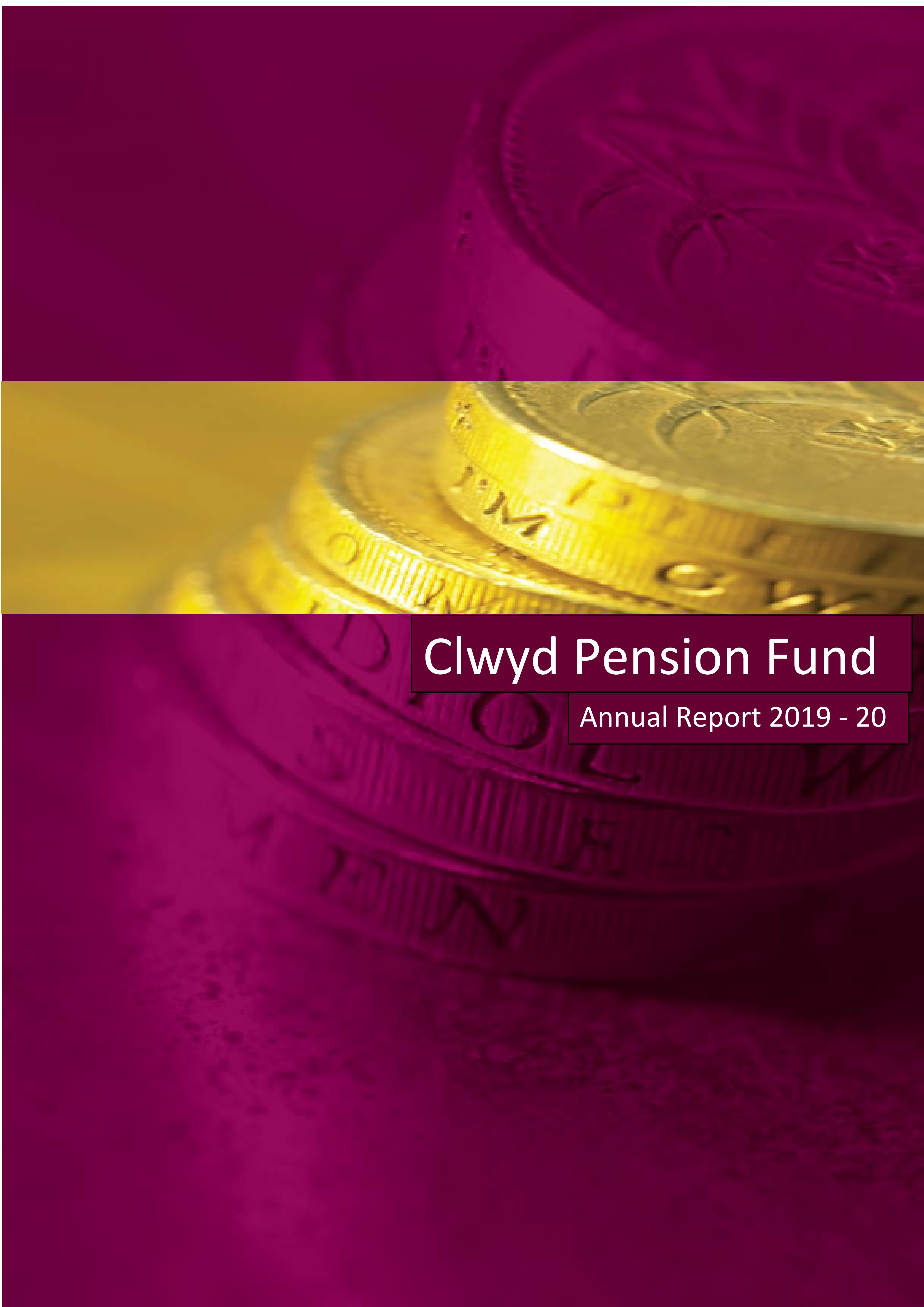

Clwyd Pension Fund

Annual Report 2019 - 20

CLWYD PENSION FUND ANNUAL REPORT 2019/20

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Section 1- Structure of the report

CLWYD PENSION FUND ANNUAL REPORT 2019/20

REPORT STRUCTURE

Background and context

Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires the administering authorities of 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 regulation specifies the annual report contents, and this is enhanced by the 2019 CIPFA guidance "Preparing the Annual Report". The Clwyd Pension Fund Annual Report (the report) has been written in accordance with the regulations and guidance.

Structure

The report is structured into a number of individual reports, each dealing with a significant element of the Clwyd Pension Fund's (the Fund) activity and performance. In this way the report ensures that it contains the information necessary to inform the reader of the way in which the Fund was managed and performed during 2019/20.

Section 2 is an introduction by the Chief Executive of Flintshire County Council and the Chair of the Clwyd Pension Fund Committee which summarises the main themes of the report.

Section 3 is the Fund's Annual Governance Statement, a formal document which gives assurance in relation to the Fund's governance arrangements.

Section 4 is a report from the Pension Fund Manager which expands on the governance arrangements of the Fund, the way in which the training needs of those charged with governance are met and the way in which the Fund manages risk.

Section 5 is a report from the Fund's Independent Advisor, which identifies the key achievements of the Fund and key challenges going forward.

Section 6 is the annual report from the Fund's Pension Board, highlighting its role in monitoring the Fund's activities during 2019/20.

Section 7 is a report from the Administration Manager, covering the performance of the administration of the Fund, and identifies key administrative challenges that the Fund faces going forward.

Section 8 is a report from the Fund's Actuary, which covers the actuarial position of the Fund and also explains the position with regard to the flightpath, a long term strategy to ensure stability of funding and employer contribution rates.

Section 9 is a report from the Fund's Investment Consultants focusing on the Fund's policy on investments and the way in which the Fund's investments performed during 2019/20.

Section 10 is the Fund's accounts, a formal document which shows the Fund's financial activity in 2019/20 and its position at 31st March 2020.

Section 11 is a report from the Deputy Head of the Fund which explains the financial activity of the Fund during 2019/20 in more detail.

The governance, management and activities of the Fund are framed by a number of Regulatory and Best Practice Documents. Four of these, the Governance Policy and Compliance Statement, the Funding Strategy Statement, the Investment Strategy Statement and the Communication Strategy Statement are included in the report in Section 12. They and other key policies and strategies referenced on the contents page of the report are available on the Fund's website at the address shown on the Contents Page. In addition, the Fund is subject to a triennial actuarial valuation, and the most recent of these, as at March 2019, may also be found on the website.

Section 2- Introduction

2019/20 Overview

Welcome to the Clwyd Pension Fund (the Fund) Annual Report for 2019/20. Last year's Annual Report identified the main challenges for the Fund for 2019/20:

- A review of the Funding Strategy as part of the 2019 Actuarial Valuation;
- A review of the Investment Strategy Statement, including responsible investment and climate change;
- Managing the ongoing transition of assets into the Wales Pension Partnership (WPP) ;
- Making further progress in achieving the objectives of the Fund's Administration and Communication Strategies

The Fund was expecting changes to the benefit structure as a result of the national Local Government Pension Scheme (LGPS) cost control mechanism or changes to legislation and changes to the Fund's governance resulting from the LGPS governance consultation. Both of these have been deferred until 2020/21.

The results of the 2019 Actuarial Valuation showed major improvement with the funding position moving from 76% in the 2016 valuation to 91%, leading to a reduction in the level of employer contributions. The Funding Strategy has been reviewed alongside the valuation. The Flightpath Strategy has been integral to the improvement in the funding position. The valuation was finalised as the first effects of COVID-19 were appearing, and the impact will be monitored and managed as appropriate in 2020/21.

The impact of the COVID-19 pandemic is evident throughout this year's report. In particular it has affected investment performance leading to a negative return for the year. Whilst the performance in the first three quarters of the year was positive, this was outweighed by the effects of the downturn resulting from the pandemic in the latter part of the fourth quarter. However, set in a longer term context the return remains positive over the five years to March 2020, and remains ahead of the actuarial target. The Fund invests for the long term with a diversified portfolio balancing risk and return.

The review of the Investment Strategy Statement was undertaken during the year, leading to revised investment objectives. Each of the objectives is underscored by the Fund's desire to incorporate sustainability and demonstrate that it is effective as a responsible investor. The Fund's Investment Strategy Statement has been updated to reflect the level of returns required by the Fund's Actuary as included in the 2019 Fund Valuation, and the revised Responsible Investment Policy which now includes a statement on the management of climate risk.

Flintshire County Council as the Administering Authority for the scheme has signed an agreement to formally enter into the WPP with the seven other Welsh LGPS funds. The aim of the WPP is to reduce costs, increase efficiencies and further improve governance over the Welsh LGPS pension funds' investments. The Fund will continue to decide the type of asset it wants to invest in, whilst a professional organisation appointed by the WPP decides which asset manager will be used for each type of investment. In late 2018/19, the Fund's global equity assets were transitioned to the WPP's asset managers but no further asset transfers were undertaken during 2019/20. Further asset transfers will be made during 2020/21. The Fund is represented on the WPP Officer Working Group and Joint Governance Committee. The WPP has a dedicated website, which includes the WPP annual report and policy documents and can be accessed here: https://www.walespensionpartnership.org/

The Fund's Administration and Communications Strategies were updated during the year. The Fund has introduced further improvements to ensure that data passing between the Fund and employers is robust, in particular by continuing to develop the i-Connect system which allows employers to directly enter information improving accuracy, timeliness and efficiency. The Fund also encourages members of the Fund to use the on-line facility Member Self Service (MSS) to view and update personal information.

The number of completed cases has increased reflecting additional resources within the team and improvements in technology during the year. This has contributed to improved performance which has generally had a positive impact on our Key Performance Indicators.

2019/20 has seen steady progress continue in a challenging environment and towards the end of the year the Fund managed the first impacts of the COVID-19 pandemic successfully, ensuring staff remained safe whilst maintaining service levels. Once again the Fund has been supported in its work by the Pension Committee and the Pension Board.

2020/21 and beyond

Looking to the future, in addition to business as usual, our business plan for the next three years has several key themes and tasks:

- Implementing the remedy for the McCloud court case, and any further "cost cap" changes
- Further transition of assets to the Wales Pension Partnership (WPP), and feeding into the ongoing development of WPP policies
- Carrying out compliance checks against The Pension Regulator's new Single Modular Code
- Implementing the Fund's Responsible Investment Policy including climate risk
- Implementing any governance changes as a result of the Scheme Advisory Board (SAB) Good Governance Review
- Understanding any risk and developing controls relating to cybercrime and business continuity
- Finalising and implementing the Fund's cash flow and liquidity policy
- Finalising implementation of digital systems including i-Connect for greater efficiencies in administration.

Clearly, monitoring and managing the impact of COVID-19 will also be a key task for the Fund.

This Annual Report

In this annual report you will find much more detail relating to the points raised above, as well as where to find all of our main strategy and policy statements. More information about the Fund can be found on our pension fund website http://mss.clwydpensionfund.org.uk/. We welcome any comments or questions on the content of this report or on any aspect on the management of the Fund. The Fund's Mission Statement is shown below.

