

# Pecyn Dogfen Gyhoeddus

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



Swyddog Cyswllt:  
Janet Kelly 01352 702301  
janet.kelly@flintshire.gov.uk

At: Cyng Ted Palmer (Cadeirydd)

Y Cynghorwyr: Haydn Bateman, Dave Hughes, Tim Roberts a  
Ralph Small

**Aelodau Cyfetholedig:**

Steve Hibbert, Cllr. Andrew Rutherford, Cllr Nigel Williams a  
Cllr Julian Thompson-Hill

Dydd Mercher, 25 Awst 2021

Annwyl Gynghorydd

**HYSBYSIAD O GYFARFOD ANGHYSBELL**  
**PWYLLGOR CRONFA BENSIWN CLWYD**  
**DYDD MERCHER, 1AF MEDI, 2021 AM 9.30 AM**

Yn gywir

A handwritten signature in black ink, appearing to read 'Robert Robins'.

Robert Robins  
Rheolwr Gwasanaethau Democraidd

Sylwch: Bydd hwn yn gyfarfod dros y we a bydd 'presenoldeb' wedi'i gyfyngu i Aelodau'r Pwyllgor a'r Aelodau hynny o'r Cyngor sydd wedi gofyn i Bennaeth y Gwasanaethau Democraidd am wahoddiad. Y Cadeirydd fydd yn penderfynu a yw'r rhain yn cael siarad ai peidio.

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

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

## R H A G L E N

### 1 YMDDIHEURIADAU

**Pwrpas:** I derbyn unrhyw ymddiheuriadau.

### 2 DATGAN CYSYLLTIAD (GAN GYNNWYS GWRTHDARO O RAN CYSYLLTIAD)

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

### 3 COFNODION (Tudalennau 5 - 14)

**Pwrpas:** I gadarnhau, fel cofnod cywir gofnodion y cyfarfod ar 9 Mehefin 2021.

## EITEMAU I'W CYMERADWYO NEU EU TRAFOD

### 4 ADRODDIAD BLYNYDDOL DRAFFT YN CYNNWYS CYFRIFON (Tudalennau 15 - 182)

**Pwrpas:** I ddarparu fersiwn drafft o Adroddiad Blynyddol Cronfa Bensiynau Clwyd i Aelodau'r Pwyllgor i'w gymeradwyo, ac i wneud Aelodau yn ymwybodol o'r ymateb i'r llythyr Ymholiadau Archwilio 2020/21.

### 5 POLISI'AU CRONFA BENSIYNAU CLWYD (Tudalennau 183 - 242)

**Pwrpas:** I roi Polisi Gwrthdaro Buddiannau wedi'i ddiweddarau, Polisi Gwybodaeth a Sgiliau wedi'i ddiweddarau a Pholisi ar Ordaliadau a Thandaliadau Buddion Pensiwn i Aelodau'r Pwyllgor eu cymeradwyo.

## EITEMAU I'W NODI YN UNIG

### 6 DIWEDDARIAD LLYWODRAETHU (Tudalennau 243 - 280)

**Pwrpas:** Rhoi diweddariad i Aelodau'r Pwyllgor ar faterion yn ymwneud â Llywodraethu.

### 7 DIWEDDARIAD GWEINYDDU PENSIWN/ CYFATHREBU (Tudalennau 281 - 318)

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

### 8 DIWEDDARIAD AR FUDDSODDI AC ARIANNU (Tudalennau 319 - 336)

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

9 **CYFUNO BUDDSODDIADAU YNG NGHYMURU** (Tudalennau 337 - 360)

**Pwrpas:** I roi diweddariad i Aelodau'r Pwyllgor am Gyfuno Buddsoddiadau yng Nghymru yn cynnwys manylion am newidiadau i Gytundeb Rhyng-awdurdod Partneriaeth Bensiynau Cymru i'w ystyried ac argymhell er mwyn iddynt gael eu cymeradwyo gan Gyngor Sir y Fflint.

10 **DIWEDDARIAD AR YR ECONOMI A'R FARCHNAD A'R STRATEGAETH FUDDSODDI A CHRYNODEB RHEOLWYR** (Tudalennau 361 - 396)

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

11 **FFRAMWAITH RHEOLI RISG, LLWYBR HEDFAN A CHYLLID** (Tudalennau 397 - 412)

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

12 **CYFARFODYDD YN Y DYFODOL**

**Pwrpas:** Yn y dyfodol bydd cyfarfodydd Cronfa Bensiynau Clwyd yn cael eu cynnal am 9.30 am :-

Dydd Mercher, 10 Tachwedd 2021

Dydd Mercher, 9 Chwefror 2022

Dydd Mercher, 16 Mawrth 2022

Dydd Mercher, 15 Mehefin 2022

***Sylwch, efallai y bydd egwyl o 10 munud os yw'r cyfarfod yn para'n hirach na dwy awr.***

## **Nodyn Gweithdrefnol ar redeg cyfarfodydd**

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

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

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

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

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

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

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

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

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

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

# Eitem ar gyfer y Rhaglen 3

## CLWYD PENSION FUND COMMITTEE

9 June 2021

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely at 9.30am on Wednesday, 9 June 2021.

### **PRESENT: Councillor Ted Palmer (Chairman)**

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

**CO-OPTED MEMBERS:** Councillors Nigel Williams (Wrexham County Borough Council), Julian Thompson-Hill (Denbighshire County Council) and Mr Steve Hibbert (Scheme Member Representative).

**ALSO PRESENT (AS OBSERVERS):** Elaine Williams (PFB Scheme Member Representative) and Phil Pumford (PFB Scheme Member Representative)

**APOLOGIES:** Councillor Andy Rutherford (Other Scheme Employer Representative) and Gary Ferguson (Corporate Finance Manager)

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

**Officers/Advisers comprising:** Debbie Fielder (Deputy Head of the Clwyd Fund), Karen Williams (Pensions Administration Manager), Paul Vaughan (Clwyd Fund Accountant), Megan Fellowes (Actuarial Analyst – Mercer - taking minutes), Ieuan Hughes (Graduate Investment Trainee).

**Guest speakers presenting comprising:** Hill Gaston (Mercer) and Sabel Wiliam (Audit Wales)

The Chairman welcomed Cllr Hughes back to the Committee as the replacement for Cllr Mullin. The Chairman thanked Cllr Mullin for his valuable contribution to the Committee.

He also welcomed Ms Wiliam from Audit Wales who presented the annual audit plan in the agenda.

### 141. **DECLARATIONS OF INTEREST (including conflicts of interest)**

There were no declarations of interest.

142. **APPOINTMENT OF VICE CHAIR**

Following nominations by Councillors Hughes and Small, the Committee appointed Cllr Bateman as Vice Chair of the Committee.

**RESOLVED:**

The Committee appointed the Vice Chair and noted that the Chair and Vice Chair are therefore appointed as Member and Deputy respectively of the Joint Governance Committee for the Wales Pension Partnership.

143. **MINUTES 23 MARCH 2021**

The minutes of the meeting of the Committee held on 23 March 2021 were considered by the Committee.

On page 9 of agenda, Mr Hibbert referred to the discussion relating to the appointment of the Scheme Member Representative on the Joint Governance Committee ('JGC'). Mr Hibbert highlighted that the job description specified that the Scheme Member Representative should represent the interest of scheme members. He conveyed his concerns about the practicalities and potential discriminatory elements of the appointment process by the Wales Pension Partnership ('WPP')

**RESOLVED:**

The Committee confirmed as a correct record the minutes of the last meeting held on 23 March 2021.

144. **CLWYD PENSION FUND DRAFT AUDIT PLAN**

Mr Vaughan welcomed Ms Wiliam and noted that the Committee were responsible for the approval of the annual report including the accounts by the end of November. He confirmed that the draft accounts would be brought to the September Committee meeting.

Ms Wiliam presented the audit plan on page 17 and highlighted the following key points:

- The two financial audit risks were management override and the impact of COVID-19.
- She noted that management override was a risk for all bodies and was required for all audit plans.
- Whilst the impact of COVID-19 has increased pressures on staff resource and remote working, Ms Wiliam reassured the Committee that the impact of COVID-19 would not affect the work in respect of the audit plan.

- The three risks in respect of the financial statements were holdings in investments, the use of external investment managers and the transfer of assets to the WPP.
- The audit fee for 2021 on page 24 had no increase from the previous year.
- The final audit report will be presented at the November Committee meeting.

Cllr Bateman asked what management override is. Ms Wiliam confirmed this was a significant risk raised for all bodies in their audit plans to respond to ISA 240. The standard work for Audit Wales was addressing this risk so no concerns need to be raised.

**RESOLVED:**

The Committee noted the Audit wales plan.

145. **FUNDING, FLIGHTPATH AND RISK MANAGEMENT FRAMEWORK**

The Chairman highlighted from the report that for the first time since Flintshire County Council became the administering authority, the Fund exceeded 100% funding level and was at 102% as per the report.

Mr Latham was delighted to report the fully funded position and confirmed that the Fund had grown from £300 million in 1996 to £2.1 billion now. He noted to the Committee that the history of the funding position was in the later investment and funding update item from Mrs Fielder.

He stated the following key points regarding the Fund's road to a fully funded position:

- He believed a key reason for the success was the management of the Fund via the flightpath and risk management framework that is operating as expected.
- This has been achieved by the Fund through a diversified and lower risk portfolio.
- The level of hedging for inflation and interest rates has benefited the Fund positively.
- The equity protection provides an insurance, albeit this hasn't actually been needed given markets have continued to rise.
- By hedging the currency risk, the Fund gained £15.8 million since inception of this strategy.

- Another positive was that a further £100 million of collateral can be released whilst maintaining the same overall risk/return. This additional funding could be used for commitments to sustainable private markets assets in the future.

Mr Middleman noted that, as the funding level is over 100%, it had been agreed that consideration would be given to whether risk should be reduced further and, if so, what would be the implications for returns and ultimately the level and stability of employer contribution requirements. Mr Middleman explained the next steps in terms of considering any actions that should be taken and this will be discussed at the next FRMG meeting. On page 31, item 1.07 outlined potential next steps and actions for consideration which included doing nothing, reducing the equity exposure and/or increasing the hedging levels – in particular for inflation given the current uncertainty.

Mr Middleman confirmed that the funding level had continued to improve and was currently estimated to be around 103%.

Mr Everett asked how typical the Fund's financial position was against other LGPS Funds and other pension funds generally. Mr Middleman confirmed that this was linked to the strategy for each Fund. For example, other pension funds who had a higher equity allocation, would have seen a bigger improvement in funding position and vice versa. However, the Fund will have more stability compared to other pension funds, due to the protections in place e.g. the level of hedging and equity protection strategy. There is therefore likely to be less "boom" and "bust" type scenarios.

Mr Everett believed that if the Fund remained in a fully funded position at the next triennial valuation, considerations would need to be made around whether employers' contributions could be contained or reduced given fiscal challenges for employers in balancing their budgets. Mr Middleman agreed that this is a consideration and added that there needs to be a discussion with employers about the level of any reduction, given that the more contributions are reduced, the more likely they will drift upwards in future especially if the surplus is being "run off". This would be a key consideration in light of the balance between employer budgets in the short term and longer-term stability of contributions. Mr Middleman expected this discussion to take place with the major councils as part of the interim funding review later this year.

Mr Hibbert queried whether the Fund could reduce their exposure to fossil fuel intensive equities to help the Fund achieve the target of net zero commitment by 2050. Mr Middleman noted that the roadmap to a net zero commitment was central within the flightpath strategy so any changes would certainly have these objectives in mind. For example, the social and environmental impact will be central to where the c£100 million of collateral from the strategy is invested.

Cllr Williams asked whether the Fund should reduce their investments in fossil fuels given that the Fund exceeded a fully funded position as they could take the "hit" on selling them more easily. Mr Harkin said that this was going to be picked up as part of the next item on the agenda. He confirmed that the Fund did not have a great



deal of exposure to fossil fuel intensive stocks but he believed that this should be one part of a holistic integration in achieving the net zero commitment.

Mr Harkin noted that the c£100 million of collateral from the flightpath strategy is a conservative estimate and has the potential to be utilised as part of the Private Market investments.

Cllr Bateman asked for clarification on the term FRMG. Mr Middleman confirmed that FRMG stood for the Funding and Risk Management Group and was set up as part of the Fund's governance structure. The group consists of Mr Middleman as Actuary, Nick Page as Risk consultant, Mr Harkin as Investment Consultant, Mr Latham as Head of the Pension Fund and Mrs Fielder as Deputy Head of Fund. Mr Latham is required to sign off matters discussed at the FRMG under the agreed delegations from the Committee.

### **RESOLVED:**

The Committee noted and considered the contents of the report.

## 146. **RESPONSIBLE INVESTMENT ROADMAP**

Mr Latham stated that the two key responsible investment priorities that were being considered within this item of the agenda were setting and meeting climate change objectives and identifying sustainable investment opportunities. In relation to the first of these, the Committee were being asked to agree to adopt a 2050 net zero ambition for the Fund's investment strategy, however, Mr Latham made it clear that 2050 is the latest date that they would aim to achieve this by and hoped that further analysis would allow them to set a date earlier than 2050 and the second recommendation was for the Committee to agree the road map which included this further analysis

In relation to the second priority, Mr Latham explained that the Fund's investment advisor believed that sustainable global equities should form a material part of the Fund's equity portfolio. Therefore, he outlined the recommendation for the Committee to formally request the Wales Pension Partnership to offer an Active Sustainable Global Equity Sub-Fund. Given that this would need to go through the JGC and the other Funds in the WPP, the timescale for completion is expected to be approximately 12 to 24 months.

Mr Gaston summarised the progress that the Fund had already made in relation to climate change. He explained that a net zero target referred to achieving net zero emissions by balancing carbon emissions with carbon removal. The three key reasons for an investor to adopt a net zero target are as follows:

- Climate change science tells us that there are c10 years left to limit and mitigate the worst effects of climate change. Currently, we are on track for 2.9 degree warming by 2100. However, the Paris Agreement aims to limit warming to well below 2 degrees. To achieve this there needs to be

an overall reduction in emissions of 45% by the year 2030 (based on 2010 levels) according to the IPCC — Intergovernmental Panel on Climate Change.

- Secondly, momentum is growing across different stakeholders, markets and technology. For example, technology developments have led to falling costs for wind and solar energy generation, and these are increasingly outcompeting fossil fuel alternatives such as coal.
- Lastly, it is likely we will see a form of a low carbon transition from the current economic model, which is reliant on fossil fuels, to a greener version of the economy.

Mr Gaston stated that TCFD stood for The Task Force on Climate-related Financial Disclosures. This is an international framework providing a number of climate change disclosure recommendations. It is expected to form the basis of the upcoming LGPS regulations that the Fund will need to adhere to.

Mr Gaston explained that when implementing a net zero target, the Fund would need a plan that includes credible, achievable targets as well as being able to meet financial targets. There were four steps involved in creating a plan:

1. Calculate the baseline – this includes current emissions, transition capacity and green exposures.
2. Analyse portfolio possibilities for implementing a portfolio wide transition by asset class.
3. Set measurable targets for reducing emissions and growing transition capacity, tested against different scenario pathways (for example a 2050 net zero target).
4. Implement a plan, drawing on outputs from each step.

He confirmed that Mercer would provide further details for the Committee to approve after their analysis at the November Committee meeting. Once targets and implementation plans were agreed, the Fund will update its policy and going forwards this would become an annual exercise.

Due to the Fund being c103% funded, Mr Hibbert restated the earlier question to whether this position could be used as an opportunity to achieve something now in regards of climate change by divesting from fossil fuel companies. Mr Gaston commented that the grey category in the slides represented high carbon intensive companies with low transition potential – this might include oil/gas companies as well as other high carbon companies, for example, in the steel & cement sectors. Therefore, the grey bucket did not only include fossil fuel companies. Mr Gaston added that some energy companies might be expected to transition their business models from an oil/gas focus to renewable sources of energy. Therefore, Mercer's analysis would highlight where these companies sit in terms of transition potential

and help determine how the Fund might best manage these exposures going forward. In addition, through stewardship, Robeco would hold these companies to account and ensure their business models were transitioning over time.

Mr Hibbert believed that if one extraction company made a successful amount of carbon reduction, this would not mean that all companies would do the same. Mr Gaston agreed with Mr Hibbert, but stated his view was that a detailed analysis should be undertaken before decisions on how to manage 'grey' companies was made. Mr Everett agreed with the spirit of Mr Hibbert's comment but highlighted that in his view it is important that the Fund take time to have fuller information before making decisions, ensuring the consequences of such decisions are fully considered.

Mr Everett also added that he would like to learn more about the transition and implementation timing.

Cllr Thompson-Hill stated that given the complexity of this matter, he wondered how the Fund would communicate this decision to members (in particular those outside the Pensions Committee) and other stakeholders given that they may have no prior background knowledge or training. Mr Latham said that some information will be included within newsletters that are sent to members and he is also planning including an item at the annual joint consultative meeting. Mr Latham recognised the fact that a number of training sessions on RI and climate change had been held over within the last year with an aim of disseminating the complex information contained across a range of RI areas and aid the decision-making ability of the Committee. Mrs McWilliam agreed with Mr Latham and stressed the need for really clear communications around this. She also added that if there were changes to the investment strategy, the Fund would have an obligation to consult on these changes with the appropriate stakeholders. She also reminded the Committee that they set the investment strategy for the Fund, and it is then the responsibility for WPP to deliver this on their behalf, albeit practically there may be some challenges so this long period of notice will be helpful in achieving that.

Mr Harkin confirmed that, due to the emerging market equity transition to WPP being due to take place in October 2021, the equity allocation designated for the WPP is not yet fully invested. Russell select the underlying managers who then select the specific equity positions held in the WPP Global Opportunities Fund, although Russell aim to reduce the carbon intensity of the Fund by 25% through an overlay strategy. Mr Harkin added that the best ideas portfolio is discretionary and Mercer are putting together a responsible investment framework to overlay this and help inform how the Fund makes commitments going forward. Mercer are completing this work over the summer.

Cllr Williams asked if the majority of the c£25 million invested in fossil fuels within the Fund was directly through fund managers or via pooling. Mr Gaston confirmed that the WPP had global equity exposures of £5.6 million (out of the c£25 million of fossil fuels investments). Furthermore, between BlackRock and the Wellington Funds (which are not in the WPP), there was around £20 million invested in fossil fuels through funds held outside WPP. Mr Latham clarified that those

mandates outside WPP will become managed by WPP as part of the October transition.

**RESOLVED:**

- (a) The Committee agreed to adopt a 2050 Net Zero ambition for the Fund's investment strategy, noting this may be updated to an earlier date following further consideration and analysis.
- (b) The Committee agreed the high level net zero work plan or roadmap as detailed in 1.07. This roadmap laid out the next steps required to set net zero target(s) underpinned by a credible implementation plan.
- (c) The Committee agreed to formally request that the Wales Pension Partnership offer an Active Sustainable Global Equity Sub-Fund and that the necessary project to construct this Sub-Fund commences as soon as possible.

147. **GOVERNANCE UPDATE AND CONSULTATIONS**

On section 4.01 of the report, Mr Latham noted the current risks relating to the Fund as a whole. He added there was only one red risk across the Fund, which was an investment risk in responsible investment, but otherwise there had been a reduction in many areas risk which in his view was extremely positive given some of the recent challenges such as COVID-19.

Mr Latham noted the importance of Committee and Board members attending training sessions and conferences around the UK but recognised it may still not be possible and so welcomed views from Committee and Board members on this point.

**RESOLVED:**

The Committee considered and noted the update.

148. **PENSION ADMINISTRATION/COMMUNICATION UPDATE**

Mrs Williams referred to the TPR New Code consultation response which had been circulated separately. She noted the majority of the report related to standard items and also highlighted the additional item, which was the satisfaction survey to employers and members requesting feedback on service delivery.

Mr Hibbert thanked the team for all their hard work and efforts, evidenced by the excellent results in the report.

**RESOLVED:**

The Committee considered and noted the update.

#### 149. **INVESTMENT AND FUNDING UPDATE**

Mrs Fielder noted the following key points about this item of the agenda:

- Page 187 and 188 highlighted the key milestones of the Fund and the historic funding levels since 1989.
- The Fund made three new investments in the Private Markets portfolio, in line with Fund requirements for sustainable private markets.
- Within impact and local investments, the two Funds agreed were Foresight Regional Fund III and Bridges Property Fund V. The Fund had previously invested in Bridges Property Fund IV.
- For the Private Equity portfolio, the Fund approved FSN Fund VI which had been recommended by Mercer. This investment had excellent ESG credentials and sustainable goals, which is ideal for the Clwyd Pension Fund.
- The cashflow analysis on page 184 outlined that the net contributions/benefits remained relatively stable over 2020/21. However, income from private markets exceeded the drawdowns, which helped the Fund move to a healthy cashflow position. Therefore, the Fund could have more money to allocate to sustainable investments.

#### **RESOLVED:**

The Committee considered and noted the report including the update for delegated responsibilities.

#### 150. **POOLING INVESTMENT IN WALES**

Mr Latham stated the following key points about the pooling of the Fund's investments in WPP:

- Multi Asset Credit Fund and Global Opportunities Equity Fund performed ahead of benchmark.
- The Global Opportunities Equity Fund reduced carbon exposure by 25% in April and the Fund will receive reports on progress going forward.
- The transition for the Wellington Emerging Market equities will occur on 6<sup>th</sup> October 2021, which also includes a 25% carbon reduction.
- He noted the Responsible Investment sub-group, including Mrs Fielder as the Fund's representative on that sub-group, have completed lots of work regarding Responsible Investment.

- In addition, Fund officers have been working with WPP on a Private Markets portfolio in conjunction with Mercer, and the Committee will receive an update regarding this work at future Committee meetings.

**RESOLVED:**

The Committee considered and noted the report.

151. **ECONOMIC AND MARKET UPDATE AND INVESTMENT STRATEGY AND MANAGER SUMMARY**

The Committee considered the Economic and Market update.

**RESOLVED:**

The Committee noted the Economic and Market update.

The Chairman thanked everyone for their attendance, updates at the Committee meeting, and hoped to see members at the upcoming training events. The next formal Committee meeting was on 1 September 2021.

The meeting finished at 10:45am.

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**Chairman**

# Eitem ar gyfer y Rhaglen 4



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 1 September 2021
<b>Report Subject</b>	Clwyd Pension Fund Annual Report 2020/21
<b>Report Author</b>	Deputy Head Clwyd Pension Fund

### EXECUTIVE SUMMARY

LGPS Regulations require the Clwyd Pension Fund (the Fund) to publish an Annual Report before 1<sup>st</sup> December 2021. The regulations and CIPFA best practice guidance advise on the content.

The draft Annual Report for 2020/21 is attached for member consideration at Appendix 1. The Annual Report includes the Fund's draft Statement of Accounts.

The Annual Report is required to include certain statutory information and this will be included in the report when it is published, along with signposting to non-statutory information which is felt relevant to the report.

The Fund's draft accounts are subject to review by Flintshire County Council's Section 151 Officer prior to the meeting, and he will provide any necessary feedback to the meeting.

At this stage Members are asked to consider the draft Annual Report.

Attached as Appendix 2 is a draft response to the Audit Enquiries Letter for 2020/21 from Audit Wales and Members are asked to note the response.

### RECOMMENDATIONS

1	That Members consider the Fund's draft Annual Report for 2020/21, including the draft Statement of Accounts.
2	That Members note the Audit Enquiries letter and response.

## **REPORT DETAILS**

<b>1.00</b>	<b>Annual Report</b>
1.01	<p>The Annual Report meets the requirement under Regulation 57 of the Local Government Pension Scheme (LGPS) Regulations 2013 which require Administering Authorities of LGPS pension funds to produce an annual report. In Wales this includes the year-end financial statements as there is no longer a requirement for these statements to be included as part of the administering authorities' own statements. The report has been written in accordance with the Regulations and guidance, most notably the guidance produced by CIPFA in 2019 entitled "Preparing the Annual Report".</p> <p>The report covers the activities of the Fund during 2020/21, a year which was dominated by the impact of COVID-19. In spite of this, the Fund has continued to operate in a secure and efficient way, with the needs of members and employers being met effectively.</p> <p>Section 2 of the Annual Report is a summary by the Head of the Fund which identifies key issues relating to the activity of the Fund during 2020/21. The summary is supported by more detailed reports from the fund's partners and senior officers. They are:</p> <ul style="list-style-type: none"><li>- A report on the Governance of the Fund, the training of Committee and Board members, and Risk Management</li><li>- A report from the Fund's Independent Advisor</li><li>- A report from the Pension Board</li><li>- A report on the Administration of the Fund</li><li>- A report from the Fund's actuary</li><li>- A report from the Fund's investment consultants</li><li>- A report on the Fund's financial activity</li></ul> <p>In addition, the Fund's Statement of Accounts and Annual Governance Statement are included in the Annual Report.</p> <p>The Annual Report includes statutory and best practice policies and statements. These are not attached to the report as they have previously been approved by the Committee, but are available on the Fund's website. They will be included in the report when it is published. Other non-statutory information relating to the report, which is all available on the Fund's website, will be signposted in the published version of the report.</p>
1.02	<p>CIPFA updated the guidance they provide to Local Government Pension Schemes to ensure that their annual reports are completed in accordance with best practice in 2018/19, and have not updated that guidance since. The guidance has been followed wherever possible in the preparation of this report.</p>



<b>2.00</b>	<b>Consideration, Audit and Approval of the Annual report</b>
2.01	<p>The Annual Report is provided in draft format for Member consideration, and remains subject to audit. Colleagues from Audit Wales have indicated that the audit is likely to commence in mid-October.</p> <p>The Fund is required to have an audited Annual Report published before 1st December. Audit Wales have indicated that it may be that, because of the timing of the November Committee meeting, the audit will not be sufficiently complete to seek approval of the final version of the Annual Report at that meeting. It is likely, however, that the audit will be substantially complete and therefore the latest Annual Report reflecting any agreed changes will be presented to the November Committee. If necessary, approval would be sought for the Chair of the Committee and the Flintshire Section 151 Officer to then formally approve the accounts later in November, reflecting any further minor changes agreed with Audit Wales.</p> <p>With regard to the Audit, attached as Appendix 2 to this report is an Audit Enquiries Letter for 2020/21 from Audit Wales along with a draft response from the Chair of this Committee. The receipt of this letter is normal practice, and is part of Audit Wales' overall approach to its audit of the accounts.</p> <p>The response is broadly the same as that submitted to Audit Wales in respect of the accounts for 2019/20. Changes are highlighted in yellow. Members are asked to note the response.</p>
<b>3.00</b>	<b>RESOURCE IMPLICATIONS</b>
3.01	None directly as a result of this report.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
4.01	None directly as a result of this report

<b>5.00</b>	<b>RISK MANAGEMENT</b>
5.01	The Annual Report and external audit both review and identify whether there are any risks that are not being managed by the Fund. These include, strategic, operational and financial risks.
5.02	The external audit of the accounts will specifically consider financial risks and how well the Fund is managing those risks.

<b>6.00</b>	<b>APPENDICES</b>
6.01	Appendix 1 – Draft Annual Report 2019/20 Appendix 2 – Audit queries letter

<b>7.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
7.01	None  <b>Contact Officer:</b> Debbie Fielder, Deputy Head Clwyd Pension Fund <b>Telephone:</b> 01352 702259 <b>E-mail:</b> debbie.a.fielder@flintshire.gov.uk

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<p>(a) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(b) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(c) <b>CIPFA – Chartered Institute of Public Finance and Accountancy</b> – professional institute for accountants working in the field of public services</p> <p>(d) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p>

Cronfa Bensiynau Clwyd  
Clwyd Pension Fund

Gweinyddwyd gan  
Administered by



# CLWYD PENSION FUND ANNUAL REPORT 2020/2021

# Clwyd Pension Fund Annual Report 2020/21

## Contents Page

		PAGE
<b>Section 1</b>	Introduction to the Clwyd Pension Fund Annual Report 2020/21	3
<b>Section 2</b>	Summary by the Head of Clwyd Pension Fund	4
Appendix 1	Governance, Training and Risk Management	9
Appendix 2	Independent Advisor Annual Report	21
Appendix 3	Pension Board Annual Report	32
Appendix 4	Administration Report	39
Appendix 5	Funding and Flightpath Review	60
Appendix 6	Investment Policy and Performance Report	65
Appendix 7	Clwyd Pension Fund Statement of Accounts 2020/21	83
Appendix 8	Financial Report	121
<b>Section 3</b>	Annual Governance Statement	141
<b>Section 4</b>	Regulatory documents	147
Appendix 9	Governance Policy and Compliance Statement	
Appendix 10	Funding Strategy Statement	
Appendix 11	Investment Strategy Statement	
Appendix 12	Communication Strategy Statement	
<b>Best Practice documents held on the Fund website please go to:</b>		
<a href="https://mss.clwydpensionfund.org.uk/home/investments-and-governance/">https://mss.clwydpensionfund.org.uk/home/investments-and-governance/</a>		
- Business Plan		
- Administration Strategy		
- Breaches Policy		
- Risk Policy		
- Conflicts of Interest Policy		
- Knowledge and Skills Policy		

## **Section 1**

# **Introduction to the Clwyd Pension Fund Annual Report 2020/21**

Welcome to the Clwyd Pension Fund (the Fund) Annual Report for 2020/21.

The report covers in detail the activities of the Fund during 2020/21. This was no ordinary year and despite the challenges of business disruption, accelerated remote working for the team, and international financial market instability the Fund has continued to operate in a secure and efficient way. Our business continuity planning has come into its own and we have continued to meet the needs and expectations of our members and employers.

We are pleased to confirm that during the year the Fund achieved a full funding position ahead of timetable. This is an outstanding achievement. We will seek to consolidate and build on this position.

We would like to thank all those involved in the governance and management of the Fund for their continuing hard work and dedication, including the previous Chair of the Pension Committee, Aaron Shotton, who was in post until mid-year.

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

Cllr Ted Palmer

Chair of the Clwyd Pension Fund Committee

Colin Everett

Chief Executive, Flintshire County Council

## Section 2

### 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 and ensuring efficient governance and administration of the Fund. Despite the impact of the COVID-19 pandemic, the Committee, Advisory Panel and Pension Board have continued to function effectively during 2020/21.

The Fund is required to produce an Annual Governance Statement which is 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.

Further details may be found in the Governance, Training and Risk Management Report which is Appendix 1 to this report. The Independent Advisor Report may be found at Appendix 2 and the Pension Board Annual Report at Appendix 3.

#### **Funding**

The position of the Fund has continued to improve during the year, and by the end of the financial year it was estimated to be fully funded, which is five years before the target date.

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
- monitoring the provisions already made in the funding position to accommodate the McCloud remedy
- the impact of the cost management review
- the impact of GMP equalisation and indexation
- the impact of any revised exit cap proposals
- working with employers to manage risk and liabilities more effectively using the new flexibilities available in relation to the review of contribution and exiting the Fund

Further details of the funding position may 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. Each of these objectives reflects the Fund's desire to incorporate sustainability and act as a Responsible Investor in its investment approach.

During 2020/21 the Fund's investments returned 23.3% but this has to be seen in the context of the starting point which was affected by the negative impact of the onset of the COVID-19 pandemic in early 2020. However, the investments returned 7.1% per annum over the three years to March 31<sup>st</sup> 2021, compared to a benchmark of 7.7% per annum. The performance is well ahead of the assumption of growth in the Funding Strategy Statement which is Consumer Price Index plus 2.25%.

Key investment performers during the year were the Fund's allocation to equities (42.2%) and the Tactical Asset Allocation (21.6%), along with the cash and risk management allocation (52.4%), whilst the Fund's Private Market allocations returned 4.6%.

- During the year the Fund continued to transfer funds to the Wales Pension Partnership in line with the direction of travel which will see more funds invested in the WPP investment structure over the coming years, which is seen as being more cost effective for the LGPS sector in Wales. In addition, the Fund has made a number of other movements of assets between fund managers and asset classes, in line with requirements of the Investment Strategy.

The Fund has progressed significantly on work relating to the Responsible Investment Priorities in the Investment Strategy Statement. The Fund has analysed its carbon footprint, undertaken detailed climate change scenario analysis and trained its Committee members to aid their understanding of Responsible Investment. In addition, it has deployed allocations into sustainable investments, some with direct local benefit, and engaged with asset managers in relation to Responsible Investment principles.

Further details of the investment activity may be found in the Investment Policy and Performance Report which is Appendix 6 to this report.

## 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 will be updated in 2021/22 and will reflect 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, nearly 30,000 cases involving all activities across the team were completed. During 2020/21 the Team has continued to deliver a high quality service despite the 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:

- developing and implementing 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
- finalising work on the ongoing GMP rectification and reconciliation project
- 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
- responding to the impact of the McCloud court case

The most recent member and employer surveys show levels of satisfaction with the delivery of the Administration service of around 90%. Registration by members for use of Member Self-Service increased during the year, and the system has been upgraded. By 31<sup>st</sup> March 2021 98% of member information was being updated by employers using the i-Connect system. The Fund continues to monitor performance using KPIs.

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
- the impact of indexation and equalisation of GMPs



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 2021 was £2,152m. Total contributions for the year from members and employees were around £85m, with benefits and other payments to members about £83m. Total management expenses paid by the Fund was about £22m, with an increase in the Funds market value and income of about £469m. The Fund continues to transition assets to WPP with the intention of saving costs and improving returns on investments, and this will continue in 2021/22.

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 outsourcing costs. Pooling fees were overspent as a result of spend on transition fees and transaction costs which were uncertain and therefore not included specifically in the budget.

Further details of the Fund's finances may 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 2021/22 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

### Introduction

This report covers the way in which Clwyd Pension Fund (the Fund) is governed, which includes how the training needs of those charged with governance and senior officers' training needs have been met. It also details the key partners of the Fund and how the Fund deals with Risk Management.

The Fund has a number of governance related policies and strategies which outline how governance matters are managed. 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.

These can all be found in the Investments and Governance section of the Fund's website -

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/>

### 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 3 year Business Plan. The agenda, reports and minutes for each Committee are available on the Flintshire County Council website – [www.flintshire.gov.uk](http://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 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/>

**Clwyd Pension Fund Committee**

Committee Members		
Flintshire County Council	Cllr Ted Palmer	Appointed Sept 2020
	Cllr Aaron Shotton (Chair)	To Sept 2020
	Cllr Haydn Bateman (Vice Chair)	
	Cllr Billy Mullin	Sept 2020 to May 2021
	Cllr Kevin Hughes	To Sept 2020
	Cllr Ralph Small	
	Cllr Tim Roberts	
	Cllr Dave Hughes	Appointed May 2021
Denbighshire County Council	Cllr Julian Thompson - Hill	Appointed Feb 2021
Wrexham County Borough Council	Cllr Nigel Williams	
Scheduled Body Representative	Cllr Andrew Rutherford	
Member Representative	Mr Steve Hibbert	

**Advisory Panel**

Panel Members	
Chief Executive (FCC)	Colin Everett
Corporate Finance Manager/ S151 Officer (FCC)	Gary Ferguson CPFA
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**

<b>Local Board Members</b>			<b>Voting Rights</b>
Independent Chair	Karen McWilliam		X
Employer Representatives	Mark Owen	To June 2020	√
	Steve Gadd	From July 2020	√
	Steve Jackson		√
Scheme Member	Phil Pumford		√
Representatives	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.

<b>Investment Managers</b>	<b>Address</b>
BlackRock	12 Throgmorton Avenue, London
Insight Investment	160 Queen Victoria Street, London
Man Group	Riverbank House, 2 Swan Lane, London
Wellington Management	Cardinal Place, 80 Victoria Street, London
International Ltd	
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	Old Hall Street, Liverpool
Investment Consultant: Mercer Ltd	7 Charlotte 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 St., 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 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 the management of funds are robust and well based. This need is being emphasised in guidance including by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Pensions Regulator (TPR) as well various elements of legislation.

The Fund has a well-developed Knowledge and Skills Policy which 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 2020/21**

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 restrictions on face to face events, Members were provided training where possible by virtual platforms. Some conferences were held virtually and many providers also hosted bite size 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 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 – 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 focussed 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 2020/21 was as follows:

- a) Individual Training Needs – The last training needs analysis was completed out in Spring 2020 which drove the training completed during 2020/21.
- b) Hot Topic Training - Of the 3 additional training sessions offered, the attendance of the 9 Committee Members was as follows:
  - Low Carbon Equity 6 (67% attendance)
  - McCloud 6 (67% attendance)

- Carbon Footprinting 5 (56% attendance)
  - AJCM 6 (67% attendance)
- c) General Awareness – Out of the total of 13 Committee and Board members 10 (77%) completed at least one general awareness day in accordance with the policy.
- d) Induction Training – Inductions sessions were completed in March, April and May 2021 for 4 new members (3 Committee and 1 Board). 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.

The following table details all the training provided to members of the Committee during 2020/21 to satisfy the requirements of the Knowledge and Skills Policy. This includes Committee meeting's 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		Cllr T Palmer	Cllr H Bateman	Cllr B Mullin	Cllr R Small	Cllr T Roberts	Cllr N Williams	Cllr J Thompson-Hill	A Rutherford	S Hibbert
	<b>Committees</b>									
May-20	Informal Committee Briefing	na	√		√	√	√	na	√	√
Oct-20		√	√	√	√	√		na	√	√
Nov-20		√	√	√	√					√
Feb-21		√	√	√	√	√	√	√	√	√
Mar-21		√	√	√	√	√	√		√	√
	<b>Key Areas of Competency (as per CIPFA framework)</b>									
Mar-21	Investments & Funding	√								
Mar-21	Governance	√			√			√		
Mar-21	Actuarial	√						√		
	<b>Additional Hot Topics</b>									
Jun-20	Low Carbon Equity	na	√		√		√	na	√	√
Aug-20	McCloud - Virtual	na	√		√	√		na	√	√
Aug-20	McCloud Impact for Employers	na								√
Nov-20	AJCM Governance, Admin, Investments RI	√	√	√	√			na	√	√
Nov-20	Carbon Foot Printing	√	√	√	√			na		√
	<b>Conferences</b>									
Dec-20	LAPFF									√
Jan-21	LGA Annual Conference								√	√
Mar-21	LGC March		√							√
Mar-21	PLSA									√
	<b>Wales Pension Partnership Training</b>									
Sep-20	WPP Engagement & Voting	√			√				√	
Oct-20	WPP RI Perf Metrics/ Alternative Asset Classes			√					√	√
Nov-20	WPP Progress of Pools/ Collaboration Opportunities	√		√					√	√
Feb-21	WPP Operator review and processes	√	√	√	√			√		√
Feb-21	WPP JGC Induction Training	√								
Mar-21	WPP Operator Oversight	√								

In addition, Committee and Board members are encouraged to attend other suitable events. The scheme member representative of the Committee attended a further 23 hours of training including Unison National LGPS Liaison Committee; PIRC (Pensions and Investment Research Consultants) - Stranded Assets and Net Carbon; Pensions and Lifetime Savings Association (PLSA) – ESG (Environmental, Social and Governance) COP26 and TCFD (both relating to climate change), and LGPS Management during COVID-19.

## Risk Management

### Background

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

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

### 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 2021, 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 then, the exposure to some of these risks has reduced, and this is highlighted where that is the case.

Key:

<b>Risk Exposure</b>	<b>Impact/Likelihood</b>
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 2021	Target Risk Status	Further Action
Externally led influence and change such scheme change (e.g. McCloud and £95k cap), national reorganisation, cybercrime, Covid-19 and asset pooling	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Reduced to amber		<ul style="list-style-type: none"> <li>1 - Regular ongoing monitoring by AP to consider if any action is necessary around asset pooling, cost cap and McCloud judgement</li> <li>2 - Ensure Board requests to JGC/OWG are responded to</li> <li>3 - Identify further actions to manage Cybercrime risk</li> <li>4 - Refresh and document business continuity assessments/procedures</li> </ul>
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			<ul style="list-style-type: none"> <li>1 - Recruit to vacant governance and business role</li> <li>2 - Ongoing consideration of succession planning</li> <li>3 - Continue training of new and newly promoted staff</li> </ul>

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## Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	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			1 - Consider as part of Interim Valuation review
<p>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</p> <p>2. WPP does not provide CPF with the tools to enable implementation of RI policies</p>	The Fund's long-term Investment Strategy could fail to deliver appropriate returns			<p>1 - Implement Strategic RI Priorities, including analysing the Fund's carbon Footprint. Analyse impact of Climate Change at a Strategic level. Identify sustainable investment opportunities and improve disclosure and reporting</p> <p>2 - Work with WPP to ensure the Fund is able to implement effectively via the Pool</p>

## Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
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			<ol style="list-style-type: none"> <li>1 - Ongoing roll out I-connect</li> <li>2 - Develop and roll out Assumed Pensionable Pay training - in house and employers</li> <li>3 - Identify other employer data issues and engage directly with employers on these</li> <li>4 - Developing monthly Key Performance Indicators (KPI)_reporting for employers</li> <li>5 - Reviewing approach to annual Service Level Agreement (SLA) communications with employers</li> </ol>
Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes including McCloud and £95k cap)	Unable to meet legal and performance expectations due to external factors	Reduced to amber		<ol style="list-style-type: none"> <li>1 - Ongoing consideration of resource levels post recruitment of new posts</li> <li>2 - Ongoing consideration of likely national changes and impact on resource</li> <li>3 - Ongoing consideration of £95k cap on processes etc</li> </ol>
Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and £95k)	High administration costs and/or errors			<ol style="list-style-type: none"> <li>1 - Ongoing roll out of iConnect</li> <li>2 - Ongoing identification of data issues and data improvement plan</li> <li>3 - Review of and update website</li> <li>4 - Review of success of new website/iConnect/member self-service</li> <li>5 - Carry out CPF tender for pension administration system</li> <li>6 - If delays in system upgrades, look for alternative solutions to administer regulatory changes</li> </ol>

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
System failure or unavailability, including as a result of cybercrime and Covid-19	Service provision is interrupted			<ul style="list-style-type: none"> <li>1 - Ongoing checks relating to interface of recovery plan with non-pensions functions</li> <li>2 - Develop business continuity policy for CPF</li> <li>3 - Review of cybercrime risk controls</li> </ul>

## Appendix 2

### Independent Adviser's Report - Annual Report of Karen McWilliam

This is my seventh annual report in my role as Independent Adviser to the Clwyd Pension Fund, focussing on the year 2020/21.

At a glance...

It's probably fair to say that 2020/21 has been unique in so many ways and challenging for most people mainly because of the COVID-19 pandemic. Given that, it is with pride that my annual report evidences how well the Clwyd Pension Fund officers, Committee and Board members have not only managed to maintain a high level of services for the Fund's stakeholders during the year, but also make significant progress in many other areas including:

- data collection required for the McCloud remedy of scheme members' benefits
- initial work on the Fund's new Responsible Investment priorities, not least analysis of the carbon exposure within the Fund's investment portfolio
- gaining a better understanding the Fund's resilience to cybercrime.

A significant amount has been achieved in extremely difficult circumstances, 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.

#### 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 is my seventh annual report, and it sets out my views on the management and administration of the Fund and, in particular, how it has evolved during 2020/21 (April to March), but also touches on some developments that have taken place after March 2021. 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

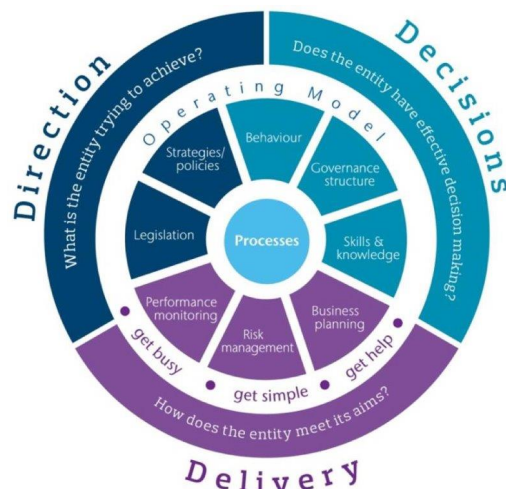
### Key Benefits

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 focussed
- 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, ensuring 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

Continued to deliver a high quality service and hold effective Committee/Board meetings and training despite the COVID-19 pandemic.

Initial work on understanding Fund's cyber resilience and refreshing business continuity arrangements

The Fund went into 2020/21 in a strong position with governance arrangements that were well established and operating well including a Pension Board providing invaluable assistance and a proactive Advisory Panel.

Last year I commented on how successfully the officers of the Fund had adapted to remote working as a result of the **COVID-19 pandemic**. This had already led to changes within the processes of the Fund. This continued in 2020/21 and it was very pleasing to see how officers further adapted to the new ways of working - including the development of new more efficient processes to minimise any impact on scheme members and employers. At the Fund's annual joint consultative meeting in November, a poll was undertaken with the employers and other stakeholders present in which all who provided a view responded stated that the Clwyd Pension Fund team had performed the same (83%) or better (17%) during the COVID-19 pandemic.

It was already really pleasing to see that the Administering Authority has also continued to hold **effective virtual meetings** of the Committee, Board and Advisory Panel throughout the year allowing for good decision making despite the pandemic's challenges. Both Committee and Board meetings have continued as planned during the year with good attendance, other than the June Committee meeting which was cancelled and replaced with an informal virtual meeting in May. There has also been a large amount of virtual training provided during this period which has been well attended by the Committee and Board members.

As I discussed in previous reports **stability in both the Committee and the Board** is very important to the effective decision making for the Fund. There were some changes to the Committee and the Board during the year and we were pleased to welcome:

- Councillor Ted Palmer as the new Chairman and Councillor Julian Thompson-Hill (Denbighshire County Council) to the Pension Fund Committee and
- Steve Gadd (Denbighshire County Council) to the Pension Board.

I was particularly pleased that all the new members had some previous involvement in Fund matters, which minimised any impact, and a robust training programme was put in place for the new members to bring them up to speed.

The officers of the Fund have also been carrying out further work on their **business continuity arrangements** and the Fund's **cyber-resilience**. These are both key areas of risk for the Fund, although there is obviously a strong reliance on Flintshire County Council as the Host Authority for the Fund. However as highlighted by The Pensions Regulator in its guidance to pension schemes, "*scheme managers are accountable for the security of scheme information and assets*" so it is important that:

- risks are properly understood and managed, and
- roles and responsibilities are clearly defined, assigned and understood by those responsible for the Clwyd Pension Fund.

More generally:

- I feel that the current **governance structure is well established** and is working as intended. 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 and training events 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 (Appendix 3) 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. 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 including 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 administration 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 2020/21 to 2022/23 business plan was approved in March 2020 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 2021/22, most of which have been included in the Fund's ongoing business plan which was approved in March 2021:

- As mentioned previously, work has already commenced on updating the Fund's **business continuity arrangements** and on managing **cybercrime**. I look forward to seeing how this evolves so the appropriate assurances can be provided on an ongoing basis.
- **The McCloud remedy** programme of work will continue to be mainly carried out by the Administration Team (and mentioned in more detail later in this report) but the impact on resources and focus will be felt throughout the whole Clwyd Pension Fund governance structure. This will likely extend through to 2022/23 and so I will be keen to:
  - monitor the impact of this programme on the overall governance of the Fund with a view to evidencing little or no detriment to delivering business as usual and other areas within the Fund's business plan and
  - see clear and regular reporting throughout the programme on the delivery of the McCloud remedy to the Committee, Board and Advisory Panel.
- There were two governance related national initiatives which were delayed last year but are expected during the year; the Ministry for Housing, Communities and Local Government (MHCLG) consultation and statutory guidance relating to the **LGPS Good Governance** project facilitated by the Scheme Advisory Board, and **The Pension Regulator's (TPR's) New Code of Practice**, which will replace TPR's Public Service Code of Practice. Further, CIPFA is expected to issue updated versions of their **LGPS Knowledge and Skills Code and Framework** in early Summer 2021. 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. The MHCLG Good Governance response is expected to require wider governance compliance reporting and perhaps also an independent audit. On the face of it, I expect the Administering Authority to already be able to evidence most of the expected requirements for the Fund from these three initiatives.
- In recent years, there have been radical changes to the staffing structure of the Clwyd Pension Fund team, partly to improve reliance and to assist with **succession planning**. It will be useful to reflect on whether the objectives of these restructures are being achieved. I am also mindful that there continues to be a **vacant post within the Finance Team** which is critical to the overall

governance and management of the Fund. There have been several unsuccessful attempts at recruiting to this post and I would stress the need to find a solution to this resourcing gap.

- The Chief Executive of Flintshire County Council, Colin Everett, will be leaving his position in 2021/22. As the Administrator of the Fund he has 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. I have enjoyed working with Colin, wish him all the best for the future and look forward to working with the new Administrator.
- 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 Government. It will be critical that the Administering Authority proactively consider **resourcing** 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.

## **Funding and Investments (including accounting and financial management)**



### **Key Achievements**

- Good progress against Responsible Investment priorities
- Strong focus on governance of WPP including agreement to co-opted scheme member representative

I work closely with both the Actuary and the Investment Consultant to the Fund, and each will produce his own report, so this area of my report focusses 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:

One of the key projects for 2020/21 was the implementation of the Fund's updated investment strategy, and particularly the **Responsible Investment priorities** that were agreed in February 2020. These priorities include areas such as:

- measuring carbon exposure within the Fund's investment portfolio and then setting a target for carbon reduction
- having a dedicated Social/Impact allocation of 4% by 2023.

Good progress is being made, particularly around better understanding of carbon exposure within the Fund. The Administering Authority are now considering implementing a net-zero target, and I welcome that there has been a lot of time focussed on this, including taking advice

from the Fund's Investment Consultant, to ensure the Administering Authority continues to manage the Fund's assets whilst also striving to achieve appropriate standards in environmental, governance and social matters.

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. It is clearly critical that Clwyd Pension Fund management and stakeholders have confidence in the ongoing management of WPP to ensure its assets are appropriately safeguarded as well as meeting the investment return targets within the Fund's investment strategy. I am pleased there continues to be stronger focus (than in previous years) on the governance of WPP including a wide range of training. I am particularly delighted that, at last, WPP have agreed to the appointment of a co-opted scheme member representative to the Joint Governance Committee which I hope will provide greater confidence to LGPS scheme members throughout Wales. It is my understanding that the investment sub-funds that are being established are continuing to meet the requirements of the Clwyd Pension Fund, in that they are suitable alternatives to existing assets being held and they are aligned to the Fund's investment strategy including existing responsible investment objectives. 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.

### **Looking to the future:**

- From an investment perspective, implementing the Fund's **Responsible Investment priorities** will probably 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 associated with them, but also opportunities. I am also mindful of the potential for pressure coming from other parties including carbon pressure groups, employers, trade unions and Government 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.
- It is also worth noting that the **WPP's Operator contract** with Link Fund Solutions is for an initial period of 5 years to December 2022, albeit with the option to extend for 2 years. As such a critical supplier to all Welsh LGPS Funds, this is a matter that will on my radar for the next few years.
- Another key project for this year will be the **Interim Funding Update and Funding Strategy Statement Policy update** ahead of the valuation as at 31 March 2022. From a governance point of view, I welcome these actions which will allow for discussions with employers about their

contribution requirements as well as establishing the framework for the valuation in advance of the work being completed. I am mindful that many employers may be balancing tight budgets on the back of the pandemic and therefore timely discussions around changes to contributions rates will be welcomed by them.

## Administration and Communications



### Key Achievements

- Excellent initial progress made in the McCloud remedy programme
- Member self-service providing increased support for scheme members during the pandemic
- i-Connect employer functionality now covering almost all active scheme membership

Despite the challenges brought on by the pandemic there has been excellent progress made on the **McCloud remedy programme** undertaken by the Fund's Administration Team which is a major part of work for the Team and will continue for a number of years. By establishing a separate programme team the Administering Authority has been able to continue to make progress in this area with minimal disruption to the ongoing governance of the Fund. In my view the communications with employers has been excellent, and employer data to allow recalculations of benefits is now being received. This critical collection of data is expected to be mainly complete by the autumn of 2021. I have also been pleased to see 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**, 2020/21 was another busy year for the team with over 29,000 administration cases coming into the Pensions Administration Team, an increase of nearly 1,900 compared to 2019/20. Despite the challenges of the pandemic, they managed to complete over 29,800 cases, an increase of over 2,200 compared to 2019/20. 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 overall percentage of cases completed within the service standard relating to internal timescales for the Administration Team fell just slightly compared to the previous year, with 77% completed within the agreed service standard. However, the two other measures which are arguably of greater importance demonstrated an increase in the number of cases meeting the service standard:

- Service standard relating to legal requirements – 76.2% (increase of over 3.5% on 2019/20)
- Service standard relating to overall process time – 61% (increase of nearly 6% on 2019/20).

The **Member Self-Service (MSS) facility** appears to have been invaluable to scheme members during the pandemic with a number of tasks being carried out on-line by scheme

members. The number of users of the system has grown to 12,491 (36% of scheme members) as at 30 April 2020, which is a growth of over 1,700 members since early January 2020. 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.

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 pleased that there has again been an improvement in the use of i-Connect. Currently 51 out of 54 employers are live on the system, meaning electronic data is being submitted monthly for 98% of active members, which is 4% improvement since last year. TPR actively encourages this form of data submission so I am delighted to see this system nearly fully rolled out across all employers.

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 Council 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 be a major programme of work and the greater part of this work will be carried out within the Pensions Administration Team. 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 the communications will need to be clear and focussed on individual circumstances.
- Combined with the above will be work related **to implement survivor benefits changes** which are also expected to be retrospectively introduced. This will again largely be completed by the Administration team and so may put a strain on resources.
- 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.



## 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, particularly during these challenging times. 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.

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## **Appendix 3**

### **Pension Board Annual Report**

#### **Introduction**

This is the sixth annual report of the Clwyd Pension Fund Board covering the financial year from 1 April 2020 to 31 March 2021.

#### **Role and Membership of the Clwyd Pension Fund Board**

The Public Service Pensions Act (PSPA) 2013 requires each Administering Authority in the LGPS 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 2020/21 is as shown in the table below. Mark Owen, one of our Employer Representatives from Wrexham County Borough Council resigned from his role in June 2020 and we thank Mark for his outstanding contribution to the Board since it was established in 2015. Following a recruitment process Mark was replaced by Steve Gadd, the Head of Finance and Property at Denbighshire County Council, from July 2020 and we welcome Steve to the Board.

During 2020/21 we held three Pension Board meetings (in June 2020, November 2020 and February 2021), all of which were virtual. During the initial months of the pandemic, many Pension Board meetings at other LGPS administering authorities were cancelled but that was not the case for the Clwyd Pension Board. Attendance at the Board meetings during 2020/21 was as follows:

		June 2020	November 2020	February 2021
Mr Phil Pumford	Member Representative	x	√	√
Mrs Elaine Williams	Member Representative	√	√	√
Mr Steve Jackson	Employer Representative	√	√	X
Mr Mark Owen (to June 2020)	Employer Representative	√	N/A	N/A
Mr Steve Gadd (from July 2020)	Employer Representative	N/A	√	√
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.

As members of the Pension Board, we have all committed to meeting the requirements of the Clwyd Pension Fund's Training 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 2020/21 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.

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

Event	Mark Owen	Steve Gadd	Steve Jackson	Phil Pumford	Elaine Williams
<b>Committees</b>					
Informal Briefing May 2020	✓			✓	✓
October 2020		✓			✓
November 2020					✓
February 2021				✓	✓
March 2021					
<b>CIPFA Framework</b>					
Governance		✓			
Investments & Funding		✓			
Actuarial		✓			✓
<b>Additional &amp; Hot Topics</b>					
Annual Joint Consultative Meeting		✓	✓		✓
Low Carbon Equity			✓		✓
McCloud		✓			✓
McCloud Impact on Employers			✓	✓	
WPP Engagement & Voting					✓
WPP Operator Review & Processes		✓			✓
<b>Conferences</b>					
Local Board Seminar Summer				✓	✓
LGA Annual Conference					✓

## What has the Pension Board done during 2020/21?

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.

Other key areas of discussion for us during the year included:

- The impact of the **Covid-19 pandemic** on the Fund. At each of our meetings we heard from Pension Fund Officers how the pandemic and the response to it, had affected the day to day operations of the Fund including communications with scheme members and employers. Officers reported that there had been minimal disruption to business as usual from the move to home working due to the success of the Fund's business continuity and disaster recovery exercise (into which the Pension Board had previously input). Training of new recruits proved more challenging and staff absences were experienced, which at one point meant a small backlog in day to day business, but this was quickly addressed. We have been delighted with the resilience and exemplary efforts of the administration team throughout 2020/21 despite the challenges of the pandemic.
- The impact of the **McCloud Supreme Court judgement** on the workload of the Pensions Administration Team. We monitored this closely throughout the year with updates provided at separate McCloud Steering Group meetings since June, where we played an advisory role. We have been extremely pleased with the Fund's proactive and early engagement on this issue and the progress made to date in relation to project planning and data collection. We expect this to be a major project for the Fund throughout 2021/22 and 2022/23.
- Assessing compliance with **The Pensions Regulator's (TPR's) Public Service Code of Practice**. During the year the Board reviewed the annual assessment of the Fund against the Code. We noted the positive improvement in that there are now no non-compliant areas. The Board worked through the amber (partially compliant) items in detail with Pension Fund Officers during the November meeting. We also acknowledge the expected changes in this area with a new combined Code expected later in 2021 which will replace the existing Public Service Code of Practice.
- We engaged with Pension Fund Officers on the **Data Improvement Plan**. We were pleased to note that the common and scheme specific data scores had both improved and that there were five fewer categories on this year's data improvement plan. We discussed the need for bulk address tracing exercises and received assurance that this is being

considered as part of regular exercises. We were however disappointed by the letter received from GAD around the valuation data which we felt was not a fair reflection of the quality of the Fund's data.

- We continue to look for assurance on the management of **cybercrime risk** for the Fund's stakeholders given the continually changing environment and added vulnerabilities posed by increased home working and reliance on electronic communication. At the February meeting we received an update on the progress on the supplier questionnaires, with a report being developed on the findings. We also received an update on the data and asset mapping and discussed how this helps identify areas of focus and the risk to the Fund from external threats. We also agreed to add cybercrime as a routine standard agenda item.
- We received regular updates on 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. It was noted at the November meeting that WPP seemed to be in a better place than in November 2019. We welcomed the ongoing meeting between the Welsh Pension Board Chairs, fund officers, the Pool operators and the Host Authority (albeit one of these was cancelled as result of the pandemic) and we also welcomed the agreement to introduce a scheme member representative to the membership of the Joint Governance Committee of WPP.
- The Board continued to monitor **topical developments** and have taken a close interest in a number of areas during the year including the progress on Phase 3 of the Scheme Advisory Board's Good Governance Project, the introduction and subsequent revocation of the exit cap, GMP equalisation and pension scams.

The Pension Board's budget and final spend for 2020/21 are summarised below:

<b>Item</b>	<b>Budget 2020/21</b>	<b>Actual 2020/21</b>	<b>Variance</b>
	£	£	£
Allowances and Expenses	2,850	1,287	(1,563)
Training	18,584	35,203	16,619
Advisor Fees	62,145	65,470	3,325
Other Costs	4,280	4,080	(200)
<b>Total</b>	<b>87,859</b>	<b>106,040</b>	<b>18,181</b>

## What will the Pension Board do in the future (in particular in 2021/22)?

We have a number of items on our forward plan for 2021/22, although the exact agendas 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:

- The implementation of the resources and plans to implement the remedy required from the McCloud Supreme Court Judgement on the Fund – this will be our main focus and the Pension Board is part of the Programme Steering Group for the Fund providing ongoing guidance and assistance for what will be a major programme of work. This has a number of risks inherent with it, not least the potential resourcing impact on the day to day Pension Fund services for scheme members and employers.
- Consideration of how the Fund is managing the risk of pension scams when scheme members are transferring their accrued benefits to other pension arrangements.
- Review of audit reports.
- Considering the results of a survey with Committee members to assess the effectiveness of the Fund's governance arrangements.
- Ongoing further consideration of several of the areas noted above, including:
  - Business Continuity assessment and documentation through the Fund's Business Continuity Plan.
  - Cybercrime and the resilience of the Fund's systems (noting cyber has now been added as a standing item for future agendas).
  - Reviewing the Fund's compliance against TPR's new Code (albeit this may go into 2022/23 depending on when the final Code is issued).
  - Continuous monitoring of both the administration team and finance and governance team resources, and monitoring how current resources are continuing to improve performance against service standards and Key Performance Indicators.

A budget for 2021/22 has been agreed as follows:

<b>Item</b>	<b>£</b>
Allowances and Expenses	2,034
Training	19,634
Advisor Fees	64,915
Other Costs	4,700
<b>Total</b>	<b>91,283</b>

## Conclusion and final comments

In our view 2020/21 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](mailto:PensionBoard@flintshire.gov.uk)**



## Appendix 4

### Administration Report

#### Introduction

This 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 (KPI) 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. This Strategy was last reviewed and updated in March 2021, and now encompasses all information that was previously found in the employers' Service Level Agreements. This negates the need for separate agreements moving forward. All employers and the Clwyd Pension Fund Administration Team work towards adhering to the Pensions Administration Strategy instead.

Our Communication Strategy was last updated in 2019. The policy outlines the type of communications the Fund would like to provide to scheme members, scheme employers and prospective scheme employers, the Clwyd Pension Fund Committee (the Committee), the Clwyd Pension Fund Board (the Board) and Advisory Panel (the Panel), 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 include using more technology to provide quicker and more effective communication. This strategy will be reviewed and updated in 2021/22 to take into account the different communication methods that we have had to adopt due to COVID-19.

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>

## How our service is delivered

The Fund's day to day administration service is provided by the Pension Administration Team which consists of a total of 42.1 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 49,500 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. The impact of Covid-19 from a stakeholder experience has been minimal. The main changes have been in relation to incoming/outgoing post. Processes have been adapted to ensure continuity in this area. Staff members have continued to work from home during the pandemic 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 2020/2021 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 2020/21 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). This includes the successful on-boarding of a number of our employers onto i-Connect. The on-boarding process has been a collective effort with employers ensuring correct data is received on a monthly basis which has positively impacted the TPR scores. The Fund Actuary has also reduced the allowance in the liabilities, for unresolved data issues, by £4m following the work completed during the 2020 data cleansing exercise. The data improvement plan for 2021/22 has been presented to the Pension Board and progress against plan will be monitored through the year.

	Common Data %*	Scheme Specific Data %*
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 in addition to any other action determined by the regulator.

### KPI 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 seven categories of workflow, separately considering timescales in relation to legal requirements, the overall member experience and the Fund's internal target. However, increasing external scrutiny on all Funds to report additional information has prompted the Fund to undertake a review of its current measures. Utilising Chartered Institute of Public Finance and Accountancy (CIPFA)

guidance, the Fund integrated a further six categories of workflow to monitor against as part of the monthly KPI monitoring and reporting against these will commence in 2021/22.

The review also highlighted the impact that timely provision of data from employers can have on the Fund's capability to meet timescales. New functionality was developed last year to identify when employers have or have not met their Service Level Agreement (SLA) timescales and this is being rolled out to all employers in 2021/22. This measure will help the Fund and employers understand what is being achieved and also where improvements are required.

## **i-Connect**

In 2020/21 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. Further employers were subscribed onto i-Connect in 2020/21 and currently, we have 50 out of 52 employers submitting data relating to active members using i-Connect which is 98% of membership. The Fund is aiming to achieve 100% by the end of 2021. 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.

## **Guaranteed Minimum Pension (GMP) Reconciliation**

A key area of work for the Fund during 2020/21 was finalising the GMP reconciliation project. This relates to the fact that the Government removed the status of contracted-out (of the State Second Pension) from pension schemes in April 2016. Prior to this, contracted-out pension schemes had to ensure the benefits they paid met a minimum level and one element of this was a GMP figure that accrued individually for each scheme member up to April 1997. Historically pension schemes received confirmation of the GMP amount on retirement from HMRC. However, as a result of the demise of contracted-out status, HMRC will no longer be maintaining GMP and other contracting out member records. This means that the onus is on individual pension schemes to ensure that the contracting out and GMP data they hold on their systems reconciles with the data held by HMRC. HMRC has not provided this service since April 2019.

Initial work identified that there were significant discrepancies between the sets of data held by HMRC and the Fund. This was not unexpected and was the case with many pension schemes carrying out the GMP reconciliation exercise. A significant amount of work was undertaken to

determine the correct GMP and contracting out data, ensure all systems were updated, and calculate and process any benefits in payment that have been impacted.

## 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](http://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. All the Fund's policies and strategies as well as information on the investments of the Fund are also available.

Due to the introduction of 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. To ensure our compliance with these regulations, the Fund has now started a working relationship with a company who provide reporting software which allows each page on the Fund's website to be automatically trawled 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 the initial scores compared to the latest available at year end. This highlights the improvements up to that point.

	28/12/2020	31/03/2021
Digital Certainty Index	71.5%	92.1%
Quality Assurance	69.6%	98.0%
Accessibility	64.2%	97.3%
Search Engine Optimisation	80.8%	81.0%

In addition to this, the Fund has recruited a Lead Website and Technical Development Officer. This staff member has the necessary I.T skills and expertise to ensure that our website follows the Web Content Accessibility Guidelines (WCAG 2.1). The work to ensure that our website is compliant is ongoing. However, with the addition of the new staff member and the Site-improve reporting tool, we are in a good position to make sure our website is of the best standard possible.

## **Member 1-2-1 Sessions**

Due to COVID-19, 2020/21's member 1-2-1 sessions were held virtually. These were a mixture of video calls and telephone calls. The sessions ran from October 2020 through to January 2021. The Communications Team met with 165 members across 11 employers, covering a mixture of active and deferred member records. The Fund has received positive feedback from members in relation to the alternative virtual sessions. The Communications Team will be continuing to offer this service to our members moving forward. The 1-2-1 sessions will continue to be an annual event.

## **Employer Compliance Statement**

The Employer Compliance Statement (ECS) is an additional checklist for employers to complete when supplying data to the Fund. The statements continue to be used since their introduction in 2019. This is to ensure employers have clarification on their responsibility for supplying correct and verified member data.

## **Employer Liaison Team Services**

In 2020/21 the Employer Liaison Team made significant progress with the on-boarding of two employers onto the i-Connect software provided by Clwyd Pension Fund. It has worked closely with the employers to successfully perform the data cleansing exercise in preparation for the on-boarding and further assisted in the development of the extract to include the elements of information required in each file upload. This was a significant piece of work and involved the expertise of the Clwyd Pension Fund Technical Team and the Employer's payroll software providers. This has achieved monthly data collection through i-Connect for more than 10,000 scheme members. The ELT now uploads the monthly i-Connect files for all ELT employers.

The ELT has assisted its employers in several other areas during 2020/21. This includes ongoing correction projects and additional support during a period of staff changes with the supply of additional pension information in order to help the employers manage change in their organisation.

The current ELT employers have each enlisted the assistance of the team in order to achieve the obligations required by the McCloud remedy. The team will assist in various areas for each employer in order to achieve the required outcome within the given timescales.

The ELT continues to engage with Fund Employers who may require its assistance in order to meet their employer obligations for both day to day notifications and any project work required as a result of regulatory changes or correction work.

## **McCloud Remedy Case**

When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older Scheme members were introduced. Similar protections were provided in other public sector pension schemes. The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment'.

The Ministry of Housing, Communities and Local Government (MHCLG) issued a consultation setting out its proposals for implementing the McCloud judgement in the LGPS in July 2020. This focused on remedies which will result in changes to scheme benefits some of which will be retrospective.

Due to the significance of this work, at the beginning of 2020/21 the Fund established a formal programme to ensure it is delivered successfully. A dedicated McCloud team has been created as it is the intention that as much of the work as possible relating to this programme will be carried out internally within the Fund's Administration Team. It was also agreed that Mercer will provide ongoing actuarial and benefit advice and programme management will be provided by Aon.

The programme focused on data collection from employers during 2020/21 and continues to do so. It is necessary to gather certain elements of data such as part-time hours back to 2014. This is a substantial amount of work for the employers to produce the data. From a Fund perspective this is also significant to ensure the data is validated and then uploaded into the administration

system. There are regular meetings to ensure the programme remains within timescales and a separate risk register has been developed and is reviewed regularly.

## **Other Expected National Changes**

### **National Pensions Dashboard**

The Pensions Administration Manager is participating in a Pensions and Lifetime Savings Association (PLSA) working group on the development of a new Dashboard. The Dashboard is being designed 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. Detailed requirements of what must be provided, when and how, will be set out in regulations. As a part of the working group the Pension Administration Manager can ensure the Fund is up to date with developments and plan testing throughout 2021/22 as schemes are expected to have their data dashboard ready from 2023.

### **Cost Management Process**

Public Sector Pension Schemes (including LGPS) have been designed to ensure sustainability for 25 years. LGPS has a 2% buffer either side of 19.5% for employer future service pension rates (calculated at a national level). On 6 September 2018 it was announced that the buffer had been breached which means that LGPS is currently under review in order to bring it back to within tolerance. Possible scheme change recommendations to address this issue include a reduction in employee contribution rates. In turn, employer contribution rates could increase. Any scheme changes were originally to be effective from 1 April 2019. The cost management process was paused following the McCloud judgement, but has since been "unpaused" by HMT during 2020 (and in due course the separate LGPS cost cap process will also be unpaused).

### **Indexation and Equalisation of GMPs**

A recent court case determined that it is necessary to revisit pension benefits for scheme members who have accrued GMPs to ensure the equal treatment between men and women. This was (in the main) pre-empted by the LGPS and a consultation on indexation and equalisation of GMPs has determined that the current position that has been used to deal with indexation up to 5 December 2018 has been extended to cover those members with a GMP who reach state pension age between 6 December 2018 and 5 April 2021. For all those members full indexation will be applied to their full pension value regardless of whether there is a GMP element to it. Alternative options of conversion, case by case, and continuation of full indexation have been



considered and further guidance will be provided to LGPS Funds following the latest consultation in December 2020, which could include extending the temporary solution of full indexation beyond April 2021.

## 2020/21 key performance and other information

### Member and Employer Feedback 2020/2021

Every year the Fund carries out a satisfaction survey with members and employers to supply feedback on whether it is achieving its aims and objectives as set out within the Fund's Administration and Communication Strategies. The results for surveys completed in 2021 are shown in the tables below:

#### Member survey results:

2021: 425 posted / 10 responses (2.4%) 2021: 15,606 emails sent / 691 responses (4.4%) Do you agree that the Clwyd Pension Fund...		KPI > Agree	Strongly Agree / Agree	Neither Agree Nor Disagree	Strongly Disagree / Disagree
Administration	...offers documentation, guidance and information in a professional manner?	90%	84%	13%	3%
	...is proactive in their approach to provide a service to members?		73%	22%	5%
	... gives an appropriately timed service with regular updates?		73%	20%	7%
	...is customer focused and meets the needs of its members		70%	23%	7%
	...has provided a high quality service throughout your membership?		77%	15%	8%
Communications	...promotes the scheme as a valuable benefit and provide sufficient information so you can make informed decisions about your benefits?		68%	25%	7%
	...communicate in a clear and concise manner?		76%	16%	8%
	...use the most appropriate means of communication?		77%	15%	8%

Some Member Survey comments:

*I took early retirement at the start of the pandemic and the service provided was spot on. I am looking forward to the next catch up newsletter, issued hopefully in the spring.*

*Never had an issue with my pension or its contribution since 1966. Kind regards to all*

*Self-service has been a huge improvement and gives peace of mind.*

*I have always found that if I have a question to ask, you have always been helpful and do what you say you will do.*

### Employer Survey Results

2021: 123 surveys emailed (1 reminder sent) 16 responses received (13.0%)		KPI	Strongly Agree/ Agree	Neither Agree Nor Disagree	Strongly Disagree/ Disagree
Do you agree that the Clwyd Pension Fund...		> Agree			
(Non-ELT) Employer Survey	...offers documentation, guidance and information in a professional manner?	90%	100%	0%	0%
	...is proactive in their approach to provide a service to employers?		100%	0%	0%
	...gives an appropriately timed service with regular updates?		100%	0%	0%
	...is customer focused and meets the needs of its employers?		100%	0%	0%
	...has provided a high quality service to you in your role as employer?		100%	0%	0%
	... ensures you are aware of your LGPS employer related roles and responsibilities for the administration of the Clwyd Pension Fund?		100%	0%	0%
	... communicates in a clear and concise manner?		94%	6%	0%
	... uses the most appropriate means of communication?		100%	0%	0%

## Member Self-Service (MSS)

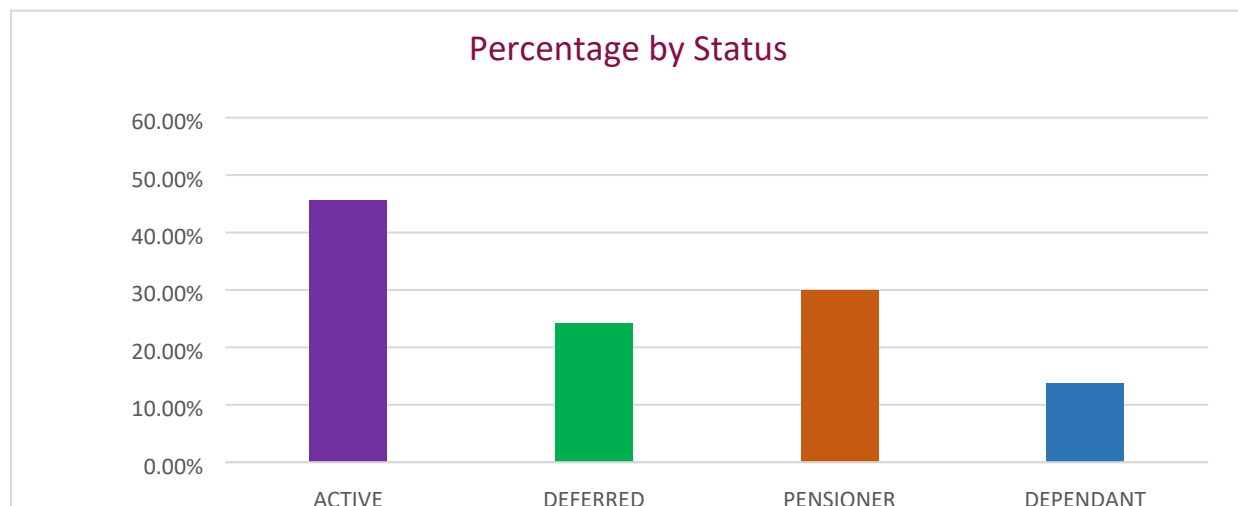
MSS allows scheme members to log into a secure web area to view the information which is held on their pension account.

