Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Gweinyddwyd gan
Administered by
Cyngor Sir y Fflint
Flintshire County Council

CLWYD PENSION FUND: ANNUAL REPORT 2021/22

Clwyd Pension Fund Annual Report 2021/22

Contents Page

Section 1

Return to Contents

Introduction to the Clwyd Pension Fund Annual Report 2021/22

Welcome to the Clwyd Pension Fund (the Fund) Annual Report for 2021/22.

The report covers in detail the activities of the Fund during 2021/22. Although the Fund did not experience the same level of business disruption as 2020/21 it was another challenging year and despite continued remote working for the team, and international financial market instability arising from the conflict in Ukraine and more recently, rising inflation, the Fund has continued to operate in a secure and efficient way and we have continued to meet the needs and expectations of our members and employers.

I am pleased to confirm that during the year the Fund maintained a fully funded position and continues to be ahead of timetable, which remains an outstanding achievement given external market factors. We will seek to consolidate and build on this position and await the outcomes of the Actuary's triennial valuation assessment and an Investment Strategy Review during the year ahead, which will shape the Fund's strategic direction going forwards.

I would like to thank all those involved in the governance and management of the Fund for their continuing hard work and dedication, including Colin Everett, the former Chief Executive of Flintshire County Council who was a member of the Advisory Panel.

I do hope that you find the report interesting and informative.

Cllr Ted Palmer

Chair of the Clwyd Pension Fund Committee

Section 2

Return to Contents

Summary by the Head of Clwyd Pension Fund

This section of the report highlights some of the main elements of this year's Annual Report, and explains how to use the report to find more information about the activities and performance of the Fund during the year, along with some of the challenges and risks which the Fund faces moving forward.

Governance, Training and Risk Management

Flintshire County Council is the Administering Authority for the Fund, and delegates responsibility for running the Fund to a Pension Fund Committee. The work of the Committee is supported by a Pensions Advisory Panel. In addition, a Pension Board, chaired by the Fund's Independent Advisor, assists the Committee in ensuring compliance with legislation and the Pension Regulator's requirements in addition to ensuring efficient governance and administration of the Fund. Against the continued backdrop of the COVID-19 pandemic, the Committee, Advisory Panel and Pension Board have again continued to function effectively during 2021/22.

The Fund is required to produce an Annual Governance Statement and this is found in Section 3 of this report.

The Fund's Knowledge and Skills Policy ensures that those charged with Governance including senior officers of the Fund have the appropriate knowledge and skills to ensure the Fund is appropriately managed. Attendance at training is recorded and monitored to ensure that the training is fully effective.

The risk landscape within which the Fund operates is complex and the risks which the Fund faces are often as a result of events outside the Fund's control. This was evident in the risks arising from the potential impact of the COVID-19 pandemic. The Fund has a well-established and effective approach to risk management, including maintaining a risk register which is regularly monitored and reported to those charged with governance.

The Governance, Training and Risk Management Report, the Independent Advisor Report and the Pension Board Annual Report are found in Appendices 1-3 respectively in this report.

Funding

Despite volatility during the year caused by the pandemic globally, the conflict in Ukraine and more recently, the impact of rising inflation, the funding position has improved slightly during the year relative to the 31 March 2021 position, and by the end of the financial year it was estimated to still be fully funded, which is ahead of the 2026 target date for full funding.

A key part of the Funding Strategy Statement is the Fund's Flightpath Strategy, which is designed to provide stability of funding and stability to employer contribution rates in the long term. This has been monitored and revised during the year to ensure its continuing effectiveness.

Future challenges in respect of funding include:

- maintaining the funding level
- managing the impact of a very challenging global economic outlook, in particular rising inflation and interest rates, when considering the 2022 valuation outcomes
- considering the impact of climate change on the funding strategy (via modelling to be undertaken as part of the 2022 valuation)

The funding position (and contribution outcomes for all employers) are being reviewed in full by the Actuary as part of the 31 March 2022 actuarial valuation (with new rates becoming effective from 1 April 2023). The Funding Strategy Statement will also be updated and consulted on with employers as part of the valuation process.

Further details of the funding position can be found in the Funding and Flightpath Review which is Appendix 5 to this report.

Investment

Investment activity operates within the objectives defined by the Investment Strategy Statement (which was reviewed during 2021/22 and updated in February 2022). Each of these objectives reflects the Fund's desire to incorporate sustainability and act as a Responsible Investor in its investment approach.

During 2021/22 the Fund's investments returned 13.3% despite the volatility in the global markets caused by the ongoing COVID-19 pandemic, the conflict in Ukraine and rising inflation. Given the volatility experienced in recent years, it's important to view performance in the context of longer-term performance. Overall, the investments returned 9.9% per annum over the three years to March 31st 2022, compared to a benchmark of 8.9% per annum. The performance is also well ahead of the assumption of growth in the Funding Strategy Statement which is Consumer Price Index plus 2.25% per annum.

In light of the Ukraine conflict, Wales Pension Partnership committed to divest from Russian stocks as soon as was practical. In the absence of being able to divest from such stocks directly, as at 31 March 2022, such stocks in the Global Opportunities Equity Fund and the Emerging Market Equity Fund had been written down to nil and the impact of this emerges in the year-end asset values quoted in this report.

Key investment performers during the year were the Tactical Asset Allocation Portfolio (20.3%), along with the Cash and Risk Management Framework (17.9%), and the Private Market assets, which returned 26.4%. The Fund's total equity mandates returned 2.3%.

During the year the Fund continued to transition assets to the Wales Pension Partnership in line with its commitment to pooling of LGPS assets.

The Fund has continued to progress significantly on work relating to the Responsible Investment Priorities in the Investment Strategy Statement (updated in 2022). In particular the Fund has approved a strategy to achieve net-zero carbon emissions from its portfolio by 2045, with an interim target of carbon reduction of 50% by 2030. The Fund continues to educate its Committee members to aid their understanding of Responsible Investment. The Fund continues to deploy capital into sustainable and local investments and engages with asset managers in relation to Responsible Investment principles.

Against the backdrop of continued market volatility in the early part of 2022/23, the 2022 actuarial valuation, and the current stagflationary environment, the investment strategy will be reviewed again later in 2022/23.

Further details of the investment activity may be found in the Investment Policy and Performance Report which is Appendix 6 to this report. The current Investment Strategy Statement can be found in Appendix 11.

Administration

The Administration and Communication Strategies frame the work of the Fund's Administration Team. The Administration Strategy was updated in March 2021, consolidating information previously held in employer Service Level Agreements. The Communications Strategy was updated in 2021/22 (approved June 2022) and reflects advances in technology to aid communications with stakeholders.

On a day to day basis, the Administration Team provides a service covering the calculation and payment of benefits, transfers in and out of the Fund, the maintenance of individual members' records and communications and advice to members and employers. During the year, around 31,000 cases involving all activities across the team were completed. During 2021/22 the Team has continued to deliver a high quality service despite the ongoing challenges posed by the impact of the COVID-19 pandemic.

In addition to this work, the Team has been working on a number of projects designed to improve the quality of the service provided to members and employers:

- continuing to develop and implement a data improvement plan. Data Quality is improving and progress against the plan will continue to be monitored
- developing further Key Performance Indicators (KPIs) to help improve performance monitoring
- continuing the roll out of the i-Connect system, allowing employers to directly enter and update information to the Fund's database. At 31st March 2022, 99% of member information was being updated by employers using the i-Connect system.
- improving accessibility to the Fund's website, and the quality of the website generally
- working closely with employers on compliance statements and through the Employer Liaison Team
- establishing a McCloud Programme to implement the remedy for the Fund once the LGPS regulations are amended (with the initial focus being on collecting historical data from employers)

The Fund continues to monitor performance using KPIs and introduced 6 new KPIs during 2021/22.

In addition to those mentioned above, the Administration Team faces a number of challenges going forward. Key amongst these are:

- involvement in the development of a new National Pensions Dashboard
- responding to possible changes resulting from the Cost Management Process and the proposed increase in minimum retirement age from April 2028.

Further details of the administration of the Fund may be found in the Administration Report which is Appendix 4 to this report.

Finance

The total net assets of the Fund (excluding cash) at 31st March 2022 was £2,376m. Total contributions for the year from members and employees together with transfers into the Fund were £92m, with benefits and other payments to members £88m. Total management expenses paid by the Fund were £26m, with an increase in the Funds market value and income of £263m. The Fund continues to transition assets to the Wales Pension Partnership with the intention of saving costs and improving returns on investments, and this will continue in 2022/23.

The Fund continues to operate within its budget. Key variances against budget during the year were underspends on manager fees, actuarial fees, administration employee costs and direct costs associated with the employer liaison team. Pooling fees were higher than budgeted for given the further transition of assets to the Wales Pension Partnership over the year.

Further details of the Fund's finances can be found in the Fund's Statement of Accounts which is Appendix 7 to this report, and the Financial Report which is Appendix 8.

Other information

Four key strategy statements also form part of this report. They are the Governance and Compliance Statement (Appendix 9), the Funding Strategy Statement (Appendix 10), the Investment Strategy Statement (Appendix 11) and the Communication Strategy Statement (Appendix 12).

The following documents may also be found on the Fund's website at: https://mss.clwydpensionfund.org.uk/home/investments-and-governance/

- Business Plan
- Administration Strategy
- Breaches Policy
- Conflicts of Interest Policy
- Knowledge and Skills Policy

Overall, despite a challenging year, the Fund has improved both financially and with the service provided to our members and employers. We will seek to both consolidate and improve in 2022/23 in line with the Fund's Mission Statement.

Philip Latham
Head of Clwyd Pension Fund

Clwyd Pension Fund Mission Statement

We will be known as forward thinking, responsive, pro-active and professional providing excellent customer focused, reputable and credible service to all our customers.

We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.

We will work effectively with partners, being solution focused with a can do approach.

Appendix 1 - Governance, Training and Risk Management

Return to Contents

Introduction

This report covers the way in which Clwyd Pension Fund (the Fund) is governed, which includes how the knowledge and skills requirements of those charged with the governance and operations of the Fund have been met. It also details the key partners of the Fund and how the Fund approaches with risk management.

The Fund has a number of governance related policies and strategies which outline the strategic governance objectives in these areas and how they will be managed and delivered. These are:

Governance Policy and Compliance Statement

- Risk Policy
- Conflicts of Interest Policy
- Knowledge and Skills Policy
- Procedure for Recording and Reporting Breaches of the Law.

Another key document is the Fund's three-year Business Plan. The version relating to 2021/2022 to 2023/2024 was approved at the Pension Fund Committee in March 2021.

The latest versions of these documents can be found in the Strategies and Policies section of the Fund's website -

https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/

Governance Structure

Background

To carry out the responsibilities relating to the management of Clwyd Pension Fund, Flintshire County Council, as Administering Authority to the Fund, has established a formal Pension Fund Committee (the Committee), supported by a Pensions Advisory Panel (the Panel). The Committee includes both scheme member and employer representatives who have full voting rights. In performing its role the Committee takes advice from the Panel (a group of officers and professional advisors). The Committee has a scheme of delegation to officers to ensure efficient management and timely decision making on urgent matters between meetings.

It receives monitoring reports at each quarterly Committee against the Governance, Funding, Investment, Administration and Communication Strategies and progress against the Fund's three-year Business Plan. The agenda, reports and minutes for each Committee meeting are available on the Flintshire County Council website – www.flintshire.gov.uk. The membership of both the Committee and the Panel are shown below.

Flintshire County Council has also established the Clwyd Pension Board (the Board). The role of the Board as defined in regulation is to assist in:

- securing compliance with legislation and the Pensions Regulator's requirements and
- ensuring effective and efficient governance and administration of the Fund.

The minutes of the Board's meetings are included in the Committee agenda papers and Board members often attend Committee, making an important contribution to debates and discussion. The Board annual report is included within this Annual Report.

Further information about the Board can be found on the Fund's website https://mss.clwydpensionfund.org.uk/home/investments-and-governance/local-pension-board

Clwyd Pension Fund Committee

Committee Members		
Flintshire County Council	Cllr Ted Palmer (Chair)	
Flintshire County Council	Cllr Haydn Bateman (Vice Chair)	To May 2022
Flintshire County Council	Cllr Dave Hughes (Vice Chair)	Appointed May 2021 and appointed Vice Chair May 2022
Flintshire County Council	Cllr Billy Mullin	To May 2021
Flintshire County Council	Cllr Jason Shallcross	Appointed May 2022
Flintshire County Council	Cllr Ralph Small	To May 2022
Flintshire County Council	Cllr Antony Wren	Appointed May 2022
Flintshire County Council	Cllr Tim Roberts	To May 2022
Flintshire County Council	Cllr Sam Swash	Appointed May 2022
Denbighshire County Council	Cllr Julian Thompson - Hill	To May 2022
Denbighshire County Council	Cllr Gwyneth Ellis	Appointed May 2022
Wrexham County Borough Council	Cllr Nigel Williams	To May 2022
Wrexham County Borough Council	Cllr Anthony Wedlake	Appointed May 2022
Scheduled Body Representative	Cllr Andrew Rutherford	
Member Representative	Mr Steve Hibbert	

Advisory Panel

Panel Members	
Chief Executive (FCC) (to 31 October 2021)	Colin Everett
Corporate Finance Manager/ S151 Officer (FCC)	Gary Ferguson CPFA
Senior Manager – Human Resources and Organisational Development (from 1 November 2021)	Sharon Carney
Head of Clwyd Pension Fund (FCC)	Philip Latham
Investment Consultant (Mercer)	Kieran Harkin
Fund Actuary (Mercer)	Paul Middleman FIA
Independent Advisor (Aon)	Karen McWilliam FCIPP

Clwyd Pension Fund Board

Local Board Members		Voting Rights
Independent Chair	Karen McWilliam	X
Employer Representative	Steve Gadd	√
Employer Representative	Steve Jackson	√
Scheme Member Representative	Phil Pumford	√
Scheme Member Representative	Elaine Williams	√

Investment Managers

The Fund has a number of investments with managers investing in Property, Private Equity, Private Debt, Infrastructure, Timber & Agriculture which are listed in the Investment Policy & Performance section of this report.

Investment Managers	Address
BlackRock	12 Throgmorton Avenue, London
Insight Investment	160 Queen Victoria Street, London
Man Group	Riverbank House, 2 Swan Lane, London

Investment Managers	Address
Wellington Management International Ltd	Cardinal Place, 80 Victoria Street, London
Russell Investments	Rex House, 10 Regent Street, London

Other Key Partners

Service	Address
Custodian: Bank of New York Mellon	160 Queen Victoria Street, London
Actuary and Benefit Consultants: Mercer Ltd	4 St Paul's Square, Old Hall Street, Liverpool
Investment Consultant: Mercer Ltd	12 Booth Street, Manchester
Independent Advisor: Aon Solutions UK Ltd	122 Leadenhall Street, London
External Auditors: Audit Wales	24 Cathedral Road, Cardiff
Bank: National Westminster Bank plc	48 High Street, Mold
AVC Provider: Prudential	121 King's Road, Reading
AVC Provider: Utmost Life & Pensions	Utmost House, 6 Vale Avenue, Tunbridge Wells
Legal Advisors: This varies depending on the issue and can include the Flintshire County Council in-house legal team as well as organisations listed on the LGPS National Legal Services Framework.	

Clwyd Pension Fund Contact Details

Name	Post	Contact details
Philip Latham	Head of Clwyd Pension Fund	(01352) 702264
Debbie Fielder	Deputy Head of Clwyd Pension Fund	(01352) 702259
Karen Williams	Pensions Administration Manager	(01352) 702963
Pensions Administration	pensions@flintshire.gov.uk	(01352) 702761
Pensions Finance	pensionsinvestments@flintshire.gov.uk	(01352) 702812

Knowledge and Skills

Clwyd Pension Fund Knowledge and Skills Policy

There is a growing need for LGPS Pension Committee members, Pension Board members and officers to have the knowledge and skills to ensure LGPS funds are appropriately managed, and decisions around their management are robust and well based. This need is being emphasised in codes of practice and guidance including by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Pensions Regulator (TPR) as well as various elements of legislation.

The Fund has a well-developed Knowledge and Skills Policy which was updated in September 2021 to reflect the latest CIPFA Code of Practice and guidance. It details the knowledge, skills and training strategy for members of the Committee, the Board and senior officers responsible for the management of the Fund. It has been created to provide a formal framework and greater transparency on how the relevant knowledge and skills are acquired and retained in accordance with the Fund's aspirations and national requirements. It aids existing and future Committee members, Board members and senior officers in their personal development and performance in their individual roles, providing a structure which will ensure that the Fund is managed by individuals who have the appropriate levels of knowledge and skills. Details of how to access the Knowledge and Skills Policy are included in the contents page of this Annual Report.

Training Performance 2021/22

The Fund has a Training Plan which is provided to both Committee and Board Members and details all the training to be covered during the year. Due to continuing restrictions on face to face events, Members were provided training where possible by virtual platforms. During the year some conferences were held virtually and others in hybrid format, and many providers continued to offer webinar training events which some of the Committee and Board chose to attend.

In order to monitor the knowledge and skills and identify whether we are meeting the objectives of the Fund’s Knowledge and Skills Policy, we monitor and report on attendance at training events based on the following:

a) Individual Training Needs – ensuring a training needs analysis is carried out at least once every two years which drives the content of the Fund's Training Plan.

b) Hot Topic Training –targeting attendance by at least 75% of the required Pension Fund Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focused at a particular group of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.

c) General Awareness – each Pension Fund Committee member, Pension Board member or senior officer attending at least one day each year of general awareness training or events.

d) Induction training – ensuring areas of identified individual training are completed within six months of appointment.

Actual performance in 2021/22 was as follows:

a) Individual Training Needs – The last training needs analysis was completed in the Spring of 2020, which drove the training completed over 2020/21 and 2021/22. This biennial analysis is due to take place again in summer or autumn of 2022 to assess training needs over the next two years. Although this is outside of the two year target, it was deferred due to the Welsh local authority elections in May 2022 which could impact on membership of the Pension Fund Committee.

b) Hot Topic Training – Of the designated hot topic training sessions, attendance has been as follows:

Course	Committee		Board	
	No	**% attendance**	**No**	**% attendance**
Funding / Flightpath I	7	78%	1	20%
Fossil Fuel and Divestment	9	100%	4	80%
Responsible Investment Roadmap	8	89%	3	60%
Funding / Flightpath 2	3	33%	2	40%
Conflicts of Interest	7	78%	5	100%
Cyber Security	8	89%	5	100%
Tax / Annual Allowance	7	78%	5	100%

As can be seen, in the majority of cases the target attendance was achieved and attendance in general was higher than in 2020/21 even though there were more Hot Topic sessions in 2021/22 (7 compared to 3 in 2020/21).

c) General Awareness - Out of the combined 14 Committee and Board members, 10 (71%) completed at least one general awareness day in accordance with the policy. In percentage terms this is a decline from the previous year (when 10 out of 13 attended at least one day). We believe this is due to time constraints and possibly fewer training opportunities due to the ongoing pandemic.

d) Induction Training – Induction sessions were completed by May 2021 for 4 new members (3 Committee and 1 Board) who were elected in the 2020/21 year. The sessions were delivered within six months of joining for all but 1 of the new members. Recordings of the sessions were made available for those not able to attend. Similar training is currently taking place for the new members elected at the 2022 Welsh elections.

The following table details all the training provided to members of the Committee during 2021/22 to satisfy the requirements of the Knowledge and Skills Policy. This includes Committee meetings attended and relevant training sessions, conferences and seminars. Board Members also received and completed relevant training in line with the Policy, details of which are included in the Pension Board Annual Report.

Date	Event	Committee Members									
		Cllr T Palmer	Cllr H Bateman	Cllr B Mullin*	Cllr R Small	Cllr T Roberts	Cllr N Williams	Cllr J Thompson-Hill	Cllr D Hughes*	Cllr A Rutherford	S Hibbert
	Meeting										
Nov 21	Annual Joint Consultative Meeting				✓				✓	✓	✓
Jun 21	Committee meeting June	✓	✓		✓	✓	✓	✓	✓		✓
Sep 21	Committee meeting September	✓	✓			✓	✓	✓	✓	✓	✓
Nov 21	Committee meeting November	✓	✓		✓	✓		✓	✓	✓	✓
	Hot Topic										
Apr 21	Funding / Flightpath I	✓	✓	✓	✓	✓	✓				✓
May 21	Fossil Fuel and Divestment	✓	✓	✓	✓		✓	✓	✓	✓	✓
May 21	Responsible Investment Roadmap	✓	✓	✓	✓		✓	✓		✓	✓
Jul 21	Funding / Flightpath 2								✓	✓	✓
Nov 21	Conflicts of Interest	✓	✓		✓			✓	✓	✓	✓
Dec 21	Cyber Security	✓	✓		✓	✓	✓		✓	✓	✓
Jan 22	Tax / Annual and Lifetime Allowances	✓	✓		✓	✓			✓	✓	✓
	General Awareness										
May 21	PLSA Conference May 2021										✓

Date	Event	Committee Members									
		Cllr T Palmer	Cllr H Bateman	Cllr B Mullin*	Cllr R Small	Cllr T Roberts	Cllr N Williams	Cllr J Thompson-Hill	Cllr D Hughes*	Cllr A Rutherford	S Hibbert
Jun 21	LGC Conference										✓
Jun 21	Sustainable Investment Forum Conference										✓
Jun 21	PLSA ESG Conference June 2021									✓	✓
Jul 21	PLSA ESG Conference July 2021									✓	✓
Sep 21	LGC September Conference	✓			✓				✓		
Oct 21	PLSA conference October 2021										✓
Dec 21	LAPFF Conference										✓
Jan 22	LGA Annual Conference										✓
Mar 22	LGC Conference – Carden Park	✓			✓				✓		✓
	Induction										
Apr 21	Investment Practice	✓			✓			✓			
Apr 21	Administration	✓						✓			
Apr 21	Accounting Audit & Procurement	✓			✓						
May 21	Communications	✓						✓			
	Other Wales Pension Partnership Training										
Apr 21	WPP Training Private Markets & Fund Wrappers		✓	✓	✓						
Jun 21	WPP Emerging Market Managers	✓									

Date	Event	Committee Members									
		Cllr T Palmer	Cllr H Bateman	Cllr B Mullin*	Cllr R Small	Cllr T Roberts	Cllr N Williams	Cllr J Thompson-Hill	Cllr D Hughes*	Cllr A Rutherford	S Hibbert
Jul 21	WPP Training RI benchmarks and Reporting				✓					✓	✓
Sep 21	WPP Operator Role (JGC only)	✓									
Oct 21	WPP Performance reporting / ACS Roles and Responsibilities			✓		✓			✓	✓	✓
Jan 22	WPP Pools / Collaboration	✓	✓				✓		✓		
Mar 22	WPP Good Governance / Cost Transparency	✓						✓	✓	✓	

*Cllr Mullin left the Committee in May 2021 and Cllr Hughes, a former Chair, re-joined the Committee in May 2021

In addition, Committee and Board members are encouraged to attend other suitable events. The scheme member representative of the Committee attended a further 31 training events including Unison Carbon Tracker Initiative, Aon's Pensions Dashboard and Climate and Just Transition Pensions events, Pensions Lifetime Savings Association (PLSA) – ESG (Environmental, Social and Governance) Conferences and the MOT for Liability Driven Investment event and Hymans' and Mercer's Valuations 2022 training events.

As the new Policy came into force mid-way through the year, not all of the training attended by Senior Officers has been fully recorded. As a result, they have not been included within the training performance statistics above.

Risk Management

Background

Risk management is embedded in the governance of the Fund. The Committee has approved a Risk Management Policy and a risk register is maintained. Changes to the level of risk are reported at each Committee.

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

Significant Risks

Overall the next few years will continue to 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, as at March 2022, were identified as amber i.e. with moderate consequences that are considered a possible occurrence, or higher, and where we were not meeting the target risk exposure.

Since March, as you can read in other areas of this report, some of these risks have changed and there are other risks that are now more significant or not meeting their target risk exposure. The tables also show the latest agreed actions.

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)	Risk Status at March 2022	Target Risk Status	Further Action
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	1 - Recruit to vacant governance, administration, communications, business, Fund accountant and Trainee Fund accountant roles 2 - Ongoing consideration of business continuity including succession planning 3- Action plan being developed for recruitment, retention, succession planning

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2022	Target Risk Status	Further Action
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Amber	Yellow	1 - Consider as part of Triennial Actuarial Valuation
1. Responsible Investment (including Climate Change) is not properly considered within the Fund's long-term Investment Strategy meaning it is not sustainable and does not address all areas of being a Responsible Investor 2. WPP does not provide CPF with the tools to enable implementation of RI policies	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.	Red	Amber	1 - Implement Strategic RI Priorities, including ongoing analysis of the Fund's carbon Footprint. Identify sustainable investment opportunities and improve disclosure and reporting 2 - Work with WPP to ensure the Fund is able to implement effectively via the Pool

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2022	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 (including due to Covid-19)	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	Amber	Yellow	1 - Ongoing recruitment of vacant posts 2 - Action plan being developed for recruitment, retention, succession planning
Employers: - don't understand or meet their responsibilities - don't have access to efficient data transmission - don't allocate sufficient resources to pension matters (including due to Covid-19)	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Amber	Green	1 - Implement new process for employers relating to service standards

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2022	Target Risk Status	Further Action
Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and potential exit cap)	High administration costs and/or errors	Amber	Green	1 - Review pension admin system contract 2 - If delays in system upgrades, look for alternative solutions to administer regulatory changes
System failure or unavailability, including as a result of cybercrime and Covid-19	Service provision is interrupted	Amber	Green	1 - Develop updated business continuity plan for CPF 2 - Implement remaining elements of cyber strategy 3 - Develop post Covid-19 approach to working arrangements

Appendix 2 - Independent Adviser's Report

Return to Contents

Annual Report of Karen McWilliam

This annual report is written in my role as Independent Adviser to the Clwyd Pension Fund, focusing on the year 2021/22.

At a glance…

- The year 2021/22 has proven to be a different kind of challenge in respect to previous years, as we emerge from the COVID-19 pandemic. It is with pride that, in this report, I share how the Clwyd Pension Fund officers, Pension Fund Committee and Pension Board members have adapted to the "new normal" and managed to make significant progress on many areas, including:
- approving a Fund Cyber Strategy and making excellent progress in better understanding the Fund's resilience to cybercrime
- making excellent progress against responsible investment priorities and agreeing a new net-zero target and interim carbon reduction targets
- continued improvement in administration performance, despite continuing increases in case numbers, and large increases in members using the self-service facility.
- So much has been achieved in this virtual environment despite the difficulties faced which is of great credit to all involved, and in my view the overall management and governance of the Fund continues to be in an extremely good position.
- Going forward my biggest concerns relate to the number of major projects and developments that need to be delivered in the next few years, most of which are driven by national changes; this is against a backdrop of difficulties in recruiting and retaining staff (and potential retirements within the pensions team). Although the commitment and dedication of those involved in managing the Fund and on the operational side of delivering these changes alongside day to day business is exceptional, solutions will need to be found to fill existing vacant positions and to manage ongoing challenges with recruitment and retention.

