

Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

BUSINESS PLAN 2019/20 TO 2021/22

February 2019

Introduction

This is the business plan for the Clwyd Pension Fund, which is managed and administered by Flintshire County Council. The business plan details our priorities and areas of key focus in relation to the Clwyd Pension Fund for 2019/20, 2020/21 and 2021/22. This business plan was approved at the Clwyd Pension Fund Committee meeting on 20 February 2019. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored and the Pension Fund Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the background and objectives of Flintshire County Council for the management of the Clwyd Pension Fund
- document the priorities and improvements to be implemented by the pension service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide staff, partners and customers with a clear vision for the next three years.

In addition, this business plan includes a budget for expected payments to and from the Clwyd Pension Fund during 2019/20 including the resources required to manage the Fund.

Further Information

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

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Background to the Clwyd Pension Fund

The Clwyd Pension Fund ("CPF") is a £1.8bn¹ Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in North East Wales and employees of other qualifying bodies which provide similar services.

Total Fund membership is about 48,100 (46,500) with about 16,300 (16,000) active contributors from 44 (41) contributing employers and about 31,800 (30,500) retired, survivor, deferred and other members. The figures shown in brackets were as at March 2018.

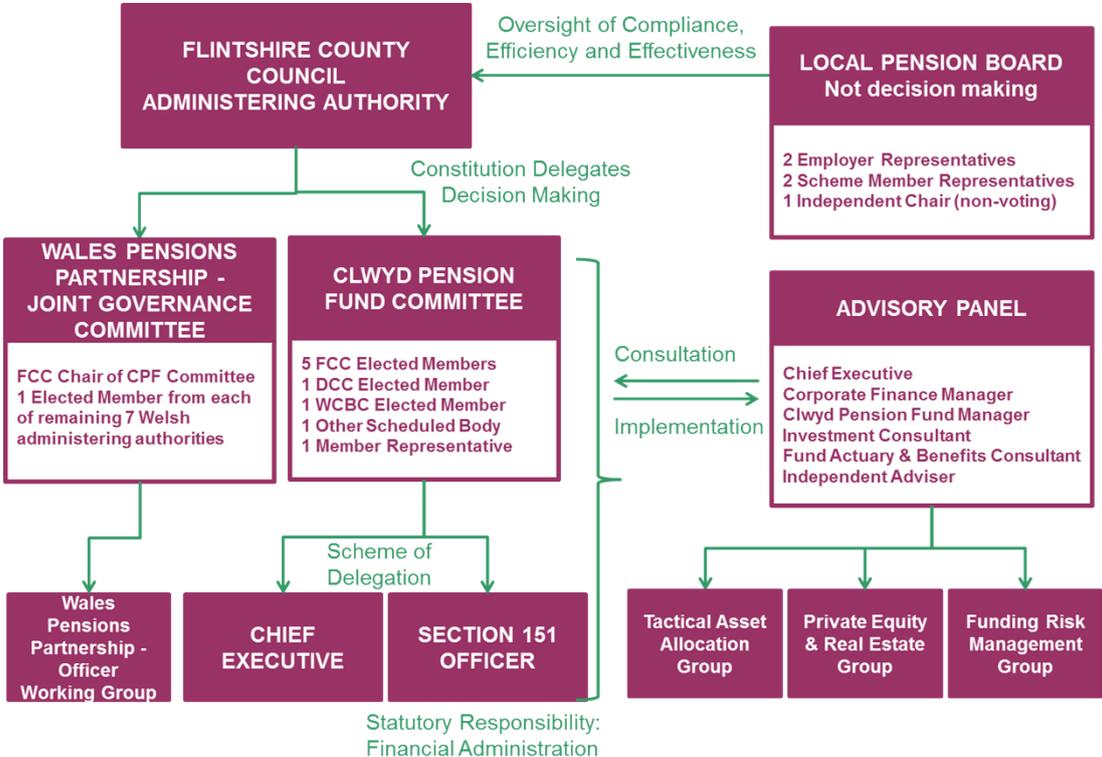
Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council ("the Council") to a formal Pension Fund Committee ("PFC"), supported by a Pensions Advisory Panel ("AP"). The Corporate Finance Manager is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Fund matters. In addition, the Council has delegated specific responsibilities to the Chief Executive.

A Local Pension Board is in place to assist in:

- securing compliance of Fund matters and
- ensuring the efficient and effective governance and administration of the Fund.

This structure is illustrated below.



¹ Information correct as at February 2019.

The Joint Governance Committee (JGC) for the Wales Pool (known as the Wales Pension Partnership) is a joint committee of the eight participating administering authorities. An inter-authority agreement has been agreed which delegates certain investment decisions to the JGC. The JGC will be advised by an Officer Working Group on which each of the administering authorities will be represented.

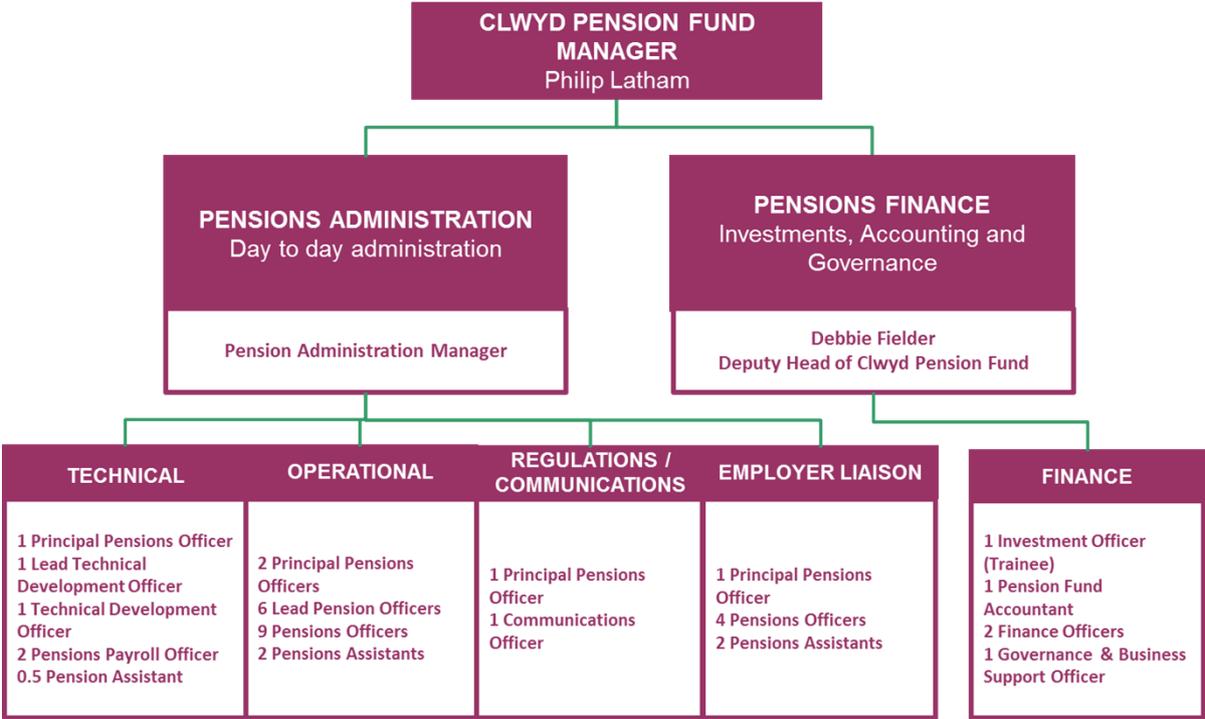
The Pension Fund Management Team

The day to day operations of the Fund are managed by the Clwyd Pension Fund Manager. He is supported by two sections:

- The Pensions Administration Section which is responsible for the day to day administration of pension benefits and is headed by Pension Administration Manager. The section is split between an Operational Team, a Technical Team and a Regulations and Communications Team. The Operational Team delivers a pensions service for approximately 48,100 scheme members and 44 employing bodies. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team implements and maintains the pension software systems, reconciles employer records, and a pensioner payroll service for 12,500 pensioners, survivors and dependents. The Regulations and Communications Team is responsible for ensuring all communications are good quality and kept up to date, including the Fund's website.
- Additionally within the Pensions Administration Section there is an Employer Liaison Team that undertakes employer responsibilities which are recharged to the employer through their employer contribution rate. This team was created in late 2016/17 and will continue to be developed depending on the number of employers which take up the option of using the service. Two of the unitary authorities currently use this service.
- The Pensions Finance Section which is responsible for accounting, investment and governance matters, is headed by the Deputy Head of the Clwyd Pension Fund. The section is responsible for the day to day accounting and closure of the accounts. Additionally, the section is responsible for the monitoring of 9 core external fund managers as well as 45 non-core external fund managers responsible for around 120 separate funds². The Deputy Head of the Clwyd Pension Fund is involved with management of the Fund's assets working with the Wales Pension Partnership and is also responsible for sourcing and recommending new in-house investments. Due to the implementation of asset pooling and the departure of a previous Pension Finance Manager, the Pensions Finance Section structure has recently been reviewed and there are three vacant posts which will hopefully be filled at the beginning of 2019.

² Information correct as at February 2019

The structure as at February 2019 is illustrated below.



The Pension Fund Management Team and Pension Fund Committee are assisted by a range of specialist consultants, suppliers and fund managers.

Aims and Objectives for the Management of the Fund

Our Mission Statement is:

- to be known as forward thinking, responsive, 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.

Our key strategies and policies which guide the management of the Fund are listed below and can be found on our website at www.clwydpensionfund.org.uk

- Governance Policy and Compliance Statement
- Training Policy, Conflicts of Interest Policy, Risk Management Policy and Reporting and Recording Breaches of the Law Procedure
- Investment Strategy Statement and Compliance Statement
- Funding Strategy Statement
- Administration Strategy
- Communications Strategy
- Employer Service Level Agreements including Employer Liaison and Communications Team agreements.

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the areas of governance, funding, investments, and administration, communications and employer liaison team to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

Governance

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk
- 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
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success.

Funding and Investments

- Achieve and maintain assets equal to 100% of liabilities within the 15 year average timeframe, whilst remaining within reasonable risk parameters
- 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
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Minimise unrecoverable debt on employer termination
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.

Administration

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- 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
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time

- Maintain accurate records and ensure data is protected and has authorised use only.

Communications

- 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
- Look for efficiencies in delivering communications through greater use of technology and partnership working
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

Employer Liaison Team

- Provide a high quality, professional, proactive, timely and customer focused service to the employer
- Provide the agreed service in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the employer is aware of and understands their role and responsibilities under the LGPS regulations and the Fund's Administration Strategy
- Ensure that accurate member information is provided to the Fund, in the correct format, within the agreed timescales
- Ensure data is protected and has authorised use only.

Business as usual

The appendix to this business plan highlights what our key priorities are for the next three years. This focusses on areas of change and project like tasks which are in addition to our day to day “business as usual” duties. On a day to day basis our focus is on the following key elements of Fund management:

- Paying pension benefits to all our beneficiaries, as prescribed by the LGPS regulations
- Communicating with our scheme members about their membership of the Fund
- Ensuring we receive all the pension contributions paid by active members of the Fund, again as prescribed by the LGPS regulations
- Ensuring all the employers in the Fund pay their pension contributions
- Safeguarding the money in the Fund (the Fund’s assets)
- Investing any Fund assets that are not currently needed to pay benefits
- Working with the actuary so, every three years, he determines how much employers need to pay into the Fund to ensure we have enough money to pay pension benefits in the future

Understanding the continuing pressure on resources and budgets for employers and the administering authority, Flintshire County Council has established an Employer Liaison team which can provide assistance to employers by carrying out a number of the employer responsibilities on the employers' behalf.

Managing the Fund on a day to day basis involves a wide range of processes and procedures, some of which are outlined below and all of which have been designed around achieving our Fund's objectives as outlined in our strategies and policies. The management of the Fund is significant, complex and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as illustrated below.

Governance

- Setting the agenda, reporting and presenting to the Pension Fund Committee, Local Pension Board and Advisory Panel
- Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk management policy, breaches of law procedure and The Pension Regulator's Code of Practice
- Ensuring we adhere to Council and legal requirements for procurement, health & safety and data protection
- Procurement of and payment for, advisers and other services
- Assisting internal and external audit in their role
- Replying to Freedom of Information requests
- Participation at the Joint Governance Committee and Officer Working Group of the Wales Pension Partnership
- Managing the risk of cybercrime and ensuring our data and systems are safeguarded.

Accountancy

- Preparing and publishing the Fund's Annual Report
- Completing the Annual Accounts and assisting with external auditors
- Preparing and quarterly monitoring of the Annual Budget
- Preparation of statutory and non-statutory returns as required
- Monthly bank reconciliations
- Quarterly cash flow and treasury management
- Monthly monitoring of income and expenditure including employer and scheme member contributions
- Quarterly invoicing of employers for pensions strain and added years.

Funding

- Agreeing the funding strategy with the actuary every three years, consulting with employers and monitoring continued appropriateness annually
- Assisting the actuary with the triennial Actuarial Valuation by providing membership data and presenting results and explanations to employers of future employer contributions and deficit payments
- Arranging through the Actuary data required by the Government Actuary's Department ("GAD")
- Monitoring the employer's covenant including their ability to pay contributions and managing any employers who wish to join or leave the Fund.

Investments

- Carrying out a fundamental review of the investment strategy every three years
- Appointing, monitoring and dismissing of fund managers including within a pooling environment
- Quarterly monitoring and reporting on investment performance
- Monthly monitoring and reporting on the Fund's funding position and implementation of our funding risk management strategy ('Flight-path') with annual 'health checks'
- Monthly monitoring and implementation of the tactical asset allocation decisions
- Procurement and monitoring of over 100 investments in private equity, property, infrastructure, agriculture and timber funds
- Ensuring costs are fully disclosed in line with the Cost Transparency
- Developing and monitoring the Fund's approach to Responsible Investment
- Working with other LGPS funds in Wales and nationally to pool investments through our role within the Joint Governance Committee and Officer Working Group.

Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change their status in the Fund
- Calculating and notifying entitlement to pension and death benefits
- Providing quotations of retirement benefits including any additional costs to employers
- Providing information on how scheme members can increase their pension benefits
- Maintaining scheme member records
- Providing a scheme members' help line for ad-hoc enquiries
- Administering the Fund's Internal Dispute Resolution Procedure.

Payroll

- Calculating and paying monthly pensions to all pensioners and beneficiaries
- Issuing payslips (where net pay has changed)
- Issuing P60's
- Investigating returned payments and dealing with any under or overpayment of pensions
- Updating and maintaining accuracy of pensioner member details.

Communication

- Providing Annual Benefit Statements to all active and deferred scheme members
- Providing information to members via one to ones, workshops and newsletters
- Maintaining the Fund's website and member's self-service facility
- Provide new employers with information about their Fund responsibilities
- Providing ongoing training and technical updates to employers
- Running an Annual Meeting for Employers and members reps.

Technical

- Maintaining and updating the pensions software system, including overseeing the monthly employer returns
- Providing guidance on changes in processes following legislation updates

- Developing reporting to provide information on progress against key performance indicators and daily work management
- Providing reports and extracts for the Fund Actuary and GAD
- Reporting and making payments to HMRC
- Processing bulk updates to data such as annual pensions increases and year end employer returns.