The Fund would like to thank all those involved with the management and administration of the Fund, especially during the unprecedented circumstances resulting from COVID-19, for their continuing hard work and dedication. The Fund would also like to thank the previous Committee Chair, Cllr Dave Hughes, who was in post until June 2019. In addition, the Fund would like to pay tribute to the late Councillor Huw Llewelyn Jones for his dedicated work over 12 years as a member of the Pension Committee.

Ted Palmer
Chair of Pension Fund Committee

Colin Everett
Chief Executive

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.**

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 45 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 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.

Delegation

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 coopted members, representing the other 2 local authorities, other employers and the scheme members. There is further delegation for day to day management to the Council's Chief Executive and for proper financial administration to the Council's Section 151 Officer.

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.

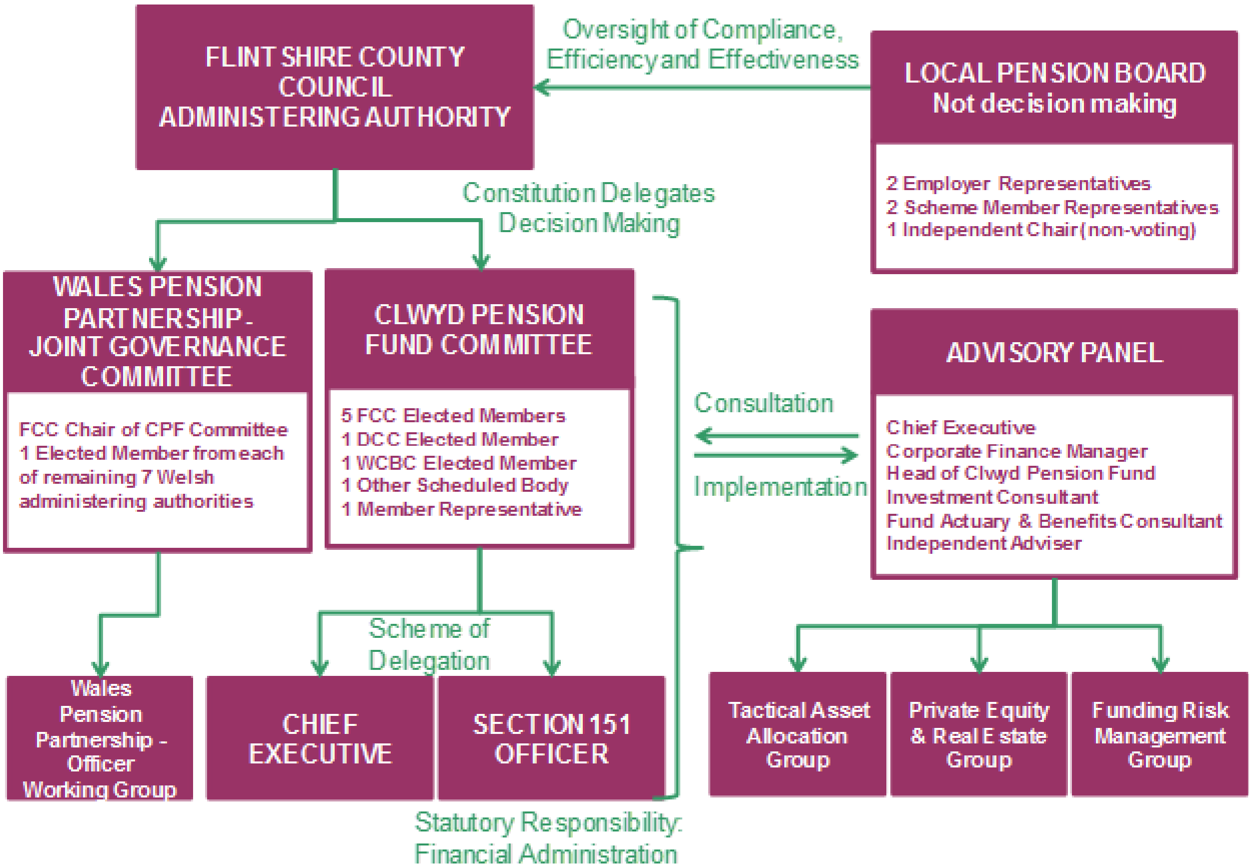
Governance arrangements

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 ensures that the Fund complies with its responsibilities under the LGPS Regulations. 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 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.



The Council's Chief Executive is responsible for the day to day management 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. In addition, the Chief Executive is responsible for establishing and chairing the Clwyd Pension Fund Advisory Panel (the Panel), which includes officers of the Council and advisors to the Fund. The Panel advises the Committee and carries out matters delegated to it by the Committee from time to time.

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.

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 Policy, Risk Policy, Conflicts of Interest Policy and Training Policy which support the governance framework.

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 and the Fund's global custodian. There is quarterly performance reporting to the Fund of the position on investments.
- 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. Financial monitoring reports are prepared using the Council's Masterpiece financial ledger system.

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 included in the Fund's Business Plan.

The risks currently identified as key risks are shown in Section 4 of the Fund's Annual Report.

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 Council 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.

The Fund completes a governance policy and compliance statement as part of its annual report. This measures the extent to which the Fund's governance arrangements comply with best practice.

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 of the fund.

Update on significant governance issues previously reported.

There were no significant governance issues in 2018/19 specific to the Fund.

Significant governance issues

The Head of Internal Audit has confirmed that there are no significant governance issues 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 has seen the growing impact of the COVID-19 pandemic. A 'lock down' period commenced on 23rd March 2020 for Flintshire County Council, and includes Fund officers who are all employees of the Council. Arrangements are in place to enable officers to continue to undertake their duties. Meetings with the Fund's advisors continue, enabled by appropriate technology. Discussions included advice received from the Scheme Advisory Board (SAB) and The Pension Regulator (TPR) on the administration of the scheme during the pandemic. The impact of the pandemic arose at the end of the financial year and the effect in 2020/21 will be much more significant.

Following the Flintshire County Council Cabinet meeting on 17th March 2020, a decision was made to cancel all the Council's formal meetings and events. This included the Clwyd Pension Fund Committee, and subsequently the March and June 2020 meetings of the Committee were cancelled. Where appropriate existing delegated powers are used to make decisions. Members are kept informed through informal virtual meetings and by other electronic means. This will be kept under review and formal Committee meetings will be resumed when appropriate.

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 the 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 2019/20.

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 2019/20 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	Ted Palmer
Chief Executive	Chair Clwyd Pension Fund Committee
October 2020	October 2020

Section 4 - 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.

Governance Structure

Background

In May 2014 the Fund's governance arrangements were reviewed and Flintshire County Council as Administering Authority established a formal Pension Fund Committee (the Committee), supported by a Pensions Advisory Panel (the Panel). Additionally, the representation of stakeholders on the Committee with full voting rights was widened. 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 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 minutes of each Committee are available on the Flintshire County Council website. The membership of both the Committee and the Panel are shown below.

The Public Service Pensions Act 2013, which has been incorporated into the Local Government Pension Scheme (LGPS) regulations, include the establishment of Local Pension Boards. The role of these Boards as defined in regulation is to secure compliance with regulation and legislation and ensure effective and efficient governance. The minutes of Clwyd Pension Board (the Board) 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.

The protocol for the Board can be found on the Fund's website, mss.clwydpensionfund.org.uk.

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 Mullins	Appointed Sept 2020
	Cllr Kevin Hughes	To Sept 2020
	Cllr Ralph Small	
	Cllr Adele Davies-Cooke	To Feb 2020
	Cllr Tim Roberts	Appointed Feb 2020
Denbighshire County Council	Cllr Huw Llewelyn Jones	To March 2020 (Deceased)
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 Hewitt)	Karen McWilliam FCIPP

Clwyd Pension Fund Local Board

Local Board Members			Voting Rights
Independent Chair	Karen McWilliam		X
Employer Representatives	Mark Owen		✓
	Steve Jackson		✓
Scheme Member Representatives	Paul Friday	To July 2019	✓
	Elaine Williams	Appointed October 2019	✓
	Phil Pumford		✓

Investment Managers

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

Investment Managers	Address
BlackRock	12 Throgmorton Avenue, London
Insight Investment	160 Queen Victoria Street, London
Investec Asset Management	2 Gresham Street, London
Man FRM	Riverbank House, 2 Swan Lane, London
Pyrford International Ltd	95 Wigmore Street, London
Stone Harbor Investment Partners (UK), LLP	48 Dover Street, London
Wellington Management International Ltd	Cardinal Place, 80 Victoria Street, London
Russell Investments	Rex House, 10 Regent Street, London.

Other key partners

Service	Address
Custodian: **Bank of New York Mellon**	160 Queen Victoria Street, London
Actuary: **Mercer Ltd**	Old Hall Street, Liverpool
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 Providers: **Prudential** **Utmost Life & Pensions**	 121 King's Road, Reading 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 National Framework Agreement.**	

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

Training

Clwyd Pension Fund Training Policy 2019/20

There is a growing need for LGPS Pension Committee members, Pension Board members and officers to have an appropriate level of knowledge and skills. This need is being driven by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Pensions Regulator (TPR) and legislation

The Fund has a well-developed Training Policy which details the proposed 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 the training regime in accordance with the national requirements. It will aid 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 Training Policy are included in Section 12 of this Annual Report.

During 2019/20, we conducted a training needs analysis for Committee and Board members. The results of this analysis informed the training plan.

Training Performance 2019/20

In order to monitor the knowledge and skills and identify whether we are meeting the objectives of this policy, we monitor and report on attendance at training events based on the following:

a) Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.
b) Hot Topic Training – targeting attendance of at least 80% of the required Committee members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Committee members, Board members or senior officers depending on the subject matter.
c) General Awareness – each Committee member, Board member or 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.

	Cllr A Shotton / Cllr B Mullin	Cllr H Bateman	Cllr Kevin Hughes	Cllr R Small	Cllr N Williams / Cllr T Bates	A Rutherford	Cllr A Davies-Cooke / Cllr T Roberts	S Hibbert
Committees (3hrs)								

The following table details all the training provided to members of the Committee to satisfy the requirements of the Training Policy. This includes Committees 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. 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.

Actual performance in 2019/20 was as follows:

a) Individual Training Needs – all have completed at least 2 of the required training key elements in the last three years.

b) Hot Topic Training - Of the 3 additional training sessions offered, the attendance of the 9 Committee Members was as follows:

- Responsible Investment 7
- Investment strategy 7
- Cash and Risk Management 8

c) General Awareness – Out of the total of 9 Committee members 6 of them completed at least one general awareness day in accordance with the policy.

The table below identifies the attendance at Committees and specific training undertaken during 2019/20 by the Committee during that year.

