31/03/2016	Sep 2022	1 - Once the Govt provide clarity on final remedy, request funding for McCloud from employers who did not make a provision (DF)	Dep. Head of CPF	31/08/2022	26/05/2022	
7	Insufficient cash or liquid assets to pay benefits	- Insufficient cash (due to failure in managing cash) or only illiquid assets available - longer term this will likely become a problem and would result in unanticipated investment costs. - Further risk presented with the introduction of exit credits for exiting employers in the 2018 Regulations update. - Covid-19 could also impact on cash-flow as employers may suffer cash-flow problems. - Private Markets distributions could dry up due to liquidity in markets.	F1 / F6	Negligible	Very Low	Green	1 - Cashflow monitoring (including private markets) to ensure sufficient funds 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Holding sufficient liquid assets as part of agreed cashflow management policy 4 - Monitor cashflow requirements to ensure that they have enough liquid assets to pay the benefits when needed 5 - Cash management policy is documented to help monitor and manage cashflow 6 - Assessment of risk of Covid-19 on employers to help understand the impact that it will have on their ability to pay contributions (i.e. their covenant) and address any cashflow issues 7 - Employers have been informed to notify Fund of any significant restructuring exercises. 8 - Employers have been informed to notify Fund of potential contract end dates (incl. changes) in sufficient time to reduce risk of large payments (i.e. through a contribution rate review in advance of the contract end date)	Negligible	Very Low	Green	☺️			1 - Continue with ongoing communications with employers to ensure they can continue to pay contributions in light of Covid-19 (DF)	Dep. Head of CPF	31/08/2022	26/01/2022	
8	Loss of employer income and/or other employers become liable for their deficits	Employer ceasing to exist with insufficient funding (bond or guarantee)	F5 / F7	Marginal	Very Low	Yellow	1 - Consider profile of Fund employers and assess the strength their covenant and/or whether there is a quality guarantee in place. 2 - When setting terms of new admissions require a guarantee or bond. 3 - Formal consideration of this at each actuarial valuation plus proportionate monitoring of employer strength. 4 - Identify any deterioration and take action as appropriate through discussion with the employer.	Marginal	Unlikely	Green	☹️ Current likelihood 1 too high	31/03/2016	Sep 2022	1 - Discussions with Employers to assess covenant risk after analysis of responses to covenant data request as and when received (DF)	Dep. Head of CPF	31/08/2022	26/05/2022	
9	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.	1. Responsible Investment (including Climate Change) is not properly considered within the Fund's long-term Investment Strategy meaning it is not sustainable and does not address all areas of being a Responsible Investor 2. WPP does not provide CPF with the tools to enable implementation of RI policies	F1, F4, F8, I1, I2	Critical	Significant	Red	1. Fund has in place Responsible Investment (RI) Strategy 2. RI Policy has 5 Strategic RI Priorities 3. WPP has RI policy in place 4. Fund has adopted a 2050 Net Zero ambition for its Investment Strategy.	Critical	Low	Orange	☹️ Current likelihood 1 too high	03/02/2020	Mar 2023	1 - Implement Strategic RI Priorities, including ongoing analysis of the Fund's carbon Footprint. Identify sustainable investment opportunities and improve disclosure and reporting 2 - Work with WPP to ensure the Fund is able to implement effectively via the Pool	Dep. Head of CPF	31/08/2022	23/05/2022	

Eitem ar gyfer y Rhaglen 11



CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 15 th June 2022
Report Subject	Economic and Market update and Performance Monitoring report
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to update the Committee on the Economy and Markets, and the Performance of the Fund's investments. The reports cover periods ending 31 March 2022, and are attached as appendices to this report.

Key points to note:

Economy and Markets

- Global equity markets contracted over the first quarter of 2022, with markets selling off due to monetary tightening and the ongoing crisis in Ukraine following the invasion by Russia.
- Commodity markets were the only asset class to produce positive absolute returns over the quarter as equity and bond markets struggled to navigate the ongoing uncertainty.
- Inflation continued to rise in the UK with CPI reaching 7%, driven primarily by rising energy prices.
- The Bank of England raised the base rate by 25 basis points twice over the quarter, to 0.75%, whilst the US Federal Reserve raised the Fed funds rate by 25 basis point to 0.5%. (Both have since raised rates even further).
- Global bond yields rose sharply over the quarter, more so in the US than the UK and Europe.

Performance Monitoring Report

- Over the three months to 31 March 2022, the Fund's total market value decreased by £27.5m to £2,457.1m.
- Fund Performance over 3 months, 12 months and 3 years; -0.9%, +13.3% and +9.9% p.a. respectively.
- Fund Performance is ahead of Composite benchmark over all periods, and ahead of the Strategic target and Actuarial targets over the 12 month and 3 year period.
- All asset classes are broadly in line with strategic target weight, with Cash and Risk Management Framework slightly overweight (+2.5%) and private markets marginally underweight (-3.0%).

Performance of the Fund is reviewed monthly by the Fund's Officers and advisers.

RECOMMENDATIONS

- | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | That the performance of the Fund over periods to the end of March 2022 and the Economic and Market update, which effectively sets the scene, are noted. |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------|

REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p>Economic and Market Update The economic and market update for the quarter from the Fund's Investment Consultant is attached at Appendix 1. The report contains the following key sections:</p> <ul style="list-style-type: none"> • Economic and Market Background – an overview of markets in the quarter, including commentary on key economic indicators • Equity Market Review – information on the performance of equity markets during the quarter and key drivers of markets • Bond Market (Fixed Income) Review – provides an update on bond yield movements and interest rates for the period • Currencies, Commodities and Alternatives Review – provides an update on the performance of Sterling against other currencies as well as highlighting movements in major commodity and alternatives asset classes for the period
1.02	<p>The first quarter of 2022 was dominated by Russia's invasion of Ukraine and central bank policy. This led to large movements in asset prices and elevated levels of volatility.</p> <p>Notwithstanding, 2022 started on a positive note. Most developed countries elected not to re-introduce far reaching pandemic-related restrictions, which supported demand. Although inflation came in at elevated levels, a combination of improving supply chains and moderate monetary tightening was expected to bring it under control.</p> <p>The invasion of Ukraine and subsequent spike in commodity markets completely changed this narrative. Central banks were forced to accelerate this pace of tightening even as growth expectations were dialled down.</p> <p>Commodity markets were the only asset class to produce positive absolute returns over the quarter (+36.9%) as equity (-2.4%) and bond (-3.9%) markets struggled to navigate the ongoing uncertainty.</p> <p>Sterling depreciated against the US Dollar and Euro, but appreciated against the Yen.</p> <p>A verbal update will be provided to Committee on market movements since the writing of this report.</p>
1.03	<p>Performance Monitoring report Over the 3 months to 31 March 2022, the Fund's total market value decreased by £27.5m to £2,457.1m.</p> <p>The Total Fund has increased in value by £278.1m in 12 months to 31 March 2022.</p>
1.04	<p>It is appropriate to measure performance at a Total Fund level by comparing to a number of different targets:</p>

- The first of these is the assumed return that the Actuary includes within the triennial valuation - **Actuarial Target**. This is the most crucial target as actual performance needs to be ahead of this to ensure that the Fund maintains, or improves its funding level. This currently set at CPI (Consumer Price Index) +1.75% p.a. for past service liabilities and CPI + 2.25% for future service liabilities.
- The second performance measure is the overall assessment of potential return when the Fund reviews and sets its investment strategy – **Strategic Target**. (This is currently CPI +3.4% p.a.)
- The final target is the composite benchmark – **Total Benchmark**. This is a composite of each of the individual manager benchmarks, weighted by strategic target allocation.

The performance against all benchmarks is shown on Page 6 of the report, and repeated below:

	Quarter (%)	1 Yr (%)	3 Yrs (%)
Total	-0.9	13.3	9.9
Total Benchmark	-1.0	9.1	8.9
Strategic Target (CPI +3.4% p.a.)	1.3	5.5	5.5
Actuarial Target – Past Service Liabilities (CPI +1.75% p.a.)	0.9	3.8	3.8
Actuarial Target – Future Service Liabilities (CPI +2.25% p.a.)	1.1	4.3	4.3

The table shows strong outperformance by the Fund against all measures over 1 year and 3 years.

1.05

The strongest absolute returns over the quarter came from the Tactical Allocation Portfolio and Private Markets. The Tactical Allocation Portfolio returned +8.1% and Private Markets returned +4.3%.

Within Private Markets the strongest returns were seen in Property, Private Equity and Infrastructure portfolios with returns of +5.0%, +4.9% and +4.7%, respectively.

Hedge Funds also generated marginal positive returns over the quarter, returning +0.4%.

In the 12 months to 31 March 2022, the best returns came from the Tactical Allocation (Best Ideas) Portfolio, Private Markets and Cash and Risk Management Framework (CRMF). The Tactical Allocation portfolio returned +20.3%, with Private Markets and CRMF returning +26.4% and +17.9%, respectively.

The performance of individual managers is shown in the report and is regularly reviewed by Officers and advisers, and at this stage there are no concerns that need addressing, however all positions are being monitored closely.

1.06	Private Markets remain slightly underweight to the target position but well within the agreed strategic tolerance. Within Private Markets, allocations to Infrastructure and Local/Impact remain slightly underweight.
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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>The Fund's investment strategy has been designed to provide an appropriate trade-off between risk and return. The Fund faces three key investment risks: Equity risk, Interest Rate Risk and Inflation Risk.</p> <p>Diversification of the Fund's growth assets away from equities seeks to reduce the amount of the equity risk (though it should be recognised that Equities remain an important long term source of expected growth). The implementation of the Fund's De-Risking Framework (Flightpath) has been designed to mitigate the Fund's Interest Rate and Inflation Risks.</p>
4.02	<p>This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part):</p> <ul style="list-style-type: none"> • Governance risk: G2 • Funding and Investment risks: F1 - F6
4.03	<p>The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. The collateral waterfall framework is intended to increase the efficiency of the Fund's collateral, and generating additional yield in a low governance manner. Hedging the currency risk of the market value of the synthetic equity portfolio will protect the Fund against a strengthening pound.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 - Economic and Market Update – 31 March 2022</p> <p>Appendix 2 – Performance Monitoring Report – 31 March 2022</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Economic and Market Update and Investment Strategy and Manager Summary 31 March 2022.</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 list of commonly used terms are as follows:</p> <p>(a) Absolute Return – The actual return, as opposed to the return relative to a benchmark.</p> <p>(b) Annualised – Figures expressed as applying to 1 year.</p> <p>(c) Duration – The weighted average time to payment of cash flows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.</p> <p>(d) Market Volatility – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.</p> <p>(e) Money-Weighted Rate of Return – The rate of return on an investment including the amount and timing of cash flows.</p> <p>(f) Relative Return – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark.</p> <p>(g) Three-Year Return – The total return on the fund over a three year period expressed in percent per annum.</p> <p>(h) Time-Weighted Rate of Return – The rate of return on an investment removing the effect of the amount and timing of cash flows.</p> <p>(i) Yield (Gross Redemption Yield) – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cash flows.</p> <p>A comprehensive list of investment terms can be found via the following link:</p> <p>https://www.schroders.com/en/uk/adviser/tools/glossary/</p>

Mae'r dudalen hon yn wag yn bwrpasol

Clwyd Pension Fund

Economic and Market Update – Q1 2022

Tudalen 241

Monthly Capital Market Monitor (UK)

March 2022

Equities rebounded in spite of geopolitical conflicts

Global equity markets recovered in mid-March as sentiment improved somewhat. Fixed income had negative returns amid central bank tightening and rising yields. Commodities continued to soar as markets priced in tighter supply due to the Russia – Ukraine conflict and Russian sanctions. The primary market drivers over the month were the unfolding conflict in Ukraine¹ and central banks accelerating tightening schedules as inflation remained at multi-decade highs.

Equity markets continued to be volatile throughout the month but returned to positive territory in the second half as investors started to see central bank tightening as a sign that central bankers remain committed not to let inflation run out of control. The equity recovery was mainly driven by developed markets though. Returns for emerging markets were negative again as Chinese markets were sharply down amid new lockdowns and fears over Chinese companies trading with Russia being targeted by sanctions. Taiwan and Korea were flat to slightly negative. Strong returns for commodity driven Latin America as well as India were not sufficient to offset this.

Fixed income returns were negative across the board as nominal yields rallied. Inflation linked bonds and high yield bonds were the best performers within fixed income but still delivered negative returns. Rising inflation expectations and falling credit spreads mitigated the impact of rising nominal yields for these asset classes to a degree.

Commodities were once again among the best performing assets during March. The energy sector benefited in particular, although some of those gains were given up later in the month due to Chinese lockdowns and the announced release from the US strategic oil reserve. Agricultural commodities such as wheat also rose sharply as the conflict is expected to lead to a reduction in global wheat supply, given both Russia's and Ukraine's high shares in global production and export. Nickel trading was suspended by London's commodity exchange after a large Chinese producer struggled to cover its short positions.

Sterling weakened sharply against the currencies of large commodity producers such as the Brazilian real and South African Rand and was also weaker against major developed market currencies, including the euro and the US dollar.

¹ Source: <https://insightcommunity.mercer.com/v1/api/uploads/c3e7d15876f0440cae2b6754c77742ca.pdf?public=false>

At a Glance

Market Returns in % as of end of March 2022 in GBP

Major Asset Class Returns	1M	YTD	1Y
MSCI ACWI	4.1	-2.6	12.4
S&P 500	5.7	-1.9	21.2
FTSE All Share	1.3	0.5	13.0
MSCI World ex-UK	4.9	-2.6	15.8
MSCI EM	-0.4	-4.3	-7.1
Bloomberg Barclays Global Aggregate	-1.2	-3.5	-1.9
ICE Bank of America Sterling Non-Gilt index	-1.2	-6.2	-5.1
Bloomberg Barclays High Yield	0.6	-2.2	3.8
FTSE WGBI	-1.6	-3.8	-3.3
FTA UK Over 15 year gilts	-3.3	-12.3	-7.2
FTA UK 5+ year ILG's	-3.0	-6.4	4.8
NAREIT Global REITs	6.6	-1.0	20.9
Bloomberg Commodity TR	10.7	29.2	56.4

Source: Refinitiv; as of 31/3/22

Past performance is no guarantee of future results

Market Drivers

Commodities rally, inflation and central banks tightening

- During March, markets continued to be driven by the conflict in eastern Europe, its impact on commodity markets, inflation and monetary policy decisions by major central banks.
- Russia's invasion of Ukraine continued to devastate the country and led to a combination of sanctions and western companies withdrawing from Russia. Economic figures such as purchasing manager indices, nonfarm payrolls and retail sales nevertheless remained strong in developed economies as they did not yet fully reflect the reduction in global commodity supply and thus additional inflation risk¹ as direct consequence from the conflict.