Employer Liaison Team

- Providing notifications regarding new starters, personal/employment changes and leavers/retirements in the Fund
- Undertaking estimates of benefits for scheme members and the employer
- Undertake response to outstanding requests for information in order to cleanse the pension records
- Providing information to the Fund's actuary as required for new alternative delivery models for employer services
- Undertake work as necessary to clear outstanding year-end or other data queries.

The plan for the next three years

Key Challenges and Influences

This decade has seen and continues to see an unprecedented amount of external factors that impact or could impact the management of the Fund on top of major changes that have been implemented to the Fund in recent years, such as:

- Implementation of a new governance structure, including creation of a Pension Fund Committee, Advisory Panel and Local Pension Board in 2014/15/16.
- A fundamental review of the investment strategy in 2014/15, to ensure a closer relationship with the funding strategy through implementation of a flight-path risk management plan, which was refreshed in 2016/17.
- The implementation of the new Local Government Pension Scheme from April 2014 and each year introducing innovative ways of working within the Administration Section.
- Contributing towards the development of the governance arrangements for the Wales Pension Partnership since 2016/17.

This puts us in a strong position to meet the challenges ahead. The following are just some of the key areas of focus for the Fund over the next three years:

- The ongoing transition of the Fund's assets to the Wales Pension Partnership Operator (Link)
- Continuing to promote our on-line facilities which provide enhanced services for our scheme members
- Finalising the roll-out of improved systems to our employers, allowing more timely submission of data and in a more automated manner
- Implementing any required changes to the benefit structure or scheme member contribution rates as a result of the national changes, including those driven by legal challenges and the LGPS Cost Control mechanisms.

These, and other priorities for the next three years, are articulated in more detail in the appendix to this business plan, split into four sections; governance, funding and investments, administration and communications and employer liaison team.

Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council. The following shows the expected income and expenditure to the Fund (cash flow) as well as the expected operating costs.

Cash flow projection for 2018/19

	Estimated	Budget	Budget	Budget
	2018/19	2019/20	2020/21	2021/22
	£000s	£000s	£000s	£000s
Opening Cash	(21,188)	(3,599)	(9,618)	(10,654)
Payments				
Pensions	59,976	61,600	62,800	64,000
Lump Sums & Death Grants	15,178	15,000	15,000	15,000
Transfers Out	6,142	6,000	6,000	6,000
Expenses (excluding investments)	3,865	4,600	4,600	4,600
Support Services	259	140	140	140
Total Payments	85,420	87,340	88,540	89,740
Income				
Employer Contributions	(39,104)	(40,000)	(41,100)	(42,500)
Employee Contributions	(14,002)	(14,400)	(14,690)	(14,400)
Employer Deficit Payments	(18,781)	(19,800)	(20,500)	(21,200)
Transfers In	(4,179)	(4,000)	(4,000)	(4,000)
Pension Strain	(1,671)	(1,200)	(1,200)	(1,200)
Income	(43)	(48)	(48)	(48)
Total Income	(77,780)	(79,448)	(81,538)	(83,348)
Cash-flow Net of Investment Income	7,640	7,892	7,002	6,392
Investment Income	(6,503)	(6,000)	(6,000)	(6,000)
Investment expenses	3,020	3,000	3,000	3,000
Total Net of In House Investments	4,157	4,892	4,002	3,392
In House Investments				
Draw downs	99,540	77,019	78,208	74,897
Distributions	(75,988)	(77,930)	(83,246)	(74,326)
Net Expenditure /(Income)	23,552	(911)	(5,038)	571
Total Net Cash-Flow	27,709	3,981	(1,036)	3,963
Rebalancing Portfolio	(10,120)	(10,000)		
Total Cash Flow	17,589	(6,019)	(1,036)	3,963
Closing Cash	(3,599)	(9,618)	(10,654)	(6,691)

Operating Cost Budget 2019/20

	Budget 2018/19 £000s	Estimate 2018/19 £000s	Budget 2019/20 £000s
Governance Expenses			
Employee Costs (Direct)	243	194	299
Support & Services Costs (Internal Recharges)	18	18	22
IT (Support & Services)	5	5	5
Other Supplies & Services	63	63	70
Audit Fees	40	40	40
Actuarial Fees	324	409	435
Consultant Fees	589	691	664
Advisor Fees	143	388	179
Legal Fees	24	66	40
Pension Board	59	59	69
Pooling	224	109	109
Total Governance Expenses	1,732	2,042	1,932
Investment Management Expenses			
Fund Manager Fees	16,593	20,500	21,000
Custody Fees	31	34	31
Performance Monitoring Fees	66	66	66
Pooling	50	9	186
Total Investment Management Expenses	16,740	20,609	21,283
Administration Expenses			
Employee Costs (Direct)	776	776	893
Support & Services Costs (Internal Recharges)	66	66	66
Outsourcing	1000	300	900
IT (Support & Services)	413	413	424
Other Supplies & Services)	106	70	63
Total Administration Expenses	2,361	1,625	2,346
Employer Liaison Team			
Employee Costs (Direct)*	194	202	213
Total Employer Liaison Team	194	202	213
Total Costs	21,027	24,478	25,774

* Costs incurred by the Employer Liaison Team will be recovered from the participating employers making use of the service through their employer contribution rate.

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis within the Pension Fund Management Team and the Pension Fund Advisory Panel
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee, which will be shared with the Pension Board
- as part of these quarterly updates:
 - highlight any areas where we are exceeding or failing to achieve our targets and the reasons why, and identify any changes to the planned priorities as a result of this
 - highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

Key Risks

The Clwyd Pension Fund has embedded risk management into the governance of the Fund. The Committee has approved a Risk Management Policy and a detailed Risk Register is maintained. Changes to the level of risk are reported at each Committee.

Given that many pension fund risks are outside of our control, our risk management focusses on measuring the current risk against the Fund's agreed target risk (which may still be relatively high) and identifying the further controls and actions that can be put in place. This risk management process is integral in identifying actions that are then included in the Fund's Business Plan.

Overall the next few years will be challenging for those involved in the governance, management and operation of the Fund. The risks discussed below are documented in the Risk Register which will continue to be updated at each Committee meeting as circumstances change. The risks shown are those risks which are currently identified as amber i.e. with moderate consequences that are considered a possible occurrence, or higher, and where we are not currently meeting the target risk exposure.

Key:

Risk Exposure	Impact/Likelihood
Black	Catastrophic consequences, almost certain to happen
Red	Major consequences, likely to happen
Amber	Moderate consequences, possible occurrence
Yellow	Minor consequences, unlikely to happen
Green	Insignificant consequences, almost very unlikely to happen

Governance

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Externally led influence and change such scheme change, national reorganisation and asset pooling	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Red	Orange	<ul style="list-style-type: none"> 1 - Regular ongoing monitoring by AP to consider if any action is necessary 2 - Ensure Board requests to JGC/OWG are responded to 3 - Regular consideration of impact national reorganisation at APs
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.	Services are not being delivered to meet legal and policy objectives	Red	Green	<ul style="list-style-type: none"> 1 - Complete and implement Finance team restructure, including fundamental review of future service requirements 2 - Ongoing consideration of succession planning 3 - Implement the agreed outcome of the admin staff structure review 4 - Recruit to vacant Pensions Administration Manager post

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
An appropriate funding strategy cannot be set	Employer contributions are unaffordable and/or unstable	Orange	Orange	1 - Finalise employer covenant monitoring and ill health captive
Movements in assets and/or liabilities (as described in 3,4,5) in combination	Funding level reduces, increasing deficit	Red	Orange	1 - Revised Equity Protection Strategy to be put in place 2 - See also actions below that will impact this
-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.	Investment targets are not achieved therefore reducing solvency / increasing contributions	Red	Orange	1 - The impact on performance relative to assumptions will be monitored regularly (FRMG & TAAG)
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Red	Yellow	1 -The level of hedging will be monitored and reported regularly via FRMG
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	Investment and/or funding objectives and/or strategies are no longer fit for purpose	Red	Orange	1 - Ensure proactive responses to consultations etc.