MSS enables our members to:

- update their personal details
- run estimates for retirement using their chosen retirement dates
- amend their death grant beneficiaries,
- view all member specific documents, 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 31<sup>st</sup> March 2021, 36.13% of Clwyd Pension Fund's membership had registered for MSS. This can be broken down into the different membership status types as seen in the graph below:



To compare, as at 31<sup>st</sup> March 2020, 33.18% of Clwyd Pension Fund's membership had registered for MSS. This means that the registration uptake has increased by 2.95% during this period.

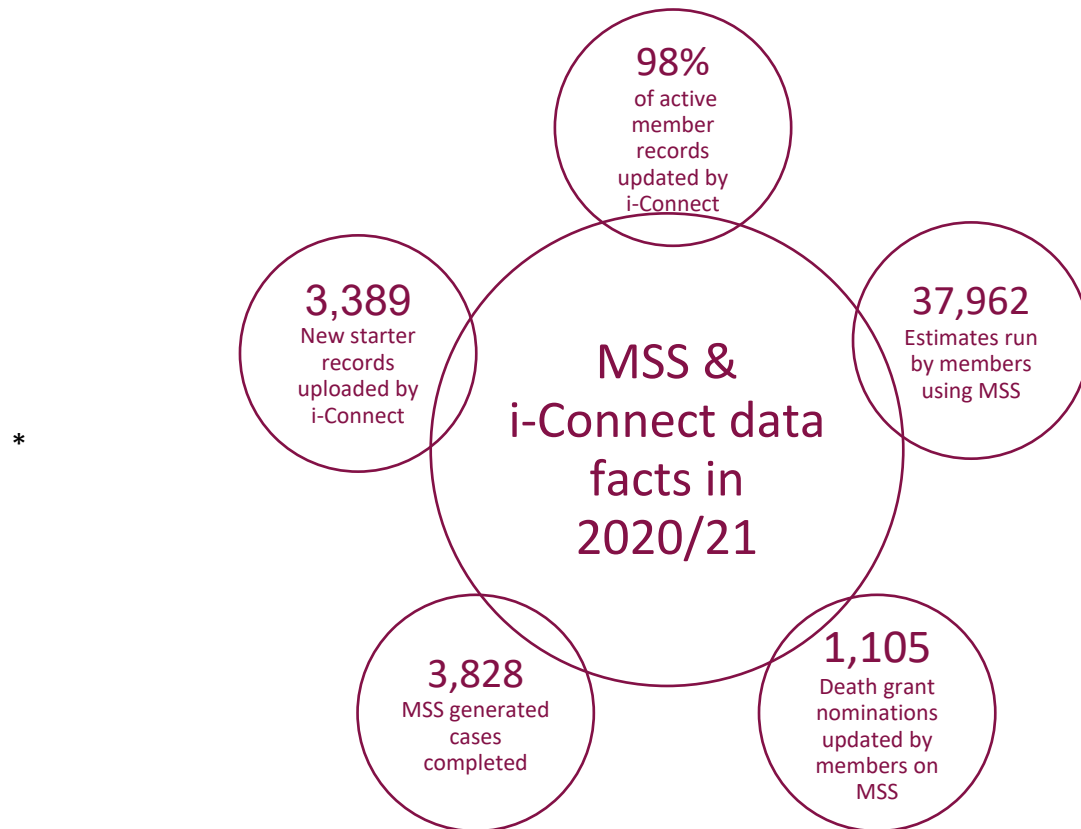
MSS has been an effective method of communication during COVID-19 when our Pensions Administration Team were remote working. It allowed the upload of such documents as retirement packs and estimates to members' MSS accounts. It also has meant that members

have been able to access their information more quickly rather than waiting to receive documents in the post. Members have also been able to upload completed forms to their MSS accounts for the Fund to then progress payment of their benefits.

An upgrade to the MSS system in September 2020 now means that deferred members can request an estimate from the Fund by clicking a 'Begin Payment Request' button. This facility negates the need for the member to write or email requesting the estimate. It makes the process more efficient and user friendly.

Since the recruitment of our new Lead Website and Technical Development Officer in February 2021, he will be working alongside the Communications Team to amend and upload our website content and continue to make MSS more streamlined.

### MSS and I-Connect Statistics



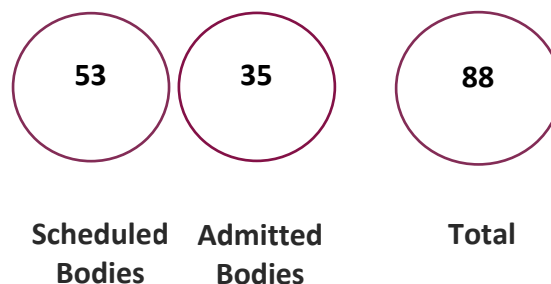
## Scheme Membership details

Details of the number and type of employers and of new pensioners during 2020/2021 and member trends may be seen below.

Full time equivalent staff in the Pension Administration Team 33.1	Total Fund members 49,854	Ratio of staff to members of Fund 1:1506	Average cases completed per member of staff 902
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## Summary of Employers as at 31<sup>st</sup> March 2021

Employers	Active	Ceased	Total
Scheduled bodies	33	20	53
Admitted bodies	19	16	35
<b>Total</b>	52*	36	88



\*excluding Councillors

## 2020/2021 New Pensioners

Retirement Type	Number of Cases
Ill Health	25
Early	418
Normal Retirement Age (NRA)	24
Late	120
Redundancy/Efficiency	27
Flexible	21
Trivial Commutation	62
<b>Total</b>	<b>697</b>

## Member Trends:

Year	Contributors	Deferred Members (Including Undecided & Frozen refunds)	Pensioners	Dependent Pensioners	No. of Redundancy & Efficiency Enhanced Benefits	No. of Ill Health Enhanced Benefits (tier 1 only)
2017/18	16,543	17,822	10,596	1,700	63 Members	34 Members
2018/19	16,528	18,578	11,249	1,732	64 Members	15 Members
2019/20	17,211	17,745	12,751	1,988	54 Members	18 Members
2020/21	17,542	17,275	12,996	2,041	43 Members	21 Members

## 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 Chief Executive.

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

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

## **Key Performance Indicators (KPI)**

Reviewing the task management system and work processes is a continuous exercise undertaken to achieve and report accurate KPI data. The seven processes below are currently reported on, however, the Fund has developed further measurements of service provision in order to increase the transparency of performance. The new measurements will be reported on from 2021/22. The KPI requirements can be found in the Fund's Administration Strategy.

Process	Legal Requirement	No. of cases completed	% of cases completed within target	CPF Administration element target	No. of cases completed	% of cases completed within target
		2020/21			2020/21	
To send a Notification of Joining the LGPS to a scheme member	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled	3940	61%	30 working days from receipt of all information	3940	77%
To inform members who leave the scheme of their leaver rights and options	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member)	1634	97%	15 working days from receipt of all information	1634	69%
Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request	224	75%	20 working days from receipt of all information	224	53%



Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate)	332	99%	20 working days from receipt of all information	332	78%
Notification of amount of retirement benefits	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 <sup>4</sup>	1202	78%	10 working days from receipt of all information	1202	94%
Providing quotations on request for retirements	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	827	99%	15 working days from receipt of all information	827	82%
Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative)	195	73%	10 working days from receipt of all information	195	74%

## 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 KPI's 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 2020/2021

Case Type	Cases
New Starters	3,389
Address changes. Inc. MSS	1,857
Defers	1,793
Refunds	552
Retirements (all types)	1,149
Estimates (all types)	827
Deaths (deferred, active and pensioners)	473
Transfers In	226
Transfers Out	307
Divorce Quote	100
Divorce Share	5
Aggregation	2,789

**2019/20**  
**Total cases completed**  
**27,589**

**2020/21**  
**Total cases completed**  
**29,854**

## Case Movement

	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
<b>Start Total</b>	6358	6155	6231	6009	6264	6343	5747	5673	5892	5583	5307	5037
<b>Completed</b>	2514	2688	2883	2575	2057	2670	2840	2144	2001	2677	2324	2481
<b>Added</b>	2373	2808	2726	2854	2189	2112	2777	2363	1720	2417	2063	2610
<b>Remaining</b>	6217	6275	6074	6288	6396	5785	5684	5892	5611	5323	5046	5166

## 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 97.4% and 97.2% 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 2.95% from March 2020 to March 2021.
- 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. In 2018 we moved to digital annual benefit statements. Since then, all newsletters, retirement packs and pay-slips are issued digitally too (unless the member has opted to receive a paper copy).
- 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 cost per member (CIPFA measure) to be £35.77 and this represents a position within the middle quartiles of the Funds included in the comparison.

Furthermore, in 2020/21 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 appeals process requires the Fund's 'nominated person' to investigate the complaint. For Stage One, this nominated person is Mr Yunus Gajra, who works 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 Mr Robert Robins (FCC).

If still dissatisfied, members may take their dispute to the new Moneyhelper service and then onto the Pension Ombudsman. The table below summarises the IDRP requests the Fund received in 2020/2021 and their outcomes:

2020/2021	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	5	0	2	3
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	1	0	1	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
Stage One decision maker:	Mr Yunus Gajra West Yorkshire Pension Fund, P O Box 67, Bradford, BD1 1UP
Stage Two decision maker:	Mr Robert Robins, Flintshire County Council, Democratic Services, County Hall, Mold, CH7 6NA

## 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](mailto:Karen.williams@flintshire.gov.uk)

Tel: 01352 702963

## Appendix 5

### Funding and Flightpath Review

#### 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 2020/21. This was a particularly challenging period given the ongoing pandemic and the Fund has been very 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 funding position has continued to improve, reaching full funding at the end of March 2021. The Risk Management Framework has been integral to achieving the improved 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. 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. This will be considered over the coming months as we move closer to the 2022 actuarial valuation.

#### Risk Management Framework

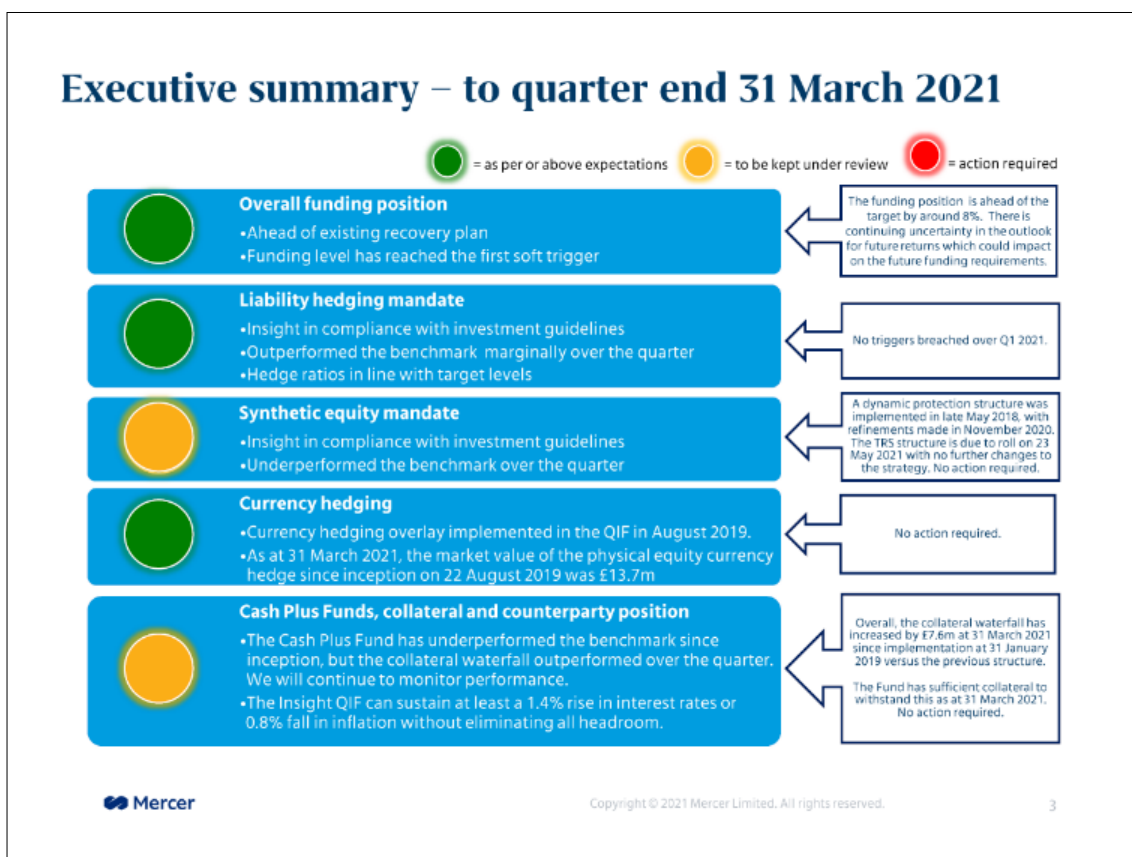
##### Flightpath Strategy

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 7 years now and there have been big strides forward in achieving the objective of reaching full funding by 2026.

In light of the Retail Prices Index (RPI) reform consultation announcement, the Fund decided during early 2020 to reduce its inflation exposure by 50% on a temporary basis to partly mitigate the risk of a structural lower repricing of inflation. Following the outcome of the RPI reform consultation, in September 2020, the inflation hedge was rebalanced back to its original exposure level. Over the remainder of the 2020/21 accounting year, the level of risk hedging (the “hedge ratio”) within the framework did not change again as market yields and the funding level remained below the relevant trigger points. This is a reflection of the low interest rate environment meaning the cost of increasing the hedge ratio is too expensive at the current time.

The funding plan was well ahead of the target set as part of the 2019 valuation as at 31 March 2021 despite seeing material falls in the early stages of the pandemic due to the impact on investment markets. Overall the funding position was estimated to be 100% as at 31 March 2021, which was 8% ahead of target meaning the flightpath objective has been met 5 years ahead of time.

In addition, I am happy to report that the funding level has continued to improve since 31 March 2021 meaning the Fund continues to do well due to the ongoing economic recovery. There appears to be an increased risk of inflation rising, which represents a significant risk to the Fund, as this would increase the value of the liabilities via an increase in the level of benefits paid to members. Whilst the flightpath provides some protection against this risk, it will be considered whether this protection should be increased along with the cost of doing so.



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 2021 is shown above. It can be seen that all aspects were in line with expectations apart from:

- The synthetic equity mandate, where there has been some underperformance relative to an unhedged equity position. This is driven by the sharp rally in equity markets post March 2020, causing 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.
- The “cash plus” funds which provide the collateral to operate the framework experienced some underperformance over the first half of 2020 as a result of increased credit spreads driven by the economic impact of the Covid-19 pandemic. Since then, these funds have performed well as part of the recovery and have added value relative to the previous collateral framework that didn’t make use of these types of funds.

## Changes in the Equity Downside Protection Strategy

In order to protect the Fund’s current strong position, the Fund protects against material ongoing falls in the equity markets via the use of an equity downside protections strategy. Whilst it does not protect against all falls and all equity assets, as this would be too expensive, the aim is to provide further certainty in employer contributions (all other things equal) in the event of a significant equity market fall. It is set up so that the downside protection is financed by limiting the extent to which the Fund benefits from an equity market increase in value on the proportion of equities that it hedges.

In November 2020, the strategy was refined by increasing the level of upside market participation achievable from 5% each month to 5% every two weeks i.e. doubling the level of upside participation in a month. This refined strategy is expected to have broadly the same costs as the previous strategy but with more upside potential and therefore should improve the efficiency of the strategy as well as the longer term return potential.

The existing contract that operated the synthetic equity and equity protection strategy expired on 23 May 2021, resulting in a gain to the fund of c. £130m. The Funding and Risk Management Group (FRMG) concluded that the contract should be extended for three years and that the level



of equity market exposure should be retained. As part of extending the contract, significant cost reductions were negotiated amounting to £1m per annum benefit for the Fund.

Following the strong performance of the framework and analysis of the collateral adequacy position, the FRMG agreed to release £100m of collateral from the framework in conjunction with extending the equity protection strategy. This will be invested into the wider portfolio in due course.

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

## What will we need to consider during 2021/22?

As well as the challenge of dealing with the ongoing implications of the COVID-19 pandemic there are a number of other areas that the Fund will need to navigate and react to.

- **Maintaining full funding** – In light of the funding level moving over 100%, the challenge is how do we maintain or even improve this position. This cannot be guaranteed and will be a delicate balance between a number of often competing factors. Actions will be considered as part of the regular FRMG meetings.
- **McCloud remedy** – We are still waiting for a formal response from the Government on the final remedy, but this is expected during late 2021. Whilst allowance has been made in the employer contributions this will provide operational challenges in implementing the remedy.
- **Cost management outcome and review** – The 2016 cost management review process is now in full swing following the pause caused by the McCloud judgment. It is not clear at this point whether this will result in the changes to benefits or member contributions proposed back in 2018 for the LGPS will be changed or removed but I would expect that to be the case. In addition, the Government Actuary's Department have started a consultation on the suitability of the cost control mechanism going forward and I will be inputting into this process on behalf of the Fund.
- **GMP Equalisation and Indexation** – HM Treasury previously published a consultation on how the pensions of public service scheme members who have accrued Guaranteed Minimum Pension (GMP) should be indexed in payment once a member retires. It has now been confirmed that the current full indexation provisions will be extended to cover

those members of public service pension schemes reaching State Pension age from 6 April 2021. Based on the 2019 valuation data, I have calculated that this is likely to incur additional costs to the Fund of £7m over all employers. This will be taken into account as part of the 2022 valuation.

- **Exit cap** – The Exit Payment Regulations came into force on 4 November 2020 which meant that any severance payments from employers to members leaving public service (including in relation to LGPS early retirement costs) should be limited to £95,000. This had potentially significant implications for the Fund and public sector employers affected. In February 2021, the Government revoked these Regulations as after representation from several different representative groups they accepted that the cap had unintended consequences. We expect that this will come back on the agenda later in the year and we await details of how it will operate and be implemented.
- **Implementation of new Funding Strategy Statement policies** – A number of Regulation changes took place over 2020 (the ability to review contributions between valuations and the introduction of new arrangements for employers exiting the Fund). The Fund has updated its Funding Strategy Statement to reflect these changes and will now work with employers to action the new flexibilities introduced. It is unlikely to impact on many employers in the Fund given most of the employers are public authorities or tax raising bodies. However, in some circumstances we will need to use these new policies to manage employer risks and liabilities more effectively.

I remain extremely confident that we are well placed to navigate these areas and changing circumstances over the next year and beyond.



**Paul Middleman FIA**

**Fund Actuary and FRMG member**

## Appendix 6

### Investment Policy and Performance Report

I am pleased to provide an update from an investment perspective on the activities of the Clwyd Pension Fund (the Fund) during 2020/21. 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;

Strike the appropriate balance between long-term consistent investment performance and the funding objectives;

Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability;

Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these;

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 period started with lockdowns across most large developed countries which led to an unprecedented collapse in quarterly GDP growth in Q2 2020. China, on the other hand saw a strong rebound in GDP growth as it began to reopen its economy following its lockdown earlier in the year. This mitigated the overall negative impact on global GDP growth to some extent. Late in the quarter, the sharp rebound previously seen in China became more global as western countries slowly started to reopen their economies. With economies largely open again, global GDP rebounded at record pace over Q3 2020.

Q4 2020 saw COVID-19 infections rising again sharply across western countries, leading to a gradual return of restrictions. The impact on quarterly GDP growth was less pronounced this time because GDP was at a lower level already than before the COVID-19 shock, whilst at the same time consumers and businesses were better prepared to function somewhat amid these restrictions. At the same time, the start of vaccines being rolled out late in the quarter led to optimism that fuller and more sustainable reopenings could be achieved in 2021.

The first quarter of 2021 began with lockdowns in numerous countries including the UK as much of the world faced another wave of Covid-19. Nevertheless, gradual vaccine rollout in developed countries drove economic recovery optimism. Political risk declined as Joe Biden was sworn in as US President, despite the incident on Capitol Hill on 6 January, and the UK completed its transition out of the EU without major incidents. Economic data continued to point towards a global recovery but with wide regional dispersions.

On a year-on-year basis to 31 March 2021, risk assets had exceptionally high returns as shown in the performance section. This has a lot to do with the base effect as we are currently comparing valuations just after four consecutive quarters of a bull run to valuations in the immediate aftermath of the worst market downturn since the Global Financial Crisis. The strong bull market in risk assets over the last year in anticipation of a strong vaccine-led rebound had a large impact as well.

During Q2 2020, equity markets reversed much but not all of the losses suffered during the Covid-19 shock in March 2020, in spite of record downgrades of earnings forecast for 2020. Over the third quarter of 2020 the equity rebound continued for most markets, led primarily by large cap companies achieving secular growth, as western economies tentatively reopened whilst accommodative fiscal and monetary policy remained in place. Over the fourth quarter, the vaccine announcements revealing better than expected efficacy and faster than expected deployment, alongside a reduction in political uncertainty boosted market sentiment. Markets positioned for a full economic reopening in 2021 with small caps and value stocks leading markets higher. The first quarter of 2021 was marked by higher volatility. Streams of retail investor activity in January led to short squeezes, followed by a sharp rise in bond yields in the back end of the quarter placing pressure on equity markets. In spite of this, equities ended the quarter with

strong returns supported by ongoing stimulus as investors looked towards the anticipated economic recovery and rebound in corporate earnings.

The COVID-19 crisis led to swift and unprecedented fiscal and monetary policy responses to support economies and markets across the globe, starting at the end of Q1 2020. This led to a government bond rally over the year as nominal yields fell to the lowest level in history for many countries, including the UK. The UK 10-year gilt yield, reached an all-time low just above 0% in August before partially retracing to just above 0.2% by the end of 2020. In Q1 2021, UK gilt yields rose sharply in line with global yields as investors priced in the strong recovery and increasing inflation risk. The UK 10-year gilt yield ended the quarter at 0.85%, having recovered all of the lost ground in 2020.

A consultation on the future of Retail Prices Index (RPI), launched in March 2020, led to the decision to converge RPI to Consumer Prices Index (CPIH) from 2030 without any spread adjustment being applied to compensate index-linked gilt holders (and other recipients of RPI-linked payments). In spite of the consultation outcome being deemed unfavourable for holders of index-linked gilts, the decision had been widely anticipated and the reduction in long-dated breakeven inflation rates implied in index-linked gilts was modest over the year. Moreover, inflation expectations rose sharply in 2021 which benefited index-linked gilts only to some degree due to the high duration component of the asset class.

After a sharp increase in credit spreads during the worst of the COVID-19 market shock in March 2020, credit spreads tightened subsequently as market optimism returned, bolstered by government support. Credit spreads ended the year at slightly lower levels than in late 2019 and remained broadly unchanged over Q1 2021. This led to strong returns for UK credit, as demand for spread assets remained strong over the year and outperformance of credit relative to government bonds on a duration-adjusted basis.

The recovery of UK real estate markets from the shock of Covid-19 slowed during Q4 2020 with the emergence of a 'second wave' of the pandemic, a second lockdown, and a potential Brexit cliff-edge at year-end. Despite this, real estate performance was broadly resilient. With the UK remaining in lockdown, sentiment has been subdued in early 2021, but as the vaccination programme gathers pace optimism about the path to recovery is returning.

At a global level, developed markets as measured by the FTSE World index, returned 39.9%. Meanwhile, a return of 40.8% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 34.9% 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 26.7%. The FTSE USA index returned 42.7% while the FTSE Japan index returned 26.3%. The considerable underperformance of UK equities relative to global markets is attributed to the index's large

exposure to oil, gas and basic materials which only started to benefit from a full recovery being priced in at the end of 2020.

The huge year-on-year returns can to a large degree be attributed to the base effect as the measurement period begins when equity markets had just touched bottom following the 2020 Covid-19 crash.

Equity market total return figures are in Sterling terms over the 12-month period to 31 March 2021.

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -5.5%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -10.4% over the year as the longer end of the nominal yield curve rose by more than the shorter end. The yield for the FTSE Gilts All Stocks index rose over the year from 0.7% to 1.2% while the Over 15 Year index yield rose from 0.8% to 1.3%.

The FTSE All Stocks Index-Linked Gilts index returned 2.3% with the corresponding over 15-year index exhibiting a return of 3.6%. Rising inflation expectations offset rising nominal yields to an extent, leading index-linked gilts to outperform their nominal counterparts over the year.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 7.0%. Bond market total return figures are in Sterling terms over the 12-month period to 31 March 2021. Over 12-month period to 31 March 2021, the MSCI UK All Property Index returned 0.7% in Sterling terms.

The price of Brent Crude Oil rose 181.1% from \$22.60 to \$63.52 per barrel over the one-year period. Over the same period, the price of Gold increased 5.7% from \$1612.10 per troy ounce to \$1704.74.

The S&P GSCI Commodity Spot Index returned 64.4% over the one-year period to 31 March 2021 in Sterling terms.

Over the 12-month period to 31 March 2021, Sterling appreciated by 11.3% against the US Dollar from \$1.24 to \$1.32. Sterling appreciated by 13.9% against the Yen from ¥133.86 to ¥152.46. Sterling appreciated against the Euro by 3.9% from €1.13 to €1.17 over the same period.

## **Clwyd Pension Fund Investment Performance 2020/21**

Due to the strong recovery in markets following the market falls as a result of COVID-19, the Fund posted strong investment returns for the year. Overall the Fund's assets returned 23.3% 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 23.3% compared with a composite benchmark (of the underlying manager benchmarks) of 19.3%. Whilst the returns for the year were well ahead of the required rate, given

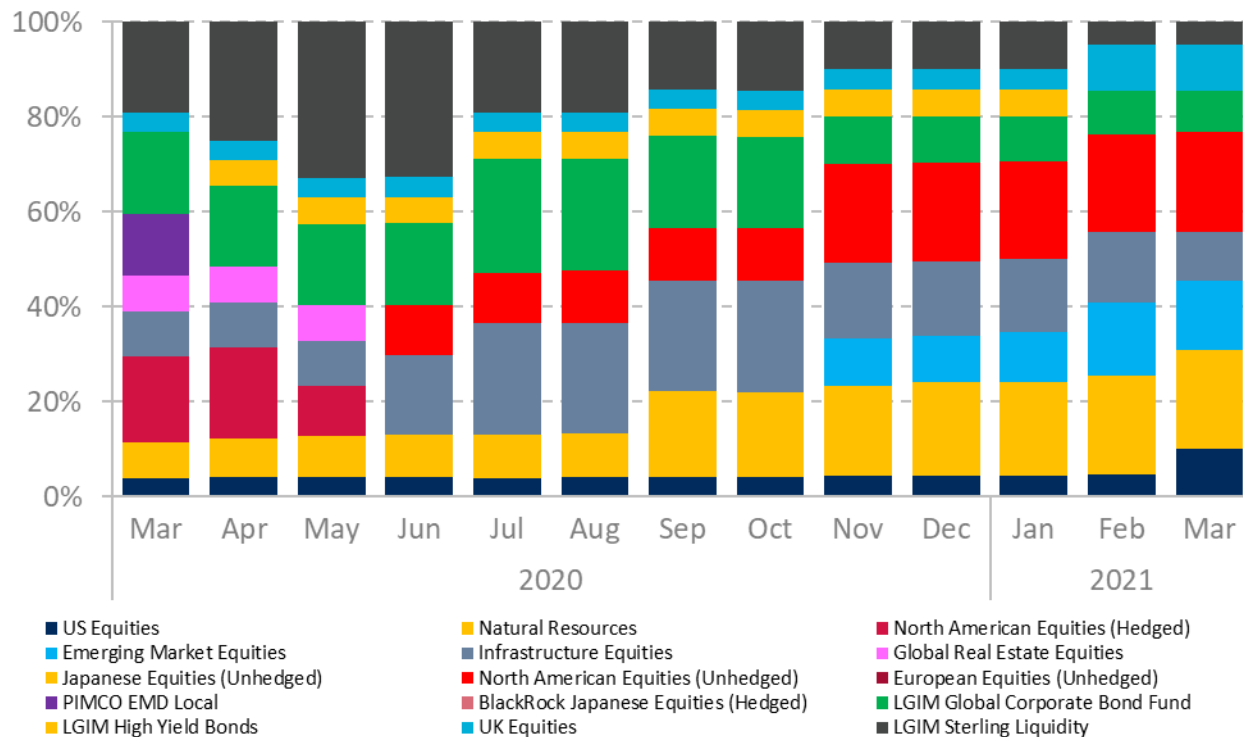
the impact COVID – 19 had on the preceding year’s returns, it remains appropriate to see this in context of the longer-term performance. Over three years to the 31 March 2021 the Fund achieved a return of +7.1% per annum, compared with a benchmark of +7.7% per annum. This performance is also well ahead of the future service target of CPI +2.25%.

The Equity portfolio that includes Global and Emerging Market Equity exposures returned 42.2% due to the strong market rebound following the falls in March 2020. The Wellington Emerging Markets Core portfolio outperformed its benchmark by 10.8% whilst the Wellington Emerging Markets Local portfolio underperformed its target by 2.8% over the 12 months. The Fund’s Global Equity allocation with Russell WPP outperformed its benchmark by 0.6%. The Russell WPP Global Opportunities Fund returned +42.2%.

The Multi-Asset Credit (MAC) portfolio produced a positive return of 17.3% outperforming its target. This portfolio was transitioned to the WPP MAC portfolio over the summer of 2020.

During the year in review the Fund’s allocation within the Tactical Allocation portfolio was altered. Investments in the Diversified Growth Funds managed by Pyrford and Ninety-One were terminated. This has resulted in the Best Ideas Portfolio being the sole holding within the Tactical Asset Allocation holdings. The Best Ideas Portfolio produced a return of +22.0% over the one year period to 31 March 2021, 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 regional Equities, Commodities, Corporate Bonds and High Yield US Debt as well as liquid alternatives in the form of listed Infrastructure and Global REITS. 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 was particularly helpful in February and March 2020 as market volatility and falling valuations hit all investors.

The Managed Account Platform with MAN contains a Hedge Funds portfolio, which produced a positive absolute return of +3.5% 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 achieved a positive return of +4.6%. Valuations of these “Alternative assets” were affected by the impact of COVID-19, however the impact seen was less dramatic than for listed comparators due to the illiquid nature of the assets. Within the Private Markets portfolio Private Equity posted the strongest returns at +11.2%.

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 +52.4% in 2020/21. However, the performance of this portfolio over the short term is less relevant due to

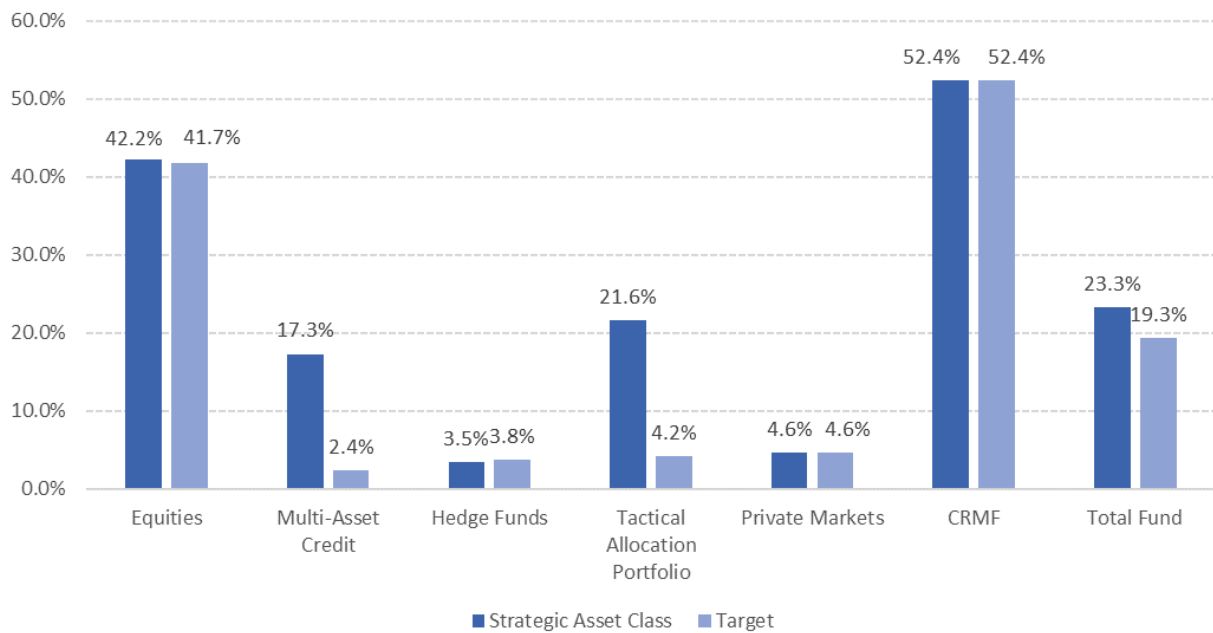


its risk management characteristics. The risk management elements of the portfolio performed as expected and managed the fund’s risks effectively over the period as well as during the dramatic falls in equity markets in February and March 2020.

The following charts below summarise 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.

The chart below summarises the performance of the key components of the Fund’s Investment Strategy versus their target.

Source: Mercer



## Summary of Investment Performance 2020/21

Market conditions over the year to 31 March 2021 year were beneficial for investors, and the Fund benefited from these strong investment markets. With significant monetary and fiscal stimuluses from central banks and governments around the globe, investor sentiment quickly improved. This saw risk assets increase significantly in value over the 1-year period to 31 March 2021. As a result the performance of the Fund for the twelve months under review was +23.3%.

The Fund's allocations to equities (+42.2%) and the Tactical Asset Allocation (+21.6%) helped propel the Fund over the period. The Fund's cash and risk management allocation also posted significant returns over the year in review, returning +52.4%. However due to the slightly lagged nature of returns the Fund's Private Market allocations posted comparatively mediocre returns of +4.6%.

## 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 Cash and 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 2020 and 31 March 2021.

## Strategic Allocation vs Actual Allocations

Manager	Mandate	Actual 31/03/20	Actual 31/03/21	Strategic Allocation 20/21
<b>Developed Global Equity</b>				<b>10.0%</b>
WPP	Global Equity	4.1%	5.4%	5.0%
BlackRock	Global Equity	3.6%	5.2%	5.0%
<b>Emerging Market Equity</b>				<b>10.0%</b>
Wellington	EM (Core)	2.8%	3.6%	3.0%
Wellington	EM (Local)	2.8%	3.3%	3.0%
BlackRock	Emerging Equity	0.0%	3.8%	4.0%
<b>Hedge Funds</b>				<b>7.0%</b>
ManFRM	Hedge Funds	7.8%	6.7%	7.0%
<b>TAA / Best Ideas</b>				<b>11.0%</b>
In-house	Best Ideas Portfolio	10.5%	10.6%	11.0%
Ninety-One	Diversified Growth	4.1%	0.0%	0.0%
Pyrford International	Diversified Growth	4.5%	0.0%	0.0%
<b>Multi-Asset Credit</b>				<b>12.0%</b>
WPP	Multi-Asset Credit	0.0%	11.5%	12.0%
Stone Harbor	LIBOR Multi-Strategy	6.5%	0.0%	0.0%
Stone Harbor	Multi-Asset Credit	3.6%	0.0%	0.0%
<b>Cash and Risk Management Framework</b>				<b>23.0%</b>
Insight	CRMF	17.6%	24.4%	23.0%
<b>Private Markets</b>				<b>27.0%</b>
Various	Property	7.1%	6.0%	4.0%
Various	Private Equity	10.7%	7.7%	8.0%
Various	Local/Impact	0.0%	2.3%	4.0%
Various	Infrastructure	6.6%	4.7%	8.0%
Various	Private Credit	2.4%	2.3%	3.0%
Various	Timber/Agriculture	1.2%	0.8%	0.0%
Various	Opportunistic	3.1%	0.0%	0.0%
<b>Cash</b>		1.1%	1.7%	0.0%

Note: Totals may not sum due to rounding

## 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 Fund has analysed the carbon footprint of its equity allocations and has also undertaken detailed climate change scenario analysis in respect of its investment strategy. 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 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 2020/21 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
BlackRock - ESG	266	3,581	3,344	210	26	1
BlackRock - EM	2,472	22,432	19,840	1,919	641	32
Russell - Global Ops	37	458	416	42	0	0
Wellington - Core	147	1,269	1,084	98	87	0

<b>Wellington - Local</b>	118	1,048	843	113	51	41
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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 £1,051m in 2011 to £2,226m in 2021.

The table below shows a summary of the annualised investment performance over the last 20 years compared with the Fund's benchmark and local government pension funds.

<b>Period (Years)</b>	<b>Clwyd Pension Fund (%) pa</b>	<b>Clwyd Benchmark (%) pa</b>	<b>Average Local Authority (%) pa</b>
<b>1</b>	+23.3	+19.3	+22.7
<b>3</b>	+7.1	+7.7	+7.6
<b>5</b>	+9.2	+8.9	+9.5
<b>10</b>	+7.4	+7.4	+9.7
<b>20</b>	+6.3	+6.2	+6.9

Source: Mercer, PIRC

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.

<b>Core Manager Investments</b>	<b>2001 (%)</b>	<b>2004 (%)</b>	<b>2007 (%)</b>	<b>2011 (%)</b>	<b>2015 (%)</b>	<b>2017 (%)</b>	<b>2021 (%)</b>	<b>LGPS Average</b>
<b>Equities</b>								
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	-	-	-	
	<b>72.0</b>	<b>66.0</b>	<b>55.0</b>	<b>43.0</b>	<b>17.0</b>	<b>14.0</b>	<b>20.0</b>	<b>54.0</b>
<b>Fixed Interest</b>								
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	-	-	-	-	-	
	<b>14.0</b>	<b>12.0</b>	<b>13.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>18.0</b>
Liability Driven Investment	-	-	-	-	19.0	19.0	23.0	-



<b>Alternative Investments and Cash</b>								
<b>Property</b>	5.0	7.0	6.5	7.0	7.0	4.0	4.0	
<b>Infrastructure</b>	0.5	5.0	1.5	2.0	2.0	6.0	8.0	
<b>Timber/ Alternatives</b>	-	-	1.5	2.0	2.0	2.0	-	
<b>Commodities</b>	-	-	2.0	4.0	-	-	-	
<b>Private Equity &amp; Opportunistic</b>	4.5	4.5	6.5	10.0	10.0	10.0	8.0	
<b>Local/ Impact</b>	-	-	-	-	-	-	4.0	
<b>Hedge Fund of Funds</b>	4.0	4.0	5.0	5.0	-	-	-	
<b>Hedge Fund Managed Account Platform</b>	-	-	-	-	9.0	9.0	7.0	
<b>Currency Fund</b>	-	4.0	4.0	-	-	-	-	
<b>Tactical Asset Allocation (TAA)</b>	-	2.0	5.0	12.0	-	-	-	
<b>Tactical Allocation (Diversified Growth)</b>	-	-	-	-	10.0	10.0	-	
<b>Tactical Allocation (Best Ideas)</b>	-	-	-	-	9.0	11.0	11.0	
	<b>14.0</b>	<b>22.0</b>	<b>32.0</b>	<b>42.0</b>	<b>49.0</b>	<b>52.0</b>	<b>42.0</b>	<b>28.0</b>

## In House Portfolio

<b>Property Open Ended Holdings</b>	<b>Number of Funds</b>
Schroders	1
Hermes	1
LAMIT	1
Legal & General	1
BlackRock	1
<b>Property Closed Ended Holdings</b>	
Aberdeen Property Asia Select	2
Basecamp	1
BlackRock US Residential	1
BlackRock European Property	2
Darwin Leisure Property	2
Franklin Templeton	2
InfraRed Active Property	3
Newcore Strategic	1
North Haven Global Real Estate	3
Paloma Real Estate	2
Partners Group Global Real Estate	2
Threadneedle Low Carbon	1
<b>Timber</b>	
BGT Pactual Timberland	2
Stafford Timberland	3
<b>Agriculture</b>	
Insight Global Farmland	1
TRG Farmland	1
<b>Infrastructure</b>	
Access Capital Infrastructure	1
Arcus European Infrastructure	2
Carlyle Global Infrastructure	1
GSAM West Street Infrastructure	1
HarbourVest Real Assets	1
Hermes Infrastructure	1
InfraRed	2
Innisfree	1
JP Morgan Infrastructure	1
Marine Capital	1
North Haven Global Infrastructure	3
Pantheon	1
Partners Group Direct Infrastructure	1
<b>Total Funds</b>	<b>51</b>

<b>Private Equity Direct Funds</b>	<b>Number of Funds</b>
Access Capital	1
Apax	5
August Equity	3
Capital Dynamics	3
Carlyle	1
Charterhouse	2
Dyal	1
ECI	3
Granville Baird	2
Marquee Brands	1
North Haven Asia	1
Partners Group Direct	2
Unigestion	1
<b>Private Equity Fund of Funds</b>	
Access Capital	4
Capital Dynamics	7
HarbourVest	5
JP Morgan Secondary's	1
Partners Group	10
Standard Life	2
Unigestion	2
<b>Local / Impact</b>	
Igloo Regeneration	1
Bridges Property	2
Bridges Private Equity	2
Development Bank of Wales	1
ETF	3
Ludgate Environmental	1
Foresight	1
HarbourVest Cleantech	1
Hermes Environmental Innovation	1
Impax Infrastructure	2
InfraRed Environmental Infrastructure	1
Partners Group Life Fund	1
<b>Total Funds</b>	<b>64</b>

<b>Private Debt</b>	
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BlackRock	1
Carlyle	3
Neuberger Berman	1
Permira	1
Pinebridge	1
<b>Total Funds</b>	<b>7</b>



**Kieran Harkin**

**Head of LGPS Investments**

**Appendix 7**  
**Clwyd Pension Fund Accounts**  
**For The Year Ended 31<sup>st</sup> March 2021**

## Fund Account

2019/20 £000	Note	2020/21 £000
<b>Dealings with members, employers and others directly involved in the Fund</b>		
(77,108) Contributions	7	(81,805)
<u>(6,108) Transfers in</u>	8	<u>(3,415)</u>
<b>(83,216)</b>		<b>(85,220)</b>
Benefits payable :		
63,070 Pensions	9	65,188
13,531 Lump sums (retirement)		9,454
<u>2,360 Lump sums (death grants)</u>		<u>2,654</u>
<b>78,962</b>		<b>77,296</b>
<u>4,446 Payments to and on account of leavers</u>	10	<u>5,924</u>
<b>83,407</b>		<b>83,220</b>
<b>191 Net (additions)/withdrawals from dealings with members</b>		<b>(2,000)</b>
24,377 Management expenses	11	21,924
<u>24,568 Net (additions)/withdrawals including fund management expenses</u>		<u>19,924</u>
<b>Returns on Investments</b>		
(11,741) Investment income	12	(17,804)
76,509 Change in market value of investments	13A	(450,889)
<u>64,768 Net return on investments</u>		<u>(468,693)</u>
<u>89,336 Net (increase)/decrease in the net assets available for benefits during the year</u>		<u>(448,769)</u>
(1,866,775) Opening net assets of the scheme		(1,777,439)
<u>(1,777,439) Closing net assets of the scheme</u>		<u>(2,226,208)</u>

## Net Assets Statement

<b>2019/20</b> <b>£000s</b>	<b>Note</b>	<b>2020/21</b> <b>£000s</b>
1,774,622 <b>Investment Assets</b>	<b>13</b>	2,222,792
<b>1,774,622 Net Investment Assets</b>		<b>2,222,792</b>
204 <b>Long-term debtors</b>	<b>19</b>	254
4,725 <b>Debtors due within 12 months</b>	<b>19</b>	5,059
(2,112) <b>Creditors</b>	<b>20</b>	(1,897)
<b>1,777,439 Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>2,226,208</b>

**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 31<sup>st</sup> March 2021

## 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 2020/21 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:

<b>2019/20</b> <b>Restated</b> <b>No.</b>	<b>2020/21</b> <b>No.</b>
<b>49</b>	<b>52</b>
<b>Number of employers with active members</b>	
<b>Number of employees in scheme</b>	
5,196	5,524
12,015	12,018
<b>17,211</b>	<b>17,542</b>
<b>Number of pensioners</b>	
3,849	4,011
9,743	9,939
<b>13,592</b>	<b>13,950</b>
<b>Deferred pensioners</b>	
6,141	5,718
11,604	11,557
<b>17,745</b>	<b>17,275</b>
<b>48,548</b>	<b>48,767</b>

## 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 2021. 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 uprated 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](http://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 2020/21 financial year



and its financial position at 31st March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 2022.

These changes are 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 next year's accounts, but the Fund has chosen not to adopt them early. 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 pooled 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 2021 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
Potential Impact of Covid-19	The impact of the Covid-19 pandemic has and continues to affect the valuation of assets and liabilities. However, the most significant effects of the pandemic were seen during February and March 2020, and affected asset valuation. Since then markets have been relatively stable. As far as possible any effects have been estimated	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

	and reflected in the accounts but such estimates must be viewed in the context of the extent and seriousness of the pandemic. The Fund has a risk management framework in place and, in particular, equity protection which helps to mitigate some of the impact of significant falls in equity markets.	similar impact). A combination of the asset and discount rate changes would reduce the funding level to 79%.
<b>Actuarial present value of promised retirement benefits</b>	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 effect is as stated above.
<b>Value of investments at level 3</b>	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.

<b>Britain leaving the European Union</b>	Whilst Britain left the European Union in December 2020, the full impact may not yet have been seen. Because it is not presently possible to predict any specific impact, it has been assumed that there will be no significant impairment of the Fund's assets or changes to the discount rate. This assumption will be regularly reviewed.	The effect is as stated above in relation to the potential impact of COVID-19.
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## 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 2021. 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.

## Note 7 - Analysis of contributions receivable

By employer

<b>2019/20</b> <b>£000s</b>	<b>2020/21</b> <b>£000s</b>
(28,575) Administering Authority - Flintshire County Council	(26,713)
(45,132) Scheduled bodies	(51,495)
(3,401) Admitted bodies	(3,597)
<b><u>(77,108) Total</u></b>	<b><u>(81,805)</u></b>

By type

<b>2019/20</b> <b>£000s</b>	<b>2020/21</b> <b>£000s</b>
<b>(16,337) Employees contributions</b>	<b>(17,177)</b>
<b>Employers' contributions:</b>	
(40,791) Normal contributions	(48,720)
(19,208) Deficit recovery contributions	(14,972)
(772) Augmentation contributions	(936)
<b><u>(60,771) Total employers' contributions</u></b>	<b><u>(64,628)</u></b>
<b><u>(77,108) Total contributions</u></b>	<b><u>(81,805)</u></b>

## Note 8 – Transfers in from other pension funds

2019/20		2020/21
£000s		£000s
(6,108)	Individual transfers	(3,415)
<b>(6,108)</b>	<b>Total</b>	<b>(3,415)</b>

## Note 9 – Benefits payable

By employer

2019/20		2020/21
£000s		£000s
27,376	Administering Authority - Flintshire County Council	26,978
50,183	Scheduled bodies	48,738
1,402	Admitted bodies	1,580
<b>78,961</b>		<b>77,296</b>

By type

2019/20		2020/21
£000s		£000s
63,070	Pensions	65,188
13,531	Commutation and lump sum retirement benefits	9,454
2,360	Lump sum death benefits	2,654
<b>78,961</b>		<b>77,296</b>

## Note 10 – Payments to and on account of leavers

2019/20		2020/21
£000s		£000s
4,025	Individual transfers	5,670
226	Refunds to members leaving service	174
195	Other	80
<b>4,446</b>	<b>Total</b>	<b>5,924</b>

## Note 11 – Management expenses

2019/20		2020/21
£000s		£000s
2,025	Administration costs	2,032



20,353	Investment management expenses	17,296
1,999	Oversight and governance costs	2,595
<b>24,377</b>	<b>Total</b>	<b>21,924</b>

The Oversight and Governance costs include the fees payable to Audit Wales for the external audit of the Fund of £39k for 2020/21 (£39k in 2019/20).

## Note 11a – Investment management expenses

2020/21	Management Performance			Transaction	Total
	Fees	related fees	Costs		
	£000s	£000s	£000s	£000s	£000s
<b>Investment Assets</b>					
<b>Pooled Funds</b>	2,928	0	1,814		4,742
<b>Other investments</b>					
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	1,680	59	39		1,778
	<b>12,300</b>	<b>2,674</b>	<b>2,253</b>		<b>17,227</b>
Custody Fees					69
Total					<b>17,296</b>
<b>2019/20 Restated</b>					
<b>Investment Assets</b>					
<b>Pooled Funds</b>	5,586	0	1,115		6,701
<b>Other investments</b>					
Pooled property investments	2,061	1,149	86		3,296
Private equity and joint venture funds	5,345	1,450	468		7,263
Infrastructure funds	1,569	582	160		2,311
Timber and Agriculture	259	0	0		259
Private Debt	480	0	0		480
	<b>15,300</b>	<b>3,181</b>	<b>1,829</b>		<b>20,310</b>
Custody Fees					43
Total					<b>20,353</b>

## Note 11b – Wales Pension Partnership management expenses

2019/20 £000s	2020/21 £000s
70 Oversight and Governance	88
200 Transaction Costs	113
79 Fund Management Fees	190
13 Custody Fees	36
<b>362 Total</b>	<b>427</b>

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

2019/20 Restated £000s	2020/21 £000s
<b>Pooled Funds</b>	
0 Income from bonds	1,958
0 Income from global equity	2,990
<b>Other investments</b>	
3,817 Income from pooled property investments	2,794
1,827 Income from private equity and joint venture funds	704
4,038 Income from infrastructure funds	4,330
1,821 Income from private debt	3,625
0 Income from impact funds	952
60 Interest on cash deposits	233
178 Other income	218
<b>11,741</b>	<b>17,804</b>

## Note 13 – Investments

2019/20 £000	2020/21 £000
<b>Investment Assets</b>	
<b>Pooled Funds</b>	
182,263 Bonds	250,378
346,996 Diversified growth funds	231,021
317,546 Liability Driven Investment	500,832
140,663 Hedge Fund of Funds	145,594
140,136 Global equity	231,366
100,300 Emerging Market Equity	231,837
<b>Other investments</b>	
126,651 Pooled property investments	132,870
226,849 Private equity and joint venture funds	193,496
112,156 Infrastructure funds	106,610
19,913 Timber and Agriculture	17,555
40,911 Private Debt	52,968
0 Impact	58,171
1,754,384	2,152,698
20,238 Cash deposits	67,282
Amounts receivable for sales	2,812
1,774,622	2,222,792
Total investment assets	

During the year the Fund transitioned assets to WPP and also to rebalance its portfolio in line with its Investment Strategy. The table below shows the way in which this was achieved.

<b>Manager / Mandate</b>	<b>Redemptions</b>	<b>Subscriptions</b>
	<b>£000s</b>	<b>£000s</b>
Pyrford DGF	86,358	
Ninety One DGF	84,250	
BlackRock Passive Global Equity	75,935	
Stone Harbor MAC	205,760	
WPP Russell Global Equity		9,300
WPP Russell MAC		240,000
BlackRock Passive ESG Global Equity		98,635
BlackRock Passive EM Equity		71,400
Insight LDI		39,768
	452,303	459,103

### Note 13 A – Reconciliation of movements in investments and derivatives

	<b>Market value 1st April 2020</b>	<b>Purchases during the year</b>	<b>Sales during the year</b>	<b>Change in market value</b>	<b>Market value 31st March 2021</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Investment Assets</b>					
<b>Pooled Funds</b>					
Bonds	182,263	242,843	(208,286)	33,558	250,378
Diversified growth funds	346,996	284	(171,334)	55,076	231,022
Liability Driven Investment	317,546	39,768	(31,007)	174,525	500,832
Hedge Fund of Funds	140,663		(160)	5,091	145,594
Global equity	140,136	110,733	(76,187)	56,685	231,367
Emerging Market Equity	100,300	71,467	(1,789)	61,858	231,836
<b>Other investments</b>					
Pooled property investments	126,651	18,512	(14,923)	2,630	132,870
Private equity and joint venture funds	226,849	12,952	(40,179)	(6,125)	193,497
Infrastructure funds	112,156	15,352	(71,017)	50,118	106,609
Timber and Agriculture	19,914		(2,675)	316	17,555
Private Debt	40,911	19,344	(5,492)	(1,796)	52,967
Impact		54,323	(15,105)	18,953	58,171
	1,754,384	585,578	(638,154)	450,889	2,152,698
Cash deposits	20,238				67,282
Amount receivable for sales					2,812
<b>Total investment assets</b>	1,774,622				2,222,792

	Market value 1st April 2019	Purchases during the year	Sales during the year	Change in market value	Market value 31st March 2020
Restated	£000s	£000s	£000s	£000s	£000s
<b>Investment Assets</b>					
<b>Pooled Funds</b>					
Bonds	203,790		(428)	(21,099)	182,263
Diversified growth funds	365,757	722	(1,830)	(17,653)	346,996
Liability Driven Investment	422,854		(74,519)	(30,789)	317,546
Hedge Fund of Funds	138,985		(511)	2,189	140,663
Global equity	149,723		(335)	(9,252)	140,136
Emerging Market Equity	118,828	58	(1,457)	(17,129)	100,300
<b>Other investments</b>					
Pooled property investments	122,836	10,179	(9,322)	2,958	126,651
Private equity and joint venture funds	211,584	41,948	(43,268)	16,585	226,849
Directly managed property					
Infrastructure funds	66,604	53,424	(6,301)	(1,570)	112,156
Timber and Agriculture	23,274		(3,526)	165	19,914
Private Debt	32,744	9,561	(480)	(914)	40,911
	<u>1,856,978</u>	<u>115,892</u>	<u>(141,977)</u>	<u>(76,509)</u>	<u>1,754,384</u>
Cash deposits	5,765				20,238
<b>Total investment assets</b>	<u>1,862,743</u>				<u>1,774,622</u>

## Note 13b – Analysis by Fund Manager

2019/20			2020/21		
Restated					
£000	%		£000	%	
Pooled Investments					
74,931	4.3%	Russell Investments	367,437	17.1%	
65,205	3.7%	Blackrock	196,791	9.1%	
<b>140,136</b>	<b>8.0%</b>		<b>564,228</b>	<b>26.2%</b>	
Investments managed outside Wales Pension Partnership					
317,546	18.1%	Insight	500,832	23.3%	
190,404	10.9%	Mobius	231,021	10.7%	
100,300	5.7%	Wellington	149,353	6.9%	
140,663	8.0%	MAN Group	145,594	6.8%	
526,480	30.0%	Private Markets	561,670	26.1%	
182,263	10.4%	Stone Harbor	0	0.0%	
75,029	4.3%	Ninety One (formerly Investec)	0	0.0%	
81,563	4.6%	Pyrford	0	0.0%	
<b>1,614,248</b>	<b>92.0%</b>		<b>1,588,470</b>	<b>73.8%</b>	
<b>1,754,383</b>	<b>100%</b>		<b>2,152,698</b>	<b>100%</b>	

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.

2019/20		Manager	Holding	2020/21	
£000	%			£000	%
Restated					
317,546	18	Insight	LDI Active 22 Fund	500,832	24
117,835	7	Stone Harbour	SHI LIBOR Multi Strategy No2 Portfolio	0	0

## 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 2021 the total value of all WPP stock on loan was £469,065k.

## Note 14 – Derivatives

No derivative instruments were held by Clwyd Pension Fund at 31 March 2021 or 31 March 2020.

## 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 investment sales	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
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 where regular trading does not take place	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 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
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### 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 2021 and 31 March 2020.

<b>2020/21</b>	<b>Potential variation in fair value %</b>	<b>Value at 31st March £000s</b>	<b>Potential value on increase £000s</b>	<b>Potential value on decrease £000s</b>
<b>Other investments</b>				
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	10	58,171	63,988	52,353
		<u>535,140</u>	<u>588,128</u>	<u>482,153</u>

<b>2019/20 Restated</b>	<b>Potential variation in fair value %</b>	<b>Value at 31st March £000s</b>	<b>Potential value on increase £000s</b>	<b>Potential value on decrease £000s</b>
<b>Other investments</b>				
Pooled property investments	10	115,468	127,015	103,921
Private equity and joint venture funds	10	226,849	249,534	204,164
Infrastructure funds	10	97,294	107,023	87,564
Timber and Agriculture	7	19,914	21,307	18,520
Private Debt	10	40,911	45,003	36,820
		<u>500,435</u>	<u>549,881</u>	<u>450,989</u>

## Note 15a – Fair Value of hierarchy

The following table shows the position of the Fund's assets at 31st March 2021 based on the Fair Value hierarchy:

<b>Values at 31st March 2021</b>	<b>Quoted market price £000s</b>	<b>Using observable inputs £000s</b>	<b>Significant observable inputs £000s</b>	<b>Total £000s</b>
<b>Investment Assets</b>				
<b>Bonds</b>		250,378		250,378
<b>Pooled Funds</b>				
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
<b>Other investments</b>				
Pooled property investments	0	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			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
<b>Total investment assets</b>	<b>228,546</b>	<b>1,459,107</b>	<b>535,140</b>	<b>2,222,792</b>

<b>Values as at 31st March 2020 Restated</b>	<b>Quoted market price £000s</b>	<b>Using observable inputs £000s</b>	<b>Significant observable inputs £000s</b>	<b>Total £000s</b>
<b>Investment Assets</b>				
<b>Bonds</b>		182,263		182,263
<b>Pooled Funds</b>				
Diversified growth funds	81,563	265,433		346,996
Liability Driven Investment		317,546		317,546
Hedge Fund of Funds		140,663		140,663
Global equity		140,136		140,136
Emerging Market Equity	100,300			100,300
<b>Other investments</b>				
Pooled property investments		11,183	115,468	126,651
Private equity and joint venture funds			226,849	226,849
Infrastructure funds	8,403	6,460	97,294	112,156
Timber and Agriculture			19,914	19,914
Private Debt			40,911	40,911
	190,266	1,063,683	500,435	1,754,384
Cash deposits	20,238			20,238
<b>Total investment assets</b>	<b>210,504</b>	<b>1,063,683</b>	<b>500,435</b>	<b>1,774,622</b>

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

	Value at 31st March 2020	Transfers in	Transfers out	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31st March 2021
<b>Other Investments</b>								
Pooled property investments	115,468	0	0	18,512	(13,813)	(2,381)	3,615	121,401
Private equity and joint venture funds	226,849	0	0	12,952	(37,178)	(20,517)	11,390	193,496
Infrastructure funds	97,293	0	0	15	(17,321)	8,995	2,567	91,550
Timber and Agriculture	19,913	0	0	0	(2,526)	156	12	17,555
Private Debt	40,911	0	0	19,344	(5,302)	(1,985)	0	52,968
Impact	0	0	0	54,323	(14,054)	17,468	434	58,171
	<u>500,433</u>	<u>0</u>	<u>0</u>	<u>105,146</u>	<u>(90,194)</u>	<u>1,736</u>	<u>18,019</u>	<u>535,140</u>

	Value at 31st March 2019	Transfers in	Transfers out	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31st March 2020
<b>Pooled Funds</b>								
Hedge Fund of Funds	5,656	0	0	0	0	0	(5,656)	0
<b>Other Investments</b>								
Pooled property investments	56,165	56,057		10,179	(9,322)	2,149	241	115,468
Private equity and joint venture funds	211,584			41,948	(43,268)	14,067	2,517	226,849
Infrastructure funds	51,471			53,213	(6,301)	1,853	(2,944)	97,293
Timber and Agriculture	23,274			0	(3,526)	462	(297)	19,913
Private Debt	32,744			9,561	(480)	0	(914)	40,911
	<u>380,894</u>	<u>56,057</u>	<u>0</u>	<u>114,902</u>	<u>(62,897)</u>	<u>18,531</u>	<u>(7,053)</u>	<u>500,433</u>

## Note 16 - Classification of Financial Instruments

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2019/20			2020/21		
Fair Value through profit and loss £000s	Loans and receivables £000s	Financial liabilities at amortised cost £000s	Fair Value through profit and loss £000s	Loans and receivables £000s	Financial liabilities at amortised cost £000s
<b>Financial Assets</b>					
182,263			250,378		
<b>Bonds</b>					
<b>Pooled Funds</b>					
346,996			231,021		
317,546			500,832		
140,663			145,594		
140,136			231,366		
100,300			231,837		
<b>Other investments</b>					
126,651			132,870		
226,849			193,496		
112,156			106,610		
19,914			17,555		
40,911			52,968		
	20,238		58,171		
				67,282	
				3,229	
1,754,384	20,238	0	2,152,698	70,512	0
<b>Financial liabilities</b>					
		(2,112)			(451)
1,754,384	20,238	(2,112)	2,152,698	70,512	(451)

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 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

<b>Assets exposed to price risk</b>	<b>Value</b>	<b>3 year</b>	<b>Value on</b>	<b>Value on</b>
		<b>volatility</b>	<b>increase</b>	<b>decrease</b>
		<b>range</b>		
	<b>£000s</b>	<b>%</b>	<b>£000s</b>	<b>£000s</b>
<b>As at 31 March 2020</b>	<b>1,774,622</b>	<b>7.44%</b>	<b>1,906,676</b>	<b>1,642,570</b>
<b>As at 31 March 2021</b>	<b>2,219,980</b>	<b>8.86%</b>	<b>2,416,656</b>	<b>2,023,304</b>

### 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.

<b>Assets exposed to interest rate risk</b>	<b>Value</b>	<b>Value on 1% increase</b>	<b>Value on 1% decrease</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>As at 31 March 2020</b>	<b>202,501</b>	<b>200,881</b>	<b>204,121</b>
<b>As at 31 March 2021</b>	<b>317,660</b>	<b>314,483</b>	<b>320,837</b>

## 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.

## Currency risk – sensitivity analysis

<b>Assets exposed to currency risk</b>	<b>Value</b>	<b>% change</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£000s</b>	<b>%</b>	<b>£000s</b>	<b>£000s</b>
<b>As at 31 March 2020</b>	<b>1,220,058</b>	<b>6.84%</b>	<b>1,303,521</b>	<b>1,136,585</b>
<b>As at 31 March 2021</b>	<b>1,415,871</b>	<b>6.52%</b>	<b>1,508,167</b>	<b>1,323,575</b>

## 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 2021 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 2021, liquid assets were £1,617m representing 75% of total fund assets (£1,253m at 31 March 2020 representing 71% 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.

<b>2019/20</b>		<b>2020/21</b>
<b>£m</b>		<b>£m</b>
2,835	Present value of promised retirement benefits	3,352
<u>(1,777)</u>	Fair value of scheme assets	<u>(2,223)</u>
<b>1,058</b>	<b>Total</b>	<b>1,129</b>



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:

<b>2019/20</b>		<b>2020/21</b>
%		%
2.10	Inflation/pension increase rate assumption	2.70
3.35	Salary increase rate	3.95
2.40	Discount rate	2.10

## Note 19 – Current Assets

<b>2019/20</b>		<b>2020/21</b>
£000s		£000s
204	<b>Long-term debtors</b>	254
	<b>Short-term debtors</b>	
1,285	Contributions due - Employees	942
3,379	Contributions due - Employers	3,624
	Prepayments	397
61	Sundry debtors	96
<b>4,725</b>	<b>Total Short-term debtors</b>	<b>5,059</b>
<b>4,929</b>	<b>Total</b>	<b>5,313</b>

## Note 20 – Current Liabilities

<b>2019/20</b>		<b>2020/21</b>
£000		£000
(20)	Contributions received in advance	(131)
(1,489)	Benefits payable	(1,083)
(104)	Administering authority	(8)
(66)	HMRC	(11)
(433)	Sundry creditors	(664)
<b>(2,112)</b>	<b>Total</b>	<b>(1,897)</b>

## 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

<b>2019/20</b>	<b>2020/21</b>
<b>£000</b>	<b>£000</b>
<b>1,031</b> Contributions in the year	<b>1,030</b>
 <b>Value of AVC funds at 31 March:</b>	
5,434 Prudential	5,434
408 Utmost (formerly Equitable Life)	346
<b>5,842 Total</b>	<b>5,780</b>

Prudential figures are as at 31st March 2020 as 31st March 2021 figure are not yet available.

## 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

<b>2019/20</b>	<b>2020/21</b>
<b>£000s</b>	<b>£000s</b>
499 Conwy County Borough Council	475
1,699 Denbighshire County Council	1,653
3,056 Flintshire County Council	3,000
20 Powys County Council	19
2,104 Wrexham County Borough Council	2,040
56 Coleg Cambria	55
54 Other employers	41
<b>7,488 Total</b>	<b>7,283</b>

## Note 23 - Related Party Transactions

### Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2021, 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 £1.8m (£1.9m in 2019/20) 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:

<b>2019/20</b>	<b>2020/21</b>
<b>£000s</b>	<b>£000s</b>
17 Short-term benefits	20
(5) Post-employment benefits	56
<b>11 Total</b>	<b>76</b>

## **Note 24 - Contingent liabilities and contractual commitments**

Outstanding capital commitments (investments) at 31 March 2021 were £179m (31 March 2020: £211m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity 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

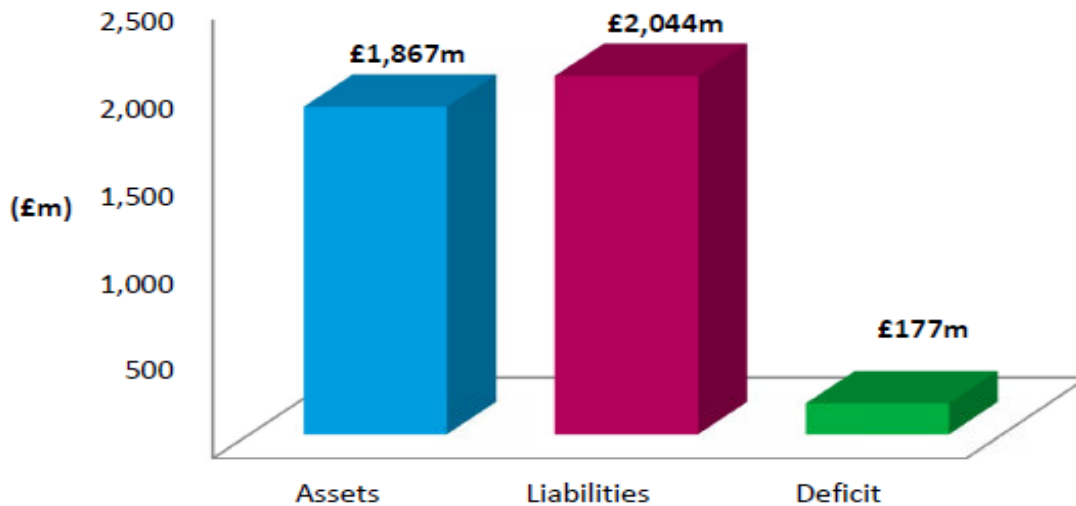
### Clwyd Pension Fund

#### Accounts for the year ended 31 March 2021 - 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 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 this actuarial valuation the average recovery period adopted is 13 years, and the total initial recovery payment (the “Secondary rate” for 2020-2023) is 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:

	<b>For past service liabilities (Solvency Funding Target)</b>	<b>For future service liabilities (Primary rate of contribution)</b>
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 could be 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. 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**

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 and 2021 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. 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. Our view is that employer contributions should not be revisited as a general rule but the Administering Authority has consulted on updates to the Funding Strategy

Statement which will allow the Fund 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 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases*	3.35% per annum	3.95% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% 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. 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 decreased, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4% p.a.). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7% p.a. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £2,835 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£68 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£25 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £424 million due to "actuarial losses" (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 2021 pension increase award was less 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 2021 is therefore £3,352 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 2021**



## **Appendix 8**

### **Financial Report**

#### **Introduction**

This report includes financial monitoring reports for the year 2020/21 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 2020/21**

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 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 2020/21. 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.

<b>2020/21</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Opening Cash</b>	<b>(23,800)</b>	<b>(20,237)</b>	<b>(3,563)</b>
<b>Payments</b>			
Pensions	67,800	64,908	2,892
Lump Sums & Death Grants	16,000	12,475	3,525
Transfers Out	6,000	5,901	99
Expenses (excluding investments)	5,200	5,073	127
Tax Paid	100	174	(74)
Support Services	170	173	(3)
<b>Total Payments</b>	<b>95,270</b>	<b>88,704</b>	<b>6,566</b>
<b>Income</b>			
Employer Contributions	(44,000)	(49,282)	5,282
Employee Contributions	(16,000)	(17,518)	1,518
Employer Deficit Payments	(14,000)	(14,977)	977
Transfers In	(6,000)	(3,393)	(2,607)
Pension Strain	(1,200)	(107)	(1,093)
Income	(40)	(30)	(10)
<b>Total Income</b>	<b>(81,240)</b>	<b>(85,307)</b>	<b>4,067</b>
<b>Cash-flow Net of Investment Income</b>	<b>14,030</b>	<b>3,397</b>	<b>10,633</b>
Investment Income	(8,000)	(10,270)	2,270
Investment expenses	4,000	3,918	82
<b>Total Net of In House Investments</b>	<b>10,030</b>	<b>(2,955)</b>	<b>12,985</b>
<b>In House Investments</b>			
Draw downs	70,403	43,927	26,476
Distributions	(78,672)	(63,533)	(15,139)
<b>Net Expenditure /(Income)</b>	<b>(8,269)</b>	<b>(19,606)</b>	<b>11,337</b>
<b>Total Net Cash-Flow</b>	<b>1,761</b>	<b>(22,561)</b>	<b>24,322</b>
<b>Movement to/from Managers</b>	<b>0</b>	<b>5,720</b>	<b>(5,720)</b>
<b>Closing Cash</b>	<b>(22,039)</b>	<b>(37,078)</b>	<b>15,039</b>

### 3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2024. 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 looks to produce an overall return of 5.4% per annum.

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Opening Cash</b>	<b>(29,760)</b>	<b>(30,668)</b>	<b>(28,080)</b>
<b>Payments</b>			
Pensions	66,600	68,000	68,000
Lump Sums & Death Grants	16,000	16,000	16,000
Transfers Out	6,000	6,000	6,000
Expenses (excluding investments)	5,480	5,480	5,480
Tax Paid	100	100	100
Support Services	180	180	180
<b>Total Payments</b>	<b>94,360</b>	<b>95,760</b>	<b>95,760</b>
<b>Income</b>			
Employer Contributions	(49,000)	(49,000)	(49,000)
Employee Contributions	(17,000)	(17,200)	(17,200)
Employer Deficit Payments	(15,000)	(15,000)	(15,000)
Transfers In	(6,000)	(6,000)	(6,000)
Pension Strain	(1,200)	(1,200)	(1,200)
Income	(40)	(40)	(40)
<b>Total Income</b>	<b>(88,240)</b>	<b>(88,440)</b>	<b>(88,440)</b>
<b>Cash-flow Net of Investment Income</b>	<b>6,120</b>	<b>7,320</b>	<b>7,320</b>
Investment Income	(8,000)	(8,000)	(8,000)
Investment expenses	4,000	4,000	4,000
<b>Total Net of In House Investments</b>	<b>2,120</b>	<b>3,320</b>	<b>3,320</b>
<b>In House Investments</b>			
Draw downs	66,175	72,061	97,061
Distributions	(69,203)	(72,793)	(69,613)
<b>Net Expenditure /(Income)</b>	<b>(3,028)</b>	<b>(732)</b>	<b>27,448</b>
<b>Total Net Cash-Flow</b>	<b>(908)</b>	<b>2,588</b>	<b>30,768</b>
<b>Closing Cash</b>	<b>(30,668)</b>	<b>(28,080)</b>	<b>2,688</b>

## Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2020/21 compared to 2019/20. Management fees overall have reduced due to lower performance fees in Private Markets, and as a result of the restructure of fee arrangements with two core managers. Other significant changes were due to agreed additional project work in relation to the impact of the McCloud judgement and Private Markets.