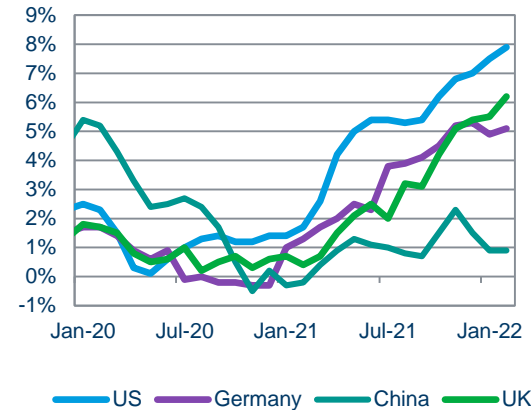
February inflation figures for the US, UK and Eurozone came in between 6% and 8%, a multi-decade high for all regions and this is not yet fully reflecting the conflict induced commodity rally. The Federal Reserve and Bank of England hiked interest rates by 25 basis points each and sharpened their rhetoric. Markets remain positioned for a steep tightening cycle in 2022 and 2023. The European Central Bank did not hike rates, but announced a faster scaling back of quantitative easing.

- During the second half of the month, market sentiment improved somewhat on hopes of a ceasefire between Russia and Ukraine, along with easing oil prices. Oil demand is expected to be impacted by China locking down or severely restricting activities in major cities, including Shenzhen and Shanghai, whose output amounts to almost a quarter of Chinese GDP.

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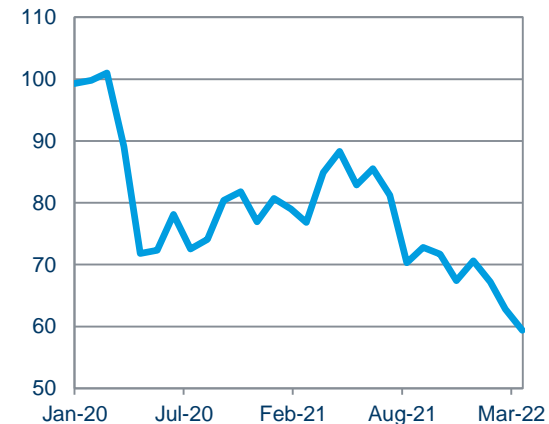
¹ Source: https://insightcommunity.mercer.com/research/62390736182c1c002130025c/Mercer_Inflation_turning_up_the_heat

Consumer Price Index (Year-over-Year)



Source: Bloomberg; as of 28/2/22

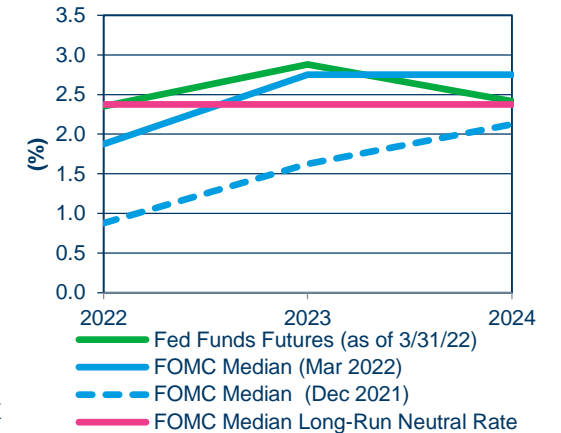
University of Michigan Consumer Sentiment Index



Source: Bloomberg; as of 31/3/22

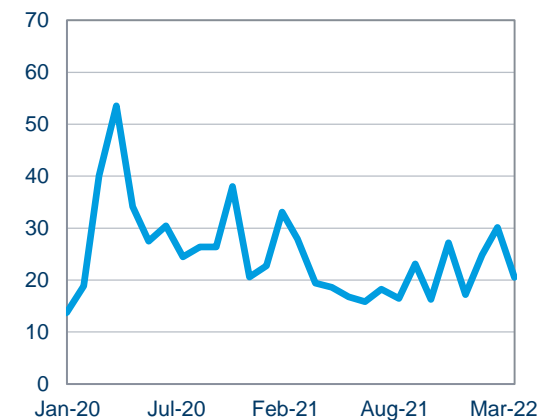
Returns in GBP unless stated otherwise.

Fed Funds Target Rate Projections



Source: Bloomberg; as of 31/3/22

CBOE Volatility Index (VIX Index)



Source: Bloomberg; as of 31/3/22

Past performance is no guarantee of future results

Equities

Tentative recovery even as central banks tightened

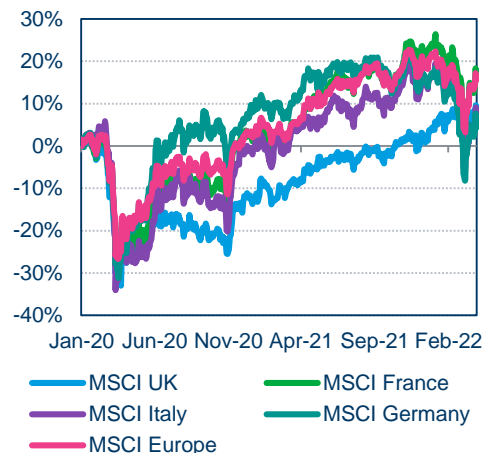
- Equity markets continued to fall and volatility remained high for the first half of March, but this reversed during the second half. The MSCI ACWI index returned 4.1% for the month but finished the quarter down -2.6%.
- The equity recovery was mainly driven by developed markets. Market sentiment improved even though central banks shifted to more a hawkish tone on inflation. Stabilising oil prices started to give western consumers a break for now. The US outperformed other developed markets, outside North America, by over 3 percentage points during the month.
- Emerging markets on the other hand closed the month and quarter marginally in the red. China ended the month sharply lower due to new lockdowns, fears over delistings from US stock exchanges, a large regulatory fine against Tencent and increased risk of sanctions over Ukraine. Taiwan and Korea were also weak. Strong performance in Latin America and India were not sufficient to offset this. Russia was removed from the MSCI Emerging Markets Index on March 9th.¹
- Growth outperformed value as risk sentiment recovered late in the month.
- Performance was positive for all sectors over the month. Energy was once again the top performer and also returned 41% over the quarter whilst quarterly performance for most other sectors was negative.
- Earnings came in as expected, but the outlook has weakened. The number of S&P 500 companies with negative guidance is the highest in over two years and earnings per share estimates have decreased the most since mid-2020.²

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¹ Source: [Offloading Russia Investment implications of Russia being removed from indices](#)

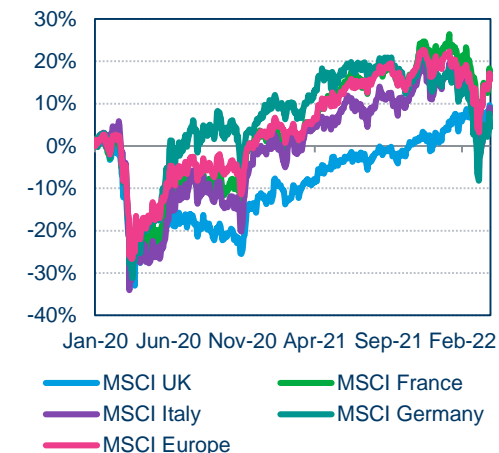
² Source: <https://insight.factset.com/highest-number-of-sp-500-companies-issuing-negative-eps-guidance-since-q4-2019>

Global Equity Performance (GBP)



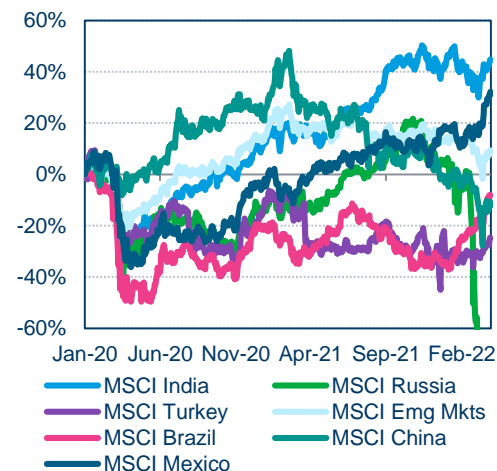
Source: Refinitiv, Data as at 31/03/2022

European Equity Performance (GBP)



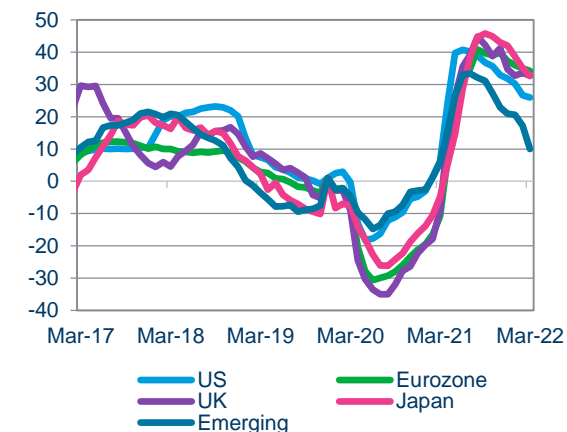
Source: Refinitiv, Data as at 31/03/2022

Emerging Market Equity Performance (GBP)



Source: Refinitiv, Data as at 31/03/2022

Forward Earnings Estimates (YoY)



Source: Refinitiv; as of 31/3/22

Returns in GBP unless stated otherwise.

Past performance is no guarantee of future results

Fixed income

Bonds yields soar with tighter monetary policy

- In the UK, sovereign bond curves flattened as yields at the front end rose more than the longer end of the curve. UK 10-year government bond yields finished the quarter at 1.60%, having risen 20 basis points. The 2-year yield rose 31 basis points to 1.34%.
- Elsewhere in the world major developed bond yields rose considerably over the month, led by the US, Australia and Germany, with 10-year yields increasing by 49, 70 and 41 basis points respectively.
- Markets continued to position for even higher inflation and accelerating action by central banks as a consequence. For the UK, markets are pricing in another 5 – 6 quarter-point interest rate hikes this year.

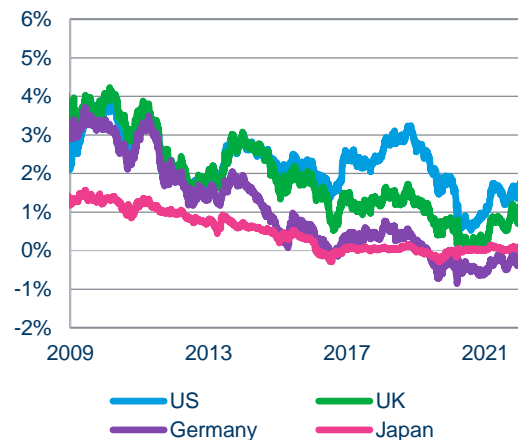
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Inflation expectations as measured by 10-year inflation break-evens were pretty much flat over the month, having initially spiked 30 basis points intra month as markets priced in the impact of a reduction in Russian commodity supply on input prices. As a result real yields rose commensurately with nominal yields.¹

- Riskier fixed income assets recovered along with equities throughout the second half of the month. Spreads for investment grade bonds fell by 6 basis points, while spreads for riskier high yield bonds fell by 34 basis points. Despite declines during the month, spreads are still significantly higher than at the beginning of the year.
- Emerging market debt yields increased. The JPM CEMBI Broad Diversified Index which tracks hard currency debt fell by 2.5% and remains down 8.8% in 2022 (USD terms). Russia made coupon payments on its local currency bonds during the month; however, a default on its hard currency bonds remained a concern. Chinese property developers came under renewed scrutiny after banks seized substantial cash holdings from Evergrande.

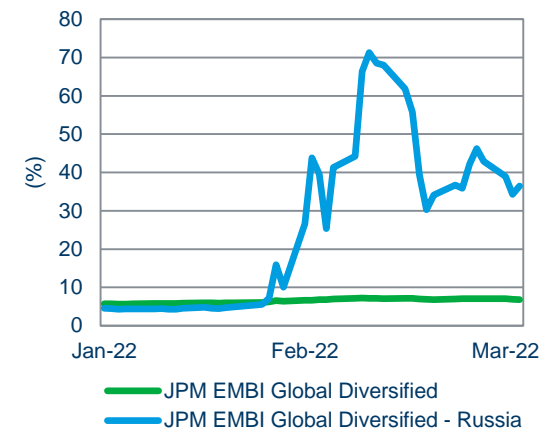
¹ Source: Bloomberg

10-Year Government Bond Yields



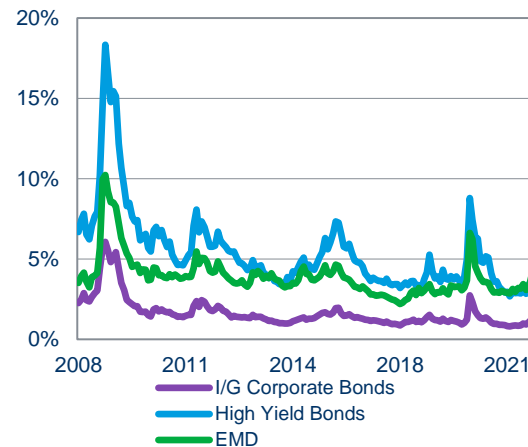
Source: Bloomberg; as of 31/3/22

EMD Dollar Denominated Yields



Source: JP Morgan; as of 30/3/22

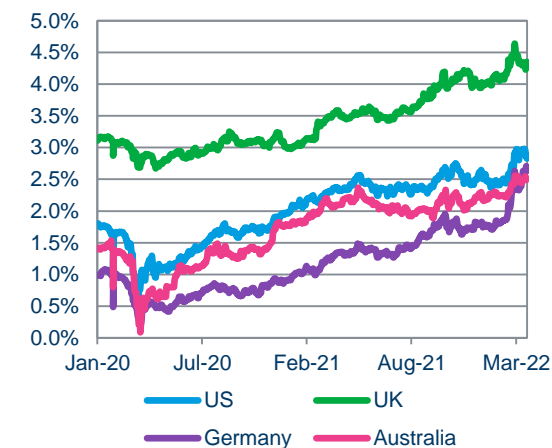
Credit Spreads



Source: Bloomberg; as of 31/3/22

Returns in GBP unless stated otherwise.