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	Red	Yellow	<ol style="list-style-type: none"> 1 - Ongoing training 2 - Ongoing bedding in of aggregation team and use of Mercers with backlogs 3 - Ongoing monitoring of ELT and Ops resource/workload for backlogs 4 - Recruitment to new posts 5 - Ongoing consideration of resource levels post recruitment of new posts
<p>Employers:</p> <ul style="list-style-type: none"> -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters 	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Red	Green	<ol style="list-style-type: none"> 1 - Ongoing roll out I-connect 2 - Ongoing monitoring of ELT resource/workload 3 - Implement further APP data checks to identify issues 4 - Develop and roll out APP training - in house and employers 5 - Update Admin Strategy to include a compliance declaration and focus on availability of payroll system/information 5 - Identify other employer data issues and engage directly with employers on these
Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes)	Unable to meet legal and performance expectations due to external factors	Red	Orange	<ol style="list-style-type: none"> 1 - Recruitment to new posts 2 - Ongoing consideration of resource levels post recruitment of new posts
Communications are inaccurate, poorly drafted or insufficient	Scheme members do not understand or appreciate their benefits	Orange	Green	<ol style="list-style-type: none"> 1 -Ongoing promotion of member self service 2 - Ongoing identification of data issues and data improvement plan 3 - Review of effectiveness of new website/iConnect planned for 2019/20 4 - Recruitment of Comms Officer
Systems are not kept up to date or not utilised appropriately, or other processes inefficient	High administration costs and/or errors	Red	Green	<ol style="list-style-type: none"> 1 - Ongoing roll out of iConnect 2 - Ongoing identification of data issues and data improvement plan 3- Review of effectiveness of new website/iConnect planned for 2019/20 4 - Implementation of other Altair modules in 2018/19 business plan 5 - Increased engagement with Heywood about change in their business model

Training Plan

A Clwyd Pension Fund Training Policy has been established to aid Pension Fund Committee, Pension Board members and senior officers in performing and developing personally in their individual roles, with the ultimate aim of ensuring that Clwyd Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. The following training plan has been developed for 2019/20 to assist in meeting that aim. A significant amount of training was completed during 2018 and early 2019 following a Training Needs Self-Assessment completed by all Pension Fund Committee and Pension Board members during January 2018. Accordingly the focus for 2019/20 is on subject matters that will be relevant to key decisions by the Committee.

Title of session	Training Content	Timescale	Audience
PLSA Local Authority Conference, Gloucestershire	Various topical presentations spanning all fund matters	13-15/05/2019	Committee, Pension Board and Officers
CIPFA and Barnett Waddingham: Local Pension Boards Annual Seminar	Update by key players together with a focus on the Scheme's financial viability and the problem of managing data.	TBC	Pensions Board
Internal training day	Agenda to be confirmed (based on key topics)	To be confirmed – possibly September 2019	Committee, Pension Board and Officers
LGC Investment Summit, Newport	Various topical presentations. Agenda not yet available.	6-6/9/2019	Committee, Pension Board and Officers
LAPFF, Bournemouth	Various topical presentations around the work of the LAPFF	4-6/12/2019	Committee, Officer
LGPS Trustees Conference	Various topical presentations. Agenda not yet available.	Expected early 2020	Committee, Pension Board and Officers
LGC Investment Seminar, Carden Park	Various topical presentations. Agenda not yet available.	Expected March 2020	Committee, Pension Board and Officers
Internal training day	Agenda to be confirmed (based on key topics)	To be confirmed – possibly February/March 2020	Committee, Pension Board and Officers

Appendix - BUSINESS PLAN 2019/20 - 2021/22 – Key Tasks

Governance

Ref	Key Action –Task	2019/20 Period				Later Years	
		Q1	Q2	Q3	Q4	2020/ 21	2021/ 22
G1	Develop business continuity plan		x	x			
G2	Review pension administration system contract	x	x	x	x	x	
G3	Review/Tender Investment Consultancy and Independent Adviser Contracts			x	x		
G4	Review appointment of Pension Fund Committee Representatives and Local Board Members				x	x	x
G5	Review of Governance Related Policies				x	x	x
G6	Outcome of Scheme Advisory Board separation/efficient governance review					x	x

G1 – Develop business continuity plan

What is it?

The Fund has carried out a number of tests in recent years to ensure services can continue to be maintained in various scenarios, such as an office fire. It is now necessary to capture the Fund's business continuity plans and processes into one central document, based on the current methods of working, within a central document that will be maintained and subject to further testing.

Timescales and Stages

Develop business continuity plan

2019/20 Q2 & Q3

Resource and Budget Implications

To be led by the Deputy Head of Clwyd Pension and the Pensions Administration Manager and it is hoped that all costs can be met from existing budgets.

G2 - Review administration system contract

What is it?

The Fund has a rolling one year contract with Aquila Heywood 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. 2016 actuarial valuation, implementing iConnect and scheme/GMP reconciliation) and to tie in with end dates of existing add-on modules within Altair, it was agreed as part of the 2017/18 business plan to defer this until 2019/20. In recent months, a feasibility study has been carried out into whether a national framework can be put in place for LGPS administration systems. CPF has been participating in carrying out this study. It is therefore recommended that CPF participates as a founding authority in the development of the national framework (assuming it proceeds) and then carries out the CPF tender for the administration system once that framework is in place. It is hoped that this will allow a new contract to be appointed to before the end of 2020/21.

Timescales and Stages

Take part in national framework for pensions administration system and conduct tender for CPF administration system	2019/20 & 2020/21
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Resource and Budget Implications

To be led by Pension Administration Manager and Principal Pensions Officer - Technical. Any associated costs or assistance from advisers will be considered nearer the time.

G3 – Review/Tender Investment Consultancy and Independent Adviser Contracts

What is it?

The Fund's investment consultancy and independent Adviser contracts reached their initial break point on 31 March 2017 albeit, due to Government changes to investment regulations, asset pooling, the implications of MIFID II and other Fund priorities, they were extended for a total of 3 years (to 31 March 2020) to provide stability and consistency of approach. For these reasons the contracts will be reviewed during 2019/20. This will initially involve a review of whether the existing services should be retendered in their current format or whether there is a more appropriate consultancy contracts that could be put in place.

Timescales and Stages

Review appropriateness/decide format of future contracts	2019/20 Q3
Conduct tender for services	2019/20 Q4

Resource and Budget Implications

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

G4 - Review appointment of Pension Fund Committee Representatives and Local Board 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 currently appointments will be subject to review as follows:

- Two scheme employer representatives – July 2020 (five year point)
- Scheme member representative (trade union) – October 2020 (three year point)
- Scheme member representative (non-trade union) – July 2021 (assumed three year point)

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 2014 and may be reappointed for further terms. However their existing appointments will need reviewed by July 2020.

Timescales and Stages

Review and recruit current Pension Board representatives (2 x employer plus trade union scheme representative)	2019/20 Q4 & 2020/21 Q1/2
Review existing Pension Fund Committee representatives	2019/20 Q4 & 2020/21 Q1/2
Review Pension Board scheme member representative (non-trade union)	2021/22 Q1/2

Resource and Budget Implications

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

G5– 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 policies and the due dates for their reviews are as follows:

Policy	Last reviewed	Next review due
Governance Policy and Compliance Statement	March 2017	March 2020
Risk Policy	September 2017	September 2020
Conflicts of Interest Policy	September 2018	September 2021
Procedure for Recording and Reporting Breaches of the Law	November 2018	As and when deemed appropriate
Training Policy	November 2018	November 2021

Timescales and Stages

Governance Policy and Compliance Statement	2019/20 Q4
Risk Policy	2020/21 Q2
Conflicts of Interest, Breaches and Training Policies	2021/22 Q2/3

Resource and Budget Implications

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

G6 – Outcome of Scheme Advisory Board separation / efficient governance review

What is it?