	Cllr A Shotton Cllr B Mullin	Cllr H Bateman	Cllr Kevin Hughes	Cllr R Small	Cllr N Williams/ Cllr T Bates	A Rutherford	Cllr A Davies – Cooke Cllr T Roberts	S Hibbert
Investment Strategy (November 2019 Committee)	✓	✓	✓		✓	✓	✓	✓
WPP Fund Wrappers and illiquids (day)		✓	✓	✓				
(Postponed)								
CIPFA Framework Requirements 2017/18 – 2019/20 Refreshers								
Governance (0.5 day)	✓		✓				✓	
Administration(0.5day)			✓				✓	
Funding & Actuarial								
Investments (0.5 day)	✓	✓	✓		✓	✓	✓	✓
Accounting								
Additional Training & Hot Topics								
CPF Annual Employer Admin Meeting (am)		✓	✓				✓	
CPF AJCM (pm)	✓		✓					
Responsible Investing (Sept 2019 Committee)	✓	✓	✓		✓	✓	✓	✓

Cash Management and Funding strategy (Feb 2020 Committee)	✓	✓	✓	✓	✓	✓	✓	✓
Conferences (Restricted spaces)								
PLSA May 2019								
LGC Investment Summit (1.5 days) Sept 2019								✓
LGC Fundamentals Day 1 (Oct 2019)			✓					✓
LGC Fundamentals Day 2 (Nov 2019)			✓					✓
LGC Fundamentals Day 3 (Dec 2019)			✓					✓
LAPFF Annual Conference (2 days) Dec 2019								✓
LGA Annual Conference 1.5 days (Jan 2020)			✓			✓		
LGC Seminar (1.5 days) Feb 2020		✓	✓	✓			✓	✓

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) and identifying the further controls and actions 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.

On the whole the next few years will 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.

In particular the Fund recognises that there is a potential impact from the effects of the COVID-19 pandemic which was becoming apparent during March 2020. The immediate risks in relation to understanding and reporting on asset values as at 31st March 2020 were managed in conjunction with the Fund’s advisors.

Significant Risks

The table below shows those risks identified in the current risk register as key risks.

Key:

Risk Exposure	Impact/Likelihood
Black	Catastrophic consequences, almost certain to happen
Red	Major consequences, likely to happen
Amber	Moderate consequences, possible occurrence.
Yellow	Minor consequences, unlikely to happen.
Green	Insignificant consequences, almost very unlikely to happen.

Governance

Risk Overview	Risk Description	Current Risk Status	Internal Controls in Place	Target Risk Status
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), national reorganisation, cybercrime, Covid-19 and asset pooling**		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 OWG 7 - Ongoing monitoring of cybercrime risk by AP 8 - McCloud planning being undertaken 9 - Weekly Covid catch ups taking place with senior managers and advisers to consider/manage impact on Fund	
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.**		1 - 2018/19 business plan includes workforce matters 2 - Review of admin structure in 2015/16 3 - Finance team restructure commenced (2017/18) 4 - Quarterly update reports consider resourcing matters 5 - Advisory Panel provide back up when required 6 - Additional resources, such as outsourcing, considered as part of business plan	

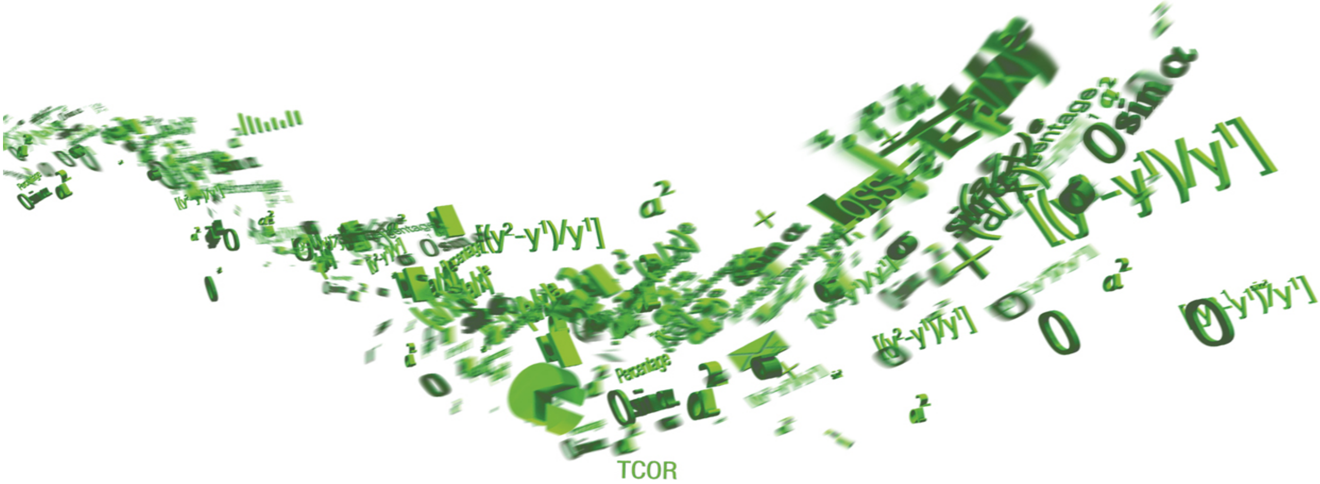
Funding & Investment

Risk Overview	Risk Description	Current Risk Status	Internal Controls in Place	Target Risk Status
Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	**Market factors impact on inflation and interest rates**		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	

Administration & Communication

Risk Overview	Risk Description	Current Risk Status	Internal Controls in Place	Target Risk Status
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)**		1 - Administration strategy updated 2 - Employer steering group established 3 - Greater engagement through Pension Board 4 - Backlog project in place 5 - Establishment of ELT 6 - Increased data checks/analysis (actuary and TPR) 7 - Implemented further APP data checks to identify issues 8 - Updated Admin Strategy to include a compliance declaration 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	
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)**		1 - Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues 2 - Benefit consultants available to assist if required 3 - Recruitment to new posts 4 - McCloud planning being undertaken	
Service provision is interrupted	**System failure or unavailability, including as a result of cybercrime and Covid-19**		1 - 1 - Disaster recover plan in place and regularly checked 2 - Hosting implemented 3 - Implement lump sum payments via pensioner payroll facility 4 - Regular communications with Heywood re how dealing with Covid & early communications with FCC re how to ensure payments are made as a back up	

Section 5 - Independent Advisor Annual Report



Prepared for	Philip Latham, Head of Clwyd Pension Fund, Flintshire County Council
Prepared by	Karen McWilliam, Independent Adviser to Clwyd Pension Fund
Date	10 July 2020

QAS Institute and Faculty of Actuaries Quality Assurance Scheme

Aon Empower Results®

Introduction

This is my sixth annual report in my role as Independent Adviser to the Clwyd Pension Fund (the Fund), focussing on the year 2019/20.

My role

I was originally appointed in early 2014 as Independent Adviser to the Fund and I am delighted to confirm that I was reappointed from April 2020 to continue in this role following a procurement process carried out by the Fund.

My remit is to provide independent advice to the Fund, predominantly on governance and administration matters. This includes reporting annually to stakeholders on whether the Administering Authority (Flintshire County Council (the 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 sixth annual report, and it sets out my views on the management and administration of the Fund and, in particular, how it this has evolved during 2019/20 (April to March), but also touches on some developments that have taken place since March 2020 particularly given the impact of the COVID-19 pandemic. I also highlight some of the ongoing challenges the Council will face, in its role as Administering Authority to the Fund, both in the short term and in the longer term.

Overview

2019/20 has been a year where there have been significant development of the management and operations of the Fund. For the first time in a number of years, there have been no significant changes driven by regulatory changes and the focus has been on the evolution of the Fund's strategies and operations particularly focussing on areas such as digital solutions and responsible investing. As you might expect the impact of the COVID-19 pandemic shadows most of what has happened during the year and I am pleased to report the Fund's excellent response to this. As in previous years, my view is that a significant amount has been achieved in an extremely short period of time, which continues to be of great credit to all involved, and the overall management and governance of the Fund appears to be in a very good position.

Effective Governance

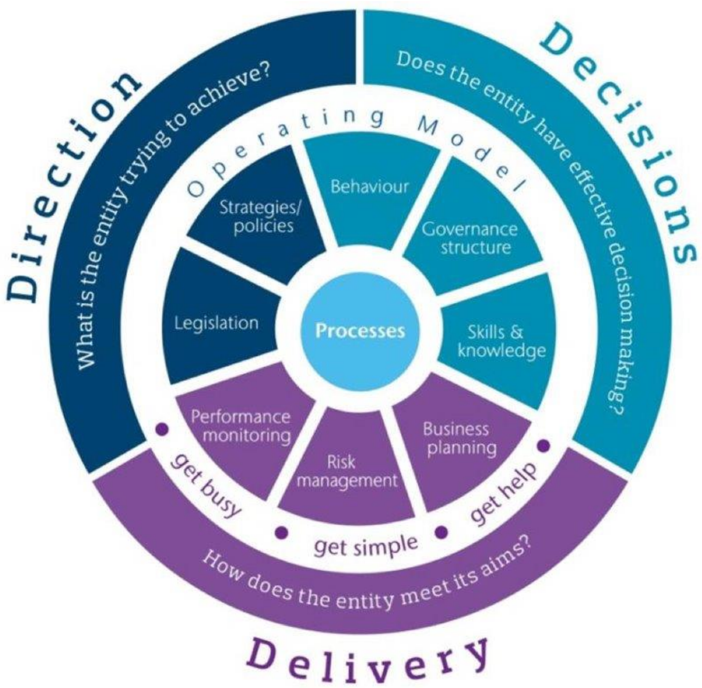
There are some key benefits from having effective governance in place, including:

- 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 Clwyd Pension Fund Committee (the Committee) (or equivalent).

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

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



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

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

My thoughts on each of these areas are set out in the next section.

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:

- Business continuity planning and testing, providing strong foundations for a robust response to COVID-19; implementing major change in ways of working with very little impact on business as usual.
- Fully resourced Administration Team with ongoing intensive training, and good progress in recruiting to Finance Team.
- Excellent standard of general governance, including business planning, monitoring and risk management.

The Fund went into 2019/20 in a strong position with governance arrangements that were well established and operating well including a Pension Board (the Board) providing invaluable assistance and a proactive Advisory Panel (the Panel). Unfortunately, through the year there were a number of changes in membership of the main decision-making body for the Fund – the Pension Fund Committee. Many of these changes are driven at Council level and therefore out of the hands of those involved in the management of the Fund. We were also very sad to hear of the death of Councillor Huw Jones who had been on the Panel/Committee since 2008 and had been a key contributor to the management of the Fund. I was also pleased at the training provided to the new members over a relatively short period to assist them in getting up to speed. Whilst new representatives have joined the Committee during the year we continue to have a good mix of representatives, including scheme member representation, and some with a strong level of knowledge and understanding due to a number of years of service on the Committee. I highlighted my concerns about resource levels, both within the Fund's Finance Team and Administration Team, as well as the need for workforce planning given the age profile of some senior members of staff. This has been an area that has taken a long time to turnaround given the need for a major review of the structure of the teams, a large recruitment drive and then intensive training of newly recruited and promoted staff. It is pleasing to note that activity has created a number of local jobs and well deserved internal promotions. During the year the Administration Team reached full capacity, and the Finance Team recruited to all but one of their vacant positions. The benefits of the increased resource and expertise can be seen in the improvement of the Fund's performance standards (which I comment on further below) and in the smooth delivery of major projects.

