

CLWYD PENSION FUND COMMITTEE

29 MARCH 2023

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely via Zoom at 9.30am on Wednesday, 29 March 2023.

PRESENT: Councillor Dave Hughes (Vice-Chair).

Councillors: Jason Shallcross, Antony Wren, Sam Swash.

CO-OPTED MEMBERS: Councillor Andy Rutherford (Other Scheme Employer Representative), Councillor Gwyneth Ellis (Denbighshire County Council), Councillor Anthony Wedlake (Wrexham County Borough Council, present from item 8), and Mr Steve Hibbert (Scheme Member Representative, absent from mid item 7).

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

APOLOGIES. Councillor Ted Palmer (Chairman).

Advisory Panel comprising: Philip Latham (Head of Clwyd Pension Fund), Gary Ferguson (Corporate Finance Manager), Sharon Carney (Corporate Manager, People and Organisational Development), Karen McWilliam (Independent Adviser – Aon), Paul Middleman (Fund Actuary – Mercer), Steve Turner (Fund Investment Consultant – Mercer).

Officers/Advisers comprising: Karen Williams (Pensions Administration Manager), Alison Murray (Alternate Independent Adviser – Aon), Sandy Dickson (Investment Adviser – Mercer), Ieuan Hughes (Graduate Investment Trainee), and Morgan Nancarrow (Governance Administration Assistant – taking minutes).

Councillor Hughes, as the Vice-Chair of the Committee, explained that he would be chairing this Committee meeting as the Chairman, Councillor Ted Palmer, was unable to attend the meeting due to his attendance at the Wales Pension Partnership (WPP) Joint Governance Committee (JGC).

The Chair welcomed the new Lead Investment Consultant from Mercer, Mr Turner, and thanked Mr Harkin for his contribution and wished him well for the future.

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

The Chair invited attendees to declare any potential conflicts of interest that they may have in relation to the Fund, other than those already recorded in the Fund's register.

There were no declarations of interest.

47. **MINUTES 15 FEBRUARY 2023**

With reference to the survey mentioned on Page 4, Mrs McWilliam thanked the Committee for their responses, and noted the majority preference for meetings to be held in hybrid format. The Chair would take this up with the Council.

The minutes of the meeting of the Committee held on 15 February 2023 were agreed.

RESOLVED:

The minutes of 15 February 2023 were received, approved, and will be signed by the Chair.

48. **DRAFT WALES PENSION PARTNERSHIP BUSINESS PLAN 2023/24 TO 2025/26**

The Head of the Fund, Mr Latham, presented this item to the Committee. He explained that the WPP draft Business Plan was being taken to the JGC for approval today and further changes may be made at this stage. It would also be received by the eight constituent authorities to consider and approve. Any further changes will be agreed under delegation or brought back to Committee if significant.

Mr Latham guided the Committee through the report, highlighting paragraph 1.04 which identified areas with the most significant impact on the Fund over the next year, including procurement of an operator, transition of assets to the Global Sustainable Equity Fund, deploying WPP private market asset classes and engaging on ESG (Environmental, Social and Governance) and climate ambitions.

Mr Latham explained the reason for the increase to the budget and confirmed that the WPP Officer Working Group had reviewed the WPP objectives and no changes were recommended to the JGC.

RESOLVED:

The Committee approved the Draft WPP Business Plan including the budget and objectives, subject to approval by JGC.

49. **CLWYD PENSION FUND BUSINESS PLAN 2023/24 TO 2025/26**

The Chair handed over to Mr Latham and the Pensions Administration Manager, Mrs Williams, to introduce the Business Plan. Mr Latham explained that the business plan is designed to provide useful information for stakeholders, as well as being a critically important part of the Fund's governance and management arrangements.

Mr Latham talked through the structure of the business plan, highlighting key points including the staffing structure, the main strategies and objectives, and

business as usual. The objectives were taken from the Fund's existing strategies/policies which had previously been approved.