The national LGPS Scheme Advisory Board (SAB) is carrying 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 is investigating options for change regarding the separation of LGPS pension funds and their host authorities for consideration prior to potentially making recommendations to the Secretary of State. The key options being considered include:

- Separation within the existing functions – greater ring-fencing of pension fund officers within a discreet organisational unit with a dedicated senior officer, potentially including separation of the section 151 officer role for the pension fund,
- Separation via new structures – the responsibilities of the administering authority would be delegated entirely to an alternative body that would retain democratic accountability in some form.

The impact of this project on CPF is clearly uncertain at this point and the timescales will depend on the final proposals and how MHCLG respond to them. It is estimated that any impact will fall into 2020/21 or later years.

Timescales and Stages

Respond to any requirements as a result of LGPS national separation project	2020/21 & 2021/22
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Resource and Budget Implications

The costs are uncertain at this stage in time.

Funding and Investments (including accounting and audit)

Ref	Key Action –Task	2019/20 Period				Later Years	
		Q1	Q2	Q3	Q4	2020/21	2021/22
F1	Review CPF's Responsible Investment Policy	x	x	x			
F2	Cash Flow and Liquidity Analysis	x	x	x	x		
F3	Triennial Actuarial Valuation and associated tasks	x	x	x	x		
F4	Review of Investment Strategy	x	x	x	x	x	
F5	Asset Pooling Implementation	x	x	x	x	x	
F6	Employer Risk Management Framework		x	x			
F7	Interim Funding Review						x

F1 –Review CPF's Responsible Investment Policy

What is it?

The Fund has had in place a Responsible Investment policy/Sustainability Policy for several years, and this is contained within the Investment Strategy Statement. Responsible Investing or investing in a sustainable way has moved into the mainstream in recent years. It is now generally accepted that, at the very least considering Environmental, Social and Governance (ESG) factors/risks within the investment process is entirely appropriate for institutional investors. As the market has moved significantly in recent years, it is appropriate for CPF to review its existing policies to ensure they remain appropriate, and relevant. As part of the review CPF will need to consider, and input into, the policies being created by the Wales Pension Partnership, as this will be the implementation vehicle.

Timescales and Stages

- Responsible Investing Training session for CPF Committee 2018/19 Q4
- Work with consultants/advisers to review existing policies 2019/2020 Q1/2
- Present revised policies to CPF Committee 2019/2020 Q2/3

Resource and Budget Implications

Costs and resources for the review are contained within existing plans/budgets. Officers will review with support from Investment consultant.

F2 –Cash Flow and Liquidity Analysis

What is it?

The Fund has a significant number of factors to consider when looking at cash-flow requirements. These include contributions from employees and employers, payments to pensioners and transfer values in and out. On the investment side this includes income/dividends receivable from investments, commitments to Private Markets require regular draw-downs and repayments of investments, and transition of existing investments can also require cash.

As a result of all of these moving parts it is to ensure that the Fund has sufficient cash flow to meet all its commitments, but without maintaining a significant balance in cash which would, potentially be a drag on investment returns.

This assessment of cash flow and liquidity therefore has a number of elements, including input from the Actuary’s analysis of the Fund’s assets and liabilities as at 31 March 2019. This process will form the basis of information for the Funding and Risk Management Group which will be working to assess how the cash flow requirements of the Fund can be best met through a designated asset allocation structure within the risk management framework.

In addition to this, the CPF’s Investment Consultant, JLT is undertaking a review of the In-house Private Markets portfolio within the first few months of 2019, and this will include a significant focus on future cash flow requirements to meet existing and future commitments.

The final piece in the analysis will be incorporated into the review of the Fund’s Investment Strategy. As part of the work on reviewing the strategy the Fund’s Investment Consultant will review the liquidity of the asset portfolio versus the projected cash flow requirements.

All of these individual elements will ensure that CPF is well placed in terms of cash flow and will be able to design and implement an efficient mechanism to manage the demands/requirements going forward.

Timescales and Stages

Actuarial assessment of benefits cash flows (in conjunction with the 2019 valuation)	2019/20
Funding Risk Management Group	2019/20
Review of Private Markets cash flow requirements	Concluding Q2 2019/20
Review of Investment Strategy	2019/20

Resource and Budget Implications

The cost of this work is included within the Fund’s budgets for 2019/20 and will include significant input from the Actuary and Investment Consultant.

F3 – Triennial Actuarial Valuation and associated tasks

What is it?

It is the formal actuarial valuation of the Fund detailing the solvency position and other financial metrics. It is a legal requirement of the LGPS Regulations. It determines 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. The exercise will include cash flow projections.

Timescales and Stages

Effective date	31 March 2019
Initial whole Fund results (expected)	2019/20 Q2
Individual Employer results (expected)	2019/20 Q2&3
Deadline for agreement of all contributions and sign-off	31 March 2020

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and it will determine contribution requirements for all participating employers from 1 April 2020. It is a major exercise for the Fund and will take a lot of input from the Administration and Finance teams. Employers will be formally consulted on the funding strategy as part of the process. The Fund Actuary's costs in relation to this exercise will be included in the 2019/20 budget.

F4 – Review of Investment Strategy

What is it?

This relates to the triennial review of the Investment Strategy once the Actuarial Valuation has been finalised and the Funding Strategy agreed. If required, there may be a need to undertake a light touch review (asset modelling scenarios) of the Fund's strategy and asset allocation position to feed into the actuarial valuation process.

Timescales and Stages

Triennial review	2019/20 Q1,2 & 3
Implement changes to Investment Strategy	2019/20 Q4 & 2020/21 Q1

Resource and Budget Implications

The majority of work will be carried out by JLT as Investment Adviser together with the CPF Manager and Deputy Head of Clwyd Pension Fund prior to final submission of proposals to Advisory Panel and Pension Fund Committee. Costs of the review are included within the budgets shown.

F5 –Asset Pooling Implementation

What is it?

To enable the Wales funds to pool assets an operator has been appointed to provide the investment infrastructure and advice for the Wales Pension Partnership ("WPP"). A plan will be developed in relation to what and when assets will transition. Then we will need to adapt internal processes and methods as assets transition, and ensure reporting received from the Operator and WPP. The timescales shown below are best estimates and subject to change when the WPP business plan and asset transition plan have been developed.

Timescales and Stages

Undertake and feed into discussions with the Operator regarding structure of underlying asset class options.	2019/20 & 2020/21
Ongoing development and approval of the asset transition plan (reserved matter)	2019/20 & 2020/21
Contribute to the development of the WPP RI Policy and ensure it enables implementation of the CPF RI Policy.	2019/20
Identify impact on and develop internal processes and resources	2019/20 & 2020/21
Approve the WPP's business plan (reserved matter)	2019/20 Q1 (to be confirmed)
Review and feed into suitability of reporting and performance monitoring templates (including meeting the Fund's Responsible Investment Policy and Cost Transparency requirements)	2019/20 Q1/2
Review of how accounts and finances relating to investments - recording, preparation and publishing	2019/20
Understand infrastructure opportunities	2019/20

Resource and Budget Implications

2019/20 and future budgets will include the cost of the Operator. For 2019/20 a provisional amount of £109k has been included for a proportion of the year. Along with budgeted WPP costs of £59k. The Consultant and Adviser budgets include an estimated amount of £42k for expected ongoing advice during the transitional period. The remaining costs will be covered within the internal resource budget.

F6 – Employer Risk Management Framework

What is it?