My role

My remit is to provide independent advice to the Clwyd Pension Fund (the Fund), predominantly on governance and administration matters. This includes reporting annually to stakeholders on whether the Administering Authority (Flintshire County Council) is managing all risks associated with governance, investments, funding, administration and communication.

It should be noted that I am not required to be, nor indeed am I, an expert in all of these areas. In particular, the Fund already has an appointed Actuary to advise on funding matters and an appointed Investment Consultant to advise on investment matters. I therefore use my working knowledge in these areas (and close working relationship with those appointed advisers) to specifically advise on the governance of these areas rather than on these areas themselves.

This annual report sets out my views on the management and administration of the Fund and, in particular, how it has evolved during 2021/22 (April to March), but also touches on some developments that have taken place after March 2022. I also highlight some of the ongoing challenges the Administering Authority will face both in the short term and in the longer term.

Effective Governance

Key Benefits

There are some key benefits from having effective governance in place, including:

- Robust risk management that can assist in avoiding issues arising or at least reducing their impact
- Ensuring resources and time are appropriately focused
- Timely decision making and implementation of change
- A clear view of how the Fund is being operated for the Pension Fund Committee.

The approach I take in advising the Administering Authority is to consider its approach to governance against the Aon governance framework. The Aon governance framework incorporates our beliefs about what it takes to achieve good governance, and considers the following key areas:

- **Direction** – having clear strategies and policies that also meet legislative requirements are fundamental
- **Delivery** – having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management, ensure effective and efficient delivery
- **Decisions** – having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is critical.

In relation to each of these elements, I consider the key responsibilities for the management of the Fund, in particular:

- the overall **governance** (i.e. management and decision making) of the Fund
- having an appropriate approach to **funding** the liabilities
- the safeguarding and **investment** of assets
- the **administration** of the scheme members' benefits and
- **communications** with the Fund's stakeholders.

Observations

In this section I consider the progress made in the key areas of focus for the Fund, as well as highlighting my thoughts for the future.

Governance

Key Achievements

- Approval of a Fund Cyber Strategy and excellent progress in better understanding of the Fund's cyber resilience in line with the Pension Regulator's expectations.
- Excellent results in a survey to establish the Pension Fund Committee's views on the effectiveness of their meetings and governance arrangements.

The Fund went into 2021/22 in a strong position with governance arrangements that were well established, including stability in the **Pension Fund Committee's membership**, and operating well, despite the challenges faced as a result of the COVID-19 pandemic. Although **Pension Fund Committee meetings** were held virtually throughout the year, based on my observations as well as feedback in a survey of Committee members, they have proven to be effective.

Pension Fund Committee members were supported with a considerable amount of internal training, mainly focused on areas relating to decisions required by the Pension Fund Committee. Comparing the training undertaken over the year with the objectives set out in the **Knowledge and Skills** Policy, I see that in most cases the Fund met the required objective for attendance by members at essential training sessions, however, this was not the case for all of the essential sessions. However, where training was deemed "desirable" or "optional" (which includes attendance at externally hosted training and events), it was found that attendance was lower than the Policy's overall objective with regards to attendance at training sessions over the year.

The **Chief Executive of Flintshire County Council**, Colin Everett, left his position in the autumn of 2021. As the Administrator of the Fund he played an integral role in advising the Committee and as part of the Advisory Panel, particularly in relation to national matters and matters involving wider Council responsibilities. Following discussions with Colin and the new Chief Executive Neal Cockerton, Colin's position on the Advisory Panel was replaced by the Senior Manager – Human Resources and Organisational Development (held by Sharon Carney). There was a long period of succession planning to ensure Colin's departure had no detrimental impact on the Fund's governance.

Turning to the key areas in the Fund's business plan, good progress has been made in all of these areas:

- Significant headway has been made on assessing the Fund's **cyber security resilience**, and embedding cyber risk management into the Fund's ongoing work, which is very much in line with TPR expectations. This work was codified when the Fund put in place a Cyber Strategy which was approved at the March 2022 Committee meeting. The adoption of this strategy was supported by training which was provided for all Committee and Board members in

December 2021. During the year, the Fund developed a data and asset map which sets out the flows of the Fund's data and assets as well as assessing the relative cyber risk associated with these flows. From this mapping, the Fund commenced its programme of carrying out cyber assessments of the organisations associated with the data and asset flows, to better understand any cyber risk. These assessments involve guidance from cyber security experts and the Committee and Board were provided with the findings. The subject was added as a standing item on Pension Fund Committee and Board meetings allowing them to monitor the Fund's progress in this high risk area.

- A Fund specific **Business Continuity** Policy was approved by the Committee in March 2021, and during the last year, the Fund officers have been carrying out a business impact analysis, documenting the current resources required for effective running of the Fund alongside any current business continuity strategies, which is now being used to develop a new business continuity plan.
- The Fund carried out a **survey into the effectiveness of the Pension Fund Committee**. Various key areas were covered including the format of meetings, the format and quality of information provided, knowledge, skills and understanding, administration of committees and the governance structure. I was encouraged to see an overwhelmingly positive response from the members of the Committee across nearly all areas considered by the survey, especially considering the move to virtual meetings as a result of the COVID-19 pandemic. The main area of feedback for improvement was around the format of meetings, with an overall view from the survey was that whilst virtual meetings and training sessions did not have a significant detrimental impact in the running of the Fund, they were less effective overall and more face to face meetings would be preferred. The Fund's Advisory Panel is looking to consider how the results of the survey might affect the way the Committee meetings are held in future, whilst having regard to FCC policy and legal requirements.
- A number of the Fund's **governance related policies** were reviewed during the year, namely the Knowledge and Skills Policy, the Procedure for Recording and Reporting Breaches of the Law, and the Conflicts of Interest Policy. The most notable changes were to the Knowledge and Skills Policy, which was reviewed in light of the changes to the CIPFA Code of Practice and Framework on LGPS Knowledge and Skills. The key here was an increased emphasis on the level of knowledge, skills and training to be had by Pension Committee members, and S151 officers in order to execute their responsibilities adequately. The updated Policy introduces greater clarity on these areas, albeit in the period since I've been involved with the Fund, it has always been extremely proactive in this area. However the ongoing cycle of changes to Committee membership means this is and will continue to be an important area of governance for the Fund.

Resourcing continues to be an area of concern for the Fund and perhaps my biggest concern in relation to the governance of the Fund. They have had a number of vacant positions that have remained vacant for a considerable period of time. Currently the Fund's finance team is worst affected as the team of seven currently has three vacant posts, leading to some significant challenges including the need to make greater use of consultants to ensure that the Fund's objectives and legal responsibilities continue to be met. Recruitment is proving a challenge, particularly given the constraints of local authority pay structures and the limited number of people with the necessary knowledge, and this will be an area of focus going forward.

More generally:

- I feel that the current **governance structure is well established** and is working as intended. The involvement of scheme member and employer representatives on both the Committee and the Board continues to be extremely valuable. The structure has been proven to allow decisions to be made urgently where required and minimises the risk of inadequate governance during challenging times such as with the pandemic, and due to changes in Committee members.
- **Attendance at Committee, Board and Advisory Panel** meetings has been excellent throughout the year, despite the challenges presented by virtual meetings.
- The **Pension Board** continues to play an integral part in the governance of the Fund (recognising my role as Chair of the Board). The Board have produced a separate report (which can be found in the Fund's annual report and accounts) which outlines the work they have undertaken, and which I believe demonstrates the excellent partnership they have with the Committee and officers of the Fund, and the benefits that they bring to the overall management of the Fund.
- I continue to be pleased to see all those involved in the governance of the Fund demonstrating a strong understanding of the potential **conflicts of interest** that can arise and following the requirements of the Fund's Conflicts of Interest Policy. A number of potential conflicts were properly highlighted before or during meetings and they were managed appropriately. Perhaps the most challenging potential conflict of interest the Fund faced (and will continue to face) is in relation to climate change, and particularly the setting of net zero targets or expectations in relation to the Fund divesting from fossil fuels. This matter was tested during the year as motions and questions were received from the participating local authorities. I was pleased to see the appropriate separation of responsibilities between the Fund and employers, with the Pension Fund Committee agreeing a net zero target for the Fund which appeared appropriate (based on the investment consultants' advice). I am not aware of any potential conflict situations that were not notified in accordance with the Fund's Policy.

- The **risk management framework** is embedded in the day to day management of the Fund. Risk management across all areas of Fund responsibilities is considered regularly and forms a standard part of all Committee reports. I believe those involved with the governance of the Fund have a good appreciation of the key risks and are working hard to continuously develop robust internal controls where feasible.
- A wide range of **performance measures** are in place across Fund matters including the areas of administration, investments and funding, and further measures are being developed as the Fund's strategies evolve (such as further communications key performance indicators and measures relating to carbon emissions relating to the Fund's assets). These are integral to the day to day management of the Fund and provide assurance that issues can and will be identified in a timely manner, as well as enabling the Administering Authority to evidence strong or improving performance in many areas.
- **Business planning** continues to be integral to the day to day running of the Fund. The 2021/22 to 2023/24 business plan was approved in March 2021 and was monitored throughout the year. The plan continues to be robust, with very little need to adapt it mid-year, and the officers of the Fund have done a tremendous job in delivering the projects and tasks highlighted within it particularly during the pandemic.

My opinion is that the governance of Clwyd Pension Fund continues to compare extremely well to the Aon Governance Framework. The Council identifies and sets out good clear objectives in all areas, measures itself effectively against these objectives, and has a good attitude to business planning and to risk management. The Council's governance structure for Fund matters works well, as mentioned above, and the individuals charged with managing the Clwyd Pension Fund are engaged, committed to their roles and well trained.

Looking to the future:

There are several matters relating to governance that I will be particularly interested in during 2022/23, most of which have been included in the Fund's ongoing business plan which was approved in March 2022:

- Following the Welsh local authority elections there has been a significant change in the membership of the **Pension Fund Committee**. There are now five new members in the nine person Committee. Intensive induction training is taking place over the summer and attention will need to be paid to ensure new members are supported as well as possible over their term.
- There were two governance related national initiatives which were delayed again last year. **The Pension Regulator's (TPR's) New Single Code** which will replace TPR's Public Service Code of Practice, is expected to come into force in the autumn of 2022, and the **Department for Levelling Up, Housing and Communities (DLUHC's) Good Governance**

review consultation is also outstanding. These are expected to encompass some overlapping themes, such as increased clarity on the need for high standards of knowledge and skills, and the proper management of potential conflicts of interest. The DLUHC Good Governance consultation is expected to require wider governance compliance reporting and perhaps also an independent audit. When these are issued, I expect the Fund to be well-placed to meet the requirements contained in the new requirements as a result of the hard work carried out by the Administering Authority in the past few years.

- As mentioned previously, work has already commenced on updating the Fund's **business continuity** arrangements and on managing **cybercrime risk**. In particular, the Administering Authority is seeking to ensure that the up to date business continuity plan is finalised over the course of the year as well as ensuring they have embedded the requirements of the cyber strategy.

- There are two **appointments to the Pensions Board** which will require to be considered over the year. I am delighted to note that one of these has already been finalised and that Phil Pumford has been reappointed as representative trade union scheme member to the Pension Board. He was renominated and has kindly agreed to hold the position for another three to five years.

- More generally, the next few years are clearly going to be difficult for LGPS administering authorities given the plethora of changes and initiatives mainly from UK Government. It will be critical that the Administering Authority proactively consider the need for changes to the **existing staffing structure** throughout this period to minimise impact on the services being provided to the Fund's stakeholders, whilst still proactively delivering and meeting expectations on these new initiatives.

- That being said the **recruitment and retention of staff** is already causing problems and a major concern, along with recognising that a number of the team could choose to retire before the end of the decade. This is a fundamental risk to the running of the Fund. The Administering Authority is bound by Flintshire County Council’s policies surrounding recruitment and retention of staff, including levels of pay. I expect that this will be an area of focus going forward, and that the Fund officers and the Committee will work with Flintshire County Council to help manage this risk and find ways to improve recruitment and retention.

Funding and Investments (including accounting and financial management)

Key Achievements

- Excellent progress against responsible investment priorities
- Agreeing a new net-zero target and interim carbon reduction targets
- Strong position shown in the interim funding review

I work closely with both the Actuary and the Investment Consultant to the Fund, and each will produce their own report, so this area of my report focuses on how things are done, rather than the detail of what is done. Key areas in relation to investment and funding this year have included:

- Ongoing work on delivering the Fund's responsible investment priorities, which has included formally requesting establishment of a Sustainable Active Equity fund by Wales Pension Partnership (WPP), a number of local and impact investment opportunities including the groundwork for the first direct investment in clean energy projects in Wales through a Separate Managed Account (again this is a first for the Fund). Good progress is clearly being made in this area.
- Following extensive analysis, a new net-zero target of 2045 was agreed for the Fund's investments as well as specific interim carbon reduction targets, all of which were built into the Investment Strategy Statement. This is a key step in ensuring the Fund is on track to meet the Task Force on Climate-Related Financial Disclosures (TCFD)'s requirements of transparency on the Fund's commitments. Due to the complex nature of this topic, specialist training and briefing sessions were held with the Committee.

The **asset pooling in Wales** arrangements, through Wales Pensions Partnership (WPP) is now well established and assets from the Clwyd Pension Fund have continued to be transitioned across to WPP. Though some assets are yet to be transferred, and indeed there has been an exceptional amount of work taking place in relation to the private market and emerging markets transitions and I was pleased to see the Fund officers being fully involved in the development of these areas given Clwyd Pension Fund has a large proportion of assets in this area. Otherwise, there is a general feeling of business as usual in relation to the Fund's investments with WPP.

Some of the reporting from WPP is still not as customised as is needed; this relates to engagement on environmental, social and governance matters with companies that are being invested in and also stock lending reporting. This is something that has been discussed at the Clwyd Pension Fund Committee and officers are working with WPP to ensure this is resolved.

During the year the Fund were advised of the likely purchase of the Pool's Operator, Link Fund Solutions. This is clearly something that will need to be monitored to understand the implications of this transition to a new owner.

I was also delighted that WPP became a signatory of the UK Stewardship Code 2020 which comprises a set of 12 'apply and explain' principles for asset owners. There is a significant amount of work in meeting the Code's requirements and also then completing the application to become a signatory. My congratulations go to everyone who has and continues to be involved in the work of WPP.

Despite WPP now very much established, the amount of work involved by Fund officers, especially the Head of Clwyd Pension Fund (Philip Latham) and the Deputy Head of Clwyd Pension Fund (Debbie Fielder) continues to be substantial. It is important to ensure that the Fund is appropriate resourced to allow this to continue. I would also highlight the key role of the Chair of the Clwyd Pension Fund Committee (Councillor Ted Palmer) for his attendance and input at the meetings of the WPP Joint Governance Committee over the year.

I am aware that the dedication and commitment of Clwyd Pension Fund officers continues to be integral to the success of WPP as well as ensuring alignment with the Fund's strategies. I am also particularly pleased to see their involvement at a national level on various working groups and initiatives, bringing greater insight and expertise to the Administering Authority.

During the year, the Fund Actuary carried out his **interim funding review** to provide assurance on the funding strategy and assist employers in longer term budget setting, given the triennial actuarial valuation due at 31 March 2022 will likely impact on employer contribution rates. It was pleasing to see the results of the review which suggested a funding level of approximately 103% and also pleasing to note the early engagement with employers.

Looking to the future:

- The key funding project for this year will be the Funding Strategy Statement review and triennial actuarial valuation as at 31 March 2022. I would hope to see a well-managed process with good employer engagement.
- Concurrently with the review of the Funding Strategy Statement, the Fund will also review its Investment Strategy Statement over the coming year. The review will also have regard to DLUHC's recently published Levelling Up agenda and the requirement for LGPS Funds to draft a mandatory plan setting out an ambition as to how they will allocate at least 5% to "new" local investments. Again, from a governance perspective I am pleased to see this is being considered as part of the triennial actuarial valuation, as I recognise that funding and investment are heavily interrelated.

- From an investment perspective, implementing the Fund's Responsible Investment priorities will remain the most critical element of work over the next year. It is a complex area and the options may have a number of risks and opportunities associated with them. We are expecting a consultation from DLUHC during late summer 2022 that will explore how the LGPS should adopt the requirements of The Task Force for Climate-Related Financial Disclosures (TCFD). I look forward to seeing more robust performance measures and reporting to emerge from this area. I am also mindful of the potential for pressure coming from other parties including carbon pressure groups, employers and governments to align the Fund's investment strategy with their views or to invest in particular initiatives. It is critical these matters are well thought through with robust due diligence carried out as decisions are being made and thorough monitoring during and after implementation. The Committee need to ensure they make investment decisions having regard to their fiduciary duty to scheme members and employers.
- As part of the Fund's desire to demonstrate its good governance and stewardship of its assets, the Fund will look to become a signatory to the UK Stewardship Code 2020 by submitting its report by October 2022. I wish the Fund well with their submission.
- It is also worth noting that the WPP's Operator contract with Link Fund Solutions is due to cease in December 2024 (having been extended for two years to then). As such a critical supplier to all Welsh LGPS Funds, this is a matter that will be on my radar for the next few years. I will also continue to monitor the news surrounding the sale of the Operator, and the outcome on the FCA's case against them on the collapse of Woodford Equity Income Fund, which may need to be managed going forward.

Administration and Communications

Key Achievements

- Continued improvement in administration performance demonstrated, despite continuing increases in case numbers
- Member self-service providing increased support for scheme members during the pandemic and major increase in registered scheme members
- i-Connect employer functionality now covers all active employers

Work has continued on the **McCloud remedy programme** undertaken by the Fund's administration team which is a major piece of work for the team and will continue for a number of years. A separate programme team was established at the outset of the programme which has enabled the Administering Authority to continue to make progress in this area with minimal disruption to the ongoing governance of the Fund.

There has been a delay in the DLUHC's consultation response and draft LGPS regulations which are now expected in Autumn 2022 and are due to come into force by 1 October 2023 (noting previously this was "on" 1 April 2023). Employer data to allow recalculation of benefits for the remedy period (1 April 2014 to 31 March 2022) continues to be received with the expectation that this will be complete by the Autumn of 2022 for the vast majority of employers. The communication with employers has been excellent and members have been kept informed of the progress of the remedy on a regular basis. I have been pleased to see a continuation of the regular reporting of the progress on this programme to the Committee, Board and Advisory Panel.

In relation to **day to day workloads and service standards**, 2021/22 was another busy year for the team with over 35,000 administration cases coming into the pensions administration team, an increase of over 6,000 compared to 2020/21. Despite the continuing resourcing challenges, the administration team managed to increase the amount of cases they can complete, remaining on top of this increased workload. I was also delighted to see that the number of outstanding cases had fallen below 5,000 for the first time since the August 2016 which is an outstanding performance.

Key performance indicators are monitored for the main processes including dealing with retirements, quotations of benefits, deaths and providing information to new scheme members. The team has also started tracking 6 new KPIs over 2021/2022. These are not related to legal requirements but will help to ensure the increasing efficiency of case management within the team. The overall percentage of cases completed within the service standard relating to internal timescales for the administration team rose substantially (nearly 8%) compared to the previous year, with 85% of cases completed within the agreed service standard. I was pleased to see that the two measures which are arguably of greater importance also demonstrated significant increases in the number of cases meeting the service standard:

- Service standard relating to legal requirements – 90% (increase of nearly 14% on 2020/21)
- Service standard relating to overall process time – 70% (increase of nearly 9% on 2020/21).

Both these measures have shown fantastic improvement over the last 2 years, with the number of cases meeting the legal timescale improving by nearly 20% over the last two years. This continued improvement is particularly positive and I am delighted by the performance of the team who deserve credit for their achievements.

The **Member Self-Service (MSS) facility** is the Fund's default mode of communication and engagement with Fund members. The number of users of the system has grown to 50% of scheme members as at 30 April 2022, which is a growth of over 13% during the year. As well as providing instant access to certain information and tasks for scheme members, this provides much greater efficiency for the Fund's Administration Team. In the spirit of providing better and more effective member service, the team have been working on improvements to allow scheme members to carry out more processes using the MSS facility, again making it more accessible for those who wish to use it. The officers have worked hard over the year to improve their contact with members who were neither receiving paper communications nor registered on MSS. These exercises have taken place for active and pensioner members of the Fund and have greatly improved the take up of MSS over the year. In total the proportion of the Fund's membership who have positively opted for communications through either MSS or paper communications is around 65% of the membership.

The roll out of **i-Connect**, which is an online administrative module that allows information to be submitted by employers more directly and efficiently into the pension administration system from their own payroll systems, commenced in 2017/18. I am delighted to report that all remaining employers have now signed up on to the live system and data is being submitted in respect of all active members in the Fund, which is excellent news as TPR actively encourages this form of data submission. The Clwyd Pension Fund's Administration Strategy has also been updated to reflect this new medium of transferring employer information.

The Fund relies on employers to deliver their information to the Fund on time so that legal requirements and the Fund's KPIs can be met. Unfortunately, this is not always the case. However, during the year, the Fund officers developed **reporting metrics for employers** so that they are better able to monitor whether notifications of new members to the scheme, leavers and retirements are all being sent by the Fund's employers within agreed timescales. Employers now receive monthly communications showing how they performed in the previous month, with the Fund officers actively engaging with employers to help them meet the requirements. This is an excellent development that allows employers to reflect on their processes around gathering and providing data and make any alterations required to ensure that the Fund receives the data on time and is therefore able to meet the legal and KPI requirements. It also allows the Fund to monitor this on an ongoing basis to quickly identify issues that might be impacting on overall timescales. This is an excellent system set up by the Fund, and as far as I'm aware, very few LGPS Funds carry out monitoring and engagement at this level.

Overall, my general opinion is that the Clwyd Pension Fund compares extremely well to the Aon Governance Framework in the areas of administration and communication. The Administering Authority identifies and sets out clear objectives, has an excellent level of performance measurements in place and demonstrates robust business planning and risk management. The knowledge and understanding of the existing individuals within the Fund is excellent, and the Pension Fund Committee's and Board's engagement on administration is also excellent.

Looking to the future:

- The McCloud remedy is going to remain to be a major programme of work and the greater part of this work will be carried out within the pensions administration team. The significant operational cost of the work, including the additional resources, is likely to only benefit a small proportion of scheme members. Given the magnitude of this work, it will need to be well controlled and resourced, with robust quality checks and efficiencies gained through bulk processing where at all possible. It is putting a strain on employers in providing data which will need to continue to be well managed, recognising the differences in how employers hold and can collate their own data. Further, communications will need to be clear and focused on individual circumstances.

- The staging deadline of the **National Pensions Dashboard** has now been moved to September 2024, delayed by five months from the previous deadline of April 2024 so that funds are provided with more time to implement the McCloud remedy. That being said, the movement to this platform will be another major project requiring significant resource from the Clwyd Pension Fund team in the coming years.
- The Pension Committee signed off on the Fund's new **Communication Strategy** in June 2022. This was a substantial review of the strategy, with emphasis on more accessible and engaging communications. I look forward to seeing the changes that will be made to adhere to the new strategy and the impact of increased active engagement on the Fund's stakeholders as a result.
- The main immediate focus is to ensure timely, accurate and complete submission of data in order to ensure that the **triennial actuarial valuation** as at March 2022 can be completed smoothly, and at the point of writing, this was all going to plan.
- Given these projects, the other area of key focus for the Administration Team is ensuring **day to day business as usual** tasks are not impacted and my previous points about recruitment and retention will be critical to this.

Final Thoughts

I want to say a huge thank you to the Pension Fund Committee, Pension Board, officers and other stakeholders of the Fund for continuing to make me extremely welcome, and for being so open and receptive to my many suggestions. I would also like to recognise the Committee members who we have said goodbye to this year, and also Colin Everett the Chief Executive who left last year, for their time and commitment to service of the Clwyd Pension Fund, its members and employers. I remain extremely impressed and inspired by the hard work and dedication of the Fund's officers, and the commitment and engagement I see from the Pension Fund Committee and Pension Board members who continue to dedicate many hours to Committee / Board business.

Appendix 3 - Pension Board Annual Report

Return to Contents

Introduction

- This is the annual report of the Clwyd Pension Fund Board covering the financial year from 1 April 2021 to 31 March 2022.

Role and Membership of the Clwyd Pension Fund Board

- The Public Service Pensions Act (PSPA) 2013 requires each LGPS Administering Authority to have a local Pension Board consisting of employer and scheme member representatives. Some Pension Boards also have an Independent Chair, which is the case with the Clwyd Pension Fund Board. The Chair is a non-voting role.
- Legislation states that the role of the Pension Board is to assist the Administering Authority in securing compliance with regulations and with requirements imposed by the Pensions Regulator, as well as assisting in ensuring effective and efficient governance and administration of the Scheme. This has generally been interpreted as the Pension Board having an oversight role but not a decision-making role. For the Clwyd Pension Fund (the Fund), we have very much embraced this role as being about partnership. We work closely with the Pension Fund Committee (the decision-making committee for the Fund) and officers of the Fund in the hope that the questions we ask, and the challenge we sometimes provide, will assist in ensuring that the Fund is managed in the best interests of its scheme members and employers.
- Board members undertake these roles for a period of between three and five years, although we may be reappointed for future terms if we are selected again through the recruitment process.

Membership, meetings, training and attendance

Our Board membership during 2021/22 is shown in the table below.

During 2021/22 we held three Pension Board meetings (in June 2021, September 2021 and February 2022), all of which were virtual due to restrictions put in place as a result of the pandemic. Attendance at the Board meetings during 2021/22 was as follows:

		June 2021	September 2021	February 2022
Mr Phil Pumford	Member Representative	√		√
Mrs Elaine Williams	Member Representative	√	√	√
Mr Steve Jackson	Employer Representative	√	√	√
Mr Steve Gadd	Employer Representative	√	√	√
Mrs Karen McWilliam	Independent Chair	√	√	√

The meetings were also attended by the Board Secretary (the Head of Clwyd Pension Fund) and Pension Fund Officers who support the Pension Board, with the exception of the September 2021 meeting when the Board Secretary sent their apologies.

As members of the Pension Board, we have all committed to meeting the requirements of the Clwyd Pension Fund's Knowledge and Skills Policy, which also ensures we meet the legal requirement to have the right level of knowledge and skills to carry out our Pension Board roles. We attended a range of events and training in 2021/22 to complement the induction training we undertake on appointment. In addition, we are invited to attend the Pension Fund Committee meetings and their training events.

The Fund specifies the number of Board members who are required to attend essential training sessions. The Knowledge and Skills policy currently states that 75% of Board members must attend each Hot Topic training session, as these are classed as essential training. We are pleased to report that we have exceeded that number at all essential training sessions since the policy was formally agreed by the Pension Fund Committee in September 2021.