I don't think anyone could have pre-empted how we would finish 2019/20 given the speed and severity of the COVID-19 pandemic. However, regardless of the specific circumstances, it is fair to say that the Fund were in an excellent position to deal with it given the hard work they had done in developing their business continuity arrangements over the past two to three years. This included a further test of remote working as recent as December 2019. All members of staff moved to home working on 19 March 2020 in line with the Government's lock-down requirements. At the time of writing (July 2020) this continues to be the case with infrequent office visits by a small number of the team to deal with post and scanning. The team were immediately able to ensure normal business operations were maintained including accessibility by scheme members and employers via phone lines, email and the Member Self

Service (MSS) facility. All systems remained fully accessible for the officers of the Fund, ensuring ongoing payment of all pensions and benefits. Workarounds were put in place for some processes such as providing information relating to deaths and retirements. Decision making continued using existing urgency delegations that are in place, and engagement continued with the Committee and Board using video conferencing facilities. This was the smoothest, quickest and most effective transition to remote working that I have experienced for Local Government Pension Scheme (LGPS) teams, and this is clearly as a result of the business continuity testing that had been carried out.

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 changes in Committee members.
- Attendance at Committee, Board and Panel meetings and training events has been excellent throughout the year.
- The Board continues to play an integral part in the governance of the Fund (recognising my role as Chair of the Board). During 2019/20, the Board had a change in membership, with Elaine Williams taking over from Paul Friday who resigned. The Board have produced a separate report (which can be found elsewhere in this annual report) 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 was extremely pleased at the increased number of applications to join the Board during the recruitment process which I believe was in part driven by the clear digital approach the Administering Authority took to the recruitment process.
- I was 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 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 the Fund including the areas of administration, investments and funding, and further measures are being developed as the Fund's strategies evolve. 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 Fund 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 2019/20 to 2021/22 business plan was agreed by the Committee in February 2019 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.

My opinion is that the governance of the Fund continues to compare 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 Fund are well engaged, committed to their roles and well trained (or in the process of being trained).

Looking to the future:

There are several matters relating to governance that I will be particularly interested in during 2020/21, most of which have been included in the Fund's ongoing business plan which was approved in March 2020:

- It is sad to have to admit that the impact of the COVID-19 pandemic is likely to have a long-term impact on the governance and management of all Pension Schemes. Not least this is likely to result in remote working for many Fund officers during most, if not all, of 2020/21. However, given how quickly officers have adapted to the new ways of working - including the development of new more efficient processes, quick reviews of the appropriateness of ongoing policies and strategies, and making use of robust flexible governance arrangements - it would be good to see what improvements can be adopted or further developed to help the Fund continue to meet its objectives in a more efficient or effective way.
- Resources – the Finance Team continue to have one vacant post which is critical to the overall governance and management of the Fund. There have been several unsuccessful attempts at recruiting to this post and this was also an issue for other Finance Team posts which had to be restructured in order to find successful candidates. Unfortunately this is a regular issue within Local Government Pension Scheme (LGPS) teams throughout the UK, with lack of experienced recruits and public sector pay rates often being contributing factors. It is critical that a solution is found and that this post is filled early in the first half of 2020/21.
- The McCloud remedy programme of work will mainly be 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 Fund governance structure. This will likely extend from 2020/21 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 Panel.
- We expect to see two governance related national initiatives launched 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 (SAB), and The Pension Regulator's (TPR) Single Modular Code, which will replace TPR's Public Service Code of Practice. 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 highlight the need for LGPS

administering authorities to be able to manage their pension funds with unnecessary restriction due to other local authority policies such as pay freezes. On the face of it, I expect the Fund to already be able to evidence most of the expected requirements from these two initiatives.

- I am becoming concerned at the changes to Committee membership outside of the Welsh local authority election cycle. This clearly has an impact on the governance of the Fund, not least the additional resource required to train new members, and the fact there is generally a long period before members begin to feel comfortable in their understanding of pension fund matters. The Fund is able to manage this and many of these changes are unavoidable, but I would encourage dialogue with the Council to ensure the need for continuity is understood and unnecessary change is avoided. It is also critical that they appreciate the need for a strong Chair given their role as a member of the Wales Pension Partnership (WPP) Joint Governance Committee.
- Cybercrime is a major risk to all organisations and pension funds can be particularly vulnerable given the assets that are being managed, the payment of benefits to scheme members and the personal data held. Work has already commenced by the Fund to consider this risk including the controls that are in place. I look forward to seeing how this evolves so the appropriate assurances can be provided on an ongoing basis.

Funding and Investments (including accounting and financial management)

Key achievements:

- Successful completion of the 31st March 2019 Actuarial Valuation including improved engagement with employers
- Investment Strategy Statement review including an enhanced Responsible Investment Policy with clear priorities
- Seamless production of the Annual Report and Accounts
- Improvements in the governance of WPP.

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:

- 31st March 2019 triennial Actuarial Valuation - the process seems to have gone extremely smoothly. A key objective was to introduce increased engagement with employers of the Fund at this valuation, which I understand has been well received by employers. The Actuary also noted an improvement in the quality of data since the 2016 valuation which I am pleased to see. Finally it is positive that nearly all the employers in the Fund have chosen to include an additional premium to cover expected costs from the McCloud remedy.
- The Fund's Investment Strategy Statement was revised in the second half of 2019 with a particular focus on enhancing the Responsible Investment Policy within this. This involved a large amount of engagement with the Committee including training and then

developing Fund beliefs on responsible investments upon which the revised policy was then based. I was pleased to see that this included some clear priorities 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
  - Improved public disclosure and reporting of Environmental Social and Governance (ESG) matters relating to the Fund's investments
  - Aiming to remain a Tier One signatory of the Stewardship Code.

- For the past two years, the production of the Fund's annual report and accounts has been difficult due to vacancies within the Finance Team. Even though some of the work can be outsourced to external consultants, this is not a long-term solution due to the lack of Fund specific knowledge. A new Pension Fund Accountant has now been recruited and the development of the Annual Report and Accounts was seamless for 2019/20.
- The establishment of the WPP to allow asset pooling in Wales has been ongoing for several years now, and the Fund continues to transfer some of its assets over to WPP's investment sub-funds. It is clearly critical that the Fund has 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 Statement. I have had some concern in previous years that some of the governance arrangements have been given lower priority due to the focus being on determining and establishing the investment sub-funds. It is my understanding that the investment sub-funds that are being established are continuing to meet the requirements of the Fund, in that they are suitable alternatives to existing assets being held and they are aligned to the Fund's Investment Strategy Statement. I am also pleased to see good progress around some of the governance aspects of the WPP, including development of the business plan for 2020/21, development of a WPP Responsible Investment Policy and regular meetings with the Chairs of the Wales Local Pension Boards. I am aware that the dedication and commitment of Fund officers has contributed to the success of WPP and ensured that the Fund has been on the front foot in the ongoing development of the Partnership. It would be extremely risky for the Council to take a back seat in the work of WPP given the impact asset pooling could have on the ongoing performance of the Fund.

My general opinion is again that governance of the Fund compares well to the Aon Governance Framework in the area of funding and investments. The Council identifies and sets out clear objectives and has a good attitude to business planning and to risk management. The Council's governance structure works well, with appropriate delegations allowing the Committee to spend their time focusing on strategy. The Council makes good use of external consultants as appropriate, but the knowledge and understanding of individuals within the Pension Fund Team continues to be excellent including relating to recent new recruits, allowing the Fund to benefit from the best ideas from all sources.

Looking to the future:

- One of the key projects for 2020/21 will be implementation of the Fund's updated Investment Strategy Statement, and particularly the agreed Responsible Investment priorities. I look forward to seeing how this develops given the much greater focus on responsible investment, and particularly climate change, whilst ensuring the Fund continues to meet its fiduciary responsibility to its scheme members. There may also be new national guidance issued from the SAB which will need to be considered and which may drive further changes to the Fund's Responsible Investment Policy.
- As mentioned above, there has been significant progress in the transition of assets to the WPP and development of some of the governance policies and processes. The Fund has a very different investment strategy to many other funds, so they need to be assured that both the Operator and the pooling arrangements themselves can deliver the Fund's requirements and that the governance arrangements, as outlined in the Inter-Authority Agreement, are put into practice. I hope to continue seeing improvements by WPP, provision of sub-funds that meet the Fund's requirements and particularly no or little impact on the delivery of this as a result of the COVID-19 pandemic. It will be important that robust reporting and monitoring information in relation to the sub-funds set up by WPP is available and there is sufficient ongoing involvement of the Fund at both the Joint Governance Committee and Officer Working Groups.

Administration and Communications

Key achievements:

- Data improvements including for the 2019 Actuarial Valuation
- Good progress on the mandatory Guaranteed Minimum Pension (GMP) reconciliation project
- Further successful i-Connect rollout to employers of the Fund
- Continuing increase in scheme member registration for the MSS facility
- General improvement in business as usual service standards.

The first part of 2019/20 was a particularly busy period for the Pensions Administration Team as they prepared the data for the 2019 triennial Actuarial Valuation. As mentioned previously a lot of work had been carried out by the team in identifying and resolving data issues. This also included checks in relation to TPR standards for common and scheme specific data. The scheme specific data checks evidenced an increase in quality of data from 68% to 82% compared to the previous year, with the common data checks being maintained at 92% despite an increase of more than 4,000 scheme members in the data checks. I am delighted to see such an improvement, which will assist with making the calculation of benefits more efficient and annual benefit statements more accurate.

The team also made good progress on the GMP reconciliation project, which must be carried out by all pension schemes that have been contracted out. Much of this work was outsourced which I am extremely supportive of given the amount of work involved and the efficiencies that could be introduced by the external provider. The Pension Administration Team were diligent in overseeing the work and ensuring appropriate quality checks throughout. Outsourcing this work meant the team were able to continue implementing systems and efficiencies which will not only vastly improve accessibility to pension fund information for scheme members and employers, but will also introduce efficiencies that will ultimately help manage these increases in workloads. This includes:

- The ongoing marketing of the on-line MSS facility. Currently approximately 43% of active scheme members are registered to use the facility (and approximately 34% of all scheme members) – both of these have increased by approximately 8% since my report last year. The Fund's Communications Strategy aims to continually move to digital communications (apart from where members specifically opt for paper communications), so it is important that the proportion of members enrolled on MSS continues to increase.
- 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. Since then the Pensions Administration Team has been launching it to more employers and this is resulting in much more timely and accurate information, including a significant reduction in the number of queries at year-end. Currently 35 out of 48 employers are live on the system, meaning electronic data is being submitted monthly for 94% of active members. TPR actively encourages this form of data submission so I am delighted to see this system nearly fully rolled out across all employers.