The Fund is subject to funding risks in respect of employers on an ongoing basis and in particular who cease to participate without being able to recover the full exit contributions due under the Regulations. The Fund is in the process of setting up a monitoring framework to capture any employers that pose a significant risk. The framework will categorise employers into different risk profiles based on their covenant

and funding positions. This will allow officers to identify any potential risk of unrecoverable debt and affordability restraints on contribution requirements. Data requests will be sent to employers in advance of the 2019 valuation so that the latest covenant data can be considered alongside their funding results.

The framework will also consider the outcome of the tier 3 review performed by the Scheme Advisory Board which is expected during 2019 (tier 3 employers are those that do not have tax-payer backing; i.e. colleges, universities, housing associations, charities, admission bodies that do not have a guarantee from a Council, etc.). For the Fund, the potential impact is restricted to colleges and universities.

A dry run of the initial covenant data gathering phase of the framework has been completed as per previous business plans.

Timescales and Stages

Monitoring will be performed alongside the 2019 valuation

Further development of risk framework (in conjunction with the 2019 valuation) 2019/20 Q2/3

Resource and Budget Implications

Managing employer risk will require support from the Fund Actuary. It will involve the officers gathering financial information from all employers regularly to monitor covenant strength and funding positions to inform on which employers pose the greatest risk to the Fund and the remedial actions necessary. The Fund Actuary costs in relation to this exercise have been included in the budget.

F7 – 2022 Interim Funding Review

What is it?

The Government will be moving to a four-year statutory valuation cycle for the LGPS. This is in order to align the LGPS with the cost management assessment undertaken by the GAD. The 2019 statutory valuation will go ahead as normal, however, consideration is being given to a compulsory mid-cycle review of contribution rates in 2021/22, before fully aligning the statutory valuations in 2024. As well as this compulsory interim review it is expected that Funds will have the power to vary contributions mid-cycle and a policy will need to be implemented on this as part of the 2019 valuation.

The ability to change rates mid-cycle will be an important part of the Fund’s risk management as it will allow us to adapt to changing circumstances more readily.

The 2022 interim review will be carried out in the same way as a full actuarial valuation process. It will allow the Fund to update the contribution requirements in the same way as a statutory valuation.

This will ensure that the Fund implements the required contribution changes and captures any affordability concerns or high risk employers.

Timescales and Stages

Carry out interim funding review	2021/22
Results and discussion with employers	2021/22

Resource and Budget Implications

This exercise will be performed by the Fund Actuary. It is an important exercise for the Fund and will involve input from both the Clwyd Pension Fund Administration and Finance teams. It will also involve discussions with the Fund's employers.

Administration (including Communications)

Ref	Key Action -Task	2019/20 Period				Later Years	
		Q1	Q2	Q3	Q4	2020/ 21	2021/ 22
A1	Workforce Review	x					
A2	Project Apple	x					
A3	Develop Under/Over Payment Policies	x					
A4	Review Administration & Communications Strategy Statements	x			x		
A5	Preparation of Member Data for Valuation and Funding Reviews	x	x				
A6	Implement Survivor Benefits Changes	x	x				
A7	Member Tracing	x	x	x			
A8	GMP Reconciliation	x	x	x			
A9	Aggregation Project	x	x	x			
A10	Data Improvement Plan Development / Implementation	x	x	x	x		
A11	LGPS Legal Timescales Analysis	x	x	x	x		
A12	iConnect	x	x	x	x	x	
A13	Employer Relationship Manager (ERM)			x	x		
A14	Trivial Commutation			x	x	x	
A15	Consider success of website, on-line tools and interactive functionality				x		
A16	National Pensions Dashboard				x	x	x
A17	Other Expected National Changes (dates unknown)						

A1 - Workforce Review

What is it?

The resource requirement relating to the Administration Team (including the Employer Liaison Team) were considered during 2019/20 resulting in an increase in posts. These posts are continuing to be filled and this, and the associated training, is likely to continue into 2019/20. The appropriate resources will continue to be monitored during

2019/20 to ensure existing backlogs are reduced whilst implementing ongoing changes to the scheme and striving to meet the Fund's agreed key performance indicators.

Timescales and Stages

Filling vacancies and ongoing training 2019/20 Q1

Resource and Budget Implications

All internal costs are being met from the existing budget albeit any necessary changes to staffing levels or numbers may impact on the budget which will be amended accordingly from time to time, subject to agreement by the PFC.

A2 – Project Apple

What is it?

Due to incorrect Assumed Pensionable Pay figures being provided by an employer, the Employer Liaison and Operations Teams of CPF are recalculating a number of scheme members benefits. This is resulting in some changes to benefits which require rectification and communication with scheme members. The project is expected to be largely finished by 31 March 2019 but it is assumed there will be some final elements that will need completed during the beginning of 2019/20 including verifying the final financial impact on the employer and the Fund, and further testing of the fix to the payroll system.

Timescales and Stages

Completion of delivery of Project Apple 2019/20 Q1

Resource and Budget Implications

The work is being completed by ELT, Operations, Mercers and Aon. All expected costs are outlined in the budgets. The majority of the costs are subsequently being recharged to the affected employer through its employer pension contribution rate.

A3 – Develop Under/Over Payment Policies

What is it?

It is good practice for a pension fund to have clearly agreed policies and procedures relating to how to deal with benefits that have been under or over calculated and, where relevant, under or over paid. This could be for several reasons, including incorrect information being provided by an employer or a scheme member, late notification of a change of circumstances (such as a death of a pensioner) or CPF carrying out a benefit calculation incorrectly. CPF is currently undertaking the GMP reconciliation exercise which is likely to result in benefits being recalculated. It therefore is timely to produce a CPF policy which will consider how members will be dealt with because of the GMP reconciliation exercise, as well as other situations.

Timescales and Stages

Drafting, approval of and implementation of policy 2019/20 Q1

Resource and Budget Implications

The initial drafting work was carried out during 2018/19 by Aon. The majority of the final work will be completed internally and within the budgets shown.

A4 - Review Administration and Communication Strategies

What is it?

The CPF Administration Strategy and Communications Strategy were approved at the March 2016 PFC. The Communication Strategy was due to be formally reviewed in March 2019 but that was deferred due to team member changes. The Administration Strategy was updated in March 2017 and is therefore due for review in March 2020, but this may be carried out as the same time as the Communications Strategy for consistency purposes. They must be reviewed at least once every three years to ensure they remain relevant and up to date. Given the close relationship between the two strategies, it is advantageous to review them at the same point.

Timescales and Stages

Review of Communications Strategy 2019/20 Q1
Review of Administration Strategy (if not done before) 2019/20 Q4

Resource and Budget Implications

This will be led by the Pensions Administration Manager. All costs are being met from the existing budget.

A5 – Preparation of Member Data for Valuation and Funding Reviews

What is it?

The triennial actuarial valuation as at 31 March 2019 requires the pension administration team to provide data to the actuary. This involves additional year end cleansing exercise post 31 March 2019 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 iConnect, dealing with backlogs and carrying out data cleansing since the last valuation.

Timescales and Stages

Preparation of data for 31 March 2019 valuation 2019/20 Q1 & Q2

Resource and Budget Implications

Carried out by the Technical Team in the main with assistance from the rest of the Administration team depending on the requirement. All internal costs are being met from the existing budget.

A6 – 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. The Local Government Association are reviewing the amendment regulations and will issue an impact analysis to LGPS Funds during Q4 of 2018/19 as to how this will affect the administration of survivor benefits in the future and clarifying where previous dependant pensions already in payment need to be re-visited or where a review is required for cases where no dependant pension was paid. Once this analysis has been received, we will be required to carry out a major review of affected cases.

In addition, LGPS Funds need to action the outcome of Elmes versus Essex case where it has been ruled in the High Court that 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.