Our full record of attendance at those meetings, hot topic training and other events is shown below:

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Independent Chair
Committee Meetings					
June 2021		✓	✓		✓
September 2021			✓		✓
November 2021		✓			✓
February 2022		✓	✓		✓
March 2022		✓	✓		✓
Other Meetings					
Annual Joint Consultative Meeting	✓	✓			✓
Hot Topic (essential training)					
Funding / Flightpath I			✓		✓
Fossil Fuel and Divestment		✓	✓	✓	✓
RI Roadmap			✓	✓	✓
New TPR Code / Pension Scams (Board only)	✓	✓	✓	✓	✓
Funding / Flightpath 2			✓	✓	
Conflicts of Interest	✓	✓	✓	✓	✓
Cyber Security	✓	✓	✓	✓	✓
Tax / Annual Allowance	✓	✓	✓	✓	✓

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Independent Chair
General Awareness					
CIPFA Annual LPB Conference		✓			
LGC Conference March 2022	✓				
Induction					
Investment Practice	n/a	n/a	✓	✓	n/a
Administration	n/a	n/a	n/a	✓	n/a
Accounting Audit & Procurement	n/a	n/a	n/a	✓	n/a
Communications	n/a	n/a	n/a	✓	n/a
Other Wales Pension Partnership Training					
WPP Training Private Markets & Fund Wrappers			✓		
WPP Training RI benchmarks and Reporting			✓		
WPP Performance reporting / ACS Roles and Responsibilities			✓		
WPP Pools / Collaboration			✓		
WPP Good Governance / Cost Transparency			✓		✓

What has the Pension Board done during 2021/22?

Our meetings include several standing items, including:

- latest Pension Fund Committee papers,
- reviewing the administration of the Fund including performance against Key Performance Indicators (KPIs) and data improvement activity,
- reviewing the Fund's risk register,
- receiving updates on all compliments and complaints, and
- monitoring of our allocated budget.

Key governance matters that we discussed during the year included:

- Continual monitoring of the impact of the **Covid 19 pandemic** on the Fund. In particular, we noted that meetings and day-to-day interactions still largely continued to take place virtually during 2021/22. Pension Board business including some training courses and conferences were increasingly conducted via a "hybrid" format, where some individuals meet in person while those who choose to, are able to attend virtually. The impact of sickness was minimal and short-term in most teams with no or little effect on services.
- Regular updates on **recruitment and retention** within the teams. Unfortunately, this is now an area of concern with some resignations, and difficulties in recruiting to both existing posts and new posts that have been recently created.
- Management of **cybercrime risk** for the Fund on which we continue to look for assurance given the continually changing environment. This is currently a standard items at all meetings and we have received updates on the progress on the delivery of the Fund's Cyber Security Strategy including supplier assessments and data and asset mapping. At the September meeting, we received a presentation from a cyber specialist on the independent assessment of the Fund's administration system provider.
- The development of the Fund's new **business continuity** plan which will be finalised during 2022/23, including the detailed work the officers of the Fund have been carrying out in determining dependencies for their critical processes.
- An **effectiveness survey** which members of the Pension Fund Committee were asked to complete earlier in the year. The results, which were extremely positive, were discussed with the Board. It was encouraging to know that the Committee value the Board's input in light of our advisory role.
- The progress of **asset pooling** through the Wales Pensions Partnership (WPP). Our focus remains on the governance of WPP and during the year we have closely monitored activity

in this area including the development of key policies and the WPP's Business Plan. There is a potential change in ownership for the Operator, and there is an ongoing investigation by the FCA, both of which we are continuing to monitor. The Chair of the Board continues to attend regular asset pooling meetings with the other Welsh Chairs.

- The Fund's compliance with **The Pension Regulator's Code of Practice** for Public Service Pension Schemes. The Fund is fully compliant in most areas of the Code and the small number of areas that require attention are being worked on in 2022/23. We also received a presentation on The Pension Regulator's New Single Code which is due to come into force later in 2022.
- The Fund's new **Knowledge and Skills Policy and Conflicts of Interest Policy** which we adopted in September. As a Board we are committed to meeting the requirements of these policies.

Key administration matters that we discussed during the year included:

- The consultation on the remedy following the **McCloud judgemen**t, which was finalised in May, with legislation expected to be in force on 1 October 2023. The Board received updates on the Fund's programme of work at each meeting. In addition, all Board members are part of the McCloud Steering Group which has oversight of all areas relating to McCloud. We have been pleased with the progress made on the McCloud remedy programme this year.
- **Pension scams** which are a big concern throughout the pensions industry. We received a presentation on these and the Pensions Administration Manager was reassuring about how the risk of scams is reduced and we were pleased that no scams took place for the Fund. This is an area we are continuing to monitor.
- **Ongoing issues with Prudential** as the Fund's external AVC provider, which we have been tracking. We are disappointed that the members' experience of the Fund is being negatively affected by an external provider but are very appreciative of the work done by the Pensions Administration Manager in escalating the issues within Prudential, and are pleased to see the services are now improving.
- The **Data Improvement Plan** on which we remain engaged with Pension Fund Officers on. We were pleased to note that the common and scheme specific data scores had both slightly improved but recognise that there will be a point at which the time taken to improve the data further will exceed the benefits of improving the data. We were very pleased to see that the Fund has invested in tools to allow officers to monitor the data quality more frequently than the previous annual exercise. It is also clear to see that having all employers electronically uploading their pension data monthly has resulted in data being much more up to date and of a good quality.

- **Member cases received, completed and outstanding**, the updates on which painted a positive picture, particularly given the challenges of the pandemic. It was extremely pleasing to see that the total outstanding cases dropped to the lowest level since monitoring began. That being said, we recognised that there were some **key performance indicator** areas where targets were not being met on a consistent basis much of which was due to ongoing recruitment and training. Furthermore, the new process for monitoring of **employer service level standards** was shared with us. We consider this to be extremely useful in ensuring the Fund meets legal deadlines for delivering to scheme members and we will receive regular updates on this going forward, including how the Fund is engaging with employers who are not meeting the agreed timescales.

- How the **Member Self-Service** facility is being utilised. During the year there was a significant increase in members registering for the service due publicity run by the Fund. The Board are very supportive of scheme members being able to access information instantly through this facility.

We continued to monitor other **topical developments** and have taken a close interest in a number of areas during the year including a slight increase in the number of breaches of the law arising from specific employers, the pensions dashboard project, and implementation of responsible investment and climate change strategies.

The Pension Board's budget and final spend for 2021/22 are summarised below:

Item	**Budget 2021/22**	**Actual 2021/22**	**Variance**
	£	£	£
Allowances and Expenses	2,034	1,090	(944)
Training	19,634	40,594	20,960
Advisor Fees	64,915	55,215	(9,700)
Other Costs	4,700	4,360	(340)
Total	**91,283**	**101,259**	**9,976**

What will the Pension Board do in the future (in particular in 2022/23)?

We have a number of items on our forward plan for 2022/23, although the exact agenda and timescales will necessarily remain flexible to consider any further matters that may arise. The following are already on our work plan for the forthcoming year:

- A consultation on the Task Force on Climate-Related Financial Disclosures that is expected to take place in autumn 2022 and how the Fund is implementing this.
- Ensuring that the Fund is compliant with the TPR's Single Code of Practice that that is expected to come into force during the year.
- The governance of the 2022 actuarial valuation including communications with the Fund's employers.
- The management of the Fund's cashflows in light of potential reductions in contributions required from employers arising from the completion of the 2022 Valuation.
- Review of audit reports and implementation of their recommendations.
- Considering the results of a survey of Pension Board members to assess the effectiveness of the Fund's governance arrangements.
- Ensuring the new members of the Pension Fund Committee are offered and undertake appropriate training.
- Ongoing further consideration of several of the areas noted above, including:
    - The McCloud remedy programme
    - Engagement with employers failing to meet service standards
    - The national pensions dashboard
    - Business continuity
    - Cyber security and the resilience of the Fund's systems
    - The governance of asset pooling
    - Continuous monitoring of both the administration team and finance team resources.

A budget for 2022/23 has been agreed as follows:

Item	Budget 2022/23 £
Allowances and Expenses	2,192
Training	33,148
Advisor Fees	72,313
Other Costs	4,700
Total	**112,353**

Conclusion and final comments

In our view 2021/22 has been a successful and productive year for the Board, and we are pleased with the work we have completed, which has covered a wide range of Fund management areas. We continue to have an excellent working relationship with the Pension Fund Committee and the Fund's officers and are grateful for the way they have all embraced our involvement and for their openness in their interaction with us. We would like to thank the Committee for welcoming us to their meetings, which helps us put the challenges and successes of the Fund much more easily into context. We look forward to continuing that relationship.

Phil Pumford, Member Representative

Elaine Williams, Member Representative

Steve Jackson, Employer Representative

Steve Gadd, Employer Representative

Karen McWilliam, Independent Chair

Clwyd Pension Fund Board

E-mail address – PensionBoard@flintshire.gov.uk

Appendix 4 - Administration Report

Return to Contents

Introduction

This section of the report describes the way in which the Fund delivers its administration related services to members and employers. It identifies current and potential future challenges, and explains the way in which the Administration Team is meeting them. The report also includes Key Performance Indicator information and some information on the membership of the Scheme.

The work of the Administration Team is driven by the Fund's Administration and Communications Strategies.

Our Pensions Administration Strategy ensures that both the Fund and the employers are fully aware of their responsibilities under the Scheme and outlines the performance standards they are expected to adhere to, to ensure the delivery of a high-quality, timely and professional administration service.

Our Communication Strategy has been updated in June 2022. The Strategy outlines how we will communicate with scheme members and prospective members, scheme employers, the Clwyd Pension Fund Committee, the Clwyd Pension Fund Board, Clwyd Pension Fund staff and other interested organisations.

The chosen methods of communication are monitored and reviewed to ensure they are effective. The main means of communication with the above stakeholders are outlined in the Communications Strategy and the new Strategy includes a greater focus on ensuring communications are more relevant to the audience and the use of technology to provide quicker and more effective communication. The Communication Strategy and Pensions Administration Strategy are available to view on the Fund's website.

https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/

How our service is delivered

The Clwyd Pension Fund's day to day administration service is provided by the Pension Administration Team which consists of a total of 47 Full Time Equivalent (FTEs) members of staff including a Pension Administration Manager.

It is split between:

- an Operational Team
- a Technical and Payroll Team
- a Regulations and Communications Team
- an Employer Liaison Team (ELT)
- a McCloud Team (temporary project team)

It is separate from the Finance Team which manages the Fund's investment portfolio, collects pension contributions from employers and maintains the Fund's accounts.

The Operational Team delivers a pensions service for over 50,000 scheme members. This includes the calculation of various benefits, transfers in and out with other pension arrangements, refunds of contributions and maintenance of individual scheme member records. The Team not only calculate pensions for members but also survivor benefits to spouses, civil and cohabiting partners and children.

The Technical Team implements and maintains the pension software systems (including the on-line facilities of Member Self-Service, and I-Connect for employer data uploads), collects and reconciles member data from all Fund employers and provides a pensioner payroll service for over 15,000 pensioners and dependents paying more than £6 million per month.

The ELT provides assistance to Fund employers in providing accurate and complete notifications to the Fund, and the Regulations and Communications Team provides guidance on regulatory matters to all stakeholders and a communication service for Scheme members and employers.

COVID-19 Update

The coronavirus pandemic forced staff members to work from home from March 2020 and to make changes to processes ensuring service delivery was maintained. During 2021/2022 the impact of Covid-19 from a stakeholder experience continued to be minimal. The main changes that were put in place at the beginning of the pandemic have been in relation to incoming/outgoing post where processes were adapted to ensure continuity in this area. Staff members have continued to work from home during the last year remaining contactable with interviews, training sessions and meetings taking place via virtual methods. Productivity levels have remained consistent and, in some areas, improved. Regular meetings have taken place to give staff members the opportunity to catch up with each other and a continued focus for the management team is ensuring well-being of all staff members.

Summary of Activity

In addition to this day-to-day work during 2021/2022 the Pension Administration Team has been managing other major pieces of work and projects as described below.

Data Quality

Data quality requirements are embedded in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations in 2014 and The Pensions Regulator (TPR) has oversight of this area within the LGPS. The Administration Team collectively developed a data improvement plan for 2021/22 onwards in readiness for the annual review of common and scheme specific data which is reported to TPR. The results of the time and effort that is dedicated to ensuring good data quality has led to improved common and scheme specific data scores over recent years (see table below).

	Common Data %*	**Scheme Specific Data %***
2021 / 2022	98	98
2020 / 2021	97.7	97.3
2019 / 2020	97.4	97.2
2018 / 2019	96.8	92.7
2017 / 2018	92.7	68.2

*The score is the % of data that has met specific targets set by TPR in relation to Common Data (NINO, Name, Address etc.) and Scheme Specific Data (Member benefits, Member details, Her Majesty's Revenue and Customs (HMRC) details etc.). The score is reported back to TPR and a data improvement plan is put in place to improve scores where it is relevant to do so.

Key Performance Indicator Monitoring

The Fund measures and reports monthly performance in order to ensure timescales are being met, as set out in the Fund's Administration Strategy. The Fund currently measures 13 categories of workflow, separately considering timescales in relation to legal requirements (where appropriate), the overall member experience and the Fund's internal target.

The new employer reporting functionality that was developed last year has facilitated the identification of employers who have or have not met their Service Level Agreement timescales. This measure has helped the Fund and employers understand what is being achieved and also where improvements are required.

i-Connect

In 2021/22 the Fund continued to roll-out, to its employers, the electronic data system i-Connect. i-Connect ensures timely and more accurate data is provided to the Fund and replaces the requirement for employers to submit a year end return. The functionality includes the notification of new starters, leavers, name changes, address changes and job changes. The system allows member details extracted from their employer's payroll systems to be directly uploaded to the Funds pension's administration system on a monthly basis. We have 52 out of 54 employers submitting data related to active members using i-connect which is 99% of membership (the two employers not using i-Connect are transitioning to a new payroll provider but are committed to on-board when appropriate). The Fund provides training to all new employers to ensure they supply their data through i-Connect, and the use of the functionality is now a requirement as part of the Fund's Administration Strategy.

Clwyd Pension Fund Website

The Clwyd Pension Fund website contains information about the Fund and the Scheme for both current and prospective members along with information for Fund Employers. The website address is www.mss.clwydpensionfund.org.uk

Within the website (which includes access to the Member Self Service portal) there are multiple sections to help users navigate their way around and to find the information which they are looking for. Users are able to download Scheme literature and forms from the website. In the last 12 months, work has been done to ensure that all guides and forms have the same brand and style. The forms have also been made more user friendly by making them editable. This allows members to complete the forms online and return them to us electronically, instead of having to print out the form to complete it and return.

All the Fund's policies and strategies as well as information on the investments of the Fund are also available.

Due to website accessibility regulations, public sector websites are required to meet national accessibility standards and to publish an accessibility statement on their websites. To meet the government's requirements, websites must achieve level A of the Web Content Accessibility Guidelines (WCAG 2.1). This means that websites should be accessible to people with impairments to their vision, hearing, mobility and thinking and understanding. Accessibility should also be considered for those visiting websites via a tablet, mobile phone or other device. It is anticipated that these regulations will be updated to WCAG 2.2 in September 2022.

To ensure our compliance with WCAG, the Fund continues to work with a company who provides reporting software which allows each page on the Fund's website to be automatically analysed on a weekly basis. This weekly report shows our scores in relation to certain areas within website accessibility:

- Digital Certainty Index

- Quality Assurance
- Accessibility
- Search Engine Optimisation

The reports allow us to see where our scores can be improved and where areas of the website need to be amended or fixed in order to be compliant.

The table below shows 31 March 2022 scores compared to 31 March 2021 scores.

	31/03/2021	31/03/2022
Digital Certainty Index	92.1%	93.18%
Quality Assurance	98.0%	98.88%
Accessibility	97.3%	95.67%
Search Engine Optimisation	81.0%	84.98%

Member 1-2-1 Sessions

Member 1-2-1 sessions were held virtually again in 2021/2022. These were a mixture of video calls and telephone calls. The sessions ran from October 2021 through to February 2022. The Communications Team met with members covering a mixture of active and deferred members. Below are some statistics on the 1-2-1 sessions:

Number of 1-2-1 dates offered	**39**
Number of 1-2-1- appointments offered (TOTAL)	**269**
No of 1-2-1 appointments taken	**96**
Take up rate (%)	**35.69%**
Members attending their scheduled appointment	**89**
Members not attending their scheduled appointment	**7**

Moving forward, the Clwyd Pension Fund will hold 1-2-1 appointments as and when requested by the member as opposed to designating a proportion of the year specifically for 1-2-1 sessions.

Employer Liaison Team (ELT) Services

The ELT continues to be available to Fund Employers who may require assistance in order to meet their employer obligations for providing information to the Fund, both in relation to day to day notifications and any project work required, for example, as a result of regulatory or system changes.

During the year, the ELT has worked closely with a number of the Fund's employers to successfully collate, validate and then upload data on a monthly basis through i-Connect. This monthly process relates to data for more than 10,000 scheme members.

The ELT has also assisted its employers in several other areas during 2021/2022. This included ongoing data cleansing projects and additional support during a period of staff change with the supply of additional pension information on behalf of an employer.

The current ELT employers have each enlisted the assistance of the team in order to meet their obligations required by the McCloud remedy (considered further in the next section). The ELT has assisted with the design of new payroll system reports for each employer to extract the required data and then collating, formatting and validating the data to meet the Fund's requirements.

Scheme changes and national developments affecting administration and communications

McCloud Remedy Case

The Court of Appeal ruling in the McCloud court case determined that the protections given to older members on the introduction of the new CARE schemes for Firefighters and Judges in April 2015 were unlawful age discrimination. This case impacts other public service pension schemes including the LGPS where the new CARE scheme from April 2014 included a statutory underpin for older members. The Ministry for Housing Communities and Local Government (MHCLG) (now DLUHC) issued a consultation in July 2020 setting out its proposals for implementing the McCloud judgement in the LGPS. This focused on remedies which will result in changes to scheme benefits some of which will be retrospective. We expect a full response to the consultation in the second half of 2022 and final changes to the scheme rules are expected to come into effect on 1 October 2023.

From an administrative perspective, the impact of the court case is expected to result in a change to how benefits are calculated for a large number of scheme members including some members who have left since 1 April 2014. The change involves providing younger members with protection equal to the underpin protection already given to older members. Despite this protection impacting on a lot of members, most are unlikely to see an increase to their pension. Regardless this is likely to significantly impact on administration processes and systems as well as requiring a robust communication exercise with employers and scheme members. The Fund has established a McCloud programme to implement the remedy for Clwyd Pension Fund. The main focus during 2021/2022 was collecting historical data from employers relating to part-time hours worked and service breaks for scheme members so benefits can be recalculated when the scheme rules are amended. .

National Pensions Dashboard

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all pension savers in the UK access to view the values of all of their pension pots, including state pension, through one central platform. A consultation was undertaken by Government in early 2019 which sought views on the potential phasing of the introduction of the pensions dashboards as well as how the architecture, funding and governance arrangements would work. The Pension Schemes Act 2021 provides the legal framework for implementing the dashboard. A consultation on regulations closed in March 2022 and these regulations will include more detail on the requirements to participate in the Pension Dashboard for schemes. The consultation response has clarified that public sector pension schemes will be expected to initially onboard by 30 September 2024 with full data having to be provided by 30 April 2025. During 2021/22 the key focus in this area was understanding the requirements and feeding into consultations. The Pensions Administration Manager is participating in a PLSA working group on the development of the Dashboard. The Clwyd Pension Fund has also volunteered to be part of the testing of the pension dashboard enhancements being integrated into the administration software. The main work for onboarding to the Dashboard will commence during the second half of 2022/2023.

Other Expected National Changes

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

Cost Management

Public Sector Pension Schemes (including the LGPS) were designed to ensure sustainability for 25 years. The design included a cost management mechanism and at the 2016 valuations the lower threshold within that mechanism (i.e. the cost floor) was deemed to be breached which suggested member benefits would need to increase or their contributions reduce. Following the McCloud judgement, Government announced that any additional McCloud costs would fall to be deemed “member costs” within the cost management mechanism. In June 2022 they confirmed that there will be no changes to member benefits or contributions on account of the 2016 exercise. However the Trades Unions have been granted permission for a Judicial Review of the decision to allocate McCloud costs to members and the results of the Judicial Review could change the outcome of the 2016 cost management process.

In addition the results of the 2020 cost management process are also outstanding albeit the cost management mechanisms have been updated from the 2016 process.

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

Exit Payment Reform

With effect from 4 November 2020 a £95k cap on exit payments made by public sector employers came into effect, this included the cost of early payment of LGPS pensions. However, in the face of legal challenge, HMT issued a direction to disapply the £95k exit cap with effect from 12 February 2021. Changes are still due to be introduced which may include separate rules for the LGPS. However Welsh Government might implement a different approach to meeting the exit cap requirements which would then impact on some of the employers in the Clwyd Pension Fund.

Increase in minimum retirement age

The Government has also announced that the earliest age a pension can be taken (other than in some cases of ill-health) will be increased from 55 to 57 in April 2028. Protections to retain the minimum pension age of age 55 may be available for those who were scheme members in on or before 3 November 2021, but these would need to be introduced into the LGPS Regulations.

2021/2022 key performance and other information

Member Self-Service (MSS)

MSS allows scheme members to log into a secure web area to view the information which is held on their pension account.

MSS enables our members to:

- update their personal details
- run estimates for retirement using their chosen retirement dates
- amend their death grant beneficiaries
- request retirement packs for deferred members who want to start receiving their pension
- view all member specific documents (e.g. annual benefit statements) and
- upload completed forms for Clwyd Pension Fund to process.

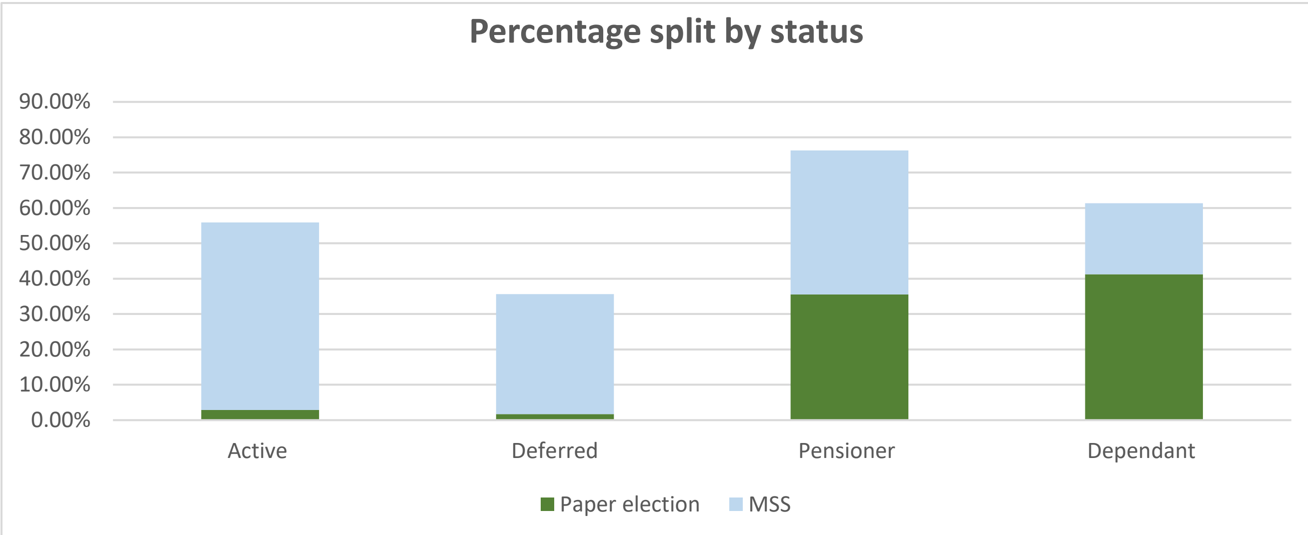
Members who use MSS receive their correspondence electronically, automatically uploaded to their account. They are notified by email each time information is uploaded.

As at 31st March 2022, 48.40% of Clwyd Pension Fund's membership had registered for MSS. To compare, as at 31st March 2021, 36.13% of Clwyd Pension Fund's membership had registered. This means that the registration uptake has increased by 12.27% during this period.

The Clwyd Pension Fund has recently started to record statistics for those members who have elected to receive paper correspondence. Early indications show that approximately 15% of our membership has currently opted for paper communications, rather than using MSS.

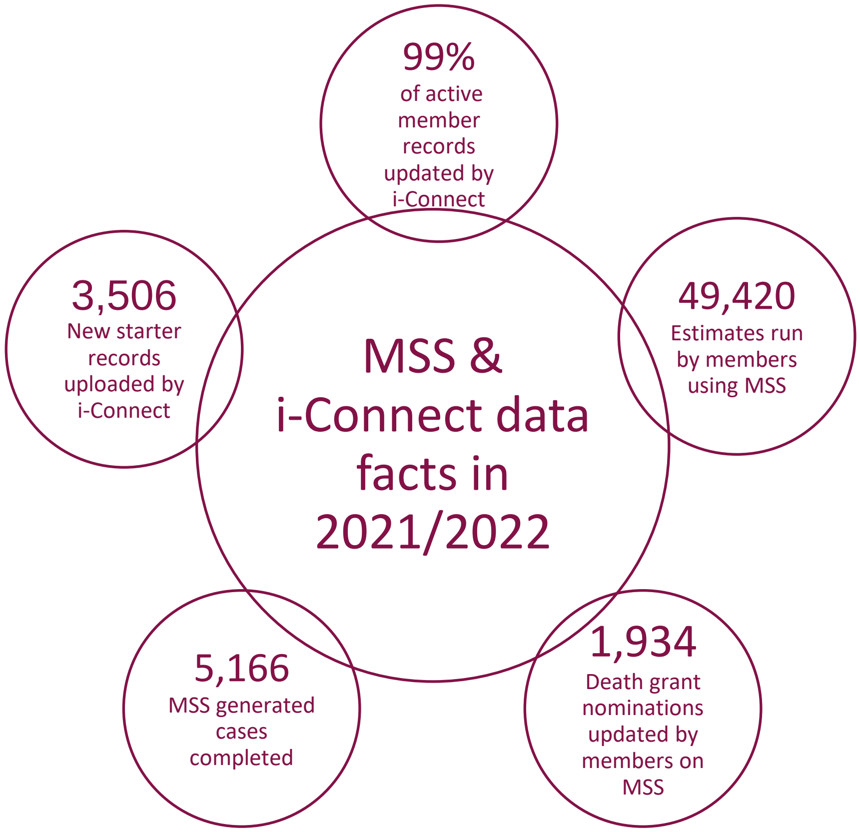
The ratio of paper versus MSS communication preference can be broken down into the different membership status types as seen in the graph below: MSS continues to be an effective method of communication, allowing Clwyd Pension Fund to upload documents such as retirement packs and estimates to members' MSS accounts. This means that members receive their correspondence from us more quickly and securely compared to having it posted to them.