I am also delighted at the ongoing improvements in the turnaround times for processing benefits and communications within the Pensions Administration Team. Key performance indicators are monitored for the main processes including dealing with retirements, quotations of benefits, deaths and providing information to new scheme members. In all areas monitored, the percentage of cases completed within the service standard for the Pensions Administration Team has increased, with 83% of nearly 9,000 individual member processes completed within the agreed service standard (an increase of approximately 23% compared to 2018/19). There has also been an increase of about 18% in relation to the total process time i.e. including any time waiting for information from employers or scheme members.

My general opinion is that the Fund compares 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 Committee’s engagement on administration is also excellent (as is the Board's).

Looking to the future:

- As mentioned previously, the McCloud remedy is going to 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 and the potential impact on individual scheme members' benefits, it will need to be well controlled and resourced, with robust quality checks and efficiencies gained through bulk processing where at all possible. It will also put a strain on employers in providing data which will need 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.

- The McCloud remedy is going to have to be the main focus for the Pensions Administration Team in 2020/21 but I would still hope to see i-Connect implemented for the final employers in the Fund.
- Finally I would expect resourcing levels to be adapted appropriately and training to be carried out so that the McCloud remedy has no or little impact on other day to day processes and I would hope to see evidence of this through the ongoing monitoring of key performance indicators.

Final Thoughts

I want to say a huge thank you to the Pension Fund Committee, Pension Board, officers and other stakeholders of the Fund for continuing to make me extremely welcome, and for being so open and receptive to my many suggestions. I am delighted to have been reappointed as the Independent Adviser to the Fund and I look forward to continuing to work with everyone involved in the management of the Fund. 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 dedicated many hours to Fund business.

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About Aon

Section 6 - Pension Board Annual Report

Introduction

This is the fifth annual report of the Clwyd Pension Fund Board based on the financial year from 1 April 2019 to 31 March 2020.

Role and Membership of the Clwyd Pension Fund Board

The Public Service Pensions Act (PSPA) 2013 requires each Administering Authority in the Local Government Pension Scheme (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 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 (TPR), 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 Committee) (the decision-making committee for the Clwyd Pension 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.

We will 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 2019/20 is as shown in the table below. Paul Friday, one of our Member Representatives resigned from his role in July 2019 and we thank Paul for his contribution to the Board. Following an application and interview process Elaine Williams was appointed to replace Paul from October 2019 and we welcome Elaine to the Board. We were extremely pleased at the increased number of applications to join the Board and we thank all the applicants for their interest.

During 2019/20 we held three Board meetings (in July 2019, October 2019 and February 2020). At the October 2019 meeting, as part of our regular review of the Board's effectiveness, we agreed to extend the duration of meetings to ensure we cover all topics in sufficient detail and meetings are now scheduled for 4½ hours. It was the Board's preference to have longer meetings, rather than more frequent meetings. All meetings during 2019/20 were quorate. Attendance at the Board meetings during 2019/20 was as follows:

		July 2019	October 2019	February 2020
Mr Phil Pumford	Member Representative	✓	✓	✓
Mr Paul Friday (to August 2019)	Member Representative	✓	N/A	N/A
Mrs Elaine Williams (from October 2019)	Member Representative	N/A	N/A	x
Mr Steve Jackson	Employer Representative	✓	✓	✓
Mr Mark Owen	Employer Representative	✓	x	✓
Mrs Karen McWilliam	Independent Chair	✓	✓	✓

The meetings were also attended by the Board Secretary (The Head of the Clwyd Pension Fund) and Fund Officers who support the Board.
As members of the Board, we have all committed to following the requirements of the Fund's Training Policy which also ensures we meet the legal requirement to have the proper level of knowledge and skills to carry out our Board duties. We attended a range of events and training in 2019/20 to complement the induction training we undertake on appointment. In addition, we are invited to attend the Fund’s Committee meetings and their training events.
Our full record of attendance at those meetings, training and events is shown below:

Event	Mark Owen	Steve Jackson	Phil Pumford	Elaine Williams
Committees				
June 2019			✓	
September 2019	✓			
October 2019	✓			
November 2019	✓		✓	✓
February 2020			✓	✓
WPP Pension Board Meeting			✓	
CIPFA Framework				
Governance				✓
Investments & Accounting	✓			
Administration				✓
Additional & Hot Topics				
Annual Joint Consultative Meeting	✓	✓		
Investment Strategy	✓		✓	✓
Responsible Investing	✓			
Cash Management & Funding			✓	✓
LGA Fundamentals Day 1				✓
LGA Fundamentals Day 2				✓
LGA Fundamentals Day 3				✓
Conferences				
LGC Investment Seminar		✓		

What has the Pension Board done during 2019/20?

Our meetings include several standing items, including:

- latest 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.

We continue to focus on the administration of the Fund and have been delighted with progress in this area. Despite the difficulties in recruiting staff with pensions experience, the resourcing of the Administration Team has improved, and we were informed in July that the team were fully staffed. This was particularly pleasing for the Board given our focus on the issue of resources over recent years. Progress towards improved accessibility to pensions information by scheme members through greater digital engagement and communication through the Member Self-Service (MSS) facility has been positive. We have monitored closely the activity with employers on data improvement and we were pleased to see excellent progress including with the ongoing roll-out of the i-Connect system which has been integral to improvements in data quality.

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

- We engaged with Fund Officers on the development of the Fund's Business Continuity Plan. We monitored the practical activities being undertaken by the Fund to assist in the development of that Plan. We heard the success of a disaster recovery test day in February 2020 informing staff they could not have access to the office and were required to work from another location the following day. We were pleased to learn that only minor issues arose during the test day which was also a day when the pensioner payroll was being run. We also learned from the outcome of a bomb scare in the Council Offices which highlighted issues when staff were mid-way through processing a payment run. This is helping to inform the development of the Fund's Business Continuity Plan but, perhaps more importantly, this has assisted the Fund in responding quickly and extremely positively to the impact of the COVID-19 pandemic on providing a normal service to members and employers with all staff working from home.

- We continue to look for assurance on the management of cybercrime risk for the Fund's stakeholders given the continual changing environment in this area. In July 2019, Pension Fund Officers contacted Fund employers and third-party providers to ascertain if they have cybercrime insurance. Building on this engagement in October 2019 we requested that Fund Officers carry out further engagement with the Fund's main IT suppliers on this subject, given the risk to the Fund. At our February 2020 meeting we then considered a draft questionnaire for key suppliers including the pensions administration software supplier and the host authority, Flintshire County Council (the Council). The Fund Officers will be issuing this questionnaire to obtain information on both organisations' cyber security approach. The answers are to be used to assist the Fund in obtaining further assurances as to how both organisations manage cyber risk on their behalf.

- We received regular updates on the progress of asset pooling through the Wales Pensions Partnership (WPP) given the direct impact this can have on the Fund. Our focus remains on the governance of WPP and during the year we have closely monitored their activity in this area including the development of key policies and the WPP's Business Plan. By February's Board meeting we heard of a more positive position with good progress being made on the development of the WPP Business Plan and the expectation that it would be approved at the next Committee meeting. We welcomed greater positive engagement with WPP through the introduction of bi-annual meetings with Welsh Pension Board Chairs and the Host Authority. A report provided at our July 2020 meeting from the Chair of the Board from the first of those meetings (April 2019) and then from Mr Pumford in our October 2019 meeting (from the joint October 2019 meeting) included updates on governance related aspects of pooling. The area of Responsible Investment was reported to the Board during the year including the development of a WPP Responsible Investment Policy. High-profile developments that we received updates on from Pension Fund Officers included the impact of the Woodford case on Link Fund Solutions (as administrator to Woodford) and we have asked that regular updates on developments in these areas are provided.

- We added a standard item to our agenda during the year on the topic of the Guaranteed Minimum Pension (GMP) Reconciliation Project which could impact the amount of some pensions in payment. We were pleased with the progress made and the diligent approach taken through the reconciliation and rectification stages of the project. The Board recognised that the project, being supported by Equiniti, is particularly sensitive given the pensioner overpayment cases that are to be addressed. At our February meeting the Board agreed that they would support historical pension overpayments not being reclaimed.

- The Board asked to be kept updated on the potential impact of Brexit on the Fund and how any potential risk to the Fund was being managed. We received regular updates from the Pension Fund Officers and will continue to do so as the proposals for the future relationship with the EU (which needs to be agreed by 31 December 2020) evolve.

- The impact of the McCloud Supreme Court judgement on the Fund has been monitored closely by the Board with updates provided at each meeting. We have been keen to understand developments nationally and what impact that has on the Fund, including monitoring risks in this area on the Fund's Risk Register. We received an update about the impact of McCloud on the recent 2019 valuation as well as asking about queries from members on this topic. We have been pleased with the Fund's engagement on this issue and expect it to be a major project for the Fund throughout 2020/21 and 2021/22 as a minimum.

- A key area for the Board is assessing compliance with The Pensions Regulator's (TPR's) Public Service Code of Practice and during the year the Board reviewed the annual assessment of the Fund against the Code. We noted the positive improvement in that five areas moved from partially compliant to compliant in the latest assessment, and no areas had moved from being compliant to partially or non-compliant. The Board worked through the amber (partially compliant) and red (non-compliant) in detail with Fund Officers during the February 2020 meeting. We also acknowledge the expected changes in this area with a new TPR Single Modular Code expected later in 2020 to replace the existing Public Service Code of Practice.

- The Board continued to monitor topical developments and have taken a close interest in a number of areas during the year including the progress of the Scheme Advisory Board's (SAB) Good Governance Project, reviewing the findings of Phase 1 and Phase 2. In addition, the legal requirement for investment consultants to set objectives through the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 has been monitored by the Board.

The Board's budget and final spend for 2019/20 are summarised below:

Item	Budget 2019/20	Actual 2019/20	Variance
	£	£	£
Allowances and Expenses	2,136	321	(1,815)
Training	18,432	6,880	(11,552)
Advisor Fees	44,420	43,885	(535)
Other Costs	4,200	3,800	(400)
Total	**69,188**	**54,886**	**(14,302)**

What will the Pension Board do in the future (in particular in 2020/21)?

We have a number of items on our forward plan for 2020/21, 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 Board has agreed to be 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 Fund services for scheme members and employers.

- The impact of the COVID-19 pandemic on the Fund – this relates to the day to day operations of the Fund including communications with scheme members and employers, the financial impact on the Fund's assets and liabilities, and the potential that some employers may have financial problems impacting on the payment of pension contributions or even cease to exist. Given this is likely to go into 2021/22, the Board will be monitoring this both in relation to short-term adjustments but also longer-term plans.

- Membership of the Committee – including the potential impact of changes in membership, and ensuring quick and effective training is provided for new members.

- Ongoing further consideration of several of the areas noted above, including:
  - Business Continuity assessment and documentation through the Fund's Business Continuity Plan.
  - GMP Reconciliation Project progress and completion.
  - Cybercrime and the resilience of the Fund's systems.
  - Continuous monitoring of both the Administration Team and Finance and Governance Team resources, and monitoring how current resources are improving performance against service standards and Key Performance Indicators.