	<b>Actual 2019/20 £000s</b>	<b>Actual 2020/21 £000s</b>	<b>Variance 2020/21 £000s</b>
<b>Governance Expenses</b>			
Employee Costs	283	261	(21)
Support & Services Costs (Internal Recharges)	20	22	2
IT	2	1	(1)
Other (Transport, Supplies & Services)	102	54	(48)
Audit Fees	38	39	1
Actuarial Fees	465	504	39
Consultant Fees	641	847	206
Pooling (Consultants and Host)	79	101	22
Advisor Fees	220	576	356
Legal Fees	20	16	(4)
Pension Board	53	106	53
<b>Total Governance Expenses</b>	<b>1,923</b>	<b>2,528</b>	<b>605</b>
<b>Investment Management Expenses</b>			
Fund Manager Fees	20,030	16,924	(3,106)
Custody Fees	44	69	25
Performance Monitoring Fees	75	67	(8)
Pooling (Operator and FM costs)	279	304	25
<b>Total Investment Management Expenses</b>	<b>20,428</b>	<b>17,364</b>	<b>(3,066)</b>
<b>Administration Expenses</b>			
Employee Costs	935	1,091	156
Support Services Costs (FCC Recharges)	151	150	(1)
Premises	0	6	6
IT (Direct or External charged Services)	408	426	18
Other (Supplies & Services etc)	112	119	7
Outsourcing	197	42	(155)
<b>Total Administration Expenses</b>	<b>1,803</b>	<b>1,833</b>	<b>30</b>
<b>Employer Liaison Team</b>			
Direct Costs	222	199	(23)
<b>Total Employer Liaison Team</b>	<b>222</b>	<b>199</b>	<b>(23)</b>
<b>Total Costs</b>	<b>24,376</b>	<b>21,925</b>	<b>(2,454)</b>

The following table shows actual costs for 2020/21 compared to the budgeted costs along with the budget for 2021/22. Actuarial fees were lower than expected. There will generally be a difference in manager fees compared to budget as these are based on market valuations which are difficult to estimate. Pooling fees included charges for Transition and Transaction fees which were not included in the budget. There was a saving on Administration employee expenses as a result of delays in commencing the additional work on the impact of the McCloud judgement and also as a result of vacant posts. Outsourcing costs were also lower than anticipated.

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Budget</b>
	<b>2020/21</b>	<b>2020/21</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Governance Expenses</b>				
Employee Costs	261	323	(62)	326
Support & Services Costs (Internal Recharges)	22	24	(2)	24
IT	1	5	(4)	5
Other (Transport, Supplies & Services)	54	82	(28)	97
Audit Fees	39	41	(2)	41
Actuarial Fees	504	641	(137)	696
Consultant Fees	847	859	(12)	942
Pooling (Consultants and Host)	101	120	(19)	130
Advisor Fees	576	524	52	485
Legal Fees	16	41	(25)	40
Pension Board	106	88	18	91
<b>Total Governance Expenses</b>	<b>2,528</b>	<b>2,748</b>	<b>(220)</b>	<b>2,877</b>
<b>Investment Management Expenses</b>				
Fund Manager Fees	16,924	24,458	(7,534)	19,915
Custody Fees	69	32	37	32
Performance Monitoring Fees	67	93	(26)	53
Pooling (Operator and FM costs)	304	190	114	836
<b>Total Investment Management Expenses</b>	<b>17,364</b>	<b>24,773</b>	<b>(7,409)</b>	<b>20,836</b>
<b>Administration Expenses</b>				
Employee Costs	1,091	1,247	(156)	1,366
Support Services Costs (FCC Recharges)	150	140	10	158
Premises	6	0	6	0
IT (Direct or External charged Services)	426	405	21	515
Other (Supplies & Services etc)	119	108	11	134
Outsourcing	42	300	(258)	30
<b>Total Administration Expenses</b>	<b>1,833</b>	<b>2,200</b>	<b>(367)</b>	<b>2,203</b>
<b>Employer Liaison Team</b>				
Direct Costs	199	223	(24)	286
<b>Total Employer Liaison Team</b>	<b>199</b>	<b>223</b>	<b>(24)</b>	<b>286</b>
<b>Total Costs</b>	<b>21,925</b>	<b>29,944</b>	<b>(8,019)</b>	<b>26,201</b>

## **Employers participating in the Fund at 31 March 2021**

### **Contributions**

52 bodies contributed to the Fund during 2020/21, 33 scheduled and 19 admitted. Contributions are paid to the Fund by the 19<sup>th</sup> of the month following the month they relate to. Employer and employee contributions, (including deficit payments) received during 2020/21 are shown in the following table, as is the rate of contribution as a percentage of pensionable pay.

4 new bodies have joined the Fund during 2020/21, 2 admitted and 2 scheduled. No bonds or any other secured funding arrangements have been facilitated.



<b>Scheduled bodies</b>	<b>Employer Contributions</b>	<b>%</b>	<b>Employee contributions</b>	<b>Avg %</b>
	<b>£</b>		<b>£</b>	
Flintshire County Council	20,871,694	17.3	5,614,687	6.18
Wrexham County Borough Council	18,328,470	18.2	4,827,073	6.15
Denbighshire County Council	15,327,718	17.3	4,009,475	6.27
Coleg Cambria	2,911,362	16.5	882,954	6.35
North Wales Fire Service	1,817,784	17.0	338,858	6.74
Glyndwr University	1,568,919	17.1	520,805	6.92
North Wales Valuation Tribunal	45,039	18.9	10,984	8.10
Rhyl Town Council	42,687	18.7	8,844	7.42
Hawarden Community Council	38,040	21.8	13,726	7.05
Prestatyn Town Council	26,678	21.5	9,347	6.32
Mold Town Council	20,223	18.5	7,713	6.48
Coedpoeth Community Council	17,059	20.4	5,782	5.94
Rhos Community Council	16,255	21.6	4,593	6.07
Holywell Town Council	14,401	20.1	3,975	6.01
Buckley Town Council	13,183	26.6	5,105	6.29
Caia Park Community Council	12,432	20.8	6,384	5.92
Denbigh Town Council	7,084	18.5	2,393	6.25
Offa Community Council	6,520	26.3	2,656	6.08
Shotton Town Council	6,142	29.4	1,844	6.50
Cefn Mawr Community Council	5,006	12.2	2,179	5.01
Acton Community Council	4,988	22.9	1,213	5.80
Flint Town Council	4,380	17.5	1,452	5.80
Gresford Town Council	3,498	21.9	926	5.80
Ruthin	3,252	16.0	1,157	5.65
Marchwiel Community Council	3,000	23.1	696	5.73
Penyffordd Community Council	2,477	16.4	883	5.61
Hope Community Council	2,106	16.4	673	5.51
Broughton & Bretton	1,971	21.9	495	5.50
Bagillt Community Council	1,970	17.2	597	5.49
Northop Town Council	1,918	21.7	486	5.50
Gwernymynydd Community Council	1,689	28.8	323	5.51
Argoed Community Council	500	17.6	563	5.50
Connah's Quay Town Council	0	17.8	5,189	5.69
	61,128,445		16,294,029	

<b>Admitted bodies</b>	<b>Employer Contributions</b>	<b>%</b>	<b>Employee contributions</b>	<b>Avg %</b>
	<b>£</b>		<b>£</b>	
Newydd Catering & Cleaning Ltd	645,218	21.8	166,482	5.6
Denbighshire Leisure	632,979	16.8	231,258	6.1
Aura Leisure & Libraries Ltd	539,488	18.7	194,033	6.2
Careers Wales	224,248	18.5	91,371	6.4
Civica UK	176,398	20.9	68,895	6.5
Home Farm Trust Ltd	124,091	20.1	39,820	5.9
Freedom Leisure	85,239	21.7	33,555	6.2
Holywell Leisure Ltd	37,368	18.1	13,713	6.0
Glyndwr Students Union	22,903	11.5	12,157	6.3
Aramark Ltd	16,241	18.8	5,644	6.2
Chartwells	15,910	24.9	3,338	5.7
Cartref NI	12,971	20.6	3,955	6.1
Hafan Deg (KL Care)	12,491	23.0	3,019	12.8
Churchills	6,176	19.6	1,733	5.5
Dolce	4,237	21.7	1,074	5.5
Denbigh Youth Group	4,150	24.6	7,810	28.0
Bodelwyddan Castle Trust	2,680	18.3	806	5.5
Morgan LLwyd	966	20.6	198	4.2
Cartref y Dyffryn Ceiriog	0	25.2	4,165	6.0

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 £1,520,605 (2.39% of the total employer contributions).

<b>Employer</b>	<b>Late Occasions</b>	<b>Contributions (£)</b>
A	1	1,508,395
B	9	12,172
C	1	39

## **Fund Assets**

The table below provides an analysis of the Fund's assets as at 31 March 2021.

	<b>UK £0</b>	<b>Non –UK £0</b>	<b>Global £0</b>	<b>Total £0</b>
Equities	0	231,837	231,366	463,203
Alternatives	235,995	325,675	376,615	938,285
Bonds & LDI	500,832	0	250,378	751,210
Property (Direct)	0	0	0	0
Cash	67,282	0	0	67,282
<b>Total</b>	<b>804,109</b>	<b>557,512</b>	<b>858,359</b>	<b>2,219,980</b>

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 2021.

	UK	Non –UK	Global	Total
	£000	£000	£000	£000
Equities	-	-	2,990	2,990
Alternatives	6,328	6,295		12,623
Bonds & LDI			1,958	1,958
Property (Direct)	-	-	-	-
Cash	233	-	-	233
<b>Total</b>	<b>6,561</b>	<b>6,295</b>	<b>4,948</b>	<b>17,804</b>

### 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.

<b>Fund Management Fees</b>	<b>Avg bps</b>	<b>20/21 £000</b>	<b>Avg bps</b>	<b>19/20 £000</b>
<b>CORE (74% of Fund)</b>	<b>58</b>	<b>9,202</b>	<b>105</b>	<b>12,932</b>
Total expenses including AMC	18	2,928	45	5,574
Underlying Fees (includes performance and transaction fees)	28	4,460	51	6,243
Performance Fees	0	0	0	0
Transaction Fees	11	1,814	9	1,115
<b>NON CORE (26% of Fund)</b>	<b>260</b>	<b>14,579</b>	<b>296</b>	<b>16,142</b>
Total expenses including AMC	167	9,372	185	9,726
Underlying Fees (includes performance and transaction fees)	37	2,094	48	2,521
Performance Fees	48	2,674	60	3,181
Transaction Fees	8	439	14	714
Total underlying fees	30	6,554	50	8,764
Total direct fees	80	17,227	116	20,310
<b>Total fees</b>	<b>110</b>	<b>23,781</b>	<b>166</b>	<b>29,074</b>
Net Assets (Core)		1,591,028		1,227,904
Net Assets (Non-Core)		561,670		526,481
<b>Total Net Assets (excluding cash)</b>		<b>2,152,698</b>		<b>1,754,384</b>

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% (70% in 2019/20) of the Fund assets but only 39% (44% in 2019/20) 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% (30% in 2019/20) of the Fund assets the proportion of fees amounts to 61% (56% in 2019/20). These figures include the underlying fees. In comparison, excluding underlying fees, the proportion of fees for core assets is 28% (33% in 2019/20) and non-core, 72% (67% in 2019/20). 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 £384k in 2020/21, which is mainly due to the timing of a payment in relation to the provision of the Altair system. Current liabilities fell by £215k as a result of a reduction of benefits payable due. This figure is volatile as it is affected by the amount of lump sums and death grants due but not paid on 31<sup>st</sup> 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

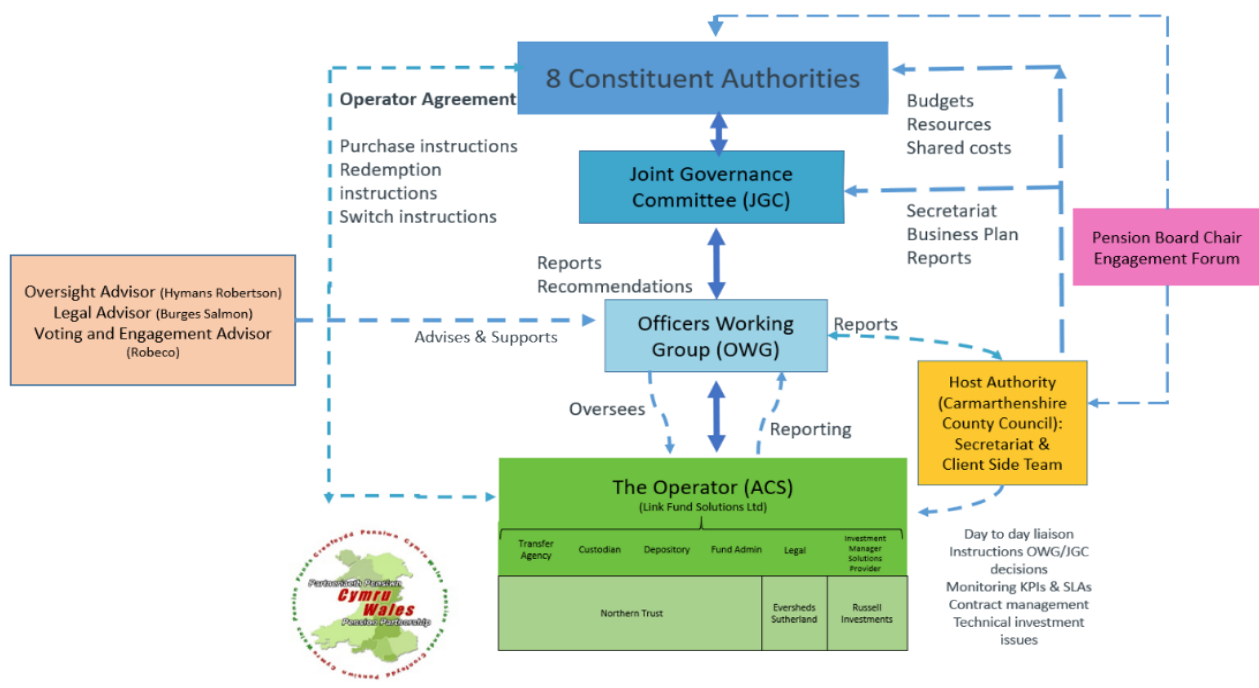
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history 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 Council

The 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 as 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.

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.

## 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, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 68% of assets.

As at 31 March 2021, WPP has total assets worth £21.6bn, £14.7bn of which sits within the pool, see breakdown below:

Asset Class	Managed by	Launch Date	31 March 2021 £000	%
Global Growth Equity Fund	Link Fund Solutions	February 2019	3,061,322	14.2
Global Opportunities Equity Fund	Russell Investments	February 2019	2,624,492	12.2
UK Opportunities Equity Fund	Russell Investments	September 2019	674,460	3.1
Global Credit Fund	Russell Investments	July 2020	791,481	3.7
Global Government Bond Fund	Russell Investments	July 2020	526,763	2.4
UK Credit Fund	Link Fund Solutions	July 2020	550,986	2.6
Multi-Asset Credit Fund	Russell Investments	July 2020	714,418	3.3
Absolute Return Bond Fund	Russell Investments	September 2020	456,255	2.1
Passive Investments	BlackRock	March 2016	5,232,789	24.2
Investments not yet pooled			6,938,068	32.2
<b>Total Investments across all 8 Pension Funds</b>			<b>21,571,038</b>	<b>100</b>

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

	<b>31 March 2021</b>	<b>%</b>
	<b>£000</b>	
Global Opportunities Equity Fund	117,059	5.5
Global Multi Asset Credit	250,378	11.6
Passive Equities	196,791	9.1
Investments not yet pooled	1,588,470	73.8
<b>Total Investment Assets</b>	<b>2,152,698</b>	<b>100</b>

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 £343.3m transitioned to the WPP and passive portfolios. The table above shows the assets currently managed by the pool as at 31 March 2021.

### **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 2021 was £88.3k, 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.

2019/20 £000	WPP pooling costs	2020/21 £000
21	Host Authority Costs *	19
49	External Advisor Costs *	70
200	Transition Costs (Direct) **	113
<b>270</b>	<b>Total</b>	<b>202</b>

\* 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 £000s				
	Total Expenses including AMC	Perform- ance Fees	Transaction Costs	Custody	Total
<b>Asset Pool</b>					
Direct	190	0	113	36	340
Indirect (Underlying)	644	0	0	0	644
<b>Total</b>	<b>834</b>	<b>0</b>	<b>113</b>	<b>36</b>	<b>984</b>
bps	42	0	6	2	50
<b>Non Asset Pool</b>					
Direct	12,110	2,674	2,140	33	16956
Indirect (Underlying)	3,334	1,911	665	0	5910
<b>Total</b>	<b>15,444</b>	<b>4,585</b>	<b>2,805</b>	<b>33</b>	<b>22866</b>
bps	97	29	18	0	144
<b>Fund Total</b>	<b>16,279</b>	<b>4,585</b>	<b>2,918</b>	<b>69</b>	<b>23850</b>
bps	91	26	16	0	134

## Asset Allocation and performance

	Opening Value £000	%	Closing Value £000	%	Net Performance %	Local Target %
<b>Pool Assets</b>						
Global Equities Passive	65,205	3.7	114,307	5.1	na	na
Emerging Market Equities Passive	0	0	82,484	3.7	na	na
Global Equities Active	74,931	4.2	117,059	5.3	42.2	41.6
Bonds Active	0	0	250,378	11.3	na	na
<b>Total Pool Assets</b>	<b>140,136</b>	<b>7.9</b>	<b>564,228</b>	<b>25.4</b>		
<b>Non- Pool Assets</b>						
Bonds Active	182,263	10.3	0	0.0	na	na
Emerging Market Equities (Core)	50,196	2.8	77,686	3.5	54.5	43.7
Emerging Market Equities (Local)	50,104	2.8	71,667	3.2	42.8	45.6
Diversified Growth	346,996	19.6	231,021	10.4	22.0	4.2
Liability Driven Investment	317,546	17.9	500,832	22.6	52.4	52.4
Hedge Funds	140,663	7.9	145,594	6.6	3.5	3.8
Private Equity	226,849	12.8	251,667	11.3	11.2	5.3
Private Debt	40,911	2.3	52,968	2.4	-4.2	7.5
Infrastructure	112,156	6.3	106,610	4.8	-3.5	5.3
Property	126,651	7.1	132,870	6.0	1.2	2.6
Timber & Agriculture	19,913	1.1	17,555	0.8	-2.0	5.3
Cash	20,238	1.1	67,282	3.0	na	na

## Objectives 2021/22

Following the launch of a number of sub-funds to date, progress will continue to be made with significant rationalisation of the existing range of mandates. The operator 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.

In establishing the WPP pool, the focus has been on pooling the most liquid assets, namely equities and fixed income. The next step is to formulate an approach to pooling and managing illiquid assets such as Private Equity, Private Debt/Credit and Infrastructure. This will involve

reviewing a variety of structures and platforms available and assessing these to identify the best fit to meet with the Fund’s current and future requirements.

A high level transition timetable has been provided below:

<b>Investment Portfolio</b>	<b>Timeline for Launch / Implementation</b>
Tranche 4 – Emerging markets (Active)	Transition planned Q3 2021 (October 2021)
Tranche 5 – Private Market Alternatives	Transition planned 2022-2024
Subsequent Tranches	Asset Class and timing to be determined

In terms of other, non-investment objectives, the WPP hopes to continue to establish its approach as a responsible investor during 2021/22 which will involve 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 for opt up to UK Stewardship Code and the Taskforce on Climate-Related Financial disclosure (TCFD).

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.

## **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 2020/21 was £742,416 (gross) / £631,084 (net) with £469,064,784 out on loan as at 31 March 2021.

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

## Section 3

### Annual Governance Statement

#### 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.

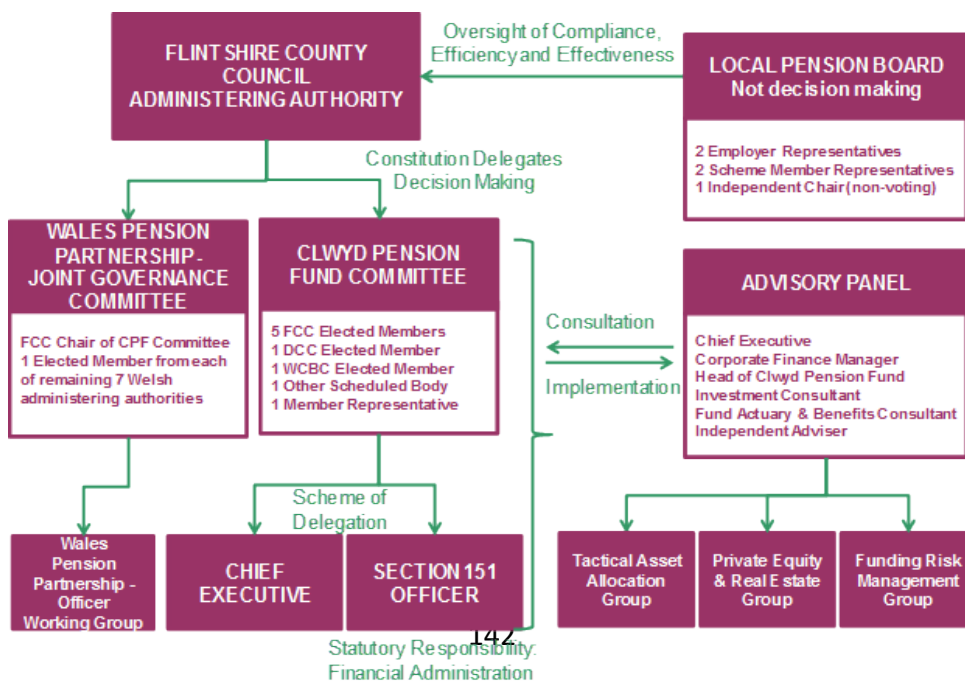
The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The 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 focusses 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 2019/20 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 last quarter of 2019/20 saw the impact of the COVID-19 pandemic growing. A ‘lock down’ period commenced on 23<sup>rd</sup> March 2020 for the Council, which included Fund officers who are all employees of the Council. Arrangements were made to enable officers to continue to undertake their duties. Meetings with the Fund’s advisors continued, enabled by appropriate technology. Discussions included advice received from the Scheme Advisory Board (SAB) and The Pension Regulator (TPR) on the management of the scheme during the pandemic.

Following the Council’s Cabinet meeting on 17<sup>th</sup> March 2020 all the Council’s formal meetings and events were cancelled. This included the Clwyd Pension Fund Committee, and both the March 2020 and June 2020 meetings of the Committee were cancelled. Where appropriate, existing delegated powers were used to make decisions. Members were kept informed through informal virtual meetings and by other electronic means.

A decision to resume Council meetings was taken at a Democracy Bronze Planning meeting in May 2020, and the first meeting of the Clwyd Pension Fund Committee was held virtually on 7<sup>th</sup> October 2020. Since then meetings of the Committee have been held virtually in line with the normal timetable, and training and workshop activities have resumed.

The Fund’s Pension Board continued to meet virtually throughout 2020/21.

## **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 reasonable assurance can be placed on the adequacy and effectiveness of the governance and control environment which operated during 2020/21.

## **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 2020/21 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.

Colin Everett

Chief Executive

September 2021

Councillor Ted Palmer

Chair Clwyd Pension Fund Committee

September 2021

## **Section 4**

### **Regulatory Documents**

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.

Mae'r dudalen hon yn wag yn bwrpasol

24 Cathedral Road / 24 Heol y Gadeirlan  
Cardiff / Caerdydd  
CF11 9LJ

Tel / Ffôn: 029 2032 0500

Fax / Ffacs: 029 2032 0600

Textphone / Ffôn testun: 029 2032 0660  
[info@audit.wales](mailto:info@audit.wales) / [post@archwilio.cymru](mailto:post@archwilio.cymru)  
[www.audit.wales](http://www.audit.wales) / [www.archwilio.cymru](http://www.archwilio.cymru)

Mr Gary Ferguson  
Corporate Finance Manager  
Flintshire County Council  
County Hall  
Mold  
Flintshire  
CH7 6NB

**Reference:** AW/CPF/MJP

**Date issued:** 4<sup>th</sup> May 2021

Dear Gary,

**Clwyd Pension Fund 2020-21 - Audit enquiries to those charged with governance and management**

In our 2021 Audit Plan, we note that the Auditor General for Wales is responsible for obtaining reasonable assurance that the financial statements taken as a whole; are free from material misstatement, whether caused by fraud or error. We also set out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas, that impacts on our audit of the Clwyd Pension Fund's financial statements. These considerations are relevant to both the management of Clwyd Pension Fund and 'those charged with governance' (the Pension Fund Committee).

I have set out below the areas of governance on which I am seeking views.

1. Processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
  - identifying and responding to risks of fraud in the organisation;
  - communication to those charged with governance the processes for identifying and responding to fraud; and

Page 1 of 13 - Clwyd Pension Fund 2020-21 - Audit enquiries to those charged with governance and management - please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

- communication to employees of views on business practice and ethical behaviour.
2. Awareness of any actual or alleged instances of fraud.
  3. How assurances are gained that all relevant laws and regulations have been complied with.
  4. Whether there is any potential litigation or claims that would affect the financial statements.
  5. Processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Pension Fund and its business processes and support our work in providing an audit opinion on your 2020-21 financial statements.

I would be grateful if you could liaise with Councillor Ted Palmer as the Chair of the Pension Fund Committee to complete the attached tables in Appendices 1-3.

Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance by 31 August 2021. In the meantime, if you have queries, please contact me on 02920 320660 or by e-mail [Michelle.Phoenix@audit.wales](mailto:Michelle.Phoenix@audit.wales).

Yours sincerely



Michelle Phoenix  
Audit Manager



## Appendix 1

### Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for the Pension Fund is the Pension Fund Committee. Management, with the oversight of the Pension Fund Committee, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

### What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how the Pension Fund Committee exercises oversight of management's processes. We are also required to make enquiries of both management and the Pension Fund Committee as to their knowledge of any actual, suspected or alleged fraud and to understand the processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

I have included your 2019-20 responses to assist with completion.

Enquiries of management - in relation to fraud		
Question	2019-20 Response	2020-21 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	<p>The risk is considered to be low, because:</p> <ul style="list-style-type: none"> <li>- The Clwyd Pension Fund (CPF) processes and systems are audited by the Flintshire County Council (FCC) internal audit team, and their reports have not identified any serious weakness in relation to potential fraud.</li> <li>- CPF uses many of FCCs processes and systems, including staff payroll, payments of benefits, and the financial ledger system, which are subject to robust controls and are regularly audited.</li> <li>- The accounts are subject to internal review by members of the CPF team which would highlight distortion resulting from potential fraud.</li> </ul> <p>Regular budget monitoring reports are produced which would highlight areas of potential fraud.</p>	<p>The risk is considered to be low, because:</p> <ul style="list-style-type: none"> <li>- The Clwyd Pension Fund (CPF) processes and systems are audited by the Flintshire County Council (FCC) internal audit team, and their reports have not identified any serious weakness in relation to potential fraud.</li> <li>- CPF uses many of FCCs processes and systems, including staff payroll, payments of benefits, and the financial ledger system, which are subject to robust controls and are regularly audited.</li> <li>- The accounts are subject to internal review by members of the CPF team which would highlight distortion resulting from potential fraud.</li> </ul> <p>Regular budget monitoring reports are produced which would highlight areas of potential fraud.</p>

2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?

CPF has a Risk Policy approved by CPF Committee. Under this policy a risk register is maintained and reports on the register are considered quarterly by CPF Committee.

The CPF Pension Board acts as a partner in assisting the Fund to meet its statutory and regulatory requirements and in administering the Fund effectively.

CPF has in place an Independent Advisor, who chairs the Pension Board and offers advice and guidance on governance matters.

CPF has a Breaches Policy approved by CPF Committee. Under this policy, CPF maintains a breaches register and reports on the register are considered quarterly by CPF Committee and at each CPF Pension Board meeting. This includes how breaches of legislation have arisen and how they have been managed.

CPF uses a number of FCC systems and processes which are governed by FCC's Financial Procedure Rules (FPR's). All officers are FCC employees and so are governed by FCC's Code of Conduct, Anti-Fraud and Corruption Strategy, Contract Procedure Rules, Whistle Blowing Policy and Constitution.

CPF participates in the NFI, which through its matching exercises would highlight potential fraud.

The Funds Actuary has completed an actuarial review during 2019/20 which includes a review of membership trends and activity. In addition, they complete IAS 19 reviews annually for large employers which require similar reviews of membership.

The CPF's Investment Advisor reviews asset valuations and performance regularly which would identify significant misstatements, and report regularly to CPF's Advisory Panel and CPF's Committee.

CPF has a Risk Policy approved by CPF Committee. Under this policy a risk register is maintained and reports on the register are considered quarterly by CPF Committee.

The CPF Pension Board acts as a partner in assisting the Fund to meet its statutory and regulatory requirements and in administering the Fund effectively.

CPF has in place an Independent Advisor, who chairs the Pension Board and offers advice and guidance on governance matters.

CPF has a Breaches Policy approved by CPF Committee. Under this policy, CPF maintains a breaches register and reports on the register are considered quarterly by CPF Committee and at each CPF Pension Board meeting. This includes how breaches of legislation have arisen and how they have been managed.

CPF uses a number of FCC systems and processes which are governed by FCC's Financial Procedure Rules (FPR's). All officers are FCC employees and so are governed by FCC's Code of Conduct, Anti-Fraud and Corruption Strategy, Contract Procedure Rules, Whistle Blowing Policy and Constitution.

CPF participates in the NFI, which through its matching exercises would highlight potential fraud.

The Funds Actuary completes IAS 19 reviews annually for large employers which require reviews of membership trends and activity.

The CPF's Investment Advisor reviews asset valuations and performance regularly which would identify significant misstatements, and report regularly to CPF's Advisory Panel and CPF's Committee.

CPF receive the annual accounts and internal control statements from fund managers in relation to investments.

	CPF receive the annual accounts and internal control statements from fund managers in relation to investments.	
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Enquiries of management - in relation to fraud		
Question	2019-20 Response	2020-21 Response
3. What arrangements are in place to report fraud issues and risks to the Audit Committee?	FCC's FCRSs specify that whenever a matter arises in relation to actual or potential fraud it is the responsibility of whichever Chief Officer's area of control it arises in to report it to Internal Audit, who will take whatever action necessary including appropriate reporting.  The Annual Internal Audit Report reports on performance against the Anti-Fraud and Corruption Strategy.	FCC's FCRSs specify that whenever a matter arises in relation to actual or potential fraud it is the responsibility of whichever Chief Officer's area of control it arises in to report it to Internal Audit, who will take whatever action necessary including appropriate reporting.  The Annual Internal Audit Report reports on performance against the Anti-Fraud and Corruption Strategy.

<p>4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>The FCC intranet contains all the relevant policies as above which can be accessed by all officers and members of FCC at any time.</p>	<p>The FCC intranet contains all the relevant policies as above which can be accessed by all officers and members of FCC at any time. There has been a considerable training programme for Members during 202/21 details of which details may be found in the Fund's Annual report.</p>
<p>5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2020?</p>	<p>No.</p>	<p>No</p>

Enquiries of management - in relation to fraud		
Question	2019-20 Response	2020-21 Response
6. How does the Pension Fund Committee, exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?	CPF Committee regularly receive updated risk registers. They also receive internal audit reports and minutes of the meetings of the Pension Board. The Independent Advisor monitors activity and produces an annual report. CPF Committee also receive regular financial monitoring reports. The CPF accounts are subject to external audit by Audit Wales.	CPF Committee regularly receive updated risk registers. They also receive internal audit reports and minutes of the meetings of the Pension Board. The Independent Advisor monitors activity and produces an annual report. CPF Committee also receive regular financial monitoring reports. The CPF accounts are subject to external audit by Audit Wales.
7. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2020?	No.	No.

## Appendix 2

### Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, which for the Pension Fund is the Pension Fund Committee, is responsible for ensuring that the Pension Fund's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

### What are we required to do?

As part of our risk assessment procedures we are required to make inquiries of management and the Pension Fund Committee as to whether the Pension Fund is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

I have included your 2019-20 responses to assist with completion.

Enquiries of management - in relation to laws and regulations		
Question	2019-20 Response	2020-21 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	All CPF activity is designed to conform to statutory requirements and the requirements of The Pensions Regulator. The Independent Advisor monitors CPF activity and reports annually. CPF makes use of external advisors, including an Actuary and an Investment Advisor, who also report annually. There is an Advisory Panel in place, chaired by the FCC Chief Executive, who work with CPF to ensure positive outcomes in all areas of CPF activity.	All CPF activity is designed to conform to statutory requirements and the requirements of The Pensions Regulator. The Independent Advisor monitors CPF activity and reports annually. CPF makes use of external advisors, including an Actuary and an Investment Advisor, who also report annually. There is an Advisory Panel in place, chaired by the FCC Chief Executive, who work with CPF to ensure positive outcomes in all areas of CPF activity.
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2020, or earlier with an ongoing impact on the 2020-21 financial statements?	The Breaches Register includes all cases of non-compliance and is reported regularly to the CPF Committee and the Pensions Board. No Breach has required reporting to The Pensions Regulator during 2019/20, and no Breach has had an impact on the preparation of the accounts.	The Breaches Register includes all cases of non-compliance and is reported regularly to the CPF Committee and the Pensions Board. No Breach has required reporting to The Pensions Regulator during 2019/20, and no Breach has had an impact on the preparation of the accounts.



3. Are there any potential litigations or claims that would affect the financial statements?	None that CPF is aware of.	None that CPF is aware of.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.	No.

Enquiries of management - in relation to laws and regulations		
Question	2019-20 Response	2020-21 Response
5. How does the Pension Fund Committee, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	As part of the regular reporting cycle to each CPF Committee, the Committee receives updates on Governance matters, which includes reports on the activities of the Pension Board. Breaches are reported to CPF Committee and the Pension Board.	As part of the regular reporting cycle to each CPF Committee, the Committee receives updates on Governance matters, which includes reports on the activities of the Pension Board. Breaches are reported to CPF Committee and the Pension Board.
6. Are you aware of any instances of non-compliance with relevant laws and regulations?	No.	No.

## Appendix 3

### Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

### What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

I have included your 2019-20 responses to assist with completion.

Enquiries of management - in relation to related parties		
Question	2019-20 Response	2020-21 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> <li>• the identity of any related parties, including changes from the prior period;</li> <li>• the nature of the relationships with these related parties;</li> <li>• details of any transactions with these related parties entered into during the</li> <li>• period, including the type and purpose of the transactions.</li> </ul>	<p>Note 22 of the CPF accounts for 2019/20 makes all necessary disclosures.</p>	<p>Note 23 of the accounts for 20/21 makes all necessary disclosures.</p>

<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>CPF has a Conflict of Interest Policy approved by CPF Committee. CPF Committee members regularly complete disclosures which are maintained on file. Members make any appropriate disclosure at the beginning of each CPF Committee meeting.</p>	<p>CPF has a Conflict of Interest Policy approved by CPF Committee. CPF Committee members regularly complete disclosures which are maintained on file. Members make any appropriate disclosure at the beginning of each CPF Committee meeting.</p>
<p>3. How does the Audit Committee, on behalf of 'those charged with governance' (full Council), in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Members make appropriate declaration before each CPF Committee meeting. The Audit Committee receive reports on the processes involved in the preparation of the CPF accounts which includes a Related Parties disclosure note.</p>	<p>Members make appropriate declaration before each CPF Committee meeting. The Audit Committee receive reports on the processes involved in the preparation of the CPF accounts which includes a Related Parties disclosure note.</p>

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 5



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 1 September 2021
<b>Report Subject</b>	Clwyd Pension Fund Policies
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

The Fund has several policies focussing on the good governance of the Fund, all of which are subject to regular review, usually at least every three years. In addition, updates can also take place between formal reviews, often after a national update in either guidance or regulations that changes the requirements placed on the Fund. The Fund may also need to develop new policies to take account of new situations or requirements, to set out the approach the Fund takes on that issue.

This report considers and includes recommendations to approve each of the following three policies:

- Knowledge and Skills Policy (previously called the Training Policy)
- Conflicts of Interest Policy and
- Policy on the Overpayment and Underpayment of Pension Scheme Benefits.

### RECOMMENDATIONS

1	That the Committee review and approve the updated Knowledge and Skills Policy.
2	That the Committee review and approve the updated Conflicts of Interest Policy.
3	That the Committee review and approve the newly created Policy on the Overpayment and Underpayment of Pension Scheme Benefits.
4	That the Committee agree to recommend an amendment to Flintshire County Council's Financial Procedural Rules relating to the write-off of bad debts, changing references from "Cabinet" to the "Pension Fund Committee".

## REPORT DETAILS

<b>1.00</b>	<b>Policy Updates</b>
1.01	<b>Knowledge and Skills Policy (Appendix 1)</b>  The Clwyd Pension Fund Knowledge and Skills Policy (previously called the Training Policy) provides all Pension Fund Committee members, Pension Board members and senior officers of the Fund with a clear framework setting out how they acquire and retain knowledge and skills required to perform their individual roles. The ultimate aim of the Policy is to ensure that those responsible for the management, delivery, governance and decision making in the Clwyd Pension Fund have the appropriate levels of knowledge and skills.
1.02	The Knowledge and Skills Policy was originally approved in November 2014 and was last reviewed in September 2018 (using officer delegations) . The latest formal review of this policy was delayed due to the impending release by CIPFA of their updated Code of Practice relating to LGPS knowledge and skills alongside their Framework for Elected Members and Officers. As the Code has now been issued (June 2021), the Policy has been reviewed and updated to meet the requirements of the new Code and ensure that the knowledge and skills of our key decision makers fit within best practices.
1.03	The key updates made include: <ul style="list-style-type: none"><li>• Renaming the Policy as the Knowledge and Skills Policy to better reflect the wording of the latest CIPFA Knowledge and Skills Code and Framework, and recognising that the requirements are wider than just delivering training.</li><li>• Adding a new objective relating to need for a commitment to training which states “Those persons responsible for the management and governance of the Clwyd Pension Fund are expected to be committed to attending and engaging with suggested training in accordance with the Knowledge and Skills Policy.”.</li><li>• Expanding the ‘to whom this Policy applies’ section to reflect the levels of knowledge requirement in the new Code for Committee and Board members and senior officers. Greater clarity is included on the higher level of knowledge required by the Pension Fund Committee Chair and also on who the officers covered by the Policy are. It also sets out how this area links to Flintshire County Council’s Performance Management process.</li><li>• Adding more detail on the legislative requirements relating to Knowledge and Skills for the Committee and Board.</li><li>• Adding the five key principles from CIPFA’s Code of Practice.</li><li>• Updating the eight knowledge areas to those included in the new CIPFA Framework.</li></ul>



	<ul style="list-style-type: none"> <li>• Incorporating reference to the need for appropriate non-technical skills for Committee Members, Pension Board members and senior officers to effectively discharge their duties.</li> <li>• Adding details about the collective nature of the Committees' knowledge requirement, in line with CIPFA's suggestion in the Code that it is appropriate to consider the knowledge and skills of a committee as a collective.</li> <li>• Adding a statement of compliance as set out as a requirement in the new CIPFA Code.</li> <li>• Adding a new section setting out requirements included in the Wales Pension Partnership Training Policy.</li> <li>• Adding further details about how the Fund monitors and reviews Knowledge and Skills.</li> <li>• Providing details of the availability of training to other key stakeholders – such as the internal auditors, audit committee members and Chief Finance Officers of non-administering authority employers participating in the Fund. This is another expectation from CIPFA's new Code and Framework. This also clarifies that training can be provided to Scheme Employers too.</li> <li>• Confirming that the designated officer is the Head of Clwyd Pension Fund.</li> </ul> <p>A contents section has also been added to the Policy to make it easier to navigate. Given the volume of changes to this Policy it has been provided as a clean version only.</p>
1.04	The Committee are asked to approve the updated Policy.
1.05	<p><b>Conflicts of Interest Policy (Appendix 2)</b></p> <p>The Conflicts of Interest Policy guides all Pension Fund Committee members, Pension Board members, officers and advisers on how actual and potential conflicts of interest in relation to the management of the Clwyd Pension Fund are identified and managed.</p>
1.06	The Conflicts of Interest Policy was originally approved in March 2015 and was last updated in September 2018. The Policy is therefore being reviewed as it has been 3 years since the last review. It is the view of the Head of Clwyd Pension Fund and the Fund's Independent Adviser that the Policy remains fit for purpose with some minor updates made which are set out below.
1.07	<p>The key updates made include:</p> <ul style="list-style-type: none"> <li>• Clarifying the officers covered by the Policy.</li> </ul>

	<ul style="list-style-type: none"> <li>• Clarifying that all conflicts should be recorded in the appropriate conflicts of interest register.</li> <li>• Clarifying that the Pension Fund Committee and Pension Board must include an agenda item on conflicts of interest at each meeting and that the Pension Board provide comment on conflicts of interest within their annual report.</li> <li>• Adding a new section setting out requirements included in the Wales Pension Partnership Conflicts of Interest Policy</li> <li>• Updating the list of key risks to note that there is a risk that individuals will not follow the requirements of the Policy.</li> <li>• Providing additional examples in appendix 1 of the Policy including emphasising where dual roles with Flintshire County Council may lead to a conflict of interest.</li> <li>• A contents section has been added to the Policy to make it easier to navigate</li> <li>• Some minor changes to the grammar to be consistent with other Fund policies.</li> </ul> <p>The changes made to the Policy are highlighted in Appendix 2.</p>
1.08	The Committee are asked to approve the updated Policy.
1.09	<p><b>Policy on the Overpayment and Underpayment of Pension Scheme Benefits (Appendix 3)</b></p> <p>The Policy on the Overpayment and Underpayment of Pension Scheme Benefits is a new Policy and has been developed to ensure that there is clarity on how overpayments and underpayments in relation to the Fund are managed. The Policy outlines that, when dealing with overpayments and underpayments in the Fund, the principles set out in Flintshire County Council's Corporate Debt Recovery Procedures, the delegation of responsibilities in its Constitution and its Financial Procedure Rules will be followed. The Policy also has regard to the fact that the Fund has specific circumstances which are not covered in the Council's policies, such as payment of benefits following a pension fund member's death, and (as relates to HMRC) authorised and unauthorised payments. The key features of the Policy are set out below for both situations.</p>
1.10	<p><i>Overpayment of benefits (section 7 of the Policy)</i></p> <p>The Fund is obliged by law to correct any overpayment of benefits within a reasonable period of time of this being discovered. The Pensions Regulator also expects pension schemes to have appropriate controls to ensure the scheme is managed correctly. The result is that the Fund must ensure the correct benefits are paid and, in many circumstances, this includes recovering any past overpayments.</p>

1.11	<p>The Policy outlines principles for how overpayments are recovered which include:</p> <ul style="list-style-type: none"> <li>• Fund officers will try to engage with the member and encourage a dialogue to agree how the overpayment will be resolved. However, where this has not been successful, the overpayment will usually be recovered from the ongoing pension over the same length of time as overpayments were made for.</li> <li>• Where a scheme member has died, the overpayment will generally be recovered from the estate of the member.</li> <li>• In cases of overpayments due to fraud, pension payments will be suspended immediately and attempts made to recover the pension immediately. The principles of the Council's Corporate Anti-Fraud and Corruption Strategy and Fraud and Irregularity Response Plan will be followed, including involving internal audit and potentially the police.</li> </ul>
1.12	<p>The Policy outlines circumstances where overpayments will or may not be recovered which include:</p> <ul style="list-style-type: none"> <li>• There will be no recovery of overpaid benefits where the aggregate overpayment is less than £100. This approach is taken on administrative grounds as the cost of recovery would likely be more than the amount recovered.</li> <li>• Where recovery of the overpayment would cause the member significant financial hardship, Fund officers will consider reasonable evidence provided by the individual or their family to support that claim in line with HM Treasury guidance “Managing Public Money”.</li> </ul> <p>The Policy also sets out details on how a recovery of overpayment would be managed in a case where the employer provided incorrect information.</p>
1.13	<p><i>Underpayment of pension (section 8 of the Policy)</i></p> <p>The Policy outlines that where a member has been underpaid their pension or lump sum, Fund officers will immediately increase the pension to the correct level and inform the member in writing of the underpayment. The underpayments to date will then usually be paid back to the member in one payment in the next monthly pension payment. Interest will be paid on underpayment amounts in line with the LGPS regulations. In the case of underpayments to a member who has died, this payment will be made to their estate.</p> <p>The Policy provides that, if the underpayment is due to employer error, then the employer may be charged for administrative costs and any interest the Fund has had to pay due to the delayed payment(s).</p>

1.14	<p><i>Other elements of the Policy</i> The Policy also includes:</p> <ul style="list-style-type: none"> <li>• Section 9 - alternative approaches to managing overpayments and underpayments may be agreed for ad-hoc bulk situations, as was the case with the recent reconciliation of Guaranteed Minimum Pensions exercise.</li> <li>• Section 10 - how the under and overpayment of other benefits, including transfer values and refunds of contributions, is managed.</li> <li>• Section 11 - the authorisation process including that all write offs will be subject to approval by the Chief Finance Officer (in line with FCC Financial Procedure Rules) as well as the parties set out in the table on page 17/18 of the Policy.</li> <li>• Section 12 - the treatment of unauthorised payments (as defined by HMRC) and the processes that will be followed in such cases</li> <li>• Section 13 - details of internal controls in place to minimise the risk of overpayments or underpayments occurring.</li> </ul>
1.15	The Committee are asked to approve the Policy.
1.16	<p><i>Council's Financial Procedure Rules</i> Whilst developing this Policy it was noted that the Council's Financial Procedure Rules include the following wording relating to the responsibilities of the Chief Finance Officer relating to the management of debt:</p> <p style="padding-left: 40px;"><i>"c) Agree the write-off of bad debts up to £5,000 in aggregate for each single domestic or business debtor, agree in consultation with Cabinet the write-off of bad debts over those amounts but up to £25,000 and refer for approval items for write-off in excess of £25,000 to the Cabinet. A record of all sums written off up to the approved limit is maintained to adhere to the requirements of the Accounts and Audit Regulations."</i></p> <p>For the following reasons, this provision would benefit from clarification:</p> <ul style="list-style-type: none"> <li>• the responsibility for the management of the Pension Fund is delegated by the Council to the Pension Fund Committee</li> <li>• the monies that are being written off will impact on scheme members and/or participating employers and</li> <li>• pension fund matters are non-executive and therefore should not be considered by Cabinet.</li> </ul> <p>Accordingly, the Committee are asked to recommend that the provision is amended to clarify that write-off of bad debt relating to the Clwyd Pension Fund should involve the Pension Fund Committee, rather than Cabinet, in the circumstances outlined.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The Chief Finance Officer has been consulted on the development of this Policy in relation to the authorisation of write-offs of overpayments.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The Knowledge and Skills Policy and Conflict of Interest Policy are internal controls relating to Governance Risk 2 (Risk inappropriate or no decisions are made) and Governance Risk 3 (Our legal fiduciary responsibilities are not met).</p> <p>The new Policy on the Overpayment and Underpayment of Pension Scheme Benefits provides an internal control relating to Administration and Communication Risks 1, 2 and 3 relating to being unable to meet legal and performance expectations (including inaccuracies and delays) due to staffing issues (1), due to employer issues (2) and due to external factors (3).</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – Knowledge and Skills Policy,</p> <p>Appendix 2 – Conflicts of Interest Policy, and,</p> <p>Appendix 3 – Policy on the Overpayment and Underpayment of Pension Scheme Benefits</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund</p> <p><b>Telephone:</b> 01352 702264</p> <p><b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.

- (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
- (c) **Committee or PFC – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.
- (d) **Board, LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of.
- (f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to MHCLG.
- (g) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation.
- (h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pension Partnership asset pooling arrangement.
- (i) **CIPFA – Chartered Institute of Public Finance and Accountancy** - a UK-based international accountancy membership and standard-setting body. They set the local government accounting standard and also provide a range of technical guidance and support, as well as advisory and consultancy services. They also provide education and learning in accountancy and financial management.
- (j) **TPR – The Pensions Regulator** – TPR has responsibilities to protect UK's workplace pensions and make sure employers, scheme managers and pension specialists can fulfil their duties to scheme members. This includes oversight of public service pension schemes, including the LGPS. Specific areas of oversight are set out in legislation and also expanded on within TPR's Guidance and Codes of Practice.
- (k) **PLSA - Pensions and Lifetime Savings Association** – PLSA aims to bring together the industry and other parties to raise standards, share best practice and support its members. It works collaboratively with members, government, parliament, regulators and other stakeholders to help build sustainable policies and regulation which deliver a better income in retirement.

**Cronfa Bensiynau Clwyd**  
**Clwyd Pension Fund**

*Gweinyddwyd gan*  
*Administered by*



**FLINTSHIRE COUNTY COUNCIL**

**Administering Authority for  
Clwyd Pension Fund**

**KNOWLEDGE AND SKILLS POLICY**

**September 2021**

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# KNOWLEDGE AND SKILLS POLICY

## Contents

<b>Introduction and Background.....</b>	<b>3</b>
<b>Aims and Objectives .....</b>	<b>3</b>
Mission Statement .....	3
Knowledge and Skills Aims and Objectives .....	3
<b>To whom this Policy Applies.....</b>	<b>4</b>
<b>Legislative and Guidance Requirements .....</b>	<b>5</b>
Legislative requirements .....	5
Guidance.....	6
<b>Application of Legislation and Guidance to the Clwyd Pension Fund .....</b>	<b>7</b>
<b>Wales Pension Partnership Training Policy .....</b>	<b>8</b>
<b>Monitoring and Ongoing Review of Knowledge and Skills.....</b>	<b>8</b>
<b>The Clwyd Pension Fund Training Plan .....</b>	<b>8</b>
<b>Initial Information and Induction Process .....</b>	<b>10</b>
<b>Availability of training to other key stakeholders .....</b>	<b>10</b>
<b>Identifying if Policy Objectives are being Met.....</b>	<b>11</b>
<b>Key Risks .....</b>	<b>11</b>
<b>Reporting .....</b>	<b>11</b>
<b>Costs .....</b>	<b>12</b>
<b>Approval, Review and Consultation.....</b>	<b>12</b>
<b>Further Information.....</b>	<b>12</b>



## Introduction and Background

This is the Knowledge and Skills Policy for the Clwyd Pension Fund (“the Fund”). The Policy details the knowledge, skills and training strategy for members of the Pension Fund Committee and Pension Board, and senior officers responsible for the management of the Fund.

The Knowledge and Skills Policy provides Pension Fund Committee, Pension Board members and senior officers of the Fund with a clear framework setting out how they acquire and retain knowledge and skills required to perform their individual roles. The ultimate aim being to ensure that those responsible for the management, delivery and governance and decision making in the Clwyd Pension Fund have the appropriate levels of knowledge and skills.

Flintshire County Council (the “Administering Authority”) is responsible for the local administration of the Fund which is part of the Local Government Pension Scheme (“the LGPS”). The Fund comprises around 52 employers with active members, and approximately 49,000 scheme members (including active members, deferred and pensioner members, and their dependants).

## Aims and Objectives

### *Mission Statement*

The Clwyd Pension Fund's Mission Statement is:

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

### *Knowledge and Skills Aims and Objectives*

In relation to the knowledge and skills of those managing the Fund, our specific objectives are as follows:

- Ensure that the Clwyd Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and skills, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.
- Those persons responsible for governing the Clwyd Pension Fund have sufficient knowledge and skills to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.
- Those persons responsible for the management and governance of the Clwyd Pension Fund are expected to be committed to attending and engaging with suggested training in accordance with the Knowledge and Skills Policy.

All Pension Fund Committee members, Pension Board members and senior officers of the Fund to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

### To whom this Policy Applies

This Knowledge and Skills Policy applies to all members of the Pension Fund Committee and the local Pension Board, including scheme member and employer representatives. It also applies to the Pension Fund Management Team, the Chief Finance Officer (as statutory Section 151 Officer), and the Administrator (in their advisory role to the Fund) (collectively referred to as the senior officers of the Fund in this Policy).

Different levels of knowledge will be required for those to whom this Policy applies:

- The Chartered Institute of Public Finance and Accounting ("CIPFA") suggests that **Pension Fund Committee members** should take a holistic view which is strategic and concentrates on the principles involved, and on performance and communication in line with their roles and responsibilities set out in their terms of reference. CIPFA also suggests that it is appropriate to consider the knowledge and skills of a committee as a collective, ensuring that the collective degree of knowledge and understanding is appropriate for the purposes of enabling the committee as a whole to properly exercise their delegated responsibility on behalf of the administering authority. They also state Committee members should be assisted, where necessary, to have the confidence to make knowledgeable challenges to the information and advice given to them. Based on these suggestions, for the purposes of this Policy, we expect Pension Fund Committee members to have an awareness and a general understanding of most areas, albeit there will be some areas where a stronger understanding is required. When assessing the necessary knowledge and skills we will also have regard to the desire to attain a collective degree of knowledge and understanding. In addition, the **Chair** of the Pension Fund Committee is expected to have a higher level of knowledge in some areas.
- **Pension Board members** have a legal requirement to have a level of knowledge that is appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board. Similarly, to Committee members, this means Board members will be expected to have an awareness and a general understanding of most areas, albeit there will be some areas where a stronger understanding is required.
- **Senior officers** include the Pension Fund Management Team, Chief Finance Officer and Administrator:
  - The Pension Fund Management Team must have the level of knowledge required to undertake their role and as such will be experts in the area of their specific responsibility and have a strong or detailed level of knowledge in other areas.
  - The Chief Finance Officer and the Administrator must have the level of knowledge required to undertake their respective statutory and advisory roles, and in the case of the Chief Finance Officer they must have appropriate professional qualifications.

All other officers involved in the daily management and operation of the Pension Fund are required to have appropriate knowledge and skills relating to their roles.

All officers are subject to the Performance Management process requirements as set by Flintshire County Council.

## Legislative and Guidance Requirements

### *Legislative requirements*

There are two explicit legislative requirements relating to knowledge requirements which apply to the LGPS:

- MiFID II (Markets in Financial Instruments Directive) and
- Section 248A of the Pensions Act 2004.

### **MiFIDII**

MiFIDII requires the Administering Authority to opt up to professional status to allow it to continue to access the full range of vehicles and managers needed to meet the needs of the investment strategy. As part of this process, evidence has to be provided that Pension Fund Committee members have an appropriate level knowledge and that adequate governance arrangements were in place. The Administering Authority maintain this status by continuing to demonstrate the competency of existing and new Pension Fund Committee members and this Knowledge and Skills Policy will support that aim.

### **The Pensions Act 2004 and The Pension Regulator's Code of Practice**

Section 248a of the Pensions Act 2004, as amended by The Public Service Pensions Act 2013 (PSPA13), requires Pension Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

These requirements are incorporated and expanded on within The Pension Regulator's Code of Practice.

There are other legislative and guidance requirements that impact on knowledge and skills in the LGPS including fiduciary and public law duties, MHCLG statutory governance guidance and the fact that pensions are not a local authority executive function.

## Guidance

### CIPFA's Code of Practice and Knowledge and Skills Frameworks

CIPFA's Code of Practice on LGPS Knowledge and Skills (published June 2021) is underpinned by five key principles which are that LGPS administering authorities:

- recognise that effective management, decision making, governance and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them
- have the necessary resources in place to ensure all staff, members or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS to acquire and retain the necessary LGPS knowledge and skills
- have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements to effectively acquire and retain LGPS knowledge and skills for those responsible for the management, delivery, governance and decision making of the LGPS
- have associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as those set down in the CIPFA LGPS Knowledge and Skills Framework while also having regard for overriding legal requirements, the Pensions Regulator and other government guidance
- have designated a named individual to be responsible for ensuring that policies are implemented.

CIPFA have published two Frameworks including:

- Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers (published June 2021)
- Technical Knowledge and Skills Framework for Local Pension Boards (published July 2015).

Both Frameworks cover eight areas of knowledge and skills identified as the core requirements. The areas (as set out in the LGPS Committee Members and LGPS Officers Framework are:

- Pensions legislation and guidance
- Pensions governance
- Funding strategy and actuarial methods Pensions administration and communications
- Pensions financial strategy, management, accounting reporting and audit standards
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and products
- Pensions services procurement, contract management and relationship management.

Each area has a list of competencies and the level of knowledge expected for each competency is split into categories to help demonstrate the level of knowledge required.

In addition, the CIPFA Framework highlights that there are a number of non-technical skills (e.g. using judgement and common sense in decision making and absorbing, analysing and processing large volumes of information) which should be considered when determining the ability of Committee Members, Pension Board members and senior officers to effectively discharge their duties.

### Application of Legislation and Guidance to the Clwyd Pension Fund

As recommended by the CIPFA Code of Practice on LGPS Knowledge and Skills, in relation to the management of the Clwyd Pension Fund, we have adopted the requirements of the Code as outlined below:

1. We adopt the key principles of the Code of Practice on LGPS Knowledge and Skills.
2. We recognise that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
3. We aim to have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of LGPS knowledge and skills for those responsible for the management, delivery, governance and decision making of the LGPS.
4. These policies and practices are guided by reference to the CIPFA LGPS Knowledge and Skills Framework.
5. We will ensure that we have adequate resources in place to ensure all staff, members or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS acquire and retain the necessary LGPS knowledge and skills.
6. We will report annually on how its knowledge and skills policy has been put into practice throughout the financial year in the Clwyd Pension Fund's annual report.
7. We have delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Head of Clwyd Pension Fund who will act in accordance with this Knowledge and Skills Policy.

We also fully support the guidance included in the Pension Regulator's Code of Practice and understand the need for appropriate knowledge and skills to allow professional status to be awarded for MiFIDII purposes.

This Knowledge and Skills Policy highlights how we will strive to achieve those through use of a rolling training plan together with regular monitoring and reporting.

### Wales Pension Partnership Training Policy

One of the key areas of knowledge covered by this Policy is investment pooling. A proportion of the Clwyd Pension Fund's assets are invested through the Wales Pension Partnership. The Wales Pension Partnership has its own Training Policy<sup>1</sup> which was approved by its Joint Governance Committee. Accordingly the Chair and Vice-Chair of the Clwyd Pension Fund Committee (as members of the Joint Governance Committee) and senior officers of the Fund who are members of the Officer Working Group must also comply with the requirements of that Policy. In line with that Policy, Clwyd Pension Fund Committee members, Board members and senior officers may be invited to attend Wales Pension Partnership training events.

### Monitoring and Ongoing Review of Knowledge and Skills

A key element of delivering our Policy objectives is ensuring that the level of knowledge and skills is monitored, and gaps in knowledge are determined. We will do this in a number of ways:

- We will carry out a training needs analysis for the main roles of Pension Fund Committee members, Pension Board members and Senior Officers customised appropriately to the key areas in which they should be proficient (including the CIPFA competencies).
- We will regularly ask Pension Fund Committee members, Pension Board members and Senior Officers to highlight training needs.
- We will monitor attendance at training and events to ensure any lack of attendance is followed-up.

The output from these will be key in developing the Clwyd Pension Fund Training Plan.

### The Clwyd Pension Fund Training Plan

Attaining, and then maintaining, relevant knowledge and skills is a continual process for Pension Fund Committee members, Pension Board members and senior officers, and that training is a key element of this process. We will develop a rolling Training Plan based on the following key elements:

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<sup>1</sup> <https://www.walespensionpartnership.org/media/h2af1i0a/7-wpp-training-policy.pdf>

### Training Needs for Key Requirements

The key knowledge requirements where proficiency is expected will be identified for the main roles of Pension Fund Committee members, Pension Board members and senior officers. These will include the CIPFA competencies. Training will be provided in relation to each of these areas as part of any induction and on an ongoing refresher basis in accordance with training needs.

### Hot Topic Training

The Training Plan will be developed to ensure appropriately timed training is provided in relation to hot topic areas, such as a high risk area or an area of change for the Fund. This training may be targeted at specific roles.

### General Awareness

Pension Fund Committee members, Pension Board members are expected to have a regularly updated awareness, and senior officers are expected to have a detailed knowledge of ongoing developments and current issues. This allows them to have the right level of understanding of pension related matters appropriate for their roles and which may not be specific to the Clwyd Pension Fund.

Each of these training requirements will be focussed on the role of the individual i.e. a Pension Fund Committee member, a Pension Board member or the specific role of the officer.

Training will be delivered through a variety of methods including:

- In-house training days provided by officers and/or external providers
- Training as part of meetings or immediately or after meetings (e.g. Pension Fund Committee or Pension Board) provided by officers and/or external advisers
- External training events
- Circulation of reading material, documentation and information
- Attendance at seminars and conferences offered by industry-wide bodies
- Attendance at meetings and events with the Clwyd Pension Fund's investment managers and advisors, either directly or as part of the Wales Pensions Partnership
- Links to on-line training

- Access to the Clwyd Pension Fund website where useful Clwyd Pension Fund specific material is available
- Qualifications relevant to senior officers.

In addition, Clwyd Pension Fund officers and advisers are available to answer any queries on an ongoing basis including providing access to materials from previous training events.

### Initial Information and Induction Process

On joining the Pension Fund Committee, the Pension Board or the Clwyd Pension Fund Management Team, a new member or officer will be provided with the following documentation to assist in providing a basic understanding of Clwyd Pension Fund:

- The members' guide to the Local Government Pension Scheme (provided via the Clwyd Pension Fund website)
- The latest Actuarial Valuation report
- The Annual Report and Accounts, which incorporate:
  - The Funding Strategy Statement
  - The Governance Policy and Compliance Statement
  - The Investment Strategy Statement including Clwyd Pension Fund's statement of compliance with the LGPS Myners Principles
  - The Communications Strategy
- The Administration Strategy
- The administering authority's Discretionary Policies
- This Knowledge and Skills Policy
- The latest Fund Business Plan
- The Procedure for Recording and Reporting Breaches of the Law
- The Conflicts of Interest Policy
- Other policies as relevant

In addition, a training plan will be developed to assist each Pension Fund Committee member, Pension Board member or officer in achieving, within six months, their identified individual training requirements.

### Availability of training to other key stakeholders

The CIPFA Knowledge and Skills Code of Practice recommends that the administering authorities makes training opportunities available to other key stakeholders involved in the Fund's activities such as the internal auditors, audit committee members and Chief Finance Officers of non-administering authority employers participating in the Fund. In delivering this Policy we will consider if training offered to Pension Fund Committee, Pension Board and Officers should be extended to other stakeholders, including scheme employers, or if bespoke



training should be provided to specific groups (as required). We will consider how training can be provided on request from other stakeholders.

### Identifying if Policy Objectives are being Met

In order to identify whether we are meeting the objectives of this policy we will:

1) Compare and report on attendance at training based on the following:

- 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.
- Hot Topic Training – 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 focussed at a particular group of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.
- 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.
- Induction training – ensuring areas of identified individual training are completed within six months of appointment.

\*in exceptional circumstances, such as a major change to the Committee membership where induction training is being carried out, a training needs analysis may be deferred to a later date.

2) Ask our Independent Adviser to provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy.

### Key Risks

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee members, with the assistance of the Clwyd Pension Fund Advisory Panel, will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Fund Committee and/or Pension Board membership and/or senior officers potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and related events, and/or formal meetings by Committee Members, Pension Board Members and/or other senior officers resulting in a poor standard of decision making and/or monitoring.
- Insufficient resources being available to identify training needs, deliver or arrange the required training.
- The quality of advice or training provided is not an acceptable standard.

### Reporting

The following information will be included in the Clwyd Pension Fund's Annual Report and Accounts and, as part of that, also shared with the Pension Fund Committee on an annual basis:

- The training provided / attended in the previous year at an individual level
- The results of the measurements identified above.

At each Pension Fund Committee and Pension Board meeting, members will be provided with details of forthcoming seminars, conferences and other relevant training events as well as a summary of the events and attendance since the previous meeting.

### Costs

All training costs related to this Knowledge and Skills Policy are met directly by Clwyd Pension Fund

### Approval, Review and Consultation

This Knowledge and Skills Policy was originally approved at the Clwyd Pension Fund Committee meeting on 5 November 2014 and further amendments were approved on 26 November 2015 (by the Pension Fund Committee) and in September 2018 (using officer delegations). This latest version was approved on [INSERT DATE]. It will be formally reviewed and updated at least every three years or sooner if the training arrangements or other matters included within it merit reconsideration.

### Further Information

If you require further information about anything in or related to this Knowledge and Skills Policy, please contact:

Philip Latham, Head of Clwyd Pension Fund, Flintshire County Council  
E-mail - [Philip.latham@flintshire.gov.uk](mailto:Philip.latham@flintshire.gov.uk)  
Telephone - 01352 702264

**Cronfa Bensiynau Clwyd  
Clwyd Pension Fund**

*Gweinyddwyd gan  
Administered by*



**FLINTSHIRE COUNTY COUNCIL**

**Administering Authority for  
Clwyd Pension Fund**

**CONFLICTS OF INTEREST POLICY**

**September 2018 September 2021**

# CONFLICTS OF INTEREST POLICY

## Contents

Introduction .....	2
Aims and Objectives.....	3
To whom this Policy Applies .....	4
Legislative and related context .....	5
Other Administering Authority Requirements .....	7
What is a Conflict or Potential Conflict and how will they be managed? .....	8
Responsibility .....	10
Operational procedure for officers, Pension Fund Committee members and Pension Board members.....	10
Operational procedure for advisers.....	11
Monitoring and Reporting .....	12
Key Risks.....	13
Costs.....	13
Approval, Review and Consultation.....	13
Further Information .....	13
Examples of Potential Conflicts of Interest.....	14
Declaration of Interests relating to the management of Clwyd Pension Fund administered by Flintshire County Council.....	16
Clwyd Pension Fund - Register of Potential and Actual Conflicts of Interest.....	17

## Introduction

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result

in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the Clwyd Pension Fund, which is managed by Flintshire County Council (the "Administering Authority"). The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Clwyd Pension Fund whether directly or in an advisory capacity.

This Conflicts of Interest Policy is established to guide the Pension Fund Committee members, Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

## Aims and Objectives

The Clwyd Pension Fund's Mission Statement is as follows:

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

In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust and well based
- Understand and monitor risk
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance

- Clearly articulate its objectives and how it intends to achieve those objectives through business planning, and continually measure and monitor success.

The identification and management of potential and actual conflicts of interest is integral to ~~the Administering Authority us~~ achieving ~~its~~ ~~our~~ governance objectives.

## To whom this Policy Applies

This Conflicts of Interest Policy applies to all members of the Pension Fund Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not. It applies to ~~all managers in the Flintshire County Council~~ Pension Fund Management Team, the Chief Finance Officer (as statutory Section 151 Officer) and the ~~Chief Executive Administrator (from here on in~~ collectively referred to as the senior officers of the Fund ~~in this Policy~~).

The ~~Head of the Clwyd Pension Fund Manager~~ will monitor potential conflicts for ~~less senior all~~ officers involved in the daily management of the Pension Fund and highlight this Policy to them as ~~he~~ ~~they~~ considers ~~it~~ appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

The Policy also applies to all advisers and suppliers to the Fund, whether advising the Pension Board, Pensions Fund Committee or Fund officers.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to ~~the Administering Authority us~~ in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to ~~the Administering Authority us~~ rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with ~~the Administering Authority us~~ and any other body on which they represent the Administering Authority, on any actual or potential conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with ~~the Administering Authority us~~ how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

## Legislative and related context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

### *The Public Service Pensions Act 2013*

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a Pension Board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires Pension Board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

### *The Local Government Pension Scheme Regulations 2013*

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each ~~Administering~~ administering Authority authority to satisfy itself that Pension Board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each ~~Administering~~ administering Authority authority must have regard to guidance issued by the Secretary of State in relation to Pension Boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to ~~Administering~~ administering Authorities authorities and Pension Boards. The LGPS national scheme advisory board issued guidance relating to the establishment of Pension Boards including a section on conflicts of interest. This Conflicts of Interest Policy has been developed having regard to that guidance.

### *The Pensions Act 2004*

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

### *CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance*

The CIPFA governance principles guidance states "*the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have.*" It includes some examples of how conflicts of interest could arise in these new roles. It highlights the need for ~~Administering~~ ~~administering~~ ~~Authorities~~ ~~authorities~~ to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities;
- ensure declarations are updated appropriately.

This Conflicts of Interest Policy ~~has been updated to~~ ~~take~~ account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance.

### *Local Government Act 2000*

All members and co-opted members of the Clwyd Pension Fund Committee are required by the Local Government Act 2000 to abide by Flintshire's Members' Code of Conduct. Part 3 of that Code contains provisions relating to personal interests, personal and prejudicial interests, their disclosure and limitations on members' participation where they have any such interest.

### *The Public Services Ombudsman for Wales' Ten Guiding Principles*

The Local Government Act 2000 empowered the National Assembly ~~(as it was then; now the Welsh Government)~~ to issue principles to which local authority elected members must have regard in undertaking their role as a member. These principles draw on the 7 Principles of Public Life which were set out in the Nolan Report "Standards of Conduct in Local Government in England, Scotland and Wales". Three more were added to these; a duty to uphold the law, proper stewardship of the Council's resources and equality and respect for others.

The individual sections of ~~the Flintshire County Council Members' our~~ Code of Conduct (which applies to Pension Fund Committee and Pension Board members) are designed



to support the implementation of the Principles. For example, the Selflessness principle is covered by Section 7 of the Code – Selflessness and Stewardship.

The current principles were set out in a statutory instrument and are detailed below. Many of the principles are integral to the successful implementation of this Policy.

1. Selflessness
2. Honesty
3. Integrity and Propriety
4. Duty to Uphold the Law
5. Stewardship
6. Objectivity in Decision-making
7. Equality and Respect
8. Openness
9. Accountability
10. Leadership

#### *Advisers' Professional Standards*

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any Protocol or other document entered into between **us and** an adviser **and the Administering Authority** in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

### **Other Administering Authority Requirements**

#### *Pension Fund Committee Members*

In addition to the requirements of this Policy, Pension Fund Committee members and co-opted members are required to adhere to the Flintshire County Council Members' Code of Conduct which, in Part 3, includes requirements in relation to the disclosure and management of personal and prejudicial interests.

#### *Pension Board Members*

In addition to the requirements of this Policy, Pension Board members are required to adhere to Part 8 of the Pension Board Protocol which includes declaring any interests that may lead to a conflict situation.

#### *Employees*

In addition to the requirements of this Policy, **our** officers **of Flintshire County Council** are required to adhere to the Flintshire County Council Officers' Code of Conduct which includes requirements in relation to the disclosure and management of personal and pecuniary interests.

### *Advisers*

~~The Administering Authority~~We appoint ~~ours~~its own advisers. There may be circumstances where these advisers are asked to give advice to Flintshire County Council or other scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Clwyd Pension Fund and on which advice is required or to a supplier or organisation providing services to the Clwyd Pension Fund. An adviser can only continue to advise ~~the Administering Authority~~us and another party where there is no conflict of interest in doing so.

Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pensions Fund Committee or Fund officers as long as there is no conflict of interest between the two roles.

### *Conduct at Meetings*

There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). ~~We~~ ~~The Administering Authority~~require that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pensions Fund Committee meeting, and that this will be recorded in the minutes.

### **Wales Pension Partnership Conflict of Interest Policy**

One of the potential areas of conflict covered by this Policy is investment pooling. A proportion of the Clwyd Pension Fund's assets are invested through the Wales Pension Partnership. The Chair and Vice-Chair of the Clwyd Pension Fund Committee (as members of the Joint Governance Committee) and senior officers of the Fund who are members of the Officer Working Group must also comply with the requirements of the Wales Pension Partnership Conflict of Interest Policy<sup>1</sup> when carrying out their Wales Pension Partnership roles and responsibilities.

### **What is a Conflict or Potential Conflict and how will they be managed?**

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by ~~us~~ ~~Flintshire County Council~~, and
- at the same time has:

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<sup>1</sup> <https://www.walespensionpartnership.org/media/xsjljl/6-conflicts-of-interest-and-procedure-policy.pdf>

- a separate personal interest (financial or otherwise) or
- another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 1. The appendix also illustrates where disclosure of a personal or prejudicial interest may separately be required for Pension Fund Committee members (including co-opted members) under the Flintshire County Council Members' Code of Conduct. As can be seen from these examples, one of the key areas of potential conflict relates to the dual roles held by us as the Administering Authority to the Clwyd Pension Fund and a participating employer in the Clwyd Pension Fund.

~~Flintshire County Council~~We will encourage a culture of openness and transparency and will encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

~~Flintshire County Council~~We will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pension Fund Committee meeting)
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen).

Provided that ~~the Administering Authority~~we, (having taken any professional advice deemed to be required) are is satisfied that the method of management is satisfactory, ~~Flintshire County Council~~we shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

### *Minor Gifts*

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to a **notional** maximum value of £50 per item and an overall maximum value of £100 from an individual company per event) obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all members of the public attending the event do not need to be declared. Pension Fund Committee members should, however, be aware that they may be subject to lower limits and a separate notification procedure in the Flintshire County Council Members’ Code of Conduct. Similarly **Flintshire County Council** our officers may also be subject to lower limits or other restrictions within Council employee policies.

## Responsibility

**Flintshire County Council** as **As** the scheme manager for the Clwyd Pension Fund, **we** must be satisfied that conflicts of interest are appropriately managed. For this purpose, the **Head of the Clwyd Pension Fund** **Manager** is the designated individual for ensuring the procedure outlined below is carried out.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

## Operational procedure for officers, Pension Fund Committee members and Pension Board members

The following procedures must be followed by all individuals to whom this policy applies.