Members are also able to upload completed forms to their MSS accounts for the Fund to then progress payment of their benefits quicker.



On-going improvements to the functionality and promotion of MSS will continue during the next 12 months.

MSS and I-Connect Statistics



Scheme Membership details

This section includes a range of information relating to the numbers of staff, employers and scheme members during 2021/2022.

Full time equivalent staff in the Pension Administration Team	Total Fund members	Ratio of staff to members of Fund	Average cases completed per member of staff
33.1	49,495	1:1,495	1,001

Summary of Employers as at 31st March 2022

Employers	Active	Ceased	Total
Scheduled bodies	35	20	55
Admitted bodies	19	19	38
Total	54*	39	93

*excluding Councillors

2021/2022 New Pensioners

Retirement Type	Number of Retirements
Ill Health	44
Early	406
Normal Retirement Age (NRA)	75
Late	143
Redundancy/Efficiency	25
Flexible	17
Trivial Commutation	79
Total	**789**

Member Trends:

Year	Contributors	Deferred (Including Undecided & Frozen refunds)	Pensioners	Dependent Pensioners	No. of Redundancy & Efficiency Enhanced Benefits	No. of Ill Health Enhanced Benefits - tier 1 only
2018/19	16,528	18,573	11,249	1,732	64	15
2019/20	17,211	17,745	12,751	1,988	54	18
2020/21	17,542	17,275	12,996	2,041	43	21
2021/22	17,073	17,888	12,613	1,921	25	34

Analysis of Pension Overpayments and Write Offs

The Fund has a policy in which it does not seek to recover any overpayments of pensioner payroll payments which are under £100. Details of those are shown below. Every effort is made to recover any payroll overpayments above £100. In some circumstances these may be written off with agreement from the Section 151 Officer.

Overpayments relating to the GMP reconciliation exercise are not included in these figures.

	2021/22		2020/21		2019/20		2018/19		2017/18	
	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases
Amounts under £100	£6,516	166	£6,348	151	£4,435	129	£6,270	154	£6,164	150
Overpayments Recovered	£38,056	92	£26,716	92	£29,277	76	£39,685	90	£51,265	102
Overpayments Written Off	£0	0	£498	2	£0	0	£2,742	4	£990	3

Key Performance Indicators (KPI)

The Fund measures a number of administration tasks against agreed service standards. These KPIs help ensure we are providing information to our scheme members in a timely manner. Previously the fund reported on seven measures, however, the Fund has developed further measurements of service provision in order to increase the transparency of performance and are now reporting on 13 measures. The KPI requirements can be found in the Fund's Administration Strategy and include targets of 90% of the agreed service standard for the Clwyd Pension Fund administration element and 100% for the legal requirement element.

The new measures in the table below are marked with a *, please note not all of these measures have a legal requirement and therefore will have ‘N/A’ in the legal requirement fields.

Process	No. of cases completed cases	Legal Requirement	% of cases completed within target (Legal)	CPF Administration element target	% of cases completed within target (CPF)
To send a Notification of Joining the LGPS to a scheme member	4,072	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled	84%	30 working day s from receipt of all information	99%
To inform members who leave the scheme of their leaver rights and options	2,030	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member)	99%	15 working day s from receipt of all information	98%
Obtain transfer details for transfer in, and calculate and provide quotation to member	309	2 months from the date of request	78%	20 working day s from receipt of all information	69%
Provide details of transfer value for transfer out, on request	456	3 months from date of request (CETV estimate)	98%	20 working day s from receipt of all information	81%
Notification of amount of retirement benefits	1,534	1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age [4]	86%	10 working day s from receipt of all information	90%

Providing quotations on request for retirements	883	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	99%	15 working days from receipt of all information	89%
Calculate and notify dependant(s) of amount of death benefits	207	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative)	87%	10 working days from receipt of all information	81%
*Calculate and Notify member of CETV for Divorce/Dissolution Quote	103	3 months from the date of request	99%	20 working days from receipt of all information	95%
*Calculate and Notify members of Actual Divorce Share	5	4 months from the date of the pension sharing order, or the date where all sufficient information is received to implement the order	60%	15 working days from receipt of all information	60%
*Calculate and pay a Refund of contributions	350	N/A		10 working days from receipt of all information	61%
*Calculate and Pay retirement lump sum	1,062	N/A		15 working days from receipt of all information	96%

*Calculate and Notify member of Deferred Benefits	1,821	N/A		30 working days from receipt of all information	35%
*Initial letter acknowledging death of member	442	N/A		3 working days from receipt of all information	78%

Other performance information

The total number of cases completed annually continues to increase. Despite that, there has still been a positive effect on the performance levels achieved across all areas. Additional resource and developments in technology have contributed towards this success and will continue to be monitored to ensure service standards do not decrease. In order to satisfy legal requirements the KPIs noted above are measured at a specific point within the case. These numbers will, therefore, not match the completed cases shown below which also include other areas of work.

Completed Cases 2021/2022

Case Type	Cases
New Starters	3,506
Address changes (including via MSS)	3,535
Defers	1,830
Refunds	709
Retirements (all types)	1,437
Estimates (all types)	883
Deaths (deferred, active and pensioners)	530
Transfers In	300
Transfers Out	404
Divorce Quote	106
Divorce Share	5
Aggregation	2,111

2020/21

Total cases completed

29,854

2021/22

Total cases completed

31,152

Case Movement

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Start total	5,127	5,074	5,005	4,905	4,962	5,074	5,708	6,197	5,463	5,135	4,835	4,985
Completed	2,306	2,457	2,578	2,165	2,218	2,539	2,974	3,647	2,566	3,057	3,344	5,024
Received	2,295	2,411	2,493	2,280	2,418	3,253	3,539	2,937	2,291	2,760	3,512	4,961
Deleted	42	23	17	58	88	80	76	23	53	3	18	13
Remaining	5,074	5,005	4,905	4,962	5,074	5,708	6,197	5,463	5,135	4,835	4,985	4,909

Value for Money Statement

The Fund measures Value for Money by achieving its objectives set out in both the Administration Strategy and the Communication Strategy and particularly the following objectives:

- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records

- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so

- Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working

To successfully deliver these objectives there is a robust Business Plan and Data Improvement Plan in place, risk management is integrated into our day-to-day business and we continually measure success against these objectives in various ways such as through our KPIs, satisfaction surveys and our Breaches Register. Progress updates on each of these are regularly reported to the Committee and the Board.

Some of the key measures to demonstrate Value for Money are as follows:

- The quality of data is fundamental to both the valuation of the fund's liabilities and how this is subsequently reported in the fund's accounts. As mentioned earlier, our common and scheme specific data quality scores are 97.7% and 97.3% respectively and these have significantly improved in recent years evidencing that data is now of a high quality.

- We aim for 5% per year increases in the proportion of scheme members registered on Member Self-Service, which directly results in greater efficiencies. We achieved an increase of 12.27% from March 2021 to March 2022.

- We strive to use digital communications as a default in all situations unless there are valid reasons not to do for efficiency or effectiveness reasons.

- We regularly review our progress against a wide range of KPIs (including legal timescales, overall process timescales and internal Fund turnaround times), workload case numbers (received, completed and outstanding) and our business plan requirements to ensure our resources are appropriate to meet our objectives.

- We aim for the cost per member to not be in upper or lower quartiles when benchmarked against all LGPS Funds using national data. The latest measure confirms our administration cost per member (CIPFA measure) to be £36.35 and this represents a position within the middle quartiles of the Funds included in the comparison. With regard to overall costs per member across administration, oversight and governance, the latest measure confirmed this to be £88.44 per member. This represents a position within the upper quartile of the Funds included in the comparison.

Furthermore, in 2021/22 the administration of the Fund was achieved within the agreed budget.

Complaints Procedure

The Fund's complaints procedure is officially known as the Internal Dispute Resolution Procedure (IDRP).

Usually, before IDRP is instigated, an ‘informal’ complaint is raised by a member and the Pensions Administration Manager or Principal Pensions Officers will attempt to resolve the complaint and confirm this in writing where possible. If the complaint is against an employer decision, it is the employer’s responsibility to attempt to resolve this complaint. If the member is dissatisfied with the response, they may appeal. IDRP has a two stage process under LGPS regulations.

Written appeal applications must be made using the Fund's official IDRP forms and must be returned to the Fund within six months of the date of the decision that the member is appealing against.

Stage One of the appeal's process requires the Fund's 'nominated person' to investigate the complaint. For Stage One, this nominated person is the Business Development Manager for West Yorkshire Pension Fund. He reviews the dispute and makes a determination as to whether the decision reached was made in line with the Scheme regulations. Should the member remain dissatisfied with the outcome they can make an application under Stage Two which can be forwarded to the Fund. Stage Two appeals are heard by the Monitoring Officer of Flintshire County Council.

If still dissatisfied, members may take their dispute to the new MoneyHelper service and then onto the Pensions Ombudsman. The table below summarises the IDRP requests the Fund received in 2021/2022 and their outcomes:

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

Appeal Contact details:	Mrs Karen Williams Pensions Administration Manager, Clwyd Pension Fund, County Hall, Mold, CH7 6NA

More information about the appeal process can be found in our Internal Dispute Resolution Procedure Pack at: https://mss.clwydpensionfund.org.uk/home/lgps-scheme/forms-and-resources/index.html

Contact Details

For further information on this section of the Annual Report please contact:

Mrs Karen Williams, Pensions Administration Manager

Clwyd Pension Fund, County Hall, Mold, CH7 6NA.

Email: Karen.williams@flintshire.gov.uk

Tel: 01352 702963

Appendix 5 - Funding and Flightpath Review

Return to Contents

An update from the Actuary

I am delighted to provide my annual update from an actuarial perspective on the activities of the Clwyd Pension Fund (the Fund) during 2021/22. This was a particularly difficult period given the impact of rising inflation, rising interest rates and the likely global recession in major economic markets. We have now entered a stagflationary environment (lower growth, higher inflation), which will be a challenge for the Fund, given the liabilities are directly linked to UK Consumer Prices Inflation (CPI). This means the assets need to work harder to keep pace with the increasing liabilities.

Despite the challenging economic environment, the Fund has been resilient both financially and operationally over this period, which is testament to the strong governance and oversight in place. It is pleasing to see that the estimated funding position, whilst volatile, is still above 100% at the end of March 2022 based on an approximate roll forward of the 2021 interim valuation update. This will be formally reviewed as part of the 2022 actuarial valuation, which will be a key project for the Fund and employers over the coming year. The results and employer contributions will be formally signed off in March 2023, with the new contributions coming into effect from 1 April 2023.

The Risk Management Framework has been integral to achieving the surplus funding position and will help provide much needed overall contribution stability. The challenge now is to consider how we can maximise the chance of remaining fully funded or better through a combination of the investment strategy and employer contributions to provide ongoing stability, particularly in light of the high inflation that has continued after 31 March 2022. This is a delicate balance as providing more certainty through reduced risk may result in lower returns being achieved, which in turn would impact on the funding position, and increase contribution requirements.

Going forward there is little doubt that we are going to see further increases in interest rates in the UK and globally to try to mitigate the spiralling inflationary environment. Whether the monetary policy can influence materially on this given the structural supply and labour issues we are seeing in the UK remains to be seen. Whatever approach is taken, there is no doubt that the Fund is facing a number of challenges, but I do know that having the Risk Management Framework and the exceptional wider financial governance framework in place will help the Fund navigate this as effectively as possible.

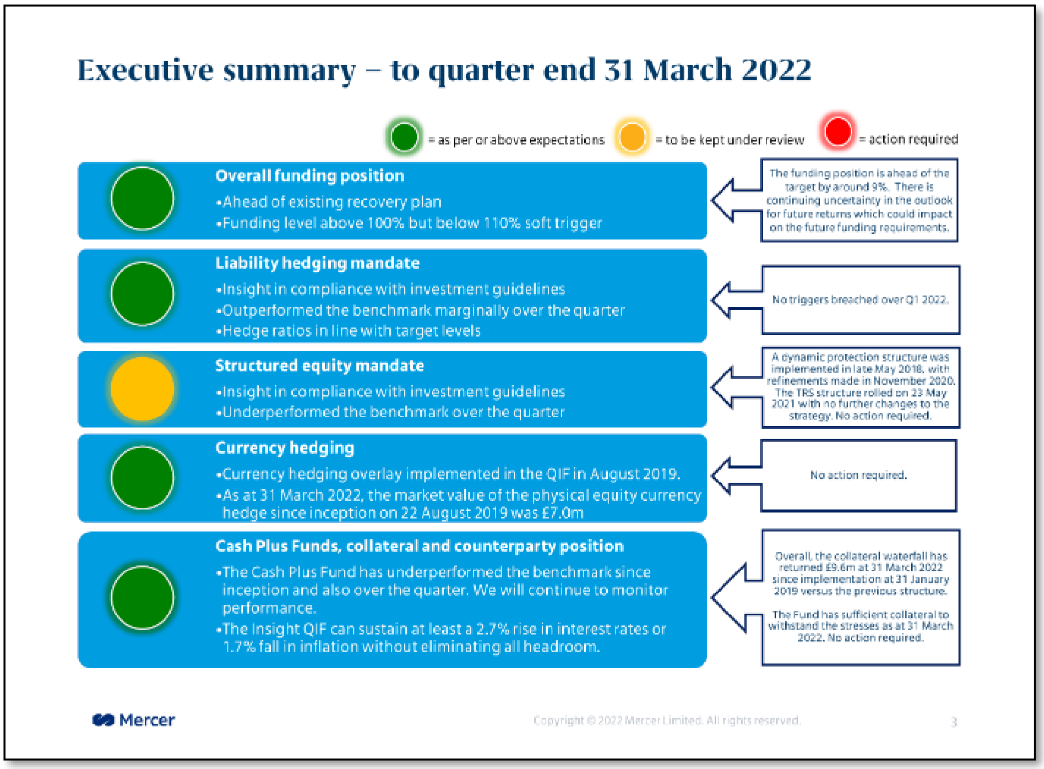
Risk Management Framework

Flightpath Strategy

A critical aspect of managing risk relates to the Flightpath Strategy, which is central to providing stability of funding and employer contribution rates in the long term. This strategy has been in operation for 8 years now and there have been big strides forward in achieving the objective of reaching full funding by 2026.

Over the year, the level of liability risk hedging (the “hedge ratio”) within the framework increased marginally (to just over 25% for interest rates and 40% for inflation expectations. We have seen several increases in interest rates and bank base rates are currently at 1.75% (as announced on 5 August 2022) with more increases likely. The level of inflation hedging has provided some protection against the rising inflationary environment.

The funding plan was well ahead of the target set as part of the 2019 valuation as at 31 March 2022 despite the ongoing uncertainty in investment markets. Overall, the funding position was estimated to be 101% as at 31 March 2022 based on a roll forward from the 2021 interim valuation review, which was 8% ahead of target meaning that the full funding objective was met despite the increased inflation and falls in markets. However, we have seen some deterioration since 31 March 2022 due to the continued ongoing inflationary pressures (increasing the liabilities) and the falls in asset values. The position remains volatile and we expect this to continue for a while yet.



We monitor the funding position on a monthly basis and the impact of the funding deterioration will be considered as part of the 2022 valuation and the employer contribution requirements, noting that the inflationary pressures are also affecting employer budgets through wage inflation and operational costs from energy and other goods.

Whilst monitoring the funding position is central to my role, it is also important that we ensure other operational aspects of the Flightpath run by Insight Investment Management (Insight) are working correctly, as this is vital to the success of the strategy. Therefore, we monitor on a monthly basis using a red/amber/green ("RAG") rating system and the summary at March 2022 is shown. It can be seen that all aspects were in line with expectations apart from:

- The synthetic equity mandate has seen some underperformance relative to an unhedged equity position since inception. This is driven by the sharp rally in equity markets post March 2020 following the Covd-19 market recovery, which caused the value of the equity downside protection to be less valuable. Overall, however, the rally in markets has meant that the synthetic equity mandate has been a key contributor to the improved overall funding position. This equity downside protection is still critical to the overall strategy of protecting against large falls in markets, such as those we experienced last year due to the economic impact of the pandemic.

- It should be noted that, having an equity protection policy in place will protect from any large changes in equity markets. Importantly over the longer-term, the increased security allows less prudence in the Actuarial Valuation assumptions, which could translate into lower contributions at the 2022 valuation, and maintaining the equity exposure supports a lower cost of accrual than under traditional de-risking methods.

- The Fund will consider the current high inflationary environment in relation to setting the inflation assumption for the formal actuarial valuation as at 31 March 2022. This includes considering the effectiveness of the Bank of England's monetary policy of increasing interest rates.

Changes to the Risk Management Framework

Following the strong performance of the framework and analysis of the collateral adequacy position, the Funding and Risk Management Group (FRMG) agreed to release £100m of collateral from the risk management framework. It was decided that this would be invested into private market assets over the next few years. Given it takes time to fund these investments, £50m of the earmarked value was invested within the collateral management strategy within the framework in order to generate additional return in the interim. The FRMG also put in place a robust cash management plan should the Fund need to source liquidity at short notice, improving the governance around cashflow management.

The Flightpath framework will continue to be monitored as part of the regular FRMG meetings.

What will we need to consider during 2022/23?

As well as the challenge of the global economic environment, there are a number of other areas that the Fund will need to navigate and react to.

- **2022 actuarial valuation** – The effective date for the 31 March 2022 valuations has now passed. Work is now well underway as the Fund and the Actuary begin to consider the assumptions (financial and demographic) to adopt and the outlook for markets. The results will be communicated to employers during Q4 2022 and summarised within the 2022/23 update from the Actuary.

- **Impact of rising inflation and interest rates** – As you will be well aware, the rate of inflation has recently reached its highest level in over 40 years, with the annual increase in CPI to June 2022 hitting 9%. It is quite conceivable that the April 2023 pension increase (which is based on the September 2022 annual CPI value) could be double digit, which is the highest pension increase since the 1970's. This has been driven by various factors initially, but also exacerbated by the impact of the crisis in Ukraine on energy, petrol and food prices with other factors such as low unemployment adding to concerns of sustained high inflation.

- The Bank of England has already taken some steps to control UK inflation and at the August monetary policy committee increased the base interest rate to 1.75% p.a., aiming to encourage saving instead of spending, and hence more price competition. It predicts that this will bring CPI inflation to below its 2%

target within a few years, although this seems somewhat optimistic given the global influences on UK inflation, which are not within the Bank of England's gift to control. As a result, there is considerable uncertainty in how prolonged the situation may last and this uncertainty was highlighted by the Bank of England in its latest forecast.

- **Climate change** – at the time of writing we are seeing a year of record-breaking temperatures in the UK and rightly climate change continues to be one of the issues at the top of the agenda. The Fund rightly has climate change at the centre of its policies and is already taken steps aiming to manage climate change risk within the investment strategy through its net zero policy and impact investing. We will be considering this in more detail from a funding perspective for the 2022 valuation. This will comprise using scenario analysis to test the potential evolution of the Fund's funding position over time under different climate change transition scenarios, which will help inform our understanding of the resilience of the funding strategy and how the current investment strategy plus planned future changes impact on this.
- **Maintaining full funding** – In light of the funding level moving over 100%, the challenge is how do we maintain or even improve this position through contributions and investment returns. This cannot be guaranteed and will be a delicate balance between a number of often competing factors. The 2022 actuarial valuation will also impact on the funding level as updated membership data and assumptions (including demographic factors) are incorporated.
- **McCloud remedy** – On 10 March 2022, the Public Sector Pensions and Judicial Offices Bill received Assent. The next stage in the process will therefore be for Regulations for each of the Public Sector Schemes to be released together with a consultation on draft guidance to assist Funds in implementing the remedy. Both are expected prior to parliamentary recess in the summer of 2022.
- From a funding perspective, a letter from the Head of Local Government Pensions at DLUHC was forwarded to administering authorities setting out DLUHC's recommendations on how the impact of the McCloud Judgment should be taken into account as part of the 31 March 2022 actuarial valuation. For the Fund, the recommendations were in line with the treatment already incorporated into the 2019 valuation outcomes and hence no significant changes in approach/outcome are expected as part of the 2022 valuation exercise other than for those employers who decided not to make a provision in their current contributions rates.

I have covered a wide range of challenges and opportunities for the Fund and I remain confident that we are in the best place possible to navigate these over the next few years and beyond given the strong financial governance in place.

Paul Middleman FIA

Fund Actuary and Pensions Advisory Panel member

Appendix 6 - Investment Policy and Performance Report

Return to Contents

I am pleased to provide an update from an investment perspective on the activities of the Clwyd Pension Fund (the Fund) during 2021/22. As the Fund's Investment Consultant, I provide advice to the Fund on how to manage various investment risks. I also have a specific role in guiding the overall direction of the Fund via my seat on the Fund Advisory Panel and the Funding and Risk Management Group (FRMG).

Investment Strategy Statement (ISS)

When considering the Fund's investments it is appropriate to start with the overall investment objectives, which are set out in the ISS. The ISS is appended to this report and sets out the funding and investment objectives for the Fund. The specific investment objectives are:

- Achieve and maintain assets equal to 100% of liabilities within the 13-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
- Ensure that the Fund's investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission's target by 2045
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- Aim to use the Wales Pensions Partnership (WPP) as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

Each of these specific objectives have embedded within them the Fund's desire to incorporate sustainability in its long-term approach and to demonstrate that it is acting effectively as a Responsible Investor.

This report demonstrates progress made towards these long-term objectives during the year, compliance with the ISS, the economic and market environment and changes implemented or planned during the year.

Market Commentary

- The world entered the second quarter of 2021 with heavy COVID-19 related restrictions in place. The successful roll-out of vaccinations in developed countries created optimism over imminent reopening's that would be more sustainable this time than a year before. The reopening rebound in July and August 2021 in developed countries did indeed materialize and drove risk-on sentiment initially. However, some emerging economies re-imposed restrictions, which added to already existing supply chain pressures. The supply impact was felt with increasing intensity in September with bottlenecks in a large number of areas.
- One major event was a run on UK petrol stations at the end of September after rumours of fuel shortages became a self-fulfilling prophecy. Rising energy future prices in the UK and Europe led to a further deterioration in sentiment. In the emerging world, China's attempt to deflate its property market by tightening credit increased financial distress and led to the bankruptcy of some large property developers, most notably Evergrande. This came in addition to its disruptive regulatory campaign that created enormous uncertainty for Chinese companies and led to a sharp deterioration in business sentiment.
- The fourth quarter did not bring much better news for investors. Persistently high inflation in both developed and emerging countries prompted central banks to become more hawkish. Tightening in emerging markets that had already started reacting earlier in the year continued. The Federal Reserve began to taper asset purchases, setting the stage for interest rate rises as early as in 2022. The Bank of England increased rates by 15bps to 0.25% in December. Only the European Central Bank and Bank of Japan remained on the fence.
- There was a further COVID-19 variant scare from late November onwards but with a more limited impact this time. International travel restrictions were somewhat tightened and only few countries in Europe re-imposed meaningful domestic restrictions. The US and UK opted instead for a more pragmatic approach of keeping their economies open and focusing on making booster vaccinations more widely available. Some optimism returned late in the year as existing vaccines proved to still be sufficiently effective against severe symptoms whilst the new variant also appeared to be less severe than feared, although more contagious.
- At first, 2022 started on a positive note. The continued absence of far-reaching COVID restrictions in developed countries supported demand. Although inflation came in at elevated levels, a combination of improving supply chains and moderate monetary tightening was expected to bring it under control. The invasion of Ukraine and subsequent spike in commodity markets completely changed this narrative. Central banks were forced to accelerate this pace of tightening even as growth expectations were dialled down. The recovery in supply chains was nipped in the bud both due to the conflict, sanctions on Russia and China locking down large manufacturing hubs.

- Overall, the 12-month period was shaped by a strong global economic recovery supported by economies reopening, higher increased household savings and loose monetary policy. This position fell under pressure in 2022 amid rising inflation, tightening monetary policy, the conflict in Ukraine and renewed lockdowns in China, just when there was hope that supply chains would improve and COVID-19 would cease to cause major economic disruptions.
- At a global level, developed markets as measured by the FTSE World index, returned 14.9%. Meanwhile, a return of -3.3% was recorded by the FTSE All World Emerging Markets index.
- At a regional level, European markets, excluding the UK, returned 6.5% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 13.0%. The FTSE USA index returned 19.3% while the FTSE Japan index returned -2.3%. UK equities caught up considerably with global equities in the first quarter of 2022 due to the index's large exposure to oil, gas and basic materials.
- Equity market total return figures are in Sterling terms over the 12-month period to 31 March 2022.
- UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -5.1%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -7.2% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 1.2% to 1.7% while the Over 15 Year index yield rose from 0.7% to 1.1%.
- The FTSE All Stocks Index-Linked Gilts index returned 5.1% with the corresponding over 15-year index exhibiting a return of 3.9%. Rising inflation expectations offset rising nominal yields to an extent, cushioning the fall of real yields somewhat which explains the outperformance of index-linked gilts relative to nominal gilts.
- Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned -5.1%.
- Over 12-month period to 31 March 2022, the MSCI UK All Property Index returned 23.9% in Sterling terms. All three main sectors of the UK Property market recorded positive returns over the period (retail: 20.8%; office: 6.7%; and; industrial 42.3%).
- The price of Brent Crude Oil rose 69.2% from $63.52 to $107.46 per barrel over the one-year period. Commodities rallied significantly in the first quarter of 2022, as Russia invaded Ukraine. As Russia was sanctioned by large parts of the world, energy markets spiked due to the uncertainty of supply given Russia being such a large supplier of oil and gas to Europe.
- The S&P GSCI Commodity Spot Index returned 62.4% over the one-year period to 31 March 2022 in Sterling terms.
- Over the 12-month period to 31 March 2022, Sterling appreciated by 0.8% against the Euro from €1.17 to €1.18 and appreciated 4.8% against the Yen, from ¥152.46 to ¥159.81. Sterling depreciated against the US Dollar by -4.6%, from $1.38 to $1.32.

Clwyd Pension Fund Investment Performance 2021/22

The Fund posted strong investment returns for the year returning 13.3% for the twelve months, well ahead of the Actuary's future service return assumption of CPI +2.25%, as quoted in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS).

The Fund returned 13.3% compared with a composite benchmark (of the underlying manager benchmarks) of 9.1%. Whilst the returns for the year were well ahead of the required rate, given the impact COVID-19 had on the preceding year's returns, it remains appropriate to see this in context of the longer-term performance. Over three years to the 31 March 2022 the Fund achieved a return of +9.9% per annum, compared with a benchmark of +8.9% per annum. This performance is also well ahead of the future service target of CPI +2.25%.