A budget for 2020/21 has been agreed as follows:

Item	£
Allowances and Expenses	2,058
Training	21,284
Advisor Fees	45,570
Other Costs	4,280
Total	**73,192**

Conclusion and final comments

In our view 2019/20 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 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

Mark Owen, Employer Representative

Clwyd Pension Fund Board

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

Section 7- Administration Report

Introduction

This report describes the way in which the Clwyd Pension Fund (the Fund) delivers its 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 members of the scheme.

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 33.5 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 and
- an Employer Liaison Team (ELT)

It is separate from the Finance Team which manages the Fund's investment portfolio and maintains the Fund's accounts.

The Operational Team delivers a pensions service for over 49,000 scheme members. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team implements and maintains the pension software systems, reconciles employer records and provides a pensioner payroll service for over 14,500 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 & Communications Team provides regulatory support to all stakeholders and a communication service for members and employers.

The Fund measures Value for Money by achieving its objectives set out in both the Administration Strategy and the Communication Strategy. This incorporates our Mission Statement, which is to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused, reputable and credible service to all customers. Value for money is also measured by utilising technology appropriately, and guaranteeing the administration of the Fund is achieved within budget in a cost effective and efficient manner. To successfully measure these objectives there is a robust Business Plan and Data Improvement Plan in place, incorporating a Risk Register and a Breaches Register. Progress updates on each of these are regularly reported to the Pension Board (the Board) and the Clwyd Pension Fund Committee (the Committee). The objectives within these strategies, such as methods of communication with our stakeholders, and quality of service, are detailed within this report.

Flintshire County Council (the Council) is required by law to administer the Local Government Pension Scheme (LGPS) in Flintshire. It is accountable to the Committee, the Board, participating employers, and scheme members. The responsibilities for scheme administration are met in-house by the Pension Administration Team based within the Chief Executive's Department within the Council. The Pension Administration Team functions include the collection of employee and employer contributions and member data from all Fund employers, the calculation of member benefits and payment of pension benefits to retired members, as well as looking after the benefits for deferred members who have not yet taken payment. The scheme not only provides pensions for members but also survivor benefits to spouses, civil and cohabiting partners and children.

Summary of Activity

In addition to this day to day work during 2019/20 the Pension Administration Team has been addressing a number of significant challenges as described below.

Guaranteed Minimum Pension (GMP) Reconciliation

The Government removed the status of contracted-out 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 would go to HMRC to get confirmation of the GMP amount on retirement. 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 will be on individual pension schemes to ensure that the contracting out and GMP data they hold on their systems matches up to the data held by HMRC. HMRC ceased to provide this service in April 2019.

Initial work identified that there were significant discrepancies between the sets of data held by HMRC and the Fund, and a significant amount of work has been undertaken to determine the correct benefits, ensuring all systems are updated and processing a number of over/underpayment calculations. As part of the reconciliation for former pensionable employees, the Fund must also ensure the accuracy of national insurance information held for active members. All GMP's and national insurance information must be reconciled by dates determined by HMRC.

This exercise was outsourced to a company called Equiniti and a close working relationship with the Administration Team has been developed. The reconciliation part of the exercise is now complete and extract files to update affected active and deferred member records are being uploaded to the administration system. Due to the complexity of the scheme and the impact of COVID-19, timescales were reviewed and the exercise is now due to be completed by the end of 2020. Monthly update meetings continue to be held in order to monitor progress of this project and any decisions needed in order to complete the exercise are reported during these meetings.

Local Government Association (LGA) Communications Working Group (CWG)

The Fund is a member of the CWG and meets other communication professionals from LGPS funds as a collaborative forum, on a quarterly basis, to develop items of communication primarily for scheme members in the LGPS. The group was created and is run by the Local Government Pensions Committee Secretariat (LGPC) (as part of the Local Government Association).

The CWG share knowledge and experience to then assist the LGPC secretariat in the development and provision of centrally devised communications resources. It is considered a strong example of collaboration in action across the LGPS.

The CWG priorities include the identification of best practice within pension communications generally and the LGPS specifically, exploring the areas where centrally produced communications would save individual LGPS funds financial resources and staff time.

Framework

The Fund, along with a number of other founder members have participated in a LGPS Framework working party. This has resulted in the successful launch of a procurement framework for Pensions Administration Software. This framework provides easy and efficient access to specialist providers who are best placed to deliver pensions administration software to support the LGPS (and wider public sector schemes). Using the National LGPS Framework complies with procurement regulations and will save the Fund significant time and money by allowing quicker and more efficient procurement of high-quality and value for money services when required.

General Data Protection Regulation (GDPR)

Since GDPR was introduced on 25th May 2018, stricter data compliance requirements and much higher fines for non-compliance have been in place nationally. To maintain compliance, the Council has implemented data breach handling procedures to comply with GDPR rules requiring the reporting of any serious data breach within 72 hours to the Information Commissioner's Office.

The Fund has a specified Data Protection Representative who is a member of the Council's Information Compliance Officers Group (ICOG). The representative attends quarterly meetings with these group members to discuss data protection issues. This includes issues such as: learning from previous breaches, pro-actively working towards preventing future breaches, and officially documenting privacy notices across all the Council Departments.

All staff members of the Pensions Administration Team have completed data protection online training and this training is renewed every 12 months as part of maintaining compliance.

COVID-19 Update

The coronavirus pandemic forced staff members to work from home and to make changes to processes ensuring service delivery was maintained. In December 2019 the Fund undertook a series of important steps including a full disaster recovery test, imitating a real life scenario and advising staff that County Hall was inaccessible. This included testing pension payments could still be processed, staff members had adequate equipment to work from home and procedural guidance notes were accessible on-line. All of this meant we were in a good position to deal with the impact of the pandemic at short notice.

All staff meetings and training sessions have continued via virtual methods. Adaptations to procedures such as accepting electronic documentation via Member Self Service (MSS) have contributed to ensuring a business as usual approach and avoiding any unnecessary delays in processing benefits.

New KPI Monitoring

The Fund is required to measure and report monthly performance on a regular basis in order to ensure timescales are being met, as set out in the Fund's Administration Strategy. The Fund currently measures 7 categories of workflow, incorporating the legal requirement, 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 has integrated a further 6 categories of workflow to report on as part of the monthly KPI monitoring.

The review also highlighted the impact that timely provision of data from employers can have on the Fund's capability to meet timescales. An additional measure has been developed to identify when employers have or have not met their Service Level Agreement (SLA) timescales and this is being rolled out in 2020/21. This measure will help the Fund and employers understand what is being achieved and also where improvements are required.

i-Connect

i-Connect is the facility used by employers which enables them to upload their member data to the Fund on a monthly basis. This includes the notification of new starters, leavers, name changes, address changes and job changes. i-Connect ensures timely and accurate data is provided to the Fund and replaces the requirement for employers to submit a year end return. The Fund successfully on-boarded the first employer to i-Connect in 2016 and has since been on-boarding employers in accordance with timescales set out in the administration business plan. Currently the Fund has 35 out of 48 employers live on I-Connect which covers 94% of the active membership. The target is to have all employers using I-Connect by the end of 2020.

Website regulations

Regulations have come into force that require public sector websites 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.

To ensure that the Fund's website is compliant with these accessibility regulations, our website should be compliant (or working towards being compliant) by 23/09/2020. At the very least, the Fund must have a website accessibility statement in place by this target date. The Fund is currently researching companies who perform website 'audits' and who are qualified to confirm our compliance with these regulations. Once a suitable company has been chosen and a contract is in place, we will work closely with the company to ensure we are compliant. It is anticipated that our website will still be a work in progress towards compliance by this deadline date but our accessibility statement will be in place by then.

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. A consultation was undertaken by Government in early 2019 which sought views on the potential phasing of the introduction of the pensions dashboards as well as how the architecture, funding and governance arrangements would work.

Member 1-2-1 Sessions

The 1-2-1 member sessions completed this year increased significantly compared to previous years' uptake. The sessions ran from September 2019 through to February 2020. The communications team met with 490 members across 16 employers, covering a mixture of active and deferred member records. The 1-2-1 sessions will continue to be an annual occurrence moving forward.

Other Expected National Changes

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.

McCloud 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 Government is consulting on exactly what changes need to be made to remove the discrimination from the LGPS. If scheme members qualify for protection it will automatically be applied and they do not need to claim.

From an administrative perspective the impact of the court case is likely to result in a change to how benefits are calculated going forward and may also impact a small number of 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 and administration budget requirements to implement the remedy will be substantial.

£95k Exit Cap

This proposal has now been consulted on with the intention of limiting the amount of lump sum payments paid to public sector workers on termination of employment to £95k. It is not yet known if this will definitely impact all local authorites and other public bodies in Wales. However, if implemented within the LGPS it is expected to include the value of the "strain on the Fund" where a scheme member is paid a pension with any reduction for early retirement effectively being waived. This would primarily impact on members where a termination of contract has occurred with the ability to receive a full unreduced pension, often alongside a redundancy payment.

This would be likely to result in a major communication exercise for the Pensions Administration Team advising scheme members and employers of the changes. It will also be likely that changes to current processes and the administration system would be required.

GMP Equalisation

A recent high court judgement has been made on GMP equalisation. The impact on the LGPS remains uncertain but it is likely to result in additional costs to the Fund due to increases in the indexation of pensions to remove the inequality between males and females. If recalculation of pensions already in pay is required, there is a risk that this could result in significant work for the Pension Administration Team.

Looking ahead

Communications and Administration Strategies

Our Communication Strategy follows Regulation 61 of the LGPS Regulations 2013 and has been updated this year following consultation with employers in the Fund, scheme member representatives, Board members and other interested stakeholders. The policy outlines the type of communications the Administering Authority would like to provide to scheme members, scheme employers and prospective scheme employers, the Committee, 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.

The Communications Team attend a regional communication group on a quarterly basis, to ensure continuity and share ideas about the development of communication for the scheme members. The All Wales Communications Group has also seen meetings resume in March of 2020. The LGA also hosts a national communications group (CWG) of which the Fund is a member.

The Administration Strategy ensures that both the Administering Authority 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.

The Communication Strategy and Administration Strategy are available on the Fund's website. The strategies were reviewed in 2019 and will not be revisited again until September 2022 (as they are reviewed triennially) unless any fundamental elements change in the meantime that warrant an amendment to the current versions.

As part of these Strategies, Employer Compliance Statements (ECS) were introduced in February 2019. The ECS is an additional checklist for employers to complete when supplying year-end data to the Fund. This is to ensure employers have clarification on their responsibility for supplying correct and verified member data. Since the introduction of the ECS, they have now been adopted as part of the normal year-end process and all employers are responsible for completing and supplying a completed statement to the Fund each year.