10-Year Inflation Breakeven Rates



Source: Bloomberg; as of 31/3/22

Past performance is no guarantee of future results

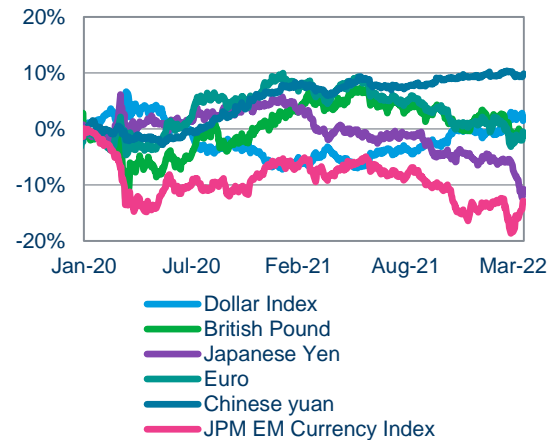
Currencies, commodities and alternatives

Commodities momentum remains strong as conflict drags on

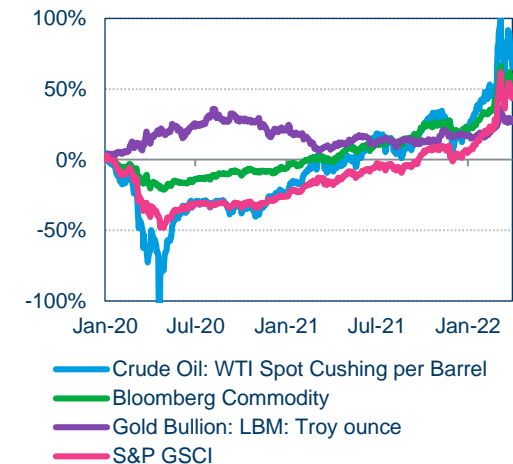
- Sterling weakened sharply against the currencies of large commodity producers such as the Brazilian real and South African Rand and was also weaker against major developed market currencies, including the euro and the US dollar.
- Commodities and energy in particular continued to rally over the month. The Bloomberg Commodity and S&P NA Natural Resources indices were up by 10.7% and 11.7%, respectively for March and 29.2% and 36.9% for the first quarter. Russia's high global market share in some commodities contributed to the strong performance. Oil benefited in particular with Brent soaring above \$125 intra-month, although it ended the month near \$100 as Chinese lockdowns led to expectations of global oil demand easing in the short term. In addition, the US announced a release from its strategic oil reserve.
- Other commodities markets also saw massive price increases. Wheat soared by 8% (USD terms) given Russia's and Ukraine's high market share. Trading in the London Nickel market had to be suspended after a large Chinese producer was unable to cover his short positions and its price soared by over 30% (USD terms).
- Gold returned almost 5% over the month after giving back some of its gains mid-month when risk sentiment returned. Bitcoin gained almost 10%.
- Global REITs increased by around 6.6% due to their inherent equity beta as risk markets as a whole recovered.
- Hedge funds, as measured by the HFRX Equal Weighted Strategies index, increased by 0.3% over the month.

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Currency Returns

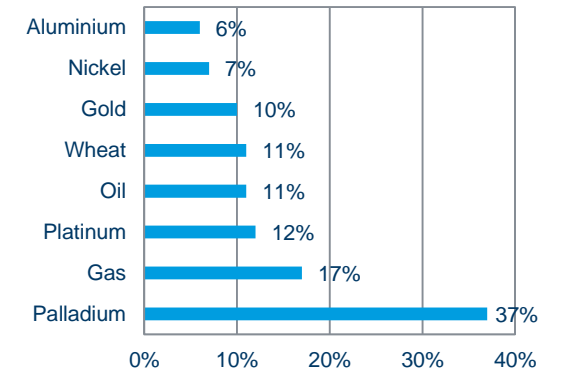


Commodities



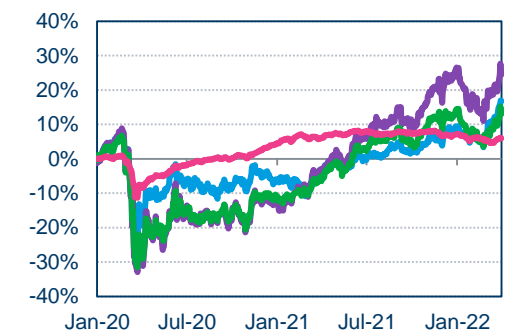
Returns in GBP unless stated otherwise.

Russian Share of Global Commodity Production



Source: Morgan Stanley Research, Goldman Sachs, JP Morgan, Haver, Woodmac; as of 2020

REITs, Hedge Funds, Infrastructure



Past performance is no guarantee of future results

Valuations and yields

Ending 31 March 2022

FTSE ALL-Share	31/03/2022	31/12/2021	30/09/2021	30/06/2021
Index Level	8404.7	8363.9	8027.1	7852.4
P/E Ratio (Trailing)	14.7	21.0	23.9	88.8
CAPE Ratio	19.9	19.6	19.1	19.0
Dividend Yield	3.5	3.6	3.7	3.1
P/B	1.8	1.8	1.8	1.8
P/CF	6.4	7.5	7.6	5.6

MSCI World ex-UK	31/03/2022	31/12/2021	30/09/2021	30/06/2021
Index Level	9147.4	9674.6	8969.6	8969.2
P/E Ratio (Trailing)	20.5	23.5	23.6	29.5
CAPE Ratio	29.1	33.4	31.3	31.1
Dividend Yield	1.8	1.6	1.7	1.6
P/B	3.2	3.4	3.2	3.3
P/CF	14.1	14.4	13.7	13.3

MSCI EM	31/03/2022	31/12/2021	30/09/2021	30/06/2021
Index Level	565.8	608.3	616.4	670.6
P/E Ratio (Trailing)	14.0	21.7	15.1	18.7
CAPE Ratio	14.0	14.5	15.2	17.2
Dividend Yield	2.5	2.0	2.2	1.9
P/B	1.8	2.0	1.9	2.1
P/CF	8.5	8.3	9.4	9.1

Source: Bloomberg, Refinitiv

Global Bonds	31/03/2022	31/12/2021	30/09/2021	30/06/2021
Germany – 10Y	0.55	-0.18	-0.20	-0.21
France - 10Y	0.98	0.20	0.16	0.13
US - 10Y	2.34	1.51	1.49	1.47
Switzerland – 10Y	0.60	-0.14	-0.16	-0.22
Italy – 10Y	2.04	1.17	0.86	0.82
Spain 10Y	1.44	0.57	0.46	0.41
Japan – 10Y	0.22	0.07	0.07	0.06
Euro Corporate	1.55	0.52	0.35	0.33
Euro High Yield	5.18	3.55	3.16	2.97
EMD (\$)	6.42	5.27	5.11	4.89
EMD (LCL)	6.48	5.87	5.49	5.04
US Corporate	3.60	2.33	2.13	2.04
US Corporate High Yield	6.01	4.21	4.04	3.75

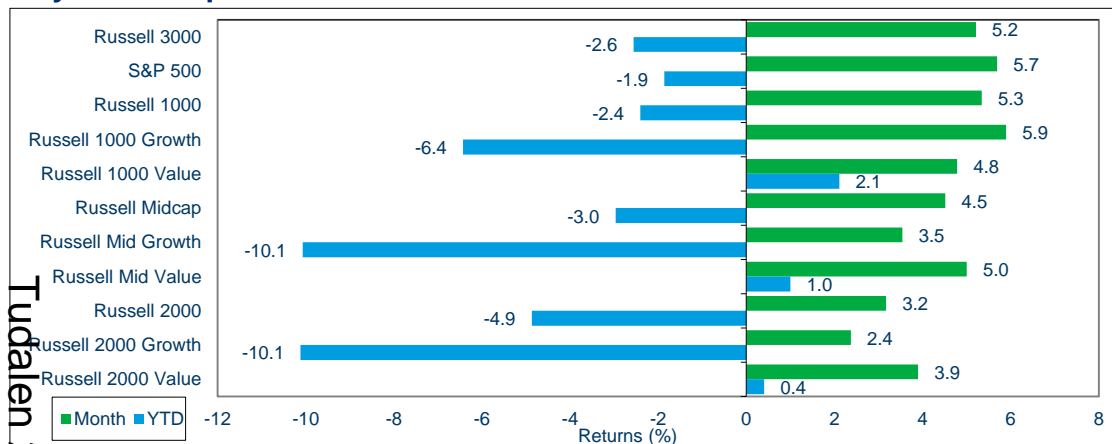
UK Bonds	31/03/2022	31/12/2021	30/09/2021	30/06/2021
SONIA	0.69	0.19	0.05	0.05
10 year gilt yield	1.59	0.97	1.02	0.75
30 year gilt yield	1.75	1.13	1.36	1.21
10 year index linked gilt yield	-2.74	-2.95	-2.77	-2.63
30 year index linked gilt yield	-1.92	-2.27	-2.10	-2.05
AA corporate bond yield	2.38	1.46	1.29	1.16
A corporate bond yield	2.61	1.68	1.56	1.40
BBB corporate bond yield	3.25	2.16	1.99	1.81

Source: Bloomberg, Refinitiv

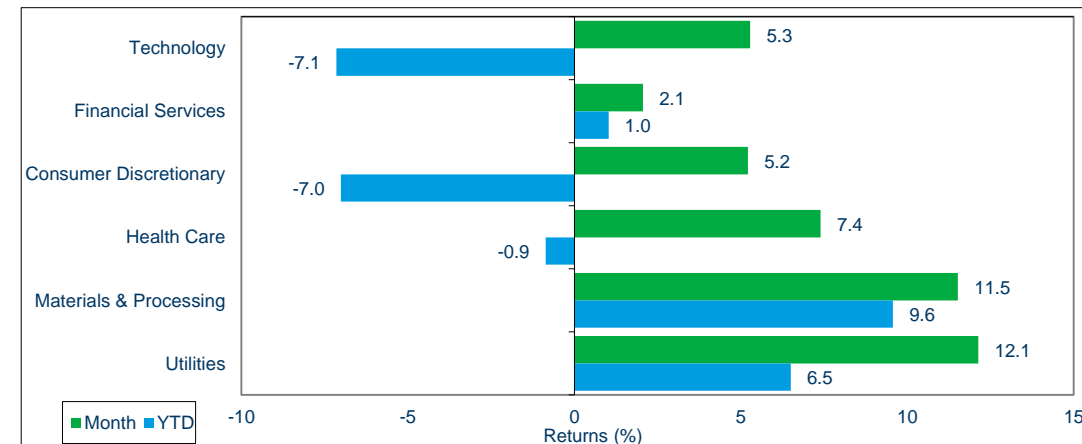
Performance summary (GBP)

Style and sector equity performance ending 31 March 2022

Style and Capitalisation Market Performance



Russell 1000 Sector Performance



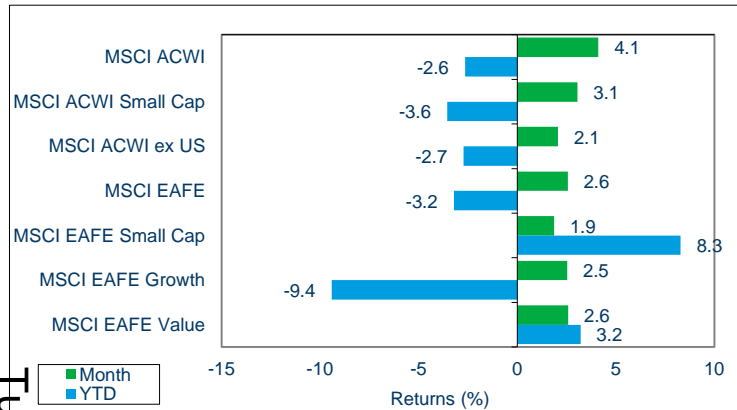
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2021	2020	2019	2018	2017	2016
S&P 500	5.7	-1.9	-1.9	21.2	30.5	18.5	14.8	16.0	16.9	9.7	29.9	14.7	26.4	1.6	11.3	33.5
Russell 3000	5.2	-2.6	-2.6	17.3	30.9	17.8	14.2	15.3	16.5	9.8	26.8	17.2	26.0	0.6	10.6	34.5
Russell 3000 Growth	5.7	-6.6	-6.6	18.3	32.2	22.3	18.9	18.7	18.9	10.8	27.0	34.0	30.6	4.0	18.4	28.1
Russell 3000 Value	4.7	2.0	2.0	16.4	28.7	12.6	9.0	11.6	13.8	8.5	26.5	-0.3	21.4	-2.9	3.4	41.2
Russell 1000	5.3	-2.4	-2.4	18.7	30.9	18.3	14.6	15.7	16.8	9.8	27.6	17.2	26.4	1.1	11.2	33.7
Russell 1000 Growth	5.9	-6.4	-6.4	20.5	32.7	23.2	19.6	19.4	19.3	10.9	28.8	34.2	31.1	4.6	18.9	27.7
Russell 1000 Value	4.8	2.1	2.1	17.0	28.1	12.6	9.2	11.6	13.9	8.5	26.3	-0.4	21.7	-2.6	3.8	40.0
Russell Midcap	4.5	-3.0	-3.0	12.0	32.2	14.5	11.5	12.6	15.1	10.8	23.7	13.5	25.5	-3.4	8.3	35.7
Russell Mid Growth	3.5	-10.1	-10.1	3.9	25.4	14.4	13.9	13.8	15.7	10.6	13.8	31.4	30.2	1.2	14.4	28.0
Russell Mid Value	5.0	1.0	1.0	16.8	35.0	13.3	8.9	11.2	14.2	10.4	29.5	1.7	22.2	-6.8	3.5	43.1
Russell 2500	3.5	-3.1	-3.1	5.1	33.8	13.4	10.4	11.9	14.3	10.2	19.3	16.3	22.8	-4.4	6.7	40.3
Russell 2500 Growth	2.6	-9.8	-9.8	-5.8	26.0	12.6	12.1	12.4	14.9	10.2	6.0	36.1	27.5	-1.7	13.7	30.9
Russell 2500 Value	4.1	1.3	1.3	12.9	37.9	12.6	8.1	10.7	13.2	9.7	29.0	1.6	18.8	-6.9	0.8	49.3
Russell 2000	3.2	-4.9	-4.9	-1.3	31.5	11.4	8.6	10.8	13.2	9.1	15.9	16.3	20.7	-5.5	4.7	44.7
Russell 2000 Growth	2.4	-10.1	-10.1	-10.2	23.9	9.5	9.2	10.4	13.4	9.0	3.8	30.5	23.5	-3.7	11.6	32.8
Russell 2000 Value	3.9	0.4	0.4	8.3	38.5	12.3	7.5	10.6	12.7	9.0	29.5	1.4	17.7	-7.4	-1.5	57.1
Russell 1000 Technology	5.3	-7.1	-7.1	25.8	39.2	30.4	25.1	25.3	22.3	13.0	38.4	42.2	41.5	4.9	26.4	36.1
Russell 1000 Financial Services	2.1	1.0	1.0	20.0	36.4	18.7	14.3	16.0	17.4	7.1	36.3	3.9	28.6	-2.4	11.0	39.0
Russell 1000 Consumer Discretionary	5.2	-7.0	-7.0	7.8	32.9	19.2	16.3	16.8	18.8	11.2	18.4	38.5	24.2	6.1	13.4	26.8
Russell 1000 Health Care	7.4	-0.9	-0.9	21.6	22.2	15.7	13.9	13.3	18.4	10.3	24.4	13.4	16.8	13.2	11.5	15.8
Russell 1000 Energy	11.5	40.9	40.9	69.0	66.4	10.5	5.4	5.4	5.7	7.4	52.7	-33.0	6.5	-13.5	-9.7	50.2
Russell 1000 Producer Durables	3.8	-3.5	-3.5	5.7	25.6	10.1	9.3	12.2	14.6	8.7	17.2	8.4	25.7	-6.9	12.1	42.4
Russell 1000 Materials & Processing	11.5	9.6	9.6	26.4	42.5	20.5	13.0	14.3	14.3	9.7	26.5	13.9	21.6	-11.1	13.1	43.1
Russell 1000 Consumer Staples	2.5	3.2	3.2	19.7	18.5	12.4	6.9	10.3	12.9	10.0	19.3	3.8	19.3	-4.1	0.3	25.9
Russell 1000 Utilities	12.1	6.5	6.5	24.9	16.8	11.6	8.9	12.2	13.0	8.1	19.8	-3.2	21.3	6.1	-3.0	43.6