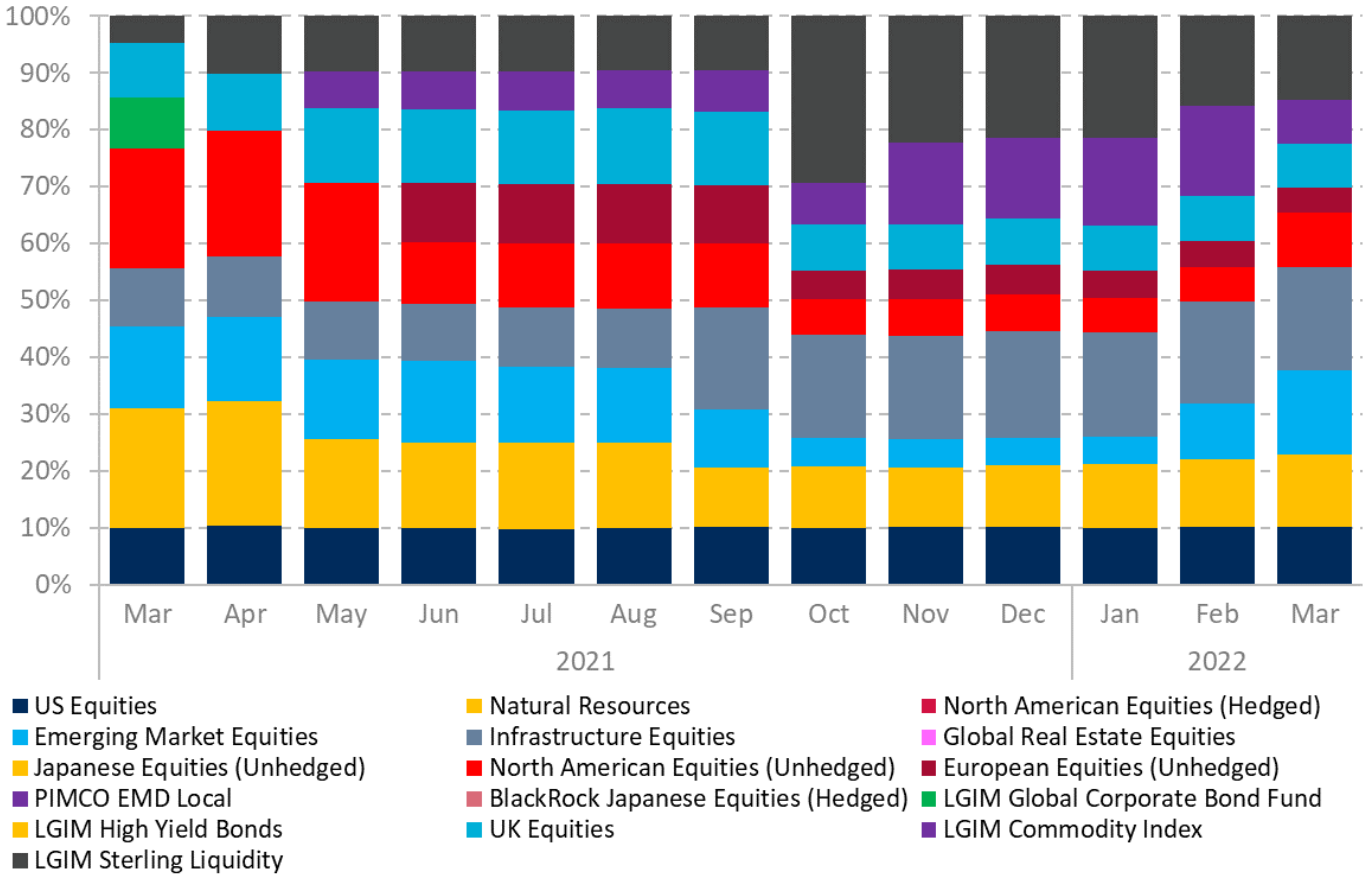
The Equity portfolio that includes Global and Emerging Market Equity exposures returned +2.3% due to the falls in equity markets over the year to 31 March 2022. The BlackRock World ESG portfolio returned +16.8%, outperforming its target of +16.5%, whilst the Russel WPP Global Opportunities portfolio returned +11.0%, underperforming its target of +14.6% over the 12 months.

The Multi-Asset Credit (MAC) portfolio produced a negative return of -2.1% against a target of 4.1%. The portfolio mainly detracted due to security selection within the US and the impact that the Russian invasion of Ukraine had on credit markets in late February and March of 2022.

The Best Ideas Portfolio produced a return of +20.3% over the one year period to 31 March 2022, well in excess of its long term target of CPI +3.0% p.a.

Throughout the year under review, a number of positions have been taken within the underlying composition of the Best Ideas portfolio as demonstrated in the chart below. There is a monthly meeting of the Tactical Asset Allocation Group where Mercer monitor and review the portfolio and make recommendations to the

Fund Officers. A robust process has been put in place with a transparent audit trail (including minutes of all meetings) documenting any changes and decisions together with their rationale.



Source: Mobius Life

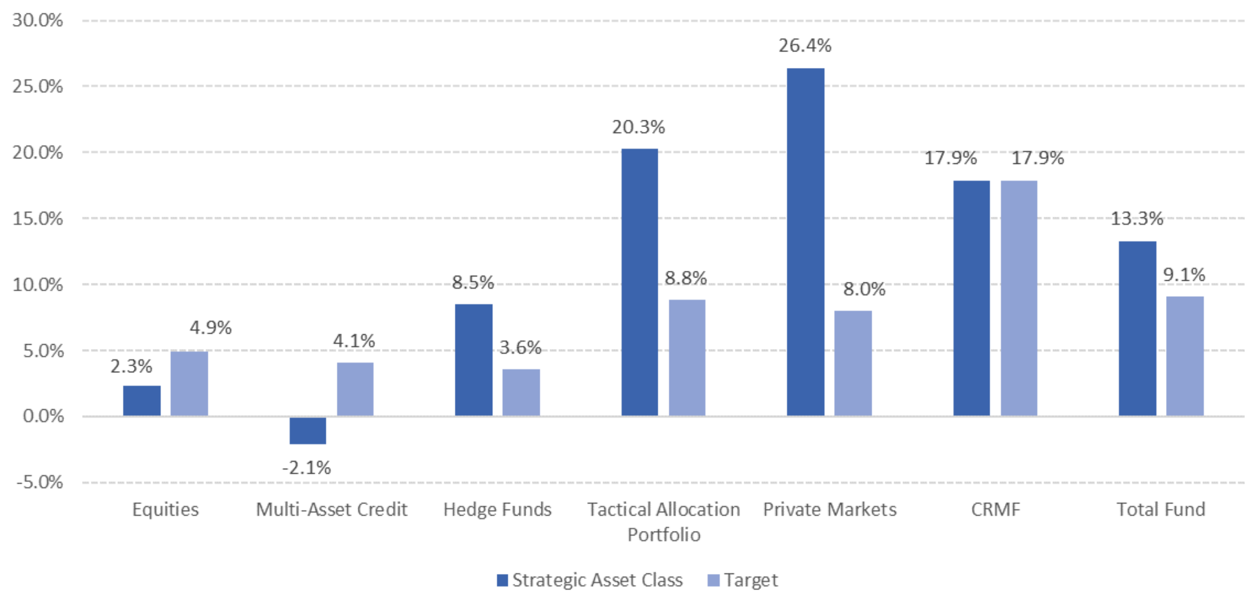
The chart demonstrates the diversified nature of the holdings within the Best Ideas portfolio, which has included Developed Equities, Emerging Market Equities, Commodities and Corporate Bonds as well as liquid alternatives in the form of listed Infrastructure. It also shows how the underlying holdings have changed following decisions that have been taken by the Tactical Asset Allocation Group over the year. One key holding during the year has been the Sterling Liquidity (cash) fund. This has been particularly helpful at the start of 2022 as market volatility and falling valuations hit all investors.

The Managed Account Platform with MAN contains a Hedge Funds portfolio, which produced a strong absolute return of +8.5% during the year. The portfolio was restructured as part of the strategic review and the new structure was in place with effect from April 2020.

In the 12 months under review the Private Markets assets lead performance achieving a positive return of +26.4%. Within the Private Markets portfolio Local/Impact and Private Equity posted the strongest returns, returning +40.3% and +36.0%, respectively.

The Cash and Risk Management Framework investment portfolio (a key component of the Risk Management Framework) which consists of regional synthetic Global Equities, Gilt and inflation exposures (as well as equity protection and currency hedging strategies) returned +17.9% in 2021/22. However, the performance of this portfolio over the short term is less relevant due to its risk management characteristics. The risk management elements of the portfolio performed as expected and managed the fund's risks effectively over the period.

The chart below summarises the 12-month performance against the target for each of the Fund's asset classes and managers together with the total Fund. It should be noted we have only included those funds/asset classes that have a full 12-month return.



Source: Investment Managers, Mercer

Summary of Investment Performance 2021/22

Market conditions over the year to 31 March 2022 year were beneficial for investors, and the Fund benefited from these investment markets. COVID-19 restrictions were lifted across the globe which improved investor sentiment. The first quarter of 2022 has seen markets fall off largely due the tightening of monetary policies across UK, US and Europe as well as the impact on supply chains resulting from the Russian invasion of Ukraine, which has ultimately reduced the yearly returns to March 2022.

As a result the performance of the Fund for the twelve months under review was +13.3%.

The Fund's allocations to private markets (+26.4%) and the Tactical Asset Allocation (+20.3%) helped propel the Fund over the period. The Fund's cash and risk management allocation also posted strong returns over the year in review, returning +17.9%. Equities returned a positive return (+2.3%) over the period, whilst Multi-Asset Credit dragged on performance (-2.1%).

Investment Strategy

The Fund's Investment Strategy is shown in the table below:

Strategic Asset Class	**Strategic Allocation (%)**	**Strategic Range (%)**	**Conditional Range (%)**
Developed Global Equity	10.0	5.0 – 15.0	0 – 30
Emerging Market Equity	10.0	5.0 – 15.0	0 – 30
Hedge Funds	7.0	5.0 – 9.0	0 – 15
TAA/Best Ideas	11.0	9.0 – 13.0	0 – 20
Multi-Asset Credit	12.0	10.0 – 14.0	0 – 20
Cash and Risk Management Framework	23.0	10.0 – 35.0	0 – 40
Private Markets			
Property	4.0	2.0 – 6.0	0 – 8
Private Equity	8.0	6.0 – 10.0	0 – 15
Local/Impact	4.0	0.0 – 6.0	0 – 8
Infrastructure	8.0	6.0 – 10.0	0 – 15
Private Credit	3.0	1.0 – 5.0	0 – 6

The Fund’s Investment Strategy continues to be more diversified than most Local Government Pension Scheme (LGPS) Funds and incorporates a Risk Management Framework, which differentiates the Fund from many other LGPS Funds. The aim of the Fund’s strategy remains to reduce the volatility of returns, in line with the objective of stabilising employer contribution rates. Although history suggests that in the long term equities should out-perform other asset classes, these returns can be very volatile and the asset class can under-perform for many years.

The Cash and Risk Management Framework is a key feature of the Fund’s Investment Strategy and looks to manage a number of the key risks. As described above the strategic target weight has been increased as part of the recent review, demonstrating that it remains strategically important. This portfolio is explained in more detail in the Risk Management section of the Actuary’s report.

The Best Ideas Portfolio is a short-term (12-month horizon) tactical allocation based upon Mercer’s suggested “best ideas”. Aside from the decisions being made on a tactical (short-term) basis, the basic premise of the decisions within this portfolio is that any asset allocation implementation should be liquid (to enable speed of action should it be required) and cost efficient. Given the material size of this allocation (11% of total Fund assets), further detail is provided in the Performance section of this report. The following table shows the strategic allocation compared to the actual asset allocations as at 31 March 2021 and 31 March 2022.

As we start the 2022/23 period, there continues to be a significant amount of volatility across financial markets. In conjunction with the 31 March 2022 Actuarial Valuation, the Fund will be undertaking an Investment Strategy Review and potentially making changes to the strategic asset allocation based on a range of factors including but not limited to: market volatility, the challenging outlook for growth and inflation.

Strategic Allocation vs Actual Allocations (Note: Totals may not sum due to rounding)

Manager	Mandate	Actual 31/03/21	Actual 31/03/22	Strategic Allocation 21/22
Developed Global Equity				10.0%
WPP	Global Equity	5.4%	5.3%	5.0%
BlackRock	Global Equity	5.2%	5.4%	5.0%
Emerging Market Equity				
Wellington	EM (Core)	3.6%	0.0%	0.0%
Wellington	EM (Local)	3.3%	0.0%	0.0%
BlackRock	Emerging Equity	3.8%	0.0%	0.0%
WPP	Emerging Equity	0.0%	9.0%	10.0%
Hedge Funds				
ManFRM	Hedge Funds	6.7%	6.4%	7.0%
TAA / Best Ideas				11.0%
In-house	Best Ideas Portfolio	10.6%	11.1%	11.0%
Multi-Asset Credit				
WPP	Multi-Asset Credit	11.5%	10.0%	12.0%
Cash and Risk Management Framework				23.0%
Insight	CRMF	24.4%	25.5%	23.0%
Private Markets				
Various	Property	6.0%	6.0%	4.0%
Various	Private Equity	7.7%	7.9%	8.0%
Various	Local/Impact	2.3%	2.7%	4.0%
Various	Infrastructure	4.7%	4.8%	8.0%
Various	Private Credit	2.3%	2.1%	3.0%
Various	Timber/Agriculture	0.8%	0.5%	0.0%

Manager	Mandate	Actual 31/03/21	Actual 31/03/22	Strategic Allocation 21/22
Cash		1.7%	3.2%	0.0%

During the 2021/2022 period, the Fund switched out of Wellington Emerging Market Core and Local Funds and BlackRock Emerging Market Equity Fund and transferred all Emerging Market allocation into the WPP Emerging Market Fund. This was in line with the Fund's objective to use the WPP for investing the Fund's assets.

Responsible Investment

The Fund's ISS includes the full Responsible Investment Policy and includes the approach to Investment Pooling, Stewardship and Engagement and Reporting and disclosure. The Policy includes the Fund's Responsible Investment beliefs, and a set of Principles. It also sets five key Strategic Responsible Investment Priorities for the work in this area over the next three years.

The Fund has continued to progress significantly in the work undertaken over the past year. Progress has been made across all of the strategic Responsible Investment Priorities as detailed in the ISS. In particular, the Committee approved a strategy to achieve net-zero carbon emissions from its investment portfolio. The Committee agreed an ambitious target for the investments in Clwyd Pension Fund, as a whole, to have net zero carbon emissions by 2045, with an interim target of carbon reduction of 50% by 2030.The Fund has also continued to deploy allocations into sustainable private market investments, many of which have direct impact focus, with some allocations designed to directly benefit the Fund in the local area.

The Committee have received a series of dedicated training sessions across a range of Responsible Investment areas and the Fund continues to take actions that place it at the forefront of the Responsible Investment landscape.

Engagement and Voting

The Fund requires that its managers report how they voted the shares held within their portfolios. A summary of the voting activities of the managers for 2021/22 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
BlackRock - ESG	**274**	**3,937**	**3,641**	**266**	**29**	**1**
Russell - Global Ops	**61**	**704**	**634**	**64**	**5**	**1**
Russell - Emerging Market	**19**	**187**	**139**	**35**	**1**	**12**

Source: Investment Managers

United Nations Principles for Responsible Investment

The Fund engages with all of its asset managers to ensure that they are fully aware of their responsibilities with regard to sustainability, and one of the ways in which the fund management industry can demonstrate that it takes its responsibilities seriously is to become a signatory to the UN Principles for Responsible Investment (UN PRI). Firms that are signatories to the UN PRI are required to commit to a set of six principles promoting and incorporating Environmental Social and Governance (ESG) principles into all aspects of its work. The Fund's major asset managers are all UN PRI signatories. For sake of completeness, Russell are not considered a direct manager of assets as they manage a portfolio of underlying investment managers. These underlying investment managers are being encouraged to become signatories to the UN PRI.

Summary of the Longer Term

The market value of the Fund has increased from approximately £1,082.7m in March 2012 to £2,490.8m in March 2022.

The table below shows a summary of the annualised investment performance over the last 10 years compared with the Fund's benchmark and local government pension funds.

Period (Years)	Clwyd Pension Fund (%) pa	Clwyd Benchmark (%) pa	Average Local Authority (%) pa
1	+13.3	+9.1	+8.6
3	+9.9	+8.9	+8.3
5	+7.8	+7.4	+7.1
10	+8.4	+8.1	+8.9

Source: Mercer, PIRC

Performance to 31 March 2022

	Investment Manager	Q1 2022 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)	10 Yrs (%)	B'mark (%)
Total		**-0.9**	-1.0	**13.3**	9.1	**9.9**	8.9	**7.8**	7.4	**8.4**	8.1
Total Equity		**-3.1**	-2.9	**2.3**	4.9	**9.1**	11.0	**8.0**	9.4	**10.0**	11.6
WPP Global Opportunities	Russell	-1.4	-2.2	11.0	14.6	14.5	15.6	--	--	--	--
World ESG Equity	BlackRock	-1.8	-1.9	16.8	16.5	--	--	--	--	--	--
Emerging Markets Equity	Russell	-4.9	-3.9	--	--	--	--	--	--	--	--
Total Credit		**-3.8**	1.1	**-2.1**	4.1	**1.9**	2.9	**1.8**	2.5	**2.1**	1.9
WPP Multi-Asset Credit	Russell	-3.8	1.1	-2.1	4.1	--	--	--	--	--	--
Total Hedge Funds		**0.4**	1.0	**8.5**	3.6	**4.4**	3.9	**--**	--	**--**	--
Hedge Funds	Man	0.4	1.0	8.5	3.6	4.4	3.9	2.4	4.0	--	--
Hedge Funds (Legacy)	Man	-5.8	1.0	-4.1	3.6	-9.6	3.9	-35.2	4.0	--	--
Total Tactical Allocation		**8.1**	2.5	**20.3**	8.8	**11.5**	5.8	**7.8**	5.6	**3.9**	5.0
Best Ideas	Various	**8.1**	2.5	**20.3**	8.8	**12.0**	5.8	**8.8**	5.6	**2.4**	0.1
Total Private Markets		**4.3**	2.0	**26.4**	8.0	**11.0**	5.8	**10.7**	5.9	**--**	--
Property	Various	5.0	5.6	16.9	23.9	7.0	8.4	7.5	8.4	8.2	9.2
Private Equity	Various	4.9	1.3	36.0	5.1	17.3	5.4	15.7	5.5	13.0	5.6
Local / Impact	Various	2.3	1.3	40.3	5.1	--	--	--	--	--	--
Infrastructure	Various	4.7	1.3	22.3	5.1	6.2	5.4	7.1	5.5	12.2	5.6
Private Credit	Various	1.6	1.8	18.1	7.5	4.4	7.5	--	--	--	--
Timber/ Agriculture	Various	2.6	1.3	6.1	5.1	0.9	5.4	0.6	5.5	2.2	5.6
Total CRMF		**-6.3**	-6.3	**17.9**	17.9	**16.0**	16.0	**11.4**	11.4	**--**	--
Cash and Risk Management Framework (CRMF)	Insight	-6.3	-6.3	17.9	17.9	16.0	16.0	11.4	11.4	--	--

Source: Investment Managers, Mercer.
Note: Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv. For periods over one year the figures in the table above have been annualised.

The following table documents the changes in the Fund's Investment Strategy since 2001. As can be seen the asset allocation is very different from that of the average local government pension fund. The Fund has been particularly active and very early in its commitments to alternative assets through a broad range of specialist managers. The current weightings were reviewed in 2019, the new strategy was in effect from April 2020.

Core Manager Investments	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	LGPS Average
Equities								
Global Unconstrained	-	-	5.0	5.0	8.0	4.0	5.0	
Global Developed (Smart Beta)	-	-	-	-	-	4.0	-	
Global Developed (ESG)	-	-	-	-	-	-	5.0	
Global High Alpha/ Absolute	-	-	-	5.0	-	-	-	
UK Active (Traditional)	35.0	29.0	15.0	-	-	-	-	
UK Active (Portable Alpha)	10.0	10.0	12.0	-	-	-	-	
US Active	7.0	8.0	5.0	-	-	-	-	
Europe (ex UK) Active	11.0	9.0	6.0	-	-	-	-	
Japan Active	4.0	4.0	4.0	-	-	-	-	
Far East (ex UK) Active	2.5	3.0	4.0	7.0	-	-	-	
Emerging Markets Active	2.5	3.0	4.0	7.0	6.5	6.0	10.0	
Frontier Markets Active	-	-	-	-	2.5	-	-	
Developed Passive	-	-	-	19.0	-	-	-	
	72.0	**66.0**	**55.0**	**43.0**	**17.0**	**14.0**	**20.0**	**54.0**
Fixed Interest								
Traditional Bonds	10.0	9.5	-	-	-	-	-	
High Yield/ Emerging	1.5	2.0	-	-	-	-	-	
Unconstrained	-	-	13.0	15.0	15.0	12.0	12.0	
Private Credit (illiquid)	-	-	-	-	-	3.0	3.0	
Cash/ Other	2.5	0.5	-	-	-	-	-	
	14.0	**12.0**	**13.0**	**15.0**	**15.0**	**15.0**	**15.0**	**18.0**
Liability Driven Investment	-	-	-	-	**19.0**	**19.0**	**23.0**	-

Core Manager Investments	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	LGPS Average
Alternative Investments and Cash								
Property	5.0	7.0	6.5	7.0	7.0	4.0	4.0	
Infrastructure	0.5	5.0	1.5	2.0	2.0	6.0	8.0	
Timber/ Alternatives	-	-	1.5	2.0	2.0	2.0	-	
Commodities	-	-	2.0	4.0	-	-	-	
Private Equity & Opportunistic	4.5	4.5	6.5	10.0	10.0	10.0	8.0	
Local/ Impact	-	-	-	-	-	-	4.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	-	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	9.0	7.0	
Currency Fund	-	4.0	4.0	-	-	-	-	
Tactical Asset Allocation (TAA)	-	2.0	5.0	12.0	-	-	-	
Tactical Allocation (Diversified Growth)	-	-	-	-	10.0	10.0	-	
Tactical Allocation (Best Ideas)	-	-	-	-	9.0	11.0	11.0	
	14.0	**22.0**	**32.0**	**42.0**	**49.0**	**52.0**	**42.0**	**28.0**

In House Portfolio

Asset Class	Number of Funds
Property Closed Ended Holdings	**5**
Schroders	1
Hermes	1
LAMIT	1
Legal & General	1
BlackRock	1
Property Open Ended Holdings	**21**
Aberdeen Property Asia Select	1
Basecamp	1
BlackRock European Feeder	2
BlackRock US Residential	1
Darwin Leisure Property	2
Franklin Templeton	2
InfraRed Active Property	3
Newcore	1
North Haven Global Real Estate	3
Paloma Real Estate	2
Partners Group Global Real Estate	2
Threadneedle	1
Timber	**5**
BGT Pactual Timberland	2
Stafford Timberland	3
Agriculture	**2**
Insight Global Farmland	1
GMO	1
Infrastructure	**18**
Access Capital Infrastructure	1
Arcus European Infrastructure	1
Carlyle Global Infrastructure	1
GSAM West Street Infrastructure	1
HarbourVest Real Assets	1
Hermes Infrastructure	1
InfraRed	3
Infravia	1
Innisfree	1
JP Morgan Infrastructure	1
Marine Capital	1
North Haven Global Infrastructure	3
Pantheon	1
Partners Group Direct Infrastructure	1
Total Funds	**51**

Asset Class	Number of Funds
Private Equity Direct Funds	**27**
Access Capital	1
Apax	5
August Equity	3
Capital Dynamics	3
Carlyle Group	1
Charterhouse	2
Dyal Capital Partners	1
ECI	3
FSN	1
GB Deutschland	1
Livingbridge	1
Marquee	1
North Haven	1
Partners Direct	2
Unigestion	1
Private Equity Fund of Funds	**31**
Access Capital	4
Capital Dynamics	7
HarbourVest	5
JP Morgan Secondary's	1
Partners Group	10
Standard Life	2
Unigestion	2
Local / Impact	**21**
Aviva	1
Bridges	6
Circularity	1
Development Bank of Wales	1
Environmental Technologies	3
Ludgate Environmental	1
Fairfax	1
Foresight	2
Harbour Vest	1
Hermes	1
Impax	2
Infrared	1
Partners Group	1
Total Funds	**79**
Private Debt	**7**
BlackRock	1

Asset Class	Number of Funds
Carlyle	3
Neuberger Berman	1
Permira	1
Pinebridge	1
Total Funds	**7**

Kieran Harkin

Head of LGPS Investments

Appendix 7 - Clwyd Pension Fund Accounts

Return to Contents

For The Year Ended 31st March 2022

FUND ACCOUNT

2020/21 £000		Note	2021/22 £000
	Dealings with members, employers and others directly involved in the Fund		
(81,805)	Contributions	7	(85,253)
(3,415)	Transfers in	8	(6,956)
(85,220)			**(92,209)**
	Benefits payable :		
65,188	Pensions	9	66,875
9,454	Lump sums (retirement)		14,572
2,654	Lump sums (death grants)		2,251
77,296			**83,698**
5,924	Payments to and on account of leavers	10	4,456
83,220			**88,154**
(2,000)	**Net (additions)/withdrawals from dealings with members**		**(4,055)**
21,924	Management expenses	11	25,766
19,924	**Net (additions)/withdrawals including fund management expenses**		**21,711**
	Returns on Investments		
(17,804)	Investment income	12	(23,589)
(450,889)	Change in market value of investments	13A	(262,709)
(468,693)	**Net return on investments**		**(286,298)**
(448,769)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(264,587)**
(1,777,439)	**Opening net assets of the scheme**		(2,226,208)
(2,226,208)	**Closing net assets of the scheme**		**(2,490,795)**

NET ASSETS STATEMENT

2020/21 £000		Note	2021/22 £000
2,222,792	**Investment Assets**	**13**	2,485,770
2,222,792	**Net Investment Assets**		**2,485,770**
254	**Long-term debtors**	**19**	294
5,059	**Debtors due within 12 months**	**19**	6,962
(1,897)	**Creditors**	**20**	(2,231)
2,226,208	**Net assets of the fund available to fund benefits at the end of the reporting period**		**2,490,795**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the actuary's report (Note 25).

Notes to the Clwyd Pension Fund Accounts For The Year Ended 31st March 2022

Note 1 – Description of the Fund

General

Clwyd Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Flintshire County Council. The County Council is the reporting entity for the Fund.