Employer Liaison Team (ELT)

Recognising the continuing pressure on resources and budgets for employers and the Administering Authority, the Fund offers assistance to employers in providing accurate and complete notifications to the Fund (and other employer duties) in a timely manner. The ELT mainly assists in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS by extracting the data from the employers' payroll systems. It undertakes outstanding requests for information in order to cleanse pension records and, through individual agreements, can assist with project work such as retrospective changes to the regulations. The ELT is monitored and progress reported on a regular basis. All costs are met by the employers through their employer contribution rate, based on a case reporting process.

Cyber Security

The Fund has strong internal controls in place to ensure the security of the personal data it holds. Systems, processes, and people are all used to build cyber resilience.

With large volumes of personal and financial data processed within a relatively less sophisticated security environment by comparison to other financial institutions, pension schemes are an increasingly attractive target for cybercriminals. LGPS funds predominantly rely on the processes and security of their parent local authorities due to the IT systems sitting on the local authority infrastructure. The Council currently has a programme of work considering the risk of cybercrime. It is planned that the Pension Administration Team will be part of this work and expand it as required, to give appropriate assurances on the security of the pension systems and a better understanding of any ongoing work required to ensure the appropriate level of security is in place.

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) now has oversight of the LGPS. The Fund measures two types of data; common and scheme-specific data. When the Fund takes measurements of both types of data, it checks that the data is present and accurate. An annual data score is required by TPR from the Fund in respect of common and scheme specific data, and a calculation is carried out to determine the data score, based on the percentage of members that have fully present and accurate common and scheme specific data. The Fund’s data quality was measured in 2019/20 and the scores are 97.4% for common data and 97.2 % for scheme specific data.

A data improvement plan has been put in place and sets out the steps that the Fund will be taking to ensure that the data is present and correct. Reviewing the plan regularly will ensure that objectives are met and will help towards the improvement of the Fund’s data scores.

Member and Employer Feedback 2019/20

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 2020 and 2019 are shown in the table below.

The Fund…..		2019	2020	Target
Administration	… offers documentation, guidance and information in a professional manner?	81.4%	94.0%	90%
	… is proactive in its approach to provide a service to members?	70.1%	87.6%	
	… gives an appropriately timed service with regular updates?	65.9%	83.9%	
	… is customer focused and meets the needs of its members?	70.1%	87.2%	
	… has provided a high quality service throughout to its members?	69.0%	86.0%	
Communications	… promotes the scheme as a valuable benefit and provides sufficient information so you can make informed decisions about benefits?	65.9%	82.2%	
	… communicates in a clear and concise manner?	64.9%	84.9%	
	… uses the most appropriate means of communication?	72.1%	86.2%	
Employer Survey	...offers documentation, guidance and information in a professional manner?	100%	100%	90%
	...is proactive in their approach to provide a service to employers?	87.5%	93.3%	
	...gives an appropriately timed service with regular updates?	87.5%	100%	
	...is customer focused and meets the needs of its employers?	87.5%	100%	
	…has provided a high quality service to you in your role as employer?	87.5%	93.8%	
	... ensures you are aware of your LGPS employer related roles and responsibilities for the administration of the Clwyd Pension Fund?	75%	93.8%	
	… communicates in a clear and concise manner?	100%	93.8%	
	… uses the most appropriate means of communication?	100%	100%	

As a result of the feedback from the survey which was carried out in April, the Fund is sending out more communications to members which will keep them up to date with scheme changes, along with reviewing the language being used.

Some Member Survey comments:

"Having retired abroad I have found the MSS very helpful."

"A good professional service is offered which is always very informative"

"I have always found the service to be approachable, informative and thoroughly professional."

"The website is easily accessible and user-friendly. Queries are dealt with in an efficient and timely manner. The process for re-setting passwords / dealing with access issues is straightforward and easily achieved."

Use of Technology

Clwyd Pension Fund Website

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

During 2020/21, the review of the Fund's website will continue. This will ensure that the website is continuing to adhere to national standards regarding accessibility.

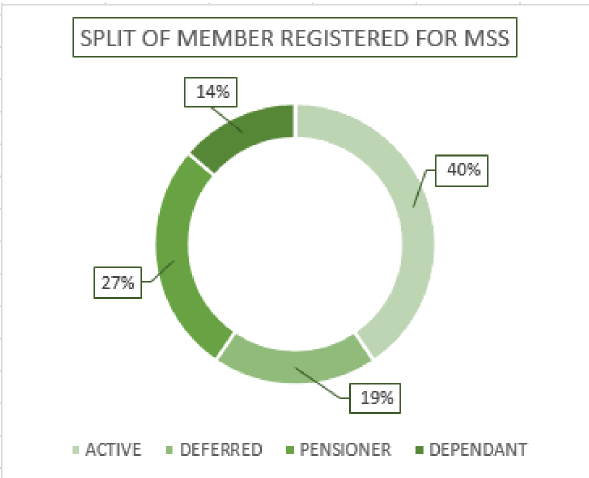
Within the website there are multiple sections to help users navigate their way around and to find the information which they are looking for. Users are able to download scheme literature and forms from the website. All policies, strategies and information on the investments of the Fund are also available.

Member Self Service (MSS)

MSS has been available to scheme members since 2017. It allows members to log into a secure web area to view the information which is held on their account.

The facilities available to our members include:

- updating personal details
- running estimates for retirement using their chosen retirement dates
- updating their death grant expression(s) of wish, and
- viewing all member specific documents

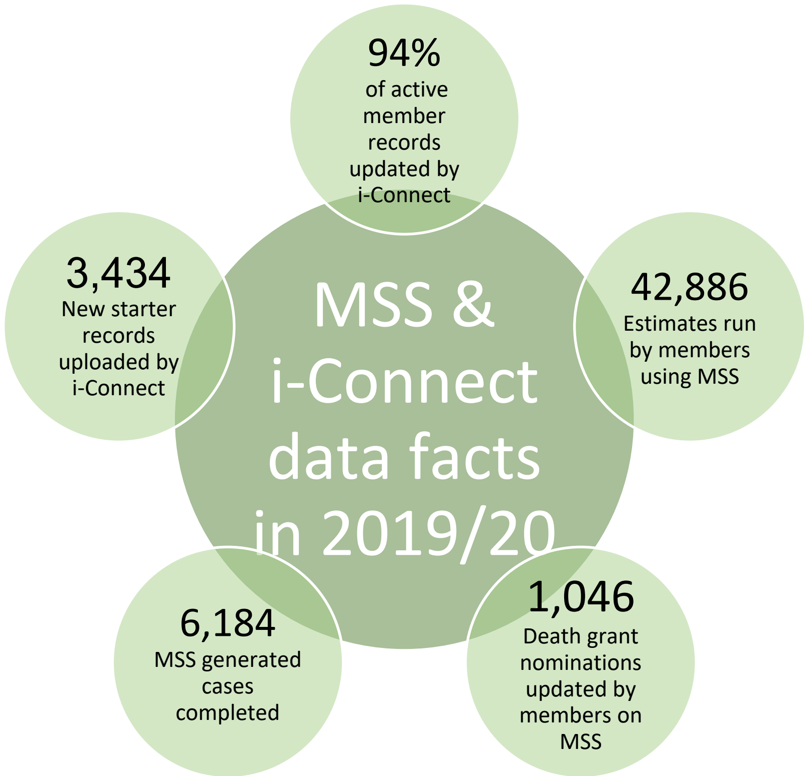


Members who use MSS receive their correspondence electronically, automatically uploaded to their account. They are notified by email each time information is uploaded.

i-Connect

The Fund continues to use the electronic data system i-Connect for working with employers, with the first employer going live in 2017. The system transfers member details from their employer's payroll system directly to the Fund's pension administration system on a monthly basis.

The Technical and Payroll and Regulations and Communications teams liaise with employers to ensure their data is of good quality, accurate and completed in a timely manner. The Fund provides training to any new employers who wish to supply their data through the i-Connect system.



Complaints Procedure

The complaints procedure is officially known as the Internal Dispute Resolution Procedure (IDRP) and the procedure is outlined in regulation 72 of the Local Government Pension Scheme (LGPS) Regulations 2013.

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 Pension Advisory Service and then onto the Pension Ombudsman. The table below summarises the IDRP requests the Fund received in 2019/20 and their outcomes:

2019/2020	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	**9**	**1**	**4**	**4**
Stage 1 - Against Administering Authority	**2**	**0**	**2**	**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

Scheme Membership details

Details of the number and type of employers and of new pensioners during 2019/2020 and member trends may be seen below.

Summary of Employers as at 31st March 2020

Employers	Active	Ceased	Total
Scheduled bodies	31	20	51
Admitted bodies	17	15	32
Total	**48**	**35**	**83**

51	**32**	**83**
Scheduled Bodies	Admitted bodies	Total

2019/2020 New Pensioners

Retirement Type	Number of Cases
Ill Health	31
Early	621
Normal Retirement Age (NRA)	8
Late	87
Redundancy/Efficiency	55
Flexible	31
Triv Comm	69
Total	**902**

Member Trends:

Year	Contributors	Deferred Members	Pensioners	Dependent Pensioners	No. of Enhanced Benefits (Other)	No. of Ill Health Enhanced Benefits
2015/16	15,989	10,271	9,862	1,616	111 Members	18 Members (tier 1 only)
2016/17	15,748	15,679	10,314	1,671	62 Members	27 Members (tier 1 only)
2017/18	16,543	17,822	10,596	1,700	63 Members	34 Members (tier 1 only)
2018/19	16,528	18,583	11,249	1,732	64 Members	15 Members (tier 1 only)
2019/20	17,211	17,745	12,751	1,988	54 Members	18 Members (tier 1 only)

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.

	2019/20	2018/19	2017/18	2016/17	2015/16
Amounts under £100	4,435	6,270	6,164	4,694	6,062
Number of cases	129	154	150	109	146
Overpayments Recovered	29,277	39,685	51,265	30,095	28,126
Number of cases	76	90	102	81	77
Overpayments Written Off	0	2,742	990	1,741	1,284
Number of cases	0	4	3	5	5

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 is developing further measurements of service provision in order to increase the transparency of performance. All seven areas have seen a noticeable improvement in completion within target dates this year. The KPI requirements can be found in the Fund's Administration Strategy.