Data Source: Refinitiv

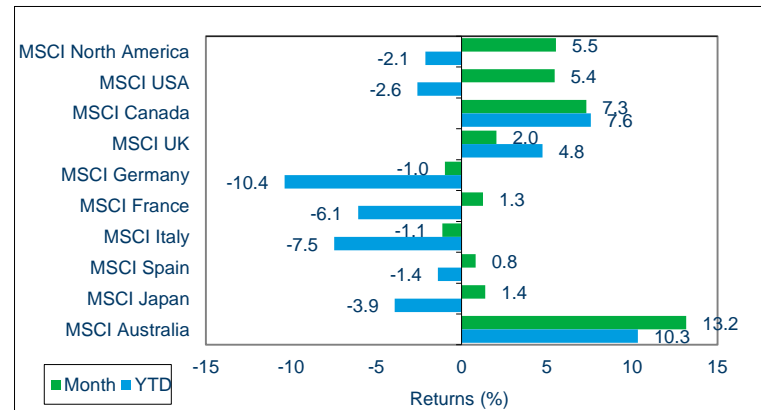
Performance summary (GBP)

Global equity ending 31 March 2022

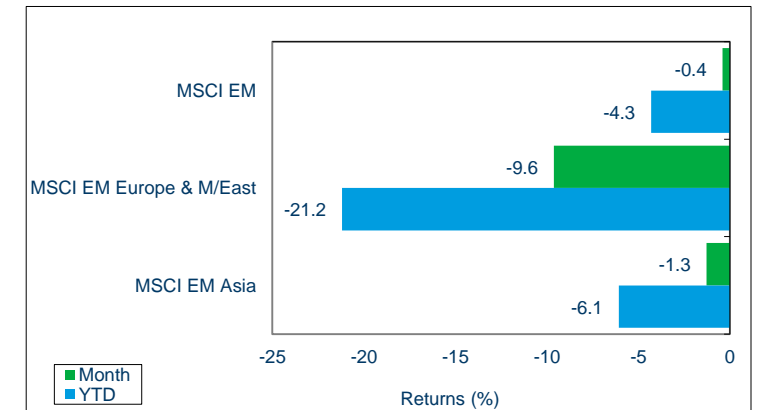
International Equity Performance



Developed Country Performance



Emerging Market Performance



Fusion 249

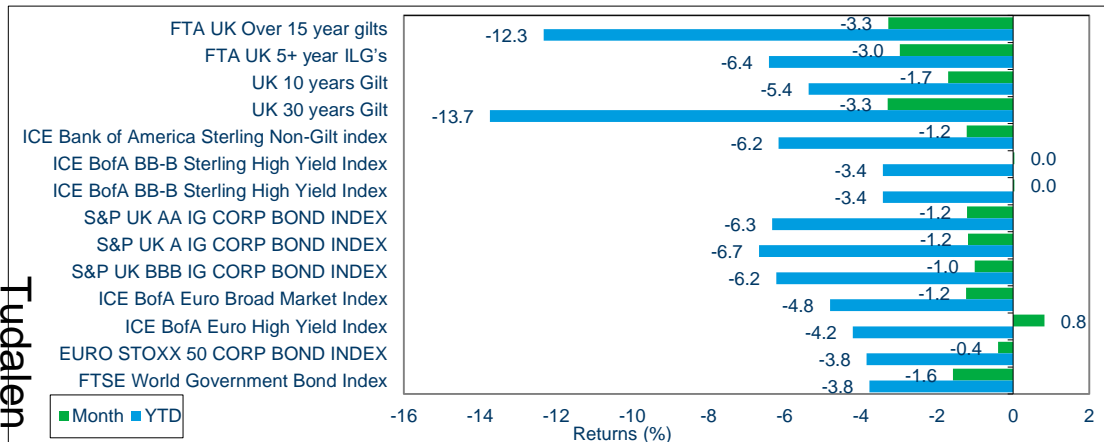
Index	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2021	2020	2019	2018	2017	2016
MSCI ACWI	4.1	-2.6	-2.6	12.4	25.0	13.4	10.5	11.6	12.1	8.1	19.6	12.7	21.7	-3.8	13.2	28.7
MSCI ACWI IMI	4.0	-2.7	-2.7	11.9	26.1	13.6	10.8	12.0	12.7	8.9	19.8	13.2	22.1	-4.0	13.8	30.0
MSCI ACWI Small Cap	3.1	-3.6	-3.6	4.4	30.7	11.4	8.4	10.4	11.8	10.1	17.2	12.7	19.8	-9.1	13.1	33.1
MSCI ACWI ex US	2.1	-2.7	-2.7	3.2	17.7	7.1	5.7	7.0	7.6	6.8	8.8	7.2	16.8	-8.9	16.2	24.6
MSCI EAFE	2.6	-3.2	-3.2	6.0	17.4	7.4	5.6	6.9	8.3	6.4	12.3	4.5	17.3	-8.4	14.2	20.5
MSCI EAFE Growth	2.5	-9.4	-9.4	3.2	15.0	9.4	7.8	8.7	9.6	6.9	12.3	14.6	23.0	-7.4	17.7	15.6
MSCI EAFE Value	2.6	3.2	3.2	8.5	19.2	4.9	3.1	4.9	6.9	5.7	11.9	-5.6	11.6	-9.5	10.9	25.3
EM	-0.4	-4.3	-4.3	-7.1	15.0	4.6	4.9	6.5	5.4	9.0	-1.6	14.7	13.8	-9.3	25.4	32.6
North America	5.5	-2.1	-2.1	19.4	30.5	17.9	14.0	15.0	15.7	9.0	27.6	16.2	25.7	0.1	10.4	33.1
Europe	1.8	-4.7	-4.7	8.5	18.9	7.9	5.8	6.8	8.3	6.3	17.4	2.1	19.0	-9.6	14.6	18.8
EM Europe & M/East	-9.6	-21.2	-21.2	-6.6	9.4	-0.9	0.8	3.7	-0.1	5.6	25.1	-10.4	14.6	-2.2	5.8	45.8
EM Asia	-1.3	-6.1	-6.1	-11.1	13.1	5.7	6.1	7.4	7.8	9.2	-4.2	24.4	14.6	-10.2	30.5	26.6
Latin America	15.2	30.9	30.9	29.5	32.1	2.8	3.0	6.4	0.8	9.1	-7.2	-16.5	12.9	-0.8	13.0	56.3
USA	5.4	-2.6	-2.6	19.1	30.3	18.1	14.3	15.3	16.2	9.1	27.6	17.0	25.8	0.9	10.7	32.3
Canada	7.3	7.6	7.6	26.0	34.3	14.9	9.5	9.8	7.9	9.1	27.1	2.1	22.6	-12.1	6.0	48.6
Australia	13.2	10.3	10.3	18.9	34.2	11.7	7.2	8.9	8.6	10.2	10.4	5.4	18.2	-6.5	9.6	32.9
UK	2.0	4.8	4.8	19.1	19.5	5.0	4.4	5.4	6.5	5.4	19.6	-13.2	16.4	-8.8	11.7	19.2
Germany	-1.0	-10.4	-10.4	-7.7	14.9	4.6	1.5	3.7	6.7	5.9	6.3	8.1	16.1	-17.3	16.6	22.6
France	1.3	-6.1	-6.1	9.5	21.5	8.5	7.3	8.8	9.6	6.1	20.6	0.9	20.9	-7.3	17.6	25.1
Italy	-1.1	-7.5	-7.5	2.0	18.4	5.0	4.9	4.6	5.9	2.6	16.1	-1.3	22.4	-12.6	17.3	6.8
Spain	0.8	-1.4	-1.4	0.9	11.4	-1.4	-1.8	0.6	4.1	4.9	2.3	-7.7	7.7	-11.0	16.0	18.1
Japan	1.4	-3.9	-3.9	-2.0	10.9	6.5	5.0	7.1	8.5	5.6	2.6	10.9	15.0	-7.5	13.3	22.1
Brazil	17.1	39.8	39.8	30.7	31.2	1.7	4.1	9.0	0.6	10.1	-16.6	-21.5	21.4	5.7	13.4	98.3
China	-6.2	-11.7	-11.7	-29.3	-4.5	-3.3	2.5	3.8	6.6	10.8	-21.0	25.5	18.7	-13.8	40.7	20.4
India	5.6	1.0	1.0	23.5	39.9	12.5	9.9	10.1	10.8	13.4	27.4	12.0	3.4	-1.5	26.7	17.6
Russia	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	20.1	-15.2	45.1	5.8	-3.9	84.7

Data Source: Refinitiv

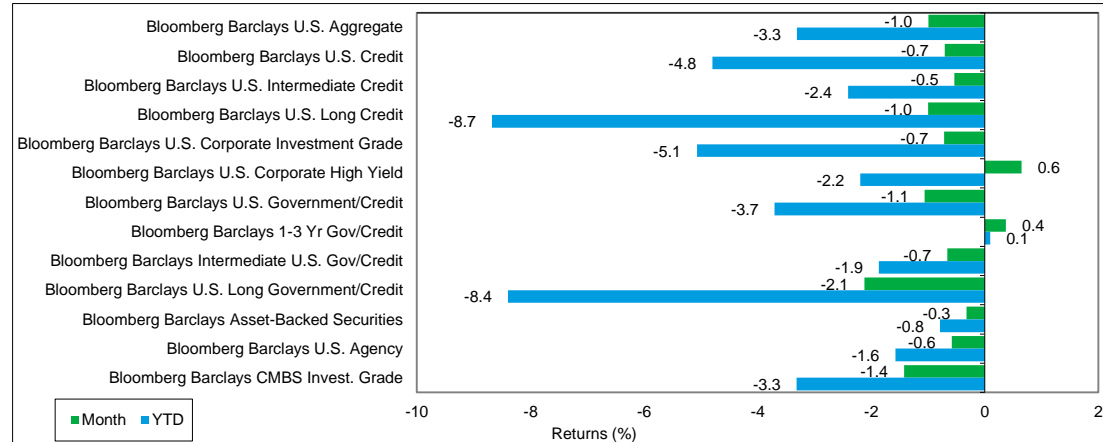
Performance summary (GBP)