**However, it should be noted all members of the Pension Fund Committee (including co-opted members) have a pre-eminent requirement to follow and abide by the requirements of Part 3 of the Flintshire County Council Members’ Code of Conduct** relating to the treatment and disclosure of certain personal and prejudicial interests. Accordingly, for those members, disclosures under this policy may **be in addition** to disclosures under the Council’s Code of Conduct.

What is required	How this will be done
<p><i>Step 1 - Initial identification of interests which do or could give rise to a conflict</i></p>	<p>On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix 2.</p> <p>The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest in a format the same or similar to that included in Appendix 3.</p>

What is required	How this will be done
<p><i>Step 2 - Ongoing notification and management of potential or actual conflicts of interest</i></p>	<p>At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the minutes of the meeting and also in the Fund's Register of conflicts of interest. In addition, the latest version of the Register will be made available by the <b>Head of Clwyd Pension Fund Manager</b> to the Chairman of every meeting prior to that meeting if required.</p> <p>At Clwyd Pension Fund Committee meetings there will also, at the start of the meeting, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda.</p> <p>Any individual who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chairman and the <b>Head of the Clwyd Pension Fund Manager</b> prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the <b>Head of the Clwyd Pension Fund Manager</b>, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p> <p>If such a conflict is identified outside of a meeting the notification must be made to the <b>Head of the Clwyd Pension Fund Manager</b> and where it relates to the business of any meeting, also to the Chairman of that meeting. The <b>Head of the Clwyd Pension Fund Manager</b>, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>Where information relating to any potential or actual conflict has been provided, the <b>Head of the Clwyd Pension Fund Manager</b> may seek such professional advice as <del>he or she</del> <b>they</b> think fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest and in the minutes of the meeting if raised during a meeting.</p>
<p><i>Step 3 - Periodic review of potential and actual conflicts</i></p>	<p>At least once every 12 months, the <b>Head of the Clwyd Pension Fund Manager</b> will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund conflicts of interest. All individuals will complete confirm that their information is correct or highlighting any changes that need to be made.</p>

## Operational procedure for advisers

All of the key advisers are expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with **Flintshire County Council** us.

Although this Policy applies to all advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to the **Head of the Clwyd Pension Fund Manager** in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to **Flintshire County Council**
- notify the **Head of the Clwyd Pension Fund Manager** immediately should a potential or actual conflict of interest arise
- highlight at all meetings should a potential or actual conflict of interest arise, preferably at the start of the meeting.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

## Monitoring and Reporting

All declarations should be collated and recorded on the Fund's Register of Conflicts of Interests (see Appendix 3 for details on the format of the register).

In order for us to fulfil our obligations to manage and monitor potential conflicts of interests the Pension Fund Committee and the Pension Board must include an item on conflicts of interest at each meeting. The Pension Board must also include an item on conflict of interest in its Annual Report.

The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the **Head of the Clwyd Pension Fund Manager**.

In order to identify whether the objectives of this Policy are being met **the Administering Authority** will:

- Review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity
- Provide **our** findings to the **Administering Authority's** Independent Adviser and ask **him or her** to include comment on the management of conflicts of interest in **his or her** their annual report on the governance of the Fund each year.

## Key Risks

The key risks to the delivery of this Policy are outlined below. All of these could result in an actual conflict of interest arising and not being properly managed. The **Head of the Clwyd Pension Fund Manager** will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- **Failure by an individual to follow the requirements of this Policy**
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting.

## Costs

All costs related to the operation and implementation of this Policy will be met directly by Clwyd Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

## Approval, Review and Consultation

This Conflicts of Interest Policy was most recently ~~originally~~ reviewed and approved ~~using delegated responsibilities on 24 March 2015 with amendments approved by the Pension Fund Committee on 5 September 2018~~ **on XX September 2021**. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

## Further Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Philip Latham,

**Head of the Clwyd Pension Fund Manager**, Flintshire County Council

E-mail - [Philip.latham@flintshire.gov.uk](mailto:Philip.latham@flintshire.gov.uk)

Telephone - 01352 702264

## Examples of Potential Conflicts of Interest

Examples of Pension Related Potential Conflict of Interest	Also a Personal or Prejudicial Interest*
a) An elected member on the Pension Fund Committee may be required to provide views on a funding strategy which could result in an increase in employer contributions payable by the employer he or she represents.	No
b) A member of the Pension Fund Committee member is on the board of an Investment Manager that the Committee is considering appointing.	Yes
c) An employer representative on the Pension Board is employed by a company to which the Administering Authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.	No
d) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.	Yes
e) The Administering Authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Finance Director, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Committee which, if agreed would result in a material reduction in the recharges to the Council from the Fund.	No
f) Officers of the Fund are asked to provide a report to the Pension Board or Pension Fund Committee on whether the administration services should be outsourced which, if it were to happen could result in a change of employer or job insecurity for the officers.	No
g) An employer representative employed by the Administering Authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only serves to act in the interests of the Administering Authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pension Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.	No
h) A Fund adviser is party to the development of a strategy which could result in additional work for his or her firm, for example, providing delegated or fiduciary management of Fund investments, providing assistance with monitoring the covenant of employers or where they are also advisers to the Wales Pensions Partnership.	No
i) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Fund Committee or Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Fund Committee or Pension Board.	No



j) An officer of the Fund or member of the Pension Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process	No
k) An officer of the Fund is asked to provide guidance to the Local Pension Board on the background to an item considered at the Pension Committee. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Committee item.	No
l) A member of the Pension Fund Committee or officer of the Fund is on a Wales Pensions Partnership committee/group and a matter is being considered that would benefit their originating Council or Pension Fund to a greater degree than other participating Councils or Funds.	No
m) An administrator in the Fund receives a case to calculate a benefit which relates to a family member, close friend or colleague	No
n) An elected member on the Pension Fund Committee, who also sits on the WPP Joint Committee, also has a role in their local authority in relation to local infrastructure, and this is a potential investment being considered by Brunel Pensions Partnership which the Fund might invest in.	No
o) An elected member on the Pensions Committee also has a role in driving carbon reduction in their local authority area, which also happens to the administering authority for the Fund.	No
p) The senior pension fund officer is asked to provide technical advice to a scheme employer about an outsourcing contract. This includes questions about the impact on that employer and their employer requirements relating to the outsourcing contract. That senior pension fund officer is also (or will be) involved in similar matters from a Pension Fund perspective relating to that outsourcing.	No

\* This indicates those interests that must also be declared by Pension Fund Committee members in accordance with the Flintshire County Council Members' Code of Conduct.

**Declaration of Interests relating to the management of Clwyd Pension Fund administered by Flintshire County Council**

*Tick as appropriate*

I, \_\_\_\_\_ [insert full name], am:

- an officer involved in the management
- Pension Fund Committee Member
- Pension Board Member

of Clwyd Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Clwyd Pension Fund Conflicts of Interest Policy. I have put “none” where I have no such interests under any heading.

**Responsibilities or other interests that could result in a conflict of interest** (please list and continue overleaf if necessary):

*A) Relating to me*

*B) Relating to family members or close colleagues*

**Undertaking:**

I declare that I understand my responsibilities under the Clwyd Pension Fund Conflicts of Interest Policy. I undertake to notify the **Head of Clwyd Pension Fund Manager** of any changes in the information set out above.

Signed \_\_\_\_\_ Date \_\_\_\_\_

Name (CAPITAL LETTERS) \_\_\_\_\_

**Clwyd Pension Fund - Register of Potential and Actual Conflicts of Interest**

All reported conflicts of interest will be recorded in the minutes and we will maintain and review a register of conflicts will be maintained and reviewed annually by Flintshire County Council, the Administering Authority.

Date identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified(1)	Action taken(2)	Follow up required	Date resolved
Tudalen 219								

(1) E.g. verbal declaration at meeting, written conflicts declaration, etc

(2) E.g. withdrawing from a decision making process, left meeting

Mae'r dudalen hon yn wag yn bwrpasol

**Cronfa Bensiynau Clwyd**  
**Clwyd Pension Fund**



**FLINTSHIRE COUNTY COUNCIL**

**Administering Authority for**  
**Clwyd Pension Fund**

**POLICY ON THE OVERPAYMENT AND UNDERPAYMENT OF PENSION SCHEME**  
**BENEFITS**

**September 2021**

Tudalen 221

## Contents

1. Introduction .....	3
2. Policy adoption and review.....	3
3. Regulations.....	4
4. Policy objectives.....	4
5. Purpose of the policy .....	5
6. Scope.....	6
7. Managing overpayments of benefits .....	6
7.1 Overpayments to an individual of an aggregate amount of less than £100.....	8
7.2 Overpayments discovered within 6 years.....	9
7.3 Overpayments discovered after 6 years .....	9
7.4 Recovery period .....	9
7.5 Recovery of overpaid pension on the death of a Scheme member .....	9
7.6 Recovery of overpayments of pension due to incorrect amounts being paid by the Administering Authority .....	10
7.7 Recovery of Pension Commencement Lump Sum overpayments.....	12
7.8 Recovery of overpayments of pension or lump sum due to incorrect information supplied by the employer.....	13
7.9 Overpayments due to Fraud or Corruption .....	14
7.10 Overpayments to an individual where recovery will cause hardship.....	14
8. Managing underpayments of benefits.....	15
8.1 General principles for repayment of underpaid pension or pension commencement lump sum payments .....	15
8.2 Underpayment of pension resulting from incorrect information supplied by the employer ....	15
8.3 Underpayment of benefits discovered following the death of a Scheme member .....	16
9. Underpayments and overpayments relating to reconciliation of Guaranteed Minimum Pensions (GMP) and other ad-hoc bulk situations.....	16
10. Underpayments and Overpayments of other benefit settlement amounts .....	16
10.1 Transfer values.....	16
10.2 Trivial Commutation and "de minimis" lump sum payments.....	17
10.3 Refund of contributions .....	17
11. Authorisation .....	18
12. Unauthorised payments .....	20
13. Prevention.....	21
14. Further Information .....	22

## **1. Introduction**

This is the Overpayment and Underpayment of Pension Scheme Benefits Policy for the Clwyd Pension Fund ("the Fund"), which is managed by Flintshire County Council ('the Administering Authority').

Nothing in this document will cause the Administering Authority's capacity to exercise its discretionary powers to be unlawfully fettered or restricted in any way.

Any points of discretion or further decisions to be made as outlined in this policy will be decided jointly by the Head of Clwyd Pension Fund and Pensions Administration Manager, taking expert legal advice where appropriate, unless the policy states otherwise.

Underpayments and overpayments of pension can occur for a variety of reasons. Members' benefits are specified in the Local Government Pension Scheme Regulations and it is not permitted under law for members to be paid anything other than the amounts due under these rules.

However, there are circumstances in which members may be paid more or less than they are due, and it is important that we have a clear policy on how these situations are managed when Fund under or overpayments are identified.

We also committed to having effective processes in place which minimise the risk of underpayments and overpayments arising, and which identify such cases so that they can be resolved quickly in the interest of all affected parties.

When dealing with overpayments and underpayments in the Fund, we will follow the principles set out in Flintshire County Council's Corporate Debt Recovery Procedures, the delegation of responsibilities in its Constitution and its Financial Procedure Rules, having regard to the fact that the Fund has specific circumstances which are not covered in those policies, such as payment of benefits following a pension fund member's death, and (as relates to HMRC) authorised and unauthorised payments.

## **2. Policy adoption and review**

This Overpayment and Underpayment of Pension Scheme Benefits Policy was approved by the Clwyd Pension Fund Committee on 1 September 2021.

The Fund will review this policy as required in the light of future changes to LGPS or other relevant legislation. It will also be reviewed at least every three years and updated as necessary. Updates will be approved by the Clwyd Pension Fund Committee and the revised policy published as a public document following approval.

The Administering Authority retains the right to change this policy at any time as long as it republishes the amended policy at least one month in advance of the change(s) being introduced coming into effect.

### **3. Regulations**

We will administer this policy to the extent reasonably possible in line with the provisions of the LGPS Regulations 2013, other legislation and legal requirements applicable to the LGPS and relevant to the management of occupational pension schemes in particular to overpayments and underpayments of pension scheme benefits, including:

- Registered Pension Scheme (Authorised Payments) Regulations 2009
- The Limitation Act 1980
- The Pensions Act 1995
- The Finance Act 2004
- The principles of the Law of Equity including the doctrine of equitable recoupment.

### **4. Policy objectives**

We recognise the significance of our role in managing the Clwyd Pension Fund on behalf of its stakeholders which include:

- around 49,000 current and former members of the Fund, and their dependants
- around 52 employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas.

The Clwyd Pension Fund Mission Statement is:

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

In relation to the governance of the Fund, the key aims which relate to this policy are to:

- Act in the best interests of the Fund's members and employers
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success



The Fund's Administration Strategy has specific objectives, and those which are relevant to this policy are listed as follows:

- 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 and ensure data is protected and has authorised use only.

The Fund's Communications Strategy has specific objectives relating to how we communicate with our stakeholders. The key objective in relation to this policy is as follows;

- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders.

## **5. Purpose of the policy**

The purpose of this policy is to ensure that the relevant objectives set out in the administration and communications strategies set out above are met, and the administration of the Fund is carried in line with the governance objectives of the Fund. In particular, it aims to ensure that:

- all overpayments and underpayments of benefits are treated in a fair and equitable manner
- we recover any overpayments of benefits where it is appropriate and practical to do so
- we reimburse members or their beneficiaries where underpayments have occurred
- we have processes in place to prevent and mitigate potential fraudulent activity.

More specifically, this policy aims to ensure that:

- The correct amount of benefits are paid to the right people at the right time;
- Accurate records are maintained and data is protected and has authorised use only
- Errors are identified as soon as possible
- Overpayments are recovered with the cooperation of the individual and/or employer but acknowledging that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice, be able to be recovered (in whole or in part)
- Underpayments are reimbursed with the cooperation of the individual

- Individuals, members and employers understand the importance of checking their payslips/payments for any reasonably identifiable errors and
- We manage any over or underpayment effectively, such that the Internal Dispute Resolution Procedure (IDRP) is not seen as a necessary course of action by any individual.

## 6. Scope

The policy applies to:

- All members and former members of the Clwyd Pension Fund, and their dependants including members who left pensionable service prior to 1 April 2014, councillor members and pension credit members;
- Any person who has a right to make an application under the LGPS internal disputes resolution policy under regulation 74 of the LGPS Regulations 2013
- Executors of the estates and personal representatives of deceased Clwyd Pension Fund members
- Administrators of the scheme
- Employers participating in the scheme and
- The Clwyd Pension Fund Committee ("the Committee").

This policy does not give, nor shall it be deemed to give, any rights, whether contractual or legally enforceable or otherwise to any member of the Fund, or to any other person whatsoever.

## 7. Managing overpayments of benefits

Under regulation 14 of the Registered Pension Scheme (Authorised Payments) Regulations 2009, we are obliged to correct any overpayment we discover within a reasonable period of time in order to avoid adverse tax consequences. The Pensions Regulator recognises that there is a legal obligation for pension fund managers to have in place appropriate controls to ensure the scheme is managed in accordance with the scheme regulations. In practice, that means we must ensure the correct benefits are paid and where that is not the case, that we need to recover any past overpayments as well as correcting the benefit payments for the future.

There are circumstances in which an overpayment may not be recovered from the member and may be written off by us. Whether and how the overpayment is recovered depends on the following circumstances:

- How long after the overpayment first occurred that it was discovered
- Whether the member could reasonably have been aware that they were being or had been overpaid
- Whether the member died before the overpayment was discovered
- The size of the aggregate amount of the overpayment
- The cost of recovering the overpayment
- Whether the overpayment was the result of a criminal act
- Whether the recovery of the overpayment would result in "hardship" for the member.

Where a member claims that they are not able to repay any overpayment due to having spent the overpaid funds and changed their financial position as a result (for example on improving their lifestyle), our understanding of the law is that this does not necessarily prevent recovery, and it may be for the member to prove in a court of law that they would not have incurred the equivalent expenditure anyway (i.e. had there not been the overpayment).

Our approach is designed to engage the member and encourage a dialogue to agree how the over/under payment will be resolved. However, where the member does not respond after we have written to them on three occasions over three months, we will look to recover an overpayment from the ongoing pension, subject to legal advice on the matter.

Typically, overpayments of pension will be recovered through the reductions to pensions applied in the pensioner payroll system. Where recovery is not being made through payroll and an invoice has been raised, responsibility for chasing the payment rests with the Flintshire County Council Debt Recovery Team. Any communications with members will be handled sensitively. If a final reminder is issued, pension fund officers are notified and a decision is made in accordance with the Fund's authorisation requirements for writing off overpayments (as outlined in Section 11 of this policy) as to whether to write off the overpayment or take further legal action to recover the amount, taking into consideration the amount and circumstances and cost of legal action.

Where an overpayment is ultimately not recovered this may be reflected in the employer's funding position, and may therefore impact the level of contributions the employer is required to pay as a result of the actuarial valuation process (for example, where a significant overpayment which cannot be recovered results in an increased funding deficit). This may require dialogue with the employer.

Overpayment and underpayment of benefits will be recorded as a breach of the law in the Fund Breaches register. Such breaches will, in accordance with Pensions Regulator guidance and the Fund's Procedure for Recording and Reporting Breaches of the Law, be reported to the Pensions Regulator where it is likely to be considered of material significance to the Regulator in the exercise of its functions (for example, large in size, or indicative of wider administrative issues).

This policy sets out our approach to overpayments in the following areas:

- Overpayments to an individual of an aggregate amount of less than £100
- Overpayments discovered within 6 years
- Overpayments discovered after 6 years
- Recovery period
- Recovery of overpaid pension on the death of a Scheme member
- Recovery of overpayments of pension due to incorrect amounts being paid by the Administering Authority
- Recovery of Pension Commencement Lump Sum overpayments
- Recovery of overpayments of pension or lump sum due to incorrect information supplied by the employer
- Overpayments due to Fraud or Corruption
- Overpayments to an individual where recovery may cause hardship.

### **7.1 Overpayments to an individual of an aggregate amount of less than £100<sup>1</sup>**

In line with the guidance set out in the HM Treasury document "Managing Public Money" (July 2013 revised in August 2015), we will consider the cost of recovery of the pension alongside the amount of the overpayment.

We will therefore not attempt to recover overpayments to an individual which total less than £100<sup>1</sup>.

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<sup>1</sup> This £100 at the time of drafting the policy will be annually increased with effect from 1 April with the Consumer Prices Index from the previous September, in line with LGPS pension increases. The increase will be rounded up to the nearest £5.

## **7.2 Overpayments discovered within 6 years**

The Limitation Act 1980 sets out that a claim to recover overpayments should usually be made within 6 years of the date when the cause (e.g. error or fraud) was first discovered or could, with reasonable diligence, have first been discovered. Where a claim is made within the 6-year period, all of the overpayment can be recovered. Our approach is to seek full recovery in these circumstances unless there are other factors which need to be taken into account (as explained elsewhere in this policy).

## **7.3 Overpayments discovered after 6 years**

Under the Limitation Act 1980, if the claim for recovery is made more than 6 years after the date when the overpayment could, with reasonable diligence, first have been discovered, only overpayments made within the 6 years prior to the date the formal claim for recovery was made are recoverable.

However, case law in 2018 has shown that if a Fund attempts to recover an overpayment via a reduction to the member's future pension i.e. via "recoupment", as opposed to requesting a lump sum repayment, the 6 year Limitation Act limit doesn't apply and Funds can reclaim all overpayments made.

Our approach is to seek maximum recovery in these circumstances unless there are other factors which need to be taken into account (as explained elsewhere in this policy).

## **7.4 Recovery period**

Unless otherwise specified, we will aim to recover a pension overpayment through a reduction to the pension paid over the same time period as the overpayment occurred. In exceptional circumstances the Fund may permit the recovery period to be extended, up to a maximum of a 50% of the time period over which the overpayment occurred, at its discretion. Each such case will be considered on its merits.

Unless otherwise specified, we will aim to recover a lump sum overpayment immediately through a one-off recovery payment. The Fund may permit alternative approaches at its discretion depending on the particular circumstances of the overpayment.

## **7.5 Recovery of overpaid pension on the death of a Scheme member**

All correspondence regarding an overpayment under these conditions will be handled particularly sensitively due to the circumstances. Fund members' next of kin or their estate (e.g. personal representatives, executors of a will) will be contacted to explain the overpayment and the proposed method of recovery before an invoice is issued or a reduction to benefits is made.

Understandably, notification of the death of a pensioner or dependant member does not always happen immediately. Further, notice is required to amend payroll data, so it is possible that a pension payment is made after a member has died, meaning an overpayment has occurred.

If an individual in receipt of a pension (including a dependant's pension) dies and the timing of the notification to the Fund results in the pension being paid in respect of a period beyond the date of death, resulting in an overpayment, we will not seek to recover this overpayment and the amount will be written off, provided the amount overpaid is less than £100<sup>1</sup>.

Where the amount is £100<sup>1</sup> or more, we will look to recover the overpayment, and this will be done by issuing an invoice to the deceased member's estate. We will then discuss the method of repayment with the estate if a one-off repayment is not possible.

Pension payments which are made for more than six months after the death of a member are classified as unauthorised payments for tax purposes. Please see the section on unauthorised payments for more details.

#### 7.5.1 Overpayment of death grant

We will not look to recover death grant overpayments if the overpayment is less than £100<sup>1</sup>, due to the anticipated administrative cost of recovering such amounts.

Where the Fund has overpaid a death grant, the dependant's pension(s) will not immediately be reduced. We will contact the dependant(s) to explain the error and provide the option of returning the overpayment via a one-off payment which will be invoiced directly, or possibly via a reduction to the dependant's pension if the death grant recipient is also the recipient of the dependant's pension. The recovery period will be determined on a case-by-case basis depending on the size of the overpayment, the size of the dependant's pension and the age of the dependant. Where there is more than one dependant, we will generally seek to engage with the adult dependants if possible, or the dependant's guardian if the dependant is a minor.

#### **7.6 Recovery of overpayments of pension due to incorrect amounts being paid by the Administering Authority**

When the overpayment is discovered, we will aim to reduce the pension to the correct level with effect from the next possible monthly payroll to avoid further overpayment. The member will be notified in writing with an explanation of the situation and how the overpayment will be recovered, before any invoice for recovery is sent or further reduction to benefits is applied. We will aim to agree this in advance of any invoice or reduction in pension with the member.

Where further investigations are required in order to determine the cause of the overpayment and the correct level of pension, the member will be informed of the situation and the pension in payment will not be corrected until the investigations and checks are complete.

#### 7.6.1 Situations where the member could reasonably be aware of the overpayment

There are certain situations where a member could reasonably have been aware of the correct level of pension due and therefore cannot claim to have been unaware of the pension overpayment. In particular, in cases where the member has been notified of the correct rate of pension in writing, it can be said that the member can reasonably be aware that they are being overpaid.

The following is a list of scenarios where this may occur (this list is not exhaustive):

- Upon retirement the member was informed of the correct pension amount, but an administrative error led to the incorrect amount being input onto the payroll record.
- A child in receipt of a dependant's pension is over 18 and is no longer in full time education or vocational training and does not notify the Fund.
- A Pension Sharing Order on divorce has been put in place but processed late, resulting in the pension being overpaid since the specified implementation date.
- The member has been re-employed but has not notified us, where on the exercise of their discretion relating to abatement, the member's annual pension should have been reduced or suspended due to the level of earnings in the new employment.

In these situations, unless the total overpayment is below £100<sup>1</sup>, we will usually seek to recover the total value of the overpayment from a reduction to the member's ongoing pension. This should usually be agreed with the member. Where there is no ongoing pension from which to deduct the overpaid amount, the member will be invoiced for the overpayment.

#### 7.6.2 Situations where the member cannot reasonably have known of the overpayment

There are situations where a member may not reasonably have been aware of a pension overpayment. For example (this list is not exhaustive):

- Administrative error within the calculation of benefit entitlement (includes dependants' pensions) with the incorrect pension amount communicated throughout the settlement process, the incorrect (overstated) rate of pension input into the payroll record and the member informed in writing of the incorrect rate of pension to be paid.
- The Pensions Increase is inaccurately applied to the elements of a pension in payment.

- New information from HMRC leads to a revised Guaranteed Minimum Pension (GMP) which, due to the different way cost of living increases are applied to GMP and the excess over GMP, means that, overall, a lower level of pensions increase should have been paid.

In situations where the overpayment is made in error but until the time of discovery of the error we believe the pension in payment to be correct (e.g. where the overpayment is discovered following reconciliation of GMP with HMRC records), this will not usually be considered an unauthorised payment and so will not be subject to any additional tax charges.

In such situations, and depending on the circumstances, we will generally not seek to recover the total value of the overpayment, unless non-recovery would result in an unauthorised payment and therefore additional tax charges for the member and Fund.

However, in all cases the pension will be reduced to the correct level with effect from the next possible monthly payroll to avoid further overpayment. The member will be informed of the correction.

## **7.7 Recovery of Pension Commencement Lump Sum overpayments**

### **7.7.1 Situations where member could reasonably be aware of the overpayment**

There are certain situations where a member could reasonably have been aware of the correct level of lump sum due and therefore cannot claim to have been unaware of the overpayment. In particular, in cases where the member has been notified of the correct lump sum in writing, and the incorrect amount was paid shortly afterwards (for example, within six months), it can be said that the member can reasonably be aware that they have been overpaid.

The following is a list of scenarios where this may occur (this list is not exhaustive):

- Upon retirement the member was informed of the correct lump sum amount, but an administrative error led to the incorrect amount being paid,
- We paid the same (correct) lump sum amount twice, in error,
- In the period leading to retirement the member was given a retirement quotation with a correct estimated lump sum amount, but a later administrative error led to a much larger (incorrect) amount being stated on the final documentation and being paid.

When the overpayment is discovered by us, an attempt to recover the overpayment will be made as soon as possible. The member will be notified in writing to explain the situation, and we will seek to recover the amount in full through one immediate repayment via issuing the member with an invoice, in accordance with Flintshire County Council's Debt Recovery Procedures.



### 7.7.2 Situations where the member could not reasonably have known of the overpayment

There are situations where a member may not reasonably have been aware of a pension overpayment. For example, an administrative error within the calculation of the benefit entitlement resulted in the incorrect lump sum amount, which was communicated throughout the settlement process, the incorrect (overstated) amount was then paid and the incorrect amount stated in any payment notification.

In these cases, the overpayment is likely to be discovered after the event by us. In such circumstances, we will consider the length of time which has passed since the error was made in determining the approach to take, but generally will seek to recover the overpayment as soon as possible. We will notify the member in writing to explain the situation, and a proposed recovery plan will be set out, which will depend on the amount overpaid and how much time has passed since it was paid. This recovery plan is subject to agreement with the member. The amount will not be recovered via a reduction of the member's pension unless this is agreed with the member.

If we do not receive any response from the member, we will follow Flintshire County Council's Debt Recovery Procedures, including issuing an invoice for repayment.

### **7.8 Recovery of overpayments of pension or lump sum due to incorrect information supplied by the employer**

This situation may arise for a number of reasons. An example is where employers estimate redundancy calculations for employees who would be entitled to immediate unreduced payment of benefits on redundancy. If forms are provided to us which suggest the benefits are to be paid unreduced and it later transpires that the member had voluntarily left service, we will seek to recover the overpayment from the member in the first instance. We reserve the right to charge the employer for the strain cost to the Fund of the unreduced early retirement rather than a reduction being applied to the member's benefits. This cost may be recovered via the issuing of an invoice or the additional strain cost being added to the employer's funding liabilities and taken into account at the next triennial actuarial valuation when setting contributions.

Should an overpayment of pension or lump sum occur as a result of inaccurate information provided by the scheme member's employer on retirement (such as incorrect pensionable pay information), we will seek to recover the overpayment through the same processes as set out above.

We will manage any challenges resulting from such errors in line with the procedures set out in the Fund's Administration Strategy. For example, we may recharge the administrative cost of recovering such pension directly from the employer, and where recovery from the member in question is not possible, the employer may be asked to repay the overpayment to the Fund.

## **7.9 Overpayments due to Fraud or Corruption**

On rare occasions members' benefits may be overpaid, or pension fund money may otherwise be obtained due to

- Fraud by the member, relative or their estate
- Fraud by the employer
- Fraud by a pensions officer
- Other criminal activity such as blackmail or corruption.

Where an overpayment is after reasonable investigation discovered to have been made due to fraud or any other criminal act, unless the member was not involved in the criminal act, the pension will be suspended and an attempt will be made to recover the overpayment of pension and lump sum immediately.

We will involve internal audit in such cases and the settlement of overpayments may be resolved through appropriate civil or criminal legal process which may include contacting the Police.

In dealing with such cases we will also follow the principles set out in the Fund's Procedure for Recording and Reporting Breaches of the Law, and Flintshire County Council's Corporate Anti-Fraud and Corruption Strategy and Fraud and Irregularity Response Plan.

## **7.10 Overpayments to an individual where recovery will cause hardship**

In line with the guidance set out in the HM Treasury document "Managing Public Money" (July 2013 revised in August 2015), where the member has demonstrated that the recovery of an overpayment would cause hardship, we will consider that guidance and whether to waive the recovery of the payment. Any such pleas of hardship must be supported by reasonable evidence that the recovery of the overpayment would be detrimental to the welfare (financial or mental) of the individual or their family.

Further details of the procedure and the required evidence will be provided upon request. In these cases, we will consult with the scheme member, where appropriate we will seek expert legal advice.

This approach is intended to reduce the number of Internal Disputes and referral to the Pensions Ombudsman.

## **8. Managing underpayments of benefits**

In this section:

- General principles for repayment of underpaid pension or pension commencement lump sum payments
- Underpayment of pension resulting from incorrect information supplied by the employer
- Underpayment of pension discovered following the death of a Scheme member.

### **8.1 General principles for repayment of underpaid pension or pension commencement lump sum payments**

Where an underpayment of pension or lump sum is identified by the administering authority, the pension will be immediately increased to the correct level and we will inform the member in writing of the underpayment.

The underpayment will be usually be reimbursed to the member in one lump sum payment which is paid through the pensions payroll with the next monthly pension payment. This is to ensure the correct rate of tax is applied. A year-on-year breakdown of the underpayments over each tax year can be supplied if required.

Interest will be paid on the underpaid amount(s) in line with Regulation 81 of the LGPS Regulations. Interest payable under this regulation is calculated at one per cent above base rate on a day to day basis from the due date of payment and compounded with three-monthly rests.

Lump sum payments to rectify underpayments are treated as income for tax purposes and the tax will be deducted through Pay As You Earn (PAYE) in the usual way. The tax deducted will be estimated and may not be the correct amount once all of the member's income for the year is taken into account. After the next 5 April, HM Revenue & Customs (HMRC) will check whether each member has paid the correct amount of tax and if not, they will contact the member directly. Members can contact HMRC directly if they think they have paid too much tax and request a refund using a form P35A.

### **8.2 Underpayment of pension resulting from incorrect information supplied by the employer**

We may recharge the administrative cost of investigations and checks into the underpayment amount and correspondence with the affected members or dependants directly from the employer. We may charge any interest due in relation to an underpayment to the employer via the additional cost being added to the employer's funding liabilities and taken into account at the next triennial actuarial valuation when setting contributions.

### **8.3 Underpayment of benefits discovered following the death of a Scheme member**

Any underpayment of a pension following the death of a Scheme member will be paid to the member's estate.

If a death grant payment is discovered to have been underpaid, (including where the balance of 10 years' annual pension is due for payment to a particular party under our discretion under Regulation 46(2) of the LGPS Regulations 2013 following the death of a pensioner), the underpayment will be reimbursed to the party determined by us in accordance with the exercise of our discretion (under regulations 17(12), 40(2), 43(2) and 46(2) of the LGPS Regulations 2013).

### **9. Underpayments and overpayments relating to reconciliation of Guaranteed Minimum Pensions (GMP) and other ad-hoc bulk situations**

A Guaranteed Minimum Pension (GMP) is the minimum pension the Fund must provide in relation to being contracted-out of the State Earnings Related Pension Scheme from April 1978 to April 1997. It is a notional benefit which is only paid if a member's Fund benefits are less than the GMP; it is not a separate benefit payable in addition. Not all members in the Fund between 1978 and 1997 will have accrued any GMP.

A reconciliation exercise comparing the Fund's GMP records with those held by HMRC was carried out and concluded during 2021. This identified that some individuals' pensions have been under or overpaid due to the Fund's GMP record being incorrect.

Given the magnitude of this exercise, separate decisions were taken by the Pension Fund Committee in relation to if and how the pensions were adjusted and the treatment of accumulated over and underpayments. It is therefore possible that the treatment of such cases is not consistent with the remainder of this Policy.

There may be further exercises in the future which affect more than a small number of scheme members. In such situations, the treatment of such cases may be considered separately by the Pension Fund Committee and, as such, elements of this Policy may be departed from. If there is any national guidance (for example, provided by the Scheme Advisory Board or other national stakeholders) in relation to dealing with such over and underpayments we will have regard that guidance in developing our approach.

### **10. Underpayments and Overpayments of other benefit settlement amounts**

#### **10.1 Transfer values**

Where an individual transfer value for a member who has transferred Clwyd Pension Fund benefits to another pension arrangement is discovered to have been underpaid, the correct amount will be calculated, and the underpayment will be paid to the receiving scheme.

Where the member's new scheme is not able to accept the balance transfer payment, we will discuss alternative options with the member e.g. an alternative pensions savings vehicle.

If a transfer is discovered to have been overpaid, then the correct amount will be calculated and we generally will seek to recover the overpayment as soon as possible, albeit each individual case will be considered on its own facts and merits.

### **10.2 Trivial Commutation and "de minimis" lump sum payments**

Where a member has received a Trivial Commutation of benefits (or a "de minimis" lump sum payment) and the amount paid is later discovered to have been underpaid, the correct amount will be calculated and the underpayment will be paid to the member, less any tax due. If the recalculated total amount results in the HMRC thresholds for these lump sums being breached, the payment of the additional amount would result in an "unauthorised payment". In these cases, we will write to the member to agree an approach.

It may be that the underpayment is paid but is subject to additional tax charges. We may offer to pay the member's tax charge in such cases. See the below section on unauthorised payments for more detail.

Where a member has received a Trivial Commutation of benefits (or a "de minimis" lump sum payment) and the amount paid is later discovered to have been overpaid, the correct amount will be calculated then a request for the member to repay the overpayment may be made depending on the situation (e.g. size of the overpayment and whether the member could reasonably have known this was an overpayment).

In all cases, each individual case will be considered on its own facts and merits, and any amounts to be written off will follow the procedure described in section 11 below.

### **10.3 Refund of contributions**

Where a member has received a refund of contributions on leaving active membership in the Fund and this amount is discovered to have been underpaid, the underpayment will be paid to the member less any tax due.

If a refund of contributions it is discovered to have been overpaid, then a request for the member to repay the overpayment may be made depending on the situation (e.g. size of the overpayment and whether the overpayment was due to an employer error, and whether the member could reasonably have known this was an overpayment).

Where a refund should not have been paid because the member had previous LGPS service, the refund becomes an unauthorised payment. Please refer to the unauthorised payment section later in this policy for more details.

In all cases, each individual case will be considered on its own facts and merits, and any amounts to be written off will follow the procedure described in section 11 below.

## **11. Authorisation**

According to paragraph A4.11.10 "Cost of the guidance" set out in the HM Treasury document "Managing Public Money", public sector organisations should take decisions about their tactics in seeking recovery in particular cases on the strength of cost benefit analysis of the options. Decisions not to pursue recovery should be exceptional and taken only after careful appraisal of the relevant facts, taking into account the legal position. The option of abating future payments to the recipient should always be considered.

Amounts of £100 or more for which an invoice has been issued are passed to Debt Recovery to follow up on the repayment. If no repayment or response is received this is passed back to us to determine whether to write off the overpayment. Any sum which is written off is treated as a liability against the scheme member's former employer. This should involve discussion with the employer if it is likely to have a material impact on their funding level or contribution rate. In all cases, the cost of recovery should be considered against the amount of any overpayment, and our obligation to pay the right amount of benefits.

The decision whether to write off the overpayment will be made by the parties using the two - stage process as outlined in the table below.

Cause of overpayment	Total value of overpayment	Agree recommendation to write off overpayment	Approve write off of overpayment
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount.	Up to £99.99	Automatic write off with no specific recommendation required	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £100 and £250	Team Leader with Pension Administration Manager	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £250 and £1,000	Pension Administration Manager with Pension Fund Accountant	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £1,000 and £5,000	Pension Administration Manager with Deputy Head of Clwyd Pension Fund	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £5,000 and £25,000	Pension Administration Manager with Deputy Head of Clwyd Pension Fund	Chief Finance Officer in consultation with the Clwyd Pension Fund Committee.
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount.	More than £25,000	Pension Administration Manager, with Deputy Head of Clwyd Pension Fund and Chief Finance Officer	Clwyd Pension Fund Committee

An alternative approach to that set out above may be required if the same cause of overpayment has affected multiple members at the same time (for example, members for whom section 9 of this policy applies).

## **12. Unauthorised payments**

The Finance Act 2004 sets out the payments which a registered pension scheme is authorised to make to members. Any other payments are unauthorised payments and could result in tax charges for the member and the Fund.

We understand that any overpayment which is written off is an unauthorised payment unless it falls within regulations 13 or 14 of the Registered Pension Schemes (Authorised Payments) Regulations 2009. Where an unauthorised payment has been made we will engage with Her Majesty's Revenue and Customs (HMRC) to resolve the issue and establish any resulting tax charges. We are obliged to report any unauthorised payments to HMRC each year in their annual event report.

Where the overpayment is a "genuine error" as described in HMRC's PTM146300 and the aggregate overpayment is less than £250, if this is waived by the Fund this is an unauthorised payment but does not have to be reported by HMRC and HMRC will not seek to collect tax charges on it. If overpayments which are the result of a "genuine error" are recovered, in general these are not considered to be unauthorised payments and so additional tax charges do not apply.

Where an overpayment is an unauthorised payment, both the individual member and the Fund will have to pay additional tax charges. These are as follows:

### **The unauthorised payments charge**

Where the unauthorised payment is made to or for a member, the member is responsible for paying the tax charge. If the payment is made after the member's death, the person who receives the payment is responsible for paying the tax.

The rate of the unauthorised payments tax charge is 40% of the overpayment.

### **The unauthorised payments surcharge**

This is payable by the same person who is subject to the unauthorised payments charge. It is usually due when a member receives unauthorised payments of 25% or more of their pension value in a year. This is very unlikely to occur, but when it does the rate of the unauthorised payments surcharge is 15%. This means that with the unauthorised payments charge, the total tax rate payable on the overpayment would be 55%.



### The scheme sanction charge

The scheme administrator must pay the scheme sanction charge, and this is at a rate of between 15% and 40% of the unauthorised payment and depends on whether the unauthorised payments charge has been paid by the member.

We will apply to be discharged from the tax charge where it would not be just and reasonable for us to pay the tax, e.g. where we have been misled or given incomplete information leading us to reasonably believe that the payment was an authorised payment.

Further details on unauthorised payments are available on Her Majesty's Revenue and Customs website. There could also be other tax consequences for members in administering underpayments or overpayments including income tax, annual allowance and lifetime allowance issues.

### **13. Prevention**

We have the following internal controls in place in order to minimise the risk of overpayments or underpayments occurring.

- The 'Tell Us Once' service has been adopted whereby deaths are notified through a central system accessible by us. This increases the notification of the death of scheme members and therefore minimises potential overpayments.
- The National Fraud Initiative is conducted by the Wales Audit Office every two years; it compares files of pensioners and deferred members with the Department for Work and Pensions database of the deceased and highlights matches for investigation. We actively participate in this initiative.
- Member Self-Service, which allows members to access their pension details on-line, check their records are correct and amend certain records including expressions of wish forms and personal details.
- We include reminders in our correspondence (including deferred benefit statements pensioner payslips and annual pension increase communications) that we must be advised of changes in circumstances or the death of a scheme member.
- We investigate any returned pensioner payslips and pension payments returned by banks and building societies, in order to check the welfare of the scheme member and to protect the Fund's money.
- We investigate any positive matches as a result of a monthly mortality screening exercise. This exercise identifies any members that have passed away and their details registered minimising potential overpayments.
- Annual eligibility certificates are sent out for completion to any dependants that are in full time education. This ensures pensions are only paid to those that meet the criteria and minimises potential overpayments.

- Checks are carried out on the ongoing eligibility of the payment of ill health pensions and children's pensions.
- The pension payroll process ensures changes are made in a correct timely manner and before payroll deadlines and ensures pensions increases are applied correctly.
- Robust processes for the calculation and checking of pension benefits and other benefit payments, including appropriate levels of sign-off. Definitive roles are set up within the pension administration software system, providing clear accessibility and a separation of duty between pension officers who complete and check calculations.
- Internal processes are in place which that prevent pensions officers from accessing their own pension record reducing the potential to commit fraud and corruption.
- Comprehensive training for all pensions officers in the administration of the benefits.
- Guidance for employers on their responsibilities, and employer service level agreements.

#### **14. Further Information**

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

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

E-mail - [karen.williams@flintshire.gov.uk](mailto:karen.williams@flintshire.gov.uk)

Telephone - 01352 702963

# Eitem ar gyfer y Rhaglen 6



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 1 September 2021
<b>Report Subject</b>	Governance Update
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

On each Committee agenda LGPS governance matters and the impact on the Clwyd Pension Fund (CPF) are provided for discussion along with updates on the Clwyd Pension Fund's governance strategy and policies for information. The last update report was provided at the June 2021 Committee meeting and therefore this update report includes developments since that report.

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

The report includes updates on:

- The Pensions Regulator (TPR) annual public service governance and administration survey
- Recent Government consultations, including the Fund's response to the HMT Cost Management Mechanism consultation
- Changes to the governance risks on the Fund's risk register since the last meeting
- The latest changes to our breaches of the law register.

### RECOMMENDATIONS

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

<b>1.00</b>	<b>GOVERNANCE RELATED MATTERS</b>
1.01	<p><b>Business Plan Update</b></p> <p>Appendix 1 shows progress with the first two quarter's work for the governance tasks in the 2021/22 Business Plan. Good progress is being made with all actions. The Committee should note the following:</p> <ul style="list-style-type: none"><li>• G1: Review against The Pension's Regulator's (TPR's) New Single Code – The Fund responded to TPR's consultation on the new code in May 2021. An interim response is expected from TPR shortly and we expect the new Code to come into force in early 2022. Once the new Code has been issued the Fund's processes and policies will be assessed against its requirements.</li><li>• G2: Develop business continuity arrangements – Work is continuing with the Fund's business impact analysis. Following this, the business continuity plan and testing schedule will be developed.</li><li>• G3: Ensure appropriate cyber-security is in place – Work is continuing on developing the Fund's data and asset map. This will help officers to categorise risks and plan out further work required in this area. During the next quarter officers will establish a programme for completing ongoing risk assessments to embed these in business as usual.</li><li>• G4: Review of governance related policies – The Conflicts of Interest policy and Knowledge and Skills Policy (previously called the Training Policy) have both been reviewed and updated and will be discussed as a separate item as part of this committee meeting. These are ahead of schedule.</li><li>• G5: Outcome of Scheme Advisory Board good governance review – The Good Governance phase three report issued in February 2021 has yet to be considered by the Ministry of Housing, Communities and Local Government (MHCLG). We understand that the Scheme Advisory Board (SAB) is considering actions it can take whilst awaiting a response from Government. The Fund will take further action once information is received from SAB or MHCLG and in the meantime, the business plan timings have been updated to recognise that this work cannot yet commence.</li></ul>
1.02	<p><b>Current Developments and News</b></p> <p><i>Pension Board update</i></p> <p>The Clwyd Pension Board met on 24 June. The main items on the agenda were:</p> <ul style="list-style-type: none"><li>• a presentation and discussion on the management of pensions scams; this provided assurance to the Board albeit they recommended even greater communication with scheme members</li></ul>

and asked for this to be an ongoing Board agenda item given the risks to the Fund and its scheme members

- a presentation and discussion on The Pension Regulator's consultation on its proposed New Code
- the ongoing impact of COVID-19, including whether an element of remote working will continue for the Fund, both in relation to staff working but also for meetings such as the Fund's annual meeting. The Board highlighted the need to embrace opportunities to reduce the Fund's carbon footprint, for example through reduced travel and more virtual meetings, whilst recognising the requirement to balance this with the stakeholders' accessibility needs
- cyber-crime, noting that the Fund had not been subject to any cyber-attacks since the last meeting and there was ongoing work in analysing the risks relating to Heywoods and the Council
- the McCloud remedy project, where the Pensions Administration Manager outlined the key elements of the Written Ministerial Statement as well as progress with the Fund's McCloud programme
- the pensions dashboard programme, noting some concerns about the magnitude and mechanics of putting this in place and
- data improvement plans, where address tracing was discussed and the Pensions Administration Manager explained that more regular data checks could now be carried out due to new system functionality that had been purchased.

The Board also received updates on areas such as asset pooling, business continuity, administration service delivery, and compliments and complaints.

The next meeting is on 28 September.

1.03 *The Pensions Regulator (TPR) annual public service governance and administration survey*

On 1 July 2021 TPR published its annual public service governance and administration survey and it can be found [here](#). The key objective of the survey is to track governance and administration practices among public service pension schemes. Some interesting findings include:

- The McCloud process, scheme complexity and the volume of changes required to comply with legislation were seen as the top barriers to improving scheme governance and administration in the next 12 months. Two-thirds (65%) of schemes identified the McCloud process as one of the top three barriers they faced to improving governance and administration, an increase from 42% in the 2019 survey. However the McCloud remediation process was the most commonly identified barrier for 'Other' (91%), Firefighters' (79%) and Police schemes (81%), but fewer Local Government schemes selected it as one of the major challenges they faced (47%). McCloud is clearly an area which has already received a lot of focus for Clwyd Pension Fund

	<ul style="list-style-type: none"> <li>• Although 87% of the schemes judged their business continuity plan to have been effective during the COVID-19 pandemic, only 60% described it as very effective. Clwyd Pension Fund's view was that the response was very effective.</li> <li>• Overall, 91% of LGPS funds had allocated time or resources to assessing climate change risks/opportunities, but fewer had assessed particular climate-related scenarios (66%), tracked their portfolio's carbon intensity (60%) or assessed their portfolio's potential contribution to global warming (29%). Again this is another area of focus for Clwyd Pension Fund.</li> </ul> <p>Officers would be happy to answer any questions relating to how the Clwyd Pension Fund relates to the survey results.</p>
1.04	<p><i>LGPS Scheme Advisory Board (SAB)</i></p> <p>There has been no SAB meetings since May 2021 (as reported in the June 2021 Clwyd Pension Fund Committee update report). However the latest activity is available on their website including:</p> <ul style="list-style-type: none"> <li>• their response to the DWP's Call for Evidence on Consideration of social risks and opportunities by occupational pension schemes – which can be found <a href="#">here</a> under the 25<sup>th</sup> June entry.</li> <li>• updated COVID-19 mortality impact reports – in September 2020 the SAB commissioned two reports specifically to analyse mortality during the COVID-19 pandemic and these have now been updated in light of experience in the second wave of COVID-19. The information can be found <a href="#">here</a>.</li> </ul>
1.05	<p><i>Consultations</i></p> <p>There have been a number of Government consultations since the last meeting which are as summarised as follows:</p> <ul style="list-style-type: none"> <li>• HMT Cost Management Mechanism – In late June, HM Treasury published two consultations. This is the first (which you can view <a href="#">here</a>) which is about proposed reforms to the public service pension schemes' cost control mechanism, following the publication of the Government Actuary's review of the mechanism. There are 3 proposed changes to the existing mechanism, the 1st would change the mechanism to operating only in the reformed schemes; the 2nd would widen the “corridor” from the existing 2% margin to 3%; and the 3rd would introduce an additional “economic check” when there is a breach of the mechanism to ensure that broader economic conditions are considered before any breach is implemented. In the consultation HM Treasury notes that further consideration will need to be given to the detailed implementation of the “reformed scheme only design” in the LGPS, given the effects of the underpin. Delegated powers have been used to approve a response to this consultation and a copy of the response is attached as Appendix 2.</li> </ul>

	<ul style="list-style-type: none"> <li>• HMT SCAPE Discount Rate – This is the second consultation by HM Treasury in late June and it can be found <a href="#">here</a>. This consultation is about the discount rate used in valuations of unfunded public service pension schemes and potential changes to the SCAPE methodology used. The primary use of the SCAPE discount rate is to determine the level of employer contribution rates in the unfunded public service pension schemes, but it is also used in the production of actuarial factors in the LGPS. The officers decided not to respond to this given the minimal impact on the LGPS.</li> <li>• Special severance payments (England) – Statutory Guidance and Covering letter – following on from developments in 2020 relating to the unsuccessful introduction of a cap on exit payments (the "£95k cap"), MHCLG has commenced a consultation on new statutory guidance that it intends to introduce in England. The draft guidance sets out the Government's view on when Special Severance Payments (i.e. payments on termination which do not correspond to a contractual, statutory or other right) could be made including reporting requirements. It is unclear whether similar guidance could be introduced in Wales. The officers decided not to respond to this given it does not directly apply to Wales.</li> <li>• Public Service Pensions and Judicial Offices Bill – This Bill includes the retrospective provision to rectify the unlawful discrimination in the way in which existing schemes were restricted under the Public Service Pensions Act 2013 i.e. so that the McCloud remedy regulations can be made. The Bill commenced its passage through Parliament in July.</li> </ul>
1.06	<p><b>Policy and Strategy Implementation and Monitoring</b></p> <p><i>Knowledge and Skills Policy and Training Plan</i></p> <p><u>Policy requirements</u> - The Clwyd Pension Fund Knowledge and Skills Policy (previously called the Training Policy) requires all Pension Fund Committee, Pension Board members and Senior Officers to:</p> <ul style="list-style-type: none"> <li>• have training on the key elements identified in the CIPFA Knowledge and Skills Framework</li> <li>• attend training sessions relevant to forthcoming business and</li> <li>• attend at least one day each year of general awareness training or events.</li> </ul> <p>The Knowledge and Skills Policy has been reviewed and updated appropriately in line with the Fund's requirements to review all policies at appropriate intervals. The amendments to this Policy are included as a separate agenda item for this Committee meeting.</p> <p><u>Training undertaken</u> - Appendix 3 sets out the Training Plan for the Fund. Recent events included:</p> <ul style="list-style-type: none"> <li>• the external CIPFA Local Board Annual Event on 23 June</li> </ul>

- the second session on the Fund's flightpath taking place on 21 July
- a WPP training session relating to responsible investment indices, solutions and reporting on 20 July.

A summary of the attendance at the Fund's hot topic training sessions this year is included below:

	<b>Date</b>	<b>Number of Committee attending (Proportion of total)</b>	<b>Number of Board attending (Proportion of total)</b>
<b>Hot Topic Sessions</b>			
Funding / Flightpath 1	Apr-21	7 (78%)	1 (25%)
Fossil Fuel and Divestment	May-21	8 (89%)	3 (75%)
RI Roadmap	May-21	8 (89%)	2 (50%)
Funding / Flightpath 2	Jul-21	3 (33%)	2 (50%)

As can be seen, the first three sessions were well attended overall with the final one having lower attendance. In line with the updated Knowledge and Skills Policy, information on attendance will be provided in future Governance Update reports.

Future training and events - Officers will continue to be in touch with information as further training sessions and events become available, including a Fund specific session on cyber-security which will take place through the autumn or early winter and which all Committee and Board members should attend. In the meantime, if any Committee or Board members wish to attend any of the following events please contact the Deputy Head of Clwyd Pension Fund:

- 9 to 10 September 2021 - LGC Investment Summit (Leeds)
- Various dates October to December – LGA Fundamentals (for new or nearly new Committee and Board members)
- 18 October 2021 - WPP Performance Reporting / ACS Roles and Responsibilities.

1.07

*Conflicts of Interest Policy*

The Conflicts of Interest Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to:

- recognise they may have conflicts of interest relating to their management of the Fund
- identify any interests which do or could give rise to a conflict



	<ul style="list-style-type: none"> <li>• notify the officers of the Fund of, and appropriately manage, any potential or actual conflicts of interest</li> <li>• periodically review their potential and actual conflicts of interest.</li> </ul> <p>The Conflicts of Interest Policy has been reviewed and updated appropriately in line with the Fund’s requirements to review all policies at appropriate intervals. The amendments to this Policy are included as a separate agenda item for this Committee.</p>
1.08	<p><i>Recording and Reporting Breaches Procedure</i></p> <p>The Fund’s procedure requires that the Head of Clwyd Pension Fund maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 4 details the current breaches that have been identified.</p> <p>There are no new administration breaches. We previously reported on an unfortunate data breach (A21) relating to 265 pensions increase letters that were issued and included information relating to other pensioners. This case has now been closed with the Information Commissioner’s Office, with a few minor recommendations provided. There are no further actions. The late notification of leaver rights and options breach (A9) has also been brought under control and has therefore also been closed.</p> <p>In relation to finance related breaches, there were a number of employers who were late in paying contributions or submitting their contribution remittances. All of these were resolved quickly by the employers and therefore all of these new breaches have already been closed.</p>
1.09	<p><b>Delegated Responsibilities</b></p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. As mentioned previously, since the last Committee meeting delegated powers have been used to approve a response to HM Treasury’s consultation on the Cost Control Mechanism. The response was prepared by officers after taking advice from the Fund’s Actuary, Mercer. There have been no further use of delegated powers for governance matters since the last Committee meeting.</p>
1.10	<p><b>Calendar of Future Events</b></p> <p>Appendix 5 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates. Members should note the events taking place before the 10 November Committee meeting:</p> <ul style="list-style-type: none"> <li>• 28 September – Pension Board meeting (Board members only).</li> </ul> <p>Committee and Board members are reminded that the Annual Joint Consultative Meeting (AJCM) will take place virtually on 24 November and all members are encouraged to attend.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Response to HM Treasury's consultation on the Cost Control Mechanism – with Fund Actuary was consulted with in developing the consultation response.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>Appendix 6 provides the dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk register has been updated since it was last presented to the Committee in June.</p> <p>The main change this month relate to:</p> <ul style="list-style-type: none"> <li>• Risk number 2: No or inappropriate decisions are made due to Governance (particularly at PFC) being poor – Given the forthcoming changes in Chief Executive and new Administrator, the actions have been updated to confirm that training will be arranged during Q3/Q4 for new officers in those roles.</li> <li>• Risk number 3: Our legal fiduciary responsibilities are not met due to decisions, particularly at PFC level, being influenced by conflicts of interest – A new action, as noted for Risk number 2 above, has been made to this risk, albeit specifically in relation to providing training on conflicts of interest.</li> </ul>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – Business plan progress 2021/22</p> <p>Appendix 2 – Consultation response to HMT Consultation on Cost Management Mechanism</p> <p>Appendix 3 – Training plan</p> <p>Appendix 4 – Breaches log</p> <p>Appendix 5 – Calendar of future events</p> <p>Appendix 6 – Risk Register</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> <li>• Report to March Pension Fund Committee - 2021/22 Business Plan (March 2021)</li> <li>• The Pensions Regulator (TPR) annual public service governance and administration survey - <a href="https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2021.ashx">https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2021.ashx</a></li> <li>• HMT Cost Management Mechanism consultation – <a href="https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation">https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation</a></li> <li>• HMT SCAPE Discount Rate consultation – <a href="https://www.gov.uk/government/consultations/public-service-pensions-consultation-on-the-discount-rate-methodology">https://www.gov.uk/government/consultations/public-service-pensions-consultation-on-the-discount-rate-methodology</a></li> <li>• Special Severance Payments Statutory Guidance consultation – <a href="https://lgpsboard.org/images/Consultations/SSPSG.pdf">https://lgpsboard.org/images/Consultations/SSPSG.pdf</a></li> <li>• Public Service Pensions and Judicial Offices Bill - <a href="https://bills.parliament.uk/bills/3032/publications">https://bills.parliament.uk/bills/3032/publications</a></li> </ul> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>Committee or PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) <b>Board, LPB or PB – Local Pension Board or Pension Board</b> – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of.</p>

- (f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to MHCLG.
- (g) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation.
- (h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pension Partnership asset pooling arrangement.
- (i) **CIPFA – Chartered Institute of Public Finance and Accountancy** - a UK-based international accountancy membership and standard-setting body. They set the local government accounting standard and also provide a range of technical guidance and support, as well as advisory and consultancy services. They also provide education and learning in accountancy and financial management.
- (j) **TPR – The Pensions Regulator** – TPR has responsibilities to protect UK's workplace pensions and make sure employers, scheme managers and pension specialists can fulfil their duties to scheme members. This includes oversight of public service pension schemes, including the LGPS. Specific areas of oversight are set out in legislation and also expanded on within TPR's Guidance and Codes of Practice.
- (k) **PLSA - Pensions and Lifetime Savings Association** – PLSA aims to bring together the industry and other parties to raise standards, share best practice and support its members. It works collaboratively with members, government, parliament, regulators and other stakeholders to help build sustainable policies and regulation which deliver a better income in retirement.
- (l) **HMT – Her Majesty's Treasury** – HMT has a responsibility to approve all LGPS legislation before it is made.

# Business Plan 2021/22 to 2023/24 – Q2 Update

## Governance

### Cashflow projections

	2019/20 £000s	2020/21 £000s	2021/22 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/over
<b>Opening Cash</b>	(5,764)	(20,237)	(29,760)	(37,078)		
<b>Payments</b>						
Pensions	63,182	64,908	66,600	16,455	66,600	0
Lump Sums & Death Grants	15,486	12,475	16,000	4,151	16,000	0
Transfers Out	4,447	5,901	6,000	961	6,000	0
Expenses	3,863	5,073	5,480	1,103	5,480	0
Tax Paid	107	174	100	0	100	0
Support Services	161	173	180	0	180	0
<b>Total Payments</b>	<b>87,246</b>	<b>88,704</b>	<b>94,360</b>	<b>22,670</b>	<b>94,360</b>	<b>0</b>
<b>Income</b>						
Employer Contributions	(41,665)	(49,282)	(49,000)	(11,161)	(49,000)	0
Employee Contributions	(15,363)	(17,518)	(17,000)	(3,937)	(17,000)	0
Employer Deficit Payments	(19,244)	(14,977)	(15,000)	(13,513)	(15,000)	0
Transfers In	(5,976)	(3,393)	(6,000)	(1,209)	(6,000)	0
Pension Strain	(1,558)	(107)	(1,200)	(828)	(1,200)	0
Income	(92)	(30)	(40)	0	(40)	0
<b>Total Income</b>	<b>(83,898)</b>	<b>(85,307)</b>	<b>(88,240)</b>	<b>(30,648)</b>	<b>(88,240)</b>	<b>0</b>
<b>Cashflow Net of Investment Income</b>	<b>3,348</b>	<b>3,397</b>	<b>6,120</b>	<b>(7,978)</b>	<b>6,120</b>	<b>0</b>
Investment Income	(9,464)	(10,270)	(8,000)	(3,898)	(8,000)	0
Investment Expenses	3,800	3,918	4,000	1,036	4,000	0
<b>Total Net of In House Investments</b>	<b>(2,316)</b>	<b>(2,955)</b>	<b>2,120</b>	<b>(10,840)</b>	<b>2,120</b>	<b>0</b>
<b>In House Investments</b>						
Draw downs	115,114	43,927	66,175	11,089	66,175	0
Distributions	(55,270)	(63,533)	(69,203)	(23,828)	-69,203	0
Net Expenditure /(Income)	59,844	(19,606)	(3,028)	(12,739)	(3,028)	0
<b>Total Net Cash Flow</b>	<b>57,528</b>	<b>(22,561)</b>	<b>(908)</b>	<b>(23,579)</b>	<b>(908)</b>	<b>0</b>
Rebalancing Portfolio	(72,001)	5,720		0		0
<b>Total Cash Flow</b>	<b>(14,473)</b>	<b>(16,841)</b>	<b>(908)</b>	<b>(23,579)</b>	<b>(908)</b>	
<b>Closing Cash</b>	<b>(20,237)</b>	<b>(37,078)</b>	<b>(30,668)</b>	<b>(60,657)</b>	<b>(37,986)</b>	

## Operating Costs

	2019/20	2020/21	2021/22			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/over
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Governance Expenses</b>						
Employee Costs (Direct)	283	261	326	71	326	0
Support & Services Costs (Internal Recharges)	20	22	24	0	24	0
IT (Support & Services)	2	1	5	0	5	0
Other Supplies & Services)	102	54	97	13	97	0
Audit Fees	38	39	41	0	41	0
Actuarial Fees	465	536	696	121	696	0
Consultant Fees	641	815	942	227	942	0
Advisor Fees	220	576	485	159	485	0
Legal Fees	20	16	40	14	40	0
Pension Board	53	106	91	23	91	0
Pooling (Consultants & Host Authority)	79	101	130	1	130	0
<b>Total Governance Expenses</b>	<b>1,923</b>	<b>2,527</b>	<b>2,877</b>	<b>630</b>	<b>2,877</b>	<b>0</b>
<b>Investment Management Expenses</b>						
Fund Manager Fees*	20,030	16,924	19,915	1,052	19,915	0
Custody Fees	31	69	32	3	32	0
Performance Monitoring Fees	76	67	53	3	53	0
Pooling (Operator / Manager)	292	304	836	0	836	0
<b>Total Investment Management Expenses</b>	<b>20,429</b>	<b>17,364</b>	<b>20,836</b>	<b>1,058</b>	<b>20,836</b>	<b>0</b>
<b>Administration Expenses</b>						
Employee Costs (Direct)	935	1,091	1366	299	1,366	0
Support & Services Costs (Internal Recharges)	151	150	158	0	158	0
Outsourcing	197	6	30	8	30	0
IT (Support & Services)	408	426	515	21	515	0
Other Supplies & Services)	112	119	134	12	134	0
Miscellaneous Income	0	42	0	0	0	0
<b>Total Administration Expenses</b>	<b>1,803</b>	<b>1,834</b>	<b>2,203</b>	<b>339</b>	<b>2,203</b>	<b>0</b>
<b>Employer Liaison Team</b>						
Employee Costs (Direct)	222	199	286	40	286	0
<b>Total Costs</b>	<b>24,377</b>	<b>21,924</b>	<b>26,202</b>	<b>2,068</b>	<b>26,202</b>	<b>0</b>

## Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
x	Original item where the period has been moved or task deleted since original business plan

## Governance Tasks

Ref	Key Action –Task	2021/22 Period				Later Years	
		Q1	Q2	Q3	Q4	2022/ 23	2023/ 24
G1	Review against new TPR Single Modular Code	x		x	x		
G2	Develop business continuity arrangements	x	x	x	x		
G3	Ensure appropriate cyber-security is in place	x	x	x			
G4	Review of governance related policies			x		x	x
G5	Outcome of Scheme Advisory Board good governance review		x	x	x	x	

## Governance Task Descriptions

### G1 – Review against new TPR Single Modular Code

#### *What is it?*

The Pensions Regulator (TPR) is expected to introduce a new Single Modular Code in Autumn 2021 (subject to consultation in Spring 2021). This new Code will merge the existing 15 codes the Regulator has in place. The first iteration of the new Code will include Code of Practice No.14 (the relevant Code for Public Service Pension Schemes) as part of the merger of 10 of the 15 codes currently in place. This could result in changes to the requirements placed on Public Service Pension Schemes, including the LGPS. Work will be undertaken to review whether the Fund complies with the requirements within the new Code. After the initial review, ongoing compliance checks will be carried out on a regular basis.

#### *Timescales and Stages*

Respond to Single Modular Code consultation	2021/22 Q1
Review and report the CPF's activity against the new Single Modular Code from TPR (estimated)	2021/22 Q3 & 4

#### *Resource and Budget Implications*

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

### G2 – Develop business continuity arrangements

#### *What is it?*

The Fund has carried out a number of tests in recent years to ensure services can continue to be maintained in various scenarios, such as an office fire. Given the COVID-19 pandemic and the like changes to working methods going forward, a review of the Fund's business continuity plans and processes is taking place. This will include:

- development of a high level Business Continuity Policy (to will be considered by the Committee in March 2021)
- a Business Impact Analysis - considering the key business processes, priorities, recovery times and risks
- developing appropriate business continuity plans
- creating a testing schedule
- ongoing work to minimise risks, including documenting processes where gaps were identified as part of the Business Impact Analysis and developing a plan for further staff training.



### *Timescales and Stages*

Develop Business Continuity Policy	2020/21 Q4
Carry out Business Impact Analysis	2021/22 Q1 to Q2
Developing Business Continuity Plan	2021/22 Q2 to Q4
Document processes relating to gaps & identify ongoing training needs	2021/22 Q2 to Q4
Develop Testing Schedule	2021/22 Q3 to Q4

### *Resource and Budget Implications*

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

## **G3 – Ensure appropriate cyber-security is in place**

### *What is it?*

Cyber risk is considered a key risk to the Fund, as it is to most organisations nowadays. In line with TPR's requirements, work will continue in this area to better understand how cyber risk is being managed in relation to the Fund's member data, assets and other procedures. The Fund has performed some initial investigations around how external suppliers intend to manage cyber risk. It is now completing the data and asset mapping to categorise risks and help the Fund plan out further work in this area focussing on the areas of key risk. Following this a process will also be put in place to ensure that ongoing checks are carried out.

### *Timescales and Stages*

Finalise data and asset mapping	2021/22 Q1 to Q2
Establish a programme for completing ongoing work to embed this in business as usual	2021/22 Q3

### *Resource and Budget Implications*

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

## G4 – Review of Governance Related Policies

### What is it?

The Fund has several policies focussing on the good governance of the Fund, all of which are subject to a fundamental review, usually at least every three years. The policies and the due dates for their reviews are as follows:

Policy	Last reviewed	Next review due
Governance Policy and Compliance Statement*	February 2020	February 2023
Risk Policy	October 2020	October 2023
Conflicts of Interest Policy	September 2018	September 2021
Procedure for Recording and Reporting Breaches of the Law	November 2018	November 2021
Training Policy	November 2015	Due now*

\*CIPFA are due to issue an updated Code of Practice relating to LGPS Knowledge and Skills, which is currently expected in April 2021. It seems appropriate that any changes are incorporated into the review if the Training Policy, which will therefore continue to be deferred until the updated CIPFA Code is issued.

### Timescales and Stages

Training Policy	2021/22 Q2 & Q3
Conflicts of Interest Policy	2021/22 Q2 & Q3
Procedure for Recording and Reporting Breaches of the Law	2021/22 Q2 & Q3
Governance Policy and Compliance Statement*	2022/23
Risk Policy	2023/24

\*The requirements relating to this are currently under national review, so it is possible this may need to be reviewed at an earlier stage due to national changes.

### Resource and Budget Implications

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

## G5 – Outcome of Scheme Advisory Board good governance review

### What is it?

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

The review has now evolved to focus on the elements of good governance, rather than the structure of the organisation. A number of recommendations have been made including ensuring appropriate conflicts of

interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority. The SAB has now made a number of formal recommendations to MHCLG, including the request for MHCLG to issue statutory guidance relating to the areas of best practice identified by the project. SAB will also be undertaking a number of surveys to take forward some of the work and is expected to issue guidance in due course. The actual timescales are estimated and may be delayed due to other national priorities.

#### *Timescales and Stages*

Expected period to review existing arrangements against new statutory guidance and/or guidance	2021/22 Q2 to Q4 and 2022/23
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#### *Resource and Budget Implications*

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

Mae'r dudalen hon yn wag yn bwrpasol

**Colin Everett**  
Chief Executive  
Prif Weithredwr

**Gary Ferguson, CPFA**  
Corporate Finance Manager (Section 151 Officer)  
Rheolwr Cyllid Corfforaethol (Swyddog adran 151)  
Treasurer to the Fund / Trysorydd y Gronfa

**Cronfa Bensiynau Clwyd  
Clwyd Pension Fund**

To: Emailed to  
CCMConsultation@HMTreasury.gov.uk

Your Ref/Eich Cyf

Our Ref/Ein Cyf

Date/Dyddiad August 2021

Ask for/Gofynner am Philip Latham

Direct Dial/Rhif Union 01352-702264

Email/ Ebst [Philip.latham@flintshire.gov.uk](mailto:Philip.latham@flintshire.gov.uk)

Dear Sir/ Madam

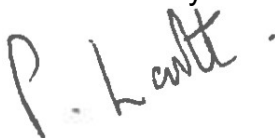
### **Public Service Pension Schemes Cost Control Mechanism Consultation**

Clwyd Pension Fund (administered by Flintshire County Council) is pleased to provide its response to HM Treasury's consultation on the Cost Control Mechanism. The response is by officers using delegated powers, after taking advice from the Fund's Actuary, Mercer.

The review of the mechanism is welcomed, along with recognition of some differences with the LGPS in terms of the proposed economic check. However, our response, whilst recognising the Government's conclusions, proposes a different package of measures for the LGPS to achieve the same objectives.

The Annex to this letter sets out our response to the questions set out in the consultation.

Yours faithfully



Philip Latham  
Head of Clwyd Pension Fund

Administered by  
Gweinyddwyd gan



County Hall, Mold. CH7 6NA  
[www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk)  
Neuadd y Sir, Yr Wyddgrug. CH7 6NA  
[www.cronfabensiynauclwyd.org.uk](http://www.cronfabensiynauclwyd.org.uk)

The Council welcomes correspondence in Welsh or English  
Mae'r Cyngor yn croesawu gohebiaeth yn y Gymraeg neu'r  
Saesneg

## **Annex 1**

### **Question 1 - Do you agree that a reformed scheme only design would achieve the right balance of risk between scheme members and the Exchequer (and by extension the taxpayer), and would create a more stable mechanism?**

We agree that a reformed scheme only design would create a more stable mechanism as there will be less liabilities in scope of the valuation. As such, any future cost variations will be smaller in absolute terms, resulting in a smaller change in the cost of the scheme when expressed in percentage of pay.

We would ask the Government to consider again whether to include liabilities of deferred and pensioner members in the reformed scheme at the date of the calculations. The inclusion of legacy benefits from the reformed scheme would increase inter-generational risk from a member perspective in that costs driven by former members of the reformed scheme would need to be met by benefit changes to existing members.

In addition, looking at only the reformed scheme would be difficult to achieve in LGPS given the impact of the underpin and this means that the risks of increases in the underpin costs would be borne directly by LGPS employers.

Both of the above could be addressed within the 'secondary check mechanism' (see question 4 below)

### **Question 2 - Do you agree with the Government's intention to widen the corridor? If not, why not.**

On balance, we would ask the Government to re-consider this in light of our other proposed changes.

Retaining the 2% corridor along with the adjustments to the mechanism to consider only the reformed scheme and an introduction of a 'secondary check' mechanism would manage costs more effectively.

Widening the corridor could potentially allow costs to get too far out of line before they are addressed. When benefit changes were triggered, these could need to be more significant in order to bring costs back into line increasing inter-generational unfairness as future members would bear potentially larger costs or receive larger improvement in benefits.

### **Question 3 – Do you think that a corridor size of +/-3% of pensionable pay is appropriate? If not, why not?**

See comments above.

### **Question 4 – Do you agree with the proposal to introduce an economic check?**

We welcome the proposed introduction of an economic check to avoid the outcome of the 2016 valuation. We also welcome the recognition that the SCAPE rate may not be the most appropriate measure for the LGPS.

As with most LGPS funds we have a significant level of investments in overseas markets, which do not move in line with UK GDP and as most LGPS funds we have a very broad and diverse investment portfolio, which again weakens the link between future expected returns and UK GDP.

For the LGPS we would propose a discount rate based on a best estimate of the expected return on the pool of assets held by the LGPS as a whole, over the duration of the LGPS membership. The best estimate would be proposed by GAD and agreed by the respective actuarial firms advising the LGPS as falling within a reasonable range. This would then retain consistency with the long term cost efficiency considerations in the Section 13 valuations for the LGPS as a whole.

However despite views expressed by Government we would suggest further considerations within a 'secondary check' mechanism which would form part of the economic check for the LGPS. This would limit the chance of outcomes arising from the 2016 cost review process happening in future and would more smoothly integrate the SAB process within the HMT process.

This could consider:

- Actual experience in the reformed schemes, including actual Fund returns received on the assets across the LGPS as his impacts employer costs.
- The costs or savings relating to the former members of the reformed scheme in a more holistic way than a mechanistic trigger.
- The impact of changes in the cost of the underpin in the LGPS

We would propose the review be undertaken by the Scheme Advisory Board. This would provide for a more joined up approach to cost management more generally within the LGPS. In making a recommendation, the Board would take account of the results of its own process.

**Question 5 – Do you think that the SCAPE discount rate, as it currently stands, is an appropriate economic measure for the cost control mechanism?**

**&**

**Question 6 – If the SCAPE methodology changes, and the Government considers that the SCAPE discount rate is therefore not an appropriate measure for the cost control mechanism, then do you think that a measure of expected long-term GDP should be used instead? If not, please set out any alternative measures that may be appropriate in this scenario. Please consider in the context of the separate review of the SCAPE methodology currently being undertaken by HM Treasury.**

As explained in 4 above we do not believe SCAPE discount rate is appropriate for the LGPS.