Timescales and Stages

Tracing, contacting, verifying entitlement and recalculating affected surviving partners 2019/20 Q1 & Q2

Resource and Budget Implications

This project will be absorbed by the Operations Team within Pensions Administration to ensure all surviving partners prior to the regulation change have been reviewed and amended where applicable. Any new cases from the date of the amendment regulations will be dealt with as per the amended legislation and will be treated as business as usual.

A7 – Member Tracing

What is it?

To ensure data accuracy, we periodically carry out a member tracing exercise. This includes carrying out additional verification checks for pensioners living overseas as well as trying to trace members where they appear to have left the address held on

our pension records. The ability to trace members has become more important as the 2014 LGPS introduced a requirement to pay unclaimed refunds of contributions at the point of 5 years since date of leaving to those members who are not entitled to a scheme pension. There are several companies who carry out tracing services for pension schemes and we will therefore carry out a procurement exercise to identify and appoint a suitable supplier.

If we find we are still unable to trace any members and the payments are not made within the required timescales, this could result in the Fund making payments that are not permitted by law or the payments could incur additional tax charges for both the Fund and the scheme member. Therefore another element of this project will be to set up an ESCROW account to facilitate these payments in the future.

Timescales and Stages

Identify members and initiate tender process	2019/20 Q1 & Q2
Establish an Escrow account	2019/20 Q1 & Q2
Carry out initial member tracing/verification exercise	2019/20 Q2 & Q3

Resource and Budget Implications

There will be external costs relating to the appointment of a supplier but these have not yet been identified. Internal costs will be met by existing budget. This is likely to impact internal resources in relation to the initial identification process and the resulting case work.

A8– GMP Reconciliation

What is it?

The government removed the status of "contracted-out" from pension schemes in April 2016. Prior to then, contracted-out pension schemes had to ensure the benefits they paid met a minimum level and one element of this was a Guaranteed Minimum Pension (GMP) figure that accrued individually for each scheme member up to April 1997. Historically pension schemes would go to HMRC to get confirmation of the GMP amount on retirement. However, as a result of the demise of contracted-out status, HMRC will no longer be maintaining GMP and other contracting out member records. This means that the onus will be on individual pension schemes to ensure that the contracting out and GMP data they hold on their systems matches up to the data held by HMRC. HMRC will cease to provide their services from April 2019.

Initial work identified that there were significant discrepancies between the two sets of data (HMRC v CPF), and a significant amount of work is ongoing to determine the correct benefits, ensure all systems are updated and to process a potentially significant number of over/underpayment calculations. After the records are reconciled for former pensionable employees, the Fund must also ensure the accuracy of national insurance information held for active members. All GMP's and national insurance information must be reconciled by dates determined by HMRC. Clwyd Pension Fund decided to outsource this exercise in 2017/18 to Equiniti and the project commenced during that

year. The timescales below are subject to change depending on the magnitude of the work and changes to deadlines by HMRC.

Timescales and Stages

GMP data reconciliation and investigation	2019/20 Q1 & Q2
Reconciliation of national insurance information (Active Members)	2019/20 Q1 & Q2
Benefit correction and system updates	2019/20 Q2 & Q3

Resource and Budget Implications

All costs to be met from the existing budget which includes expected costs for Equiniti who are carrying out the work and who were appointed as part of a procurement exercise. This is likely to impact internal resources in relation to any adjustments to be made to current pension amounts (i.e. under or overpayments) but the impact of this is not yet known.

A9 – Aggregation Project

What is it?

When members move/leave employments there are a number of options available to them and all of these options need to be conveyed to the members concerned. There are approximately 2,000 records where members need to either be informed that their records have been aggregated or be provided with their respective options. Software providers have developed calculations to accommodate these changes. The recent recruitment to the Aggregation Team has facilitated procedures to be put in place to address backlogs and maintain these cases as “business as usual” going forward. Some of the historical cases were outsourced to Mercer for the initial deferment with approximately 500 still outstanding to be returned to the Aggregation Team for completion.

Timescales and Stages

This is a high priority project and will be completed as soon as possible.
Clear cases and eliminate backlog 2019/20 Q1 – Q3

Resource and Budget Implications

All costs to be met from the existing budget which includes expected costs for Mercer who are carrying out some of the work. The rest of the work is to be carried out by the Pensions Administration Team.

A10 – Data Improvement Plan Development and Implementation

What is it?

From 2018/19, the Pension Regulator (TPR) expected all pension schemes to review their common and conditional (now called scheme-specific) and score the quality of that data. To assist customers in undertaking this practical assessment of their data,

both common and /scheme specific Aquila Heywood provided a Data Quality service. This serviced was used during 2018/19 to identify potential issues with the Fund's data. The LGPS Scheme Advisory Board will also be providing guidance on what LGPS scheme specific data should be (to provide consistency in checks between administering authorities).

In addition to measuring and capturing the results of the common and scheme specific data reviews, the Fund will develop a data improvement plan to capture any other elements of data that they consider to be inaccurate and ongoing plans.

Timescales and Stages

Develop initial data improvement plan	2019/20 Q1
Research and correct any data anomalies	2019/20 Q1 – Q4
Review scheme specific data checks based on national LGPS requirements	2019/20 Q1 - Q4

Resource and Budget Implications

To be carried out by the Pensions Administration Team. This may also require input/information from the employers (subject to findings). The data reports are part of the system costs included within the budget.

A11 – LGPS Legal Timescales Analysis

What is it?

Following the implementation of monitoring performance against the seven key legal timescales (as part of the monthly Key Performance Indicators (KPIs) reporting), a full review is being undertaken of our workflow systems and data quality to enable monitoring against a wider range of legal deadlines such as those relating to refunds and divorce. This review will also coincide with the CIPFA Benchmarking KPI review.

Timescales and Stages

Develop further legal timescales reporting process	2019/20 Q1 - Q4
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Resource and Budget Implications

All internal costs are to be met by existing budget. It may be effective to outsource some of the development work to Aquila Heywood but this is not expected to be a material cost, and it is not included in the budget.

A12 - iConnect

What is it?

iConnect is the on-line computer module that allows information to be submitted by employers more directly and efficiently into the pension administration system (Altair). This is being implemented on a phased basis by employer. We have currently on-boarded 25% of our employers including Denbighshire County Council and Flintshire

County Council. Data cleansing work is currently being undertaken to prepare for Wrexham CBC to on-board.

Timescales and Stages

Onboard Wrexham CBC	2019/20 Q1- Q3
Onboard other employers	2019/20 & 2020/21

Resource and Budget Implications

There will be a time and resource commitment required from employers. All internal costs are being met from existing budget. The system cost is also incorporated into the budget. The roll out of iConnect, particularly to Wrexham CBC will involve significant internal resources which may impact on other day to day work.

A13 – Employer Relationship Manager (ERM)

What is it?

This is a tool within the Altair administration system that acts as a directory for all individual employer information that we intend to implement. ERM will streamline where information is held and make it more accessible to the Administration Team. This will reduce paper files and is easier to keep up to date and maintain than existing processes.

Timescales and Stages

This is a lower priority project and will be completed as and when resource allows.

Develop, collate, update and maintain	2019/20 Q3 & Q4
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Resource and Budget Implications

All internal costs are to be met from the existing budget and the cost of ERM is included within the existing systems budget.

A14 - 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	2019/20 Q3 & Q4
Communicate with eligible members and pay lump sums	2019/20 Q3 & Q4
Identify members eligible to commute under £30,000	2020/21
Communicate with eligible members and pay lump sums	2020/21

Resource and Budget Implications

The majority (if not all) of this work may be outsourced to Mercer or another external provider to assist with resourcing. The precise cost of this is as yet unknown but a contingency has been included for 2019/20 within the budget to cover potential costs. It will also require input by the Technical Team with some assistance from the Operational Team, with any such input being focussed on the later stages of the project. All internal costs are to be met by existing budget.

A15 – Consider success of website, on-line tools and interactive functionality with employers and scheme members

What is it?