Mr Latham explained the proposed key governance actions for the three years on Page 66, focusing on 2023-24. These included undertaking a training needs analysis, work on succession planning, business continuity and cyber risk, as well as external matters including responding to the Government's implementation of the Scheme Advisory Board (SAB) Good Governance Review and compliance with the Pension Regulator's (TPR) new General Code.

Mr Latham then discussed the proposed funding and investments actions for 2023-24, including further work on managing climate risk, the UK Stewardship Code, asset pooling, and external developments including DLUHC guidance and consultation exercises which may result in changes for the Fund.

The Chair handed over to Mrs Williams to present the second recommendation. Mrs Williams explained the background to the proposed changes to the Fund's staffing structure, which involved introducing a new Principal Pensions Officer role:

The recent recruitment drive in the administration team, while successful, had created a strain on resources while new staff were being trained. This alongside an increase in day-to-day business as usual tasks as well as project work, led to difficulty meeting legal and internal KPIs.

The recommendation for a Principal Pensions Officer for a new project team was intended to protect business as usual by separating smaller projects to allow the Operational team to focus on the day-to-day business as usual tasks. This would reduce the risk of backlogs occurring and the potential need to outsource work externally at higher cost.

The recommendation also formed part of business continuity planning, to assist with staff retention, succession planning and professional development. The role was intended to be appointed as a job share, which had been successful for the Principal Officer roles in the past, meaning two Lead Pension Officers would be trained by existing Principal Pensions Officers.

Mrs Williams then took the Committee through the proposed key actions for administration from page 81 focussing on 2023-24, highlighting the current focus on workloads and business as usual meaning few new items were being proposed. She highlighted retrospective calculations for CARE revaluation, the McCloud remedy, and other expected national changes.

Mr Latham presented the remainder of the Business Plan, including the proposed Fund's three-year cashflow and budget for 2023-24. Highlights included: The three-year cashflow showed the scheme maturing over time with total payments exceeding total income. This trend was expected to continue. The Fund's Private Markets commitments were expected to cover any shortfall in the coming year. The Rebalancing Portfolio row of the cashflow projection represented the potential need to consider taking cash from investments to fund pension benefits in future years.

Cashflow is monitored quarterly and reviewed annually, highlighting the ongoing difficulties in appointing a Fund accountant as a significant risk.

The Operating Budget for the year showed a reduction in governance expenses due to the Fund reducing its support from consultants, assuming all vacant posts were recruited. The proposed cost of advice on Private Markets had also reduced as the Fund would be transitioning these to WPP. It was assumed an estimated 5% increase to the value of the Fund, when estimating fund management fees.

The Budget included the proposed administration staffing changes, subject to approval.

Mr Latham addressed the final points on the Business Plan: The Risk Register on Page 60 - the investment risks were higher than target, due to the nature of investment markets these risks could never be insignificant while ensuring sufficient investment return.

The Training Plan on page 65 - the results of the Training Needs Analysis will be incorporated into the plan as required.

The Chair thanked both Mr Latham and Mrs Williams and commented that succession planning is vital especially given the age profile of senior Fund Officers.

Mr Latham thanked the Committee for their support with the Business Plan.

RESOLVED:

- (a) The Committee approved the Fund's Business Plan including the budget for 2023/24
- (b) The Committee agreed the proposed changes to the administration team's staffing structure at a total cost of just over £64k.

50. **ANTI-FRAUD AND CORRUPTION STRATEGY**

The Chair handed over to Ms Murray of Aon to present this item. She explained that the proposed Pension Fund Fraud Strategy had been developed as part of the Fund's risk management framework. As the Fund's Governance Advisers, Aon felt that putting a strategy in place would be best practice from a good governance perspective, and this was also included in the Fund's Business Plan for 2022/23.

The purpose of the proposed Strategy was to safeguard the Fund's data and assets. Page 104 identified the types of fraud addressed by the Strategy, with a wide scope including bribery, collusion, bank account access, anti-money laundering and pension scams. Pages 104-105 highlighted general definitions and relevant regulations and legislation.