**Question 7 – Do you envisage any equalities impacts from the proposals to reform the cost control mechanism that the Government should take account of?**

We believe our proposed approach better addresses the inter-generational issue otherwise we have not taken advice on any other specific equality issues within the consultation proposals.

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**Clwyd Pension Fund**  
**Training Plan 2020/21 to 2021/22 - as at 18 August 2021**

External /CPF event	Title of session	Training Content	Timescale	Training Length	Audience	Complete
CPF	Governance update - Various	*The role and powers of <b>The Pensions Regulator and Codes of Practice</b> <b>*MIFID2</b> knowledge and skills requirements and The impact on The Fund around investment restrictions *Changes to be introduced as a result of The national <b>SAB good governance project</b>	Autumn 2021	Max 2 hours Webex/Teams	Committee, Pensions Board and Officers	
External	LGC Investment Summit - Leeds	Various topical presentations	9-10 September 2021	2 days (in person)	Committee, Pensions Board and Officers	
External	WPP Role of Operator	Hymans / WPP	22/09/2021	1.5 hours Teams	JGC Members	
CPF	Governance considerations - Cyber Security	Cyber risk to the fund and how this is being assessed and controlled	October 2021 to January 2022 (ahead of PFC where Cyber discussed)	Max 2 hours Webex/Teams	Committee, Pensions Board and Officers	
External	LGA Fundamentals - London, Leeds, Cardiff or virtual (for London dates only)	Various topics covering the basics of most pension fund areas of responsibility	Day 1 - 12, 21, 26 October Day 2 - 9, 18, 23 November Day 3 - 2, 8, 15 December Dates relate to London, Leeds, Cardiff respectively	3 separate days - 9.30am to 4pm	New/nearly new Committee and Board members	
External	WPP Performance Reporting / ACS Roles and Responsibilities	Hymans / WPP	18/10/2021	2.5 hours Teams	Committee, Pensions Board and Officers	
External	LAPFF, Bournemouth	Annual Conference	6 - 8 Dec 2021	3 days (in person)	Chair plus Officer	
External	LGA	Annual Conference	20 - 21 Jan 2022	2 days (in person)	Committee, Pensions Board and Officers	
External	Administration considerations - Pension Scheme Taxation	Including lifetime allowance and annual allowance	TBC	30 mins - 1 hour est.	Committee, Pensions Board and Officers	
CPF	Administration considerations - £95k Cap	If applies to Wales, the new £95k cap and the impact on scheme members being given early retirement	TBC	Estimated at 30 mins	Committee, Pensions Board and Officers	
External	Administration considerations - Goodwin Case	Overview of Goodwin court case affecting widowers' pension entitlements retrospectively to 2005	TBC	Estimated at 30 mins	Committee, Pensions Board and Officers	
CPF	Investment considerations - Private Markets	All aspects of investing in Private Markets (addition to BP)	TBC	2 hours Webex	Committee, Pensions Board and Officers	
CPF	Investment considerations - investment strategy	Setting the strategy and delivery of Investment objectives	TBC	TBC	Committee, Pensions Board and Officers	
CPF	Investments considerations - Asset Classes	Risk and return characteristics	TBC	TBC	Committee, Pensions Board and Officers	
CPF	Governance considerations - Myners Principles	To include reviewing the effectiveness of the PF Committee	TBC	Estimated at 1 hour	Committee, Pensions Board and Officers	
<b>Previous events</b>						
External	CIPFA Local Pension Board Seminars	Spring Session	02/04/2020	1 day	Pensions Board	N
External	PLSA Local Authority Conference, Gloucestershire	Various - Held virtually over 5 days	18-20/05/2020	5 days	Committee, Pensions Board and Officers	N
External	SAB Webinar	Streamlining Data, Managing investment risks	01/06/2020	1 hour Webinar	Committee, Pensions Board and Officers	Y
External	CIPFA Local Pension Board Seminars	Annual Event	24/06/2020 - Webex	9.30 - 16.00	Pension Board	Y
External	Responsible Investing & Climate Risk	To frame the Funds response to Climate Risk and Responsible Investing and low carbon investments	25/06/2020	2 hours Webex	Committee, Pensions Board and Officers	Y
External	Room 151	Cost transparency/Stewardship/Green Energy	22/07/2020	2 hour Webinar	Committee, Pensions Board and Officers	Y
CPF	McCloud Reform	Background to the McCloud Reform and the programme of work to be undertaken	05/08/2020	2 hours Webex	Committee, Pensions Board and Officers	Y
CPF	McCloud -Impact for Employers	Specific training for Employers with regard to the impact of McCloud	11/08/2020	2 hours Webex	Officers, McCloud Steering Group (Pension Board and Scheme Member Rep - Committee)	Y
External	CIPFA McCloud Implementation Workshop	Impact on Administration and Members	19/08/2020 Webex	10 -13.00	Committee & Pensions Board	N

Mae'r dudalen hon yn wag yn bwrpasol

<b>Ref</b>	A1	<b>Date entered in register</b>	19/09/2017
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Late notification of joining	<b>Owner</b>	SB
<b>Party which caused the breach</b>	CPF + various employers		
<b>Description and cause of breach</b>	<p>Requirement to send a Notification of Joining the LGPS to a scheme member within 2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled.</p> <p>Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale. 14/8/19 General data cleansing including year-end is affecting whether legal timescale is met. Individual on long-term sick impacting this.</p>		
<b>Category affected</b>	Active members		
<b>Numbers affected</b>	<p>2017/18: 2676 cases completed / 76% (2046) were in breach.  2018/19: 3855 cases completed / 66% (2551) were in breach.  2019/20: 3363 cases completed / 50% (1697) were in breach.  2020/21  -Q1 - 442 cases completed / 55% (245) were in breach  -Q2 - 1430 cases completed / 56% (799) were in breach  -Q3 - 1329 cases completed / 29% (386) were in breach  -Q4 - 739 cases completed / 15% (114) were in breach  2021/22  -Q1 - 789 cases completed / 15% (118) were in breach</p>		
<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>- Late scheme information sent to member which may result in lack of understanding.</li> <li>- Potential complaints from members.</li> <li>- Potential for impact on CPF reputation.</li> </ul>		

<b>Actions taken to rectify breach</b>	<ul style="list-style-type: none"> <li>- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing).</li> <li>- Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly.</li> <li>- Training of new team members to raise awareness of importance of time restraint.</li> <li>- Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task.</li> <li>- 6/6/18 - Updating KPI monitoring to understand employers not sending information in time.</li> <li>3/6/19 - Review of staff resources now complete and new posts filled.</li> <li>14/8/19</li> <li>-Streamlining of aggregation cases with major employers.</li> <li>- Consider feasibility and implications of removing reminders for joining pack (agreed not to change).</li> <li>- Consider feasibility of whether tasks can be prioritised by date of joining (agreed not to change).</li> <li>14/11/19 - Utilising FCC trainees to assist with this procedure. Joined early September.</li> <li>30/01/2020 - backlog completed and addressed older case work.</li> <li>25/09/2020 - Appointed and training new members of staff</li> <li>17/11/2020 - Training of new staff continuing. An increase of cases completed compared to previous. Expecting next quarter results to improve due to completion of training.</li> <li>02/02/2021 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient.</li> </ul>
<b>Outstanding actions (if any)</b>	18/08/2021 Work to be done to analyse timescales in relation to (a) employers and reaching out to them to discuss delays and (b) internal in which case looking to reduce these.
<b>Assessment of breach and brief summary of rationale</b>	29/07/2021 - Number of cases completed have increased but number of cases that have breached remain too high to alter assessment of breach.
<b>Reported to tPR</b>	No

<b>Ref</b>	A2	<b>Date entered in register</b>	19/09/2017
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Late transfer in estimate	<b>Owner</b>	SB
<b>Party which caused the breach</b>	CPF + various previous schemes		
<b>Description and cause of breach</b>	<p>Requirement to obtain transfer details for transfer in, and calculate and provide quotation to member 2 months from the date of request.</p> <p>Breach due to late receipt of transfer information from previous scheme and late completion of calculation and notification by CPF. Only 2 members of team fully trained to carry out transfer cases due to new team structure and additional training requirements. 29/1/19 National changes to transfer factors meant cases were put on hold / stockpiled end of 2018 / early 2019.</p>		
<b>Category affected</b>	Active members		

<b>Numbers affected</b>	2017/18: 235 cases completed / 36% (85) were in breach. 2018/19:213 cases completed / 45% (95) were in breach. 2019/20: 224 cases completed / 32% (71) were in breach 2020/21 -Q1- 59 cases completed / 19% (11) were in breach -Q2- 54 cases completed / 35% (19) were in breach -Q3- 56 cases completed / 29% (16) were in breach - Q4-55 cases completed / 20% (11) were in breach 2021/22 -Q1 - 76 cases completed / 62% (47) were in breach
<b>Possible effect and wider implications</b>	- Potential financial implications on some scheme members. - Potential complaints from members/previous schemes. - Potential for impact on CPF reputation.
<b>Actions taken to rectify breach</b>	17/11/2020 - Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with in a more timely manner. 02/02/2021 - Training to continue. Complex area of work so training taking longer to complete. Training will continue through Q4. 21/05/2021 - Staff members attended external training course.
<b>Outstanding actions (if any)</b>	29/1/19: - If KPIs don't improve, investigate how much of the delay is due to external schemes and look for ways to improve this.
<b>Assessment of breach and brief summary of rationale</b>	29/07/2021 - Number of cases completed have increased as more staff members trained. However number of cases in breach has also increased. Some of this is expected to be as a result of other schemes/funds slowing down their timescales, in line with TPR guidance. Given that, assessment of breach remains as amber.
<b>Reported to tPR</b>	No

<b>Ref</b>	A4	<b>Date entered in register</b>	19/09/2017
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Late notification of retirement benefits	<b>Owner</b>	SB
<b>Party which caused the breach</b>	CPF + various employers + AVC providers		
<b>Description and cause of breach</b>	Requirement to provide notification of amount of retirement benefits within 1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age.  Due to a combination of: - late notification by employer of leaver information - late completion of calculation by CPF - for members who have AVC funds, delays in receipt of AVC fund values from AVC provider.		
<b>Category affected</b>	Active members mainly but potentially some deferred members		
<b>Numbers affected</b>	2017/18: 960 cases completed / 39% (375) were in breach. 2018/19: 1343 cases completed / 30% (400) were in breach 2019/20: 1330 cases completed / 25% (326) were in breach 2020/21 - Q1 - 214 cases completed in total / 37% (79) were in breach - Q2 - 232 cases completed / 25% (59) were in breach - Q3 - 331 cases completed / 19% (63) were in breach -Q4 - 350 cases completed / 19% (68) were in breach 2021/22 -Q1 - 329 cases completed / 16% (53) were in breach		

<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF).</li> <li>- Potential complaints from members/employers.</li> <li>- Potential for impact on CPF reputation.</li> </ul>
<b>Actions taken to rectify breach</b>	<ul style="list-style-type: none"> <li>- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of retirees (ongoing).</li> <li>- Set up of ELT to monitor and provide leaver details in a more timely manner.</li> <li>- Prioritising of task allocation.</li> <li>- Set up of new process with one AVC provider to access AVC fund information.</li> <li>- Increased staff resources.</li> </ul> <p>3/6/19 - Review of staff resources now complete and new posts filled.  14/8/19 - Improvements have been made and more should be made as staff are settled in and trained. Business case approved.  25/09/20 - Increased engagement with employers to assist with challenges faced due to working from home in relation to Covid-19 requirements. Employers faced challenges in getting information to us in relevant timescales.  17/11/2020- Number of cases completed has increased whilst percentage in breach has reduced compared to last quarter. This is hoped to continue due to increased engagement with employers and processes amended to mitigate challenges faced by Covid-19.  02/02/21 - Completed case numbers continue to increase whilst percentage in breach has reduced again this quarter. Improved engagement with employers via new monthly reporting process should assist in reducing the number of breaches further in future quarters.  21/05/2021 - New reports to employers will go live in June so expected improvement in future quarters.</p>
<b>Outstanding actions (if any)</b>	<ul style="list-style-type: none"> <li>- Identifying which employers are causing delays.</li> </ul> <p>30/1/2020 Ongoing liaison with employers and rolling out monthly monitoring.</p>
<b>Assessment of breach and brief summary of rationale</b>	29/07/2021 - Completed case numbers remain consistent with a reduction in case numbers that were in breach. Not significant enough of a reduction to change assessment.
<b>Reported to tPR</b>	No

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

<b>Numbers affected</b>	2017/18: 153 cases completed / 58% (88) were in breach. 2018/19: 184 cases completed / 30% (56) were in breach 2019/20: 165 cases completed / 28% (53) were in breach 2020/21 -Q1- 39 cases completed / 23% (9) were in breach -Q2- 52 cases completed / 38% (20) were in breach -Q3- 31 cases completed / 29% (9) were in breach -Q4- 73 cases completed / 21% (15) were in breach 2021/22 -Q1- 59 cases completed / 8% (5) were in breach
<b>Possible effect and wider implications</b>	- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from beneficiaries, particular given sensitivity of cases. - Potential for impact on CPF reputation.
<b>Actions taken to rectify breach</b>	- Further training of team - Review of process to improve outcome - Recruitment of additional, more experienced staff. 3/6/19 - Review of staff resources now complete and new posts filled. 3/2/20 - Training of additional staff now complete. 18/8/21 - Further work completed identifying where the delay fell e.g. request or receipt of information to facilitate the calculation of benefits, and action taken to improve these issues.
<b>Outstanding actions (if any)</b>	
<b>Assessment of breach and brief summary of rationale</b>	29/07/2021 - Number of completed cases has reduced and so has the number in breach. Breach rating to remain as green and expect consistency going forward.
<b>Reported to tPR</b>	No

<b>Ref</b>	A9	<b>Date entered in register</b>	29/08/2018
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	29/07/2021
<b>Title of Breach</b>	Late notification of leaver rights and options	<b>Owner</b>	SB/JT
<b>Party which caused the breach</b>	CPF + various employers		
<b>Description and cause of breach</b>	<p>Requirement to inform members who leave the scheme of their leaver rights and options, as soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member).</p> <p>Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale.</p>		
<b>Category affected</b>	Active members		
<b>Numbers affected</b>	<p>2018/19: 3596 cases completed / 45% (1634) were in breach 2019/20: 1779 cases completed / 6% (101) were in breach 2020/21 -Q1- 418 cases completed / 9% (37) were in breach - Q2 -313 cases completed / 2% (6) were in breach -Q3 - 311 cases completed / 1% (3) were in breach -Q4 - 592 cases completed / 0.17% (1) in breach 2021/22 -Q1- 318 cases completed / 0.31% (1) in breach</p>		

<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>- Late notification of benefits/costs to member/employer.</li> <li>- Potential complaints from members/employers.</li> <li>- Potential for missed opportunities by members/employers.</li> <li>- Potential for impact on CPF reputation.</li> </ul>
<b>Actions taken to rectify breach</b>	<ul style="list-style-type: none"> <li>- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of leavers (ongoing).</li> <li>- Set up of Employer Liaison Team (ELT) to monitor and provide leaver details in a more timely manner.</li> <li>- Training of new team members to raise awareness of importance of time restraint.</li> <li>- Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task.</li> <li>- 6/6/18 - Updating KPI monitoring to understand employers not sending information in time.</li> <li>3/6/19 - Review of staff resources now complete and new posts filled.</li> <li>14/8/19</li> <li>- Ongoing streamlining of aggregation cases with major employers.</li> <li>- Consider feasibility of whether tasks can be prioritised by date of leaving (no action taken).</li> <li>- Carrying out backlogs of previous leavers (most of which are due to i-Connect roll out).</li> <li>21/05/2021 - New reports to employers will go live in June so expected improvement in future quarters.</li> </ul>
<b>Outstanding actions (if any)</b>	
<b>Assessment of breach and brief summary of rationale</b>	29/07/2021 - Number of cases completed are now steady with no back log and only 1 breach. Assessment to remain the same and breach closed.
<b>Reported to tPR</b>	No

<b>Ref</b>	A20	<b>Date entered in register</b>	03/02/2021
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Members not entered into LGPS	<b>Owner</b>	KW
<b>Party which caused the breach</b>	Employer		
<b>Description and cause of breach</b>	Number of employees entered into the Peoples' Pension, rather than the LGPS, by their employer (confidential until all employees are communicated with). Some employees did opt out of Peoples' Pension.		
<b>Category affected</b>	Active members		
<b>Numbers affected</b>	18 employees		
<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>- As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively.</li> <li>- Unclear if the employees who opted out, would have also opted out of the LGPS.</li> <li>- LGPS Contributions will need to be collected from employer and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period.</li> <li>- Employer will need to liaise with Peoples' Pension to reverse membership there.</li> </ul>		
<b>Actions taken to rectify breach</b>	<p>3/2/2021 - Liaising with employer to determine how best to put employees back in correct position. Letters sent to members to explain</p> <p>21/05/2021 - Regular meetings held with employer and have an action plan in place. Exact number of 18 members have now been identified.</p>		



<b>Outstanding actions (if any)</b>	29/07/2021 - All member records updated apart from leavers. These members still need to be communicated with by the employer. No employee financial impact.
<b>Assessment of breach and brief summary of rationale</b>	29/07/2021 - Not all actions completed, therefore assessment of breach to remain.
<b>Reported to tPR</b>	No

<b>Ref</b>	A21	<b>Date entered in register</b>	21/05/2021
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	29/07/2021
<b>Title of Breach</b>	Data Breach	<b>Owner</b>	KW
<b>Party which caused the breach</b>	CPF		
<b>Description and cause of breach</b>	265 Pension Increase letters contained details relating to another member on the reverse side. This was as a result of the printing being out of order. Error not noticed internally and CPF unaware until member rang to question.		
<b>Category affected</b>	Pensioner members.		
<b>Numbers affected</b>	265 pensioner members		
<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>-As a result the letters that the pension members received in Welsh relate to another member and their information has been printed on the Welsh translation of another member's letter. Details on the letter included Name, address, pension reference number and annual amount of pension.</li> <li>- Reputational risk</li> <li>- Causing worry and distress to members concerned</li> </ul>		
<b>Actions taken to rectify breach</b>	<ul style="list-style-type: none"> <li>21/05/2021 - All members concerned have received an apology letter and the correct Pension Increase letter</li> <li>- Breach reported to the internal Information Officer</li> <li>- Self- referral to the Information Commissioners Office</li> </ul>		
<b>Outstanding actions (if any)</b>			
<b>Assessment of breach and brief summary of rationale</b>	29/07/2021 - Breach now closed with ICO with a few minor recommendations. No further outstanding actions therefore breach closed.		
<b>Reported to tPR</b>	No		

<b>Ref</b>	A22	<b>Date entered in register</b>	21/05/2021
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Members not entered into LGPS	<b>Owner</b>	KW
<b>Party which caused the breach</b>	Glyndwr		
<b>Description and cause of breach</b>	Number of employees entered into alternative pension schemes, rather than the LGPS, by Glyndwr.		
<b>Category affected</b>	Active members		
<b>Numbers affected</b>	6 employees		
<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>- As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively.</li> <li>- LGPS Contributions will need to be collected from employer and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period.</li> <li>- Employer will need to liaise with alternative provider to reverse membership there.</li> </ul>		
<b>Actions taken to rectify breach</b>	<ul style="list-style-type: none"> <li>21/05/2021- Liaising with employer to determine how best to put employees back in correct position and detailed plan of actions has been developed.</li> <li>Letters sent to members to explain</li> </ul>		
<b>Outstanding actions (if any)</b>	26/5/2021 - Action plan to now be delivered.		

<b>Assessment of breach and brief summary of rationale</b>	29/07/2021 - Actions still outstanding by employer therefore breach assessment to remain.
<b>Reported to tPR</b>	No

<b>Ref</b>	A23	<b>Date entered in register</b>	21/05/2021
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Incorrect member contributions paid	<b>Owner</b>	KW
<b>Party which caused the breach</b>	Employer		
<b>Description and cause of breach</b>	When employees are stepping up from their substantive post to higher graded post, incorrect employee and employer contributions have been made. This is due to an incorrect recording on the payroll system.		
<b>Category affected</b>	Active and Deferred		
<b>Numbers affected</b>	25 current and previous employees		
<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>- As a result the employees may have less valuable pension rights, and so LGPS CARE pay and contributions will need to be checked and difference in contributions paid retrospectively.</li> <li>- LGPS Contributions will need to be collected from employer, and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period.</li> </ul>		
<b>Actions taken to rectify breach</b>	<ul style="list-style-type: none"> <li>21/05/2021- Process has been updated to ensure correct contributions/CARE pay going forward.</li> <li>- Liaising with employer to determine how best to put employees back in correct position retrospectively and letters to be sent to members to explain.</li> </ul>		
<b>Outstanding actions (if any)</b>	21/05/2021 - Detailed plan of specific actions and communications being developed.		
<b>Assessment of breach and brief summary of rationale</b>	29/07/2021 - Not all actions completed by employer therefore assessment of breach to remain.		
<b>Reported to tPR</b>	No		

<b>Ref</b>	F42	<b>Date entered in register</b>	25 May 2021
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	09 Jun 2021
<b>Title of Breach</b>	No submission of contribution remittance advice	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Marchwiel Community Council		
<b>Description and cause of breach</b>	<p>A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.</p> <p>Contributions relating to Apr 2021 were received within the legal timescales but no remittance advice was received.</p>		
<b>Category affected</b>	Active members and employer		
<b>Numbers affected</b>	1 active member		
<b>Possible effect and wider implications</b>	Unable to verify information being paid or reconcile with member year end information.		
<b>Actions taken to rectify breach</b>	- 25/05/21 emailed Employer to request remittance.		
<b>Outstanding actions (if any)</b>			
<b>Assessment of breach and brief summary of rationale</b>	09/06/2021 Details received		
<b>Reported to tPR</b>	No		

<b>Ref</b>	F43	<b>Date entered in register</b>	23 Jun 2021
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	24 Jun 2021

<b>Title of Breach</b>	No submission of contribution remittance advice	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Hafan Deg (K L Care Ltd)		
<b>Description and cause of breach</b>	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.  Contributions relating to May 2021 were received within the legal timescales but no remittance advice was received.		
<b>Category affected</b>	Active members and employer		
<b>Numbers affected</b>	2 active members		
<b>Possible effect and wider implications</b>	Unable to verify information being paid or reconcile with member year end information.		
<b>Actions taken to rectify breach</b>	- 23/06/21 emailed Employer to request remittance.		
<b>Outstanding actions (if any)</b>			
<b>Assessment of breach and brief</b>	24/06/2021 Details received		
<b>Reported to tPR</b>	No		

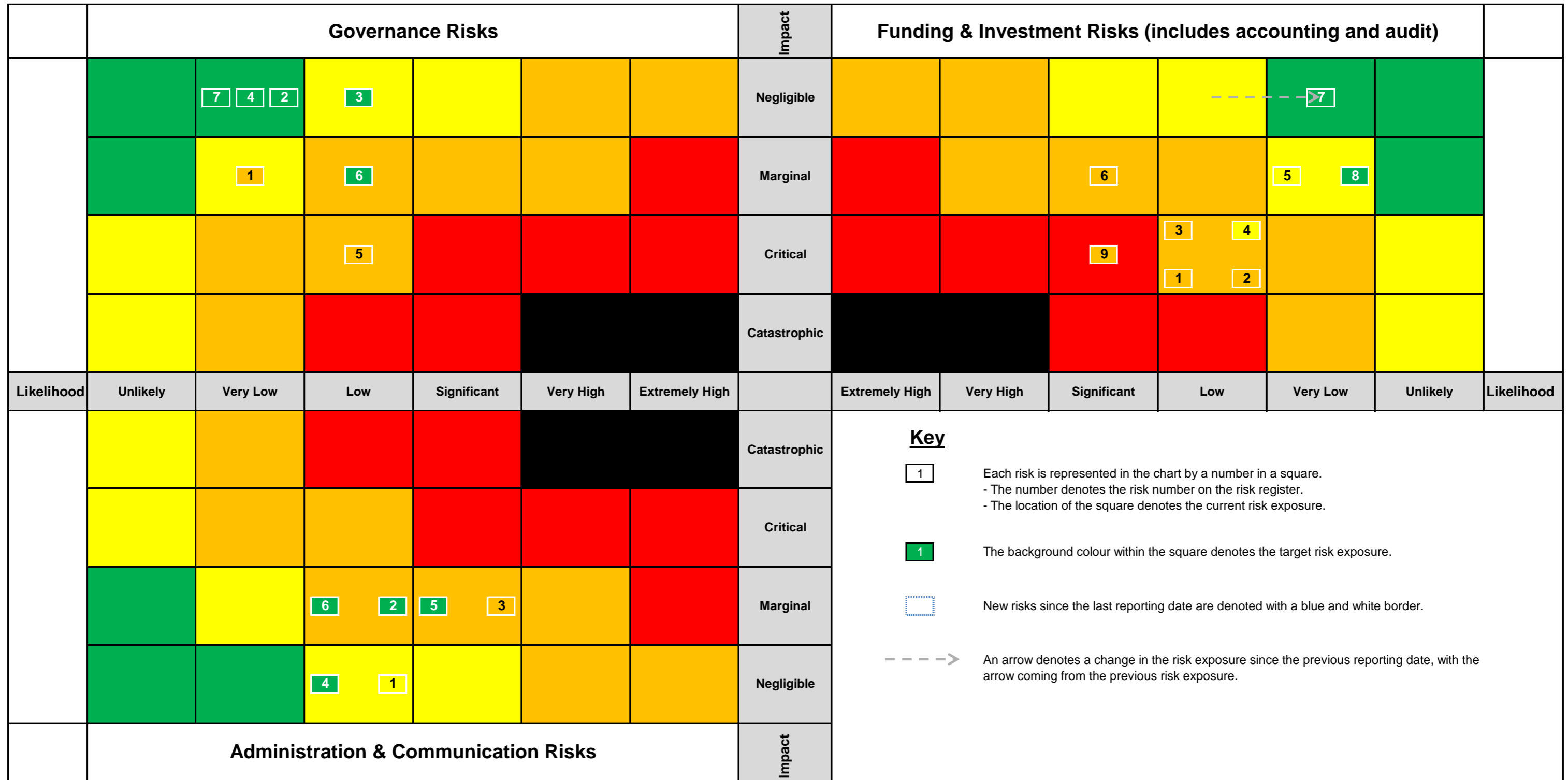
<b>Ref</b>	F44	<b>Date entered in register</b>	23 Jun 2021
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	23 Jun 2021
<b>Title of Breach</b>	Late payment of contributions	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Theatre Clwyd (Music Trust)		
<b>Description and cause of breach</b>	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions.  Contributions in relation to May 2021 were not received within the deadline.		
<b>Category affected</b>	Active members and employer		
<b>Numbers affected</b>	34 active members		
<b>Possible effect and wider implications</b>	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
<b>Actions taken to rectify breach</b>	- 23/06/21 emailed Employer to request payment		
<b>Outstanding actions (if any)</b>			
<b>Assessment of breach and brief</b>	23/06/2021 Payment received		
<b>Reported to tPR</b>	No		

<b>Ref</b>	F45	<b>Date entered in register</b>	23 Jul 2021
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	02 Aug 2021
<b>Title of Breach</b>	Late payment of contributions	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Ruthin Town Council		
<b>Description and cause of breach</b>	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions.  Contributions in relation to June 2021 were not received within the deadline.		
<b>Category affected</b>	Active members and employer		
<b>Numbers affected</b>	1 active member		

<b>Possible effect and wider implications</b>	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.
<b>Actions taken to rectify breach</b>	- 23/07/21 emailed Employer to request payment
<b>Outstanding actions (if any)</b>	
<b>Assessment of breach and brief summary of rationale</b>	02/08/2021 Payment received. New Clerk emailed back on 23 /07/21 in response to email explaining her new position and would arrange payment as soon as possible. Paid on 02/08/21 with the payments due for July (early)
<b>Reported to tPR</b>	No

CLWYD PENSION FUND - CALENDAR OF EVENTS APRIL 2021 ONWARDS						
Month	Date	Day	Committee	Training	Pension Board	Location
<b>2021</b>						
<b>April</b>						
	07-Apr	Wed		Induction Training Investment Practice 2pm - 4pm		Virtual
	21-Apr	Wed		Flight Path Training Part I 10am - 12pm		Virtual
	21-Apr	Wed		Induction Training Administration 2pm - 4pm		Virtual
	21-Apr	Wed		WPP Training Private Markets/ Legal Structures 2pm - 4pm		Virtual
	28-Apr	Wed		Induction Training Accounting Audit & Procurement 2pm - 4pm		Virtual
<b>May</b>						
	05-May	Wed		Induction Training Communication 2pm - 4pm		Virtual
	12-May	Wed		Fossil Fuel Training 12.30pm - 2pm		Virtual
	18 - 19 May	Tues - Wed		PLSA LGPS Annual Conference		Virtual
	26-May	Wed		Responsible Investment Roadmap 2pm - 4pm		Virtual
<b>June</b>						
	09-Jun	Wed	9.30am - 11.30am			Virtual
	23-Jun	Wed		CIPFA Pension Board Event		Virtual
	24-Jun	Thu			9.30am - 3pm	Virtual
<b>July</b>						
	TBC			WPP RI Indices and Reporting		Virtual
	21-Jul	Wed		Flight Path Training Part II TBC		Virtual
<b>Sept</b>						
	01-Sep	Wed	9.30am - 11.30am			Virtual
	9 - 10 Sept	Thur - Fri		LGC Investment Seminar		Leeds
	22-Sep	Wed		WPP Role of Operator (JGC only)		Virtual
	28-Sep	Tues			9.30am - 3pm	Virtual
<b>Oct</b>						
	12 Oct 21 Oct 26 Oct			LGA Fundamentals Day 1		London Leeds Cardiff
	18-Oct	Mon		WPP Performance Reporting / Roles and Responsibilities ACS		Virtual

Month	Date	Day	Committee	Training	Pension Board	Location
<b>Nov</b>						
	10-Nov	Wed	9.30am - 11.30am			
	9 Nov 18 Nov 23 Nov			LGA Fundamentals Day 2		London Leeds Cardiff
	24-Nov	Wed		AJCM		Virtual
<b>Dec</b>						
	6 - 8 Dec	Mon - Wed		LAPFF Annual Conference		Bournemouth
	2 Dec 8 Dec 15 Dec			LGA Fundamentals Day 3		London Leeds Cardiff
<b>2022</b>						
<b>Jan</b>						
	20 - 21 Jan	Thurs - Fri		LGA Annual Conference		Bournemouth
<b>Feb</b>						
	09-Feb	Wed	9.30am - 11.30am			TBC
	17-Feb	Thur			9.30am - 3pm	TBC
<b>Mar</b>						
	16-Mar	Wed	9.30am - 11.30am			TBC



Clwyd Pension Fund - Control Risk Register

Governance Risks

Objectives extracted from Governance Policy (02/2020), Training Policy (09/2018) and Procedures for Reporting Breaches of the Law (11/2018)

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

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	
1	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately considered (recognising that many risks can be identified but not managed to any degree of certainty)	All	Marginal	Very Low	Yellow	1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to each PFC 3 - Advisory panel meets at least quarterly discussing changing environment etc 4 - Fundamental review of risk register annually 5 - TPR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Marginal	Low	Green	☺			None	Head of CPF	31/10/2021	26/01/2021	
2	Inappropriate or no decisions are made	Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	G1 / G2 / G3 / G4 / G5 / G6 / G7	Negligible	Very Low	Green	1 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Annual check against TPR Code 4 - Training Policy, plan, monitoring (regular self assessments) and induction training in place for PFC and PB members based on CIPFA Code/Framework 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PFC, PB and officers in their responsibilities, with formal Advisory Panel 6 - Terms of reference for the Committee in the Constitution allows for members to be on the Committee for between 4-6 years but they can be re-appointed 7 - Different categories of Committee and Board members have different end of term dates, to ensure continuity 8 - Approved schedule of officer delegations, including ability for urgent matters to be agreed outside of formal Committee (involving Chair of PFC) 9 - Regular Covid catch ups took place during pandemic with senior managers and advisers to consider/manage impact on Fund 10 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible	Negligible	Very Low	Green	☺			1 - Further self assessment of training needs to be carried out in 2021/22 (PL) 2 - Training for new Chief Executive and new Administrator to be arranged Q3/Q4 (PL)	Head of CPF	31/10/2021	05/08/2021	
3	Our legal fiduciary responsibilities are not met	Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers	G1 / G2 / G4 / G6 / T2	Negligible	Low	Yellow	1 - CPF Conflicts of Interest Policy focussed on fiduciary responsibility regularly discussed and reviewed 2 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 3 - All stakeholders to which fiduciary responsibility applies represented at PFC and PB 4 - Training Policy, Plan, monitoring (regular self assessments) and induction training in place for PFC and PB members including training on fiduciary responsibility and the CPF Conflicts Policy 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PC, PB and officers in their responsibilities, with formal Advisory Panel 6 - Clear strategies and policies in place with Fund objectives which are aligned with fiduciary responsibility 7 - WPP Conflicts of Interests Policy in place	Negligible	Very Low	Green	☹	Current likelihood 1 too high	26/01/2021	Dec 2021	1 - Ensure appropriate due diligence process for investments with potential conflict (Welsh or local) (PL) 2 - Training on conflicts for new Chief Executive and new Administrator to be arranged Q3/Q4 (PL)	Head of CPF	31/10/2021	10/08/2021
4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	G2 / G7	Negligible	Very Low	Green	1- Range of policies in place and all reviewed at least every three years 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually (work in progress) 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored	Negligible	Unlikely	Green	☹	Current likelihood 1 too high	01/07/2016	Oct 2021	1- Ensure work relating to annual monitoring is completed and included in PFC papers (DF)	Dep. Head of CPF	31/10/2021	10/08/2021
5	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such scheme change (e.g. McCloud and £95k cap), national reorganisation, cybercrime, Covid-19 and asset pooling	G1 / G4 / G6 / G7	Critical	Low	Orange	1 - Continued discussions at AP, PFC and PB regarding this risk 2 - Involvement of CEO / links to WLGA and WG 3 - Fund's consultants involved at national level/regularly reporting back to AP/PFC 4 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring) 5 - Asset pooling IAA in place 6 - Officers on Wales Pool OWS, and Pension Board Chair attending WPP LPB Chair meetings 7 - Ongoing monitoring of cybercrime risk by AP 8 - McCloud planning undertaken and full programme management in place 9 - Regular Covid catch ups took place during pandemic with senior managers and advisers to consider/manage impact on Fund 10 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible	Marginal	Low	Orange	☹	Current impact 1 too high	28/02/2017	Dec 2021	1 - Regular ongoing monitoring by AP to consider if any action is necessary around asset pooling, cost cap, £95k cap and McCloud judgement (PL) 2 - Identify further actions to manage Cybercrime risk (PL) 3 - Refresh and document business continuity assessments/procedures (KW)	Head of CPF	31/10/2021	06/08/2021
6	Services are not being delivered to meet legal and policy objectives	Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades.	G3 / G6 / G7 / T1	Marginal	Low	Orange	1 - Fundamental review of succession planning and resources carried out over 2017 to 2020 and new structures put in place 2 - Ongoing task/SLA reporting to management AP/PFC/LPB to quickly identify issues 3 - Quarterly update reports consider resourcing matters 4 - Consultants provide back up when required 5 - Additional resources, such as outsourcing, considered as part of business plan 6 - Impact of potential Covid absences being discussed regularly ensuring priority work continues unaffected 7 - Resourcing regularly considered as part of major projects (e.g. McCloud)	Negligible	Very Low	Green	☹	Current impact 1 too high Current likelihood 1 too high	01/07/2016	Dec 2021	1 - Recruit to vacant governance and business role (PL) 2 - Ongoing consideration of business continuity including succession planning (PL)	Head of CPF	31/10/2021	10/08/2021
7	Legal requirements and/or guidance are not complied with	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches)	G3 / G6 / T1 / T2 / B1 / B2	Negligible	Very Low	Green	1 - TPR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliance areas (relevant individuals provided with a copy and training provided) 4 - Training policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures 7 - Strategies and policies often included statements or measures around legal requirements/guidance 8 - Wide range of advisers and AP in place 9 - Independent adviser in place including annual report which will highlight concerns 10 - Outstanding actions relating to TPR Code reviewed regularly	Negligible	Very Low	Green	☺			1 - Further documented processes (as part of TPR compliance) e.g. contribution payment failure (DF)	Head of CPF	31/10/2021	24/09/2020	



# Eitem ar gyfer y Rhaglen 7



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 1 September 2021
<b>Report Subject</b>	Administration and Communications Update
<b>Report Author</b>	Pensions Administration Manager

### EXECUTIVE SUMMARY

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

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

The report includes updates on:

- Current Developments and News – this includes updates relating to the McCloud Programme and Prudential's service issues.
- Day to day tasks and key performance indicators – showing the position to the end of July 2021 including the new key performance indicators executive summary format.
- Communications – An update on the usage of the Fund's Member Self-Service (MSS) facility, and details of employer engagement and communications sent.
- Changes to the administration and communications risks since the last meeting including the consideration of recent issues with the Prudential for members with an AVC.

### RECOMMENDATIONS

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

1.00	ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS
1.01	<p data-bbox="320 255 783 293"><b>Business Plan 2021/22 Update</b></p> <p data-bbox="320 320 1378 461">Progress against the business plan items for quarter one and quarter two to date of this year is positive for the majority of items with some areas not yet due as illustrated in Appendix 1. Key items to note relating to this work are as follows:</p> <ul data-bbox="320 488 1378 2056" style="list-style-type: none"><li data-bbox="320 488 1378 1144">• A1 Implement Survivor Benefit Changes – As per the previous update, this item remains postponed due to delays in information being issued by LGA and MHCLG. This area of work is as a result of the changes to the regulations in respect of the calculation of and entitlement to surviving partner pensions in respect of Civil Partners or same sex marriages and the outcome of Elmes versus Essex High Court Ruling. Deceased members who may have a surviving partner entitled to a benefit under the new rulings have been identified. Processes and letters have been drafted and we are still currently awaiting further guidance from the LGA on how to proceed with these cases. As mentioned in previous updates a further case, Goodwin versus the Department for Education, has highlighted that previous changes to regulation may now lead to further discrimination within the Teachers’ Pension Scheme and other public service pension schemes (including the LGPS). The MHCLG consultation on the Goodwin changes is also still outstanding. As a result of these national delays the business plan has been updated to show that the work cannot commence in Q1 and Q2, and this will be re-evaluated as the year progresses.</li><li data-bbox="320 1167 1155 1205">• A2 McCloud – An update is provided later in this report.</li><li data-bbox="320 1227 1378 1585">• A6 i-Connect – Excellent progress has been made towards having all employers’ on-board and submitting active member data electronically every month. There is only a single employer remaining to on-board and this will progress after their transfer of payroll services to a new provider. This employer covers less than 1% of Fund membership. All new employers to the Fund will automatically on-board to i-Connect therefore becoming a business as usual exercise. I-connect data verification reports and continuous data cleaning processes have also been developed and implemented providing continuous improvements to data quality and bringing this exercise to a successful end.</li><li data-bbox="320 1608 1378 1711">• A7 Review Administration &amp; Communications Related Policies and Strategies – The updated and approved Administration Strategy is now in place and this matter is therefore concluded.</li><li data-bbox="320 1733 1378 2056">• A9 Review of Scheme Member Communications and Processes – A full review of the Penpal and Deferred diaries communications has taken place. The review consisted of content and target audience. A decision was made to send paper copies of these communications to those members who are yet to inform us of their communication preference therefore potentially missing out on important information. An article has been included to inform members how to register for MSS and this will hopefully increase the number of active and deferred members using this facility and engaging with the Fund.</li></ul>

	<ul style="list-style-type: none"> <li>• E1 Expand Employer Liaison team (ELT) to more employers – The ELT continues to work with Coleg Cambria towards a full transition of agreed processes to the ELT. There are also further discussions with another employer who may be interested in using ELT's services.</li> <li>• E2 McCloud ELT services – The main area of work relates to FCC. The Employer Liaison Team is working with FCC IT colleagues to develop a solution to assist FCC payroll to extract and manipulate member data for the McCloud remedy. The reports that have been developed are now in the process of being verified. This collaboration of specialist knowledge is working well so far and will hopefully provide the functionality required to provide the relevant data.</li> </ul>
1.02	<p><b>Current Developments and News</b></p> <p>The following details developments and news in addition to business as usual</p> <p><i>McCloud Programme update</i> Public Service Pensions and Judicial Offices Bill – As mentioned in the Governance Update, this Bill includes the retrospective provision to implement the McCloud remedy regulations. The Bill commenced its passage through Parliament in July.</p> <p>An update on the progress of the Clwyd Pension Fund McCloud programme is attached as Appendix 2. The programme currently has an overall health status of green, meaning that it is largely on track. A recent review of the programme's risks has resulted in the assessment of a further number of risks being reduced. This is a result of continued positive engagement from employers, and recruitment and training progressing.</p> <p><i>Other updates</i></p> <ul style="list-style-type: none"> <li>• The Technical and Payroll team along with the Communications team are in the final stages of the Annual Benefit Statement process and all statements will be issued to both active and deferred members by 31st August. As part of this exercise, the guidance notes for the Active and Deferred annual benefit statements, which are issued with the statements, have been reviewed by the Communications and Regulations team. The relevant newsletters have also been reviewed and updated to include articles on transfer scams and responsible investing.</li> <li>• The Pension Administration Manager has continued to attend meetings with fellow Pension Administration Managers and Industry Specialists. The main agenda items for these meetings include returning to the workplace and what that might look like, progress on the McCloud ruling and the challenges facing the LGPS to ensure all Funds are prepared for the National Pensions Dashboard.</li> <li>• The Technical and Payroll team are in the final stages of testing the employer monthly feedback reports. This has taken slightly longer than anticipated due to the complexity of the reports required to gather the appropriate information. The reports are due to be issued in August with feedback provided at the next Committee meeting.</li> </ul>

- The Pension Administration Manager has continued to attend regular National Pensions Dashboard Co-Ordination Group meetings organised by PLSA and has fed into a number of input requests on behalf of LGPS funds.
- Prudential service issues – the Fund is continuing to receive complaints from members in relation to the service provided by the Prudential. The Pension Administration Manager, on behalf of the Fund, has followed the Whistleblowing procedure as suggested by the LGA and reported the Prudential to the Pension Regulator. The Fund is advising members to follow the complaints procedure stipulated by the Prudential whilst the Fund continues to do everything possible to resolve member issues.

### **Policy and Strategy Implementation and Monitoring**

1.03

#### *Administration Strategy*

The latest monitoring information in relation to administration is outlined below:

Day to day tasks – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis to July 2021 since April 2018 as well as how this is split in relation to our three unitary authorities and all other employers. The number of tasks being completed by the team was consistently high April through to June, reducing in July which reflects key dates for annual leave that is typically taken at this time of year and will continue into August. The number of outstanding cases is stabilising at around 5,000 whilst training continues to be delivered. However, once training is complete the time taken to complete cases should improve thus having a positive impact on the overall number of cases being completed

Key performance indicators – Appendix 4 shows our performance against the key performance indicators that are measured on a monthly basis up to July 2021. This information now includes the first set of results in relation to the new key performance indicators that were introduced recently following the review of the Administration Strategy. The new measures are numbers 8 to 13 as outlined on page 1 of the Appendix and the results are shown in the final six boxes (end of page 3 and all of page 4). These relate to:

- Calculate and notify member of CETV for divorce/dissolution quote
- Calculate and notify members of actual divorce share
- Calculate and pay a Refund of contributions
- Calculate and pay retirement lump sum
- Calculate and notify member of deferred benefits
- Initial letter acknowledging death of member.

The Committee will see that, with the introduction of new measures, the information is now presented in a summary format which is explained on page 2 of the Appendix and will be further explained at the Committee

meeting. The previous format of reporting which shows the detail of the measures on a month by month basis can be provided upon request.

The expanded information in the Appendix will assist in developing an action plan to improve timescales going forward.

As this is the first time that the new measures have been reported, it should be noted that:

- the cumulative figures for 12 months relating to the new key performance indicators just includes data from 1 April 2021
- there is not a measure in all three categories for all of the new key performance indicators
- The reason there is no entry in relation to divorce share (top of page 4) is because no such cases have been completed in the period since 1 April 2021.

The new summary report illustrates that there has been improvement in most areas within the original measures. There has however, continued to be a decline in performance relating to transfers ins. The Pension Regulator had recommended putting a hold if necessary on these processes due to Covid-19. Whilst we have continued processing these cases, other Funds may not have, which has had an impact on our target dates. In addition, internal training continues to increase knowledge and skill in this area which in turn will improve efficiency.

1.04 *Internal dispute resolution procedures (IDRP)*

There is still one outstanding Stage One IDRP case for 2019/2020. This is ongoing due to COVID 19 delays. The IDRP relates to the tier of ill health awarded by the employer. The Stage One IDRP representative and employer are awaiting a medical report in order to make a final decision.

With regards to IDRP cases for 2020/2021, there are three Stage One appeals against employers that are still awaiting decisions to be made on the appeal outcomes. All of these appeals relate to ill health retirement issues.

In relation to the cases for 2021/2022:

- There are two Stage One appeals against employers. One is for non-award of redundancy pension when the member believes they have been made redundant. The other is an appeal made by a member who is not being permitted to work more than 2 years beyond their flexible retirement date. Both appeals are ongoing.
- Currently, no Stage Two appeals have been made by any members for 2021/22.

		2020/2021			
		Received	Upheld	Rejected	Ongoing
	Stage 1 - Against Employers	5	0	2	3
	Stage 1 - Against Administering Authority	0	0	0	0
	Stage 2 - Against Employers	1	0	1	0
	Stage 2 - Against Administering Authority	0	0	0	0
		2021/2022			
		Received	Upheld	Rejected	Ongoing
	Stage 1 - Against Employers	2	0	0	2
	Stage 1 - Against Administering Authority	0	0	0	0
	Stage 2 - Against Employers	0	0	0	0
	Stage 2 - Against Administering Authority	0	0	0	0
There are no CPF cases that are currently with the Pensions Ombudsman.					
1.05	<p><i>Communications Strategy</i></p> <p>The Communications Team has maintained regular engagement with employers and scheme members over recent months. The following communications have been provided since the last update:</p> <ul style="list-style-type: none"> <li>• Seven emails have been sent to all employers providing information in relation to various matters including a save the date for the AJCM, an update from the Prudential in relation to their recent service issues and a reminder about assumed pensionable pay and how to calculate it.</li> <li>• LGA bulletins have been provided to employers with particular points of importance highlighted.</li> </ul>				
1.06	<p>Other key points in relation to communications include:</p> <ul style="list-style-type: none"> <li>• Four employer training sessions have taken place, consisting of induction and employer responsibilities for new employers along with refresher training for existing employers.</li> <li>• The Principal Pensions Officer for the Communications team has attended the following: <ul style="list-style-type: none"> <li>○ LGA bulletin update meetings</li> <li>○ Digital engagement meetings and joint communication group meetings.</li> </ul> </li> </ul>				
1.07	<p>Appendix 5 provides an updated summary of Member Self Service (MSS) registered users, which illustrates that enrolment to Member Self Service continues to grow. A further 207 members have registered since the last update taking the total number of registered members to 12,698. The MSS functionality is continuing to be reviewed and improved. The Penpal and Deferred diaries member communications, which are due to be issued in October, include an article encouraging members that have not yet registered for MSS to do so. It is hoped that this exercise will increase the number of members engaging with the Fund.</p>				

	<p>During the reporting period, 197 members have requested a retirement pack for their deferred benefit via MSS as opposed to email/post/telephone. The benefit projector continues to be a very popular function with 11,153 benefit projections having been calculated using MSS functionality by members in this last period. There have also been 238 changes to member's Expression of Wish details on MSS.</p>
1.08	<p><b>Delegated Responsibilities</b></p> <p>Midshire Signature Services Ltd has been approved to join the Fund as a new employer using delegated responsibilities since the last Committee meeting. Further details are contained in Appendix 6. The Committee should also note that the employer has now left the Fund and the treatment of any surplus or deficit is being considered and will be covered by a separate decision using the delegation process which will be reported at a future meeting. The Fund were not informed of this employer joining and leaving within the normal timescales and have therefore had to follow procedures retrospectively.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>Following the approval of the McCloud budget for 2021/2022, recruitment is underway to fill the temporary positions. The roles had been advertised in July but unfortunately not enough applications were received to fill the roles so they have been re-advertised in August.</p> <p>The Communication Officer within the Communications and Regulations Team has transferred to a Pension Officer position within ELT. Recruitment is underway to backfill her original post.</p> <p>The vacant Pension Payroll Officer role within the Technical and Payroll team has been appointed to and the successful candidate will commence employment in September.</p> <p>Recruitment is underway to replace a Pension Officer and a Pension Assistant who have resigned within the Operations Team. Both staff members had temporary contracts and are leaving to pursue other opportunities.</p> <p>The Fund is continuing to support the Modern Apprentice scheme with two successful candidates starting their training in September.</p> <p>Staffing levels will be continuously reviewed within the McCloud, ELT and Administration teams, and consideration given in relation to potential peaks in workload as the McCloud Programme progresses.</p>

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>Appendix 7 provides the dashboard and the extract of administration and communications risks. The key risks which are furthest from target relate to:</p> <ul style="list-style-type: none"> <li>• Risk number 3 - Unable to meet legal and performance expectations due to external factors. This risk relates to the specific service provision currently being experienced from the Prudential and how this impacts on the Funds ability to meet legal requirements. Concerns have been escalated and the Fund is working with the Prudential to ensure satisfactory remedial actions are put in place.</li> <li>• Risk number 5 - High administration costs and/or errors due to service provision being interrupted, systems not kept up to date or not utilised appropriately. This risk relates in particular to the performance of the software and the ability of the provider to respond to regulation changes such as McCloud. If delays in solutions are experienced, manual calculations may be required and the system may not be utilised as expected for a period of time. We are also due to carry out a tender in relation to this software in the coming months.</li> </ul>
4.02	The rating of the risks remain unchanged since the last review. In general most risks narratives have also remained the same other than the completion of and enhancement to some internal controls.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – Business plan progress 2021/22</p> <p>Appendix 2 – McCloud Programme update report</p> <p>Appendix 3 – Analysis of cases received and completed</p> <p>Appendix 4 – Key Performance Indicators</p> <p>Appendix 5 – Member Self Service update</p> <p>Appendix 6 – Delegated Responsibilities</p> <p>Appendix 7 – Risk register update</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<ul style="list-style-type: none"> <li>• Report to Pension Fund Committee – Pension Administration Strategy (March 2021)</li> <li>• Report to March Pension Fund Committee - 2021/22 Business Plan (March 2021)</li> </ul> <p><b>Contact Officer:</b> Karen Williams, Pensions Administration Manager  <b>Telephone:</b> 01352 702963  <b>E-mail:</b> karen.williams@flintshire.gov.uk</p>



7.00	GLOSSARY OF TERMS
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) <b>LPB or PB</b> – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) <b>LGPS</b> – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) <b>TPR – The Pensions Regulator</b> – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.</p> <p>(g) <b>SAB – The national Scheme Advisory Board</b> – the national body responsible for providing direction and advice to LGPS administering authorities and to MHCLG.</p> <p>(h) <b>MHCLG – Ministry of Housing, Communities and Local Government</b> – the government department responsible for the LGPS legislation.</p>


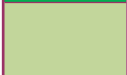


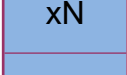

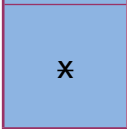
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# Business Plan 2021/22 to 2023/24 – Q2 Update

## Administration, Communications & Employer Liaison Team

### Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
	Item added since original business plan
	Period moved since original business plan due to change of plan /circumstances
	Original item where the period has been moved or task deleted since original business plan

## Administration (including Communications) and Employer Liaison Team Tasks

Ref	Key Action –Task	2021/22 Period				Later Years	
		Q1	Q2	Q3	Q4	2022/ 23	2023/ 24
Essential Regulatory Driven Areas							
A1	Implement Survivor Benefits Changes	x	x	x	x	x	
A2	McCloud Judgement	x	x	x	x	x	x
Priority Fund Driven Projects							
A6	i-Connect	x					
A7	Review Administration & Communications Related Policies and Strategies	x				x	
Lower Priority Fund Driven Projects							
A9	Review of Scheme Member Communications and Processes	x	x	x	x	x	
Employer Liaison Team (ELT) Projects							
E1	Expand ELT to more employers	x	x	x	x		
E2	McCloud ELT Services	x	x	x	x		

# Administration, Communication and Employer Liaison Team Task Descriptions

## A1 – Implement Survivor Benefit Change:

### Amendment LGPS Regulations & Elmes versus Essex High Court Ruling

#### What is it?

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

Further a June 2020 Employment Tribunal ruling (the "Goodwin ruling") relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The Chief Secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements. It is expected that MHCLG will consult on the changes required to the LGPS in relation to the Goodwin ruling during the summer of 2021. It is expected that it will be necessary to contact any female dependant members who were previously in a Civil Partnership to recalculate their benefits.

The work in relation to these changes commenced during 2019/20 and is expected to continue into 2021/22 and 2022/23.

#### Timescales and Stages

Tracing, contacting, verifying entitlement and recalculating affected surviving partners	2021/22 Q1 to Q4 and 2022/23
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#### Resource and Budget Implications

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

**A2 – McCloud judgement**

*What is it?*

The McCloud case has highlighted that the introduction of the new CARE schemes for Firefighters and Judges in April 2015 were unlawful. This will impact on other public service pension schemes including the LGPS (where the new CARE scheme from April 2014 included a statutory underpin for older members). MHCLG issued a consultation setting out its proposals for implementing the McCloud judgement in the LGPS in July 2020. This focused on remedies which will result in changes to scheme benefits some of which will be retrospective.

From an administrative perspective the impact of the court case is likely to result in a change to how benefits are calculated for a large number of scheme members including members who have left. This is likely to significantly impact on administration processes and systems as well as requiring a robust communication exercise with employers and scheme members. The additional resource requirements are likely to be significant and until the detail of the changes are known the focus is on:

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

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

*Timescales and Stages*

Data collection from employers (commenced during 2020/21)	2021/22 Q1
Use of interface to upload data / data cleansing	2021/22 Q1 to Q3
Receipt of final regulations so benefit recalculations can commence	Estimated 2021/22
Verifying impact on members and benefit recalculations	TBC – expected to continue to 2022/23

*Resource and Budget Implications*

Although the work will be led and managed by a separate CPF McCloud programme team, it will impact across all of the Administration Team. An estimated allowance for additional resource has been included in the 2021/22 budget, which assumes 7.5 FTE internal posts, 2 of which are within ELT and therefore will be recharged to employers using that service. There are also additional costs relating to consultancy (including programme management which has been outsourced), incidentals such as postage and printing, and system costs. The budget for 2021/22 is £645k in total.

## A6 – i-Connect

### *What is it?*

i-Connect is the on-line computer module that allows information to be submitted by employers more directly and efficiently into the pension administration system (Altair). This is being implemented on a phased basis by employer. We have currently on-boarded 97% of scheme members (75% of our employers) including Wrexham County Borough Council, Denbighshire County Council, Flintshire County Council and Coleg Cambria. The remaining employers to be on-boarded include:

- Glyndwr University and North Wales Fire, who will use the i-Connect file upload facility,
- The remaining Fund employers (approximately 10 smaller employers) who will use the i-Connect manual entry facility.

It was originally intended that all employers would be live on i-Connect by the end of 2020/21.

In addition, further data checks to identify issues with i-Connect data files are being developed. Initial work has highlighted some ongoing issues with the data being provided by Wrexham County Borough Council and work will continue to resolve this too.

### *Timescales and Stages*

Onboard Glyndwr University and North Wales Fire	2021/22 Q1
Onboard other smaller employers	2021/22 Q1
Ongoing work with Wrexham County Borough Council to resolve issues with data file	2021/22 Q1
Introduction of improved checks on the monthly data supplied through i-Connect	2021/22 Q1

### *Resource and Budget Implications*

There will be a time and resource commitment required from employers including CPF's Employer Liaison Team. All internal costs are being met from existing budget. The ongoing roll out of i-Connect will continue to involve significant internal resources which may impact on other day to day work.

## A7 - Review Administration and Communication Related Policies and Strategies

### *What is it?*

The CPF Administration Strategy and Communications Strategy were approved at the September 2019 PFC. They must be reviewed at least once every three years to ensure they remain relevant and up to date. The Administration Strategy is currently being reviewed given the move of most employers to i-Connect.

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

### *Timescales and Stages*

Review of Administration Strategy (last approved September 2019)	2020/21 Q4 to 2021/22 Q1
Review of Communications Strategy (last approved September 2019)	2022/23
Review of Scheme Pays Policy (last approved April 2019)	2022/23
Review of Administration Discretionary Policy (last approved April 2019)	2022/23
Review of Under / Overpayment Policy (expected to be approved March 2021)	2023/24

### *Resource and Budget Implications*

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

## **A9 – Review of scheme member communications and processes**

### *What is it?*

Fund members often have questions, need information or require a process to be completed by the Fund. These points of engagement are the key time to improve the experience of being a member of the Fund. They also rely on efficient processes and data coming from employers.

This project will involve:

- Developing the Fund's brand for consistent use in all Fund communications which will ensure it is recognisable for scheme members, employers and other stakeholders. As part of this, the Fund is carrying out an ongoing review of all communications (website, forms, booklets, letters) to ensure consistency in look, feel and language used. The Fund will also be appointing a new braille supplier.
- Ensuring all standard communications are available in digital form where at all possible which is in-line with the Fund's communications objectives.
- Considering the success of new systems that have been implemented, including the new website, Member Self Service, i-Connect and TEC (the Technical Education Centre which provides on-line training), and decide if any further development or systems should be put in place.
- Developing a range of webcasts (for loading on the Fund's website) for employers and scheme members relating to various subject matters.
- Developing on-line processes including retirement processing and on-line forms - Currently scheme members who are retiring have a number of forms and declarations that they need to complete that are done via post. It would be more efficient and quicker for members if this could be done via an on-line process. This may include the need to seek legal advice to ensure that it is possible to implement a process without a written signature. Once this has been developed, it is hoped that the functionality can be developed for on-line processing and forms for other areas, such as transfer value elections, refund elections and notifying deferred benefits.



- Investigating the options for providing the member with more frequent updates as to the progress of their case, especially where these cases involve multiple steps and take a number of weeks, or sometimes months, to complete. This will include considering different media (emails, text messages, etc) and considering how this can also be automated.

### *Timescales and Stages*

Appoint braille supplier	2021/22 Q1
Document and agree Fund's branding guidelines	2021/22 Q2 & Q3
Investigation, development and launch of first webcasts	2021/22 Q3 & Q4
On-line retirement processing and other on-line forms and processing	2021/22 Q2 & Q3 and 2022/23
Finalise review and update of website	2021/22 Q2 to Q4
Review and update of other literature (not website)	2021/22 Q2 to Q4
Review success of the new systems which have been implemented and any decided on any further development	2021/22 Q2 to Q4
Investigate options and roll-out solution to provide members with more frequent updates on the status of any pensions process which are ongoing	2021/22 Q3 to 2022/23

### *Resource and Budget Implications*

These projects involve a mix of the various teams within the Administration Team. Internal costs are being met from the existing budget but there may be additional costs if external development work or additional systems are needed. The ability to deliver on these areas to these timescales will depend on whether specialist technical resource is instead required for other essential work (e.g. McCloud).

### **Employer Liaison Team Projects**

Understanding the continuing pressure on resources and budgets for employers and the administering authority, the CPF offers assistance to Fund Employers in providing accurate and complete notifications to the Fund (and other Employer duties) in a timely manner. The Employer Liaison Team (ELT) mainly assists in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. It undertakes outstanding requests for information in order to cleanse the pension records. All ELT costs are recharged to employers through their employer contribution rate. Resources continue to be reviewed to meet demand depending on ongoing employer uptake. The total budget allocated for 2021/22 is £226k which will cover all of the following unless indicated otherwise.

## E1 – Expand ELT to more employers

### *What is it?*

Consider expanding the ELT service to a wider range of employers and generally making employers more aware of the facility that is available. Discussions are already underway with another medium sized employer who may be interested in using the ELT service.

### *Timescales and Stages*

Ongoing discussions with other employers	2021/22 Q1 to 4
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## E2 – McCloud ELT Services

### *What is it?*

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

### *Timescales and Stages*

Assisting employers with data collation for McCloud	2021/22 Q1 to 4
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# Cronfa Bensiynau Clwyd Clwyd Pension Fund

Administered by



# Tudalen 299 Clwyd Pension Fund






McCloud Programme Update

Prepared for: Pension Fund Committee

Prepared by: Aon

Date: 1 September 2021



Key	Description
	Complete
	On track
	Overdue
	At risk
	Not started

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

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

**Key deliverables 1 March 2021 – 30 September 2021**

Programme workstream deliverables / Description	Responsibility	Sign-off	Deadline	Notes	Status
<b>1. Data collection – templates and piloting</b> i. Complete data decision process and collection protocol ii. Data collection with pilot employers	Data & communications workstreams	PMG	March 2021	Meetings with pilot employers have been now completed.	<b>Complete</b>
<b>2. Data collection – attend employer 1 to 1 sessions (all in scope employers)</b>	Data workstream	n/a	June 2021	Meetings complete for all employers.	<b>Complete</b>
<b>3. Data collection - checking and validations</b> Tudalen 301 Data collection Data checking and quality analysis (data validation procedure)	Data workstream	PMG	Ongoing	Data collected for 31 smaller employers. Data team to form a proposal around data validation process for PMG approval.	<b>In progress</b>
<b>4. Heywood data solutions</b> Discussions to seek clarification of capability and timescales	Data workstream	PMG	TBC	Ongoing discussions with Heywood around solutions and timescales. CPF anticipate a bespoke solution will be required. Following ministerial statement unclear timescales for Heywood patch releases and testing.	<b>Overdue</b>
<b>5. McCloud communications</b> i. PENPAL newsletter / ABS guidance notes ii. Deferred diaries DBS guidance notes	Communications workstream	PMG / SG	Aug / Sep 2021	Following ministerial statement, wording to be included in member communications.	<b>Complete</b>
<b>5. Consultation outcome announcement / ministerial statement</b>	n/a	n/a	TBC	Ministerial statement issued in May. Consultation announcement from MHCLG expected later in the year. PMG agreed to continue with programme as planned.	<b>Overdue</b>
<b>6. Programme meetings</b> i. Data workstream (fortnightly) ii. Communications workstream (2 per quarter) iii. Other workstreams (TBC) iv. PMG (2 per quarter) v. SG (quarterly)	Programme Manager	n/a	Ongoing	Agree appropriate time to commence other workstream meetings – ongoing administration to be commenced in September 2021.	<b>In progress</b>

## Programme success criteria (SC)

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

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

There are several risks that the programme's success criteria will not be achieved – these have been identified by CPF's programme management, are captured in a formal risk log and monitored on an ongoing basis. The current risks that are red and furthest from target are shown on in the table below. Some of the risks have been rated downward since the previous PFC meeting, based on the current position of the programme (see slide 6).

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Success criteria at risk	Current risk impact	Current risk likelihood	Current risk status	Proposed controls in place	Target risk impact	Target risk likelihood	Target risk status
3	Unable to load data efficiently and accurately, and in a timely manner	Data cannot be loaded onto the system in an efficient, accurate and timely manner, leading to project delays or issues with the underpin calculation. Risk covers inappropriate data format provided from employer as well as issues with uploading the data into the interface.	Data Workstream	SC1, SC2, SC8	Critical	Very High (65%)		<ol style="list-style-type: none"> <li>1. Early engagement with Heywood on a one to one basis.</li> <li>2. Initial virtual meeting and ongoing one-to one meetings with employers to highlight strict data requirements/formats.</li> <li>3. Full instructions, including checklist provided to all employers at initial engagement stage.</li> <li>4. Ongoing discussions around resourcing including upskilling and flexibility of employees.</li> </ol>	Negligible	Unlikely (5%)	
30 Tudalen 303	Heywood toolkit – not fit for purpose or delay in provision or service	Inability to identify aggregation cases leading to inaccurate benefit calculations and / or delay to provision of toolkit resulting in programme delays or detrimental impact on programme resourcing	Data Workstream	SC2, SC3, SC8	Critical	Significant (50%)		<ol style="list-style-type: none"> <li>1. Pressure on Heywood client manager to come up with a feasible solution</li> <li>2. Stop deleting status 8s</li> <li>3. Try to identify cases to come up with an action plan if Heywood cannot come up with a workable solution (potentially liaise with other funds)</li> <li>4. Work out overlapping cases.</li> </ol>	Negligible	Unlikely (5%)	

*Note some of the proposed controls have been expanded / updated since the previous update provided to the PFC*

## Programme Risks (2 of 2) – red risks downgraded since previous PFC meeting held on 9 June 2021

The risks shown in the table were previously red at the PFC meeting update provided on 9 June 2021 and since which have been downgraded based on the current position of the programme.

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Success criteria at risk	Current risk impact	Current risk likelihood	Current risk status	Proposed controls in place	Target risk impact	Target risk likelihood	Target risk status
Tudalen 304	5	Insufficient or inappropriate resources	Inability to source appropriate resources required to deliver the programme deliverables (including data uploading) in the required timescales	Programme Management Group	SC8	Critical	Low (30%)	<ol style="list-style-type: none"> <li>1. Thorough programme planning, scoping of work &amp; recruitment programme (recruitment is currently underway at June 2020, and further recruitment from March 2021).</li> <li>2. Forward planning and ongoing monitoring of resource requirements.</li> <li>3. Concern raised and action taken as matter of urgency.</li> <li>4. Flexibility to utilise resource (including training or physical resource) from consultants if required.</li> <li>5. Refer all stakeholders to roles and responsibilities document to ensure resources are matched with correct roles alongside regular reminder at points throughout the programme.</li> <li>6. Strong engagement with software supplier looking for alternative efficiencies.</li> <li>7. Build resourcing plan (discussed &amp; agreed with ERs) &amp; understanding staff skill</li> <li>8. Monitoring resource of Alicia Howells' team once more info on toolkit provided / Consider interface process being carried out in McCloud team (after training).</li> <li>9. Consideration of external resource.</li> </ol>	Negligible	Very Low (15%)	
	McCloud Data collection	Unable to collect required data in full from employers in a timely manner	Programme Management Group	SC2, SC4, SC7	Critical	Low (30%)	<ol style="list-style-type: none"> <li>1. Early engagement with employers to obtain buy-in.</li> <li>2. Initial virtual meeting to improve engagement.</li> <li>3. One to one engagement, with potential ELT engagement.</li> <li>4. Seek verification of understanding through a signed compliance statement. (TBC)</li> <li>5. Training through employer webinars.</li> </ol>	Negligible	Unlikely (5%)		



Tudalalen 305

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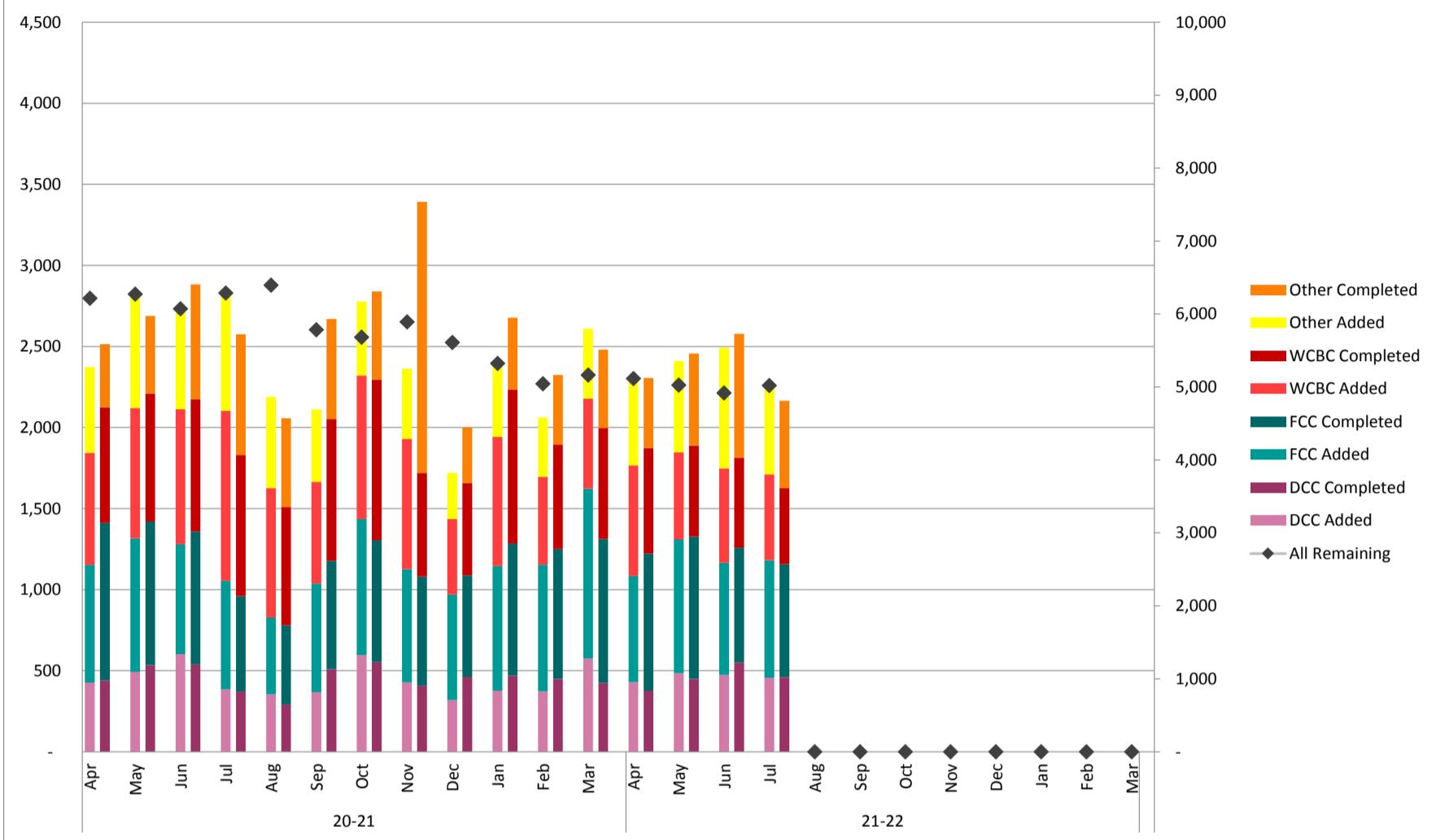
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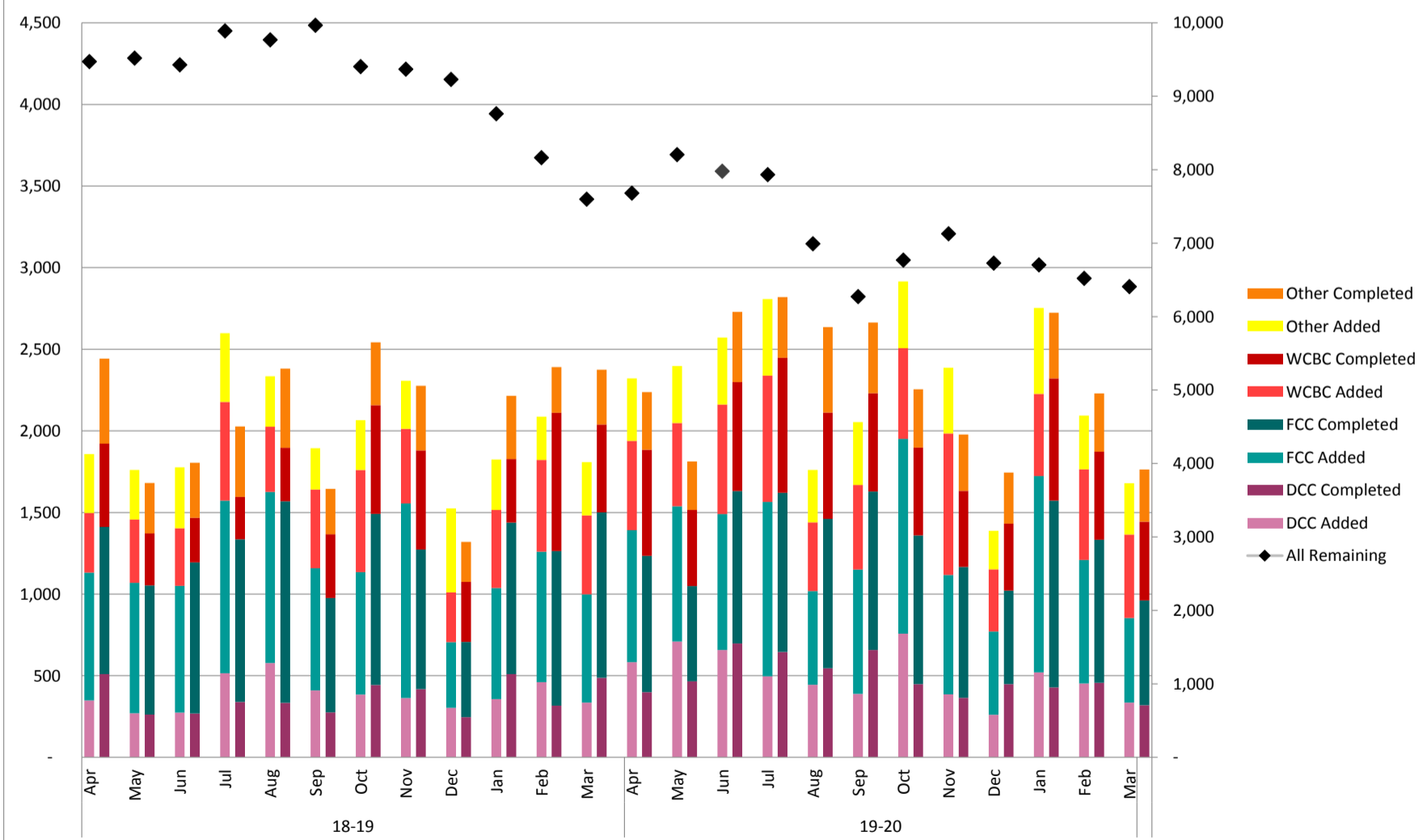


Mae'r dudalen hon yn wag yn bwrpasol

**Case Levels – Current and Previous Year**



**Case Levels – Historical**



Mae'r dudalen hon yn wag yn bwrpasol

## Key Performance Indicators

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

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

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

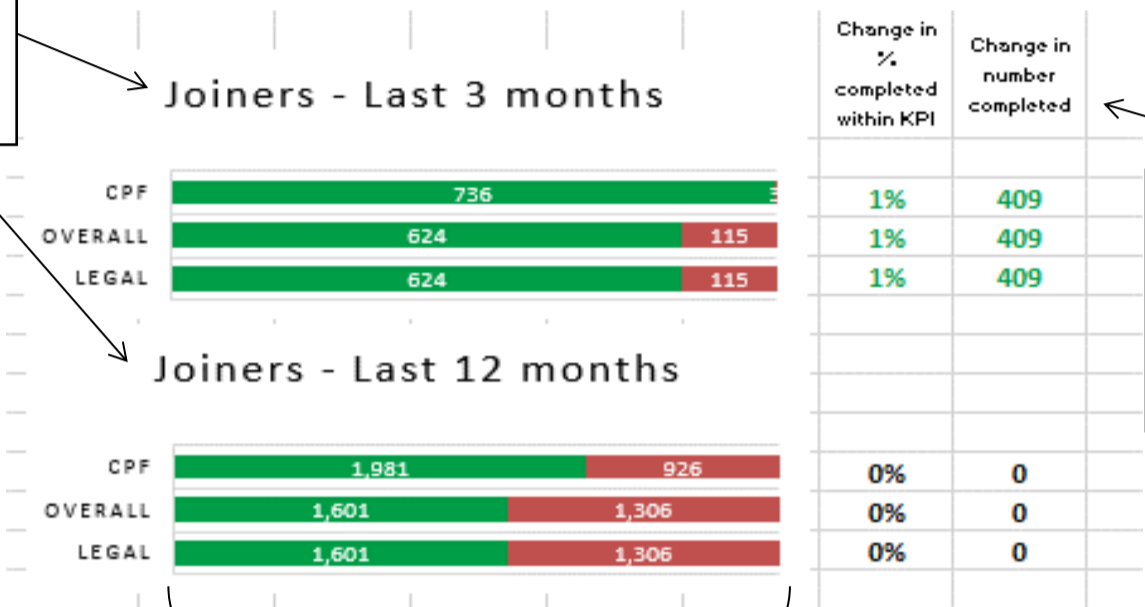
		A	B	C
	Process	Legal Requirement	Overall	CPF Administration element target
1	To send a Notification of Joining the LGPS to a scheme member	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being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

**Interpretation of graphs**

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

This is illustrated further below.

