

Business Plan 2019/20 to 2021/22 – Q4 Update

Governance

Cashflow projections for 2019/20

	2017/18 £000s	2018/19 £000s	2019/20 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/over
Opening Cash	(13,623)	(21,188)	(3,599)	(5,764)		
Payments						
Pensions	57,452	59,447	61,600	47,223	63,000	1,400
Lump Sums & Death Grants	13,500	14,708	15,000	12,532	16,500	1,500
Transfers Out	5,600	6,791	6,000	3,370	4,500	(1,500)
Expenses	3,935	4,263	4,600	2,897	4,600	0
Tax Paid	0	0	0	97	97	97
Support Services	120	265	140	0	140	0
Total Payments	80,607	85,474	87,340	66,119	88,837	1,497
Income						
Employer Contributions	(34,617)	(39,554)	(40,000)	(31,028)	(41,000)	(1,000)
Employee Contributions	(15,259)	(14,794)	(14,400)	(11,733)	(15,500)	(1,100)
Employer Deficit Payments	(52,612)	(18,811)	(19,800)	(18,862)	(19,000)	800
Transfers In	(4,813)	(4,220)	(4,000)	(4,948)	(6,000)	(2,000)
Pension Strain	(1,057)	(1,644)	(1,200)	(151)	(1,200)	0
Income	(29)	(45)	(48)	(71)	(80)	(32)
Total Income	(108,387)	(79,068)	(79,448)	(66,793)	(82,780)	(3,332)
Cashflow Net of Investment Income	(27,780)	6,406	7,892	(674)	6,057	(1,835)
Investment Income	(3,540)	(7,990)	(6,000)	(6,297)	(8,000)	(2,000)
Investment Expenses	3,035	3,593	3,000	3,014	4,000	1,000
Total Net of In House Investments	(28,285)	2,009	4,892	(3,957)	2,057	(2,835)
In House Investments						
Draw downs	73,893	91,883	77,019	91,137	115,874	38,855
Distributions	(52,294)	(58,348)	(77,930)	(44,842)	(63,292)	14,638
Net Expenditure /(Income)	21,599	33,535	(911)	46,295	52,582	53,493
Total Net Cash Flow	(6,686)	35,544	3,981	42,338	54,639	50,658
Rebalancing Portfolio	(879)	(20,120)	(10,000)	(72,001)	(72,000)	(62,000)
Total Cash Flow	(7,565)	15,424	(6,019)	(29,663)	(17,361)	
Closing Cash	(21,188)	(5,764)	(9,618)	(35,427)	(23,125)	

Operating Costs

	2017/18	2018/19	2019/20			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/over
	£000s	£000s	£000s	£000s	£000s	£000s
Governance Expenses						
Employee Costs (Direct)	229	193	299	211	287	(12)
Support & Services Costs (Internal Recharges)	23	23	22	0	22	0
IT (Support & Services)	5	0	5	1	5	0
Other Supplies & Services)	69	64	70	79	105	35
Audit Fees	39	39	40	0	40	0
Actuarial Fees	217	407	435	285	435	0
Consultant Fees	511	598	664	408	664	0
Advisor Fees	202	436	179	105	179	0
Legal Fees	37	57	40	15	40	0
Pension Board		58	69	33	69	0
Pooling (Consultants & Host Authority)	0	85	109	3	109	0
Total Governance Expenses	1,332	1,960	1,932	1,140	1,955	23
Investment Management Expenses						
Fund Manager Fees*	20,539	21,218	21,000	2,801	23,000	2,000
Custody Fees	31	31	31	19	31	0
Performance Monitoring Fees	67	60	66	36	66	0
Pooling (Operator / Manager)			186	0	186	0
Total Investment Management Expenses	20,637	21,309	21,283	2,856	23,283	2,000
Administration Expenses						
Employee Costs (Direct)	649	777	893	694	933	40
Support & Services Costs (Internal Recharges)	105	113	66	0	66	0
Outsourcing	227	394	900	183	500	(400)
IT (Support & Services)	286	364	424	402	424	0
Other Supplies & Services)	139	86	63	79	105	42
Miscellaneous Income	0	0	0	0	0	0
Total Administration Expenses	1,406	1,734	2,346	1,358	2,028	(318)
Employer Liaison Team						
Employee Costs (Direct)	163	205	213	168	225	12
Total Costs	23,538	25,208	25,774	5,522	27,491	1,717

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	2019/20 Period				Later Years	
		Q1	Q2	Q3	Q4	2020/ 21	2021/ 22
G1	Develop business continuity plan		x	x			
G2	Review pension administration system contract	x	x	x	x	x	
G3	Review/Tender Investment Consultancy and Independent Adviser Contracts			x	x		
G4	Review appointment of Pension Fund Committee Representatives and Local Board Members				x	x	x
G5	Review of Governance Related Policies				x	x	x

Governance Task Descriptions

G1 – Develop business continuity plan

What is it?

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

Timescales and Stages

Develop business continuity plan

2019/20 Q2 & Q3

Resource and Budget Implications

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

G2 - Review administration system contract

What is it?

The Fund has a rolling one year contract with Aquila Heywood in relation to their Altair administration system. It has not been subject to a full review through tender for a number of years and it would be good practice to carry this out in the near future. However, due to significant projects involving the administration system (e.g. 2016 actuarial valuation, implementing iConnect and scheme/GMP reconciliation) and to tie in with end dates of existing add-on modules within Altair, it was agreed as part of the 2017/18 business plan to defer this until 2019/20. In recent months, a feasibility study has been carried out into whether a national framework can be put in place for LGPS administration systems. CPF has been participating in carrying out this study. It is therefore recommended that CPF participates as a founding authority in the development of the national framework (assuming it proceeds) and then carries out the CPF tender for the administration system once that framework is in place. It is hoped that this will allow a new contract to be appointed to before the end of 2020/21.

Timescales and Stages

Take part in national framework for pensions administration system and conduct tender for CPF administration system

2019/20 & 2020/21

Resource and Budget Implications

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

G3 – Review/Tender Investment Consultancy and Independent Adviser Contracts

What is it?

The Fund's investment consultancy and independent Adviser contracts reached their initial break point on 31 March 2017 albeit, due to Government changes to investment regulations, asset pooling, the implications of MIFID II and other Fund priorities, they were extended for a total of 3 years (to 31 March 2020) to provide stability and consistency of approach. For these reasons the contracts

will be reviewed during 2019/20. This will initially involve a review of whether the existing services should be retendered in their current format or whether there is a more appropriate consultancy contracts that could be put in place.

Timescales and Stages

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

Resource and Budget Implications

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

G4 - Review appointment of Pension Fund Committee Representatives and Local Board Members

What is it?

The employer and scheme member representatives on the Local Board are appointed for a period of three years. This period may be extended to up to five years. The currently appointments will be subject to review as follows:

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

The representative members (for other scheme employers and scheme members) on the Pension Fund Committee are appointed for a period of not more than six years. The existing representative members were appointed in July 2014 and may be reappointed for further terms. However their existing appointments will need reviewed by July 2020.

Timescales and Stages

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

Resource and Budget Implications

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

G5– Review of Governance Related Policies

What is it?

The Fund has several policies focussing on the good governance of the Fund, all of which are subject to a fundamental review, usually at least every three years. The policies and the due dates for their reviews are as follows:

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

Timescales and Stages

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

Resource and Budget Implications

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