The LGPS is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013, as amended;
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, as amended; and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The LGPS is a contributory defined scheme, which provides pensions and other benefits to employees and former employees of Flintshire County Council and scheduled and admitted bodies in North East Wales. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Clwyd Pension Fund Committee which is a committee of Flintshire County Council.

The accounts have been prepared during the national emergency situation arising from the global COVID-19 pandemic and reference will be made to any known impacts of this as required within the document. The accounts have been prepared in accordance with the 2021/22 Code of Practice (the Code) on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangement outside the scheme. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below in more detail:

2020/21		2021/22
No.		No.
52	**Number of employers with active members**	**52**
	Number of employees in scheme	
5,524	Flintshire County Council	5,552
12,018	Other employers	11,521
17,542	**Total**	**17,073**
	Number of pensioners	
4,011	Flintshire County Council	4,234
9,939	Other employers	10,300
13,950	**Total**	**14,534**
	Deferred pensioners	
5,718	Flintshire County Council	5,525
11,557	Other employers	12,363
17,275	**Total**	**17,888**
48,767	**Total employees**	**49,495**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013, as amended, and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2022. Employers also pay contributions to the Fund based on triennial funding valuations. The last valuation was at 31st March 2019, the findings of which became effective on 1st April 2020. Currently employer contribution rates range from 11.5% to 29.4% of pensionable pay.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of service. From 1 April 2014, the LGPS became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is increased annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits as explained on the LGPS website, see www.lgpsmember.org.

In addition the Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from the Fund. The Fund uses Prudential and Utmost (previously Equitable Life) as its AVC providers. AVCs are paid to the AVC providers by employers and provide additional benefits for individual contributors.

Note 2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its financial position at 31st March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 25.

The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. The Code has introduced the following changes, amendments and interpretations to existing standards:

- \- Definition of a Business: Amendments to IFRS 3 Business Combinations
- \- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- \- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- \- IFRS 16 Leases – will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to April 2024.

These changes were mandatory for the Fund's accounting periods beginning on or after 1st April 2021 or later periods and may require changes to accounting policies in future year's accounts. They are not expected to have a material impact on the Fund's financial statements.

Note 3 – Summary of significant accounting policies

In summary, accounting policies adopted are detailed as follows:

Fund Account – Revenue recognition

Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- - Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- - Employer contributions are set at the percentage rate recommended by the Fund's actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund's actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment income

- - Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- - Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- - Distributions from funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- - Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis.

All staff costs in relation to administration expenses are charged direct to the Fund and management, accommodation and other support service costs are apportioned to the Fund in accordance with Council policy.

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses include the fees paid and due to the fund managers and custodian, actuarial, performance measurement and investment consultant fees. Where fees are netted off quarterly valuations by investment managers, these expenses are included in note 11A and grossed up to increase the change in the value of investments.

Where the Fund has invested in Fund of Funds arrangements and underlying fees are incurred these are not recognised in the Funds accounts, in accordance with guidance from CIPFA. Details of underlying fees may be found in the Fund's Annual Report.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

As Flintshire County Council is the administering authority for the Fund, VAT input tax is recoverable from all Fund activities including expenditure on investment expenses.

Net Assets Statement

Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13A. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Financial liabilities

Financial liabilities are recognised at fair value on the date the Fund becomes legally responsible for the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund as part of the change in value of investments.

Actuarial present value of promised future retirement benefits

The actuarial value of promised future retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of the Code and IAS 26. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a report from the actuary (note 25).

Additional Voluntary Contributions (AVCs)

The Fund provides an AVC scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds Regulations 2016), but are disclosed as a note only (see Note 21).

Note 4 - Critical judgements in applying accounting policies

Pension fund liability

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and set out in the actuary's report shown at the end of these accounts. These actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Note 5 - Assumptions made about the future and other major sources of uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take into account historical experience, current trends and future expectations. However, actual outcomes could differ from the assumptions and estimates. The items in the Net Assets Statement at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in asset values and individual assumptions can be measured. For instance, a 10% decrease in asset values would have reduced the 2019 valuation funding level of 91% to 82%. A 0.25% p.a. reduction in the discount rate would in isolation have reduced the funding level to 88% (a 0.25% p.a. increase in assumed inflation would have a similar impact). A combination of the asset and discount rate changes would reduce the funding level to 79%.

Value of investments at level 3	The Fund contains investments in private equity, hedge funds and pooled funds including property, infrastructure, timber and agriculture, that are classified within the financial statements as level 3 investments in note 15 to these accounts. The fair value of these investments is estimated using a variety of techniques which involve some degree of tolerance around the values reported in the Net Assets Statement.	Note 15 summarises the techniques used, the key sensitivities underpinning the valuations and the sensitivity or tolerance around the values reported.

Note 6 - Post Balance Sheet Events

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2022. Performance of global financial markets since this date may have affected the financial value of pension fund investments as reported in the Net Asset Statement, but do not affect the ability of the Fund to pay its pensioners.

As a result of the Government's "mini budget" announcement on Friday 23 September 2022, gilt yields rose significantly causing the value of gilts to fall. This was due in large part to the expectation of greater debt issuance by the government to fund various tax cuts and other spending measures. As a consequence of this, the Bank of England stepped into the market to buy gilts on a temporary basis, with the aim of preventing the prices falling further. The speed at which gilt yields rose put pressure on pension schemes that invest in gilts in a leveraged manner to collateralise portfolios at short notice to decrease leverage. Whilst the government has u-turned on the majority of the tax cuts, gilt yields remain elevated given the remaining uncertainty on the government's fiscal plans, along with the speed and size of the Bank of England's interest rate hikes to help combat inflation.

Clwyd Pension Fund (the "Fund") invests in fixed and index-linked gilts on a leveraged basis within its Liability Driven Investment (LDI) mandate and has therefore experienced a material fall in the value of these assets. The strategy is underpinned by a robust collateral waterfall framework. This is a pool of readily available assets that allowed access to required liquidity easily and promptly.

The main action following the rapid rise in gilt yields was to rearrange the overall portfolio to ensure there remains enough collateral in the event of any further gilt yield rises whilst maintaining the same overall return expectations. The Fund sold physical equities for cash to support the LDI mandate, and the sold equity exposure was replaced synthetically in order to maintain the overall strategic allocation and expected returns. This was able to be implemented quickly because of the strong governance and oversight the Fund has in place through its Funding and Risk Management Group.

Whilst the asset value of the LDI strategy has fallen due to rising gilt yields, the corresponding fall in the actuarial value of the liabilities (all other things equal) will have more than offset this, leading to no adverse impact on the funding position.

Note 7 - Analysis of contributions receivable

By employer

2020/21 £000		2021/22 £000
(26,713)	Administering Authority - Flintshire County Council	(28,080)
(51,495)	Scheduled bodies	(52,973)
(3,597)	Admitted bodies	(4,200)
(81,805)	**Total**	**(85,253)**

By type

2020/21 £000		2021/22 £000
(17,177)	**Employees contributions**	**(18,250)**
	Employers' contributions:	
(48,720)	Normal contributions	(51,918)
(14,972)	Deficit recovery contributions	(14,378)
(936)	Augmentation contributions	(707)
(64,628)	**Total employers' contributions**	**(67,003)**
(81,805)	**Total contributions**	**(85,253)**

Note 8 – Transfers in from other pension funds

2020/21 £000		2021/22 £000
(3,415)	Individual transfers	(6,956)
(3,415)	**Total**	**(6,956)**

Note 9 – Benefits payable

By employer

2020/21 £000		2021/22 £000
26,978	Administering Authority - Flintshire County Council	29,132
48,738	Scheduled bodies	52,662
1,580	Admitted bodies	1,904
77,296		**83,698**

By type

2020/21 £000		2021/22 £000
65,188	Pensions	66,875
9,454	Commutation and lump sum retirement benefits	14,572
2,654	Lump sum death benefits	2,251
77,296		**83,698**

Note 10 – Payments to and on Account of Leavers

2020/21 £000		2021/22 £000
5,670	Individual transfers	4,054
174	Refunds to members leaving service	220
80	Other	182
5,924	Total	**4,456**

Note 11 – Management Expenses

2020/21 £000		2021/22 £000
2,032	Administration costs	2,242
17,296	Investment management expenses	20,595
2,595	Oversight and governance costs	2,929
21,924	Total	**25,766**

The Oversight and Governance costs include the fees payable to Audit Wales for the external audit of the Fund of £41k for 2021/22 (£39k in 2020/21).

Note 11a – Investment management expenses

2021/22	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
Investment Assets				
Pooled Funds	2,946	0	1,285	4,231
Other investments				
Pooled property investments	2,103	61	260	2,424
Private equity and joint venture funds	4,618	1,990	99	6,707
Infrastructure funds	1,699	579	101	2,379
Timber and Agriculture	158	0	0	158
Private Debt	607	265	0	872
Impact / Local	2,054	1,504	160	3,718
	14,185	**4,399**	**1,905**	**20,489**
Custody Fees				106
Total				**20,595**

2020/21	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
Investment Assets				
Pooled Funds	2,928	0	1,814	4,742
Other investments				
Pooled property investments	1,958	55	102	2,115
Private equity and joint venture funds	3,302	1,782	107	5,191
Infrastructure funds	1,419	450	190	2,059
Timber and Agriculture	149	0	0	149
Private Debt	864	328	1	1,193
Impact / Local	1,680	59	39	1,778
	12,300	**2,674**	**2,253**	**17,227**
Custody Fees				69
Total				**17,296**

Note 11b – Wales Pension Partnership management expenses

2020/21 £000		2021/22 £000
88	Oversight and Governance	135
113	Transaction Costs	622
190	Fund Management Fees	376
36	Custody Fees	67
427	**Total**	**1,200**

Included in Management Expenses in the first table of this note is the cost of the Fund's involvement in the Wales Pension Partnership (WPP) collective investment pooling arrangement. These are further analysed in the table above. The Oversight and Governance costs are the annual running costs of the pool which includes the host authority costs and other external advisor costs. These costs are funded equally by all eight of the local authority pension funds in Wales. Fund Management Fees are payable to Link Fund Solutions (the WPP operator) and include the operator fee and other associated costs. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). Underlying manager fees are not included in this table, but are disclosed in the Finance Report elsewhere in the Annual Report. Further details on the WPP can also be found in the Finance Report.

Note 12 - Investment income

2020/21 £000		2021/22 £000
	Pooled Funds	
1,958	Income from multi asset credit	6,043
2,990	Income from global equity	2,254
0	Income from emerging market equity	1,486
	Other investments	
2,794	Income from pooled property investments	3,529
704	Income from private equity and joint venture funds	1,225
4,330	Income from infrastructure funds	5,169
0	Income from timber & agriculture funds	60
3,625	Income from private debt	3,088
952	Income from impact / local funds	677
233	Interest on cash deposits	17
218	Other income	41
17,804		**23,589**

Note 13 – Investments

2020/21		2021/22
£000		£000
	Investment Assets	
	Pooled Funds	
250,378	Multi asset credit	246,032
231,021	Diversified growth funds	273,120
500,832	Liability Driven Investment	596,076
145,594	Hedge Fund of Funds	157,982
231,367	Global equity	263,295
231,836	Emerging Market Equity	220,789
	Other investments	
132,870	Pooled property investments	146,325
193,497	Private equity and joint venture funds	201,521
106,609	Infrastructure funds	124,721
17,555	Timber and Agriculture	14,125
52,967	Private Debt	52,592
58,171	Impact/ Local	79,332
2,152,698		2,375,910
67,282	Cash deposits	109,860
2,812	Amounts receivable for sales	
2,222,792	Total investment assets	2,485,770

During the year the Fund transitioned Emerging Market Equities from BlackRock (£82.4m) and Wellington (£147.5m) plus an additional £11m of cash to WPP Emerging Market Equity (£240.9m)

Note 13 A – Reconciliation of movements in investments and derivatives

	Market value 1st April 2021	Purchases during the year	Sales during the year	Take ons during the year	Take offs during the year	Change in market value	Market value 31st March 2022
	£000	£000	£000	£000	£000	£000	£000
Investment Assets							
Pooled Funds							
Multi asset credit	250,378	5,842	0	0	0	(10,188)	246,032
Diversified growth funds	231,022	0	(143)	0	0	42,241	273,120
Liability Driven Investment	500,832	0	(1,624)	0	0	96,868	596,076
Hedge Fund of Funds	145,594	0	(185)	0	0	12,573	157,982
Global equity	231,367	2,031	(14)	0	0	29,911	263,295
Emerging Market Equity	231,836	240,924	(230,949)	0	0	(21,021)	220,789
Other investments							
Pooled property investments	132,870	4,582	(9,195)	0	0	18,068	146,325
Private equity and joint venture funds	193,497	24,639	(59,574)	0	0	42,960	201,521
Infrastructure funds	106,609	13,133	(16,254)	0	0	21,233	124,721
Timber and Agriculture	17,555	0	(5,544)	0	0	2,114	14,125
Private Debt	52,967	8,077	(12,588)	0	0	4,136	52,592
Impact / Local	58,170	16,513	(19,232)	0	0	23,881	79,332
	2,152,698	315,740	(355,302)	0	0	262,776	2,375,910
Cash deposits	67,282						109,860
Currency Loss	0					(67)	
Amount receivable for sales	2,812					0	
Total investment assets	2,222,792					262,709	2,485,770

	Market value 1st April 2020	Purchases during the year	Sales during the year	Take ons during the year	Take offs during the year	Change in market value	Market value 31st March 2021
	£000	£000	£000	£000	£000	£000	£000
Investment Assets							
Pooled Funds							
Multi asset credit	182,263	242,843	(208,286)	0	0	33,558	250,378
Diversified growth funds	346,996	284	(171,334)	0	0	55,076	231,022
Liability Driven Investment	317,546	39,768	(31,007)	0	0	174,525	500,832
Hedge Fund of Funds	140,663	0	(160)	0	0	5,091	145,594
Global equity	140,136	110,733	(76,187)	0	0	56,685	231,367
Emerging Market Equity	100,300	71,467	(1,789)	0	0	61,858	231,836
Other investments							
Pooled property investments	126,651	6,453	(14,923)	12,059	0	2,630	132,870
Private equity and joint venture funds	226,849	12,952	(29,062)	0	(63,821)	46,579	193,497
Infrastructure funds	112,156	15,352	(5,580)	0	(12,733)	(2,586)	106,609
Timber and Agriculture	19,914	0	(2,675)	0	0	316	17,555
Private Debt	40,911	2,154	(5,492)	17,190	0	(1,796)	52,967
Impact	0	7,018	(15,105)	47,305	0	18,953	58,171
	1,754,384	509,024	(561,600)	76,554	(76,554)	450,889	2,152,698
Cash deposits	20,238						67,282
Amount receivable for sales	0						2,812
Total investment assets	1,774,622						2,222,792

Note 13b – Analysis by Fund Manager

2020/21			2021/22	
£000	%		£000	%
Pooled Investments				
367,437	17.1%	Russell Investments	596,583	25.1%
196,791	9.1%	Blackrock (Passive)	133,533	5.6%
564,228	**26.2%**		**730,116**	**30.7%**
Investments managed outside Wales Pension Partnership				
500,832	23.3%	Insight	596,076	25.1%
231,021	10.7%	Mobius	273,120	11.5%
149,353	6.9%	Wellington	0	0.0%
145,594	6.8%	MAN Group	157,982	6.7%
561,670	26.1%	Private Markets	618,616	26.0%
1,588,470	**73.8%**		**1,645,794**	**69.3%**
2,152,698	**100%**		**2,375,910**	**100%**

The following investments represent more than 5% of the net assets of the scheme. All of these companies are registered in the UK. Where the table above shows a holding of greater than 5% but the manager does not appear in the list below this is because investments are held in more than one fund.

2020/21		Manager	Holding	2021/22	
£000	%			£000	%
500,832	24	Insight	LDI Active 22 Fund	596,076	25

Note 13c – Stock Lending

The Fund's Investment Strategy sets the parameters for its stock lending programme. The Fund participates in stock lending through its investments with WPP. At 31 March 2022 the total value of all WPP stock on loan was £430,743,792. Total net revenue during 2021/22 was £1,101,659 of which the Clwyd Pension Fund received £47,992.

Note 14 – Derivatives

No derivative instruments were held by Clwyd Pension Fund at 31 March 2022 or 31 March 2021.

Note 15 - Fair value of investments

Fair Value – Basis of valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Investments and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - where quoted market prices are not available, valuation techniques are used to determine fair value based on observable data.

Level 3 – where at least one input that could have a significant effect on the investment's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted Pooled Investment Vehicles	Level 1	Quoted market bid price on the relevant exchange	Not required	Not required
Infrastructure	Level 1	Published bid price ruling on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Amounts receivable from	Level 1	Carrying value is deemed to be fair value because of the short-term nature	Not required	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
investment sales		of these financial instruments		
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Unquoted equity investments	Level 2	Average of broker prices	Evaluated price feeds	Not required
Unquoted fixed income bonds and unit trusts	Level 2	Average of broker prices	Evaluated price fees	Not required
Unquoted pooled fund investments	Level 2	Average of broker prices	Valued net of unrealised gains/losses on hedging	Internal rate of return
Pooled property funds and hedge funds where regular trading takes place	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Hedge Fund	Level 2	Valued monthly using closing bid price where bid and offer prices are published or closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled Property Funds and hedge funds	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
where regular trading does not take place				financial instrument being hedged against
Other unquoted and private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022 and 31 March 2021.

2021/22	Potential variation in fair value[1] %	Value at 31st March £000	Potential value on increase £000	Potential value on decrease £000
Other investments				
Pooled property investments	14.1	132,233	150,878	113,588
Private equity and joint venture funds	25.0	201,521	251,901	151,140
Infrastructure funds	15.0	114,553	131,736	97,370
Timber and Agriculture	8.7	14,125	15,354	12,896
Private Debt	10.6	52,592	58,167	47,017
Impact/ Local	25.0	79,332	99,165	59,499
		594,356	707,201	481,510

1. The percentages used in this note were reviewed and agreed in 2021/22 by the Fund consultant.

2020/21	Potential variation in fair value[1] %	Value at 31st March £000	Potential value on increase £000	Potential value on decrease £000
Other investments				
Pooled property investments	10	121,401	133,541	109,261
Private equity and joint venture funds	10	193,496	212,846	174,147
Infrastructure funds	10	91,550	100,705	82,395
Timber and Agriculture	7	17,555	18,783	16,326
Private Debt	10	52,968	58,265	47,671
Impact/ Local	10	58,171	63,988	52,353
		535,140	588,127	482,153

Note 15a – Fair Value of hierarchy

The following table shows the position of the Fund's assets at 31st March 2022 based on the Fair Value hierarchy:

Values at 31st March 2022	Quoted market price £000	Using observable inputs £000	Significant observable inputs £000	Total £000
Investment Assets				
Pooled Funds				
Multi Asset Credit		246,032		246,032
Diversified growth funds		273,120		273,120
Liability Driven Investment		596,076		596,076
Hedge Fund of Funds		157,982		157,982
Global equity		263,295		263,295
Emerging Market Equity		220,789		220,789
Other investments				
Pooled property investments		14,092	132,233	146,325
Private equity and joint venture funds			201,521	201,521
Infrastructure funds	10,168		114,553	124,721
Timber and Agriculture			14,125	14,125
Private Debt			52,592	52,592
Impact/Local			79,332	79,332
	10,168	1,771,386	594,356	2,375,910
Cash deposits	109,860			109,860
Total investment assets	120,028	1,771,386	594,356	2,485,770

Values as at 31st March 2021	Quoted market price £000	Using observable inputs £000	Significant observable inputs £000	Total £000
Investment Assets				
Pooled Funds				
Multi Asset Credit		250,378		250,378
Diversified growth funds		231,021		231,021
Liability Driven Investment		500,832		500,832
Hedge Fund of Funds		145,594		145,594
Global equity		231,366		231,366
Emerging Market Equity	149,353	82,484		231,837
Other investments				
Pooled property investments		11,469	121,401	132,870
Private equity and joint venture funds			193,496	193,496
Infrastructure funds	9,099	5,962	91,550	106,610
Timber and Agriculture			17,555	17,555
Private Debt			52,968	52,968
Impact/Local			58,171	58,171
	158,451	1,459,107	535,140	2,152,698
Cash deposits	67,282			67,282
Amounts receivable for sales	2,812			2,812
Total investment assets	228,546	1,459,107	535,140	2,222,792

Note 15b: Reconciliation of Fair Value measurements within level 3

	Value at 31st March 2021	Take Ons	Take offs	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31st March 2022
Other Investments								
Pooled property investments	121,401	0	0	4,582	(7,796)	11,314	2,731	132,233
Private equity and joint venture funds	193,496	0	0	24,639	(56,121)	16,221	23,286	201,521
Infrastructure funds	91,550	0	0	12,678	(15,501)	19,578	6,248	114,553
Timber and Agriculture	17,555	0	0	0	(5,412)	648	1,334	14,125
Private Debt	52,968	0	0	8,077	(12,413)	3,960	0	52,592
Impact/Local	58,171	0	0	16,513	(17,064)	15,470	6,242	79,332
	535,140	0	0	66,489	(114,307)	67,191	39,841	594,356

	Value at 31st March 2020	Take Ons	Take offs	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31st March 2021
Other Investments								
Pooled property investments	115,468	12,059	0	6,453	(14,923)	(1,271)	3,615	121,401
Private equity and joint venture funds	226,849	0	(63,821)	12,952	(29,062)	35,189	11,390	193,496
Infrastructure funds	97,293	0	(12,733)	15,352	(5,580)	(5,350)	2,567	91,550
Timber and Agriculture	19,913	0	0	0	(2,675)	305	12	17,555
Private Debt	40,911	17,190	0	2,154	(5,492)	(1,796)	0	52,968
Impact/Local	0	47,305	0	7,017	(15,105)	18,520	434	58,171
	500,433	76,555	(76,555)	43,928	(72,836)	45,596	18,019	535,140

Note 16 - Classification of Financial Instruments

2020/21 Fair Value through profit and loss £000	2020/21 Loans and receivables £000	2020/21 Financial liabilities at amortised cost £000		2021/22 Fair Value through profit and loss £000	2021/22 Loans and receivables £000	2021/22 Financial liabilities at amortised cost £000
			Financial Assets			
			Pooled Funds			
250,378			Multi asset credit	246,032		
231,022			Diversified growth funds	273,120		
500,832			Liability Driven Investment	596,076		
145,594			Hedge Fund of Funds	157,982		
231,367			Global equity	263,295		
231,836			Emerging Market Equity	220,789		
			Other investments			
132,870			Pooled property investments	146,325		
193,497			Private equity and joint venture funds	201,521		
106,609			Infrastructure funds	124,721		
17,555			Timber and Agriculture	14,125		
52,967			Private Debt	52,592		
58,171			Impact/ Local	79,332		
30,204	37,078		Cash	30,215	79,645	
	2,812		Other investment balances		0	
	417		Debtors		392	
2,182,902	40,307	0		2,406,125	80,037	0
			Financial liabilities			
		(451)	Creditors			(543)
2,182,902	40,307	(451)		2,406,125	80,037	(543)

The table above analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

Note 17 – Nature and extent of risks arising from Financial Instruments

Procedures for Managing Risk

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cashflows. The fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Clwyd Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations, then reviewed regularly to reflect changes in activity and market conditions.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risk in two ways:

- The exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels.
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Assets exposed to price risk	Value	3 year volatility range	Value on increase	Value on decrease
	£000	%	£000	£000
As at 31 March 2021	**2,219,980**	**8.86%**	**2,416,656**	**2,023,304**
As at 31 March 2022	**2,485,821**	**8.30%**	**2,692,134**	**2,279,508**

Interest rate risk

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

Interest rate risk – sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/– 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk	Value	Value on 1% increase	Value on 1% decrease
	£000	£000	£000
As at 31 March 2021	**317,660**	**314,483**	**320,837**
As at 31 March 2022	**951,968**	**877,556**	**1,047,329**

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the fund investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements to be not more than 15%. A 15% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
As at 31 March 2021	**1,415,871**	**6.52%**	**1,508,167**	**1,323,575**
As at 31 March 2022	**1,011,606**	**16.29%**	**1,176,427**	**846,785**

The table above shows the unhedged FX exposures within the portfolio, note the Fund has FX exposures elsewhere within the portfolio but these are hedged back to sterling to remove the FX risk.

Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years. All contributions due at 31 March 2022 were received in the first months of the financial year.

Liquidity Risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they fall due. The Committee monitors cashflows regularly during the year, and as part of the triennial funding review, and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2022, liquid assets were £1,782m representing 75% of total fund assets (£1,617m at 31 March 2021 representing 75% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Note 18 – Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. The valuation is not carried out on the same basis as that used for setting fund contributions and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes.

2020/21		2021/22
£m		£m
3,352	Present value of promised retirement benefits	3,401
(2,223)	Fair value of scheme assets	(2,486)
1,129	**Total**	**915**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

2020/21		2021/22
%		%
2.70	Inflation/pension increase rate assumption	3.30
3.95	Salary increase rate	4.55
2.10	Discount rate	2.80

Note 19 – Current Assets

2020/21		2021/22
£000		£000
254	**Long-term debtors**	294
	Short-term debtors	
942	Contributions due - Employees	1,642
3,624	Contributions due - Employers	4,882
397	Prepayments	389
96	Sundry debtors	49
5,059	**Total Short-term debtors**	**6,962**
5,313	**Total**	**7,256**

Note 20 – Current Liabilities

2020/21 £000		2021/22 £000
(131)	Contributions received in advance	(170)
(1,083)	Benefits payable	(1,234)
(8)	Administering authority	(7)
(11)	HMRC	(17)
(664)	Sundry creditors	(803)
(1,897)	**Total**	**(2,231)**

Note 21 - Additional Voluntary Contributions (AVCs)

Clwyd Pension Fund has engaged two additional voluntary contribution (AVC) providers: Prudential Assurance Company Ltd and Utmost Life and Pensions Limited. The value of the funds invested with both AVC providers are shown below. AVCs paid directly to the Prudential are shown below.

In accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

2020/21 £000		2021/22 £000
595	Contributions in the year	**1,089**
	Value of AVC funds at 31 March:	
5,442	Prudential	6,551
346	Utmost (formerly Equitable Life)	300
5,788	**Total**	**6,851**

Note 22 – Agency Services

Clwyd Pension Fund pays discretionary awards to former employees of the current unitary authorities, Coleg Cambria and some other employers. Amounts paid are fully reclaimed from the employer bodies.

2019/20 £000		2020/21 £000
475	Conwy County Borough Council	453
1,653	Denbighshire County Council	1,579
3,000	Flintshire County Council	2,916
19	Powys County Council	18
2,040	Wrexham County Borough Council	1,954
55	Coleg Cambria	51
41	Other employers	49
7,283	**Total**	**7,020**

Note 23 - Related Party Transactions

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2022, four Members of the Clwyd Pension Fund Committee had taken this option, with two being in receipt of a pension.