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

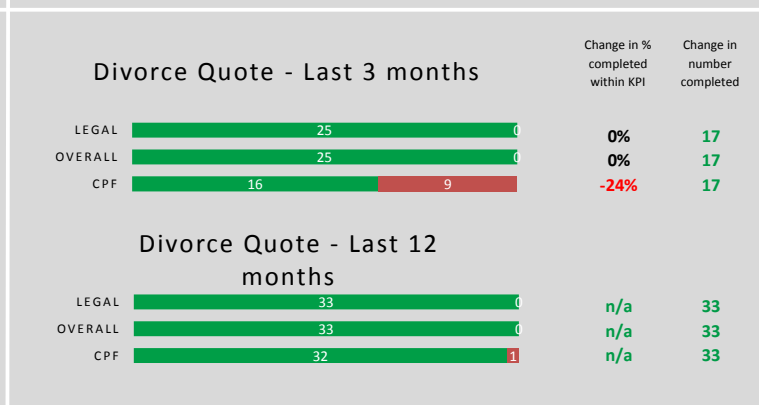
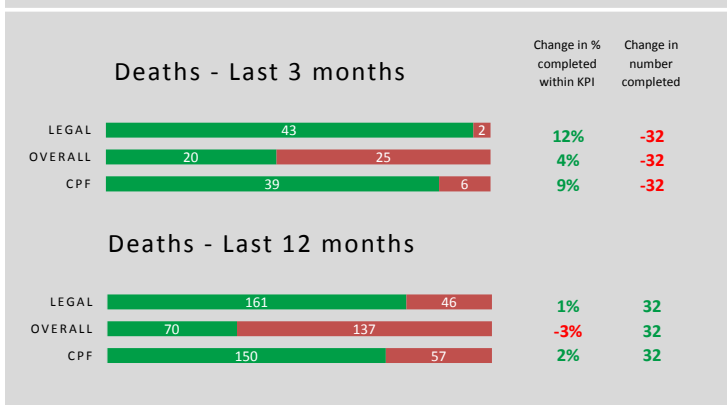
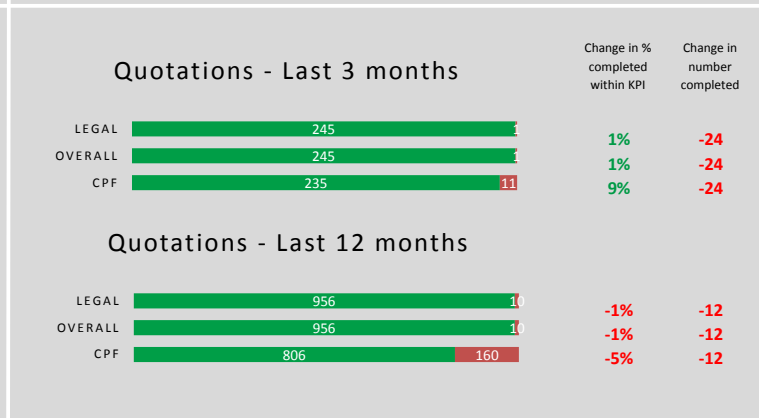
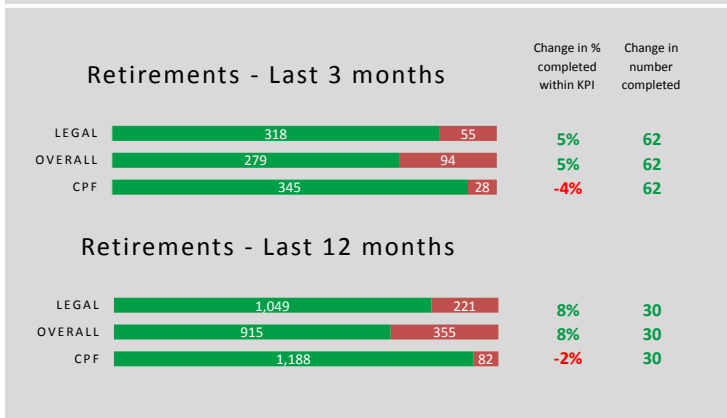
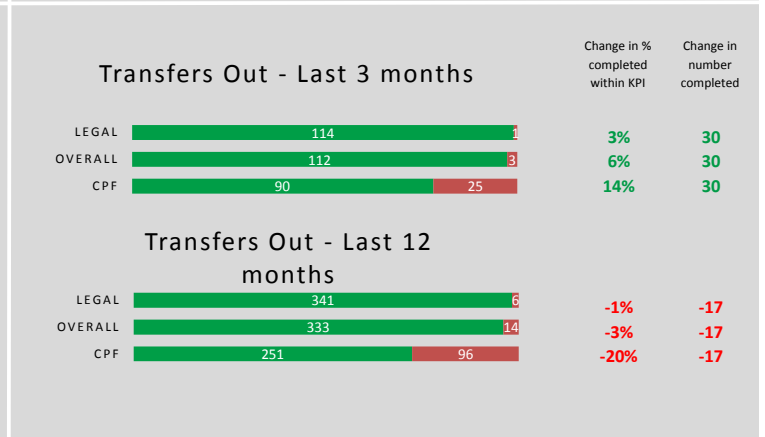
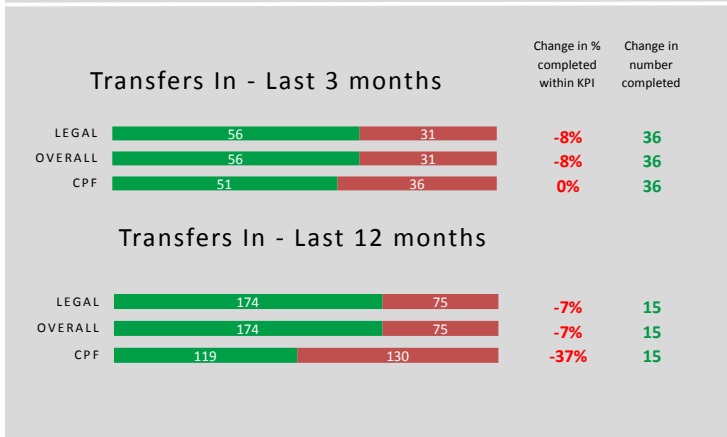
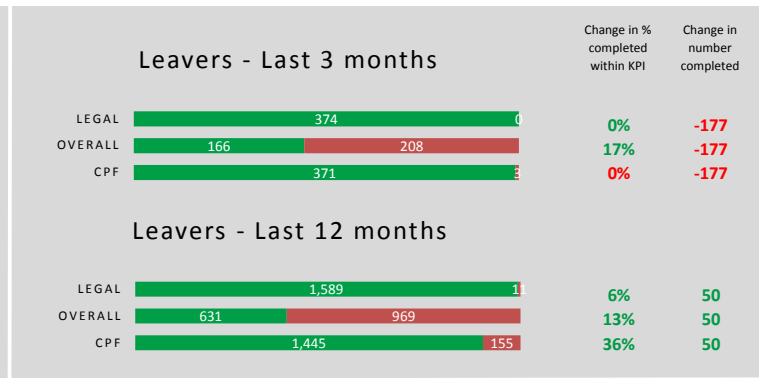
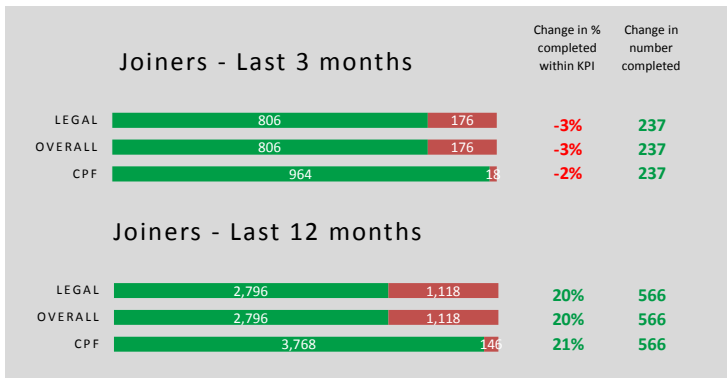


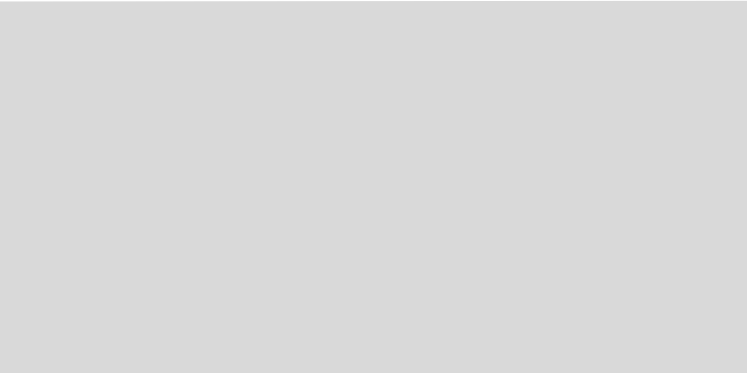
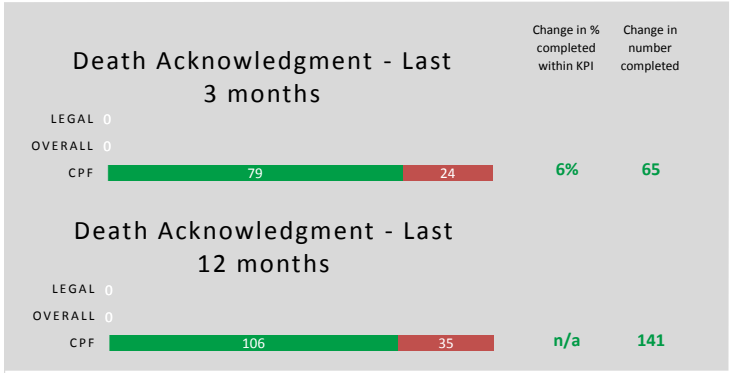
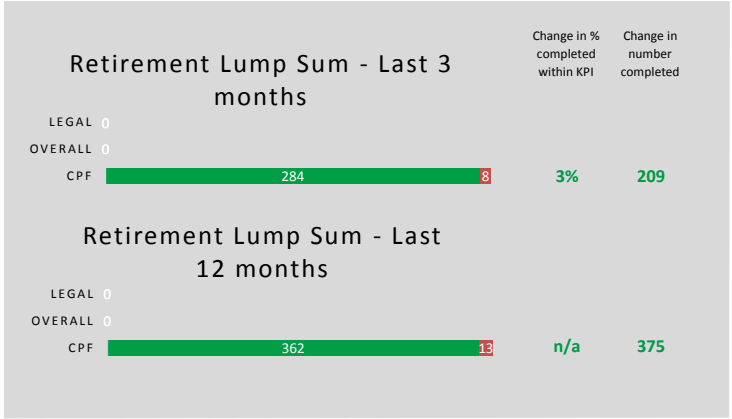
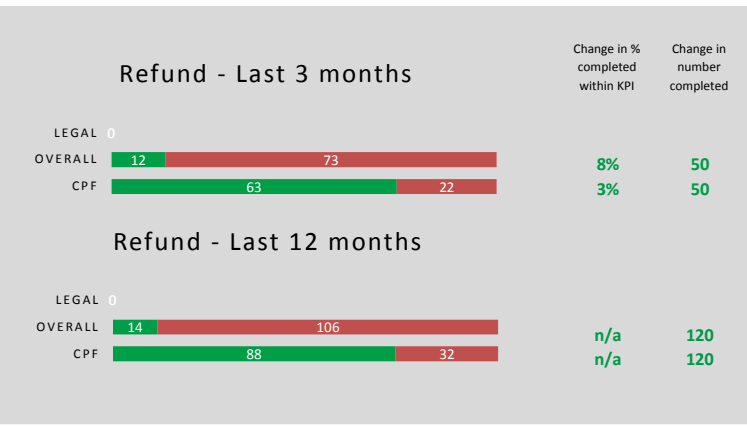
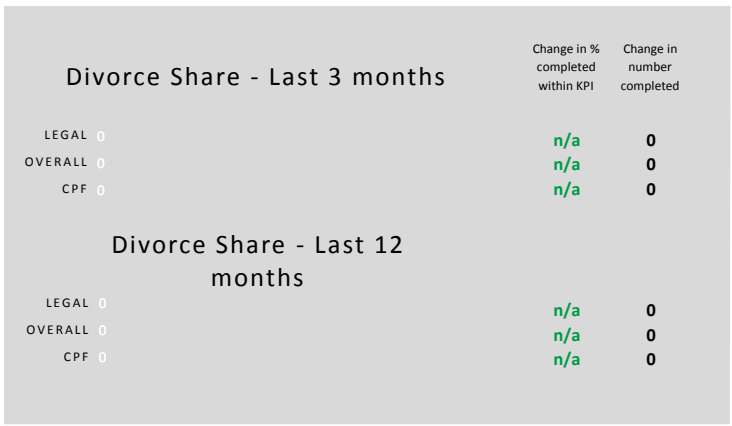
This column tells you the change in % completed within the KPI target compared to either the 3 months before last or the 12 months before last.

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

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

## Key Performance Indicators - Executive Summary - to July 2021









# MEMBER SELF SERVICE: 01/05/2021 – 31/07/2021

## Statistics between

01/05/2021 to 31/07/2021 (92 days)

## CONTACT US TASKS

<b>415</b>	<b>MSSKEY Key requests</b>
197	SSFCASE (pay deferred)
28	MSSENQ Enquiry tasks
5	MSSEST Estimate tasks
44	MSSRET Retirement tasks
9	MSSTVT Transfer tasks
<b>283</b>	<b>Contact Us 3.08p/day</b>
<b>174</b>	<b>MSSADD Address update</b>
<b>9</b>	<b>Bank details updated</b>

## BENEFIT PROJECTIONS

11,153 BENEFIT PROJECTIONS CALCULATED

**Avg 121.23 per day**

## EXPRESSION OF WISH

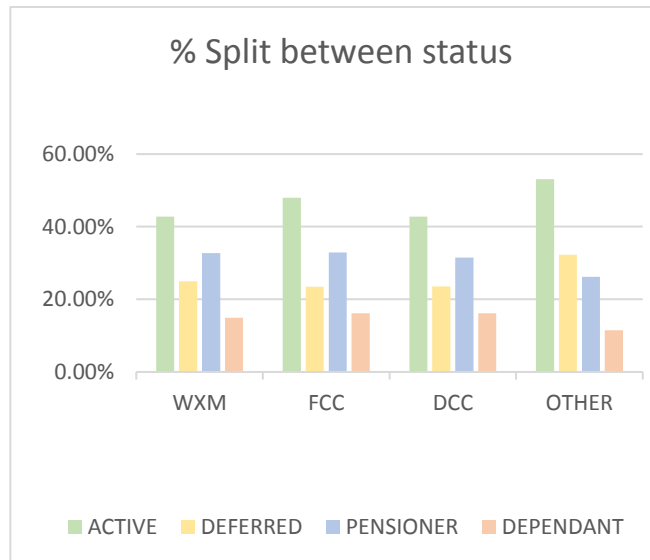
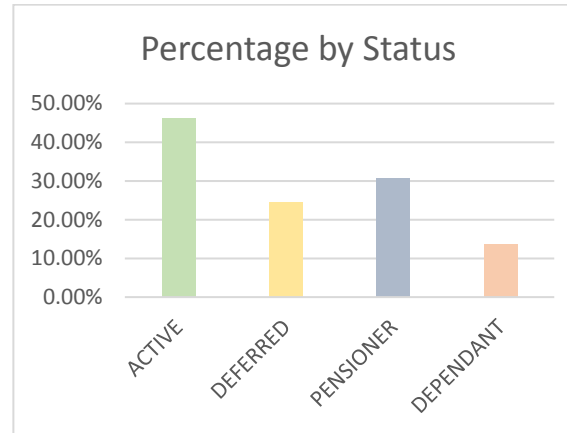
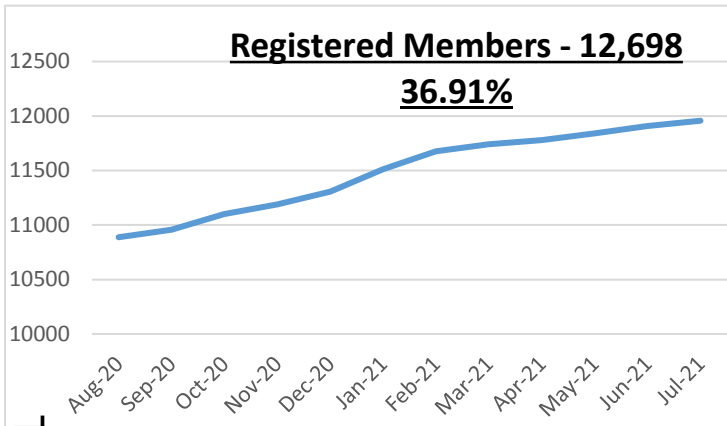
238 CHANGES OF EXPRESSION OF WISH

**2.59 per day**

## ELECTED FOR POSTAL CORRESPONDANCE

**2,072 – 6.02% of overall members**  
Members now have to choose between paper post or MSS

365	ACTIVE
117	DEFERRED
1,408	PENSIONER
182	DEPENDANTS



## Update from 01/05/2021 to 31/07/2021

As at 31/07/2021, 36.91% of Clwyd Pension Fund's membership has registered for MSS.

Annual Benefit Statements are about to be issued in time for the legal requirement of 31/08/2021. As mentioned in the last update, these will be in the form of an MSS screen. Those members who have confirmed they wish to still receive paper correspondence, will continue to receive their statements via post.

Looking ahead, the Clwyd Pension Fund will be having an MSS drive in October. We will be writing out to those members who have not registered their communication preference yet, i.e. MSS or paper correspondence. These members will receive a letter and an activation key so that they can register to use MSS. The letter will also highlight all of the benefits of registering to use the MSS facility.

Tudalen 313

Mae'r dudalen hon yn wag yn bwrpasol

## Delegated Responsibilities

### Midshire Signature Services Ltd

<b>DELEGATED POWERS BEING USED (extracted from agreed PFC delegations):</b>	<b>Delegation:</b>	Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund where the employer.
	<b>Delegated Officer(s):</b>	HCPF and either the CFM or CE after taking appropriate advice from the FA
	<b>Communication and Monitoring of Use of Delegation</b>	Ongoing reporting to PFC for noting

<b>Subject matter</b>	Application for admission body status for Midshire Signature Services Ltd
<b>Recommendation</b>	To allow Midshires admission body status as part of the CPF with effect from 01/03/2020 until 31/07/2020

<b>BACKGROUND:</b>
<p>Midshire Signature Services Ltd is a company providing catering services for Llys Awelon care home on behalf of Denbighshire County Council. Midshire Signature Services Ltd are applying to become an admission body under the provision of Schedule 2 of the Local Government Pension Scheme Regulations 2013 (their specific circumstance is crossed below):</p> <p><i>1. The following bodies are admission bodies with whom an administering authority may make an admission agreement-</i></p> <p>(a) <i>a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);</i></p>

## Delegated Responsibilities

### Midshire Signature Services Ltd

- (b) *a body, to the funds of which a Scheme employer contributes;*
- (c) *a body representative of-*
  - (i) *any Scheme employers, or*
  - (ii) *local authorities or officers of local authorities;*
- (d) *a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-*
  - (i) *the transfer of the service or assets by means of a contract or other arrangement, X*
  - (ii) *a direction made under section 15 of the Local Government Act 1999(115) (Secretary of State's powers),*
  - (iii) *directions made under section 497A of the Education Act 1996(116) ;*
- (e) *a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.*

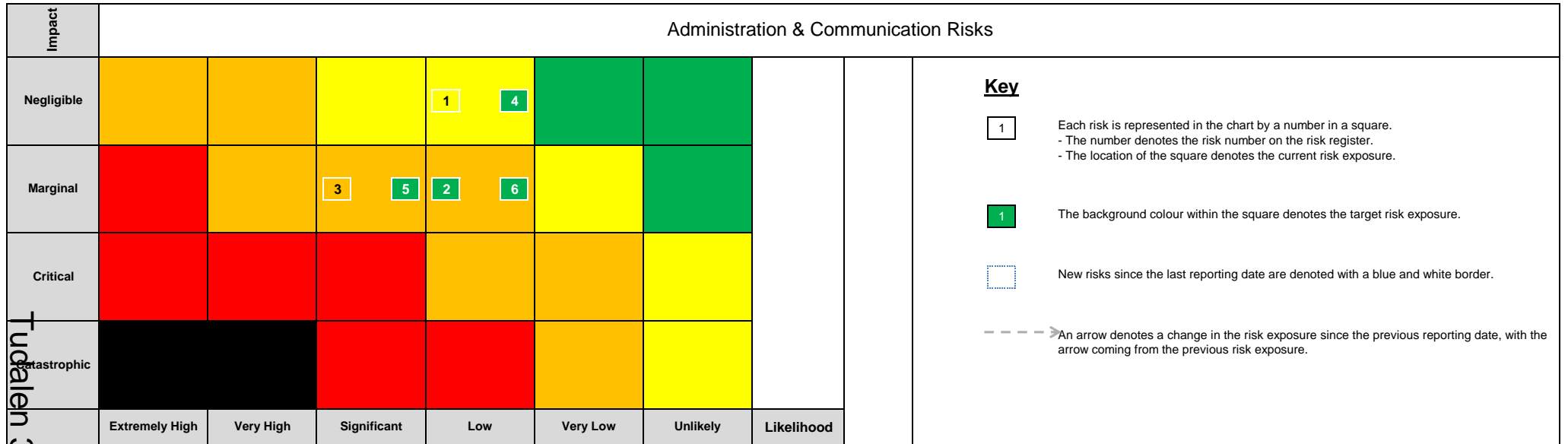
The effective date of the contract was 1 March 2020 and an admission agreement has been prepared and is with all parties for signature. An admission agreement may take effect on a date before the date on which it is executed as per Part 3 of Schedule 2.

As the body is providing a service for Llys Awelon Care Home, Denbighshire County Council will also be party to the admission agreement and will act as guarantor.

Initial funding level is 100%. The agreement is a Closed agreement (i.e. restricted to just the transferring employees) with 1 existing Clwyd Pension Fund scheme member transferring from Denbighshire County Council to Midshire Signature Services Ltd. All contributions will be paid on the formal admission to the Fund, via a termination certificate issued by the Fund Actuary in accordance with the Regulations.

Advice has been taken from the Fund Actuary and the notional assets equal the liabilities being transferred (on an ongoing funding basis) and accordingly the initial funding level is 100% and the surplus/deficit at the initial point of transfer is Nil. The initial employer contribution rate was assessed to be 25.5% of pensionable pay, although all employer contribution arrears will be recovered through the termination certificate. *[All employee contributions will be paid over to the Fund once the admission agreement is formalised.]*

## Administration and Communication Risks Heat Map and Summary



Tudalen 317

13 August 2021

**Clwyd Pension Fund - Control Risk Register**  
Administration & Communication Risks

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

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

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades (including due to Covid-19)	All	Negligible	Low	Yellow	<ul style="list-style-type: none"> <li>1 - Training Policy, Plan and monitoring in place</li> <li>2 - Benefit consultants available to assist if required</li> <li>3 - Ongoing task/SLA reporting to management/AP/PC/LPB to quickly identify issues</li> <li>4 - Data protection training, policies and processes in place</li> <li>5 - System security and independent review/sign off requirements</li> <li>6 - ELT established</li> <li>7 - Temporary staff changed to permanent, and further resource increase/recruitment to new posts</li> <li>8 - Ongoing monitoring of ELT and Ops resource/workload for backlogs</li> <li>9 - Establishment of aggregation team</li> <li>10 - Ongoing training within the team</li> <li>11 - Impact of potential Covid absences being discussed at weekly Covid catch ups and plans in place for ensuring priority work continues unaffected/training of new Lead PO has been undertaken.</li> </ul>	Negligible	Low	Yellow	😊				Pensions Administration Manager	31/10/2021	26/05/2021
2	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters (including due to Covid-19)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Low	Orange	<ul style="list-style-type: none"> <li>1 - Administration strategy updated</li> <li>2 - Employer steering group established</li> <li>3 - Greater engagement through Pension Board</li> <li>4 - Backlog project in place</li> <li>5 - Establishment of ELT</li> <li>6 - Increased data checks/analysis (actuary and TPR)</li> <li>7 - Implemented further APP data checks to identify issues</li> <li>8 - Updated Admin Strategy to include a compliance declaration</li> <li>9 - Increased engagement with employers as to how they are managing due to Covid, and ongoing CPF requirements, and also increased monitoring of employer data coming into CPF</li> <li>10 - Developed and issuing monthly KPI reporting for employers</li> <li>11 - Reviewed annual SLA communications with employers</li> <li>12 - I-connect in place for majority of membership</li> </ul>	Negligible	Very Low	Green	😊 Current impact 1 too high Current likelihood 1 too high	01/07/2016	Oct 2021	1 - After 2020/21 year end checks consider need to roll out APP training - in house and employers (KM) 2 - Identify other employer data issues (incl McCloud) and engage directly with employers on these (KM/AH)	Pensions Administration Manager	31/10/2021	26/05/2021
3	Unable to meet legal and performance expectations due to external factors	Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes including McCloud and E95k cap)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Significant	Orange	<ul style="list-style-type: none"> <li>1 - Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues</li> <li>2 - Benefit consultants available to assist if required</li> <li>3 - Recruitment to new posts</li> <li>4 - McCloud planning undertaken, including governance structure with Steering Group and PMG</li> </ul>	Marginal	Low	Orange	😊 Current likelihood 1 too high	27/08/2018	Oct 2021	1 - Ongoing consideration of resource levels post recruitment of new posts (KW) 2 - Ongoing consideration of likely national changes and impact on resource (KW) 3 - Ongoing consideration of E95k cap on processes etc (KW/KM) 4 - Engagement with Prudential to ensure remedial actions are carried out in a timely manner (KW)	Pensions Administration Manager	31/10/2021	26/07/2021
4	Scheme members do not understand or appreciate their benefits	Communications are inaccurate, poorly drafted or insufficient (including McCloud and E95k cap)	C1/ C2 / C3	Negligible	Low	Yellow	<ul style="list-style-type: none"> <li>1 - Communications Strategy in place</li> <li>2 - Annual communications survey for employees and employers</li> <li>3 - Specialist communication officer in team</li> <li>4 - Website reviewed and relaunched (2017)</li> <li>5 - Member self service in place</li> <li>6 - Ongoing identification of data issues and data improvement plan in place</li> </ul>	Negligible	Very Low	Green	😊 Current likelihood 1 too high	01/07/2016	Oct 2021	1 - Ongoing promotion of member self service (KM) with enhanced activity to issue paper copies of PenPaI and Deferred Diaries in Oct 2021 (KW/KM) 2 - Review of and update website during 2020/21 (KM) 3 - Review of success of new website/Connectme mber self-service planned for 2021/22 (KM)	Pensions Administration Manager	31/10/2021	26/07/2021
5	High administration costs and/or errors	Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and E95k)	A2 / A4 / C4	Marginal	Significant	Orange	<ul style="list-style-type: none"> <li>1 - Business plan has number of improvements (I-connect/MSS etc)</li> <li>2 - Review of ad-hoc processes (e.g. deaths and aggregation)</li> <li>3 - Participating as a founding authority on national framework for admin system</li> <li>4 - Procurement of Altair on business plan</li> <li>5 - Implementation of other Altair modules including Altair Insights (relating to TPR scores)</li> <li>6 - Increased engagement with Heywood about change in their business model</li> <li>7 - Increased engagement with Heywood re McCloud software enhancements</li> <li>8 - I-connect in place for majority of scheme members</li> <li>9 - Ongoing identification of data issues and data improvement plan in place</li> </ul>	Negligible	Very Low	Green	😊 Current impact 1 too high Current likelihood 2 too high	01/07/2016	Oct 2021	1 - Review of and update website during 2020/21 (KM) 2 - Review of success of new website/Connectme mber self-service planned for 2021/22 (KM) 3 - Carry out CPF tender for pension admin system (KW) 4 - If delays in system upgrades, look for alternative solutions to administer regulatory changes (KW)	Pensions Administration Manager	31/10/2021	26/07/2021
6	Service provision is interrupted	System failure or unavailability, including as a result of cybercrime and Covid-19	A1 / A4 / C2	Marginal	Low	Yellow	<ul style="list-style-type: none"> <li>1 - Disaster recover plan in place and regularly checked</li> <li>2 - Hosting implemented</li> <li>3 - Implemented lump sum payments via pensioner payroll facility</li> <li>4 - Regular communications carried out during pandemic with Heywood and FCC regarding areas of risk</li> </ul>	Negligible	Unlikely	Green	😊 Current impact 1 too high Current likelihood 2 too high	08/11/2019	Oct 2021	1 - Develop updated business continuity plan for CPF (KW) 2 - Review of cybercrime risk controls (KW/PL) 3 - Develop post Covid-19 approach to working arrangements (KW/PL)	Pensions Administration Manager	31/10/2021	26/07/2021

# Eitem ar gyfer y Rhaglen 8



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 1 September 2021
<b>Report Subject</b>	Investment and Funding Update
<b>Report Author</b>	Deputy Head, Clwyd Pension Fund

### EXECUTIVE SUMMARY

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

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

This report provides updates on the following items:

- The Business Plan 2021/22 – all projects are currently on track
- Update on work ongoing in relation to climate analysis
- Risk register - there has been one change to the scoring of the current risks.
- Delegated responsibilities – this details the delegated responsibilities which have been completed by officers since the last Committee meeting.

### RECOMMENDATIONS

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

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p><b>Business Plan Update</b></p> <p>Appendix 1 provides a summary of progress against the Investment and Funding section of the Business Plans for 2021/22. Key tasks F1 to F4 are mainly currently on target and further information is as follows:</p> <ul style="list-style-type: none"><li>• F1 (Implement Responsible Investment Strategic Priorities) – the six areas highlighted in the business plan are all progressing. In particular:<ul style="list-style-type: none"><li>○ following the last Committee meeting, officers have now submitted a formal request to WPP to establish an active sustainable global equity sub-fund</li><li>○ further investments are being made in the local/impact portfolio as outlined in paragraph 1.05 and Appendix 2.</li></ul></li><li>• F2 (Climate Change) – included in section 1.02 of this report.</li><li>• F3 – Ongoing Asset Pooling Implementation and Transition – see separate Asset Pooling in Wales report. Key points to note are:<ul style="list-style-type: none"><li>○ MHCLG asset pooling guidance has not yet been issued and this may therefore be delayed</li><li>○ The transition of assets to Emerging Markets is now due in October 2021, so slightly behind target</li></ul></li><li>• F4 – see the separate Funding, Flight-Path and Risk Management Framework report.</li></ul>
1.02	<p><b>Current Development and News</b></p> <p><i>Climate Analysis</i></p> <p>The Fund Consultant, Mercer have started the process of the analysis of the stocks held with our asset managers. This will be calculated as at March 31<sup>st</sup> and will be instrumental for the implementation of the plan to achieve a net zero ambition. It is intended to bring the findings and subsequent plan to the November 2021 Committee.</p> <p><i>Requests for information</i></p> <p>The Fund has also had several requests for information about the holdings we have in fossil fuel companies from scheme members as well as employers within the Fund, and has responded and provided details.</p> <p>As far as we are aware, we have only received correspondence from one of the Fund’s employers, Caia Park Community Council who have supported a resolution to “Inform the Clwyd Pension Fund of a request that they rapidly disinvest in carbon fuel producing companies”.</p> <p>In addition, following a request from a local group, Together Creating Communities (TCC), the Head and Deputy Head of the Fund attended a meeting on August 10<sup>th</sup> with the Community organiser and several members of the group to update them with our current position and answer any questions they wished to ask of us.</p> <p>Following the meeting, we provided further Fund information that may be helpful.</p>



1.03	<p><i>Pensions for Purpose Awards</i></p> <p>Pensions for Purpose are holding their annual award ceremony on November 17<sup>th</sup> 2021. This year there is a new “Impact Investing Adopter Award” for which the Fund has put forward a submission.</p>
1.04	<p><b>Policy and Strategy Implementation and Monitoring</b></p> <p>The Advisory Panel receive a detailed investment report from the Fund’s Investment Consultants, Mercer, which shows compliance with the approved Investment Strategy Statement and reports on fund manager performance. A summary of this performance is shown in the Mercer report included in agenda item 10.</p> <p>The Advisory Panel also receive reports from the following Clwyd Pension Fund officer/adviser working groups:</p> <ul style="list-style-type: none"> <li>• Tactical Asset Allocation Group (TAAG)</li> <li>• Cash and Risk Management Group (CRMG)</li> <li>• Private Equity and Real Assets Group (PERAG)</li> </ul> <p>Due to the WPP taking longer to implement private markets, Mercer as the Fund's investment consultant have been working with officers to determine the Fund's requirements for infrastructure and private debt until they are transitioned to WPP. This work includes identifying potential managers on a sustainable basis. This means that additional costs that were budgeted in relation to WPP will now come through as consultancy costs.</p> <p>Any decisions arising from these meetings which have been agreed using delegated responsibilities are detailed in Appendix 2.</p>
1.05	<p><b>Delegated Responsibilities</b></p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 updates the Committee on the areas of delegation used since the last meeting. To summarise:</p> <ul style="list-style-type: none"> <li>• Cash-flow forecasting continues to be monitored through the Cash and Risk Management Strategy.</li> <li>• Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG).</li> <li>• One further investment has been agreed within the Impact portfolio.</li> </ul>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.
<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Appendix 3 provides the dashboard and risk register highlighting the current risks relating to Investments and Funding matters.
4.02	<p>There have been no additional risks added to the register since the last Committee and eight of the risks have remained the same as reported to the June 2021 Committee. Of the eight that have remained the same, most remain on target and the remainder are one step away from the target impact or likelihood, which is mainly due to the uncertainty around markets.</p> <p>Risk seven, which is the risk of the Fund having insufficient cash to pay benefits, is now assessed being on target. This due to a number of internal controls being in place to manage the situation, and also the Fund's current cash holdings being sufficient.</p> <p>The risk which is furthest from target is risk four, which is that the value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions. The target for this risk is longer term and it will next be considered as part of the Interim Valuation review.</p> <p>The most significant risk (but still just one step away from target) is risk nine which is that the Fund's long-term Investment Strategy fails to deliver on its ambition or objectives as a responsible investor, due to either responsible investment not being properly considered or WPP does not provide the Fund with the tools to enable implementation of its RI policies. Whilst the Fund is addressing this in a number of ways, due to the magnitude of the risk, it is still not appropriate to consider this on target.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – 2021/22 Business plan update</p> <p>Appendix 2 – Delegated Responsibilities</p> <p>Appendix 3 – Risk dashboard and register – Investments and Funding</p>

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

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	(a) <b>The Fund - Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the

region

- (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
- (c) **The Committee - Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund
- (d) **TAAG – Tactical Asset Allocation Group** – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from JLT Employee Benefits, the Fund Consultant.
- (e) **AP – Advisory Panel** – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.
- (f) **PERAG – Private Equity and Real Asset Group** – a group chaired by the Clwyd Pension Fund Manager with members being the Pensions Finance Managers, who take specialist advice when required. Recommendations are agreed with the Fund’s Investment Consultant and monitored by AP.
- (g) **In House Investments** – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments. The due diligence, selection and monitoring of these investments is undertaken by the PERAG.
- (h) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (i) **ISS – Investment Strategy Statement** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
- (j) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (k) **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- (l) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.

(m) **Actuary** - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.

(n) A full glossary of Investments terms can be accessed via the following link.

**<https://www.schroders.com/en/uk/adviser/tools/glossary/>**

# Business Plan 2021/22 to 2023/24 – Q2 Update

## Funding and Investments

### Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
x	Original item where the period has been moved or task deleted since original business plan

### Funding and Investments (including accounting and audit) Tasks

Ref	Key Action –Task	2021/22 Period				Later Years	
		Q1	Q2	Q3	Q4	2022/ 23	2023/ 24
F1	Implement Responsible Investment Strategic Priorities	x	x	x	x	x	x
F2	Climate Change	x	x	x	x	x	
F3	Ongoing Asset Pooling Implementation and Transition	x	x	x	x	x	x
F4	Interim Funding Review and FSS policy update	x	x	x	x		

# Funding and Investments (including accounting and audit) Task Descriptions

## F1 –Implement Responsible Investment Strategic Priorities

### *What is it?*

The Fund agreed its updated Responsible Investment policy in February 2020 with five key priorities which are as follows:

- Evaluate and manage carbon exposure
- Identify sustainable investment opportunities
- Improve public disclosure and reporting
- Active engagement on ESG risks
- Comply with the FRC Stewardship Code.

Alongside its Investment Strategy Review in 2019/20 the Fund reviewed and revised its Responsible Investment Policy. The Policy was split into a number of key areas setting out the Fund's approach to being a Responsible Investor. The Fund recognises that as a Responsible Investor there are a multitude of potential areas on which to focus, however it is not possible to do it all in one go. It has therefore decided to set the following strategic priorities for its work over the three years from 2020/1 to 2023/4:

- **Evaluate and manage carbon exposure**
  - This will include measuring the Fund's existing exposure to carbon within its investment portfolio, and once this has concluded, set targets to reduce this over the coming five years.
- **Identify sustainable investment opportunities**
  - The Fund's new Investment Strategy has an allocation to Social/Impact investments, or investments that aim to make a positive social or environmental impact. The Fund already has a number of investments in this area and will be looking to add to these.
- **Improve disclosure and reporting**
  - The Fund will be working to improve transparency and reporting. An analysis of the impact of Climate Change on the Fund's Investment Strategy will form part of this work.
- **Active Engagement on ESG risks**
  - To work proactively with WPP and LAPFF<sup>1</sup> to actively engage with the Fund's underlying investments.
- **FRC Stewardship Code**
  - The Fund is currently a signatory to the Code; however a new Code was launched in 2019. The aim is to assess the potential to remain a signatory.

In addition to these priorities, the Fund is aware that the Scheme Advisory Board and MHCLG will be issuing revised guidance on Responsible Investing in 2021, and it will be important to review the Fund's policy and update if necessary to ensure it remains relevant and compliant.

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<sup>1</sup> LAPFF is the Local Authority Pension Fund Forum, which aims to protect the long-term interests of beneficiaries through promoting high standards of corporate governance and responsibility.

### *Timescales and Stages*

Continue to work on the Fund's strategic priorities for Responsible Investment	2021/22 to 2022/23
Identify sustainable investment opportunities relating to social/impact	2021/22 to 2023/24
Assess potential for investing locally – consider Regional Growth Bid	2021/22
Review and revise RI Policy when national guidance is issued	2021/22
Work with WPP to develop and submit application for new Stewardship Code	2021/22
Work with WPP to develop TCFD compliant reporting	2021/22 to 2022/23

### *Resource and Budget Implications*

Estimated costs for the implementation are contained within existing plans/budgets including the costs of external consultants.

## **F2 – Climate Change**

### *What is it?*

As part of the Fund's revised Responsible Investment Policy there is a section where the Fund defines its approach to Climate Change. The Fund recognises the importance in addressing the financial risks associated with climate change through its investment strategy, and believes that:

- Climate change presents a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers and all of the holdings in the portfolio.
- Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund, but is also consistent with the long term nature of the Fund. The Fund's investments need to be sustainable to be in the best interests of all key stakeholders.
- Engagement is the best approach to enabling the change required to address the Climate Emergency, however selective risk-based disinvestment is appropriate to facilitate the move to a low carbon economy.
- As well creating risk, it also presents opportunities to make selective investments that achieve the required returns whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.

As part of its desire to address the risk around Climate Change the Fund is planning to set out a roadmap to move from the current position to a more sustainable future strategy. This plan will include Carbon footprinting analysis and Climate Change scenario analysis which the Fund has commissioned from Mercer. The Roadmap could include considering a Net Zero Carbon emissions target.

This Roadmap and work program will be delivered over the coming years, and needs to be carried out in conjunction with the WPP plans.

Assessment of Carbon footprinting and Strategic Climate Change scenario analysis results	2021/22 Q1
Consult Committee with proposed roadmap	2021/22 Q2 & Q3
Assess how to implement Committee's views, in conjunction with WPP (including TCFD reporting)	2021/22 Q3 & Q4
Ongoing implementation and monitoring	2022/23

### **F3 – Ongoing Asset Pooling Implementation and Transition**

#### *What is it?*

WPP was created to allow the pooling of assets across the Welsh LGPS Funds. The assets are continuing to be transitioned to WPP's Operator and further policies and procedures developed to ensure the proper management of WPP.

The Government (MHCLG) will be producing pooling guidance at some stage in 2021/22, and the Fund and WPP will need to be fully conscious of this, and ensure that it can remain compliant with its requirements.

#### *Governance*

WPP has developed a three-year business plan for 2021/2 to 2023/4 which includes the key areas of focus during that period. The Business Plan highlights a significant work program for the pool, and the Clwyd Pension Fund will be working with WPP to deliver these key milestones.

#### *Implementation*

COVID-19 related market volatility has affected WPP's transition plans. Market volatility could result in significant increased transition costs, and as such transitions were delayed in 2020/21. It is likely that future transitions may well be impacted.

The Fund will work with WPP to transition remaining assets in coming months and years.

#### *Responsible Investment*

The WPP has developed its own Responsible Investment Policy and will be working with the constituent authorities to develop this and implement it appropriately across the launched sub-funds. This will include looking at voting with Robeco as appointed engagement specialist. The Clwyd Pension Fund will look to work with WPP to ensure that WPP's Responsible Investment policies and strategies enable Clwyd's Pension Fund's Responsible Investment Policy to be implemented and enhanced.



## Timescales and Stages

<b>Governance</b>	
Consider and implement MHCLG asset pooling guidance	2021/22 to 2022/23
To work with WPP to deliver all aspects of its Business Plan ensure that it remains on track	2021/22 to 2023/24
Provide views to host on WPP operator arrangements and oversight	2021/22
Provide input to preparation for operator market review and re-tender	2021/22 to 2022/23
<b>Ongoing Establishment</b>	
Transition of assets to newly launched sub-funds:	
<ul style="list-style-type: none"> <li>▪ Emerging Markets</li> </ul>	2021/22 Q2
<ul style="list-style-type: none"> <li>▪ Private Markets</li> </ul>	2021/22 to 2022/23
<ul style="list-style-type: none"> <li>▪ Review and develop a mechanism to pool any suitable non-pooled asset e.g. Flight Path</li> </ul>	2022/23 to 2023/24
<b>Responsible Investment</b>	
Work with WPP to ensure that it can support CPF in delivering its own Responsible Investment and Climate Change beliefs and requirements	2021/22 to 2023/24
Feed into development of WPP reporting including ESG and climate change	2021/22 to 2023/24

## Resource and Budget Implications

2021/22 and future budgets will include CPF's share of the governance costs managing the pool, and also its share of fees relating to pooled assets. For 2021/22 the estimated cost of governance for CPF in relation to WPP is £130k, which includes an estimated share of the Host Authority costs (£23k), consultant and legal advice direct from WPP (£85k) and the estimated costs CPF expects to bear directly from its own consultants for advice in relation to the WPP (£22k). Any other costs relating to the WPP will be met from within existing budgets.

## F4 – Interim Funding Review

### What is it?

In advance of the 2022 actuarial valuation, the Actuary will assess the funding position as at 31 March 2021 in order to prepare the Fund and employers for the potential contribution outcomes from the 2022 valuation.

Due to the impact of COVID-19, a number of the Fund's employers will likely suffer impacts on budgets and therefore affordability of contributions in the short and long term. It will therefore be appropriate to consider the key funding metrics which will involve analysing the outlook for returns, the likelihood that average contributions would need to increase at the next valuation and the potential impact of Brexit. This will be crucial in quantifying the financial risk and market changes since the previous valuation. This analysis will assist the Fund to understand employer contribution affordability so that plans can be made considering

the current funding position and the future outlook for returns. This is likely to mean earlier engagement than previously expected for some employers.

As part of the interim review, we will also consider the potential impact that COVID-19 has had on the life expectancy of the membership. This will then be built into the assessment.

#### *Timescales and Stages*

Monitoring of funding metrics and risk levels	2021/22 Q1 & Q2
Engagement with employers to assess impact of COVID-19	2021/22 Q3 & Q4
Carry out interim funding review	2021/22 Q3 & Q4
Results and discussion with employers via steering groups	2021/22 Q3 & Q4

#### *Resource and Budget Implications*

This exercise will be performed by the Fund Actuary. It is an important exercise for the Fund and will involve input from both the Clwyd Pension Fund Administration and Finance teams. An allowance has been made in the 2021/22 budget for the full interim review.

## **DELEGATED RESPONSIBILITIES**

	<b>Delegation to Officer(s)</b>	<b>Delegated Officer(s)</b>	<b>Communication and Monitoring of Use of Delegation</b>
1.05.1	Rebalancing and cash management	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

### **Rebalancing Asset Allocation**

#### **Background**

The Investment Strategy Statement (ISS) includes a target allocation against which strategic performance is monitored (Strategic Allocation). There are strategic ranges for each asset category that allow for limited deviation away from the strategic allocation as a result of market movements. In addition there is a conditional medium term asset allocation range (Conditional range) to manage major risks to the long term strategic allocation which may emerge between reviews of the strategic allocation.

The Tactical Asset Allocation Group (Investment Consultant & Officers) which meets each month consider whether it is appropriate to re-balance to the strategic asset allocation. Recommendations are made to the Head of the Clwyd Pension Fund who has delegated authority to make the decision. Re-balances or asset transitions may be required due to market movements, new cash into the Fund or approved changes to the strategic allocation following a strategic review.

#### **Action Taken**

In the period April to June 2021 there were no movements between assets.

### **Cash Management**

#### **Background**

The Deputy Head of the Clwyd Pension Fund forecasts the Fund's 3 year cash flows in the Business Plan and this is monitored quarterly and revised on an annual basis. The bank account balance is monitored daily. The main payments are pension related, expenses and investment drawdowns. New monies come from employer and employee contributions and investment income or distributions. This cash flow management ensures the availability of funds to meet payments and investment drawdowns. The LGPS investment regulation only allow a very limited ability to borrow. There is no strategic asset allocation for cash, although there is a strategic range of +5% and a conditional range of +30% which could be used during times of major market stress.

#### **Action Taken**

The cash balance as at 30<sup>th</sup> June 2021 was £60.7m (£37.1m at 31<sup>st</sup> March). The increase was due to the deficit contributions that the 3 main employers pay up front in April and the continued levels of Private Market distributions over drawdowns in the 1<sup>st</sup> quarter. The cash flow is monitored to ensure there is sufficient monies to pay benefits and capital calls for investments. Work is continuing with the Consultant and Actuary to monitor the cash-flow situation and be aware of any unforeseen issues. As part of the Investment Strategy Review, the new Cash Management and Risk Strategy can be utilised if this situation reverses. Monthly cash flows for the financial year to 2021/22 are shown graphically at the end of the delegations appendix.

	<b>Delegation to Officer(s)</b>	<b>Delegated Officer(s)</b>	<b>Communication and Monitoring of Use of Delegation</b>
1.05.2	Short term tactical decisions relating to the 'best ideas' portfolio	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

### **Background**

The Tactical Asset Allocation Group (Investment Consultant and Officers) meet each month to consider how to invest assets within the 'Best Ideas' portfolio given the shorter term market outlook (usually 12 months). The strategic asset allocation is 11% of the Fund. The investment performance target is CPI +3 %, although the aim is to also add value to the total pension fund investment performance.

### **Action Taken**

Since the previous report to Committee in June 2021 the transactions agreed within the portfolio were:

- Partial redemption LGIM US Equity - £25.0m (crystallised +25.1%)
- Invest £25.0m in BlackRock European Equities

The current allocations within the portfolio following the transactions are:

- US Equities (2.3%)
- Commodities (2.4%)
- Infrastructure (1.2%)
- European Equities (1.2%)
- UK Equity (1.4%)
- EM Equity (1.5%)
- Liquidity Fund (1.0%)

Detailed minutes of the Group identifying the rationale behind the recommendations made to the Head of the Clwyd Pension Fund and decisions made under this delegation are circulated to the Advisory Panel.

As at the end of June 2021, the Best Ideas portfolio 1 year performance was +17.0% against a target of +5.6% and the 3 year performance was +7.6% against a target of +4.8%.

	<b>Delegation to Officer(s)</b>	<b>Delegated Officer(s)</b>	<b>Communication and Monitoring of Use of Delegation</b>
1.05.3	Investment into new mandates / emerging opportunities	PFM and either the CFM or CEO (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP

## **Background**

The Fund's current investment strategy includes a 27% asset allocation to private equity (8%), property (4%), infrastructure (including legacy timber and agriculture assets) (8%), private debt (3%) and impact / local investing (4%) These are higher risk investments, usually in limited partnerships, and as such, previously, these are smaller commitments in the range of £8m to £15m in each. Across these asset categories there are currently in excess of 60 investment managers, investing in 115+ limited partnerships or other vehicles.

The Private Equity & Real Estate Group (PERAG) of officers and Consultant meet at least quarterly and are responsible for implementing and monitoring the investment strategy and limited partnerships across these asset classes. The investments in total are referred to as the 'In-House portfolio'. There is particular focus on Environmental, Social and Governance (ESG), sustainability and impact aspects on the investments made.

A review has been being undertaken of the existing portfolio and future cash flows by the Consultants and the results determined the forward work plan. It is anticipated that when the Wales Pension Partnership (WPP) are able to accommodate commitments in these alternative areas, the Fund will commit any available monies through the WPP. The Fund Consultants and WPP will work closely to ensure the available sub funds are suitable for the Funds existing Private Market strategy. Until these asset classes are available through the WPP, the Fund will continue to work with Mercer recommendations to deploy capital and look for any opportunities which fulfil the current agreed strategy.

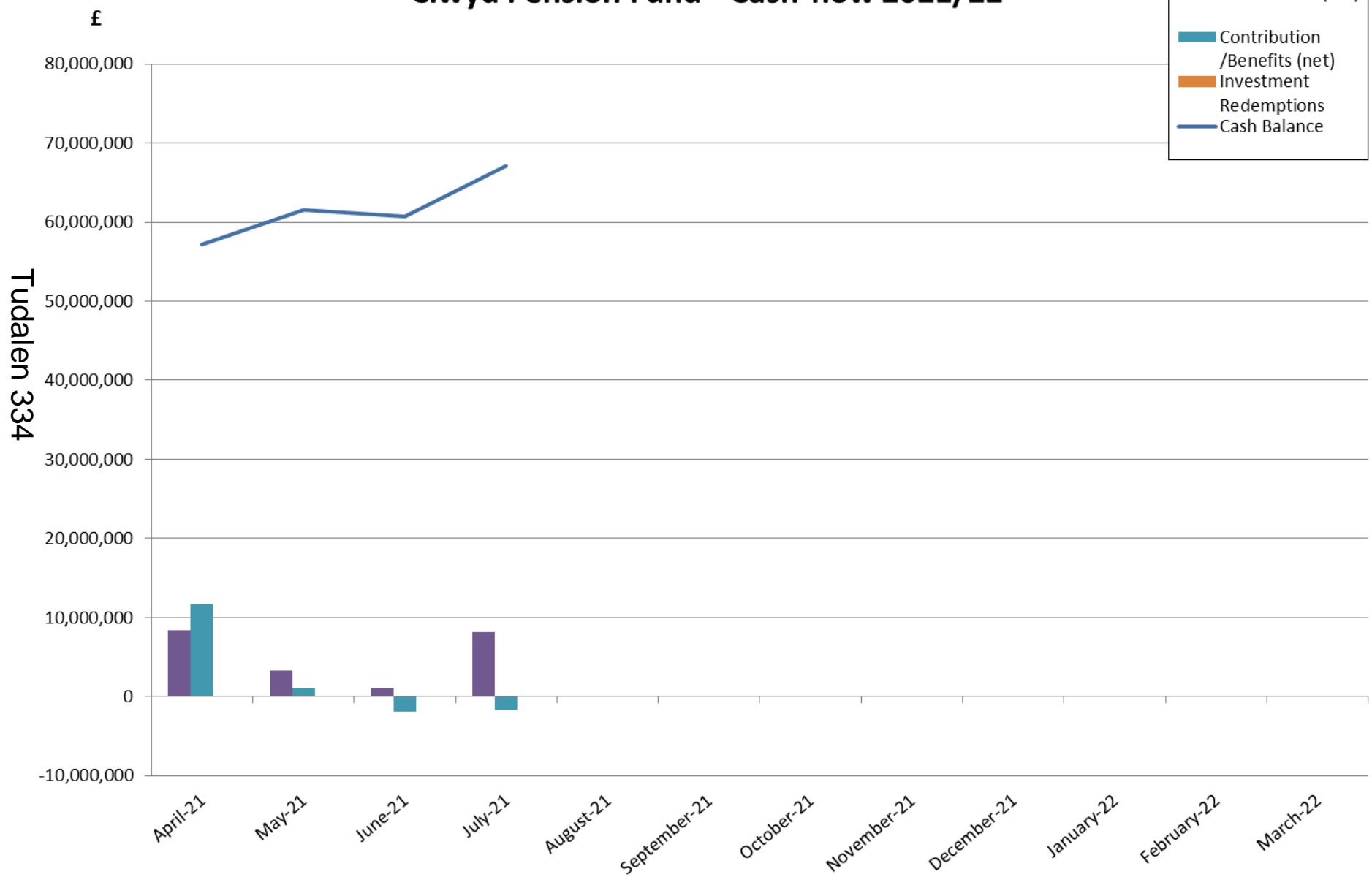
## **Action Taken**

Due diligence is currently being completed by Mercer on several managers across several of the asset classes for recommendations to be made in the next few months. In addition the following investment has been agreed:

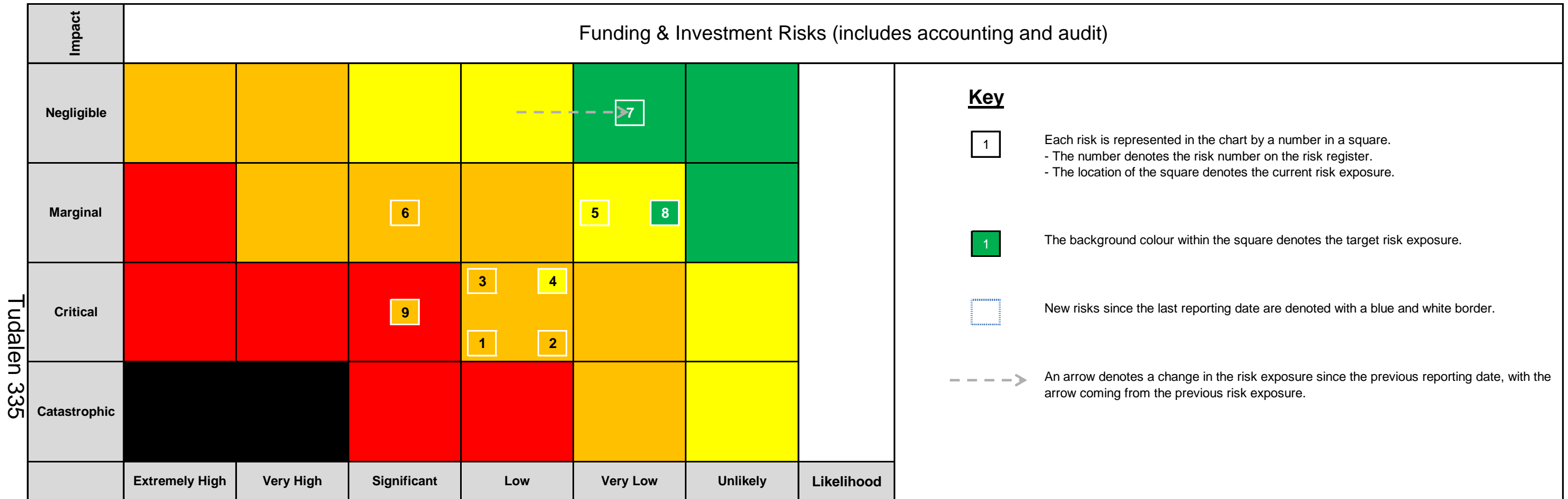
Impact / Local

- Bridges Sustainable Growth Fund IV(B) £11m

# Clwyd Pension Fund - Cash-flow 2021/22



Funding and Investment Risks (Including Accounting & Audit) Heat Map and Summary



**Clwyd Pension Fund - Control Risk Register**

Funding & Investment Risks (includes accounting and audit)

**Objectives extracted from Funding Strategy Statement (06/2021) and Investment Strategy Statement (02/2020):**

- F1 Achieve and maintain assets equal to 100% of liabilities within the 13 year average timeframe whilst remaining within reasonable risk parameters
- F2 Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- F3 Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- F4 Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- F5 Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- F6 Ensure net cash outgoings can be met as/when required
- F7 Minimise unrecoverable debt on employer termination.
- F8 Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- H1 Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- I2 Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable longterm costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	
1	Employer contributions are unaffordable and/or unstable	An appropriate funding strategy can not be set	F1 / F2 / F3 / F4 / F5	Critical	Low	Orange	1 - Ensuring appropriately prudent assumptions on an ongoing basis 2 - All controls in relation to other risks apply to this risk 3 - Consider employer covenant and reasonable affordability of contributions for each employer as part of the valuation process and as part of the ongoing risk management framework.	Critical	Very Low	Orange	☹️ Current likelihood 1 too high	07/05/2020	Dec 2021	1 - Discussions with Employers to assess affordability as part of Interim Valuation review (DF)	Head of CPF	30/09/2021	21/01/2021	
2	Funding level reduces, increasing deficit / reducing surplus	Movements in assets and/or liabilities (as described in 3.4.5) in combination, which leads to a reduction in funding level and increased contribution requirements in particular	F1 / F2 / F3 / F4 / F5 / F7	Critical	Low	Orange	See points within points 3,4 and 5	Marginal	Low	Orange	☹️ Current impact 1 too high	31/03/2016	Mar 2033	1 - Equity Protection Strategy to be reviewed regularly (DF) 2 - In conjunction with Risks 3, 4 and 5 - overall return outlook will be considered in light of COVID-19 (PL) - See points within points 3, 4 and 5	Head of CPF	30/09/2021	09/08/2021	
3	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented. - Black swan event e.g. global pandemic such as Covid-19 - Wales Pension Partnership (WPP) does not provide CPF with portfolios to deliver the Investment Strategy - Internal team do not have sufficient knowledge in order to challenge the investment managers on the advice given or understand the implications of all investment choices issues on the fund	F1 / F2 / F3 / F4 / F7	Critical	Low	Orange	1 - Use of a diversified portfolio (regularly monitored) 2 - Flightpath in place to exploit these opportunities in appropriate market conditions 3 - Monthly monitoring at Investment Day, FRMG and TAAG meetings 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee 5 - On going monitoring of appointed managers (including in house investments) managed through regular updates and meetings with key personnel 6 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of Investment opportunities available 7 - Consideration and understanding of potential Brexit implications. 8 - Equity Protection and Currency Hedging Strategy in place to protect equity gains and potentially reduce volatility of contributions. 9 - Assess impact of Covid-19 on markets and likelihood of achieving required outcomes as part of Interim Valuation review 10 - Officers work closely with the WPP to ensure that CPF has the ability to pool its assets in an efficient and effective manner	Critical	Low	Orange	☺️					Dep. Head of CPF	30/09/2021	21/01/2021
4	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates	F1 / F2 / F4 / F5 / F7	Critical	Low	Orange	1 - LDI strategy in place to control/limit interest and inflation risks. 2 - Use of a diversified portfolio which is regularly monitored. 3 - Monthly monitoring of funding and hedge ratio position versus targets. 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee. 5 - Consideration and understanding of potential Brexit implications. 6 - Consideration and understanding of potential Covid-19 implications. 7 - The level of hedging is being monitored and reported.	Marginal	Very Low	Yellow	☹️ Current impact 1 too high Current likelihood 1 too high	31/03/2016	Mar 2033	1 - Consider as part of Interim Valuation review (DF)	Dep. Head of CPF	30/09/2021	21/01/2021	
5	Value of liabilities/contributions change due to demographics being out of line with assumptions	This may occur if employer matters (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	F1 / F2 / F5 / F7	Marginal	Very Low	Yellow	1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases.	Marginal	Very Low	Yellow	☺️			1 - Longevity assumption being considered in light of Covid-19 and as part of Interim Valuation review (DF)	Dep. Head of CPF	30/09/2021	21/01/2021	
6	Investment and/or funding objectives and/or strategies are no longer fit for purpose	Legislation changes such as LGPS regulations (e.g. asset pooling), progression of Brexit and other funding and investment related requirements - ultimately this could increase employer costs	F1 / F2 / F3 / F4 / F5 / F6 / F7	Marginal	Significant	Orange	1 - Ensuring that Fund concerns are considered by the Pensions Advisory Panel and Committee as appropriate 2 - Employers and interested parties to be kept informed and impact monitored 3 - Monitor developments over time, working with investment managers, investment advisers, Actuary and other LGPS 4 - Participation in National consultations and lobbying 5. Costings performed in relation to the potential impact of McCloud on employers. Employers informed as part of the valuation regarding the potential contribution provision over 2020-23. Major employers agreed to include McCloud. 6. Fund policies updated to reflect latest flexibility Regulations on contribution rate reviews and deferred debt arrangements	Marginal	Low	Orange	☹️ Current likelihood 1 too high	31/03/2016	Mar 2021	1 - Once the Govt provides clarity on final remedy, request funding for McCloud from employers who did not make a provision (DF)	Dep. Head of CPF	30/09/2021	09/08/2021	
7	Insufficient cash or liquid assets to pay benefits	- Insufficient cash (due to failure in managing cash) or only illiquid assets available - longer term this will likely become a problem and would result in unanticipated investment costs. - Further risk presented with the introduction of exit credits for exiting employers in the 2018 Regulations update. - Covid-19 could also impact on cash-flow as employers may suffer cash-flow problems. - Private Markets distributions could dry up due to liquidity in markets.	F1 / F6	Negligible	Very Low	Green	1 - Cashflow monitoring (including private markets) to ensure sufficient funds 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Holding sufficient liquid assets as part of agreed cashflow management policy 4 - Monitor cashflow requirements to ensure that they have enough liquid assets to pay the benefits when needed 5 - Cash management policy is documented to help monitor and manage cashflow 6 - Assessment of risk of Covid-19 on employers to help understand the impact that it will have on their ability to pay contributions (i.e. their covenant) and address any cashflow issues 7 - Employers have been informed to notify Fund of any significant restructuring exercises. 8 - Employers have been informed to notify Fund of potential contract end dates (incl. changes) in sufficient time to reduce risk of large payments (i.e. through a contribution rate review in advance of the contract end date)	Negligible	Very Low	Green	☺️			1 - Continue with ongoing communications with employers to ensure they can continue to pay contributions in light of Covid-19 (DF)	Dep. Head of CPF	30/09/2021	09/08/2021	
8	Loss of employer income and/or other employers become liable for their deficits	Employer ceasing to exist with insufficient funding (bond or guarantee)	F5 / F7	Marginal	Very Low	Yellow	1 - Consider profile of Fund employers and assess the strength their covenant and/or whether there is a quality guarantee in place. 2 - When setting terms of new admissions require a guarantee or bond. 3 - Formal consideration of this at each actuarial valuation plus proportionate monitoring of employer strength. 4 - Identify any deterioration and take action as appropriate through discussion with the employer.	Marginal	Unlikely	Green	☹️ Current likelihood 1 too high	31/03/2016	Dec 2021	1 - Discussions with Employers to assess covenant risk after analysis of responses to covenant data request as and when received (DF)	Dep. Head of CPF	30/09/2021	21/01/2021	
9	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.	1. Responsible Investment (including Climate Change) is not properly considered within the Fund's long-term Investment Strategy meaning it is not sustainable and does not address all areas of being a Responsible Investor 2. WPP does not provide CPF with the tools to enable implementation of RI policies	F1, F4, F8, F9	Critical	Significant	Red	1. Fund has in place Responsible Investment (RI) Strategy 2. RI Policy has 5 Strategic RI Priorities 3. WPP has RI policy in place 4. Fund has adopted a 2050 Net Zero ambition for its Investment Strategy.	Critical	Low	Orange	☹️ Current likelihood 1 too high	03/02/2020	Mar 2023	1 - Implement Strategic RI Priorities, including analysing the Fund's carbon Footprint, Analyse impact of Climate Change at a Strategic level. Identify sustainable investment opportunities and improve disclosure and reporting (DF) 2. Work with WPP to ensure the Fund is able to implement effectively via the Pool (DF)	Dep. Head of CPF	30/09/2021	09/08/2021	



# Eitem ar gyfer y Rhaglen 9



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 1 September 2021
<b>Report Subject</b>	Asset Pooling in Wales
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the work undertaken by the Wales Pension Partnership (WPP) with pooling investments in Wales.

There was a WPP Joint Governance Committee (JGC) on 28 July 2021 and the draft minutes are appended for information.

As previously discussed, each Constituent Authority is now asked to confirm the inclusion of a co-opted Scheme Member Representative on the JGC. To enable this, and other changes, an addendum to the WPP Inter-Authority Agreement is attached and Committee are asked to recommend this to Flintshire County Council for approval along with a change to the Clwyd Pension Board Protocol.

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

- Officer Working Group
- Risk sub group
- Responsible Investment sub group
- Private Markets sub group.

### RECOMMENDATIONS

1.	That the Committee note and discuss the JGC agenda and agree any comments or questions for WPP.
2.	That the Committee recommend the Addendum to the WPP Inter-Authority Agreement to Flintshire County Council for approval, and that the amendments are incorporated appropriately into the Council's Constitution.
3.	That the Committee recommend to Flintshire Council that the Protocol for the Clwyd Pension Board is amended to allow the Board to nominate a Scheme Member Representative to the JGC.

## REPORT DETAILS

<b>1.00</b>	<b>Pooling Investment in Wales</b>
1.01	<p><b>Joint Governance Committee (JGC) Agenda</b></p> <p>There was a WPP JGC on the 28<sup>th</sup> July 2021. The draft minutes of that meeting are attached (Appendix 1).</p> <p>In summary the JGC considered or approved the following:</p> <ul style="list-style-type: none"><li>• Councillor Clive Lloyd was appointed Chair of the Joint Governance Committee for the forthcoming calendar year.</li><li>• Councillor Chris Weaver was appointed Vice-Chair of the Joint Governance Committee for the forthcoming calendar year.</li><li>• The audited Annual Return for 2020/21.</li><li>• A progress update from the host authority.</li><li>• A risk register review which this quarter considered new and updated governance risks.</li><li>• Updates to the Conflicts of Interest, Risk and Climate Risk Policies following an annual review.</li><li>• An update from the operator including the assets within the pool which are now £14.6bn with emerging markets equity expected to transition in October 2021.</li><li>• An update on investment performance as at 31<sup>st</sup> March 2021. From a Clwyd Fund point of view, this is for the Global Opportunities Equity Fund and Multi Asset Credit Fund. Although both have relatively short track records they were ahead of benchmark.</li></ul> <p>Further information on the above is available in the full public agenda which is available here - <a href="#">Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 28th July, 2021, 10.00 am</a></p> <p>There were a further five items for which the public were excluded:</p> <ul style="list-style-type: none"><li>• The quarterly Global Securities Lending report was received.</li><li>• A change to one of the fund managers in the forthcoming Emerging Market Equity fund was approved.</li><li>• The first quarterly Engagement report was received from Robeco.</li><li>• The first quarterly Responsible Investment &amp; Climate Risk reports on the three WPP equity funds were received.</li><li>• The appointment of an Allocator Advisor for private markets was approved (see 1.02 below).</li></ul>

## 1.02 Officer Working Group & Sub Groups

The Deputy Head of Clwyd Pension Fund attends the Private Market sub-group and Responsible Investment (RI) sub-group. These are both complex areas and important for the Clwyd Pension Fund because 27% of our assets are in private markets and the ambitions within our Responsible Investment and Climate Risk policy. The Head of the Clwyd Pension Fund attends the quarterly meetings of the Risk Register group and all three groups report back to the Officer Working Group.

The Private Market sub-group has been focussed on how private markets can be implemented through the pool. A detailed review determined the optimum approach is to appoint an 'Allocator' for each of the private market asset classes (infrastructure, private credit, private equity, property and impact). The Allocator(s)' role will be to select "best in class" private market managers across the separate asset classes. To assist the Private Markets sub-group with the both the specifications and procurement of the Allocator(s) an 'Allocator Adviser', Bfinance, has been recently been appointed following a procurement process using the LGPS Frameworks. The Clwyd Fund will continue to be advised by Mercer on the commitments made to these asset classes for 2021/22 & 2022/23 after which time the WPP programme will be operational. The Inter-Authority Agreement also needs to be updated to allow for this approach to be taken (see 1.03 below).

It has been a very busy period for WPP with regard to private markets and significant progress has been made in development of future sub funds for WPP. Other work the group has also undertaken:

- Completion of legal advice on preferred fund structures for each component of private markets.
- Finalising the strawmen preferences for private debt and infrastructure (open and closed ended) sub funds, and initial consideration of a potential private equity strawman structure.
- Consideration of a framework for reviewing local investment opportunities.

Over recent months the RI sub-group have held two meetings. The main areas of progress and discussion are:

- A session with Robeco to discuss their exclusion and engagement lists.
- Meeting with Northern Trust to explore the link between stock lending and responsible investment.
- A review of the WPP Climate Risk Policy and initial discussion on a WPP climate goal.
- Development of WPP RI and Climate Risk reporting, including analysis of scope 3 emissions.
- Progress on development of a stewardship report for WPP to enable the WPP to become a signature of the Stewardship Code.
- Discussion on the specifics of the Asset Owner Diversity Charter.