Fixed income ending 31 March 2022

Bond Performance by Duration



Sector, Credit, and Global Bond Performance



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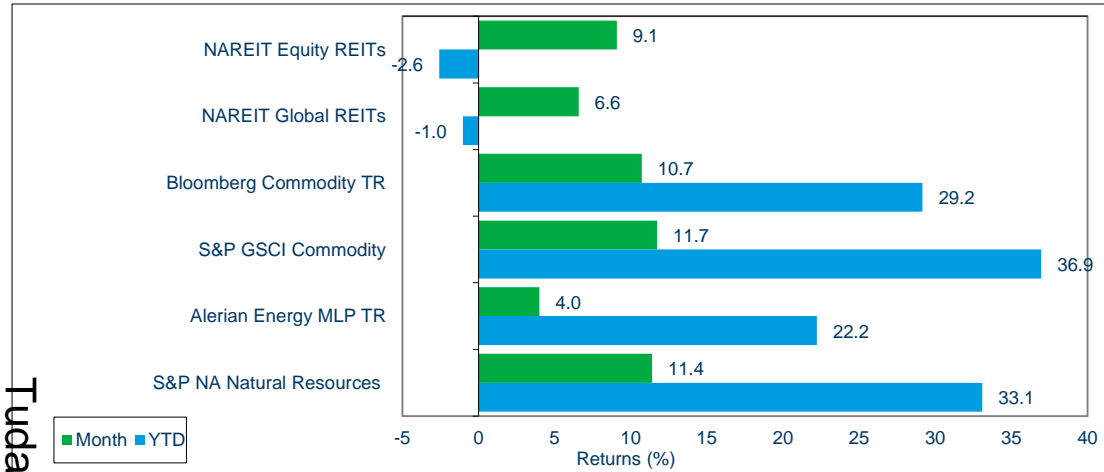
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2021	2020	2019	2018	2017	2016
FTA UK Over 15 year gilts	-3.3	-12.3	-12.3	-7.2	-8.8	-0.7	0.9	2.9	5.0	6.1	-7.3	13.9	12.0	0.3	3.3	18.5
FTA UK 5+ year ILG's	-3.0	-6.4	-6.4	4.8	3.7	3.3	3.2	5.5	6.5	7.4	4.2	12.4	6.8	-0.4	2.5	27.4
UK 10 years Gilt	-1.7	-5.4	-5.4	-5.3	-4.8	-0.8	0.6	1.8	2.7	5.1	-5.7	6.6	5.2	2.0	2.7	9.3
UK 30 years Gilt	-3.3	-13.7	-13.7	-8.4	-9.0	-1.0	0.7	2.5	4.9	6.1	-6.4	13.8	11.7	0.4	3.1	17.7
ICE Bank of America Sterling Non-Gilt index	-1.2	-6.2	-6.2	-5.1	0.8	1.1	1.6	2.5	4.4	5.1	-3.0	8.0	9.5	-1.6	4.3	10.6
ICE BofA BB-B Sterling High Yield Index	0.0	-3.4	-3.4	-1.7	9.6	4.5	4.4	5.3	7.9	10.3	3.0	6.1	13.8	-1.4	8.2	10.5
S&P UK AA IG CORP BOND INDEX	-1.2	-6.3	-6.3	-5.0	-0.3	0.0	0.9	2.2	3.7	4.9	-4.8	7.7	7.3	-0.3	3.2	12.7
S&P UK A IG CORP BOND INDEX	-1.2	-6.7	-6.7	-5.1	0.9	0.9	1.5	2.6	4.5	5.1	-3.9	8.4	10.4	-1.5	3.6	12.6
S&P UK BBB IG CORP BOND INDEX	-1.0	-6.2	-6.2	-4.8	3.0	1.9	2.3	3.1	4.9	5.9	-2.4	8.7	11.6	-2.6	5.5	11.3
ICE BofA Euro Broad Market Index	-1.2	-4.8	-4.8	-7.1	-3.9	-1.0	0.4	2.8	2.8	5.5	-8.8	9.9	0.1	1.6	4.7	19.7
ICE BofA Euro High Yield Index	0.8	-4.2	-4.2	-3.9	6.3	1.6	2.4	5.4	5.4	9.1	-3.1	8.6	5.1	-2.5	11.0	26.3
EURO STOXX 50 CORP BOND INDEX	-0.4	-3.8	-3.8	-5.5	-1.1	-0.9	0.2	2.8	2.3	--	-7.2	8.5	-0.9	0.1	5.5	19.5
FTSE World Government Bond Index	-1.6	-3.8	-3.8	-3.3	-5.9	-0.4	0.2	2.9	2.3	1.1	-6.1	6.7	1.8	5.3	-1.8	21.2
Bloomberg Barclays U.S. Aggregate	-1.0	-3.3	-3.3	0.2	-4.5	1.3	1.1	3.5	4.0	4.3	-0.7	4.3	4.6	5.8	-4.9	20.9
Bloomberg Barclays U.S. Credit	-0.7	-4.8	-4.8	0.3	-1.2	2.4	2.1	4.5	5.3	5.3	-0.2	6.0	9.4	3.7	-2.7	24.8
Bloomberg Barclays U.S. Intermediate Credit	-0.5	-2.4	-2.4	0.4	-1.4	1.7	1.4	4.0	4.6	4.7	-0.1	3.8	5.4	5.9	-4.9	22.5
Bloomberg Barclays U.S. Long Credit	-1.0	-8.7	-8.7	0.2	-0.8	4.0	3.7	5.6	7.0	7.0	-0.3	9.8	18.6	-1.1	2.7	30.5
Bloomberg Barclays U.S. Corporate Investment Grade	-0.7	-5.1	-5.1	0.2	-0.9	2.7	2.3	4.6	5.5	5.4	-0.2	6.5	10.2	3.3	-2.5	25.4
Bloomberg Barclays U.S. Corporate High Yield	0.6	-2.2	-2.2	3.8	7.6	4.2	3.6	6.6	7.5	7.6	6.1	3.9	10.0	3.6	-1.3	37.3
Bloomberg Barclays U.S. Government/Credit	-1.1	-3.7	-3.7	0.6	-4.3	1.8	1.4	3.7	4.3	4.5	-0.9	5.6	5.6	5.4	-4.6	21.6
Bloomberg Barclays 1-3 Yr Gov/Credit	0.4	0.1	0.1	1.4	-3.3	0.7	0.3	2.7	2.8	2.6	0.4	0.4	0.3	7.2	-7.1	18.5
Bloomberg Barclays Intermediate U.S. Gov/Credit	-0.7	-1.9	-1.9	0.3	-3.8	1.1	0.8	3.3	3.7	3.8	-0.6	3.2	2.8	6.7	-6.2	20.3
Bloomberg Barclays U.S. Long Government/Credit	-2.1	-8.4	-8.4	1.4	-5.4	3.8	3.5	5.2	6.6	6.8	-1.6	12.5	15.0	1.1	1.4	26.3
Bloomberg Barclays CMBS Invest. Grade	-1.4	-3.3	-3.3	-1.0	-2.2	1.5	1.6	3.1	3.6	4.2	-0.4	5.2	4.9	4.7	-2.7	14.9
Bloomberg Barclays U.S. Mortgage Backed Securities	-0.8	-2.3	-2.3	-0.6	-5.2	0.2	0.4	3.0	3.5	3.9	-0.2	0.8	2.4	6.9	-5.9	19.8
Bloomberg Barclays Municipal Bond	-1.5	-3.7	-3.7	-0.2	-2.3	1.2	1.5	3.9	4.5	4.3	2.3	2.2	3.6	6.8	-2.8	17.1

Data Source: Refinitiv

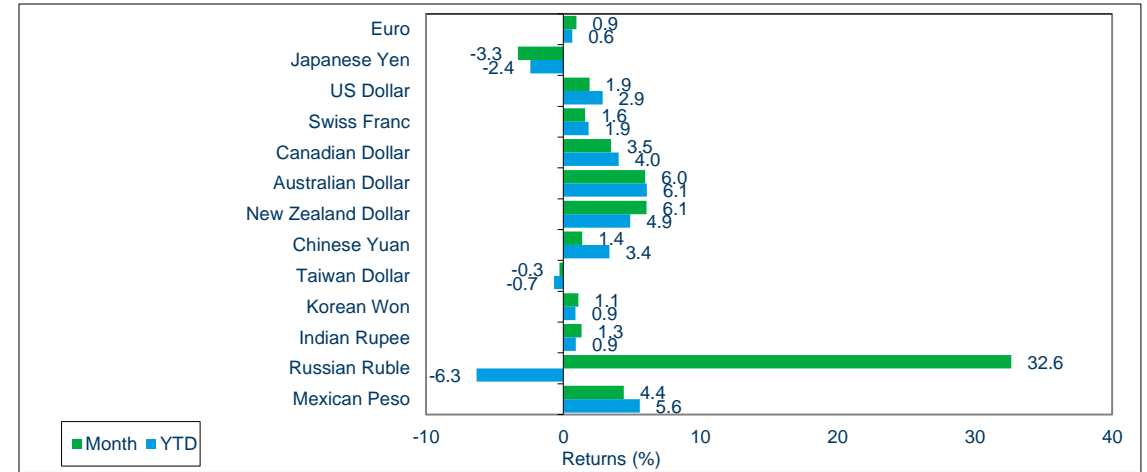
Performance summary (GBP)

Alternatives ending 31 March 2022

Real Asset Performance



Performance of Foreign Currencies versus Sterling



Tudor on 25/1

Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2021	2020	2019	2018	2017	2016
NAREIT Equity REITs	9.1	-2.5	-2.5	29.5	25.0	11.3	9.6	10.9	12.7	10.9	42.6	-8.1	23.7	1.9	-0.7	29.6
NAREIT Global REITs	6.6	-1.0	-1.0	20.9	21.5	6.0	6.4	7.6	9.9	9.5	28.4	-11.0	18.3	1.2	1.8	25.2
Bloomberg Commodity TR	10.7	29.2	29.2	56.4	37.8	15.7	7.9	6.1	1.2	2.7	28.3	-6.1	3.5	-5.7	-7.1	33.3
S&P GSCI Commodity	11.7	36.9	36.9	72.4	52.6	13.0	8.9	5.0	-1.4	1.1	41.6	-26.1	13.1	-8.5	-3.4	32.8
Alerian Energy MLP TR	4.0	22.2	22.2	43.1	61.6	2.3	-1.1	-0.2	3.3	8.8	41.5	-30.9	2.4	-7.0	-14.6	41.1
Oil	6.8	37.2	37.2	77.6	114.7	18.2	13.5	13.2	1.7	7.3	56.4	-23.0	29.3	-20.2	2.7	73.0
Gold	4.8	9.9	9.9	19.4	7.4	14.2	8.2	9.3	3.6	10.2	-2.6	20.6	14.3	3.9	3.8	29.6
S&P NA Natural Resources	11.4	33.1	33.1	58.8	56.9	13.7	6.5	6.6	5.5	7.3	41.2	-21.5	13.1	-16.2	-7.5	56.1
Euro	0.9	0.6	0.6	-0.8	-2.3	-0.6	-0.2	2.2	0.1	1.6	-6.9	5.6	-5.6	1.1	4.0	15.8
Japanese Yen	-3.3	-2.4	-2.4	-4.6	-8.5	-3.4	-2.7	1.6	-1.9	0.8	-10.3	2.0	-2.9	9.1	-5.4	23.0
US Dollar	1.9	2.9	2.9	4.8	-3.0	-0.3	-1.0	1.7	2.0	0.4	-1.1	-3.1	-3.9	6.2	-8.7	19.3
Swiss Franc	1.6	1.9	1.9	7.2	-0.5	2.3	0.7	2.5	1.8	--	-3.0	6.2	-2.1	5.0	-4.7	17.5
Canadian Dollar	3.5	4.0	4.0	5.4	3.6	1.9	0.3	1.9	-0.3	1.6	0.8	-1.4	1.3	-2.6	-2.2	23.6
Australian Dollar	6.0	6.1	6.1	3.0	6.7	1.7	-1.4	1.4	-1.3	2.2	-5.8	5.9	-4.0	-4.0	-1.6	19.5
New Zealand Dollar	6.1	4.9	4.9	4.4	4.5	0.7	-1.1	0.7	0.4	--	-5.0	3.1	-2.9	0.2	-6.9	22.7
Chinese Yuan	1.4	3.4	3.4	8.3	2.6	1.6	0.6	1.4	1.9	1.7	2.7	3.2	-5.2	0.7	-2.5	11.5
Taiwan Dollar	-0.3	-0.7	-0.7	4.4	-0.3	2.1	0.1	3.0	2.3	1.4	1.3	3.4	-1.4	2.8	-1.1	21.6
Korean Won	1.1	0.9	0.9	-2.2	-2.7	-2.5	-2.6	0.5	1.3	0.8	-8.7	3.2	-7.2	1.9	3.1	15.8
Indian Rupee	1.3	0.9	0.9	1.1	-3.0	-3.3	-4.0	-1.0	-2.0	-1.8	-1.9	-5.3	-6.0	-2.9	-2.9	16.3
Russian Ruble	32.6	-6.3	-6.3	-3.9	-5.5	-7.6	-8.3	-3.2	-8.0	-4.4	-1.0	-18.6	7.4	-11.9	-3.1	42.7
Brazilian Real	10.5	20.6	20.6	24.4	1.4	-6.8	-8.7	-3.9	-7.4	-3.1	-6.8	-24.9	-7.4	-9.1	-10.4	45.0
Mexican Peso	4.4	5.6	5.6	7.5	5.3	-1.3	-2.2	-2.1	-2.5	-3.5	-3.0	-8.2	0.3	5.5	-3.8	0.0
BofA ML All Convertibles	3.1	-2.7	-2.7	2.5	26.6	17.6	13.2	13.4	14.4	9.5	7.6	41.7	18.4	6.4	3.9	32.1
60%S&P 500/40% Barc Agg	3.0	-2.4	-2.4	12.8	16.5	11.6	9.3	11.0	11.7	7.5	17.7	10.6	17.7	3.3	4.8	28.5

Data Source: Refinitiv

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Clwyd Pension Fund Monitoring Report Quarter to 31 March 2022

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May 2022



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- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

Kieran Harkin

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	Overview	1
	Strategy Monitoring	4
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Overview

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Executive Dashboard

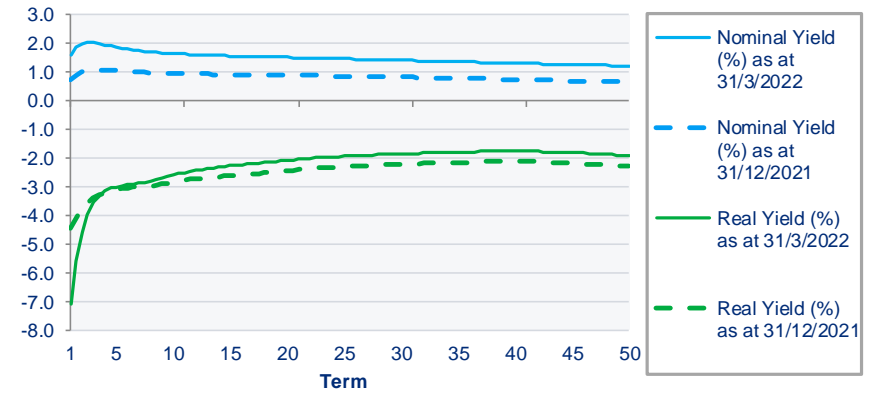
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Page 5	Asset Allocation	Page 9	Investment Performance
<p>Assets are broadly in line with their strategic target weights. Cash and Risk Management Framework remains slightly overweight (+2.5%), but within range. Total Private Markets continues to be marginally underweight (-3.0%), mainly due to the underweight allocations within Local/ Impact and Infrastructure; Infrastructure also remains outside of its guideline range.</p>	<p style="text-align: center;">Signal</p> <p>Previous Qtr ●</p> <p>Current Qtr ●</p>	<p>The Fund returned -0.9% over the quarter against a benchmark of -1.0%. Over the 1 year and 3 year periods to 31 March 2022, the Fund returned 13.3% and 9.9% p.a. against a benchmark of 9.1% and 8.9% p.a., respectively.</p>	<p style="text-align: center;">Signal</p> <p>Previous Qtr ●</p> <p>Current Qtr ●</p>
<p>Asset Allocation</p> <p>Infrastructure within private markets portfolio is outside the tolerance ranges. Plans are in place to bring Private Markets closer to target weights.</p>		<p>Performance vs Benchmark</p> <p>One year and three year performance is ahead of the strategic target and the actuarial past service and future service liabilities targets.</p>	
Page 10	Manager Research	Additional Comments	
<p>No significant news to report over the quarter.</p>	<p style="text-align: center;">Signal</p> <p>Previous Qtr ●</p> <p>Current Qtr ●</p>	<p>The Fund is due to have its triennial actuarial valuation as at 31 March 2022, following which the investment strategy review will be completed.</p>	

Market Conditions

Yield / Spread	Values at (%)		Change (%)		
	31/03/2022	31/12/2021	3M	12M	3Y
Over 5Y Index-Linked Gilts Yield	-2.02	-2.36	0.35	0.04	-0.16
Over 15Y Fixed Interest Gilts Yield	1.74	1.09	0.64	0.41	0.26
Over 10 Year Non-Gilts Yield	3.11	2.25	0.84	0.74	0.31
Over 10 Year Non-Gilts Spread	1.34	1.14	0.20	0.17	-0.11

Exchange Rates	£1 is worth		Appreciation (%)		
	31/03/2022	31/12/2021	3M	12M	3Y p.a.
US Dollar (\$)	1.317	1.354	-2.79	-4.57	0.35
Euro (€)	1.183	1.191	-0.65	0.81	0.65
100 Japanese Yen (¥)	1.598	1.560	2.46	4.82	3.48



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3 months to 31/03/2022

12 months to 31/03/2022



Source: Refinitiv. All returns are shown in sterling unless otherwise stated. Local currency returns (LOC) are an approximation of a currency hedged return.