The Strategy would apply to all persons involved in the management of the Fund including Committee Members, Officers, Advisers and the Board, as well as Scheme Employers, Fund Members, and suppliers. The Head of the Fund would be responsible for the requirements of the Strategy being met.

Ms Murray explained that Flintshire County Council has an existing Anti-Fraud and Corruption Strategy in place, so the principles of the proposed Fund's Strategy are aligned with the Council's. These three principles are identified on Page 106, and focus on:

- Deterrence, including:
 - o Publicising counter-fraud measures to raise awareness, for example publishing this policy on the website,
 - o Reporting fraudulent activity to the Committee and Board as part of business as usual;
- Prevention, by having internal controls in place including:
 - o Participation in the National Fraud Initiative,
 - o Regular review of tier-3 ill-health pensions,
 - o Appropriate authorisation and verification procedures for changes to data affecting member benefits, and additional security for bank account details,
 - o Verification process for verbal telephone requests,
 - o Adoption of TPR guidance for pension scams,
- Detection of fraud and corruption including:
 - o The Fund will always seek to recover lost funds in line with Council policy including involvement of internal audit,
 - o Regular bank reconciliation.

Ms Murray also noted that pension scams were becoming a bigger threat. Part of the proposed Strategy aimed to protect members from this threat by encouraging them to protect their own personal information.

RESOLVED:

The Committee approved the Anti-Fraud and Corruption Strategy.

51. **GOVERNANCE UPDATE**

Mr Latham took the Committee through this quarterly update report, highlighting the following:

- Paragraph 1.02 on the spring budget discussed the Government intention to move to fewer pools, with assets in excess of £50bn. The WPP would be well below this new threshold. When pooling was first introduced, Wales was

exempt from the previous threshold, however it was unclear if this exemption would apply to any new threshold.

- Regarding the training plan in paragraph 1.06, Mr Latham explained that the Pensions Regulator's General Code had been delayed and therefore the training scheduled for 26th April would either be cancelled or repurposed for investment governance training in which case in-person attendance would be preferred. The Committee would discuss this with officers following the meeting.

Mr Hibbert expressed concerns about the rationale for the changes in ratings in risk 3 relating to conflicts of interest and fiduciary responsibility in paragraph 4.02 of the report. He wanted to make it clear that since joining the Committee in 2014 he had been committed to acting in the interest of all scheme members. He noted his ongoing concerns around the perceived lack of appetite to divest where engagement is failing referencing the fact that some areas, he has previously highlighted relate to assets of less than £30m within the Tactical Asset Allocation Portfolio. His view was that using the risk of not meeting future liabilities as a reason for not doing certain things was inappropriate in many situations such as in relation to the TAA example. He considered that if the change in rating of risk was a direct criticism of his personal capabilities and integrity, he would have no choice but to resign from the committee. Mr Hibbert left the meeting at this point.

The Chair stated what a valuable member of Committee Mr Hibbert was and he would be truly sorry if he were to resign. He agreed with Mr Latham, the Head of Clwyd Pension Fund, that they would set up a meeting with Mr Hibbert to persuade him to stay on the Committee.

Mr Latham explained that he had not had any advance notice of Mr Hibbert's intentions. He referred to the points highlighted by Mr Hibbert and explained that there is training and a plan of action to look at how these points can be progressed. He agreed that Mr Hibbert was an extremely valuable member of the Committee would be disappointed if he did not continue to be a member. He particularly highlighted the value of Mr Hibbert being a voting scheme member representative.

Councillor Rutherford highlighted that he was a full-time officer for Unison but in another area and he had not been aware of Mr Hibbert's intentions. He also expressed his concern about Mr Hibbert not continuing to being a member of the committee noting Mr Hibbert was always passionate about his responsibilities and has added so much value to the fund with his input over the years.