Two of the four Co-opted Members of the Pension Fund Committee are eligible to receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council.

Flintshire County Council

During the year Flintshire County Council incurred costs of £2.1m (£1.8m in 2020/21) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The costs have been included within Oversight & Governance costs and administration expenses at Note 11.

Key Management Personnel

The key management personnel of the Fund are the Chair of the Pension Fund Committee, the Flintshire Chief Executive and the Flintshire S.151 officer. Total benefits attributable to key management personnel are set out below:

2020/21 £000		2021/22 £000
20	Short-term benefits	20
56	Post-employment benefits	5
76	**Total**	**25**

Note 24 - Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2022 were £188m (31 March 2021: £179m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the impact, private debt, private equity, property and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

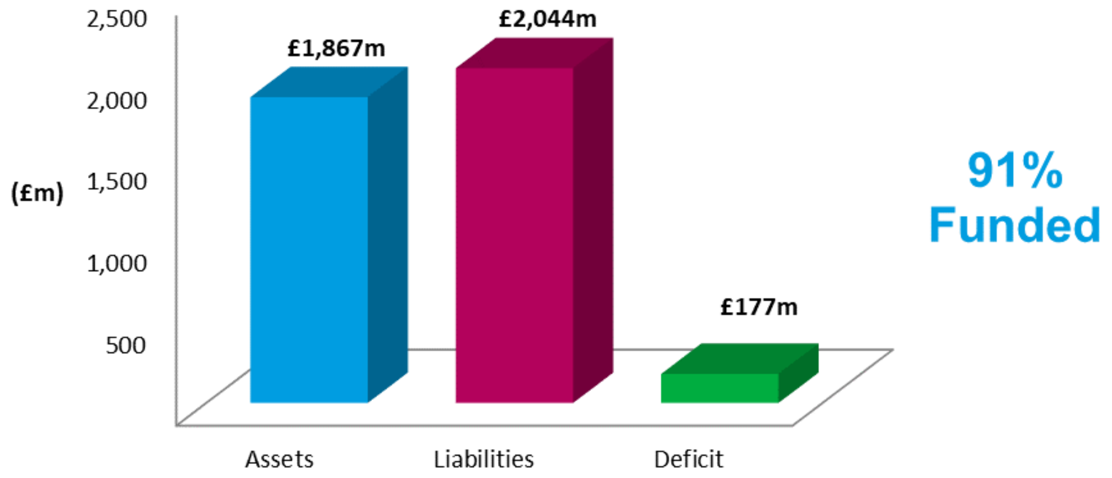
Note 25 Clwyd Pension Fund

Accounts for the year ended 31 March 2022 - statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,867 million represented 91% of the Fund's past service liabilities of £2,044 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £177 million.



The valuation also showed that a Primary contribution rate of 17.3% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the Funding Strategy Statement (FSS), where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the last actuarial valuation the average recovery period adopted was 13 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) was an addition of approximately £16m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS and includes the estimated costs in relation to McCloud judgement where appropriate), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.15% per annum	4.65% per annum
Rate of pay increases (long term)*	3.65% per annum	3.65% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014 .

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment was an increase in past service liabilities of broadly £9 million and an increase in the Primary Contribution rate of 0.5% of Pensionable Pay per annum as at the last valuation. Where the employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer (and also within the whole Fund average secondary rate shown above).

Impact of Covid 19 / Ukraine

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review and will be considered further as part of the 2022 valuations currently ongoing. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Contributions will be reviewed and updated as part of the 2022 valuation. In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority, who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of promised retirement benefits for the purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2022 (the 31 March 2021 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.3% per annum
Rate of pay increases*	3.95% per annum	4.55% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.4% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, but we have used the most recent CMI future improvement tables (CMI2021). Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was predominantly offset by an increase in the expected long-term rate of CPI inflation during the year, from 2.7% p.a. to 3.3%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £3,352 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£70 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£55 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also a decrease in liabilities of £76 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £3,401 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to, a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Paul Middleman **Fellow of the Institute and Faculty of Actuaries**

Mark Wilson **Fellow of the Institute and Faculty of Actuaries**

Mercer Limited

August 2022

Statement Of Responsibilities For The Statement Of Accounts

The Council's Responsibilities

The Council is required to :-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, this is the Corporate Finance Manager as Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Signed:

Cllr Ted Palmer

Chair of the Pension Committee

Date: 23 November 2022

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Chief Finance Officer has :-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Chief Finance Officer has also :-

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts presents a true and fair view of the financial position of the Council at 31st March 2022, and its income and expenditure for the year then ended.

Signed:

Gary Ferguson CPFA

Corporate Finance Manager (Chief Finance Officer)

Date: 23 November 2022

Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Flintshire County Council as administering authority for Clwyd Pension Fund

Appendix 8 - Financial Report

Return to Contents

Introduction

This report includes financial monitoring reports for the year 2021/22 showing both cash flow and income and expenditure compared to budget. It also details the contributions from employers and employees, and shows further information on contributions, assets, investment income and management fees.

The Fund's financial processes and activities are scrutinised by both Internal and External Audit which helps reduce the risk of errors and fraud. The Fund receives reports from Flintshire County Council Internal Audit Team and Audit Wales and acts appropriately in respect of any recommendations.

Cash Flow 2021/22

The Fund operates a rolling three year cash flow which is estimated and monitored on a quarterly basis. There are several unknowns within the cash flow such as transfers in and out of the fund and also drawdowns and distributions across the Fund's Private Market portfolio for which the current strategic allocation was 27% of the Fund. Cash flow predictions for the drawdowns and distributions are reassessed annually to incorporate the actuals for the year and any further commitments agreed during the period. The following table shows a summarised final cash flow for 2021/22. This is purely on a cash basis and does not take into account any movements in asset values or management investment fees which are included in the pooled vehicles and accounted for at the year end, nor any year end accruals.

2021/22	Budget £000	Actual £000	Variance £000
Opening Cash	**(29,760)**	**(37,078)**	
Payments			
Pensions	66,600	66,794	194
Lump Sums & Death Grants	16,000	17,158	1,158
Transfers Out	6,000	4,459	(1,541)
Expenses (excluding investments)	5,480	5,047	(433)
Tax Paid	100	73	(27)
Support Services	180	173	(7)
Total Payments	**94,360**	**93,704**	**(656)**
Income			
Employer Contributions	(49,000)	(49,897)	(897)
Employee Contributions	(17,000)	(17,530)	(530)
Employer Deficit Payments	(15,000)	(14,383)	617
Transfers In	(6,000)	(6,957)	(957)
Pension Strain	(1,200)	(1,482)	(282)
Income	(40)	(13)	27
Total Income	**(88,240)**	**(90,262)**	**(2,022)**
Cash-flow Net of Investment Income	**6,120**	**3,442**	**(2,678)**
Investment Income	(8,000)	(11,635)	(3,635)
Investment expenses	4,000	6,162	2,162
Total Net of In House Investments	**2,120**	**(2,031)**	**(4,151)**
In House Investments			
Draw downs	66,175	66,941	(766)
Distributions	(69,203)	(117,117)	47,914
Net Expenditure /(Income)	**(3,028)**	**(50,176)**	**47,148**
Total Net Cash-Flow	**(908)**	**(52,207)**	**51,299**
Movement to/from Managers	**0**	**9,640**	**(9,640)**
Closing Cash	**(30,668)**	**(79,645)**	

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2025. An estimate of the asset valuation has been included at the end of the table and has been based on a targeted investment strategy which currently looks to produce an overall return of 5.6% per annum.

	2022/23 £000	2023/24 £000	2024/25 £000
Opening Cash	**(79,645)**	**(69,070)**	**(9,221)**
Payments			
Pensions	68,400	70,000	72,000
Lump Sums & Death Grants	16,000	16,000	16,000
Transfers Out	6,000	6,000	6,000
Expenses (excluding investments)	6,800	5,800	5,800
Tax Paid	100	100	100
Support Services	200	200	200
Total Payments	**97,500**	**98,100**	**100,100**
Income			
Employer Contributions	(49,000)	(52,400)	(52,400)
Employee Contributions	(17,200)	(17,600)	(17,600)
Employer Deficit Payments	(15,000)	0	0
Transfers In	(6,000)	(6,000)	(6,000)
Pension Strain	(1,200)	(1,200)	(1,200)
Income	(40)	(40)	(40)
Total Income	**(88,440)**	**(77,240)**	**(77,240)**
Cash-flow Net of Investment Income	**9,060**	**20,860**	**22,860**
Investment Income	(8,000)	(8,000)	(8,000)
Investment expenses	4,000	4,000	4,000
Total Net of In House Investments	**5,060**	**16,860**	**18,860**
In House Investments			
Draw downs	103,661	130,150	149,000
Distributions	(98,146)	(87,161)	(78,302)
Net Expenditure /(Income)	**5,515**	**42,989**	**70,698**
Total Net Cash-Flow	**10,575**	**59,849**	**89,558**
Rebalancing Portfolio	**0**	**0**	**(90,000)**
Closing Cash	**(69,070)**	**(9,221)**	**(9,663)**

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2021/22 compared to 2020/21. Management fees overall have increased primarily due to the increase in the underlying assets and performance fees from Private Market investments. Other significant changes were due to agreed additional project work in relation to Private Markets.

	Actual 2020/21 £000	Actual 2021/22 £000	Variance 2020/21 To 2021/22 £000
Governance Expenses			
Employee Costs	261	299	38
Support & Services Costs (Internal Recharges)	22	23	1
IT	1	0	(1)
Other (Transport, Supplies & Services)	54	65	11
Audit Fees	39	41	2
Actuarial Fees	504	493	(11)
Consultant Fees	847	1,066	219
Pooling (Consultants and Host)	101	144	43
Advisor Fees	576	533	(43)
Legal Fees	16	113	97
Pension Board	106	101	(5)
Total Governance Expenses	**2,527**	**2,878**	**351**
Investment Management Expenses			
Fund Manager Fees	16,924	19,490	2,566
Custody Fees	69	106	37
Performance Monitoring Fees	67	53	(14)
Pooling (Operator and FM costs)	304	998	694
Total Investment Management Expenses	**17,364**	**20,647**	**3,283**
Administration Expenses			
Employee Costs	1,091	1,242	151
Support Services Costs (FCC Recharges)	150	150	0
Premises	6	0	(6)
IT (Direct or External charged Services)	426	488	62
Other (Supplies & Services etc)	119	102	(17)
Outsourcing	42	41	(1)
Total Administration Expenses	**1,834**	**2,023**	**189**
Employer Liaison Team			
Direct Costs	199	218	19
Total Employer Liaison Team	**199**	**218**	**19**
Total Costs	**21,924**	**25,766**	**3,842**

The following table shows actual costs for 2021/22 compared to the budgeted costs along with the budget for 2022/23. Overall costs were broadly in line with expected. Actuarial and consultancy fees were lower than expected as were administration expenses overall due to vacant posts.

	Actual 2021/22 £000	Budget 2021/22 £000	Variance 2021/22 £000	Budget 2022/23 £000
Governance Expenses				
Employee Costs	299	326	(27)	397
Support & Services Costs (Internal Recharges)	23	24	(1)	24
IT	0	5	(5)	5
Other (Transport, Supplies & Services)	65	97	(32)	95
Audit Fees	41	41	0	45
Actuarial Fees	493	696	(203)	879
Consultant Fees	1,066	1,142	(76)	1,627
Pooling (Consultants and Host)	144	130	14	197
Advisor Fees	533	485	48	517
Legal Fees	113	40	73	100
Pension Board	101	91	10	113
Total Governance Expenses	**2,878**	**3,077**	**(199)**	**3,999**
Investment Management Expenses				
Fund Manager Fees	19,490	19,915	(425)	16,275
Custody Fees	106	32	74	112
Performance Monitoring Fees	53	53	0	53
Pooling (Operator and FM costs)	998	636	362	500
Total Investment Management Expenses	**20,647**	**20,636**	**11**	**16,940**
Administration Expenses				
Employee Costs	1,242	1,366	(124)	1,433
Support Services Costs (FCC Recharges)	150	158	(8)	158
Premises	0	0	0	0
IT (Direct or External charged Services)	488	515	(27)	715
Other (Supplies & Services etc)	102	134	(32)	146
Outsourcing	41	30	11	0
Total Administration Expenses	**2,023**	**2,203**	**(180)**	**2,452**
Employer Liaison Team				
Direct Costs	218	286	(68)	363
Total Employer Liaison Team	**218**	**286**	**(68)**	**363**
Total Costs	**25,766**	**26,202**	**(436)**	**23,754**

Employers participating in the Fund at 31 March 2022

Contributions

55 bodies contributed to the Fund during 2021/22, 33 scheduled and 22 admitted. Contributions are paid to the Fund by the 19th of the month following the month they relate to. Employer and employee contributions, (including deficit payments) received during 2021/22 are shown in the following table, as is the rate of contribution as a percentage of pensionable pay.

3 new bodies have joined the Fund during 2021/22, all of which are admitted bodies and 3 bodies also ceased participation in the year (also admitted bodies) i.e. at 31 March 2022. 52 participating employers remain. No bonds or any other secured funding arrangements have been facilitated.

Scheduled bodies	Employer Contributions £	%	Employee contributions £	Avg %*
Flintshire County Council	16,892,218	17.6	5,903,248.6	6.2
Wrexham County Borough Council	15,037,128	18.2	5,094,473	6.2
Denbighshire County Council	11,469,135	17.3	4,150,733	6.3
Coleg Cambria	2,541,826	16.5	986,700	6.5
North Wales Fire Service	921,044	17.0	374,173	6.9
Glyndwr University	1,399,723	17.1	555,478	6.8
North Wales Valuation Tribunal	27,396	18.9	11,664	8.0
Rhyl Town Council	22,677	18.7	8,999	7.4
Hawarden Community Council	43,894	21.8	14,221	7.1
Prestatyn Town Council	31,591	21.5	9,286	6.3
Mold Town Council	23,226	18.5	8,136	6.5
Coedpoeth Community Council	18,351	20.4	5,406	6.0
Rhos Community Council	17,332	21.6	4,871	6.1
Holywell Town Council	15,913	20.1	4,475	5.7
Buckley Town Council	21,583	26.6	5,105	6.3
Caia Park Community Council	22,485	20.8	6,405	5.9
Denbigh Town Council	6,581	18.5	2,244	6.3
Offa Community Council	12,070	26.3	2,807	6.1
Shotton Town Council	8,704	29.4	1,924	6.5
Cefn Mawr Community Council	6,331	12.2	2,653	5.1
Acton Community Council	5,797	22.9	1,513	6.0
Flint Town Council	4,545	17.5	1,688	6.5
Gresford Town Council	3,724	21.9	973	5.7
Ruthin	5,167	16.0	1,873	5.8
Marchwiel Community Council	4,173	23.1	1,047	8.6
Penyffordd Community Council	2,696	16.4	953	5.8
Hope Community Council	2,248	16.4	754	5.5
Broughton & Bretton	3,507	21.9	917	5.7

Bagillt Community Council	1,880	17.2	601	5.5
Northop Town Council	1,778	21.7	451	5.5
Gwernymynydd Community Council	1,738	28.8	332	5.5
Argoed Community Council	2,148	17.6	671.35	5.5
Connah's Quay Town Council	15,549	17.8	4,960.54	5.7
Total Scheduled bodies	**48,594,158**		**17,169,738**	

Admitted bodies	**Employer Contributions £**	**%**	**Employee contributions £**	**Avg %***
Newydd Catering & Cleaning Ltd	560,379	21.8	145,759	5.7
Denbighshire Leisure	824,478	16.8	298,245	6.1
Aura Leisure & Libraries Ltd	622,945	18.7	206,856	6.2
Careers Wales	277,900	18.5	96,597	6.5
Civica UK	211,048	20.9	65,979	6.5
Home Farm Trust Ltd	116,269	20.1	34,337	5.9
Freedom Leisure	135,083	21.7	38,832	6.3
Holywell Leisure Ltd	48,144	18.1	16,102	6.1
Glyndwr Students Union	22,711	11.5	12,532	6.3
Aramark Ltd	14,508	18.8	4,321	5.6
Cartref NI	13,319	20.6	3,935	6.1
Hafan Deg (KL Care)	5,380	23.0	1,332	5.7
Churchills	6,090	19.6	1,709	5.5
Dolce	7,171	21.7	1,818	5.5
Denbigh Youth Group	6,850	24.6	7,810	28.0
Bodelwyddan Castle Trust	540	18.3	162	5.5
Morgan LLwyd	1,062	20.6	287	5.6
Cartref y Dyffryn Ceiriog	17,565	25.2	4,184	6.0
Midshire Signature Services Ltd	817.55	25.5	176.34	5.5
Theatre Clwyd Music Trust	102,231	19.5	31,979	6.1
Theatre Clwyd Trust	266,457	18.4	93,088	6.4
Aramark Ltd B	62,402	24.4	14,592	5.7
Total Admitted bodies	**3,323,352**		**1,080,630**	
Total contributions	**51,917,510**		**18,250,368**	

*For some employers, the employee contribution figures include contributions towards Additional Pension Contracts (APCs) in addition to the regular % contributions payable. In some instances, the payment of APCs can distort the average implied employee rate given the relative size of the contributions paid.

We are able to charge interest on overdue contributions during the financial year. During the year the Fund encountered some issues with some of the new employers within the Fund. These were monitored for timeliness of contributions and the Fund liaised with employers to overcome any problems they were experiencing. The analysis below shows the number of late contributions made to the Fund, along with the amounts and occasions concerned.

The Fund did not exercise its option to charge interest to any of the employers during the year but the occurrences were registered in the Fund's breaches register and reported to the Pension Fund Committee. The total of all late payments was £3,824 (0.007% of the total employer contributions).

Employer	Late Occasions	Contributions (£)
A	3	1,247
B	1	1,074
C	2	1,023
D	2	481

Fund Assets

The table below provides an analysis of the Fund's assets as at 31 March 2022.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	220,789	263,295	484,084
Alternatives	254,006	364,610	431,102	1,049,718
Bonds & LDI	596,076	0	246,032	842,108
Property (Direct)	0	0	0	0
Cash	109,860	0	0	109,860
Total	**959,942**	**585,399**	**940,429**	**2,485,770**

The alternatives portfolio comprises pooled investments in the following asset classes:

Hedge Fund Managed Account, Diversified Growth Funds and Private Markets which includes, Property, Private Debt, Private Equity & Impact/Local, Infrastructure, Timber and Agriculture.

Investment Income

The table below provides an analysis of the Fund's investment income received as at 31 March 2022.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	1,486	6,043	7,529
Alternatives	5,684	8,064	0	13,748
Bonds & LDI	0	0	2,254	2,254
Property (Direct)	0	0	0	0
Cash	58	0	0	58
Total	**5,742**	**9,550**	**8,297**	**23,589**

Fund Manager Expenses (including underlying fees)

The fees which are disclosed in the statement of accounts within the Annual Report have been disclosed in accordance with the CIPFA guidance which states that fees and expenses should only be included where the Fund has a direct relationship with the investment manager. These fees include the annual management charge as well as additional costs such as operational, administrative and legal expenses. In addition any costs for performance and transaction fees are also disclosed. These are disclosed in Note 11 in the Fund's accounts.

Fees relating to underlying managers are not required to be disclosed in the accounting regulations, however the Fund believes we should provide our stakeholders with information on all fees relating to our investments.

The Fund has exposures to underlying managers through investments in alternative mandates including Hedge Funds, the Tactical Asset Portfolio and Private Markets.

The table below shows the fees and expenses which would have been disclosed if underlying fees and their performance fees were included.

The table also shows an average of the basis points charged for each category of fee for the valuation of core assets, non-core assets and total fund.

Fund Management Fees	**Avg bps**	**21/22 £000**	**Avg bps**	**20/21 £000**
CORE (74% of Fund)	**54**	**9,526**	**58**	**9,202**
Total expenses including AMC	17	2,946	18	2,928
Underlying Fees (includes performance and transaction fees)	30	5,295	28	4,460
Performance Fees	0	0	0	0
Transaction Fees	7	1,285	11	1,814
NON CORE (26% of Fund)	**302**	**18,643**	**260**	**14,579**
Total expenses including AMC	182	11,239	167	9,372
Underlying Fees (includes performance and transaction fees)	39	2,386	37	2,094
Performance Fees	71	4,399	48	2,674
Transaction Fees	10	619	8	439
Total underlying fees	32	7,681	30	6,554
Total direct fees	86	20,488	80	17,227
Total fees	**118**	**28,169**	**110**	**23,781**
Net Assets (Core)		1,757,294		1,591,028
Net Assets (Non-Core)		618,616		561,670
Total Net Assets (excluding cash)		**2,375,910**		**2,152,698**

Assets within the "Core" disclosure include: Active Equities, Unconstrained Fixed Income, Liability Driven Investment, Hedge Fund Managed Account Platform, Diversified Growth Funds and the Tactical Asset Portfolio. These account for 74% (74% in 2020/21) of the Fund assets but only 34% (39% in 2020/21) of the total fees. Assets within the "Non-Core" disclosure include: Private Debt, Private Equity (Direct and Fund of Funds), Property (Open and Closed ended), Infrastructure, Timber and Agriculture. Whilst these account for 26% (26% in 2020/21) of the Fund assets the proportion of fees amounts to 66% (61% in 2020/21). These figures include the underlying fees. In comparison, excluding underlying fees, the proportion of fees for core assets is 21% (28% in

2020/21) and non-core, 79% (72% in 2020/21). Many of the Fund's managers are now signed up to the Cost Transparency Initiative (CTI) and are providing fees through the CTI template.

Movement in Current Assets and Current Liabilities

There was an increase in current assets of £1,743k in 2021/22, which is due to the timing of the receipt of employer/employee contributions in April 2022. Current liabilities increased by £334k, primarily as a result of an increase of benefits payable due and an increase in the amounts due to Sundry Creditors. The benefits payable figure is volatile as it is affected by the amount of lump sums and death grants due but not paid on 31st March.

Wales Pension Partnership (WPP)

The WPP was established in 2017 with the objective to deliver:

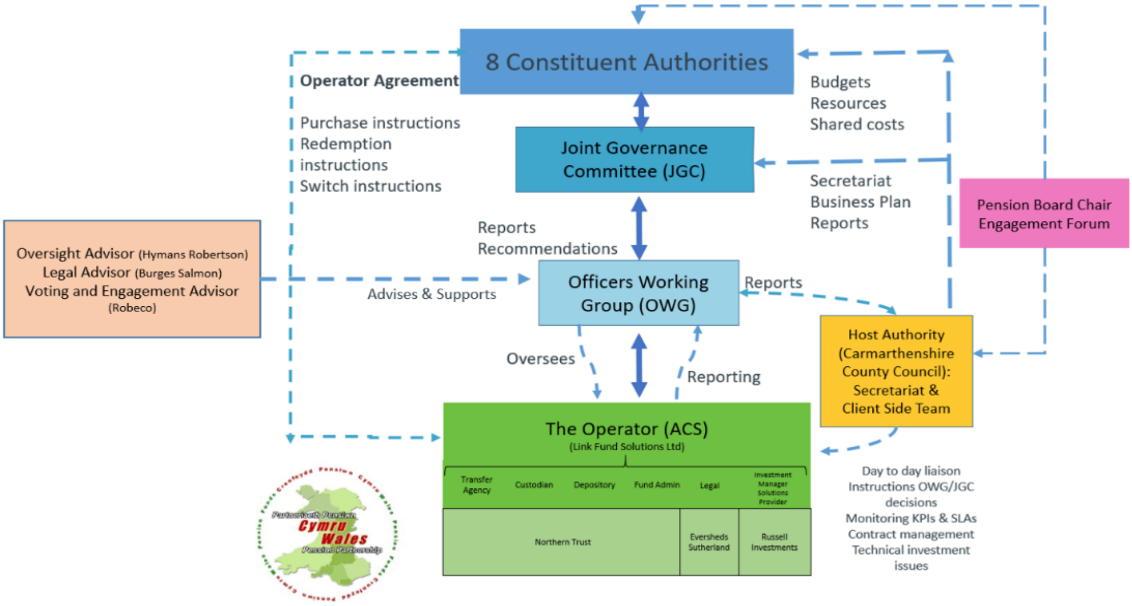
- economies of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government's pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP's operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

Governance



The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:

The eight Constituent Authorities of the WPP are:

- Carmarthenshire County Council (Host)
- City and County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough

CouncilThe Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's

Business Plan, which outlines the WPP's budget and work plan, as well at its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities.

The OWG provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

Carmarthenshire County Council is the Host Authority for the WPP and is responsible for providing administrative and secretarial support to the JGC and the OWG, and liaising day to day with the Operator on behalf of all of the Welsh LGPS funds.

Link Fund Solutions (Operator) carries out a broad range of services for the WPP, which includes facilitating investment vehicles & sub-funds, performance reporting, transition implementation and manager monitoring and fee negotiations. There is an Operator Agreement in place which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of Hymans Robertson, oversee the work that Link Fund Solutions carries out on behalf of the WPP. Link engages with the Constituent Authorities by:

- Direct engagement – attendance at annual committee meetings
- Indirect engagement – with CAs collectively, through the JGC and OWG

In collaboration with Link Fund Solutions, Russell Investments provide investment management solution services to the WPP and they work in consultation with WPP's eight Constituent Authorities to establish investment vehicles.

Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

Hymans Robertson are WPP's Oversight Advisor and their role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

Burges Salmon are WPP's legal advisors and they provide legal advice in relation to FCA regulated funds, tax and governance arrangements, including assisting with complex procurement processes.

Robeco UK has been appointed as WPP's Voting and Engagement provider and are responsible for implementing the Voting Policy across WPP's portfolio and undertaking engagement activity on behalf of the WPP.

Bfinance were appointed in 2021/22 to oversee the procurement of an Allocator for future WPP private market investments. The initial procurement exercise has resulted in the appointment of managers for private credit, open ended and closed ended infrastructure. The procurement exercise for private equity is ongoing and the property procurement will commence in the autumn of 2022.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies. The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP's key policies, registers and plans are listed below and can be found on the WPP website.

Responsible Investment has been a key priority for the WPP since it was established in 2017. Various activities have been undertaken to work towards WPP's ambition of becoming a leader in Responsible Investment. Initially the focus was on formulating a Responsible Investment Policy and since then the WPP has formulated its own Climate Risk Policy and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. A WPP RI Sub-Group has been established to take ownership of RI related workstreams and actions that are required to achieve the commitments made in the WPP's RI and Climate Risk Policies.

The WPP's Business Plan, Governance Manual and all other policies detailed in the chart above can be found on the WPP website:

https://www.walespensionpartnership.org/

Risk

Risk management is a critical element of WPP's commitment to good governance. The WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis.

Training

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

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

- The regulations and market relating to pensions;

- The pooling of Local Authority Pension Schemes;
    - Relevant investment opportunities.

In accordance with the approved training plan, the following training was available to both Committee and Board members during 2021/22.