Strategy Monitoring

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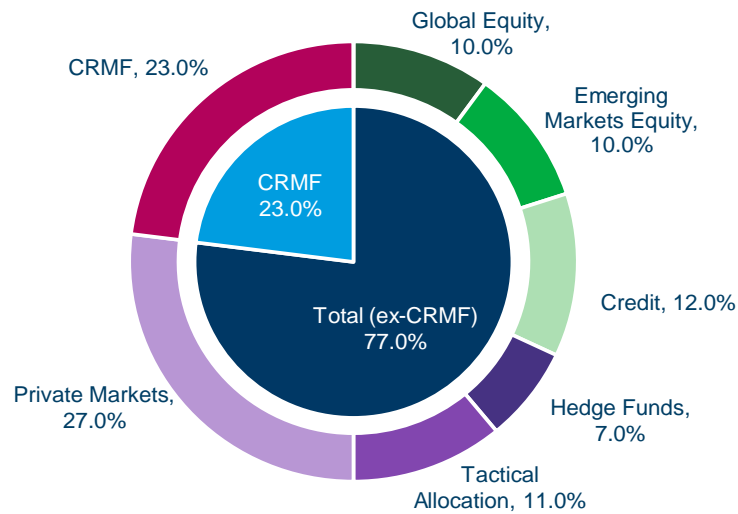
Asset Allocation

	31/12/2021 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	31/03/2022 Market Value (£M)	31/12/2021 Allocation (%)	31/03/2022 Allocation (%)	31/03/2022 B'mark (%)	31/03/2022 B'mark Range (%)
Total	2,484.6	-4.6	-23.0	2,457.1	100.0	100.0	100.0	--
Total (ex-CRMF)	1,742.1	-10.3	19.4	1,751.1	70.1	71.3	77.0	--
Total CRMF	668.6	-	-42.4	626.3	26.9	25.5	23.0	10.0 - 35.0
Cash	73.9	5.7	-	79.6	3.0	3.2	0.0	0.0 - 5.0

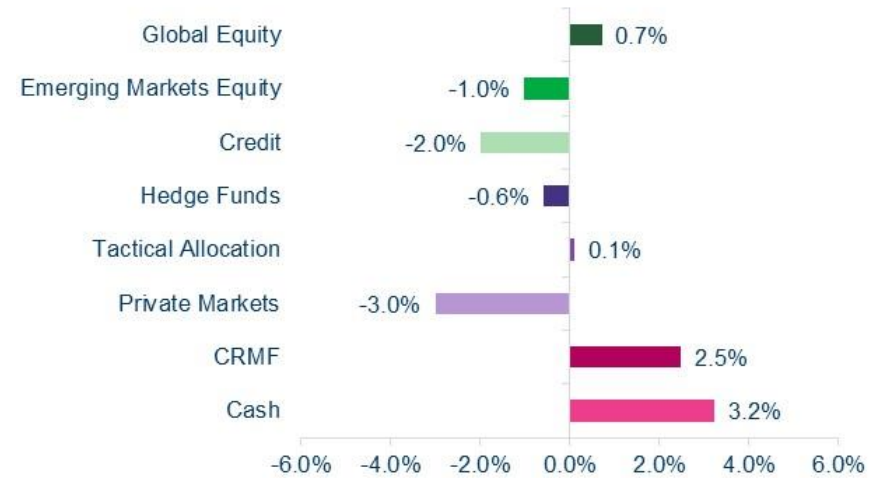
Source: Investment Managers and Mercer.
 Figures may not sum to total due to rounding.

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Benchmark Asset Allocation as at 31 March 2022



Deviation from Benchmark Asset Allocation

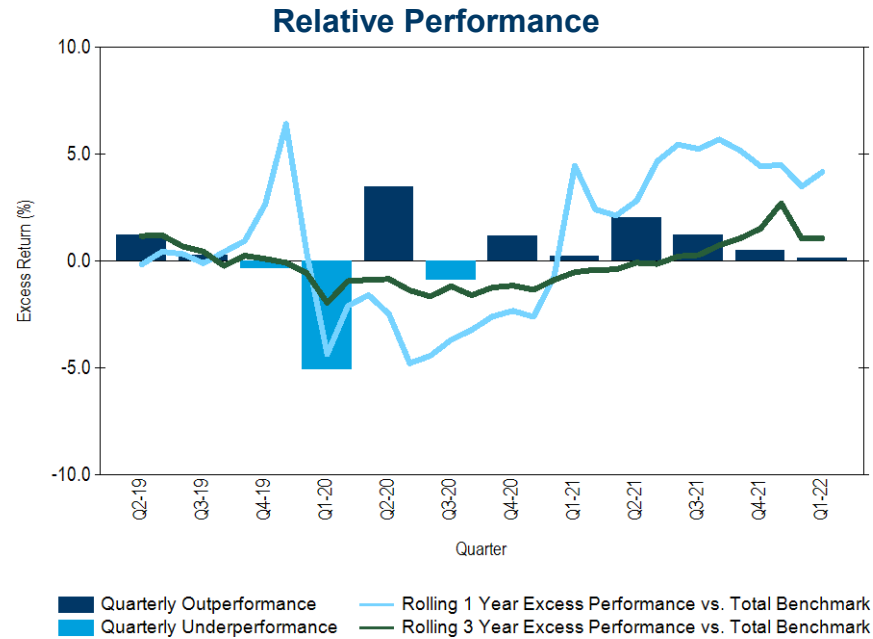


Investment Performance

	2022 Q1 (%)	1 Yr (%)	3 Yrs (%)
Total	-0.9	13.3	9.9
Total Benchmark	-1.0	9.1	8.9
Strategic Target (CPI +3.4% p.a.)	1.3	5.5	5.5
Actuarial Target - Past Service Liabilities (CPI +1.75% p.a.)	0.9	3.8	3.8
Actuarial Target - Future Service Liabilities (CPI + 2.25% p.a.)	1.1	4.3	4.3

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv. Strategic and Actuarial targets are derived from Mercer’s Market Forecasting Group assumptions (based on conditions at 31 December 2019). Current 10-year CPI assumption: 2.1% p.a. For periods over one year the figures in the table above have been annualised.

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Investment Manager Summary

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Manager Allocation

Asset Class	Investment Manager	31/12/2021 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	31/03/2022 Market Value (£M)	31/12/2021 Allocation (%)	31/03/2022 Allocation (%)	31/03/2022 B'mark (%)	31/03/2022 B'mark Range (%)
Total		2,484.6	-4.6	-23.0	2,457.1	100.0	100.0	100.0	--
Total (ex-CRMF)		1,742.1	-10.3	19.4	1,751.1	70.1	71.3	77.0	--
Total Equity		500.1	-	-15.9	484.2	20.1	19.7	20.0	10.0 - 30.0
Global Equity		267.7	-	-4.3	263.4	10.8	10.7	10.0	5.0 - 15.0
WPP Global Opportunities	Russell	131.6	-	-1.8	129.8	5.3	5.3	5.0	5.0 - 15.0
World ESG Equity	BlackRock	136.1	-	-2.5	133.6	5.5	5.4	5.0	5.0 - 15.0
Emerging Markets Equity		232.4	-	-11.6	220.8	9.4	9.0	10.0	5.0 - 15.0
Emerging Markets Equity	Russell	232.4	-	-11.6	220.8	9.4	9.0	10.0	5.0 - 15.0
Total Credit		255.6	-	-9.6	246.0	10.3	10.0	12.0	10.0 - 14.0
WPP Multi-Asset Credit	Russell	255.6	-	-9.6	246.0	10.3	10.0	12.0	10.0 - 14.0
Total Hedge Funds		157.3	-	0.7	158.0	6.3	6.4	7.0	5.0 - 9.0
Total Hedge Funds	Man	157.3	-	0.7	158.0	6.3	6.4	7.0	5.0 - 9.0
Total Tactical Allocation		253.4	-	19.7	273.1	10.2	11.1	11.0	9.0 - 13.0
Best Ideas	Various	253.4	-	19.7	273.1	10.2	11.1	11.0	9.0 - 13.0
Total Private Markets		575.7	-10.3	24.5	589.8	23.2	24.0	27.0	15.0 - 37.0
Property	Various	141.2	-2.0	7.1	146.3	5.7	6.0	4.0	2.0 - 6.0
Private Equity	Various	192.7	-8.3	9.4	193.8	7.8	7.9	8.0	6.0 - 10.0
Local / Impact	Various	66.2	-0.6	1.5	67.1	2.7	2.7	4.0	0.0 - 6.0
Infrastructure	Various	111.8	1.2	5.3	118.2	4.5	4.8	8.0	6.0 - 10.0
Private Credit	Various	51.4	-0.4	0.8	51.8	2.1	2.1	3.0	1.0 - 5.0
Timber/ Agriculture	Various	12.4	-0.2	0.3	12.5	0.5	0.5	--	--
Total CRMF		668.6	-	-42.4	626.3	26.9	25.5	23.0	10.0 - 35.0
Cash and Risk Management Framework (CRMF)	Insight	668.6	-	-42.4	626.3	26.9	25.5	23.0	10.0 - 35.0
Cash		73.9	5.7	-	79.6	3.0	3.2	0.0	0.0 - 5.0
Cash		73.9	5.7	-	79.6	3.0	3.2	0.0	0.0 - 5.0

Source: Investment Managers and Mercer. Figures may not sum to total due to rounding.

Net cashflows exclude the reinvestment of income.

Hedge Funds valuation includes the legacy Liongate portfolio.

Manager Performance

Asset Class	Investment Manager	2022 Q1 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)
Total		-0.9	-1.0	13.3	9.1	9.9	8.9
Total Equity		-3.1	-2.9	2.3	4.9	9.1	11.0
WPP Global Opportunities	Russell	-1.4	-2.2	11.0	14.6	14.5	15.6
World ESG Equity	BlackRock	-1.8	-1.9	16.8	16.5	--	--
Emerging Markets Equity	Russell	-4.9	-3.9	--	--	--	--
Total Credit		-3.8	1.1	-2.1	4.1	1.9	2.9
WPP Multi-Asset Credit	Russell	-3.8	1.1	-2.1	4.1	--	--
Total Hedge Funds		0.4	1.0	8.5	3.6	4.4	3.9
Hedge Funds	Man	0.4	1.0	8.5	3.6	4.4	3.9
Total Tactical Allocation		8.1	2.5	20.3	8.8	11.5	5.8
Best Ideas	Various	8.1	2.5	20.3	8.8	12.0	5.8
Total Private Markets		4.3	2.0	26.4	8.0	11.0	5.8
Property	Various	5.0	5.6	16.9	23.9	7.0	8.4
Private Equity	Various	4.9	1.3	36.0	5.1	17.3	5.4
Local / Impact	Various	2.3	1.3	40.3	5.1	--	--
Infrastructure	Various	4.7	1.3	22.3	5.1	6.2	5.4
Private Credit	Various	1.6	1.8	18.1	7.5	4.4	7.5
Timber/ Agriculture	Various	2.6	1.3	6.1	5.1	0.9	5.4
Total CRMF		-6.3	-6.3	17.9	17.9	16.0	16.0
Cash and Risk Management Framework (CRMF)	Insight	-6.3	-6.3	17.9	17.9	16.0	16.0

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised.

Prior to 30 November 2020, performance for all portfolios and sub-totals/total was estimated based on MWRR approach.

Total hedge funds performance includes performance of the legacy Liongate portfolio.

Performance benchmark for Russell WPP Global Opportunities and Russell Emerging Markets portfolios include an outperformance target.

Performance for hedge funds, best ideas and private markets portfolios has been estimated by Mercer.

Private Credit benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

Manager Ratings

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Asset Class	Investment Manager	12m Perf	3yr Perf
WPP Global Opportunities	Russell	●	●
World ESG Equity	BlackRock	●	--
Emerging Markets Equity	Russell	--	--
WPP Multi-Asset Credit	Russell	●	--
Hedge Funds	Man	●	●
Best Ideas	Various	●	●
Property	Various	●	●
Private Equity	Various	●	●
Local / Impact	Various	●	--
Infrastructure	Various	●	●
Private Credit	Various	●	●
Timber/ Agriculture	Various	●	●
Cash and Risk Management Framework (CRMF)	Insight	●	●

	Active Funds , Target Specified	Active Funds , Target Not Specified	Passive Funds
● Meets criteria	Target or above performance	Benchmark or above performance	Within tolerance range
● Partially meets criteria	Benchmark or above performance, but below target	--	--
● Does not meet criteria	Below benchmark performance	Below benchmark performance	Outside tolerance range
● Not applicable	--	--	--

Appendix

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Appendix A

Benchmarks

Name	Investment Manager	B'mark (%)	Performance Benchmark
Total		100.0	-
Total (ex-CRMF)		77.0	-
Total Equity		20.0	Composite Weighted Index
WPP Global Opportunities	Russell	5.0	MSCI AC World (NDR) Index +2.0% p.a.
World ESG Equity	BlackRock	5.0	MSCI World ESG Focus Low Carbon Screened Midday Index
Emerging Markets Equity	Russell	10.0	MSCI Emerging Markets Index +1.5% p.a.
Total Credit		12.0	SONIA +4.0% p.a.
WPP Multi-Asset Credit	Russell	12.0	SONIA +4.0% p.a.
Total Hedge Funds		7.0	SONIA +3.5% p.a.
Hedge Funds	Man	7.0	SONIA +3.5% p.a.
Total Tactical Allocation		11.0	UK Consumer Price Index +3.0% p.a.
Best Ideas	Various	11.0	UK Consumer Price Index +3.0% p.a.
Total Private Markets		27.0	Composite Weighted Index
Property	Various	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	SONIA +5.0% p.a.
Local / Impact	Various	4.0	SONIA +5.0% p.a.
Infrastructure	Various	8.0	SONIA +5.0% p.a.
Private Credit	Various	3.0	Absolute Return +7.5% p.a.
Timber/ Agriculture	Various	--	SONIA +5.0% p.a.
Total CRMF		23.0	Composite Liabilities & Synthetic Equity
Cash and Risk Management Framework (CRMF)	Insight	23.0	Composite Liabilities & Synthetic Equity

Figures may not sum to total due to rounding.

Performance benchmark for WPP Global Opportunities and Russell Emerging Markets portfolios include an outperformance target.