Councillor Swash noted that he felt some of the concerns raised by Mr Hibbert were valid and he was also very sad at the turn of events. Cllr Swash also asked for clarification around the reasons for the change in risk in paragraph 4.02.

Mrs McWilliam agreed what a valuable member of the committee Mr Hibbert is and how disappointed she was at the fact he felt the conflict of interest risk change

was directed at him which was not the case. She then went on to clarify that the change in the rating of the risk was aligned to a point made at the previous Committee meeting, where Committee members had recognised it was important to get proper advice before any decisions were made and particularly in relation to areas such as climate change. She reminded the Committee that the investment subject matters that were being discussed were extremely technical. If proper and clear advice is not provided, then there is a risk that the Committee do not fully understand changes being proposed and the implications of those changes, and therefore there is a risk that inappropriate decisions could be made. She highlighted that the risk is still low – it had been changed from very low to low and she expected that it would revert to very low after the decisions being made at the Committee in June, following the training in May. She finished by saying that it is important that risk registers are regularly updated to respond to situations as they arise.

[Post meeting note – In a separate discussion after the Committee between Mr Hibbert, the Chair and Vice Chair, Mr Hibbert was able to discuss in greater depth his concerns and frustration with the format of virtual meetings. At the conclusion of that discussion, Mr Hibbert agreed to remain on the Committee.]

RESOLVED:

The Committee noted the Governance update.

52. **PENSION ADMINISTRATION / COMMUNICATIONS UPDATE**

Mrs Williams presented this update on administration and communication progress since November. She presented the progress on Business Plan items for the 2022-23 year including:

- A6, the policies and strategies review, was behind plan due to workload and changes to pension tax allowances announced in the recent budget
- A9, the refreshed communications strategy - the new branding will be in use from 1st April. A notification of the change was distributed to members alongside the Member Satisfaction Survey with over 300 paper responses and over 500 electronic responses received to date. From the electronic responses, 44 volunteers had come forward for the Member Focus Groups with paper responses still being collated.

Mrs Williams highlighted recent developments including:

- An update on the McCloud Programme. The SAB had published guidance regarding how funds should proceed where data is not received from an employer, as well as guidance for data validation. Mrs Williams will be arranging a meeting for the McCloud steering group in May. Validation

processes are already in place and these would be reviewed in light of the SAB guidance.

- CARE revaluation – The pensions increase of 10.1% was in the process of being applied to benefits from April. This was a substantial area of work.
- Workflow monitoring has been carried out for several years and helped the fund to identify pressure areas. Further analysis is being carried out to help predict future workflows and the results will be shared at Committee in June. However, due to increasing complexity of cases and additional steps involved, monitoring workflow on a like-for-like basis year on year is becoming more difficult.
- There was a very positive response to the recent recruitment drive to administration vacancies and the team identified more suitable candidates than there were vacancies. An urgent delegation was successfully put through to avoid missing the recruitment opportunity, resulting in an influx of diverse work experience within the team. Not all of the five additional positions were appointed to, so the remainder will be advertised as part of the project team review.

Cllr Swash commented in relation to the recent communications regarding the branding and Member Satisfaction Survey. He raised a concern about the cost and environmental impact of sending these out on paper and asked why some were sent on paper and others via email. Mrs Williams clarified that paper communications are sent only if this is the Member's recorded preference.

RESOLVED:

The Committee noted the update.

53. **FUTURE MEETINGS**

The Chair asked the Committee to note the following future Committee meeting dates:

- 21 June 2023

Future dates would be agreed at the Council's AGM in May.

RESOLVED:

The Committee noted the upcoming Committee date.

The Chairman thanked everyone for their attendance and participation. The next formal Committee meeting is on 21 June 2023. The Chair also took the opportunity to highlight two upcoming training sessions: The essential face-to-face

training session on 26 April which would be discussed following the meeting, and an essential training session addressing the Tactical Asset Allocation and Responsible Investing on 3 May which will also be held face-to-face.

The meeting finished at 11:04am.

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Chairman