

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