1.03	<p><b>WPP Inter-Authority Agreement</b></p> <p>The WPP Inter-Authority Agreement has been reviewed by the WPP Officer Working Group and WPP’s legal advisers Burges Salmon to enable:</p> <ul style="list-style-type: none"> <li>• A co-opted scheme member representative on the JGC.</li> <li>• The appointment of an Allocator for Private Markets.</li> <li>• Various other minor changes or updates since the WPP was established.</li> </ul> <p>Changes to the agreement require the unanimous agreement from all eight of the Constituent Authorities and hence an Addendum to allow for the above changes is attached. The Committee is asked to recommend the Addendum to Flintshire County Council for approval. Given some of the elements in the Inter-Authority Agreement are areas which are incorporated into the Council's Constitution, this amendment will also result in updates to the Constitution to mirror the updates to the Inter-Authority Agreement, in:</p> <ul style="list-style-type: none"> <li>• Section 9.7.2 - the Role and Function of the Pension Fund Committee (as per the amendments to Schedule 2 of the Inter-Authority Agreement)</li> <li>• Section 9.8 – Wales Pooling Collaboration Joint Governance Committee (relating to various amendments).</li> </ul> <p>In addition, for the scheme member representative the Addendum allows each Constituent Authority or Local Board to make a nomination. The Committee is asked to recommend to Flintshire County Council that the Pension Board Protocol is updated to allow the Clwyd Pension Board to decide whether to make any such nomination. This would mean amendments as follows:</p> <ul style="list-style-type: none"> <li>• Noting in part (f) of Section 9.7.2 relating to the Role and Function of the Pension Fund Committee that "The Nomination of a Co-Opted Member to the Joint Governance Committee is to be carried out by the Pension Board."</li> <li>• Incorporating the following into Section 3) Role of the Pension Board of the Pension Board Protocol: <ul style="list-style-type: none"> <li>○ "The Council has determined that, in accordance with the Wales Pooling Collaboration Inter-Authority Agreement, any nomination of a Co-Opted Member to the Joint Governance Committee will be carried out by the Pension Board."</li> </ul> </li> </ul>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>How the Wales Pension Partnership operates is key in enabling the Fund to implement its investment strategy. If performance is not in line with the assumptions in our strategy, it will impact on the cost of the scheme to employers at future Actuarial Valuations. In addition, further guidance on pooling is expected from MHCLG in 2021 and the implications of that guidance are not yet known.</p> <p>Given these points, this risk (risk number 3 on the funding and investment register) continues to be categorised as significant in the Fund's risk register.</p> <p>The WPP risk register is included in the JGC agenda. The focus was on the governance risks which are mainly on target. The Head of Clwyd Pension Fund attends the WPP Risk sub group.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – JGC 28 July 2021 draft minutes.</p> <p>Appendix 2 – Addendum to the Inter-Authority Agreement</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<ul style="list-style-type: none"> <li>• Earlier Committee reports on the progress of the WPP.</li> <li>• The Wales Pension Partnership Inter-Authority Agreement (provided to Committee and Board members by email).</li> </ul> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> <a href="mailto:philip.latham@flintshire.gov.uk">philip.latham@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>The Fund – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>The Committee – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p>

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| <p>(d) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p> <p>(e) <b>Inter-Authority Agreement (IAA)</b> – the governance agreement between the eight Wales pension funds for purposes of pooling</p> <p>(f) <b>Wales Pension Partnership (WPP)</b> – the name agreed by the eight Wales pension funds for the Wales Pool of investments</p> <p>(g) <b>The Operator</b> – an entity regulated by the FCA, which provides both the infrastructure to enable the pooling of assets and fund management advice. For the Wales Pension Partnership, the appointed Operator is Link.</p> |
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# WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

WEDNESDAY, 28<sup>TH</sup> JULY, 2021

**PRESENT:** Councillor Cllr. C. Lloyd [Chair]

**Councillors:**

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

**The following officers were in attendance:**

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

**Also in attendance to present reports:**

J. Garcia – Audit Wales  
I. Colvin – Hymans Robertson  
J. Wright - Hymans Robertson  
E. Gough - Link Fund Solutions  
R. Thornton - Link Fund Solutions  
D. Armstrong – Northern Trust  
N. Round – Northern Trust  
R. Smith – Northern Trust  
A. Knell - Robeco  
K. Robertson – Robeco  
J. Leggate - Russell Investments  
T. Paik - Russell Investments  
A. Quinn - Russell Investments  
S. Soerensen – Russell Investments

**Also present as observers:**

A. Bull - Pensions Investment Manager (TCC)  
M. Falconer – Pension Manager (CoC)  
C. Hurst - Pension Fund Manager (PCC)  
D. Jones-Thomas - Investment Manager (GCC)  
G. Watkins - Revenue Services Manager (CoC)

Y. Keitch - Principal Accountant (RCT)

K. Cobb - Senior Accountant (C&CS)

**Virtual Meeting - 10.00 am - 12.10 pm**

**1. APPOINTMENT OF CHAIR OF THE JOINT GOVERNANCE COMMITTEE FOR THE FORTHCOMING CALENDAR YEAR**

**UNANIMOUSLY RESOLVED** that Councillor Clive Lloyd be appointed Chair of the Joint Governance Committee for the forthcoming calendar year.

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

**2. APPOINTMENT OF VICE-CHAIR OF THE JOINT GOVERNANCE COMMITTEE FOR THE FORTHCOMING CALENDAR YEAR**

**UNANIMOUSLY RESOLVED** that Councillor Chris Weaver be appointed Vice-Chair of the Joint Governance Committee for the forthcoming calendar year.

**3. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**4. DECLARATIONS OF INTEREST**

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

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

**5. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 24TH MARCH, 2021**

**UNANIMOUSLY RESOLVED** that the minutes of the Joint Governance Committee meeting held on 24<sup>th</sup> March, 2021 be signed as a correct record.



## 6. 2020/21 ANNUAL RETURN

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

The Joint Committee Section 151 Officer presented the audited Annual Return for 2020/21. The Accounting Statements and Annual Governance Statement sections of the Annual Return had been prepared by the Host Authority whose Internal Audit Section had carried out an Internal Audit Review.

The Annual Return had also been audited by Audit Wales and Mr Jason Garcia of Audit Wales presented the audit letter to the Joint Committee.

The Host Authority had also prepared a full Statement of Accounts for the Wales Pension Partnership for 2020/21. The Statement was not a statutory requirement and would not be audited. It has been prepared for information purposes only, to support the information included in the Annual Report.

### RESOLVED

- 6.1 That the letter from Audit Wales regarding the WPP 2020/21 Annual Return be received;
- 6.2 That the Audited Annual Return for 2020/21 be approved;
- 6.3 That the Unaudited full Statement of Accounts for 2020/21 be approved.

## 7. HOST AUTHORITY UPDATE

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

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

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

**UNANIMOUSLY RESOLVED that the Host Authority update be received.**

## 8. RISK REGISTER Q2 2021 REVIEW

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

The Joint Committee considered the Risk Register Q2 2021 Review. During the last quarter the Officer Working Group had undertaken a review of some of the

risks within the Governance and Regulation section of the Risk Register i.e. Risks G.7 to G.12. The report summarised the review outcomes of each risk.

During the review two additional risks were identified and added to the Risk Register, as follows:-

G.13 - the risk of confidential/ commercially sensitive data being leaked, stolen or misplaced, and

G.14 - the risk of the WPP failing to identify and taking measures to remedy malpractice.

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

## 9. ANNUAL POLICY REVIEWS

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

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

- Conflicts of Interest Policy
- Risk Policy
- Climate Risk Policy

These policies were approved by the JGC in July 2020 and had been reviewed and updated by the Officer Working Group.

With regard to the Conflicts of Interest Policy, reference was made to 16.2 and officers were asked if it was really necessary for members to declare an interest in all agenda items and at every meeting and couldn't an annual declaration be made instead. The Joint Committee Monitoring Officer explained that it was a requirement of the Code of Conduct that members declare any conflicts of interest at every meeting.

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

## 10. OPERATOR UPDATE

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

The Joint Committee received a presentation on the progress of the Wales Pension Partnership in relation to the following key areas:

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

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

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

**UNANIMOUSLY RESOLVED that the Operator Update be received.**

#### **11. PERFORMANCE REPORTS AS AT 31ST MARCH 2021**

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

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

- Global Opportunities – outperformed by 2.29% gross / 1.91% net
- Global Growth – outperformed by 3.42% gross / 2.96% net
- UK Opportunities - outperformed by 4.45% gross / 4.00% net
- Global Government Bond – outperformed by 1.83% gross / 1.71% net
- Global Credit – outperformed by 1.22% gross / 1.12% net
- Multi Asset Credit – outperformed by 3.61% gross / 3.33% net
- Absolute Return Bond – outperformed by 1.26% gross / 1.02% net
- UK Credit – underperformed by 0.15% gross / 0.22% net

In response to a question asking who was responsible for tracking passive investments, the Joint Committee was informed that Blackrock had that responsibility, however, it was a matter for each constituent authority how they monitor their passive investments with Blackrock.

**UNANIMOUSLY RESOLVED that the Performance Reports of the sub-funds, as detailed above, as at 31<sup>st</sup> March, 2021 be noted.**

#### **12. EXCLUSION OF THE PUBLIC**

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

#### **13. EMERGING MARKETS SUB FUND - MANAGER CHANGE**

**Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting, as**

**disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.**

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

The Joint Committee considered a report proposing the replacement of one of the Sub Fund Managers from the original line up.

**UNANIMOUSLY RESOLVED** that the proposed manager change, as detailed in the report, be approved.

#### **14. GLOBAL SECURITIES LENDING REPORT AS AT 31ST MARCH 2021**

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

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

The Joint Committee received a report on the Global Securities Lending Review.

**UNANIMOUSLY RESOLVED** that the Global Securities Lending Review as at 31<sup>st</sup> March, 2021 be noted.

#### **15. ROBECO ENGAGEMENT SERVICE - Q1 2021 ENGAGEMENT REPORT**

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

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

The Joint Committee received the Engagement Report for Q1 of 2021.

**UNANIMOUSLY RESOLVED** that the Engagement Report for Q1 of 2021 be received.

#### **16. RESPONSIBLE INVESTMENT & CLIMATE RISK REPORTS - Q1 2021**

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

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

The Joint Committee received the Responsible Investment and Climate Risk reports in respect of the following funds:-

- Global Growth Sub Fund
- Global Opportunities Sub Fund
- UK Opportunities Sub Fund

**UNANIMOUSLY RESOLVED** that the Responsible Investment and Climate Risk Reports for Q1 of 2021 be received.

#### **17. WALES PENSION PARTNERSHIP ALLOCATOR ADVISOR**

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

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

The Joint Committee considered a report proposing the appointment of an Allocator Advisor for the WPP, in line with Schedule 3 of the Inter Authority Agreement.

**UNANIMOUSLY RESOLVED** that bidder 1, as detailed in the report, be appointed as the preferred bidder for the Wales Pension Partnership Allocator Advisor, subject to the terms detailed within the report.

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
DATE

Mae'r dudalen hon yn wag yn bwrpasol

**Amendment to the Inter-Authority Agreement between**

Carmarthenshire County Council	(1)
City & County of Swansea Council	(2)
City of Cardiff Council	(3)
Flintshire County Council	(4)
Gwynedd Council	(5)
Powys County Council	(6)
Rhondda Cynon Taff County Borough Council	(7)
Torfaen County Borough Council	(8)

Made on

2021

By

- (1) **CARMARTHENSHIRE COUNTY COUNCIL** of County Hall, Carmarthen, Carmarthenshire, SA31 1JP
- (2) **CITY & COUNTY OF SWANSEA COUNCIL** of The Guildhall, Swansea, SA1 4PE
- (3) **THE COUNTY COUNCIL OF THE CITY AND COUNTY OF CARDIFF** of County Hall, Atlantic Wharf, Cardiff, CF10 4UW
- (4) **FLINTSHIRE COUNTY COUNCIL** of County Hall, Mold, Flintshire, CH7 6NA.
- (5) **GWYNEDD COUNCIL** of Shirehall Street, Caernarfon, Gwynedd LL55 1SH
- (6) **POWYS COUNTY COUNCIL** of County Hall, Llandrindod Wells, Powys, LD1 5LG
- (7) **RHONDDA CYNON TAFF COUNTY BOROUGH COUNCIL** of The Pavilions, Clydach Vale, Tonypany, CF40 2XX
- (8) **TORFAEN COUNTY BOROUGH COUNCIL** of Civic Centre Pontypool Torfaen NP46YB

(together referred to as the “**Constituent Authorities**” and individually as a “**Constituent Authority**”)

## **1 BACKGROUND**

- 1.1 The Constituent Authorities are all councils responsible for the administration of local government within their areas as set out in the Local Government Act 1972. The Department for Communities and Local Government in its letter dated 23 November 2016 confirmed that the Constituent Authorities have been granted permission for each Constituent Authority to continue to collaborate with every other Constituent Authority to form a pool of assets in respect of each of their respective funds under the LGPS.
- 1.2 The Constituent Authorities entered into the Agreement to create a formal joint committee pursuant to section 101 and section 102 of the Local Government Act 1972 by Deed dated 26 June 2017. The Agreement in clause 34 allows for amendment of its terms provided that the amendment is made in writing and is signed on behalf of all the Constituent Authorities by duly authorised representatives.
- 1.3 This Amendment is made under clause 34 in order to amend the Agreement to:
  - (a) allow the participation of a co-opted member in the Joint Governance Committee; and
  - (b) allow for a number of changes which support the development and effectiveness of the pooling collaboration.

## **AGREED TERMS**

### **2 INTERPRETATION**

- 2.1 In this Amendment terms shall have the same meaning as set out in the Agreement where:
  - (a) **Agreement** means the deed titled Inter-Authority Agreement made between the Constituent Authorities on 26 June 2017.
  - (b) **Amendment** means this document amending the terms of the Agreement.



### **3 COMMENCEMENT**

This Amendment shall take effect on [ ] 2021. For the avoidance of doubt, this Amendment is only effective when each Constituent Authority has signed it in accordance with clause 34 of the Agreement.

### **4 AMENDMENT OF THE AGREEMENT**

The Agreement is amended as set out in Schedule 1 to this Amendment.

### **5 SEVERANCE**

5.1 If any provision or part-provision of the Agreement or this Amendment is or becomes invalid, illegal or unenforceable, it shall be modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

5.2 If one Constituent Authority gives notice to the other Constituent Authorities of the possibility that any provision or part-provision of this Agreement is invalid, illegal or unenforceable, the Constituent Authorities shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable, and, to the greatest extent possible, achieves the intended result of the original provision.

### **6 COUNTERPARTS**

This Amendment may be executed in any number of counterparts by the Constituent Authorities, all of which taken together, shall constitute one and the same agreement, and any Constituent Authority (including any duly authorised representative of a Constituent Authority) may execute this Amendment by executing a counterpart.

## Schedule 1

### Amendments to the Agreement

The following amendments are made to the Agreement:

#### **1 CLAUSE 1 INTERPRETATION**

1.1 In clause 1, the following definition is inserted at the start of the list of definitions:

**Allocator** means the, one or more, allocator for [private market] asset classes who will facilitate the preferred investment structure and select sub-managers, underlying funds and/or direct investments for the purposes of the Pooling Collaboration appointed by the Joint Governance Committee.

1.2 In clause 1, following the definition of “Constituent Authorities”, the following definitions are inserted:

**Contact List** means the document circulated periodically by the Host Authority setting out relevant contact details for each of the Constituent Authorities.

**Co-opted Member** means a person, nominated by a Constituent Authority or the Pension Board of a Constituent Authority, and appointed as a Co-opted Member of the Joint Governance Committee by the Members; who is not an elected member of a Constituent Authority but is a Pension Member Representative of a Constituent Authority.

1.3 In clause 1 (and throughout the document thereafter, but including the contents pages), the definition “Host Council” is changed to “**Host Authority**” but retains its meaning throughout the document, being:

**Host Authority** means the Constituent Authority appointed in accordance with clause 7 and whose duties are described within that clause.

1.4 In clause 1, the definition of Member is delete and replaced by the following definition:

**Member** means each of the elected members of the Constituent Authorities nominated to be Members of the Joint Governance Committee in accordance with clause 3.3(a).

1.5 In clause 1, following the definition of “Pension Board”, the following definition is inserted:

**Pension Member Representative** means a person appointed to a Pension Board as a member representative further to regulation 107(2)(b) of the Local Government Pension Scheme Regulations 2013.

#### **2 CLAUSE 3**

2.1 Clause 3.3 is delete and replaced by the following:

3.3 The membership of the Joint Governance Committee shall be:

(a) one elected member nominated by each of the Constituent Authorities, provided that the nominated person is an elected member of that Constituent Authority and a member of that Constituent Authority’s pensions committee (or equivalent body) for the purposes of the Local Government Pension Scheme Regulations 2013; and

(b) one Co-opted Member appointed by decision of the Members (or a sub-group of the Members where such a sub-group is formed to consider the candidates), and which Co-opted Member shall be selected from a pool of candidates nominated by each of the Constituent Authorities or their Pension Boards.

2.2 Clause 3.4 is delete and replaced by the following:

3.4 For the purposes of clause 3.3, each Constituent Authority may appoint a named deputy for each Member, which deputy must be an elected member of the same Constituent Authority and the same Constituent Authority's pension committee (or equivalent body) for the purposes of the Local Government Pension Scheme Regulations 2013 as the Member for whom they are acting as deputy; and

3.4 A In the case of the Co-opted Member, a deputy shall be appointed by decision of the Members (or a sub-group of the Members where such a sub-group is formed to consider the candidates), and which deputy for the Co-opted Member shall be selected from a pool of candidates nominated by each of the Constituent Authorities or their Pension Boards.

2.3 A new clause 3.8 as follows is inserted:

3.8 The Co-opted Member shall be invited to and is expected, where possible, to attend all training provided to Members under clause 3.7.

### **3 CLAUSE 31**

3.1 Clause 31.1 is amended by deleting the words "Schedule 1" and replacing them with "the Contact List".

### **4 SCHEDULE 1**

4.1 In Schedule 1, the content of the schedule is held delete and replaced by the following:

As of [date], the Host Authority maintains a list of the relevant contact details for each of the Constituent Authorities. This will be issued periodically by the Host Authority to the Constituent Authorities and is also available on request.

### **5 SCHEDULE 2**

5.1 In Schedule 2, new items are added to the numbered list as follows:

12. Nomination of a Co-opted Member to the Joint Governance Committee (except where that role is carried out by a Pension Board, in which case it is reserved to that Pension Board) .

13. Approval of changes to the terms of reference of the Joint Governance Committee as set out in Schedule 4.

### **6 SCHEDULE 4**

6.1 In Schedule 4 Joint Governance Committee – Terms of Reference the bullet points are replaced with numbering.

6.2 In Schedule 4, item 8 is held delete and replaced by the following:

8. From time to time reviewing policies in respect of environmental, social and governance matters and where appropriate make recommendations to the Constituent Authorities as to any changes deemed necessary.

6.3 In Schedule 4, item 13 is held delete and replaced by the following:

13. Monitoring the implementation and effectiveness of the policies described in Schedule 5 and initiating reviews of these where required.

6.4 In Schedule 4, item 19 is held delete and replaced by the following:

19. Agreeing criteria for the evaluation of bids or tenders for any procurement of the Operator (including for the avoidance of doubt, a replacement Operator) to be put forward for the approval of the Constituent Authorities.

6.5 In Schedule 4, new items are inserted as follows:

20. Any reference in this schedule to the Joint Governance Committee taking any action including agreeing, approving or making recommendations, shall be determined subject to the voting provisions set out in Schedule 6.
21. Approval of an appointment of an Allocator following a recommendation by the OWG, reviewing the performance of an Allocator(s), and reporting on the performance of the Allocator(s) to the Constituent Authorities.
22. Approval of the termination of the appointment of an Allocator following a recommendation by the OWG.

## **7 SCHEDULE 5**

7.1 In Schedule 5, the existing wording is held delete and replaced by the following:

The Joint Governance Committee, with the support of the OWG, will formulate, review and revise on an ongoing basis policies and procedures as deemed appropriate to support robust and effective governance arrangements for the Pooling Collaboration, including the following (which for the avoidance of doubt, is non-exhaustive):

- (a) Responsible Investment Policy
- (b) Climate Risk Policy
- (c) Voting Policy
- (d) Training Policy & Plans
- (e) Communication Policy
- (f) Governance Decision Matrix
- (g) Risk Policy and Risk Register
- (h) Conflict of Interest and Procedure Policy
- (i) Rebalancing and Alteration Policy
- (j) Responsibilities Matrix
- (k) Complaints Policy
- (l) Whistleblowing Policy
- (m) Breaches and Errors Policy
- (n) Business Continuity Plan

## **8 SCHEDULE 6**

8.1 Paragraph 1 of Schedule 6 is held delete and replaced by the following:

### **1 MEMBERSHIP**

1.1. The membership of the Joint Governance Committee shall consist of one Member per Constituent Authority and one Co-opted Member.

1.2 No substitutes other than deputies shall be allowed.

8.2 A new section 1A, ROLE OF THE CO-OPTED MEMBER, is inserted following section 1 of schedule 6 as follows:

## 1A ROLE OF THE CO-OPTED MEMBER

1A.1 The primary role of the Co-opted Member is to provide scheme member representation on the Joint Governance Committee.

1A.2 The Co-opted Member is entitled to attend all meetings of the Joint Governance Committee, including exempt items, to be provided with copies of all papers, and to speak on any item during meetings of the Joint Governance Committee.

1A.3 The Co-opted Member may ask the Chair to include any matter on the agenda which they consider should be discussed by the Joint Governance Committee.

8.3 Clause 2.3 is amended in the first line by insertion of the words 'executive summaries of following 'agendas',

8.4 Clause 2.4 is held delete and replaced by the following:

2.4 The Joint Governance Committee may decide to allow remote participation in meetings via video-conference or any similar medium having regard to any applicable guidance issued from time to time by the Welsh Government. Any Member or Co-opted Member attending by video-conference shall be held to be in attendance at the meeting for the purposes of this Schedule.

8.5 Paragraph 2.5 of Schedule 6 is held delete and replaced by the following:

2.5 A meeting of the Joint Governance Committee may be called by a proper officer of the Host Authority on the request of the Chair. Members and the Co-opted Member must declare any conflict of interest in respect of any business being conducted at the meeting which would likely to be regarded to prejudice the exercise of a person's function as a participant in the meeting.

8.6 Paragraph 2.6 of Schedule 6 is held delete and replaced by the following:

2.6 The Chair is responsible for the running of meetings. The Chair shall invite Members and the Co-opted Member expressing a desire to speak in turn. All discussion and debate shall be held through the Chair and the Chair may draw a discussion to a vote at any time where they consider that every Member and the Co-opted Member has been given a fair opportunity to speak.

8.7 Sub-paragraph 2.9(a) of Schedule 6 is held delete and replaced by the following:

Where any item to be discussed forms exempt information, the Chair shall move that the public and press are excluded from the meeting for the duration of the discussion and voting on that item. The Co-opted Member is entitled to remain in the meeting and shall not be excluded. Motions to exclude the press and public do not require to be seconded and shall be determined by simple majority vote of the Members present.

8.8 Paragraph 6.2 of Schedule 6 is held delete and replaced by the following:

6.2 A Member or the Co-opted Member may raise a point of order at any time. The Chair will hear them immediately. A point of order may only relate to an alleged breach of the provisions of this Schedule, or the law or other competent authority. The Member or Co-opted Member must indicate the provision or law or regulation and the way in which he/she considers it has been broken. The ruling of the Chair on the matter will be final. The Chair may take advice on the point of order from the appropriate officer.

8.9 Section 7 of Schedule 6 is held delete and replaced by the following:

## **7 VOTING**

7.1 The Chair shall seek consensus wherever possible however where a vote is required the provisions of this section shall apply.

- 7.2 Each Member present will have one vote and voting will be by means of a show of hands or such other method as the Chair may decide is appropriate in the circumstances, including a roll call. The Co-opted Member may not vote. In the event of a tied vote, the Chair shall have a second or casting vote.
  - 7.3 All decisions will be determined by simple majority of Members present.
  - 7.4 In the event that a vote is taken, the voting positions and any abstentions of Members will be recorded in the minutes.
- 8.10 Paragraph 8.1 of Schedule 6 is held delete and replaced by the following:
- 8.1 The Joint Governance Committee shall form such sub-committees and working groups as it considers expedient to performing its function. The Joint Governance Committee shall at the time of forming sub-committees or working groups set out the remit of the sub-committees or working groups, what the sub-committees or working groups are required to deliver and the timescale for that delivery.. The Co-opted Member may be a member of any sub-committee or working group.

Paragraph 8.4 of Schedule 6 is held delete and replaced by the following:

- 8.4 Working groups may invite any person who is not a Member or Co-opted Member to join the group in order to assist in carrying out its function.

**9 SCHEDULE 8**

- 9.1 In Schedule 8, letters a-o are replaced with numbers 1-17.
- 9.2 In Schedule 8, the following items are inserted after item 14 (with semi-colons and full stops updated accordingly):
  - 15. establishing sub-groups and/or working groups of the OWG if the OWG consider such sub-group or working group would assist the effectiveness of the OWG to progress a particular project or workstream;
  - 16. reviewing, formulating or evaluating governance arrangements and policies for the Pooling Collaboration (including for the avoidance of doubt the policies and procedures described in Schedule 5);
  - 18. managing the procurement process for the procurement of an Allocator, or the replacement of an Allocator, including determining the criteria for the evaluation of bids or tenders;
  - 19. monitoring and reviewing the performance of the Allocator(s) in meeting relevant objectives, service levels and key performance targets.

IN WITNESS whereof the parties have executed this Agreement on the date and year first above written.

THE COMMON SEAL of )  
 Carmarthenshire County Council )  
 was affixed hereto in the )  
 presence of:- )  
 Authorised Officer

THE COMMON SEAL of )  
Council of the City and County of Swansea )  
was affixed hereto in the )  
presence of:- )  
Authorised Officer

THE COMMON SEAL of )  
County Council of the City and County of Cardiff )  
was affixed hereto in the )  
presence of:- )  
Authorised Officer

THE COMMON SEAL of )  
Flintshire County Council )  
was affixed hereto in the )  
presence of:- )  
Chair / Legal Services Manager / Chief Officer Governance

THE COMMON SEAL of )  
Gwynedd County Council )  
was affixed hereto in the )  
presence of:- )  
Authorised Officer

THE COMMON SEAL of )

Powys County Council )

was affixed hereto in the )

presence of:- )

Authorised Officer

THE COMMON SEAL of )

Rhondda Cynon Taf County Borough Council )

was affixed hereto in the )

presence of:- )

Authorised Officer

THE COMMON SEAL of )

Torfaen County Borough Council )

was affixed hereto in the )

presence of:- )

Authorised Officer



# Eitem ar gyfer y Rhaglen 10



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday 1 September 2021
<b>Report Subject</b>	Economic and Market update and Performance Monitoring report
<b>Report Author</b>	Head of Clwyd Pension Fund

### **EXECUTIVE SUMMARY**

The purpose of this report is to update the Committee on the Economy and Markets, and the Performance of the Fund's investments.

The reports cover periods ending 30 June 2021, and are attached as appendices to this report.

Key points to note:

#### **Economy and Markets**

- The quarter saw continued positive returns across major equity markets, building on the strong performance seen in the four previous quarters
- The COVID-19 impact was putting pressure on supply chains globally and commodities were also in high demand due to pent up demand
- Geo-political events are still causing significant concern with recent developments in Afghanistan and concerns over Russia and China affecting some markets

#### **Performance Monitoring Report**

- Over the three months to 30 June, the Fund's total market value increased by £147.4m to £2,326.4m
- Fund Performance over 3 months, 12 months and 3 years; +6.4%, +19.0% and +8.1% p.a. respectively
- Fund Performance is ahead of Composite benchmark over 3 months and 1 year but marginally behind Composite benchmark over 3 years
- The Fund performance is comfortably ahead of the Strategic target and both Actuarial targets over all periods
- All asset classes broadly in line with strategic target weight

Performance of the Fund's assets are monitored and reviewed monthly by the Fund's Officers and advisers. Given the position is always changing, a verbal update will be given to the Committee at the meeting.

## RECOMMENDATIONS

- |    |   |
|----|---|
| 1. | That the performance of the Fund over periods to the end of June 2021 are noted along with the Economic and Market update which effectively sets the scene. |
|----|---|

## REPORT DETAILS

### 1.00 INVESTMENT AND FUNDING RELATED MATTERS

#### 1.01 Economic and Market Update

The economic and market update for the quarter from the Fund's Investment Consultant is attached at Appendix 1. The report contains the following key sections:

- **Economic and Market Background** – an overview of markets in the quarter, including commentary on key economic indicators
- **Equity Market Review** – information on the performance of equity markets during the quarter and key drivers of markets
- **Bond Market (Fixed Income) Review** – provides an update on bond yield movements and interest rates for the period
- **Currencies, Commodities and Alternatives Review** – provides an update on the performance of Sterling against other currencies as well as highlighting movements in major commodity and alternatives asset classes for the period

1.02 The quarter was another generally positive one, with most major markets seeing positive returns. That is not to say that there are concerns in a number of areas:

- Pressure on supply chains due to COVID-19 related transport disruption
- Inflation concerns in some areas, albeit most commentators felt that this was more due to the COVID-19 effect in the previous year
- Geopolitical events in Russia, China and more recently in Afghanistan are affecting some of the positivity seen in markets

Strong returns (+7.3%) were seen in Global equities over the quarter, with UK equities also performing well; returning +5.6%.

In the UK Government Bond yields fell after increases in the previous quarter, resulting in returns of more than +3.0% for the period.

Sterling remained relatively flat against major currencies during the period, after recent gains.

Commodities markets, continued their strong performance in the quarter. Energy markets, led by Oil, had a particularly strong returns.

Since the end of the quarter volatility has returned to some markets due to

	a number of factors, and as a result the Committee will be given a verbal update at the meeting.																								
1.03	<p><b>Performance Monitoring report</b></p> <p>Over the 3 months to 30 June 2021, the Fund's total market value increased by £147.4m to £2,326.4m.</p> <p>This means that the Total Fund has increased in value by £204.6m in the calendar year 2021.</p>																								
1.04	<p>It is appropriate to measure performance at a Total Fund level by comparing to a number of different targets:</p> <ul style="list-style-type: none"> <li>• The first of these is the assumed return that the Actuary includes within the triennial valuation - <b>Actuarial Target</b>. This is the most crucial target as actual performance needs to be ahead of this to ensure that the Fund maintains, or improves its funding level. This currently set at CPI (Consumer Price Index) +1.75% p.a. for past service liabilities and CPI + 2.25% for future service liabilities.</li> <li>• The second performance measure is the overall assessment of potential return when the Fund reviews and sets its investment strategy – <b>Strategic Target</b>. (This is currently CPI +3.4% p.a.)</li> <li>• The final target is the composite benchmark – <b>Total Benchmark</b>. This is a composite of each of the individual manager benchmarks, weighted by strategic target allocation. For most investment managers the benchmark does not include an expectation of outperformance, with the exception of Wellington Emerging Market equities and WPP Global Opportunities equity.</li> </ul> <p>The performance against all benchmarks is shown on Page 6 of the report, and repeated below:</p> <table border="1"> <thead> <tr> <th></th> <th>Quarter (%)</th> <th>1 Yr (%)</th> <th>3 Yrs (%)</th> </tr> </thead> <tbody> <tr> <td><b>Total</b></td> <td><b>6.4</b></td> <td><b>19.0</b></td> <td><b>8.1</b></td> </tr> <tr> <td>Total Benchmark</td> <td>4.4</td> <td>16.6</td> <td>8.3</td> </tr> <tr> <td>Strategic Target (CPI +3.4% p.a.)</td> <td>1.4</td> <td>5.5</td> <td>5.5</td> </tr> <tr> <td>Actuarial Target – Past Service Liabilities (CPI +1.75% p.a.)</td> <td>1.0</td> <td>3.9</td> <td>3.9</td> </tr> <tr> <td>Actuarial Target – Future Service Liabilities (CPI +2.25% p.a.)</td> <td>1.1</td> <td>4.4</td> <td>4.4</td> </tr> </tbody> </table> <p>The table shows strong outperformance by the Fund against all measures over 3 months and 1 year, and outperformance against all except the total composite benchmark over 3 years.</p>		Quarter (%)	1 Yr (%)	3 Yrs (%)	<b>Total</b>	<b>6.4</b>	<b>19.0</b>	<b>8.1</b>	Total Benchmark	4.4	16.6	8.3	Strategic Target (CPI +3.4% p.a.)	1.4	5.5	5.5	Actuarial Target – Past Service Liabilities (CPI +1.75% p.a.)	1.0	3.9	3.9	Actuarial Target – Future Service Liabilities (CPI +2.25% p.a.)	1.1	4.4	4.4
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1.05	<p>The strongest absolute returns over the quarter came from the Cash and Risk Management Framework (CRMF) and Private Markets. The CRMF returned +9.3% and Private markets returned +7.9%.</p> <p>Within Private Markets the strongest returns were seen in the Private Equity and Local/Impact portfolios with returns of +13.8% and +13.7% respectively.</p>																								

	<p>It is also positive to note the strong performance seen in the BlackRock ESG Equity portfolio in the quarter (+7.2%).</p> <p>In the 12 months to 30 June 2021 the best returns came from the CRMF, Total Equity and the Tactical Allocation (Best Ideas) portfolio. The CRMF returned +37.5%, with Total Equity and the Tactical Allocation portfolio returning +24.9% and +18.0% respectively.</p> <p>It is also pleasing to note the performance of the Fund's two portfolios managed by the Wales Pension Partnership (WPP). The Global Opportunities Equity portfolio has returned 27.1% over 12 months against its target return of 27.0%. The WPP Multi-Asset Credit has a shorter track record but has also outperformed its benchmark by 0.7% over 3 months by returning +1.7%.</p> <p>The performance of individual managers is shown in the report and is regularly reviewed by Officers and advisers, and at this stage there are no concerns that need addressing, however all positions are being monitored closely.</p>
1.06	<p>The transition of assets in the summer of 2020 brought most asset classes in line with the target strategic weights. Due to strong performance of listed equities in the quarter Global and Emerging Market equity remain marginally overweight. As a result the Private Markets assets are now nearly 4% under target weight, although this is well within the agreed strategic tolerance, and a work plan is in place to bring this in line over the next couple of years. All other asset classes are well within the agreed strategic ranges.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The Fund's investment strategy has been designed to provide an appropriate trade-off between risk and return. The Fund faces three key investment risks: Equity risk, Interest Rate Risk and Inflation Risk.</p> <p>Diversification of the Fund's growth assets away from equities seeks to reduce the amount of the equity risk (though it should be recognised that Equities remain an important long term source of expected growth). The implementation of the Fund's De-Risking Framework (Flightpath) has been</p>

	designed to mitigate the Fund's Interest Rate and Inflation Risks.
4.02	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): <ul style="list-style-type: none"> <li>• Governance risk: G2</li> <li>• Funding and Investment risks: F1 - F6</li> </ul>
4.03	The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. The collateral waterfall framework is intended to increase the efficiency of the Fund's collateral, and generating additional yield in a low governance manner. Hedging the currency risk of the market value of the synthetic equity portfolio will protect the Fund against a strengthening pound.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - Economic and Market Update – 30 June 2021 Appendix 2 – Performance Monitoring Report – 30 June 2021

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Economic and Market Update and Investment Strategy and Manager Summary 31 March 2021.  <b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund <b>Telephone:</b> 01352 702264 <b>E-mail:</b> philip.latham@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	A list of commonly used terms are as follows: <p>(a) <b>Absolute Return</b> – The actual return, as opposed to the return relative to a benchmark.</p> <p>(b) <b>Annualised</b> – Figures expressed as applying to 1 year.</p> <p>(c) <b>Duration</b> – The weighted average time to payment of cash flows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.</p> <p>(d) <b>Market Volatility</b> – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.</p>

- (e) **Money-Weighted Rate of Return** – The rate of return on an investment including the amount and timing of cash flows.
- (f) **Relative Return** – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark.
- (g) **Three-Year Return** – The total return on the fund over a three year period expressed in percent per annum.
- (h) **Time-Weighted Rate of Return** – The rate of return on an investment removing the effect of the amount and timing of cash flows.
- (i) **Yield (Gross Redemption Yield)** – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cash flows.

**A comprehensive list of investment terms can be found via the following link:**

<https://www.schroders.com/en/uk/adviser/tools/glossary/>



# Clwyd Pension Fund

Economic and Market Update

Q2 2021

Tudalen 367

# Monthly Capital Market Monitor (UK)

## June 2021

### Month ends on positive note after mini taper tantrum

Global equities moved higher in June, with US equities outperforming non-US equities. During the month, we saw a continuation of the global economic rebound, along with supply chain constraints and inflationary pressures. Reopenings across the developed world have allowed the service sector to catch up with goods and forward looking activity indicators suggest that the recovery is still far from having run its course. Pressure on supply chains increased as the spread of Covid-19 disrupted transport and manufacturing, especially in countries where the vaccination roll-out is lagging behind. Inflation readings surprised on the upside. This prompted the Federal Reserve to send a more hawkish message, which initially spooked markets, although the month ended with positive equity returns and lower yields.

GDP readings indicate an ongoing strong global recovery and purchasing manager indices are still at multi-decade highs for most parts of the developed world. Supply chains remain constrained and some cyclical commodity markets are running hot as a consequence of pent-up demand, which could pose risks to the global recovery. Semiconductors are still the sector where shortages are felt most and this is spilling over into car manufacturing and tech devices.

Inflation has reached decade highs in some regions, which is also partly due to the base effect that is still being felt, more in some regions than in others. The Federal Reserve sent what markets perceived to be its most hawkish message since the Covid-19 crisis began. It announced the first scale-back of its Covid-related programs and suggested potential further tapering later in the year. Its dot plot brought forward the first expected rate increase to 2023. However, subsequent communications reassured markets again that there are no plans to pre-emptively raise interest rates at this point as inflation is still seen as transitory and downside risks to the recovery remain.

Geopolitical events this month included US sanctions on Russia, a brief UK-Russia naval encounter in the Black Sea and a major UK-EU dispute over the new regulatory border between Great Britain and Northern Ireland. Western media and politicians revisited the Chinese lab accident theory as possible origin of Covid-19 pandemic, which China once again dismissed.

The events of June did not escape the attention of financial markets. Volatility increased for both bonds and equities mid-month after the Federal Reserve meeting. Equities recovered subsequently after Chairman Powell toned down the perceived hawkishness and ended the month on a positive note, led by growth stocks. Bond yields fell after an initial spike and ended the month at lower levels with a flatter yield curve, which some investors saw as a sign of markets downplaying the prospects of a more aggressive Fed reaction function, especially as inflation expectations also receded.

Commodity markets had a mixed month. Energy performed well amid the prospect of the ongoing strong demand recovery, but other commodities such as copper and lumber saw their momentum reverse. Lumber supply is finally catching up with demand, and China released industrial metal stockpiles to the market in order to halt the spike in some commodity prices. Gold had a bad month after sentiment shifted back towards risk-on.

### At a Glance

Market Returns in % as of end of June 2021 in GBP

Major Asset Class Returns	1M	YTD	1Y
MSCI ACWI	4.3	11.1	24.6
S&P 500	5.3	14.0	25.9
FTSE All Share	0.2	11.1	21.5
MSCI World ex-UK	4.7	12.2	25.3
MSCI EM	3.1	6.3	26.0
Bloomberg Barclays Global Aggregate	2.0	-4.2	-8.2
ICE Bank of America Sterling Non-Gilt index	0.8	-2.5	1.8
Bloomberg Barclays High Yield	4.1	2.5	3.7
FTSE WGBI	1.8	-5.8	-9.9
FTA UK Over 15 year gilts	1.3	-9.7	-10.9
FTA UK 5+ year ILG's	-0.3	-3.4	-4.4
NAREIT Global REITs	3.8	14.9	20.6
Bloomberg Commodity TR	4.8	19.9	30.2

Source: Thomson Reuters Datastream

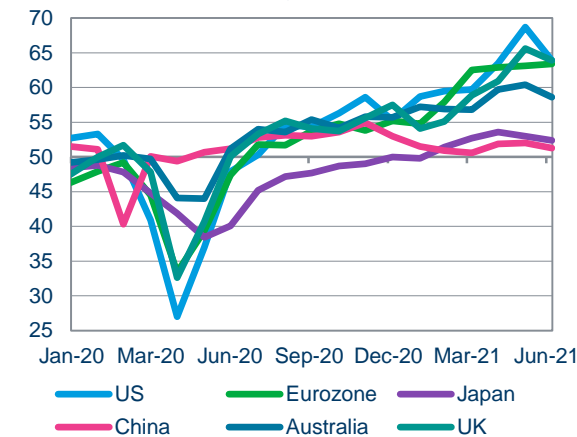


# Economy, policy and market drivers

## Economic rebound, supply bottlenecks and rising inflation

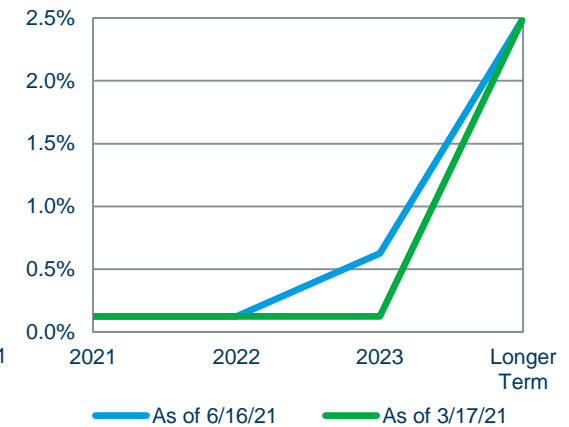
- The economic expansion in the developed world remained strong and broad based between goods and services. GDP figures indicate a recovery at different speeds, subject to the timings of lockdowns and reopenings in different regions. Forward-looking purchasing manager indices and other activity indicators for the US, UK and Eurozone suggest that the rebound is far from over. Regions behind the curve such as the Eurozone are starting to pick up strongly as the rebound in the US and China begins to stabilize.
  - Supply bottlenecks are still keeping a lid on production, especially for the car industry and tech devices due to the ongoing chip shortage. Covid restrictions have been sporadically resurfacing in different parts of the world such as China's Guangdong region, Malaysia and other parts of Asia. This has led to sudden supply disruptions.
  - The expected inflation rebound continued to be reflected in strong readings across large developed countries, due to the base effect and the aforementioned supply stresses. Central banks maintained their stance on inflation being transitory, which the market is still pricing in even if a significant number of pundits remain skeptical.
- Covid-19 has recently been less disruptive in developed countries with high vaccination rates such as the UK where soaring cases and 'variant' scares have not led to a commensurate increase in hospitalizations this time, as vulnerable groups have largely been vaccinated. Countries with lower vaccination rates such as Australia, New Zealand and parts of the emerging world have seen more disruptive restrictions re-emerging.
  - Geopolitical events were plentiful but had a limited market impact. The US announced new sanctions on Russia, the UK and Russia had a brief naval encounter in the Black Sea and UK-EU tensions over the new regulatory border across the Irish Sea flared up.
  - On policy, a bipartisan block of US senators agreed to \$1.2 trillion infrastructure package, while the latest Fed meeting was perceived to be less dovish than expected. Expected interest rate increases were moved forward and the Fed took the first step of scaling back accommodation by unwinding the corporate bond ETF lending facility. The Bank of Canada and Bank of New Zealand also gave less dovish messages. Monetary policy in the UK, Eurozone and China remained unchanged while the Bank of Japan actually expanded its financing support program.

Market Manufacturing PMIs



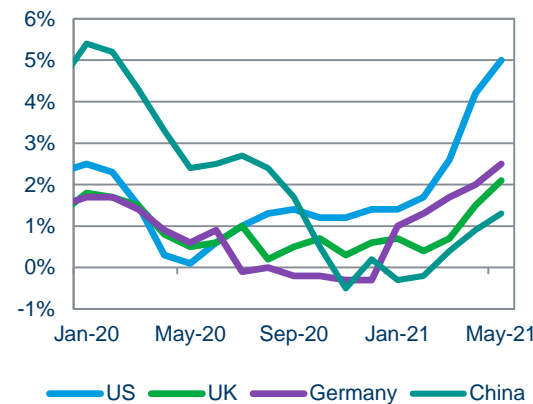
Source: Bloomberg; as of 30/06/21

Fed Dot Plot Median Levels



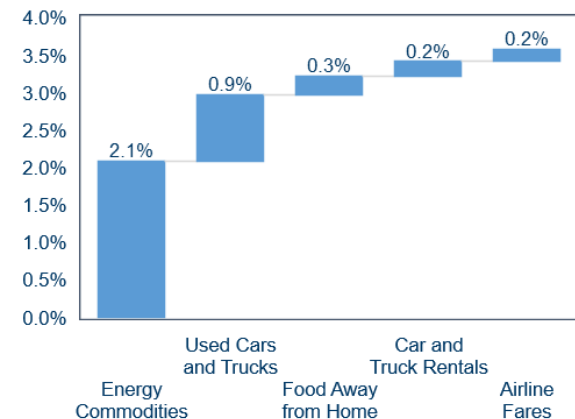
Source: Bloomberg; as of 30/06/21

Consumer Price Index (Year-over-Year)



Source: Bloomberg; as of 31/05/21

Inflation Factors



\* Factors that contributed to the YoY increase in CPI for May 2021  
Source: Bureau of Labor Statistics, Avalon Advisors; as of 31/05/21

Performance figures quoted in sterling unless indicated otherwise.

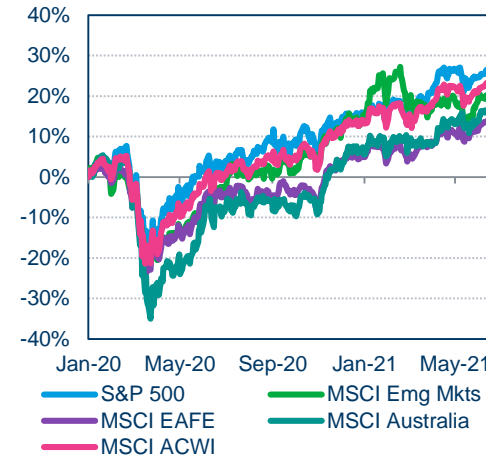
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# Equities

## Major indices reached fresh highs despite an uptick in volatility

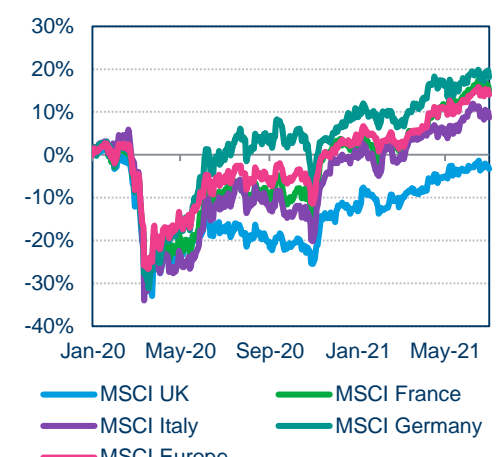
- The MSCI All Country World Index returned 4.3% for the month and 11.1% year-to-date as the index reached a new high. The index dipped mid-month, following the Federal Reserve meeting, but recovered subsequently after investors re-evaluated the message and Chairman Powell played down the perceived hawkishness at a subsequent congressional hearing.
- Growth outperformed value and industrials, materials and financials lagged behind the broad market on a sector level. Markets digested renewed global supply disruptions, the perceived hawkishness of the Fed and inflation readings that managed to surprise on the upside even if the market was primed for higher inflation figures.
- Overall equity valuations continued to get more stretched after the month ended with positive total returns for global equities. Investors can at least take solace in strong earnings fundamentals. Factset data shows that the number of companies issuing positive earnings per share guidance is almost double the five year average as the earnings recovery from last year's low levels continues<sup>1</sup>. However, the question remains to what extent this is now priced in.
- The more tech heavy US market outperformed other developed markets in another growth rally. Southern Europe performed particularly bad as another tourism season is being disrupted.
- Emerging markets returned 3.1% in June, underperforming the global index. The rally in Brazilian and Russian stocks, which were among the world's top performers, could not overcome weaker relative returns from China and India. Some emerging markets benefit from the commodity boom (Brazil, Russia), but this was a headwind for net importers (India) where a sluggish consumer recovery and sporadic Covid restrictions add to the malaise. In addition, China's deleveraging drive and regulatory drive on fintech has taken some wind out of the sails.
- There was also heavy trading activity in meme stocks and options again. The Security Exchange Commission announced potential new regulations in the light of the rise in retail trading.

Global Equity Performance (GBP)



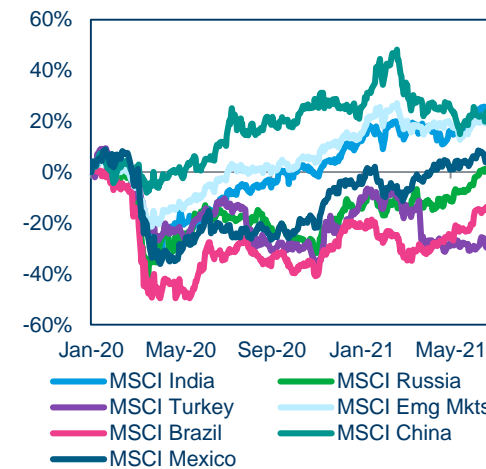
Source: Databank, Data as at 30/06/2021

European Equity Performance (GBP)

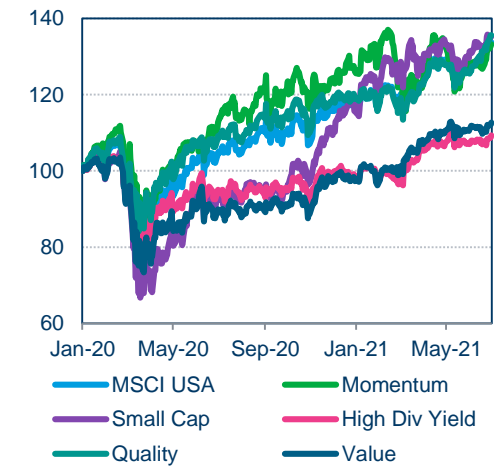


Source: Databank, Data as at 30/06/2021

Emerging Market Equity Performance (GBP) Factor Returns vs. MSCI USA (GBP)



Source: Databank, Data as at 30/06/2021



Source: Databank, Data as at 30/06/2021

<sup>1</sup><https://insight.factset.com/record-high-number-of-sp-500-companies-issuing-positive-eps-and-sales-guidance-for-q2?>

Performance figures quoted in sterling unless indicated otherwise.

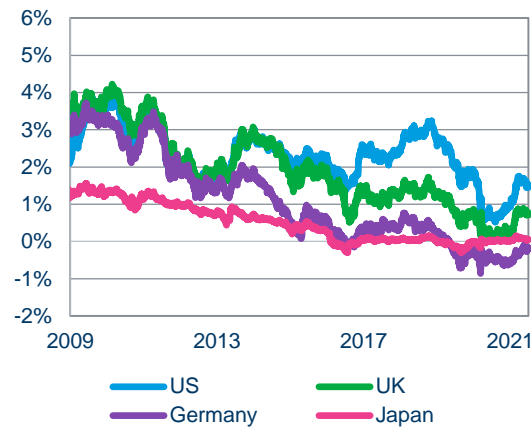
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# Fixed income

## Yield reaction to Fed meeting confounds investors

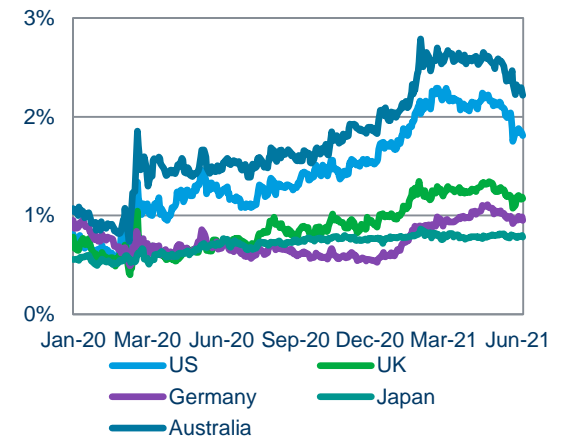
- 10-year global yields ended the month flat or slightly lower. Yields spiked following the Federal Reserve meeting mid-month, but this was quickly reversed. The US 10-year and 30-year bond yield finished the month 13 and 20 basis points lower, respectively, leaving a flatter the yield curve. Many observers were confounded by what was seen as the market moving away from pricing in a more hawkish Fed reaction function. Others, however, interpreted the curve flattening as a sign of monetary tightening leading to a lower growth and interest rate outlook in the long term.
- UK 10 year sovereign bond yields were marginally down over the month by c.8bps. The UK 10-year breakeven inflation rate fell from 3.56% to 3.47%<sup>1</sup> but is still up 47 bps year-to-date.
- Investment grade spreads fell marginally. Satisfactory results from the latest Fed stress tests led to lower spreads for bonds issued by banks.
- In the US, high yield spreads tightened more than investment grade over the month as the asset class benefited from the return of risk-on sentiment during the second half of June.
- Local currency emerging market debt declined 1.6% in June. Yields for Chinese bonds at the lower end of the rating spectrum returned to the highest levels seen since last year's Covid-related market turbulences as investors remain concerned about rising defaults among the weakest Chinese corporates as China pushes ahead with its deleveraging drive.

10-Year Government Bond Yields



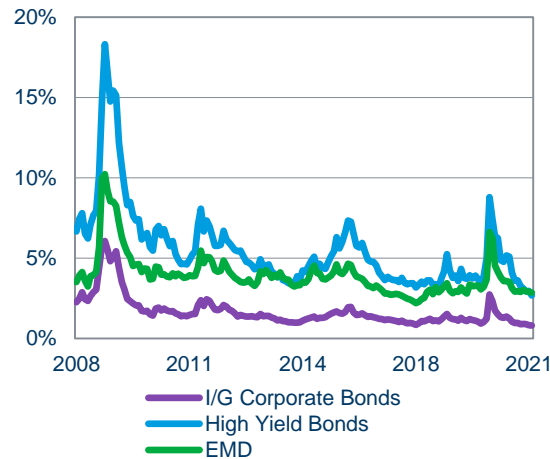
Source: Bloomberg; as of 30/06/21

30 – 2 Year Treasury Yield Spread



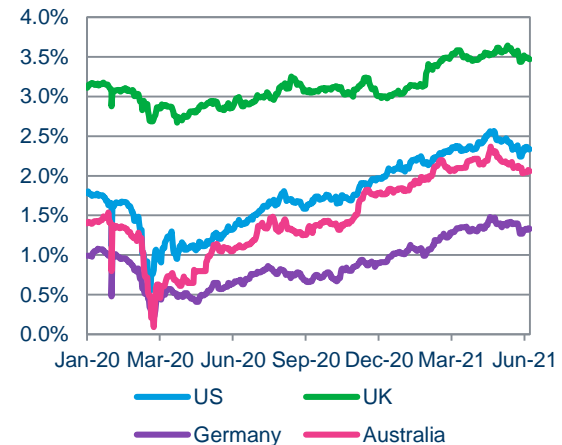
Source: Bloomberg; as of 30/06/21

Credit Spreads



Source: Bloomberg; as of 30/06/21

10-Year Inflation Breakeven Rates



Source: Bloomberg; as of 30/06/2021

<sup>1</sup> Source: Bloomberg

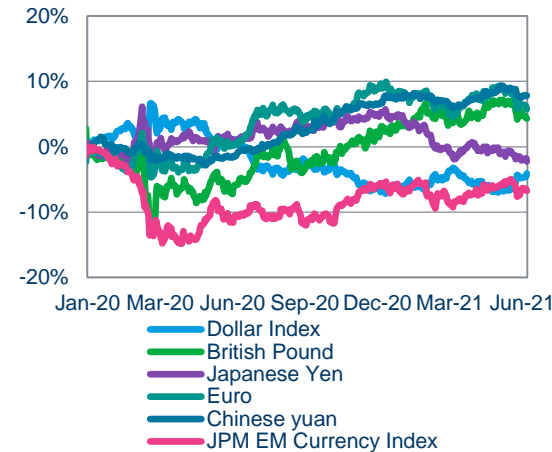
Performance figures quoted in sterling unless indicated otherwise.

# Currencies, commodities and alternatives

## Strong dollar and mixed commodity performance

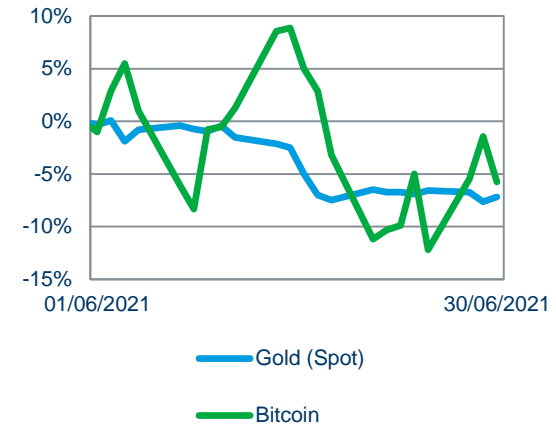
- The US dollar appreciated against major currencies in June. This was largely driven by the perceived hawkish message at June's Fed meeting. Even if bond markets did not seem to price in a more aggressive Fed reaction function, currency markets indicated that of all major developed central banks, the Fed is furthest ahead of the curve when it comes to future normalisation, which would benefit the US dollar. Sterling depreciated versus the US dollar and appreciated versus the euro over the month.
- Cyclical commodity prices kept rising as the ongoing recovery and reopenings of economies drive high expectations of energy demand. Oil reached a two-year high of \$75/bb and coal hit a decade high due to a shortfall in natural gas. In other commodity markets, recent rallies seem to have run their course as attested by the correction in lumber prices. Copper prices stabilised after China released industrial metals from state stockpiles in order to stabilise commodity markets.
- Gold fell by over 4% during the month. A combination of a stronger US dollar, perceived Fed hawkishness and a risk-on environment created an adverse environment for the precious metal.
- The NAREIT Global REITs index returned 3.8% over the month. After a strong run in the first half of the year which saw the price of a median family home increase by almost 25% from the previous year, US housing market data has shown signs of a gradual stabilization.
- In the alternative space, Bitcoin and other crypto currencies had another volatile month due to fears of increased government intervention, but some momentum returned later in the month after Micro Strategy completed a large high yield issuance to purchase Bitcoin for its own balance sheet.
- Hedge funds, measured by the HFRX equal weighted strategies index, returned 0.1% during June. Strong performance for equity hedge funds offset weaker performance by macro strategies.

Currency Returns



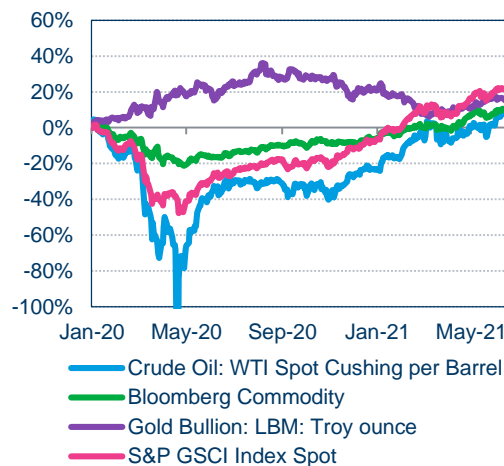
Source: Bloomberg; as of 30/06/21

Gold vs. Bitcoin (USD)



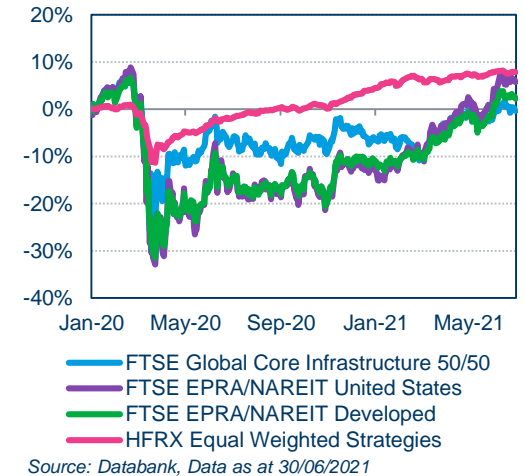
Source: Bloomberg; as of 30/06/2021

Commodities (GBP)



Source: Databank, Data as at 30/06/2021

REITs, Hedge Funds, Infrastructure (GBP)



Source: Databank, Data as at 30/06/2021

<sup>1</sup> Source: Bloomberg

Performance figures quoted in sterling unless indicated otherwise.

# Valuations and yields

## Ending 30 June 2021

### Valuations

FTSE ALL-Share	30/06/2021	31/03/2021	31/12/2020	30/09/2020
Index Level	7852.4	7435.6	7068.6	6276.3
P/E Ratio (Trailing)	88.8	111.6	-	171.8
CAPE Ratio	19.0	17.8	15.6	14.8
Dividend Yield	3.1	3.1	3.0	3.8
P/B	1.8	1.7	1.6	1.4
P/CF	5.6	5.3	5.1	4.4
MSCI World ex-UK	30/06/2021	31/03/2021	31/12/2020	30/09/2020
Index Level	8969.2	8318.5	7932.7	6968.6
P/E Ratio (Trailing)	29.5	33.3	32.1	27.8
CAPE Ratio	31.1	29.1	27.4	24.6
Dividend Yield	1.6	1.7	1.8	2.0
P/B	3.3	3.1	3.1	2.7
P/CF	13.3	12.7	12.6	11.1
MSCI EM	30/06/2021	31/03/2021	31/12/2020	30/09/2020
Index Level	670.6	638.4	624.1	521.4
P/E Ratio (Trailing)	18.7	21.5	21.7	18.6
CAPE Ratio	17.2	16.4	15.9	13.4
Dividend Yield	1.9	1.9	2	2.4
P/B	2.1	2.1	2	1.8
P/CF	9.1	11.9	12.5	10.4

Source: Bloomberg, Thomson Reuters Datastream

### Yields

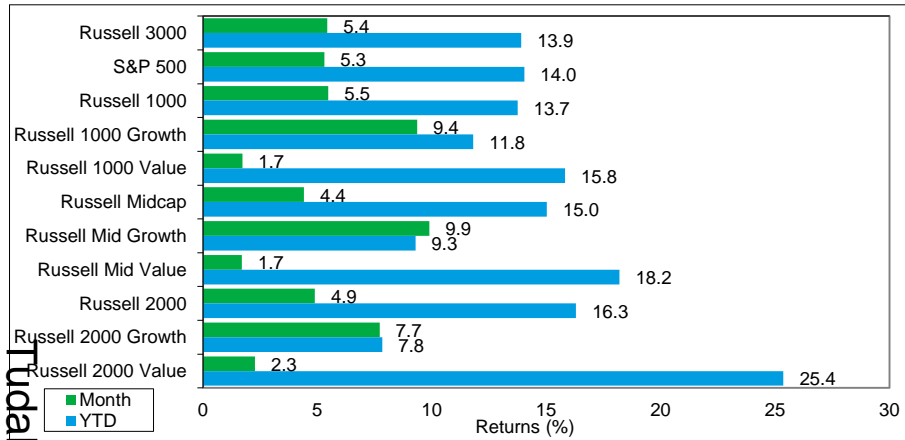
Global Bonds	30/06/2021	31/03/2021	31/12/2020	30/09/2020
Germany – 10Y	-0.21	-0.29	-0.57	-0.52
France - 10Y	0.13	-0.05	-0.34	-0.24
US - 10Y	1.47	1.74	0.91	0.68
Switzerland – 10Y	-0.22	-0.28	-0.55	-0.49
Italy – 10Y	0.82	0.67	0.54	0.87
Spain 10Y	0.41	0.34	0.05	0.25
Japan – 10Y	0.06	0.10	0.02	0.02
Euro Corporate	0.33	0.36	0.24	0.55
Euro High Yield	2.97	3.22	3.40	4.80
EMD (\$)	4.89	5.26	4.53	5.14
EMD (LCL)	5.04	5.09	4.26	4.48
US Corporate	2.04	2.28	1.74	2.01
US Corporate High Yield	3.75	4.23	4.18	5.77
UK Bonds	30/06/2021	31/03/2021	31/12/2020	30/09/2020
SONIA	0.05	0.05	0.04	0.05
10 year gilt yield	0.72	0.85	0.20	0.23
30 year gilt yield	1.21	1.37	0.72	0.76
10 year index linked gilt yield	-2.63	-2.59	-2.91	-2.94
30 year index linked gilt yield	-2.05	-1.92	-2.32	-2.19
AA corporate bond yield	1.16	1.27	0.80	1.03
A corporate bond yield	1.40	1.51	0.97	1.25
BBB corporate bond yield	1.81	1.96	1.53	2.02

Source: Bloomberg, Thomson Reuters Datastream

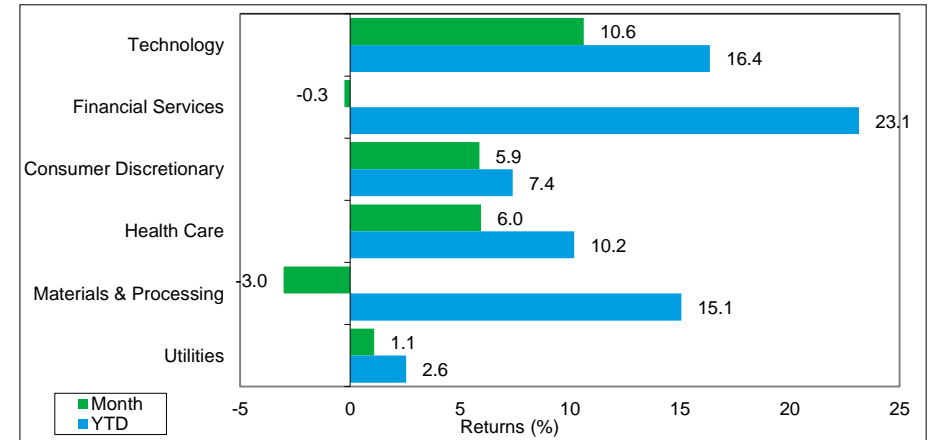
# Performance Summary (GBP)

## Style and sector equity performance ending 30 June 2021

### Style and Capitalization Market Performance



### Russell 1000 Sector Performance



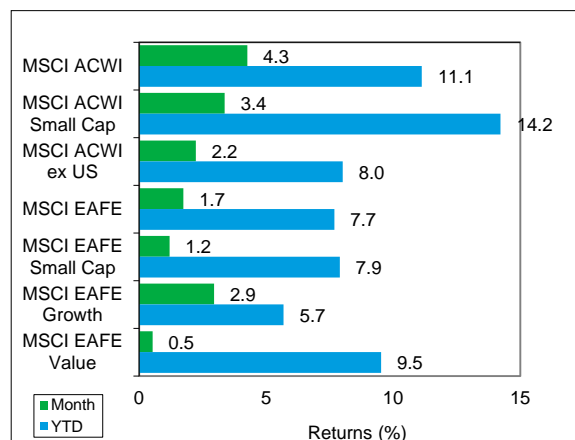
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
S&P 500	5.3	8.4	14.0	25.9	18.1	16.9	16.9	17.6	16.6	8.7	14.7	26.4	1.6	11.3	33.5
Russell 3000	5.4	8.1	13.9	28.9	18.9	17.0	17.1	17.5	16.4	9.0	17.2	26.0	0.6	10.6	34.5
Russell 3000 Growth	9.2	11.2	11.5	27.9	26.7	22.6	22.5	21.8	19.3	9.8	34.0	30.6	4.0	18.4	28.1
Russell 3000 Value	1.8	5.0	16.4	30.0	10.2	10.5	11.3	12.8	13.2	7.9	-0.3	21.4	-2.9	3.4	41.2
Russell 1000	5.5	8.4	13.7	28.0	19.0	17.4	17.2	17.7	16.6	9.0	17.2	26.4	1.1	11.2	33.7
Russell 1000 Growth	9.4	11.8	11.8	27.5	27.2	23.3	22.8	22.2	19.7	9.9	34.2	31.1	4.6	18.9	27.7
Russell 1000 Value	1.7	5.1	15.8	28.5	9.9	10.7	11.1	12.8	13.3	7.8	-0.4	21.7	-2.6	3.8	40.0
Russell Midcap	4.4	7.4	15.0	34.0	16.2	14.7	14.9	15.5	15.0	10.5	13.5	25.5	-3.4	8.3	35.7
Russell Mid Growth	9.9	10.9	9.3	28.6	21.7	20.6	19.7	19.0	16.9	10.3	31.4	30.2	1.2	14.4	28.0
Russell Mid Value	1.7	5.5	18.2	36.9	11.5	10.2	11.1	12.7	13.4	10.2	1.7	22.2	-6.8	3.5	43.1
Russell 2500	4.1	5.3	15.7	41.1	17.7	13.5	15.6	15.2	14.6	10.2	16.3	22.8	-4.4	6.7	40.3
Russell 2500 Growth	8.4	5.9	7.5	33.8	22.7	18.3	19.9	18.4	16.6	10.2	36.1	27.5	-1.7	13.7	30.9
Russell 2500 Value	1.5	4.9	21.4	46.0	12.7	8.9	11.6	12.2	12.6	9.7	1.6	18.8	-6.9	0.8	49.3
Russell 2000	4.9	4.2	16.3	44.9	18.1	11.8	15.7	14.8	14.0	9.4	16.3	20.7	-5.5	4.7	44.7
Russell 2000 Growth	7.7	3.8	7.8	35.4	20.1	14.2	18.0	16.6	15.2	9.1	30.5	23.5	-3.7	11.6	32.8
Russell 2000 Value	2.3	4.4	25.4	55.0	14.8	8.6	12.9	12.6	12.5	9.3	1.4	17.7	-7.4	-1.5	57.1
Russell 1000 Technology	10.6	13.8	16.4	33.2	37.2	29.6	31.0	27.8	23.4	11.2	42.2	41.5	4.9	26.4	36.1
Russell 1000 Financial Services	-0.3	7.4	23.1	42.7	16.7	16.2	18.0	17.9	16.7	6.4	3.9	28.6	-2.4	11.0	39.0
Russell 1000 Consumer Discretionary	5.9	5.2	7.4	31.9	22.9	20.5	20.4	20.9	20.0	10.7	38.5	24.2	6.1	13.4	26.8
Russell 1000 Health Care	6.0	8.6	10.2	15.0	15.3	16.2	14.2	17.0	18.0	9.7	13.4	16.8	13.2	11.5	15.8
Russell 1000 Energy	8.5	11.5	42.0	37.2	-5.1	-7.3	-1.2	-2.1	1.2	4.8	-33.0	6.5	-13.5	-9.7	50.2
Russell 1000 Producer Durables	2.7	6.1	13.5	33.5	12.4	13.3	14.4	15.5	14.9	8.4	8.4	25.7	-6.9	12.1	42.4
Russell 1000 Materials & Processing	-3.0	4.9	15.1	33.4	15.8	12.8	13.6	13.4	12.2	9.0	13.9	21.6	-11.1	13.1	43.1
Russell 1000 Consumer Staples	1.8	2.7	5.6	10.1	8.0	10.5	5.4	11.8	12.4	9.9	3.8	19.3	-4.1	0.3	25.9
Russell 1000 Utilities	1.1	0.4	2.6	5.0	2.8	8.6	5.4	11.2	11.0	6.0	-3.2	21.3	6.1	-3.0	43.6

Data Source: Thomson Reuters Datastream

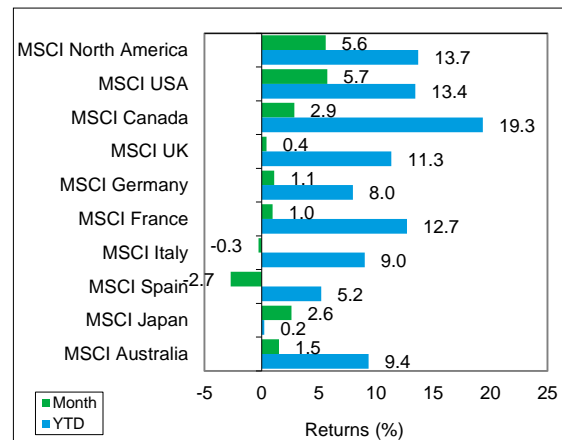
# Performance Summary (GBP)