Private Credit benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

Cash & Risk Management Framework benchmark is assumed equal to fund performance for calculation purposes.

LIBID/LIBOR were discontinued on 31 December 2021. SONIA used from 31 December 2021 onwards.



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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 15 th June 2022
Report Subject	Funding, Flightpath and Risk Management Framework Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

This report provides the Committee with the estimated funding position at a recent date and details to enable the monitoring of the Risk Management Framework.

The estimated funding position at the end of March 2022 of 101% is around 8% ahead of the expected position from the 2019 actuarial valuation although uncertainty remains. The allowance for updated membership data and other experience factors from the interim funding review have been incorporated in the report. The assumptions will be reviewed as part of the 2022 actuarial valuation. This is below the 110% threshold that was proposed by the Funding and Risk Management Group ("FRMG") to prompt discussions on potential de-risking actions, analysing the impact these changes would have on employer contributions and risk. The Head of Pensions and FRMG have outlined a governance protocol for the monitoring and implementation of the 110% funding level de-risking trigger that was ratified by the Committee at the last meeting.

The objectives and update on the various parts of the Risk Management Framework is included in the Appendix and shows the management of:

- Interest rate and inflation risk
- Equity market risk
- Currency risk
- Liquidity and collateral risk

The total gain since inception of the synthetic equity strategy to 31 March 2022 is c. £137m. The currency hedging positions have made a loss of £0.2m in total since inception to 31 March 2022 mainly due to weakening of sterling over that period versus the dollar.

At the meeting on 29 April 2022, the FRMG discussed the current inflationary environment in relation to setting the inflation assumption for the 31 March 2022 actuarial valuation. It was noted that supply/demand dynamics particularly at longer maturities was having a bigger impact at this valuation and therefore a larger inflation risk premium could be reasonable. The Fund's Actuary will discuss setting the valuation assumptions in more detail with the Committee.

RECOMMENDATIONS

1	That the Committee note and consider the contents of the report.
---	------------------------------------------------------------------

REPORT DETAILS

1.00	FUNDING, FLIGHTPATH AND RISK MANAGEMENT STRUCTURE UPDATE
1.01	<p>Update on funding and the flightpath framework</p> <p>The monthly summary report as at 31 March 2022 from Mercer on the funding position and an overview of the risk management framework is attached in Appendix 1. It includes a “traffic light” of the key components of the Flightpath and hedging mandate with Insight. The report will be presented at the meeting including a reminder of the principle objectives of the framework.</p>
1.02	<p>The estimated funding level is 101% at 31 March 2022, which is 8% ahead of the expected position when measured relative to the 2019 valuation expected funding plan. The investment environment has been bearish year to date amid rising inflation, partly driven by supply chain issues caused as a result of Russia’s invasion of Ukraine, and the actions of central banks which have reacted by hiking interest rates. This means that the likelihood of achieving the assumed discount rate/returns going forward may be reduced and need to be reflected in the assumptions at the 2022 valuation. To illustrate the impact, a reduction of 0.25% p.a. in the assumed future investment return/real discount rate would reduce the funding level by c.4% to c.97%, with a corresponding decrease in surplus of £100m to a deficit of £71m.</p> <p>A trigger of 110% has been put in place to prompt future FRMG de-risking discussions and a formal protocol was proposed and ratified at the previous Committee. The funding level is below this trigger currently but if breached, this would prompt further analysis on whether the Fund can take de-risking actions to provide more certainty for employers without inadvertently putting upwards pressure on contributions ahead of finalising the 2022 actuarial valuation. This trigger will be considered at a future FRMG in light of the outcome of the actuarial valuation.</p>
1.03	<p>The level of hedging was approximately 20% for interest rates and 40% for inflation at 31 March 2022. The liability hedging portfolio performed negatively over the quarter to 31 March 2022 due to a sharp rise in gilt yields. This negative performance was partially offset by an increase in the value of inflation protection as inflation continued to climb. The hedging implemented to date provides access to a lower risk investment strategy but maintaining a sufficiently high real yield/return expectation to achieve the funding and contribution targets.</p> <p>Triggers are in place to purchase additional interest rate or inflation hedging at an affordable level, currently the cost to purchase gilts in order to further increase the hedging is felt too prohibitive at the current time and therefore none of the interest rate triggers have been breached since they were re-structured in September 2017. No inflation triggers have been breached since May 2020. In September 2020, the inflation hedge was rebalanced back to the current strategic target 40% from 20% to reduce the risk that inflation will increase due to central bank and government intervention in managing the COVID-19 pandemic and the related market volatility.</p>

1.04	<p>Based on data from Insight, our analysis shows that the management of the Insight mandate is rated as “green” meaning it is operating in line within the tolerances monitored by Mercer who are also the Fund's strategic risk advisors.</p> <p>The Cash Plus Fund is rated “green” although underperforming since inception, the collateral waterfall underperformed the benchmark over Q4 2021 and since inception.</p> <p>Collateral is within the agreed constraints, and the efficiency of the collateral position has been improved following the implementation of a collateral waterfall framework with Insight. Overall, the collateral waterfall has generated an additional £7.2m return from inception at 31 January 2019 to 31 March 2022.</p> <p>No further action is therefore recommended at this point.</p>
1.05	<p>Update on Risk Management framework</p> <p>(i) <u>Synthetic equity and equity protection strategy</u></p> <p>The Fund gains exposure to equity markets via derivatives and protects this exposure against potential falls in the equity markets via the use of an equity protection strategy. This provides further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall although it is recognised it will not protect the Fund in totality.</p> <p>It should be noted that, having an equity protection policy in place will protect from any large changes in equity markets. Importantly over the longer-term the increased security allows the Actuary to include less prudence in the Actuarial Valuation assumptions; this translated into lower deficit contributions at the 2019 valuation, whilst maintaining the equity exposure supports a lower cost of accrual than under traditional de-risking methods.</p> <p>The Fund’s synthetic equity and equity protection strategy is implemented through a Total Return Swap (“TRS”) contract with JP Morgan, held within the Insight QIAIF (the fund that implements the risk management strategies on the Fund’s behalf). The TRS contract is for a fixed term of 3 years, and was due to expire on 23 May 2021. The Head of Clwyd Pension Fund, advised by the FRMG, decided under delegated powers that it was appropriate to maintain this exposure, and therefore a new TRS contract was put in place for another 3 years. This reset the market value back to zero, crystallising the positive c. £129m gain (as at 23 May 2021) into the Insight QIAIF. Further, Mercer and the Officers were able to negotiate a 50% reduction (c. £1m p.a.) in the ongoing transaction costs with JP Morgan.</p> <p>As at 31 March 2022, the total performance since inception of the synthetic equity and equity protection strategy in May 2018 was an increase of c.</p>

	<p>£137m. Relative to investing in passive equities (and assuming no costs to do so), the strategy has underperformed by c. £75m since inception. The underperformance is largely driven by the rise in equity markets since inception of the strategy meaning the protection has become less valuable.</p>
1.06	<p>(ii) <u>Collateral update</u></p> <p>As at 31 December 2021 we estimate the collateral headroom (i.e the amount over and above the minimum immediate collateral of £140m) of c. £217m. The QIAIF has available immediate collateral (Tier 1 assets) of £357m. Insight would take action if Tier 1 collateral fell below £150m, and have discretion to take action if Tier 1 collateral falls below £190m. The action they would take would be to sell some of the Tier 2 assets (High Grade ABS and Global ABS) to top up the level Tier 1 collateral. These daily dealing Tier 2 funds have in total c. £156m as at 31 December 2021.</p> <p>Since the last Committee meeting £50m of Tier 1 assets have been transferred to the High Grade ABS Fund (a Tier 2 fund), transacting in five £10m tranches between 10 March and 21 March 2022, to generate a higher return whilst awaiting the Private Market drawdowns. The QIAIF still has a very healthy collateral position following this change.</p>
1.07	<p>(ii) <u>Currency hedging gain/loss</u></p> <p>The currency risk associated with the market value of the synthetic equity strategy is hedged and has made a loss of £7.2m since inception on 8 March 2019 to 31 March 2022 due to the weakening of sterling over that period.</p> <p>The Fund's overseas developed market physical equity holdings are currency hedged and have made a gain of c. £7.0m since inception of the strategy due to the strengthening of sterling over that period.</p> <p>Overall the action to hedge the Fund's developed equity currency risk has resulted in a loss of £0.2m since inception of the strategies, although this will have been offset by rises in value of the overseas equity holdings due to these currency movements.</p>
1.08	<p>Setting the inflation assumption for the 31 March 2022 valuation</p> <p>At the meeting on 29 April 2022, the FRMG discussed the current inflationary environment in relation to setting the inflation assumption for the 31 March 2022 actuarial valuation. The FRMG discussed how the market may be overshooting inflation due to current market dynamics (e.g. demand for index-linked gilts from private sector pension schemes outweighing supply). The FRMG therefore looked at a range of inflation risk premia that might more accurately reflect expectations for future inflation and considered the impact on funding and contributions under different assumptions.</p> <p>It was noted that supply/demand dynamics particularly at longer maturities was having a bigger impact at this valuation and therefore a larger inflation risk premium could be reasonable. However a balance is needed to be struck, as should realised inflation exceed the Fund's inflation assumption, then this would lead to a funding strain. The Fund's Actuary will discuss setting the valuation assumptions in more detail with the Committee.</p>

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

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required

4.00	RISK MANAGEMENT
4.01	<p>This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part):</p> <ul style="list-style-type: none"> • Governance risk: G2 • Funding and Investment risks: F1 - F6
4.02	<p>The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. The collateral waterfall framework is intended to increase the efficiency of the Fund's collateral, and generating additional yield in a low governance manner. Hedging the currency risk of the market value of the synthetic equity portfolio will protect the Fund against a strengthening pound which would be detrimental to the Fund's deficit. Hedging the currency risk of the developed market physical equity exposure will mitigate the risk of a strengthening pound.</p>

5.00	APPENDICES
5.01	Appendix 1 - Monthly monitoring report – 31 March 2022

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Report to Pension Fund Committee – Flightpath Strategy Proposals – 8 November 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation and Funding/Flightpath Update – 27 September 2016 and Report to Pension Fund Committee – Funding and Flightpath Update – 22 March 2016. • Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview. <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) The Fund – 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) The Committee – 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) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(e) FSS – Funding Strategy Statement – the main document that outlines how we will manage employers contributions to the Fund</p> <p>(f) Actuary - A professional advisor, specialising in financial risk, who is appointed by Pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.</p> <p>(g) ISS – Investment Strategy Statement The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund</p> <p>Further terms are defined in the Glossary in the report in Appendix 1</p>



Risk management framework

Monthly monitoring report: 31 March 2022

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Clwyd Pension Fund
April 2022

Nick Page FIA CERA

welcome to brighter



Overriding objectives

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Stable and
affordable
contribution
rate



Versus

Achieve returns
in excess of CPI
required under
funding
arrangements






Objectives are two-fold but conflicting

- Risk needs to be taken in order to achieve returns, but risk does not guarantee returns






Need to ensure a reasonable balance between the two objectives

- Do you need to take the same level of risk when 70% funded (say) as when 110% funded?

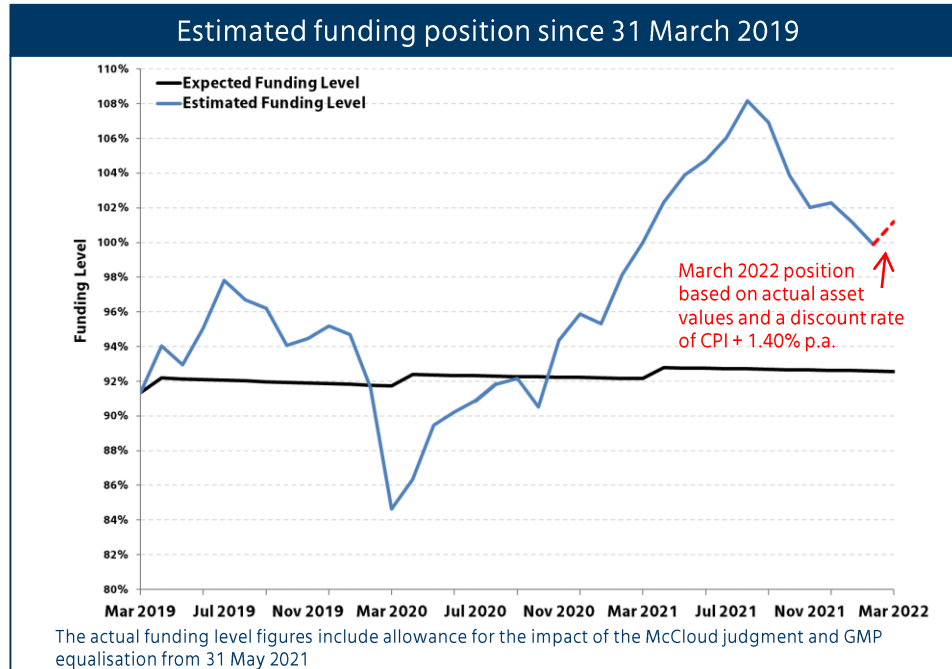
Executive summary

 = as per or above expectations
  = to be kept under review
  = action required

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	<p>Overall funding position at 31 March 2022</p> <ul style="list-style-type: none"> • Ahead of existing recovery plan • New funding level trigger introduced at 110% 	<p>The funding position is 101% which is ahead of the target by around 8%. There is continuing uncertainty in the outlook for future returns and inflation which could impact on the future funding requirements.</p>
	<p>Liability hedging mandate at 31 December 2021</p> <ul style="list-style-type: none"> • Insight in compliance with investment guidelines • Outperformed the benchmark marginally over Q4 2021 • Hedge ratios in line with target levels 	<p>No triggers breached over Q4 2021.</p>
	<p>Synthetic equity mandate at 31 December 2021</p> <ul style="list-style-type: none"> • Insight in compliance with investment guidelines • Underperformed the benchmark over Q4 2021 	<p>A dynamic protection structure was implemented in late May 2018, with refinements made in November 2020. The TRS structure rolled on 23 May 2021 with no further changes to the strategy. No action required.</p>
	<p>Currency hedging at 31 March 2022</p> <ul style="list-style-type: none"> • Currency hedging overlay implemented in the QIF in August 2019 • As at 31 March 2022, the market value of the currency hedge since inception on 22 August 2019 was £7.0m 	<p>No action required.</p>
	<p>Cash Plus Funds, collateral and counterparty position at 31 December 2021</p> <ul style="list-style-type: none"> • The Cash Plus Fund has underperformed the benchmark since inception and also over the quarter. We will continue to monitor performance. • The Insight QIF can sustain at least a 3.0% rise in interest rates or 2.3% fall in inflation without eliminating all headroom. 	<p>Overall, the collateral waterfall has returned £10.0m at 31 December 2021 since implementation at 31 January 2019 versus the previous structure.</p> <p>The Fund has sufficient collateral to withstand the stresses as at 31 December 2021. No action required.</p>

Funding level monitoring to 31 March 2022



Funding Level Triggers

Following a breach of the 100% soft trigger, it was concluded at the FRMG on 9 July 2021 that the funding level was not currently sufficiently high to warrant de-risking in a traditional sense via a change in long term strategy.