Topic	Product Knowledge	Date
Private Markets	Asset Classes & Implementation, Fund Wrappers & Governance	21/4/2021
Responsible Investment	Responsible Investment Indices and Solutions, Responsible Investment Reporting	20/07/2021
Investment Performance & Risk Management	Performance Reporting & Manager Benchmarking. Roles and Responsibilities with the ASC.	18/09/2021
Guidance, Regulatory and Best Practice	Good Governance & Cost Transparency	19/01/2022

Pooling progress to date

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP have made significant progress towards delivering on this objective. The launching of the WPP's three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 72% of assets.

As at 31 March 2022, WPP has total assets worth £23.1bn, £16.6bn of which sits within the pool, see breakdown below:

Asset Class	Managed by	Launch Date	31 March 2022 £000	%
Global Growth Equity Fund	Link Fund Solutions	February 2019	3,303,494	14.3
Global Opportunities Equity Fund	Russell Investments	February 2019	3,387,940	14.7
UK Opportunities Equity Fund	Russell Investments	September 2019	730,278	3.2
Emerging Markets Equity Fund	Russell Investments	October 2021	464,615	2
Global Credit Fund	Russell Investments	July 2020	757,659	3.3

Asset Class	Managed by	Launch Date	31 March 2022 £000	%
Global Government Bond Fund	Russell Investments	July 2020	507,273	2.2
UK Credit Fund	Link Fund Solutions	July 2020	574,224	2.5
Multi-Asset Credit Fund	Russell Investments	July 2020	723,184	3.1
Absolute Return Bond Fund	Russell Investments	September 2020	509,605	2.2
Passive Investments	BlackRock	March 2016	5,599,927	24.2
Investments not yet pooled			6,534,711	28.3
Total Investments across all 8 Pension Funds			**23,092,910**	**100**

Investment assets split between Clwyd Pension Fund and WPP (see note 13B to the accounts)

	31 March 2022 £000	%
Global Opportunities Equity Fund	129,762	5.2
Global Multi Asset Credit	246,032	9.9
Emerging Market Equity Fund	220,789	8.9
Passive Equities	133,533	5.4
Investments not yet pooled	1,755,654	70.6
Total Investment Assets	**2,485,770**	**100**

The above table summarises Clwyd Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund. During the year an additional £240.9m transitioned to the WPP portfolio. The table above shows the assets currently managed by the pool as at 31 March 2022.

Pooling costs

Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs, the running costs are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to the Clwyd Pension Fund for the financial year ending 31 March 2022 was £134.7k, see table below.

In addition to the running costs, there are also transition costs associated with the transition of assets into the pool, these costs can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs include both explicit and implicit costs, such as commissions, spread and impact and opportunity costs known as Implementation Shortfall. Transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their net asset value as opposed to a direct charge to the Fund.

Details of the costs incurred by the Clwyd Pension Fund in respect of the WPP are detailed below.

2020/21 £000	**WPP pooling costs**	**2021/22 £000**
19	Host Authority Costs *	20
70	External Advisor Costs *	114
113	Transition Costs (Direct) **	0
202	**Total**	**134**

* Host Authority and External Advisor costs are recharged directly to the fund
** Transition Costs (Direct) costs are shared as a proportion of total AUM.

Ongoing Investment Management Costs

The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP.

	Fees charged £000				
	Total Expenses including AMC	**Performance Fees**	**Transaction Costs**	**Custody**	**Total**
Asset Pool					
Direct	390	0	622	67	1,079
Indirect (Underlying)	1,108	0	0	0	1,108
Total	**1,498**	**0**	**622**	**67**	**2,187**
bps	21	0	9	1	30

Non Asset Pool					
Direct	13,795	4,399	1,282	39	19,515
Indirect (Underlying)	3,365	2,781	427	0	6,573
Total	**17,160**	**7,180**	**1,709**	**39**	**26,088**
bps	104	44	10	0	159
Fund Total	**18,658**	**7,180**	**2,331**	**106**	**28,275**
bps	79	30	10	0	119

Asset Allocation and performance

The following table shows how each of the investment mandates has performed during the year, with opening and closing values and one year performance included net of fees where available. In addition, the table splits out investments under pooled arrangements with the WPP and those that remain under non-pooled investment arrangements with the Fund's legacy managers as at 31st March 2022

	Opening Value £000	%	Closing Value £000	%	Net Performance %	Local Target %
Pool Assets						
Global Equities Passive	114,307	5.1	133,533	5.4	**16.8**	**16.5**
Emerging Market Equities Passive*	82,484	3.7	0	0.0	**-**	**-**
Emerging Market Equities Active**	0	0	220,789	8.9		
Global Equities Active	117,059	5.3	129,762	5.2	**11.0**	**14.6**
Bonds Active	250,378	11.3	246,032	9.9	**-2.1**	**4.1**
Total Pool Assets	**564,228**	**25.4**	**730,116**	**29.4**		
Non- Pool Assets						
Emerging Market Equities (Core) Active	77,686	3.5	-		**-**	**-**
Emerging Market Equities (Local) Active	71,667	3.2	-		**-**	**-**
Diversified Growth	231,021	10.4	273,120	11.0	**20.3**	**8.8**
Liability Driven Investment	500,832	22.6	626,291	25.2	**17.9**	**17.9**
Hedge Funds	145,594	6.6	157,982	6.4	**8.5**	**3.6**
Property	132,870	6.0	147,325	5.9	**16.9**	**23.9**
Private Equity	251,667	11.3	201,521	8.1	**36.0**	**5.1**
Local/ Impact	-	-	79,332	3.2	**40.3**	**5.1**
Infrastructure	106,610	4.8	124,721	5.0	**22.3**	**5.1**
Private Debt	52,968	2.4	52,592	2.1	**18.1**	**7.5**
Timber & Agriculture	17,555	0.8	14,125	0.6	**6.1**	**5.1**
Cash***	67,282	3.0	79,645	3.2		
Total Non-Pool assets	**1,655,752**	**74.6**	**1,755,654**	**70.6**		
Total assets	**2,219,980**	**100**	**2,485,770**	**100**	**13.3**	

Note: Performance shown for the 12 months to 31 March 2022.

* The Fund invested into the Fund to October 2021, hence 12 month performance is not available.

**The Fund invested into the Fund in October 2021, hence 12 month performance is not available.

***Cash represents cash in the bank account.

Securities Lending

Securities lending commenced in March 2020. Revenue is split on an 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. Total revenue of LF Wales Revenue during 2021/22 was £1,296,016 (gross) / £1,101,659 (net) of which the Clwyd Pension Fund received £47,992 with £430,743,792 out on loan as at 31 March 2022.

More detailed information can be found in WPP's Annual Return which is published on the WPP website - https://www.walespensionpartnership.org/

Responsible Investment

Responsible Investment ("RI") continues to be a key priority for the Welsh Constituent Authorities. In 2020/21 WPP worked towards drafting and agreeing a Climate Risk Policy – this outlines the unified climate risk beliefs and what measures we have adopted to manage climate risk within the WPP Sub-Funds. In August 2020, a dedicated WPP RI Sub-Group was established in recognition of the important of this subject matter. The Sub-Group meets twice a quarter and is responsible for progressing any RI related workstreams. The RI Sub-Group has already demonstrated its effectiveness and efficiency by delivering on one of the main commitments made in both the WPP's RI and Climate Risk Policies – the development of reporting that allows the WPP to monitor and manage RI and Climate Risk risks. The sub group now receives detailed RI and Climate Risk monitoring reports for each of the WPP's Sub-Funds on a quarterly basis.

In 2022 the WPP established its approach as a responsible investor involving oversight and monitoring of its voting policy, the establishment of an engagement framework, Environmental, Social and Governance (ESG) metrics monitoring and reporting output in accordance with the requirements namely the Task Force on Climate Related Financial Disclosures (TCFD). This guidance is currently out for consultation.

(TCFD - A description of the governance-related arrangements of an organisation to measure and managing climate-related risks and opportunities. A description of the processes in place for measuring and managing climate-related risks and opportunities).

Objectives 2022/23

Following the launch of a number of sub-funds to date, progress continues to be made with significant rationalisation of the existing range of mandates. The operator/allocators will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the eight constituent funds and facilitate a significant move of the assets to be pooled.

Private Market Sub Funds

In establishing the WPP pool, the prime focus has been on pooling the most liquid assets, namely equities and fixed income. In July 2021, the Joint Governance Committee appointed bfinance as WPP's Allocator Advisors and they will assist the WPP with the identification of Private Markets Allocators for the Private Market Asset Classes.

New Sub Fund – Sustainable Equity

Russell Investments, the funds appointed Investment Managers were tasked in 2021/22 to build a bespoke sustainable equity sub-fund to provide a framework for WPP's proposed exclusions to include:

- Diversified fund exposure
- Alignment to WPP sustainability goals including Net Zero alignment and a clear climate focus.
- Multi-channel approach to engagement and commitment to deliver reporting outcomes aligned with the Sustainable Development Goals (SDGs).
- To offer flexibility to evolve as the WPP's requirements change, or as the sustainable themes develop further. Utilising Russell's Enhanced Portfolio Implementation (EPI).

The final proposed sub-fund structure was discussed at OWG in May 22 and was approved at the JGC in July 22.

A transition timetable has been provided below:

Investment Portfolio	Timeline for Launch / Implementation
Sustainable Equities	Launch due by the end of 2022
Private Debt / Infrastructure	Launch due before the end of 2022/23
Private Equity	Launch scheduled for early 2023/24

Other Objectives

During 2021/22, the WPP published its first annual Stewardship Report and has been accepted as a signatory to the 2020 UK Stewardship Code. During 2022/23 the WPP hopes to enhance its approach as a responsible investor further with the establishment of an engagement framework, enhancing reporting in accordance with the requirements of the UK Stewardship Code and the Taskforce on Climate-Related Financial disclosure (TCFD) and to continue reviewing existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs.

There will also be a focus on the review and development of additional WPP policies, as well as the provision of timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

Other 2021/22 Updates

JCG Scheme Member Representative

In November 2021, the Inter Authority Agreement was amended to reflect the changes required to support the appointment of Scheme Member JGC representatives.

The interviews took place in February 2022 and the following appointments were made :

- SMR – Osian Richards
- Deputy SMR – Ian Guy

Pooling Risks

The following risk table identifies two frequently monitored risks from a Fund perspective when managing the arrangements in place through transitioning assets into the WPP.

Risk Identified	Potential Consequences	Risk Score Range	Controls / Mitigation
Financial losses experienced during the process of transitioning Fund assets into the Wales Pension Partnership (WPP) pool.	Poorly executed transitions of pension assets could result in high trading costs or loss of Net Asset Value in the short-term.	High	• The WPP and its constituent authorities take professional and timely advice from its advisors to ensure it is undertaking transition activity within an appropriate market environment. • A reconciliation of assets transferred to the pool is undertaken by the investments team following each transition. • A detailed report from the appointed transition experts commissioned by the WPP will be produced following each transition to provide added assurance to constituent Funds and their elected members.
Investment pooling with the Wales Pension	The WPP fails to deliver long-term investment returns	High	• Substantial governance arrangements are in place

Risk Identified	Potential Consequences	Risk Score Range	Controls / Mitigation
Partnership (WPP) fails to deliver long-term investment returns.	beyond what the Fund would have expected to generate had pooling not occurred. This would result in a longer payback period on the initial investment envisaged, and the likelihood of needing to increase employer contribution rates as a result in order to ensure pension liabilities are fully funded in the future.		at both officer (Officer Working Group) and shareholder (Joint Governance Committee) levels. • Both the WPP and the constituent authorities take professional external advice on the opportunities for investment through the contractual relationship with Link Fund Solutions and Russell Investment advisors. • The WPP, together with constituent authorities, monitor the performance of investments and hold Link and Russell to account as necessary.

Whilst the risk score range attributable to the above is categorised as high, the Fund is comfortable with the level of mitigation in place in which to manage them. The Fund recognises that the process of transitioning assets will continue for a number of years and so this risk will continue to be monitored as appropriate until such time that we feel it can reduced to an acceptably low level or removed altogether. The risk of the WPP failing to deliver long-term performance remains high as this underpins the justification for pooling collaboration generally. As such, this risk is likely to remain in place for the foreseeable future. However, as the WPP continues to establish itself and the governance arrangements mature it is expected that this level of risk will be reduced to an acceptable level.

Section 3 - Annual Governance Statement

Return to Contents

Roles and Responsibilities

Flintshire County Council (the Council) is responsible for administering the Clwyd Pension Fund (the Fund), on its own behalf and on behalf of 2 other local authorities (Wrexham and Denbighshire) and 52 other large and small employers in North East Wales.

The main activities involved in managing the Fund are to make and manage investments and to administer the payment of scheme benefits. This is carried out in accordance with the requirements of the Local Government Pension Scheme (LGPS) Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Public Service Pensions Act 2013.

The Council is responsible for ensuring that all its business, including that of the Fund, is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that there are proper arrangements to use money economically, effectively and efficiently. The Council is also required to ensure that the Fund is managed to deliver best value.

Governance & Delegation

The governance framework of the Council comprises an underlying set of legislative requirements, good practice principles and management processes, which supports the philosophy of the Council's operations, the standards it sets itself, the behaviours it expects of itself and the principles it follows.

To help ensure that the governance framework is robust, the Council has developed a Local Code of Corporate Governance (the Code) which defines the principles that underpin the governance of the organisation and is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. The Code forms part of the Council's constitution and is available on the Council's website. The operation of the Fund is governed by this code. The Council produces its own Annual Governance Statement which reviews the effectiveness of its control environment.

The Fund has its own Governance Policy in place. This policy sets out the Fund's governance arrangements, including its governance structure and operational procedures for the delegation of responsibilities. It also sets out the Fund's aims and objectives relating to its governance. In accordance with the requirements of the Public Services Pensions Act 2013, the Fund has established a Local Pension Board (the Board) to act as a partner in assisting the Fund to meet its statutory and regulatory requirements and in administering the Fund effectively.

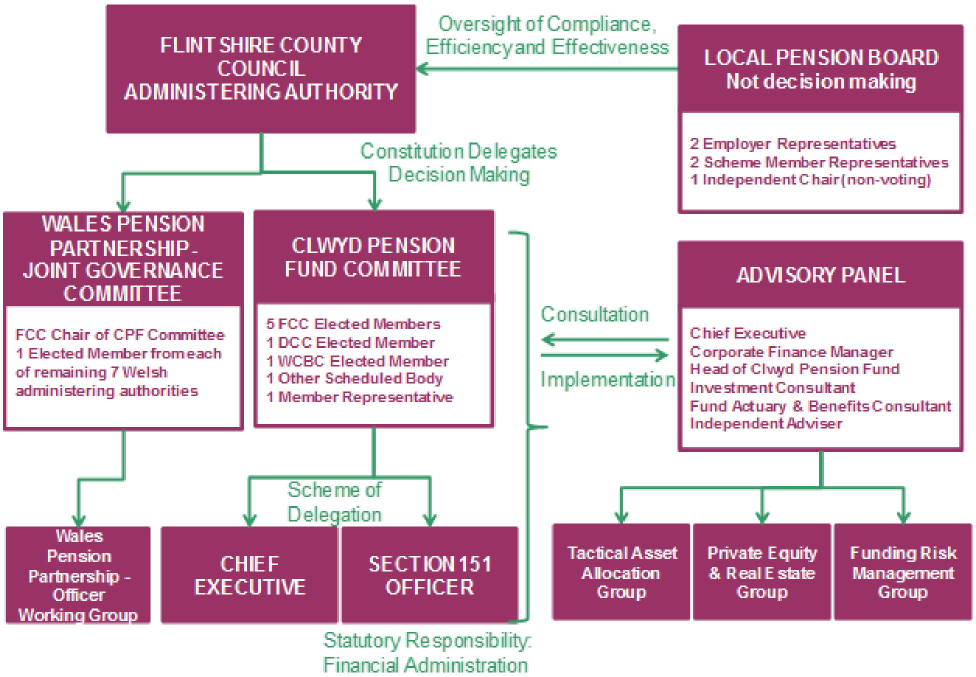
The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The Committee receives advice from the Clwyd Pension Fund Advisory Panel (the Panel) which is made of up of officers of the Council and advisors to the Fund.

The Council's Chief Executive has overall responsibility for the activities of the Fund. This includes ensuring that the arrangements for the investment of assets, the receipt of contributions and the payment of benefits are properly managed.

The Council's Corporate Finance Manager as Section 151 Officer is responsible for arranging the proper administration of the financial affairs of the Fund. He is CIPFA qualified and is suitably experienced to lead the finance function.

In addition, under an inter-authority agreement, there is delegation to the Wales Pension Partnership Joint Governance Committee to reflect the move to the pooling of pension fund assets across the 8 Welsh LGPS pension funds.

The governance structure for the Fund is shown below. The bodies to which responsibility is formally delegated are supported by the Board, and also an Advisory Panel and a number of working groups.



Strategy & Policy

The LGPS regulations require the Fund to maintain a number of strategy and policy documents which are available on its website. Key amongst these are the Governance Policy Statement, Funding Strategy Statement, Investment Strategy Statement, Communication Strategy Statement, and Administration Strategy. These documents describe the Fund's objectives together with the main risks facing the Fund and the key controls which mitigate them. In addition, the Fund has a Business Plan, Breaches Procedure, Risk Policy, Conflicts of Interest Policy and Knowledge and Skills Policy which support the governance framework.

Use of financial data

- Financial data is used and managed by the Fund in a number of different ways:

- There is a triennial actuarial valuation which determines long term cash flows, fund liabilities and contributions. In addition, monthly funding projections are also produced by the actuary to help the Fund keep abreast of its funding position.
- Detailed investment records are held and maintained by external partner investment managers including the Wales Pension Partnership (WPP) and the Fund's global custodian. There is quarterly performance reporting to the Fund of the position on investments.
- Economic and market forecast data is used to inform the Fund's investment strategy, which is designed to support the requirements of the Fund's funding strategy.
- The Fund prepares an annual statement of accounts, a business plan (including a budget and cash flow) and financial monitoring reports. The Fund uses the Council's Masterpiece financial ledger system to maintain its financial information.
- The Fund uses the Altair management system to manage the payment of benefits to beneficiaries. Payments to beneficiaries are made through the Council's bank account and are transferred immediately from the Pension Fund's bank account. Annual Benefit Statements are prepared and distributed to members. The Fund has a Member Self Service system, which allows members of the Fund to access their own membership information.

Annual audit reports and statements of internal control are obtained from the investment managers by the Fund and are reviewed by officers to provide assurance that the investments are managed in an adequate control environment. Any significant issues that these reports disclose are reported to the Committee on an exception basis.

Risk Management

The Fund recognises that effective risk management is an essential element of good governance. The Fund has an effective policy and risk management strategy which:

- Demonstrates best practice
- Improves financial management
- Minimises the effect of adverse conditions
- Identifies and maximises opportunities that might arise
- Minimises threats.

Risks relating to pension funds are often outside the Fund's control. The Fund's risk management focuses on measuring the current risk against the Fund's agreed target risk and identifying further controls and actions that can be put in place. These actions are then implemented as part of the day to day management or through the Fund's Business Plan.

The risks currently identified as key risks are shown in the section of the Fund's Annual Report which deals with Governance, Training and Risk Management (Appendix 1).

Review of effectiveness

The Committee is responsible for ensuring the continued effectiveness of the governance framework and system of internal control within which the Fund operates. In discharging this responsibility it relies on the assurances of officers, financial monitoring and other reports, the work of internal audit and the work of the external auditors.

The Board assists the Committee in securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the scheme, and with ensuring the effective and efficient governance of the Fund.

The Fund has in place an Independent Advisor, part of whose role is to carry out an annual review which is included in the Fund's Annual Report (Appendix 2).

The Fund's Annual Report includes a governance compliance statement (Appendix 3). This measures the extent to which the Fund's governance arrangements comply with statutory guidance.

As part of his duties, the Corporate Finance Manager ensures that the Council receives an internal audit of the control environment of the Council and the Fund. The audit coverage reviews the control environment within which the Fund operates and helps to ensure that robust arrangements are in place to:

- Safeguard the contributions made by employees and employers used to fund the pension liabilities
- Ensure control is maintained over partner investment managers who are responsible for ensuring that funds are maximised in order to meet liabilities
- Ensure that accurate and timely payment is made to retired members and beneficiaries of the Fund.

Update on significant governance issues previously reported

There were no significant governance issues in 2021/22 specific to the Fund.

Significant governance issues

The Head of Internal Audit has confirmed that there are no significant governance issues relating to the Fund which need to be reported as a result of the work undertaken by Internal Audit on the control systems of either the Council or the Fund.

The impact of COVID-19 on governance

The COVID-19 pandemic resulted in a number of necessary changes to the way the Fund operated in 2020/21 e.g. virtual meetings / remote working etc. Whilst generally restrictions eased in 2021/22 the Fund has continued to operate in a similar manner. In particular, the Fund's Committee and Pension Board continued to meet virtually throughout 2021/22.

Internal Audit Opinion

Based on the audit work undertaken for the Council and the assurances provided by the Chief Executive, the Corporate Finance Manager and the Head of Clwyd Pension Fund, it is the Head of Audit's opinion that key controls were generally operating effectively during 2021/22 but key objectives could be better achieved with some relatively minor adjustments.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance which operate on the Clwyd Pension Fund. Work undertaken by Internal Audit has shown that the arrangements in place are operating as planned. We consider the governance and internal control environment operating during 2021/22 to provide reasonable and objective assurance that any significant risks impacting the Fund's ability to achieve its objectives will be identified and actions taken to avoid or mitigate their impact.

Neil Cockerton	Councillor Ted Palmer
Chief Executive	Chair Clwyd Pension Fund Committee
23 November 2022	23 November 2022

Section 4 - Glossary

Return to Contents

Active member:

A current employee who is paying contributions to the Fund.

Actuary:

An independent professional who advises the Administering Authority on the financial position of the Fund. Every three years the Actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates - both to meet the cost of any future benefit accrual, and also rectify any difference in assets and liabilities for accrued benefits.

Additional Voluntary Contributions (AVC):

An option available to active members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

Administering Authority:

Flintshire County Council is the Administering Authority of the Clwyd Pension Fund and is responsible for managing and administering the LGPS in relation to its members. This includes maintaining and investing the Fund's assets.

Admitted Body:

An organisation who has entered into a service agreement with a Scheme employer. Flintshire County Council, as the Administering Authority, and the relevant parties to the service agreement enter into an admission agreement to allow the staff who transferred to the new organisation to participate in the LGPS.

Alternatives:

An alternative investment is an asset that is not one of the conventional investment types, such as stocks, bonds and cash. Alternative investments include private equity, hedge funds, managed futures, real estate, commodities and derivatives contracts

Asset Allocation:

The apportionment of a fund's assets between different types of investments (or asset classes). The asset allocation is monitored on a regular basis depending on the agreed tolerances set out in the Investment Strategy. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives.

Benchmark:

A measure against which the investment policy or performance of an investment manager can be compared.

Consumer prices index (CPI)

CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. Pension increases in the LGPS are linked to the annual change in CPI. Currently CPI is lower than RPI (see RPI comment below).

CPIH

This is a broader measure of inflation based on CPI including owner occupiers' housing costs.

Corporate Bonds

Fixed interest securities and index-linked securities issued by companies registered either in the UK or overseas. They represent 'loans' to the companies which are repayable on a stated future date (for definitions of "fixed interest" and "index-linked" see 'Fixed Interest Government Securities' and 'Index-linked Government Securities').

Custodian

This is a financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange.

Deferred Members:

Scheme members who have left employment or ceased to be an active member of the Scheme whilst remaining in employment, but retain an entitlement to a pension from the Scheme.

Direct property

Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

Diversified Growth Funds (DGF):

An alternative way of investing in shares, bonds, property and other asset classes.

Employer Contribution Rates:

The percentage of the salary of members that employers pay as a contribution towards the members' pension.

Equities:

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Equity risk premium

Also referred to as simply equity premium, this is the excess return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds. This excess return compensates investors for taking on the relatively higher risk of equity investing.

Fixed Interest Securities:

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

Funding Strategy Statement

This is a formal document setting out how the Administering Authority will determine employers' contributions to the Fund and how it will manage its funding risks. The statement should be kept under review, at least every three years with any amendments being subject to consultation with stakeholders.

Hedge Funds

Also known as "absolute return funds', these funds have as their objective a performance target expressed as a margin above the return which can be achieved on cash deposits.

Index:

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

Indexed-Linked Government Securities

Investments in government stocks (UK and overseas) where both the annual interest payment and the capital sum repayable by the Government are adjusted to allow for inflation. Investments in government stocks which are repayable on a stated future date.

Investment Strategy Statement

This is a formal document setting out the Administering Authority's objectives and attitude to investment risk and sets out what the long term investment strategy will be i.e. how the Fund's assets will be distributed among different asset classes. The statement should be kept under review, at least every three years with any amendments being subject to consultation with stakeholders.

Liability Driven Investment (LDI)

LDI is a risk management strategy that aims to mitigate the Fund's exposure to interest rate and inflation risks.

Market Value

The price at which an investment can be bought or sold at a given date.

Multi Asset Credit

The price at which an investment can be bought or sold at a given date.

Passive Investing (Indexation)

An investment strategy whereby the manager replicates an index in order to generate a rate of return in line with the index. The manager has no discretion over stock selection within the index. If it is a multi-asset portfolio, the asset proportions are prescribed within the mandate.

Pooled Funds:

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Private equity

Private equity is the ownership of companies that are not listed on a public stock exchange.

Retail Price Index (RPI)

A measure of the general level of inflation based on the change in the price of a fixed basket of goods and services, such as food, energy, petrol, travelling costs, mortgage interest payments and Council Tax. From 2030 onwards, the calculation of RPI will be more closely aligned with that of CPIH.

Return:

The total gain from holding an investment over a given period, including income and any increase or decrease in market value

Risk Management Framework

The Fund has established a framework with the aim of providing stability of funding and employer contribution rates in the long term. The framework includes the following strategies that seek to manage a variety of financial risks - Funding Level Monitoring, Liability Hedging, Synthetic Equities, Currency Hedging, Collateral Management, Realisation of Investments, Cash Management and Stock Lending.

Scheduled Body:

An organisation that has the right to become a member of the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

Unrealised Gains/Losses:

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

Wales Pension Partnership (WPP)

An investment pool comprising of the Welsh LGPS Funds. WPP is one of eight LGPS investment pools in England and Wales. LGPS investment pools aim to increase pension fund investment efficiency and make it easier to access more asset classes.

.

Return to Contents

Section 5 - Regulatory Documents

Clwyd Pension Fund Annual Report 2021/22

The attached regulatory documents form part of the Governance and Performance framework within which the Fund operates. Other best practice documents are also available on Clwyd Pension Fund website. A list of these documents and the website address is available on the contents page of the report.