## Global equity ending 30 June 2021

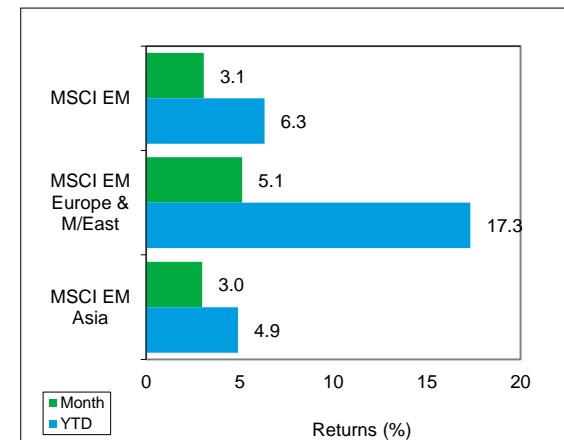
### International Equity Performance



### Developed Country Performance



### Emerging Market Performance



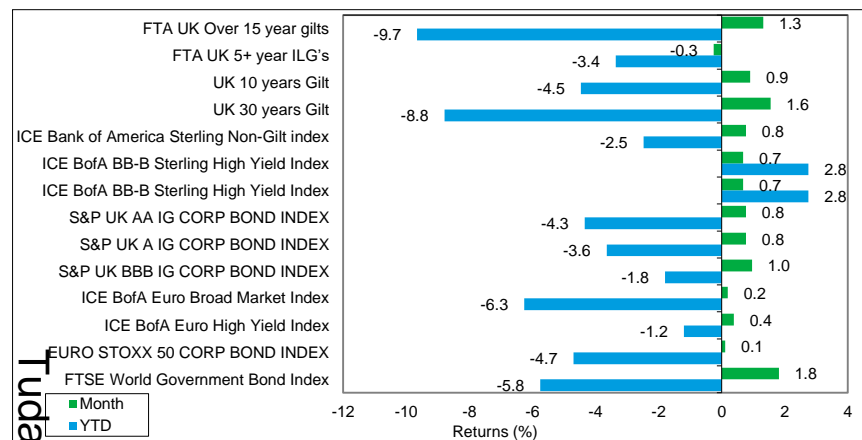
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
MSCI ACWI	4.3	7.3	11.1	24.6	14.5	12.8	13.9	13.1	11.6	7.4	12.7	21.7	-3.8	13.2	28.7
MSCI ACWI IMI	4.2	7.2	11.7	26.6	15.2	13.1	14.4	13.7	12.1	8.3	13.2	22.1	-4.0	13.8	30.0
MSCI ACWI Small Cap	3.4	5.5	14.2	37.8	15.8	10.5	13.4	12.8	11.6	10.1	12.7	19.8	-9.1	13.1	33.1
MSCI ACWI ex US	2.2	5.3	8.0	21.4	9.1	7.7	10.4	8.6	7.0	6.6	7.2	16.8	-8.9	16.2	24.6
MSCI EAFE	1.7	5.0	7.7	18.4	7.6	6.6	9.6	8.2	7.5	5.9	4.5	17.3	-8.4	14.2	20.5
MSCI EAFE Growth	2.9	7.3	5.7	17.1	12.1	10.8	11.7	11.1	9.4	6.6	14.6	23.0	-7.4	17.7	15.6
MSCI EAFE Value	0.5	2.9	9.5	19.4	2.6	2.2	7.1	5.1	5.4	5.0	-5.6	11.6	-9.5	10.9	25.3
North America	3.1	4.9	6.3	26.0	12.0	9.6	12.3	9.6	5.9	10.2	14.7	13.8	-9.3	25.4	32.6
Europe	5.6	8.7	13.7	27.1	18.3	16.6	16.4	16.6	15.3	8.1	16.2	25.7	0.1	10.4	33.1
EM Europe & M/East	1.5	7.3	10.6	20.8	7.7	7.0	9.6	7.5	7.2	6.0	2.1	19.0	-9.6	14.6	18.8
EM Asia	5.1	11.1	17.3	22.5	2.5	7.3	8.7	3.8	0.0	6.5	-10.4	14.6	-2.2	5.8	45.8
Latin America	3.0	3.6	4.9	26.1	16.7	11.4	14.5	12.5	8.7	11.1	24.4	14.6	-10.2	30.5	26.6
USA	5.7	14.9	7.7	29.6	-5.0	3.5	5.2	2.2	-1.0	8.4	-16.5	12.9	-0.8	13.0	56.3
Canada	5.7	8.7	13.4	26.9	18.7	17.0	16.7	17.2	16.1	8.2	17.0	25.8	0.9	10.7	32.3
Australia	2.9	9.9	19.3	30.4	11.0	9.7	10.3	7.5	5.5	8.1	2.1	22.6	-12.1	6.0	48.6
UK	1.5	6.7	9.4	24.9	6.7	8.0	10.4	8.0	6.7	9.7	5.4	18.2	-6.5	9.6	32.9
Germany	0.4	5.8	11.3	17.4	-0.2	0.4	5.0	4.0	5.3	4.7	-13.2	16.4	-8.8	11.7	19.2
France	1.1	4.6	8.0	17.9	8.8	5.7	9.6	7.1	6.6	6.1	8.1	16.1	-17.3	16.6	22.6
Italy	1.0	8.9	12.7	26.0	7.9	7.5	12.1	9.3	7.3	5.8	0.9	20.9	-7.3	17.6	25.1
Spain	-0.3	3.5	9.0	22.2	5.6	4.8	10.6	4.4	3.2	2.4	-1.3	22.4	-12.6	17.3	6.8
Japan	-2.7	5.2	5.2	16.9	-2.5	-1.1	5.5	0.8	1.4	4.9	-7.7	7.7	-11.0	16.0	18.1
Brazil	2.6	-0.4	0.2	11.7	8.9	5.6	9.5	10.3	8.8	4.3	10.9	15.0	-7.5	13.3	22.1
China	8.4	22.8	9.5	31.1	-5.2	9.2	9.0	4.0	-1.0	9.8	-21.5	21.4	5.7	13.4	98.3
India	3.0	2.1	0.8	13.9	15.2	8.7	15.8	14.3	9.3	10.9	25.5	18.7	-13.8	40.7	20.4
Russia	2.2	6.8	11.2	39.8	9.3	10.2	11.1	11.1	7.1	12.7	12.0	3.4	-1.5	26.7	17.6
Russia	7.2	13.9	18.4	24.0	5.4	13.5	15.6	9.4	3.4	10.1	-15.2	45.1	5.8	-3.9	84.7

Data Source: Thomson Reuters Datastream

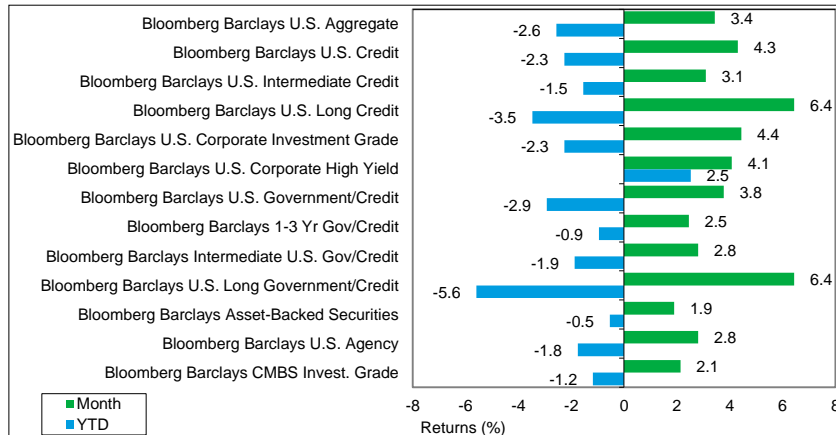
# Performance Summary (GBP)

## Fixed Income ending 30 June 2021

### Bond Performance by Duration



### Sector, Credit, and Global Bond Performance



Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
FTA UK Over 15 year Gilts	1.3	3.2	-9.7	-10.9	3.3	4.6	3.2	7.8	8.0	6.8	13.9	12.0	0.3	3.3	18.5
FTA UK 5+ year ILG's	-0.3	3.9	-3.4	-4.4	3.4	5.3	5.0	8.1	8.0	7.5	12.4	6.8	-0.4	2.5	27.4
UK 10 years Gilt	0.9	1.4	-4.5	-4.7	1.3	3.1	2.0	4.6	4.8	5.6	6.6	5.2	2.0	2.7	9.3
UK 30 years Gilt	1.6	3.5	-8.8	-10.2	3.7	4.7	3.1	7.9	8.1	6.9	13.8	11.7	0.4	3.1	17.7
ICE Bank of America Sterling Non-Gilt index	0.8	1.7	-2.5	1.8	4.1	4.7	4.1	5.1	5.8	5.8	8.0	9.5	-1.6	4.3	10.6
ICE BofA BB-B Sterling High Yield Index	0.7	1.5	2.8	11.9	6.9	6.9	7.4	6.5	8.6	9.8	6.1	13.8	-1.4	8.2	10.5
S&P UK AA IG CORP BOND INDEX	0.8	1.7	-4.3	-1.5	2.6	3.6	3.1	4.7	5.2	5.5	7.7	7.3	-0.3	3.2	12.7
S&P UK A IG CORP BOND INDEX	0.8	1.7	-3.6	0.2	3.8	5.0	4.0	5.4	5.9	5.9	8.4	10.4	-1.5	3.6	12.6
S&P UK BBB IG CORP BOND INDEX	1.0	2.0	-1.8	4.3	5.3	5.7	5.0	5.5	6.5	6.6	8.7	11.6	-2.6	5.5	11.3
ICE BofA Euro Broad Market Index	0.2	0.4	-6.3	-5.1	-1.0	1.6	2.1	3.6	3.4	6.2	9.9	0.1	1.6	4.7	19.7
ICE BofA Euro High Yield Index	0.4	2.2	-1.2	5.3	2.4	3.9	5.7	5.2	5.7	9.1	8.6	5.1	-2.5	11.0	26.3
EURO STOXX 50 CORP BOND INDEX	0.1	1.0	-4.7	-3.1	-0.8	1.2	2.0	3.0	2.9	--	8.5	-0.9	0.1	5.5	19.5
FTSE World Government Bond Index	1.8	0.9	-5.8	-9.9	-1.5	2.0	1.0	4.5	3.0	1.5	6.7	1.8	5.3	-1.8	21.2
Bloomberg Barclays U.S. Aggregate	3.4	1.7	-2.6	-10.3	0.1	3.8	2.3	6.2	4.8	4.5	4.3	4.6	5.8	-4.9	20.9
Bloomberg Barclays U.S. Credit	4.3	3.2	-2.3	-7.5	1.8	5.8	3.9	7.5	6.3	5.6	6.0	9.4	3.7	-2.7	24.8
Bloomberg Barclays U.S. Intermediate Credit	3.1	1.4	-1.5	-8.1	0.5	4.2	2.9	6.5	5.2	4.9	3.8	5.4	5.9	-4.9	22.5
Bloomberg Barclays U.S. Long Credit	6.4	6.3	-3.5	-6.4	4.4	9.0	5.9	9.7	9.0	7.5	9.8	18.6	-1.1	2.7	30.5
Bloomberg Barclays U.S. Corporate Investment Grade	4.4	3.4	-2.3	-7.2	2.2	6.2	4.2	7.7	6.6	5.7	6.5	10.2	3.3	-2.5	25.4
Bloomberg Barclays U.S. Corporate High Yield	4.1	2.6	2.5	3.7	3.3	5.8	6.7	8.3	7.9	7.6	3.9	10.0	3.6	-1.3	37.3
Bloomberg Barclays U.S. Government/Credit	3.8	2.3	-2.9	-10.4	0.6	4.4	2.6	6.5	5.1	4.7	5.6	5.6	5.4	-4.6	21.6
Bloomberg Barclays 1-3 Yr Gov/Credit	2.5	-0.1	-0.9	-9.2	-1.5	1.5	1.2	4.4	2.8	2.7	0.4	0.3	7.2	-7.1	18.5
Bloomberg Barclays Intermediate U.S. Gov/Credit	2.8	0.8	-1.9	-9.8	-0.4	3.1	2.0	5.6	4.1	4.0	3.2	2.8	6.7	-6.2	20.3
Bloomberg Barclays U.S. Long Government/Credit	6.4	6.3	-5.6	-12.0	3.8	8.2	4.7	9.4	8.7	7.2	12.5	15.0	1.1	1.4	26.3
Bloomberg Barclays CMBS Invest. Grade	2.1	1.6	-1.2	-5.5	1.3	4.4	2.7	5.1	4.4	4.6	5.2	4.9	4.7	-2.7	14.9
Bloomberg Barclays U.S. Mortgage Backed Securities	2.7	0.2	-1.7	-10.4	-1.3	2.3	1.6	5.4	4.0	4.2	0.8	2.4	6.9	-5.9	19.8
Bloomberg Barclays Municipal Bond	2.9	1.3	0.1	-5.9	0.4	3.5	2.6	6.5	5.5	4.5	2.2	3.6	6.8	-2.8	17.1

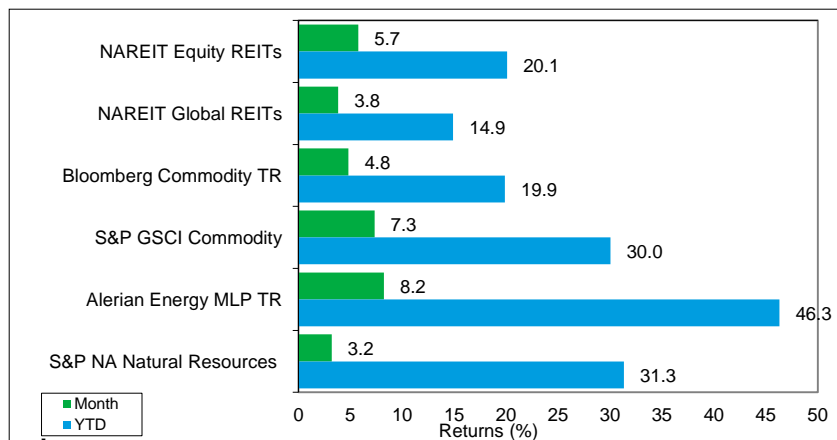
Data Source: Thomson Reuters Datastream



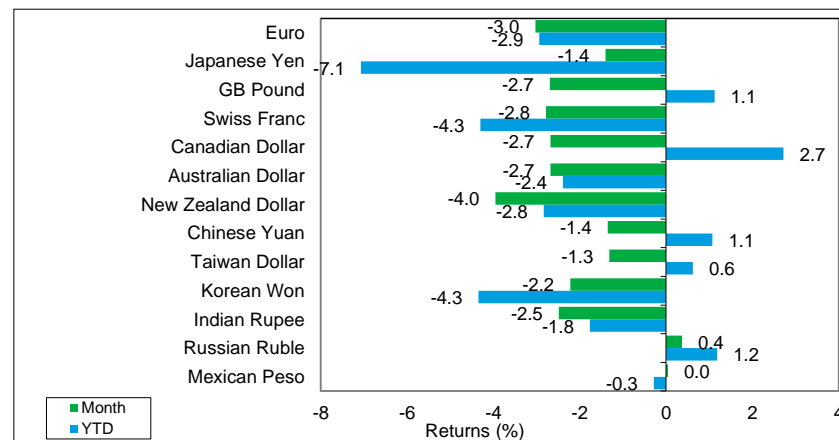
# Performance summary (GBP)

## Alternatives ending 30 June 2021

### Real Asset Performance



### Performance of Foreign Currencies versus the US Dollar



Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
NAREIT Equity REITs	5.7	11.9	20.1	18.8	7.0	10.3	7.4	13.0	12.0	10.6	-8.1	23.7	1.9	-0.7	29.6
NAREIT Global REITs	3.8	9.3	14.9	20.6	2.5	5.8	5.3	9.4	8.9	8.9	-11.0	18.3	1.2	1.8	25.2
Bloomberg Commodity TR	4.8	13.2	19.9	30.2	5.3	2.3	1.7	-1.2	-3.0	1.0	-6.1	3.5	-5.7	-7.1	33.3
S&P GSCI Commodity	7.3	15.6	30.0	40.8	-2.1	-4.2	1.1	-6.4	-5.1	-1.4	-26.1	13.1	-8.5	-3.4	32.8
Alerian Energy MLP TR	8.2	21.1	46.3	46.7	-5.9	-1.8	-1.7	-2.8	2.6	8.4	-30.9	2.4	-7.0	-14.6	41.1
Oil	14.0	24.0	49.8	67.3	7.6	-1.8	8.0	-2.1	-1.1	5.4	-23.0	29.3	-20.2	2.7	73.0
Gold	-4.3	3.1	-7.5	-12.0	7.4	10.5	5.4	7.5	3.2	9.9	20.6	14.3	3.9	3.8	29.6
S&P NA Natural Resources	3.2	11.0	31.3	30.5	0.8	-3.2	1.4	-0.6	0.9	5.3	-21.5	13.1	-16.2	-7.5	56.1
Euro	-3.0	1.1	-2.9	5.6	2.1	0.5	1.3	-2.0	-2.0	1.7	8.9	-2.3	-4.4	14.1	-3.2
Japanese Yen	-1.4	-0.4	-7.1	-2.9	-1.5	-0.1	-1.4	-1.3	-3.2	0.6	5.2	0.9	2.8	3.7	2.9
GB Pound	-2.7	0.3	1.1	11.5	4.4	1.5	0.8	-3.0	-1.5	-0.1	3.1	3.9	-5.6	9.5	-16.3
Swiss Franc	-2.8	2.0	-4.3	2.4	2.7	2.3	1.1	-0.6	-1.0	3.4	9.3	1.4	-0.7	4.5	-1.6
Canadian Dollar	-2.7	1.3	2.7	9.5	2.8	1.9	0.8	-2.1	-2.5	1.0	2.0	5.0	-7.8	6.8	3.0
Australian Dollar	-2.7	-1.1	-2.4	9.5	3.5	0.6	0.2	-3.2	-3.5	2.0	9.9	-0.7	-9.5	7.8	-1.0
New Zealand Dollar	-4.0	0.0	-2.8	8.2	1.9	1.1	-0.4	-3.2	-1.7	2.7	6.6	0.3	-5.2	2.0	1.7
Chinese Yuan	-1.4	1.5	1.1	9.4	3.1	0.8	0.6	-0.6	0.0	1.2	6.7	-1.2	-5.4	6.7	-6.5
Taiwan Dollar	-1.3	1.9	0.6	5.4	5.3	3.0	2.9	1.0	0.3	1.1	6.5	2.2	-3.0	9.4	1.1
Korean Won	-2.2	-1.1	-4.3	6.0	1.2	-0.7	0.2	-1.7	-0.7	0.7	5.7	-3.3	-4.3	13.3	-2.4
Indian Rupee	-2.5	-1.6	-1.8	1.6	-3.7	-2.7	-1.9	-3.0	-5.0	-2.3	-2.3	-2.5	-8.2	6.4	-2.6
Russian Ruble	0.4	3.4	1.2	-2.7	-7.0	-5.0	-2.7	-10.4	-9.2	-4.5	-16.3	12.6	-17.3	6.4	19.0
Brazilian Real	5.0	13.4	4.5	10.0	-12.0	-7.9	-8.4	-10.9	-10.9	-3.8	-22.6	-3.4	-14.7	-1.7	21.7
Mexican Peso	0.0	2.5	-0.3	15.3	-1.8	0.0	-1.7	-6.0	-5.2	-3.9	-4.8	3.8	0.0	5.5	-17.1
BofA ML All Convertibles	6.0	3.8	5.8	30.4	24.5	20.1	18.1	16.5	14.6	9.3	41.7	18.4	6.4	3.9	32.1
60%S&P 500/40% Barc Agg	4.6	5.7	7.4	11.4	10.9	11.6	11.1	13.0	11.8	7.0	10.6	17.7	3.3	4.8	28.5

Data Source: Thomson Reuters Datastream

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Mae'r dudalen hon yn wag yn bwrpasol

# Clwyd Pension Fund Monitoring Report Quarter to 30 June 2021

Tudalen 381

Nick Buckland

August 2021



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- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

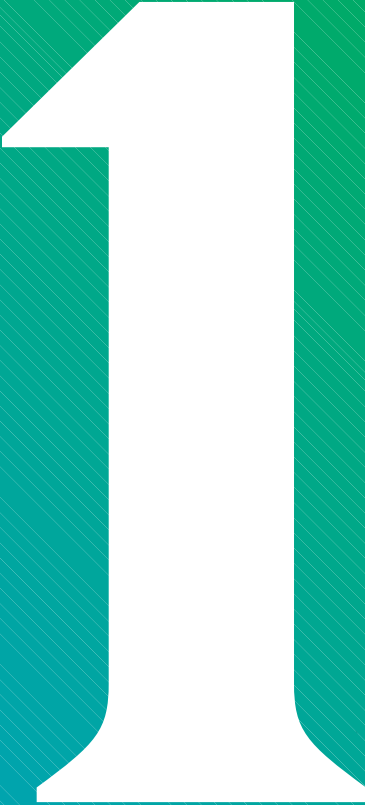
**Nick Buckland**

## Contents

	Overview	1
	Strategy Monitoring	4
	Investment Manager Summary	7
	Appendix	11

# Overview







Tudalen 384





## Executive Dashboard

Tudalen 385

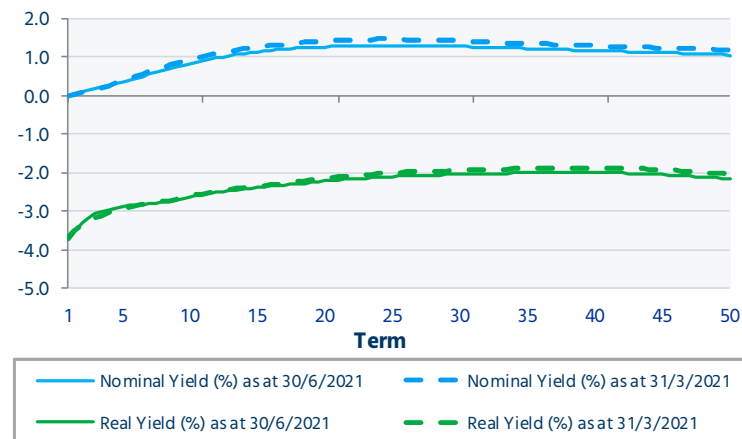
<b>Page 5</b>	<b>Asset Allocation</b>		<b>Page 9</b>	<b>Investment Performance</b>	
Assets are broadly in line with their strategic target weights. Cash and Risk Management Framework remains slightly above weight (24.9%) but within range. Total Private Markets continues to be marginally underweight (23.4%) largely due to the underweight allocation to Infrastructure, Local/Impact and Private Credit; all of which are within guideline ranges.		<b>Signal</b> Previous Qtr  Current Qtr 	The Fund returned 6.4% over the quarter against a target of 4.4%. Over the 1 year and 3 year period to 30 June 2021, the Fund returned 19.0% and 8.1% against a target of 16.6% and 8.3%, respectively.		<b>Signal</b> Previous Qtr  Current Qtr 
<b>Asset Allocation</b> Within acceptable ranges. Plans are in place to bring Private Markets closer to target weights			<b>Performance vs Benchmark</b> One year and three year performance is ahead of the strategic target and the actuarial past service and future service liabilities targets.		
<b>Page 10</b>	<b>Manager Research</b>		<b>Additional Comments</b>		
No significant news to report over the quarter.		<b>Signal</b> Previous Qtr  Current Qtr 	The Fund continues to work with the Wales Pension Partnership (WPP) with a view to transitioning Emerging Markets equity assets during 2021/22.		

## Market Conditions

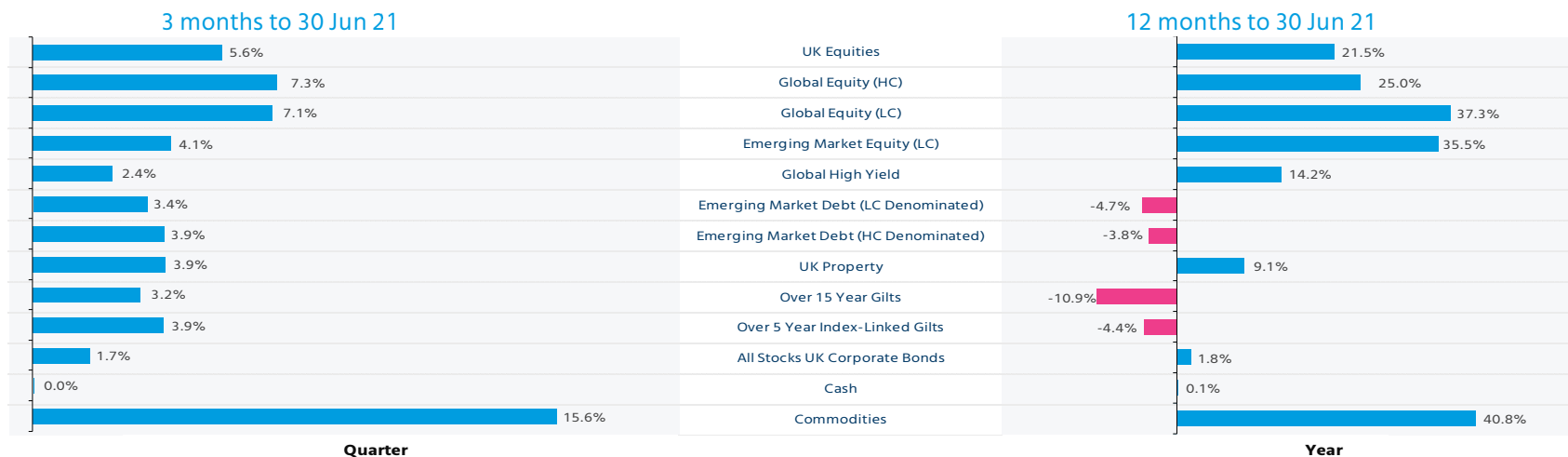
Change in Yields	Yields at (%)		Change in Yields (%)		
	30 Jun 21	31 Mar 21	3 Months	12 Months	3 Years
Over 5 Year Index-Linked Gilts	-2.16	-2.06	-0.10	0.02	-0.58
Over 15 Year Fixed Interest Gilts	1.18	1.32	-0.14	0.60	-0.48
Over 10 Year Non-Gilts	2.25	2.45	-0.19	0.03	-0.89

Exchange Rates	£1 is worth		£ Appreciation		
	30 Jun 21	31 Mar 21	3 Months %	12 Months %	3 Years % p.a.
US Dollar (\$)	1.381	1.380	0.1	11.8	1.5
Euro (€)	1.165	1.174	-0.8	5.9	1.0
100 Japanese Yen (¥)	1.533	1.525	0.6	15.0	1.6



Tudalen 386



Source: Thomson Reuters DataStream. Returns are shown in Sterling if the investment is generally expected to be on a non-currency hedged basis. Where non-Sterling exposure is expected to be hedged, returns are shown in local currency terms. Local currency returns are an approximation of a currency hedged return. LC: Local Currency; HC: Hard Currency.

# Strategy Monitoring

Tudalen 387



# Asset Allocation

	31/03/2021 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/06/2021 Market Value (£M)	31/03/2021 Allocation (%)	30/06/2021 Allocation (%)	30/06/2021 B'mark (%)	30/06/2021 B'mark Range (%)
<b>Total</b>	<b>2,179.0</b>	<b>8.3</b>	<b>139.1</b>	<b>2,326.4</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>--</b>
Total (ex-CRMF)	1,610.9	-15.3	89.9	1,685.5	73.9	72.5	77.0	--
Total CRMF	531.0	--	49.2	580.2	24.4	24.9	23.0	10.0 - 35.0
Cash	37.1	23.6	0.0	60.7	1.7	2.6	0.0	0.0 - 5.0

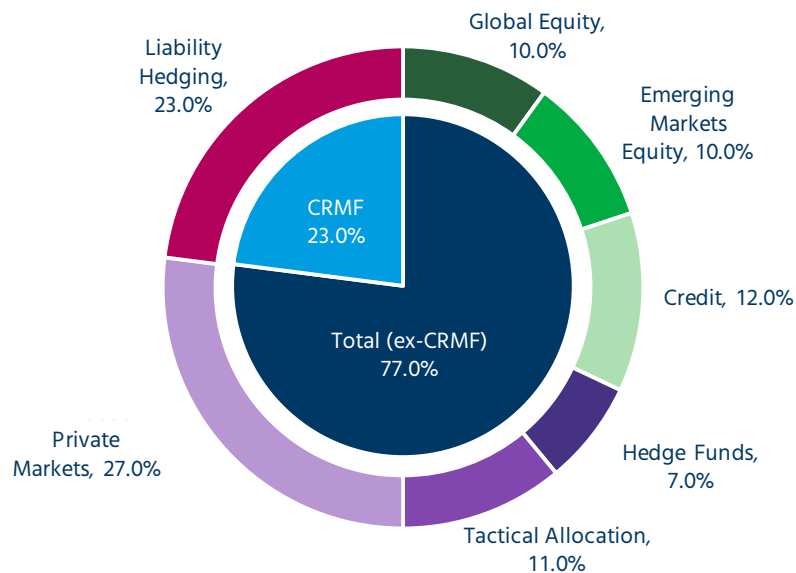
Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding. 'CRMF' refers to the Cash and Risk Management Framework.

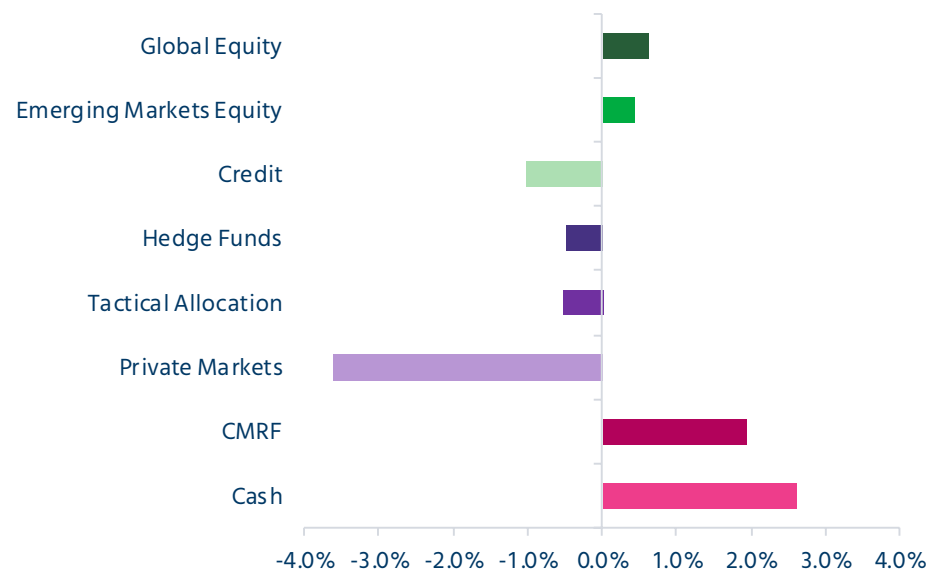
Benchmark allocation shown is the current strategic allocation.

Tudalen 388

## Benchmark Asset Allocation as at 30 June 2021



## Deviation from Benchmark Asset Allocation

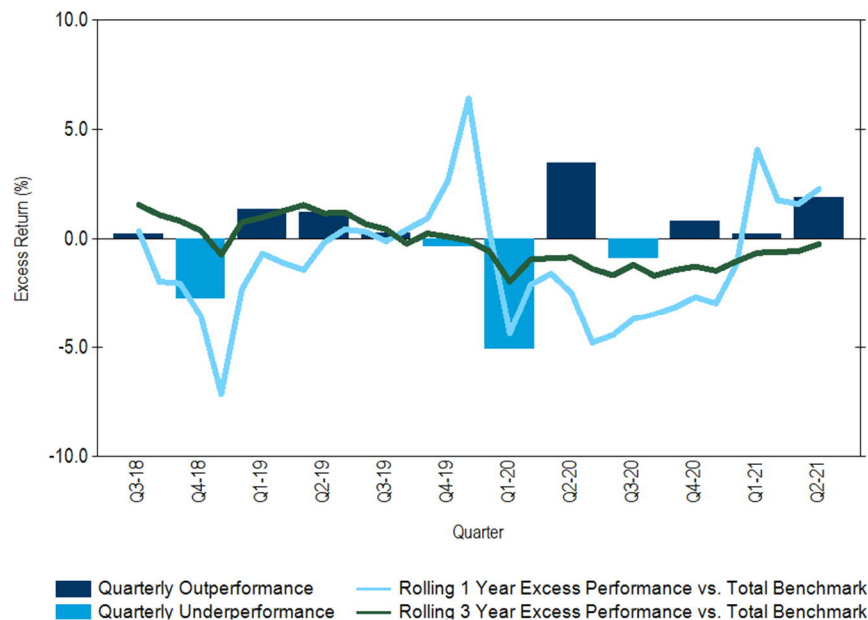


# Investment Performance

	2021 Q2 (%)	1 Yr (%)	3 Yrs (%)
<b>Total</b>	<b>6.4</b>	<b>19.0</b>	<b>8.1</b>
Total Benchmark	4.4	16.6	8.3
Strategic Target (CPI +3.4% p.a.)	1.4	5.5	5.5
Actuarial Target – Past Service Liabilities (CPI +1.75% p.a.)	1.0	3.9	3.9
Actuarial Target – Future Service Liabilities (CPI +2.25% p.a.)	1.1	4.4	4.4

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Thomson Reuters Datastream. Strategic and Actuarial targets are derived from Mercer’s Market Forecasting Group assumptions (based on conditions at 31 December 2019). Current 10-year CPI assumption: 2.1% p.a. For periods over one year the figures in the table above have been annualised.

## Relative Performance



Tudalen 389

# Investment Manager Summary

Tudalen 390

# 5

## Manager Allocation

	Investment Manager	31/03/2021 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/06/2021 Market Value (£M)	31/03/2021 Allocation (%)	30/06/2021 Allocation (%)	30/06/2021 B'mark (%)	30/06/2021 B'mark Range (%)
<b>Total</b>		<b>2,179.0</b>	<b>8.3</b>	<b>139.1</b>	<b>2,326.4</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>--</b>
<b>Total (ex-CRMF)</b>		<b>1,610.9</b>	<b>-15.3</b>	<b>89.9</b>	<b>1,685.5</b>	<b>73.9</b>	<b>72.5</b>	<b>77.0</b>	<b>--</b>
<b>Total Equity</b>		<b>463.2</b>	<b>--</b>	<b>27.0</b>	<b>490.2</b>	<b>21.3</b>	<b>21.1</b>	<b>20.0</b>	<b>10.0 - 30.0</b>
<b>Global Equity</b>		<b>231.4</b>	<b>--</b>	<b>15.8</b>	<b>247.2</b>	<b>10.6</b>	<b>10.6</b>	<b>10.0</b>	<b>5.0 - 15.0</b>
WPP Global Opportunities	Russell	117.1	--	7.5	124.5	5.4	5.4	5.0	--
World ESG Equity	BlackRock	114.3	--	8.3	122.6	5.2	5.3	5.0	--
<b>Emerging Markets Equity</b>		<b>231.8</b>	<b>--</b>	<b>11.2</b>	<b>243.1</b>	<b>10.6</b>	<b>10.4</b>	<b>10.0</b>	<b>5.0 - 15.0</b>
Emerging Markets (Core)	Wellington	77.7	--	5.0	82.7	3.6	3.6	3.0	--
Emerging Markets (Local)	Wellington	71.7	--	2.1	73.8	3.3	3.2	3.0	--
Emerging Markets Equity	BlackRock	82.5	--	4.1	86.6	3.8	3.7	4.0	--
<b>Total Credit</b>		<b>250.4</b>	<b>1.3</b>	<b>4.2</b>	<b>255.9</b>	<b>11.5</b>	<b>11.0</b>	<b>12.0</b>	<b>10.0 - 14.0</b>
WPP Multi-Asset Credit	Russell	250.4	1.3	4.2	255.9	11.5	11.0	12.0	--
<b>Total Hedge Funds</b>		<b>145.6</b>	<b>--</b>	<b>6.3</b>	<b>151.9</b>	<b>6.7</b>	<b>6.5</b>	<b>7.0</b>	<b>5.0 - 9.0</b>
Hedge Funds	Man	145.2	--	6.3	151.5	6.7	6.5	7.0	5.0 - 9.0
Hedge Funds (Legacy)	Man	0.4	--	0.0	0.4	0.0	0.0	--	--
<b>Total Tactical Allocation</b>		<b>231.0</b>	<b>--</b>	<b>12.4</b>	<b>243.4</b>	<b>10.6</b>	<b>10.5</b>	<b>11.0</b>	<b>9.0 - 13.0</b>
Best Ideas	Various	231.0	--	12.4	243.4	10.6	10.5	11.0	9.0 - 13.0
<b>Total Private Markets</b>		<b>520.7</b>	<b>-16.6</b>	<b>40.0</b>	<b>544.1</b>	<b>23.9</b>	<b>23.4</b>	<b>27.0</b>	<b>15.0 - 37.0</b>
Property	Various	131.0	-2.9	3.9	132.0	6.0	5.7	4.0	2.0 - 6.0
Private Equity	Various	168.6	-5.0	22.9	186.5	7.7	8.0	8.0	6.0 - 10.0
Local / Impact	Various	50.8	-2.0	6.6	55.5	2.3	2.4	4.0	0.0 - 6.0
Infrastructure	Various	102.6	0.7	2.8	106.1	4.7	4.6	8.0	6.0 - 10.0
Private Credit	Various	50.7	-6.4	3.2	47.5	2.3	2.0	3.0	1.0 - 5.0
Timber/ Agriculture	Various	17.1	-1.1	0.5	16.5	0.8	0.7	--	--
<b>Total CRMF</b>		<b>531.0</b>	<b>--</b>	<b>49.2</b>	<b>580.2</b>	<b>24.4</b>	<b>24.9</b>	<b>23.0</b>	<b>10.0 - 35.0</b>
Cash and Risk Management Framework (CRMF)	Insight	531.0	--	49.2	580.2	24.4	24.9	23.0	10.0 - 35.0
<b>Cash</b>		<b>37.1</b>	<b>23.6</b>	<b>0.0</b>	<b>60.7</b>	<b>1.7</b>	<b>2.6</b>	<b>0.0</b>	<b>0.0 - 5.0</b>
Cash		37.1	23.6	0.0	60.7	1.7	2.6	0.0	0.0 - 5.0

Source: Investment Managers and Mercer. Figures may not sum to total due to rounding.

Emerging Markets Core and Local valuations are converted from USD to GBP using closing price exchange rates. Hedged Funds (Legacy) valuation includes the Liongate portfolios.

Cashflows exclude the reinvestment of income.

## Manager Performance

	Investment Manager	2021 Q2 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)
<b>Total</b>		<b>6.4</b>	<b>4.4</b>	<b>19.0</b>	<b>16.6</b>	<b>8.1</b>	<b>8.3</b>
<b>Total Equity</b>		<b>5.7</b>	<b>6.3</b>	<b>24.9</b>	<b>26.9</b>	<b>10.0</b>	<b>12.4</b>
WPP Global Opportunities	Russell	6.4	7.8	27.1	27.0	--	--
World ESG Equity	BlackRock	7.2	7.1	--	--	--	--
Emerging Markets (Core)	Wellington	6.4	5.2	31.3	27.3	12.7	10.7
Emerging Markets (Local)	Wellington	3.0	5.5	18.6	28.9	6.5	12.2
Emerging Markets Equity	BlackRock	4.9	4.9	--	--	--	--
<b>Total Credit</b>		<b>1.7</b>	<b>1.0</b>	<b>8.6</b>	<b>3.1</b>	<b>2.7</b>	<b>2.4</b>
WPP Multi-Asset Credit	Russell	1.7	1.0	--	--	--	--
<b>Total Hedge Funds</b>		<b>4.3</b>	<b>0.9</b>	<b>8.3</b>	<b>3.6</b>	<b>0.4</b>	<b>4.1</b>
Hedge Funds	Man	4.4	0.9	8.4	3.6	1.5	4.1
Hedge Funds (Legacy)	Man	-0.1	0.9	-12.5	3.6	-46.3	4.1
<b>Total Tactical Allocation</b>		<b>5.3</b>	<b>3.2</b>	<b>18.0</b>	<b>6.8</b>	<b>7.2</b>	<b>5.1</b>
Best Ideas	Various	5.3	3.2	17.6	6.8	7.8	5.1
<b>Total Private Markets</b>		<b>7.9</b>	<b>1.7</b>	<b>9.2</b>	<b>5.7</b>	<b>7.9</b>	<b>5.1</b>
Property	Various	3.0	3.9	4.0	9.1	4.7	3.3
Private Equity	Various	13.8	1.3	21.0	5.1	14.0	5.6
Local / Impact	Various	13.7	1.3	--	--	--	--
Infrastructure	Various	2.7	1.3	-4.3	5.1	3.1	5.6
Private Credit	Various	6.7	1.8	-1.2	7.5	2.1	7.5
Timber/ Agriculture	Various	3.2	1.3	-5.1	5.1	-0.3	5.6
<b>Total CRMF</b>		<b>9.3</b>	<b>9.3</b>	<b>37.5</b>	<b>37.5</b>	<b>13.6</b>	<b>13.6</b>
Cash and Risk Management Framework (CRMF)	Insight	9.3	9.3	37.5	37.5	13.6	13.6

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Thomson Reuters Datastream.

Performance benchmark for WPP Global Opportunities and Wellington Emerging Markets funds include an outperformance target.

Performance for hedge funds, best ideas and in-house portfolios has been calculated by Mercer. Private Credit benchmark was revised to Absolute Return 7.5% in Q4 2020 and for all preceding periods.

For periods over one year the figures in the table above have been annualised. Prior to 30 September 2020, performance for all portfolios and sub-totals/total was estimated based on MWRR approach.



# Manager Ratings

Investment Manager	Asset Class	12m Perf	3 Year Perf
Russell	WPP Global Opportunities	●	--
BlackRock	World ESG Equity	--	--
Wellington	Emerging Markets (Core)	●	●
Wellington	Emerging Markets (Local)	●	●
BlackRock	Emerging Markets Equity	--	--
Russell	WPP Multi-Asset Credit	--	--
ManFRM	Hedge Funds	●	●
Various	Best Ideas	●	●
Various	Property	●	●
Various	Private Equity	●	●
Various	Local / Impact	--	--
Various	Infrastructure	●	●
Various	Private Credit	●	●
Various	Timber / Agriculture	●	●
Insight	Cash & Risk Management Framework (CRMF)	●	●

Tudalen 393

	Active Funds , Target Specified	Active Funds , Target Not Specified	Passive Funds
● Meets criteria	Target or above performance	Benchmark or above performance	Within tolerance range
● Partially meets criteria	Benchmark or above performance, but below target	--	--
● Does not meet criteria	Below benchmark performance	Below benchmark performance	Outside tolerance range
● Not applicable	--	--	--

# Appendix

Tudalen 394



# Appendix A

## Benchmarks

Name	Investment Manager	B'mark (%)	Performance Benchmark
<b>Total</b>		<b>100.0</b>	-
<b>Total (ex-CRMF)</b>		<b>77.0</b>	-
<b>Total Equity</b>		<b>20.0</b>	<b>Composite Weighted Index</b>
WPP Global Opportunities	Russell	5.0	MSCI AC World (NDR) Index +2.0% p.a.
World ESG Equity	BlackRock	5.0	MSCI World ESG Focus Low Carbon Screened Midday Index
Emerging Markets (Core)	Wellington	3.0	MSCI Emerging Markets Index +1.0% p.a.
Emerging Markets (Local)	Wellington	3.0	MSCI Emerging Markets Index +2.0% p.a.
Emerging Markets Equity	BlackRock	4.0	MSCI Emerging Markets Index
<b>Total Credit</b>		<b>12.0</b>	<b>Composite Weighted Index</b>
WPP Multi-Asset Credit	Russell	12.0	3 Month LIBOR Index +4.0% p.a.
<b>Total Hedge Funds</b>		<b>7.0</b>	<b>3 Month LIBOR Index +3.5% p.a.</b>
Hedge Funds	Man	7.0	3 Month LIBOR Index +3.5% p.a.
Hedge Funds (Legacy)	Man	--	3 Month LIBOR Index +3.5% p.a.
<b>Total Tactical Allocation</b>		<b>11.0</b>	<b>UK Consumer Price Index +3.0% p.a.</b>
Best Ideas	Various	11.0	UK Consumer Price Index +3.0% p.a.
<b>Total Private Markets</b>		<b>27.0</b>	<b>Composite Weighted Index</b>
Property	Various	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	3 Month LIBOR Index +5.0% p.a.
Local / Impact	Various	4.0	3 Month LIBOR Index +5.0% p.a.
Infrastructure	Various	8.0	3 Month LIBOR Index +5.0% p.a.
Private Credit	Various	3.0	Absolute Return Composite Weighted Index
Timber/ Agriculture	Various	--	3 Month LIBOR Index +5.0% p.a.
<b>Total CRMF</b>		<b>23.0</b>	<b>Composite Liabilities &amp; Synthetic Equity</b>
Cash and Risk Management Framework (CRMF)	Insight	23.0	Composite Liabilities & Synthetic Equity

Private Credit benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods for performance calculation purposes.

Performance benchmark for WPP Global Opportunities and Wellington Emerging Markets funds include an outperformance target as shown. These managers are monitored against the benchmark and these outperformance targets.

Cash & Risk Management Framework benchmark is assumed equal to fund performance for calculation purposes.



Mercer Limited  
1 Tower Place West  
London  
EC3R5BU  
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# Eitem ar gyfer y Rhaglen 11



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday 1 September 2021
<b>Report Subject</b>	Funding, Flightpath and Risk Management Framework Update
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

This report provides the Committee with the estimated funding position at a recent date and details to enable the monitoring of the Risk Management Framework.

The estimated funding position at the end of June 2021 of 105% is around 12% ahead of the expected position from the 2019 actuarial valuation although uncertainty remains.

Given the funding position had moved beyond 100%, the Funding and Risk Management Group ("FRMG") discussed potential de-risking actions on 9 July 2021, analysing the impact these changes would have on employer contributions and risk. It was agreed that no action would be taken to change the Fund's investment strategy at this time in order to avoid placing a potential strain on contributions due to the less positive outlook for future expected returns. The FRMG agreed that if the funding level reaches 110% then this would prompt further de-risking discussions.

The objectives and update on the various parts of the Risk Management Framework is included in the Appendix and shows the management of:

- Interest rate and inflation risk
- Equity market risk
- Currency risk
- Liquidity and collateral risk

Overall the framework is currently operating as expected in the current market conditions but this is regularly reviewed. There have been no changes to the level of interest rate, inflation or currency hedging. The physical and synthetic currency hedging positions have made a gain of £13.3m in total since inception due to strengthening of sterling over that period.

The synthetic equity and equity protection strategy was rolled on 23 May 2021, crystallising a gain of c. £129m. The strong performance of the flightpath has meant excess collateral can potentially be released and consideration is being given to how that will be utilised as part of future Private Market investments. It will be held with Insight until a decision is made on how it is deployed.

### RECOMMENDATIONS

1	That the Committee note and endorse the contents of the report.
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## REPORT DETAILS

1.00	FUNDING, FLIGHTPATH AND RISK MANAGEMENT STRUCTURE UPDATE
1.01	<p><b>Update on funding and the flightpath framework</b></p> <p>The monthly summary report as at 30 June 2021 from Mercer on the funding position and an overview of the liability hedging mandate is attached in Appendix 1. It includes a “traffic light” of the key components of the Flightpath and hedging mandate with Insight. The report will be presented at the meeting including a reminder of the principle objectives of the framework.</p>
1.02	<p>The estimated funding level is 105% at 30 June 2021 which is 12% ahead of the expected position when measured relative to the 2019 valuation expected funding plan. Uncertainty continues to be prevalent in the investment environment due to the potential economic impact of the COVID-19 pandemic. This means that the likelihood of achieving the assumed discount rate/returns going forward has fallen. To illustrate the impact, a reduction of 0.25% p.a. in the assumed future investment return/real discount rate would reduce the funding level by c.4% to c.101% with a corresponding decrease in surplus of £106m to a deficit of £11m.</p> <p>The Funding and Risk Management Group (“FRMG”) considered the potential for a change in the investment strategy following the breach of the soft funding level trigger of 100% on 9 July 2021. A summary of the discussions and options is outlined in paragraph 1.09 below.</p> <p>A new soft trigger of 110% has been put in place to prompt future FRMG de-risking discussions after it was agreed that no de-risking actions should be taken at the current time.</p>
1.03	<p>The level of hedging was approximately 20% for interest rates and 40% for inflation at 30 June 2021. The hedging implemented to date provides access to a lower risk investment strategy but maintaining a sufficiently high real yield/return expectation to achieve the funding and contribution targets.</p> <p>Triggers are in place to purchase additional interest rate or inflation hedging at an affordable level, currently the cost to purchase gilts in order to further increase the hedging is felt too prohibitive at the current time and therefore none of the interest rate triggers have been breached since they were re-structured in September 2017. No inflation triggers have been breached since May 2020. In September 2020, the inflation hedge was rebalanced back to the current strategic target 40% from 20% to reduce the risk that inflation will increase due to central bank and government intervention in managing the COVID-19 pandemic and the related market volatility.</p>
1.04	<p>Based on data from Insight, our analysis shows that the management of the Insight mandate is rated as “green” meaning it is operating in line within the tolerances monitored by Mercer who are also the Fund's strategic risk advisors.</p> <p>The Cash Plus Fund is rated “amber” following underperformance since</p>

	<p>inception because of increased credit spreads driven by the economic impact of the COVID-19 pandemic. However, the Cash Plus Fund outperformed the benchmark over Q1 2021.</p> <p>Collateral is within the agreed constraints, and the efficiency of the collateral position has been improved following the implementation of a collateral waterfall framework with Insight. Overall, the collateral waterfall has generated an additional £7.6m return from inception at 31 January 2019 to 31 March 2021. No further action is therefore recommended at this point.</p>
1.05	<p><b>Update on Risk Management framework</b></p> <p>(i) <u>Synthetic equity and equity protection strategy</u></p> <p>The Fund gains exposure to equity markets via derivatives and protects this exposure against potential falls in the equity markets via the use of an equity protection strategy. This provides further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall although it is recognised it will not protect the Fund in totality.</p> <p>It should be noted that, having an equity protection policy in place will protect from any large changes in equity markets. Importantly over the longer-term the increased security allows the Actuary to include less prudence in the Actuarial Valuation assumptions; this translated into lower deficit contributions at the 2019 valuation, whilst maintaining the equity exposure supports a lower cost of accrual than under traditional de-risking methods.</p> <p>The Fund's synthetic equity and equity protection strategy is implemented through a Total Return Swap ("TRS") contract with JP Morgan, held within the Insight QIAIF (the fund that implements the risk management strategies on the Fund's behalf). The TRS contract is for a fixed term of 3 years, and was due to expire on 23 May 2021. The Head of Clwyd Pension Fund, advised by the FRMG, decided under delegated powers that it was appropriate to maintain this exposure, and therefore a new TRS contract was put in place for another 3 years. This reset the market value back to zero, crystallising the positive c. £129m gain (as at 23 May 2021) into the Insight QIAIF. Further, Mercer and the Officers were able to negotiate a 50% reduction (c. £1m p.a.) in the ongoing transaction costs with JP Morgan.</p> <p>As at 30 June 2021, the total performance since inception of the synthetic equity and equity protection strategy in May 2018 was an increase of c. £124m. Relative to investing in passive equities (and assuming no costs to do so), the strategy has underperformed by c. £56m since inception. The underperformance is largely driven by the ongoing sharp rally in equity markets causing the value of the protection to fall.</p>
1.06	<p>(ii) <u>Collateral update</u></p>

	<p>By rolling the equity protection strategy, the mark-to-market value of the TRS was reset to zero. As the existing contract had a positive market value of c. £129m (as at 23 May 2021), this amount was released into the wider collateral pool within the Insight QIAIF as part of the rolling of the contract.</p> <p>Mercer's analysis shows that there is sufficient collateral available within the QIAIF to allow a disinvestment of c. £100m upon rolling the equity protection strategy. On the advice of FRMG, the Head of Clwyd Pension Fund agreed to retain this amount within the Insight QIAIF for the time being awaiting further analysis of the Private Market drawdowns before considering how this will be utilised.</p> <p>Initially, the excess collateral amount will be invested as follows:</p> <ul style="list-style-type: none"> <li>• £50m invested in the High Grade ABS fund</li> <li>• Remainder held as cash</li> </ul> <p>The High Grade ABS a "Tier 2 fund"; a liquid daily dealing fund that provides return above cash on excess collateral that isn't required on a daily basis. This ensures the risk management framework is operating efficiently.</p> <p>Once the timing of the Private Market drawdowns are better understood, some of the proportion of the excess collateral held as cash may be invested into the Tier 2 funds. This will be considered at the next FRMG meeting on 6 September.</p>
1.07	<p>(iii) <u>Funding level trigger breach</u></p> <p>As the Fund had breached the soft funding level trigger of 100%, this required discussion by the FRMG around possible actions for the Fund to de-risk the investment strategy in order to maximise the chance of maintaining the stronger funding position.</p> <p>The FRMG considered scenario analysis outlining the impact of investment strategy de-risking actions on the level of expected returns, risk and employer contributions.</p> <p>Given the less positive expected return outlook, the analysis indicated that taking meaningful de-risking steps would put upwards pressure on contributions for employers. However, if the funding level continued to improve, then the Fund would be in a position to take de-risking actions whilst also allowing the potential for contribution reductions.</p> <p>It was concluded therefore that no action to change the Fund's investment strategy would be taken at this time. However, if the funding position improved to 110%, then this would warrant a refresh of the analysis and further discussions. In addition, de-risking actions will also be considered as part of the 2022 actuarial valuation process.</p>
1.08	<p>(iv) <u>Currency hedging gain</u></p> <p>The currency risk associated with the market value of the synthetic equity strategy is hedged and has made a small loss of £0.3m since inception on</p>



	<p>8 March 2019 to 30 June 2021 due to the weakening of sterling over that period.</p> <p>The Fund's overseas developed market physical equity holdings are currency hedged and has made an offsetting gain of c. £13.6m since inception of the strategy due to the strengthening of sterling over that period.</p> <p>Overall the action to hedge the Fund's developed equity currency risk has resulted in a gain of £13.3m since inception of the strategies.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part):</p> <ul style="list-style-type: none"> <li>• Governance risk: G2</li> <li>• Funding and Investment risks: F1 - F6</li> </ul>
4.02	<p>The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. The collateral waterfall framework is intended to increase the efficiency of the Fund's collateral, and generating additional yield in a low governance manner. Hedging the currency risk of the market value of the synthetic equity portfolio will protect the Fund against a strengthening pound which would be detrimental to the Fund's deficit. Hedging the currency risk of the developed market physical equity exposure will mitigate the risk of a strengthening pound.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - Monthly monitoring report – June 2021

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<ul style="list-style-type: none"> <li>• Report to Pension Fund Committee – Flightpath Strategy Proposals – 8 November 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation and Funding/Flightpath Update – 27 September 2016 and Report to Pension Fund Committee – Funding and Flightpath Update – 22 March 2016.</li> <li>• Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview.</li> </ul> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@mtshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) <b>The Fund – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) <b>Administering Authority or Scheme Manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>The Committee – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p> <p>(e) <b>FSS – Funding Strategy Statement</b> – the main document that outlines how we will manage employers contributions to the Fund</p> <p>(f) <b>Actuary</b> - A professional advisor, specialising in financial risk, who is appointed by Pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.</p> <p>(g) <b>ISS – Investment Strategy Statement</b> The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund</p> <p>Further terms are defined in the Glossary in the report in Appendix 1</p>



Risk management framework

# Monthly monitoring report: 30 June 2021

Tudalen 403

Clwyd Pension Fund  
July 2021

Nick Page, FIA CERA



welcome to brighter

# Overriding objectives

Tudalen 404

Stable and  
affordable  
contribution  
rate



**Versus**

Achieve returns  
in excess of CPI  
required under  
funding  
arrangements



## Objectives are two-fold but conflicting

- Risk needs to be taken in order to achieve returns, but risk does not guarantee returns

## Need to ensure a reasonable balance between the two objectives

- Do you need to take the same level of risk when 70% funded (say) as when 110% funded?

# Executive summary



= as per or above expectations



= to be kept under review



= action required

Tudalen 405

**Overall funding position at 30 June 2021**

- Ahead of existing recovery plan
- New funding level trigger introduced at 110%

The funding position is ahead of the target by around 12% as at 30 June 2021. There is continuing uncertainty in the outlook for future returns and inflation which could impact on the future funding requirements.

**Liability hedging mandate at 31 March 2021**

- Insight in compliance with investment guidelines
- Outperformed the benchmark marginally over Q1 2021

No triggers breached over Q1 2021.

**Synthetic equity mandate at 31 March 2021**

- Insight in compliance with investment guidelines
- Underperformed the benchmark over Q1 2021

A dynamic protection structure was implemented in late May 2018, with refinements made in November 2020. The TRS structure rolled on 23 May 2021 with no further changes to the strategy. No action required.

**Currency hedging at 30 June 2021**

- Currency hedging overlay implemented in the QIF in August 2019
- As at 30 June 2021, the market value of the currency hedge since inception on 22 August 2019 was £13.6m

No action required.

**Cash Plus Funds, collateral and counterparty position at 31 March 2021**

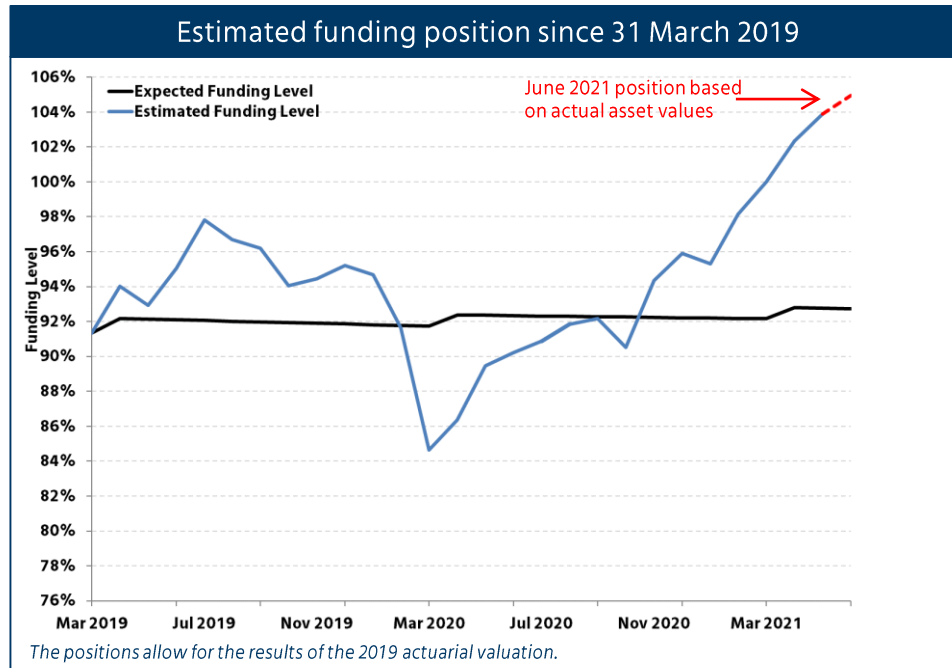
- The Cash Plus Fund has underperformed the benchmark since inception, but the collateral waterfall outperformed over Q1 2021. We will continue to monitor performance.
- The Insight QIF can sustain at least a 1.4% rise in interest rates or 0.8% fall in inflation without eliminating all headroom.

Overall, the collateral waterfall has increased by £7.6m at 31 March 2021 since implementation at 31 January 2019 versus the previous structure.

The Fund has sufficient collateral to withstand this as at 31 March 2021. No action required.

# Funding level monitoring to 31 May 2021

Tudalen 406



## Comments

The **black line** shows a projection of the expected funding level from the 31 March 2019 valuation based on the assumptions (and contributions) outlined as part of the 2019 actuarial valuation. The expected funding level at 30 June 2021 was around 93%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2019 to 31 May 2021. The **red dashed line** shows the progression of the estimated funding level over June 2021. At 30 June 2021, we estimate the funding level and surplus to be:

**105% £106m\***

This shows that the Fund's position was ahead of the expected funding level at 30 June 2021 by around 12% on the current funding basis.

Uncertainty continues to be prevalent in the investment and inflation environment due to the potential economic impact of the COVID-19 pandemic. This means that the likelihood of achieving the assumed real returns (CPI + 1.65% p.a. at this update) going forward has fallen. To illustrate the impact, a reduction of 0.25% p.a. in the assumed future investment return/real discount rate would reduce the funding level by c.4% to c.101% with a corresponding decrease in surplus of £106m to £11m.

This will be kept under review in light of changing market conditions and the economic outlook.

## Funding Level Triggers

It was concluded at the FRMG on 20 June 2017 that the funding level is not currently sufficiently high to warrant de-risking in a traditional sense via a change in long term strategy.

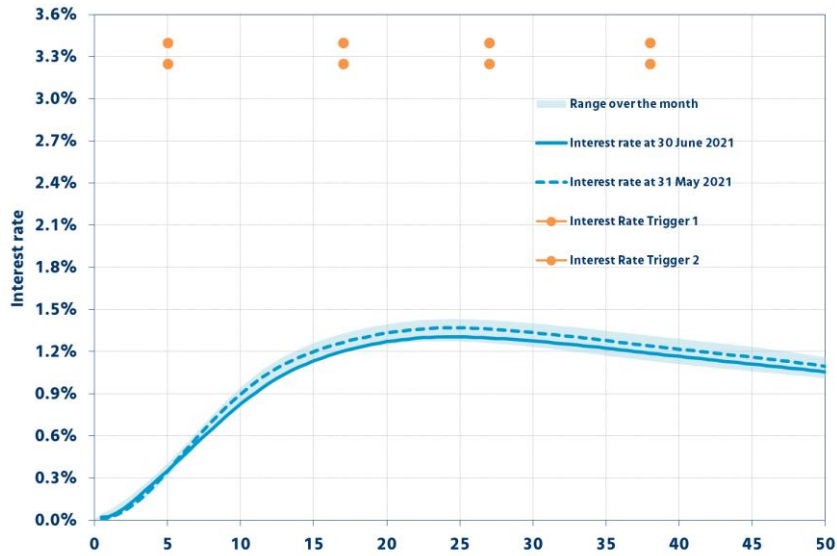
It was agreed that a new trigger will be put in place to prompt FRMG discussions regarding potential actions as the funding level approaches 110% on the current funding basis. This funding level will be monitored approximately by Mercer on a daily basis.

\*Asset values based on assets provided by Mercer investment consultants as at 30 June 2021.

# Update on market conditions and triggers

Tudalen 407

Change in interest rates



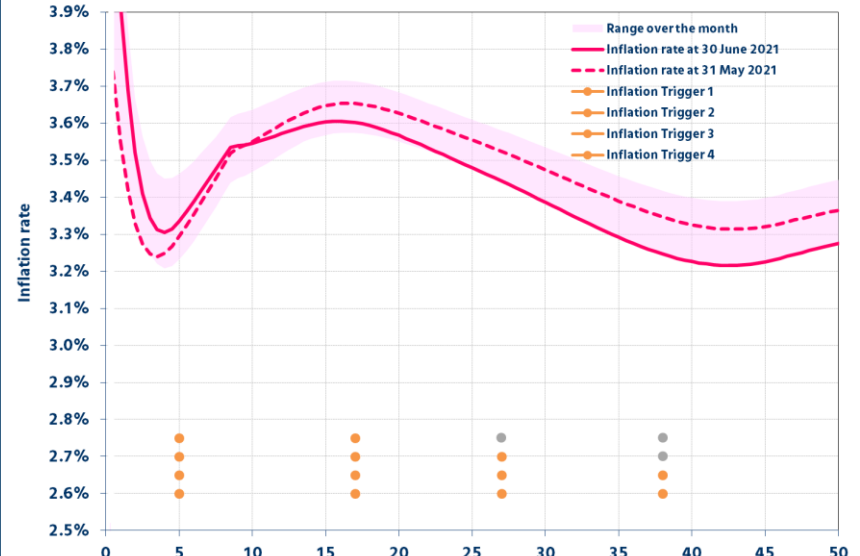
Date	Band 1	Band 2	Band 3	Band 4	Actual
31 March 2021	18.80%	18.77%	19.83%	27.72%	22.5%

Comments

Over the month of June, interest rates fell slightly for all but the shortest durations.

Based on market conditions as at 30 June 2021, yields would need to rise by c. 1.9% p.a. before the Fund would hit any of the revised interest rate triggers implemented by Insight in Q3 2017.

Change in inflation rates (note: different scale)



Date	Band 1	Band 2	Band 3	Band 4	Actual
31 March 2021	38.61%	21.49%	30.10%	60.09%	39.7%

Comments

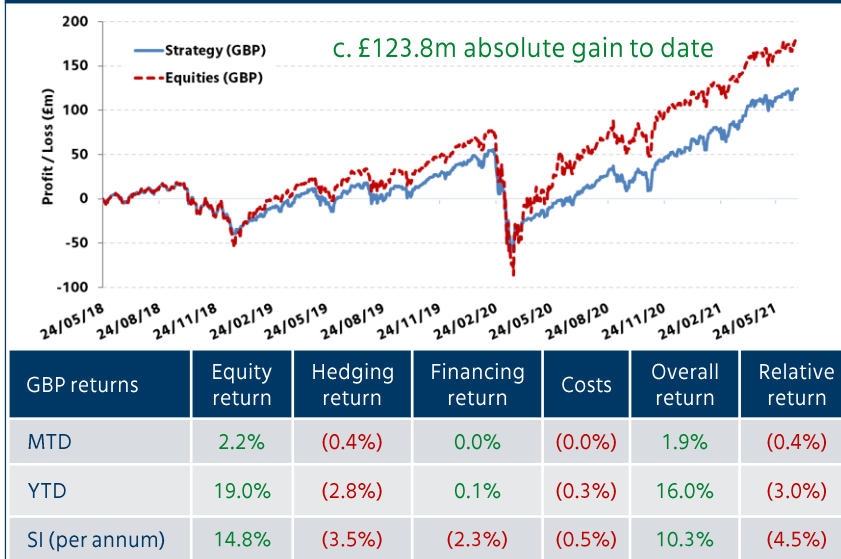
Over the month of June, the inflation curve 'twisted', with expectations rising at shorter durations and falling at longer durations.

Trading took place over August and September 2020 to move to the new benchmark, which brings the portfolio back to a c.20% interest rate hedge ratio and c.40% inflation hedge ratio overall. No triggers were breached in June.

# Update on equity protection mandate

Tudalen 408

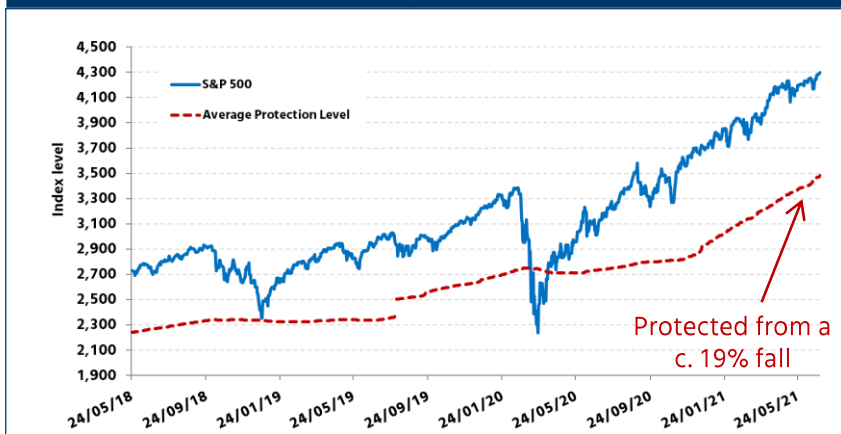
### Strategy versus equity index



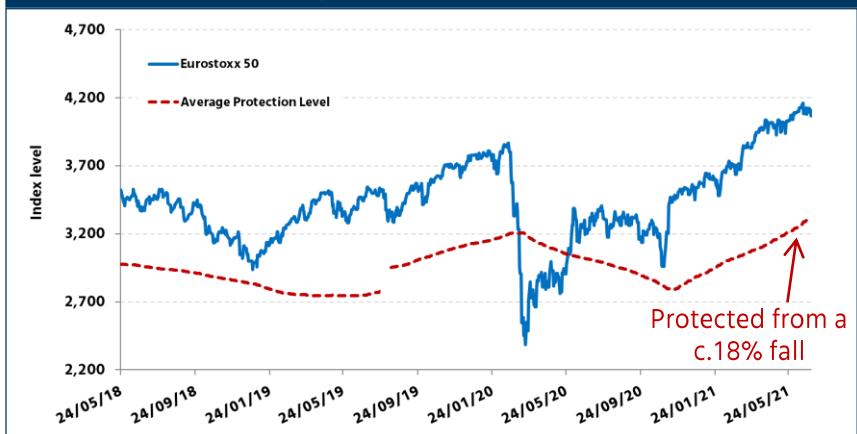
### Comments

- The Fund implemented a dynamic equity protection strategy on 24 May 2018 with exposure of £362m. The equity protection strategy was revised in Q4 2020, increasing the call frequency to two weekly. This ensures that the Fund can participate in more upside as equity markets rise. The TRS structure was extended for a further 3 years on 23 May 2021 with no further changes to the strategy.
- Positive equity returns over June meant that the strategy performed well, with the financing leg adding marginally to returns. As at 30 June 2021, there was a gain of c. £123.8m on the strategy since inception, relative to a c. £179.8m gain had the Fund invested in passive equities (with no frictional costs).
- From inception on 8 March 2019 to 30 June 2021, the currency hedge of the market value of the synthetic equity mandate has resulted in a c. £0.3m loss relative to an unhedged position, as sterling has weakened at an overall level since inception, following considerable weakening against the dollar over the month.

### US equity exposure



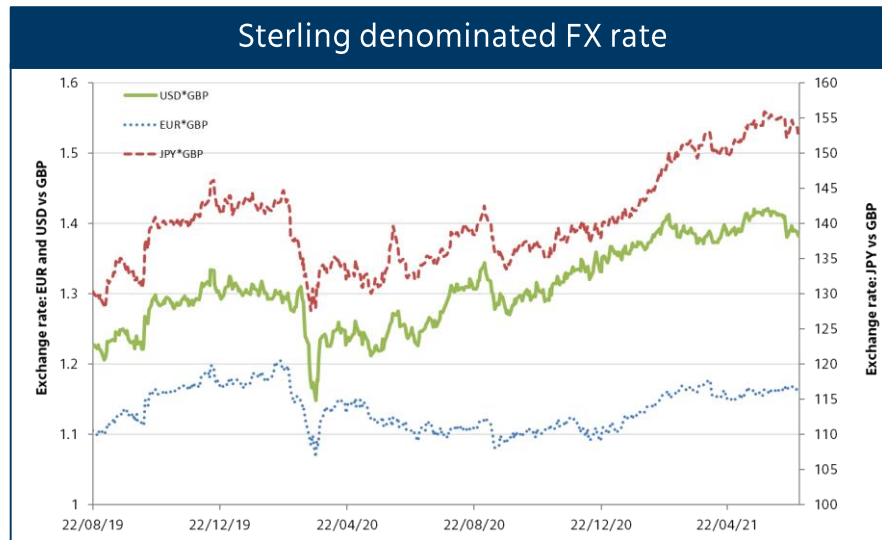
### European equity exposure (note different scale)





# Developed market physical equity currency hedge

Tudalen 409



- ### Comments
- A currency hedge was placed on the physical, developed equity portfolio to lock-in gains from sterling weakness and reduce currency risk.
  - The hedge has been implemented via a currency overlay, using 3 month forward contracts, within the Insight QIAIF. The hedge is updated quarterly to allow for changes in the underlying equity exposure.
  - As at 30 June 2021, the market value of the currency hedge since inception on 22 August 2019 was £13.6m.
  - The market value has decreased over June due to a weakening of sterling against the Yen and US dollar. This fall was partially offset as sterling strengthened marginally against the Euro.

	Currency basket weight	FX performance (since inception*)	FX change in performance since 31 May 2021
EUR	16%	£1.6m	£0.1m
JPY	9%	£2.8m	(£0.2m)
USD	75%	£9.2m	(£4.2m)
	<b>100%</b>	<b>£13.6m</b>	<b>(£4.3m)</b>

\*Insight transacted on the currency hedge on 22 August 2019.  
 Figures may not sum due to rounding.

# Glossary

- **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determining the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- **Collateral** – Liquid assets held by the Fund as security which may be used to offset the potential loss to a counterparty.
- **Counterparty** – Commonly an investment bank on the opposite side of a financial transaction (e.g. swaps).
- **Deficit** - The extent to which the value of the Fund’s liabilities exceeds the value of the Fund’s assets.
- **Dynamic protection strategy** – Strategy to provide downside protection from falls in equity markets where the protection levels vary depending on evolution of the market.
- **Equity option** – A financial contract in which the Fund can define the return it receives for movements in equity values.
- **Flightpath** - A framework that defines a de-risking process whereby exposure to growth assets is reduced as and when it is affordable to do so i.e. when “triggers” are hit, whilst still expecting to achieve the overall funding target.
- **Funding level** - The difference between the value of the Fund’s assets and the value of the Fund’s liabilities expressed as a percentage.
- **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- **Hedging** - A strategy aiming to invest in low risk assets when asset yields are deemed attractive. Achieved by investing in government backed assets (or equivalent) with similar characteristics to the Fund future CPI linked benefit payments.
- **Hedge ratio** – The level of hedging in place in the range from 0% to 100%.
- **Insight QIAIF (Insight Qualifying Investor Alternative Investment Fund)** – An investment fund specifically designed for the Fund to allow Insight to manage the liability hedging and synthetic equity assets.

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