It was agreed that a new trigger will be put in place to prompt FRMG discussions regarding potential actions as the funding level approaches 110% on a consistent approach to the 2019 valuation funding basis. This funding level will be monitored approximately by Mercer on a daily basis.

Comments

The **black line** shows a projection of the expected funding level from the 31 March 2019 valuation based on the assumptions (and contributions) outlined as part of the 2019 actuarial valuation. The expected funding level at 31 March 2022 was around 93%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2019 to 28 February 2022. The **red dashed line** shows the progression of the estimated funding level over March 2022. At 31 March 2022, we estimate the funding level and surplus to be:

101% £29m

From October 2021 we have incorporated *the membership experience impact* of the 2021 interim funding review which has reduced the funding level by c2% in isolation. The Fund's position was ahead of the expected funding level at 31 March 2022 by around 8% on the current funding basis.

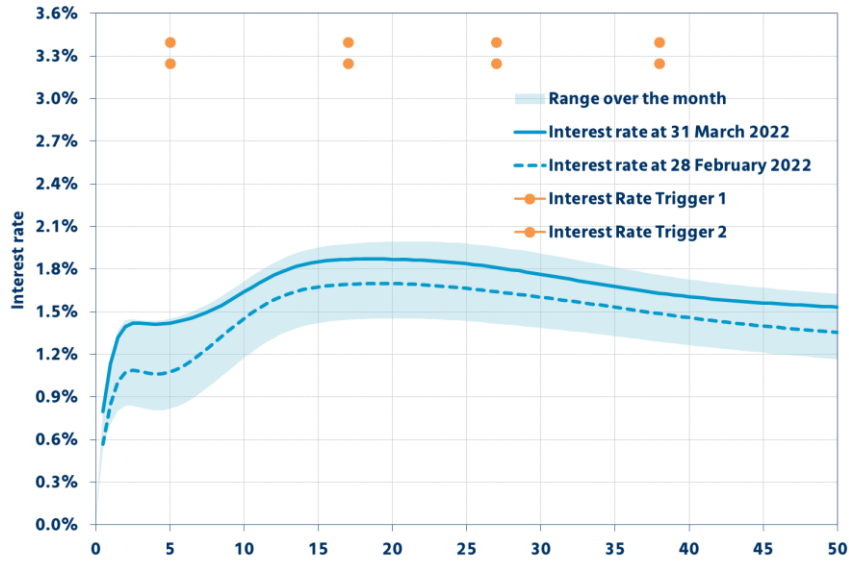
Uncertainty continues to be prevalent in the investment and fiscal environments due to the geo-political uncertainty and economic outlook – in particular inflation which has a direct impact on the Fund's liabilities. This could mean that the likelihood of achieving the assumed returns above CPI inflation could have fallen further. To illustrate the potential impact, a further reduction of 0.25% p.a. in the assumed future investment return/discount rate would reduce the funding level by c.4% to c.97% with a reduction in the surplus of £100m to a deficit £71m.

This will be considered in more detail as part of 2022 actuarial valuation.

Update on market conditions and triggers

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Change in interest rates



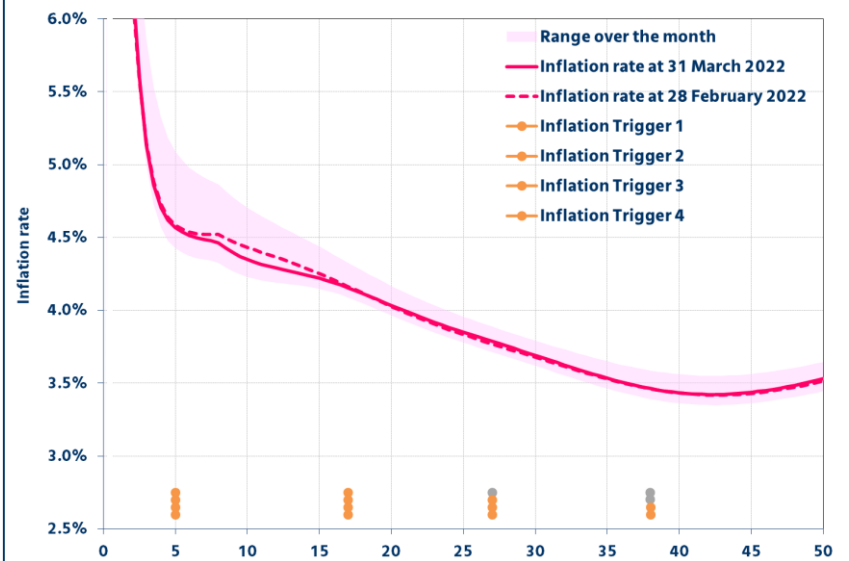
Date	Band 1	Band 2	Band 3	Band 4	Actual
31 December 2021	20.45%	19.97%	21.62%	27.49%	23.3%

Comments

Over the month of March, interest rates rose across the curve.

Based on market conditions as at 31 March 2022, yields would need to rise by c. 1.4% p.a. before the Fund would hit any of the revised interest rate triggers implemented by Insight in Q3 2017.

Change in inflation rates (note: different scale)



Date	Band 1	Band 2	Band 3	Band 4	Actual
31 December 2021	35.11%	20.78%	30.87%	59.85%	39.3%

Comments

Inflation expectations were broadly unchanged over the month of March.

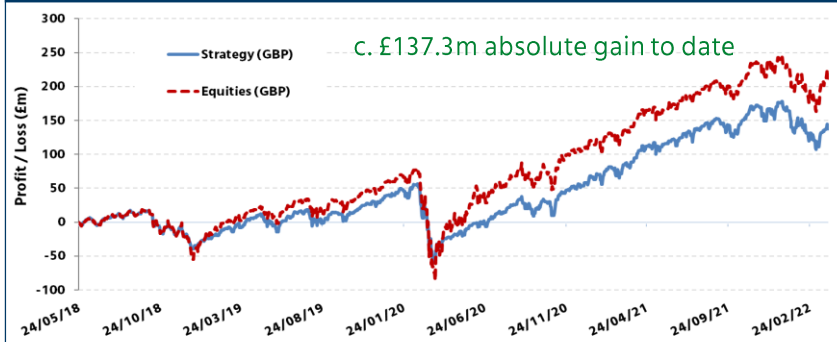
The target hedge ratios for the portfolio are 20% for interest rates and 40% for inflation expectations. No triggers were breached in March.

*Hedge ratios calculated with reference to 2019 valuation cash flow analysis and relying on a discount rate of gilts + 3.5% p.a..

Update on equity protection mandate

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Strategy versus equity index

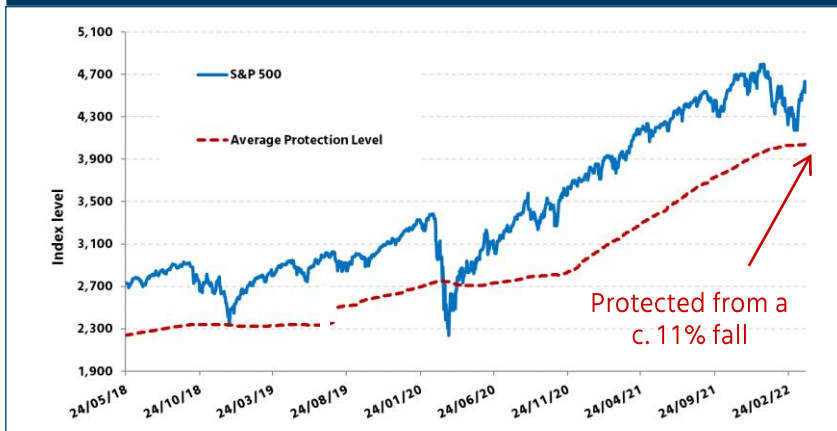


GBP returns	Equity return	Hedging return	Financing return	Costs	Overall return	Relative return
MTD	3.7%	(1.2%)	(0.9%)	(0.0%)	1.5%	(2.2%)
YTD	(6.6%)	0.0%	(0.5%)	(0.1%)	(7.1%)	(0.6%)
SI (per annum)	14.8%	(3.5%)	(2.0%)	(0.5%)	8.7%	(6.1%)

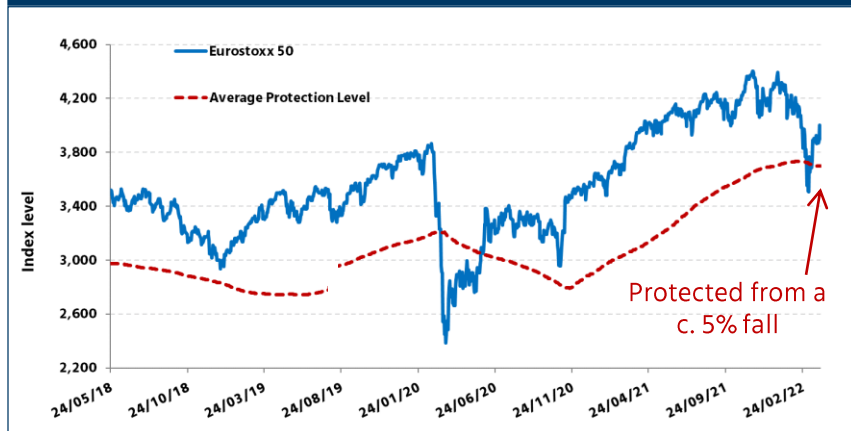
Comments

- The Fund implemented a dynamic equity protection strategy on 24 May 2018 with exposure of £362m. The equity protection strategy was revised in Q4 2020, increasing the call frequency to two weekly. This ensures that the Fund can participate in more upside as equity markets rise. The TRS structure was extended for a further 3 years on 23 May 2021 with no further changes to the strategy.
- Equity markets rose over March, following a fall at the beginning of the month which took the European equity exposure below the average protection level. Performance for the strategy was positive over the month.
- As at 31 March 2022, there was a gain of c. £137.3m on the equity strategy since inception, relative to a c. £211.9m gain had the Fund invested in passive equities (with no frictional costs).
- From inception on 8 March 2019 to 31 March 2022, the currency hedge of the market value of the synthetic equity mandate has resulted in a c. £7.2m loss relative to an unhedged position, as sterling has weakened at an overall level since inception.

US equity exposure

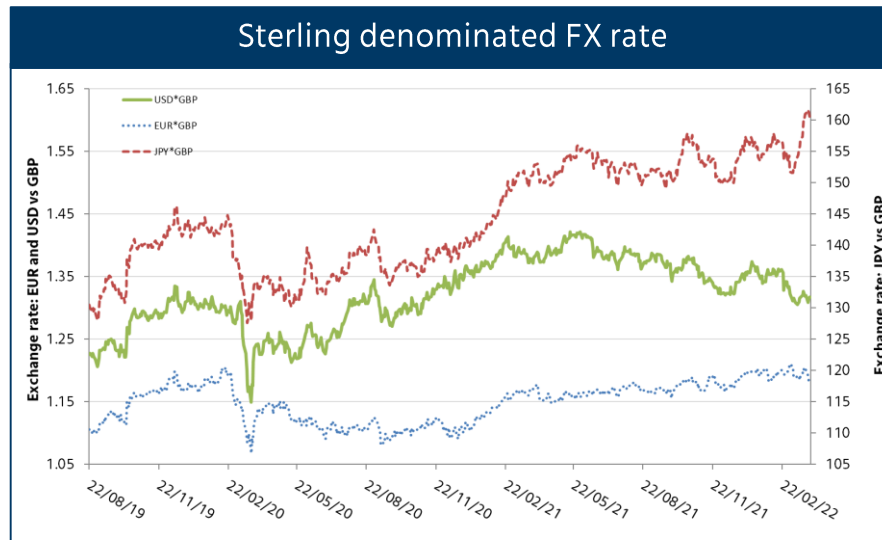


European equity exposure (note different scale)



Developed market physical equity currency hedge

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- Comments**
- A currency hedge was placed on the physical, developed equity portfolio to lock-in gains from sterling weakness and reduce currency risk.
 - The hedge has been implemented via a currency overlay, using 3 month forward contracts, within the Insight QIAIF. The hedge is updated quarterly to allow for changes in the underlying equity exposure.
 - As at 31 March 2022, the market value of the currency hedge since inception on 22 August 2019 was £7.0m.
 - The market value of the currency hedge has decreased over March, driven primarily due to a weakening of sterling against the dollar. Sterling also weakened versus the Euro, but strengthened versus the yen.

	Currency basket weight	FX performance (since inception*)	FX change in performance since 28 February 2022
EUR	15%	£2.2m	(£0.3m)
JPY	8%	£3.6m	£0.6m
USD	77%	£1.3m	(£3.3m)
	100%	£7.0m	(£3.0m)

*Insight transacted on the currency hedge on 22 August 2019.

Figures may not sum due to rounding.

Glossary

- **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determining the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- **Collateral** – Liquid assets held by the Fund as security which may be used to offset the potential loss to a counterparty.
- **Counterparty** – Commonly an investment bank on the opposite side of a financial transaction (e.g. swaps).
- **Deficit** - The extent to which the value of the Fund’s liabilities exceeds the value of the Fund’s assets.
- **Dynamic protection strategy** – Strategy to provide downside protection from falls in equity markets where the protection levels vary depending on evolution of the market.
- **Equity option** – A financial contract in which the Fund can define the return it receives for movements in equity values.
- **Flightpath** - A framework that defines a de-risking process whereby exposure to growth assets is reduced as and when it is affordable to do so i.e. when “triggers” are hit, whilst still expecting to achieve the overall funding target.
- **Funding level** - The difference between the value of the Fund’s assets and the value of the Fund’s liabilities expressed as a percentage.
- **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- **Hedging** - A strategy aiming to invest in low risk assets when asset yields are deemed attractive. Achieved by investing in government backed assets (or equivalent) with similar characteristics to the Fund future CPI linked benefit payments.
- **Hedge ratio** – The level of hedging in place in the range from 0% to 100%.
- **Insight QIAIF (Insight Qualifying Investor Alternative Investment Fund)** – An investment fund specifically designed for the Fund to allow Insight to manage the liability hedging and synthetic equity assets.

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