Consider the success of new systems that have been implemented, including the new website, Member Self Service, iConnect and TEC (the Technical Education Centre which provides on-line training), and decide if any further development or systems should be put in place.

Timescales and Stages

Identify outcomes and any further development	2019/20 Q4
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Resource and Budget Implications

To be completed by the Communications Principal Pensions Officer. Internal costs are being met from the existing budget.

A16 – 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 expectation is that Master Trust DC schemes will be invited to voluntarily participate with the Pensions Dashboard in 2019. It is predicted that legislative requirements to participate in the Pension Dashboard for schemes (including public sector schemes) will be forthcoming and the consultation proposed that all schemes should be onboarded to the Pensions Dashboard in the next 3-4 years. Ongoing engagement with public sector schemes as well as the need for the Government's response to the consultation means that the timescales below are estimated.

Timescales and Stages

Development and testing of software	2019/20 Q4 & 2020/21
Potential target launch	2021/22

Resource and Budget Implications

Resource and budget implications cannot be determined until more detail is available.

A17 - 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.

Fair deal

What is it?

In May 2016 MHCLG 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 scheme 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 compulsory transferred from an LGPS employer, even if the outsourced provider is outsourced a second time (and removal of the option of a broadly comparable scheme). Within the 2019 consultation, there are also proposals about automatically transferring LGPS assets and liabilities when scheme employers are involved in a merger or takeover. This consultation closes on 4 April 2019. This will not be progressed further until final regulations are made.

Indexation and Equalisation of GMPs

What is it?

A recent court case determined it is necessary to revisit pension benefits for scheme members who have accrued GMPs to ensure the equal treatment between men and women. This was (in the main) pre-empted by the LGPS and a consultation on indexation and equalisation of GMPs has determined that the current position that has been used to deal with indexation up to 5 December 2018 has been extended for a further 2 years and 4 months. (This was to be reviewed for 6 December 2018 as this

was the date when state pension age equalised to age 65 for both genders). The extension of current rules will now cover those members with a GMP who reach state pension age between 6 December 2018 and 5 April 2021 where full indexation will be applied to their full pension value regardless of whether there is a GMP element to it. Alternative options of conversion, case by case, and continuation of full indexation will be investigated to see if it will be implemented from 6 April 2021 and further guidance will be provided to LGPS Funds when a decision is made. However, conversion seems to be the most favourable option.

Cost Cap Exercise

What is it?

Public Sector Pension Schemes (including LGPS) have been designed to ensure sustainability for 25 years. LGPS has a 2% buffer either side of 19.5% for employer future service pension rates. On 6 September 2018 it was announced that the buffer had been breached which means that LGPS is currently under review in order to bring it back to within tolerance. Possible scheme change recommendations to address this issue include: removal of tier 3 ill health retirement, death in service lump sum to be no lower than £75,000, reduction in early retirement factors, change to CARE revaluation method, reduction in employee contribution rates. In turn, employer contribution rates could increase. Any scheme changes were originally to be effective from 1 April 2019. However, as at 30 January 2019 the Government has published a written statement which announces a pause in the cost cap exercise pending the outcome of a Supreme Court appeal regarding the McCloud case. The McCloud case has highlighted that the introduction of the new benefit structure which included benefit calculation underpins to safeguard older scheme members in both the Firefighters and Judges schemes were unlawful. This could impact on other public service pension schemes including the LGPS.

Timescales and Stages

Implementation of any scheme changes

TBC

Resource and Budget Implications

Most scheme changes will have an impact on the CPF administration system, Altair, as any new factors, calculations etc will need to be updated into the pension software. As the cost cap exercise is currently on hold and may not be resolved until 2020 with a view to backdating it to 2019, this would cause more project work for Clwyd Pension Fund as we would have to go back over a scheme year of work to make amendments to pension records retrospectively. There would also be a period where manual calculations will be needed until the software has been amended. Changes as a result of court case judgements tend also to be very cumbersome due to the need to make retrospective changes.

Depending on the scheme changes, this could have a direct effect on employers and these changes will need to be communicated to them urgently as soon as they are confirmed, e.g. changes to employee contribution rates will need to be updated in employers' payroll software. The expected changes are also likely to impact on employer costs.

Employer Liaison Team

Ref	Key Action -Task	2019/20 Period				Later Years	
		Q1	Q2	Q3	Q4	2020/ 21	2021/ 22
E1	Review processes	x		x			
E2	Ongoing development of workflow reporting	x			x		
E3	Design financial reporting and recharge procedures	x	x				
E4	On-board Wrexham CBC to iConnect	x	x				
E5	Plan for ELT further business and review of resources	x	x				
E6	Review of Agreements	x	x			x	x

Understanding the continuing pressure on resources and budgets for employers and the administering authority, the Clwyd Pension Fund offer 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. The ELT will be monitored and progress reported on a regular basis. All costs will be met by employers through their employer contribution rate, following the task reporting process. Resources will may need to be adapted to match demand depending on ongoing employer uptake. The total budget allocated for 2019/20 is £213k which will cover all of the following unless indicated otherwise.

E1 – Review processes

What is it?

Checking reports from employer payroll systems are comprehensive and accurate. Covering all requirements including Audit. Potentially extend current reporting and automate/streamline other processes.

Timescales and Stages

Review FCC processes following job transfer updates	2019/20 Q1
Review procedures following iConnect with Wrexham CBC	2019/20 Q3

E2 – Ongoing development of workflow reporting

What is it?

Making sure processes for recording completed work, are accurate and meet the legal requirements and service standards within the ELT Agreement and provide appropriate monthly and annual reporting for employers and internal workflow management purposes.

Measuring the outstanding cases and reviewing the progress, as follows:

- Proportion of outstanding cases completed per employer against service standards
- Volume of cases completed and any recording and/or reporting of breaches of the law

Timescales and Stages

Review and recommend updates	2019/20 Q1
Review updated procedures	2019/20 Q4

E3 – Design financial reporting and recharge procedures

What is it?

Consider the staff time spent and tasks completed in order to break down charges to be applied to each employer as part of 31 March 2019 actuarial valuation.

Timescales and Stages

Review timesheets to formulate reporting and recharge procedures	2019/20 Q1/2
Provide costs to employers and actuary	2019/20 Q2

E4 – On-board Wrexham CBC to iConnect

What is it?

Wrexham CBC, ELT and the Operations Team are all keen to onboard Wrexham CBC to iConnect. However this will be a major onboarding including the supply (manually) of significant volumes of missing data, in order to match records between the employer’s payroll system and the iConnect software in preparation for automatic monthly uploads going forward.

ELT will:

- consider and estimate how many cases can be completed per month to show how historical cases will be cleared up in addition to maintaining business as usual.
- establish adjustments required to accommodate Wrexham CBC transfer to iConnect and data cleaning involved.

Timescales and Stages

Continue reviewing inconsistencies, working through spreadsheets	2019/20 Q1
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Continuous refining of mismatches going forward	2019/20 Q2
Review cases completed and project according to staffing levels	2019/20 Q1/2

E5 – Plan for ELT further business and review of resources

What is it?

Consider capacity of the ELT and review the service standards being recorded against other Fund employers with a view to offering the ELT service to a wider range of employers.

Timescales and Stages

Consider current and potential staffing levels	2019/20 Q1
Review service standards and open contact with potential new ELT serviced employers	2019/20 Q2

E6 – Review of Agreements

What is it?

Periodic review of the scope of the agreements for each employer taking into account iConnect requirements and scope/success of ELT service to date.

Timescales and Stages

Fundamental review of agreement - FCC	2019/20 Q1
Whistle-stop review to address any issues/new requirements - FCC	2020/21 Q1
Fundamental review of agreement – Wrexham CBC	2019/20 Q2
Whistle-stop review to address any issues/new requirements – Wrexham CBC	2020/21 Q2