Process	Legal Requirement	No. 2019/20	% 2019/20	CPF Administration element target	No. 2019/20	% 2019/20
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	3363	50%	15 working days from receipt of all information	3363	97%
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)	1779	94%	15 working days from receipt of all information	1779	60%
Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request	224	68%	20 working days from receipt of all information	224	82%
Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate)	369	99%	20 working days from receipt of all information	369	92%
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 [4]	1330	75%	10 working days from receipt of all information	1330	95%
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	1005	99%	15 working days from receipt of all information	1005	88%
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)	165	75%	15 working days from receipt of all information	165	52%

Other performance information

Full time equivalent staff in the Pension Administration Team	Total Fund members	Ratio of staff to members of Fund	Average cases completed per total members of staff
33.5	49,695	1:1483	824

The total number of cases completed annually continues to increase. This has had 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 levels do not drop. 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 2019/20

Case Type	Cases
New Starters	3,010
Address changes. Inc. MSS	1,679
Defers	1,400
Refunds	919
Retirements (all types)	1,408
Estimates (all types)	995
Deaths (deferred, active and pensioners)	462
Transfers In	196
Transfers Out	311
Divorce Quote	84
Divorce Share	5
Aggregation	896

2018/19

Total cases completed

25,100

2019/20

Total cases completed

27,589

Contact Details

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

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Section 8 - Actuarial Funding and Flightpath Report

An update from the Actuary

I am delighted to provide my update from an actuarial perspective on the activities of the Clwyd Pension Fund (the Fund) during 2019/20. As the Fund's Actuary, I provide advice to the Fund and its employers in relation to managing and monitoring the many financial and demographic risks they face. I also have a specific role in guiding the overall direction of the Fund via my seat on both the Advisory Panel (the Panel) and the Funding and Risk Management Group (FRMG). The Panel provides an opportunity for all of the Fund's professional advisors to collaborate, in conjunction with the Fund Officers, to help the Fund achieve its long term objectives. The FRMG is established to specifically manage the Flightpath Strategy and the group has continued to provide strong oversight of the framework to support the long term objectives of the Fund. In particular the response to the COVID-19 pandemic has been excellent, meaning that there has been no impact on the Fund’s operation despite the major challenges of working remotely. This is testament to the governance and oversight of the Fund and in particular the work of the Officers.

2019 Actuarial Valuation

The Fund's triennial Actuarial Valuation took place with an effective date of 31 March 2019. This gave us the opportunity to review the financial health of the Fund and refresh the objectives. These objectives are set out in the Funding Strategy Statement. The outcome of the valuation is to set employer contribution levels for the period 1 April 2020 to 31 March 2023 and these contributions are set out in my formal Actuarial Valuation Report.

In assessing these contribution levels, I considered the experience of the Fund since the previous valuation (including demographic factors such as changes in life expectancy and changes in the membership profile). I also utilised the employer risk management framework set up by the Fund, which considers an employer’s ability to support their obligations to the Fund by reviewing their covenant. The results of the valuation showed a major improvement in the funding position from 76% to 91%, which is testament to the work carried out by the Fund and is a reflection of the work of the Flightpath Strategy framework that has provided greater certainty of funding outcomes. This improvement allowed us to reduce the overall average employer contributions required based on a reduced average period over which deficit contributions are paid into the Fund from 15 years to 13 years.

Overall, positive feedback was received from employers on the process and the eventual outcomes in terms of the balance between the affordability of contributions and the long term financial health of the Fund. My valuation report was signed off as at 31 March 2020 which coincided with the early stages of the COVID-19 pandemic and the associated uncertainty in market and economic outlook. I discuss this further below.

Following the completion of the valuation process, the Government Actuary’s Department (‘GAD’) will carry out a review of the actuarial valuations of LGPS funds as at 31 March 2019 pursuant to Section 13 of the Public Service Pensions Act 2013. The GAD will compare a number of key factors, including the assumptions and recovery periods adopted, and funding levels and contribution rates reported. The results will be published once the review is complete.

The Impact of COVID-19

The uncertainty surrounding COVID-19 triggered the most significant fall in domestic and overseas equities since the global financial crisis of 2008, although we have seen some recovery at the time of writing my statement. Whilst the Fund has equity protection in place, the funding level has still been impacted by the volatility that COVID-19 has produced.

The potential impact of COVID-19 is creating a lot of uncertainty and the long term economic impact will have a number of consequences which need to be managed effectively. As well as the potential impact on the financial health of the Fund, it has the potential to affect the Fund's operational arrangements (especially given the need to work remotely) and the affordability of contributions for employers.

While LGPS Funds are long term investors, the COVID-19 impact needs careful management and collaboration between the employers and the Fund.

The response to the crisis by the Fund officers has been excellent and there has been no impact on the running of the Fund. This is testament to the governance structure in place and I am confident that the strong oversight this provided means we are well placed to navigate the uncertainty and challenges that come from COVID-19.

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

Over most of the 2019/20 accounting year, the level of risk hedging (the "hedge ratio") within the framework did not change as the 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 various triggers built into the Flightpath Strategy were reviewed alongside the Actuarial Valuation and will continue to be reviewed in light of the impact of COVID-19.

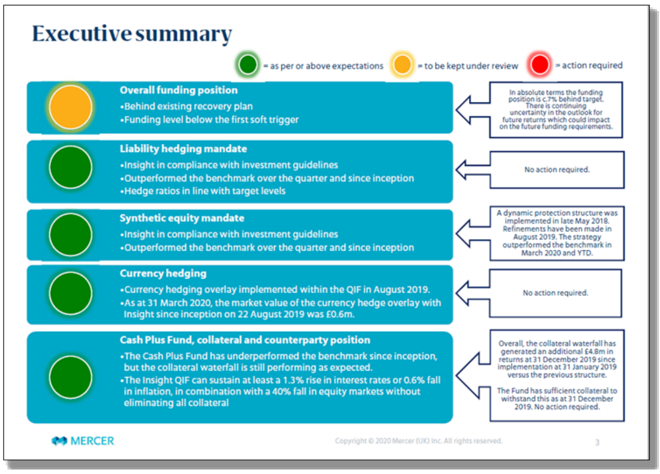
However, in September 2019, the Government announced that the Retail Prices Index (RPI) should be reformed to the lower CPIH inflation measure (Consumer Price Index with owner occupiers' housing costs included) and a consultation was announced on 11 March 2020 as part of the Budget. The consultation is expected to close in August 2020 with an announcement due in autumn 2020. This potential RPI reform poses a risk to the value of the Fund's holdings of inflation-linked assets as part of the

Flightpath Strategy framework. The Fund therefore decided during early 2020 to reduce the inflation exposure by 50% on a temporary basis to partly mitigate this risk. Retaining some inflation exposure protects an unanticipated increase in inflation up to the finalisation of the RPI reform, which could have a detrimental effect on the funding position.

Primarily as a consequence of the impact of COVID-19 and the substantial market falls, the funding plan was behind the target set as part of the 2019 valuation as at 31 March 2020. Overall, using consistent actuarial assumptions, the funding position was estimated to be 85% as at 31 March 2020 which was 7% behind the expected funding level under the new deficit recovery plan. The funding position has improved since 31 March 2020 due to markets improving. As at 31 May 2020, the funding position had improved from 85% to 89%.

The Fund is also in a relatively unique position compared to some other pension funds as the Flightpath Strategy has provided protection due to the level of risk hedging in place. This will help provide more certainty in funding and contributions in the long term. In particular, the equity protection element of the Flightpath Strategy, remained in place throughout the year and beyond in order to protect the Fund and employers and this offset some of the market impact of the pandemic.

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 2020 is shown. It can be seen that all aspects were in line with expectations apart from the funding level.



Changes in the Equity Protection Strategy and Currency Hedging Framework

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 Protection 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.

From 1 August 2019, the Fund increased the equity protection levels of Flightpath assets by 5% in order to further reduce the likelihood of contribution increases in the future. The strategy now protects against falls of 10% or more of the average market position over the previous 12 months. The equity protection structure and cost will continue to be monitored in light of COVID-19.

Currency risk is a risk to the Fund and a strengthening pound would have a detrimental impact on the Fund's deficit, as overseas assets would be worth less in sterling terms. The Fund therefore implemented a currency hedge on part of the equity portfolio with effect from 8 March 2019. This provided the Fund with broadly a 50% strategic hedge ratio.

During August 2019, it was decided to further increase the overall currency hedge to 75% until the outcome of Brexit is clearer.

What are going to be the biggest challenges during 2020/21?

As well as the challenge of dealing with the ongoing implications of the COVID-19 pandemic there are a number of other challenges that the Fund will need to navigate. We mustn't forget that Brexit is on the horizon which will no doubt throw up further challenges depending on the outcome.

McCloud judgment remedy

The McCloud judgment in the LGPS refers to the legal decisions in the Sargeant/McCloud cases for the Fire and Judiciary pension arrangements. The Court ruled that transitional protections afforded to older members when these schemes were amended constituted unlawful age discrimination. Remedial action, in the form of benefit changes for these schemes will therefore be required. Given that the LGPS also put in place protections for older members as part of the 2014 reforms, a remedy will also be required for the LGPS. Once implemented, the McCloud impact is likely to put significant strain upon the administration teams across all funds.

Although the remedy is not known yet, the vast majority of the Fund's employers included a provision for the potential McCloud cost within their certified contributions from 1 April 2020. The timescale for implementation of the remedy is currently unknown for the LGPS. A consultation will take place over the summer of 2020 and an assessment of the financial and operational impact will be needed with consideration as to whether the allowance made in the valuation is adequate.
Whilst we would not expect to change contributions until the next valuation for those employers who made an allowance at the valuation, we will notify employers of the impact (if any) of the final remedy. For those employers who did not make an allowance, consideration will be given to the cost being allowed for in the required contributions.

Regulation changes

We are also expecting a number of regulation changes to take place over 2020, including:

- The ability to review employer contribution rates in-between valuations is expected to be introduced in certain circumstances which will be important for managing the current uncertainty
- The introduction of a ‘deferred employer’ status that would allow employers to defer the triggering of an exit payment by remaining in the Fund with no employees earning further benefits.

The Fund will update the Funding Strategy Statement to reflect these changes when they are implemented.

Despite the big challenges outlined in my statement, I remain confident we are well placed to navigate them in the best way possible by reacting to the ever changing circumstances over the year.

Paul Middleman FIA
Fund Actuary

Section 9 – 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 2019/20. 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, which has been updated as part of the Investment Strategy Statement review that has been undertaken and concluded in the year. The revised 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. To ensure that the Fund is addressing the issues of being a Responsible Investor, the policies in this area were reviewed at the same time as the Investment Strategy. There is a separate section later in this report that addresses the revisions to the Responsible Investment Policy.

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.

The year was dominated by the impact of the COVID-19 crisis on the final three months. Market volatility reached levels never before seen, surpassing those witnessed in the 2008/09 Global Financial Crisis. Significant falls in global markets resulted and uncertainty around the long-term economic outlook resulting from lockdowns seen across the world have affected the Fund in a number of ways. Whilst the Fund has a Risk Management Framework in place, which has protected to an extent, there is no avoiding the longer-term impact of COVID-19. This report and the report of the Fund's Actuary and Risk Management adviser addresses the issues in some detail.

Market Commentary

Following a strong 2019, investment markets started 2020 with the worst quarter since the end of 2008, as the global economy went through an unprecedented synchronised shutdown in light of the COVID-19 crisis.

Over 2019, the global economy continued its expansion, led by the US, which saw a tightening labour market, rising wages and consumer confidence, fuelled by the business-friendly stance of the Trump administration even though trade tensions took some toll on business confidence. Japan, the UK and continental Europe saw more measured growth even though economic data from continental Europe over the year has been hinting at a continued slowdown. In the UK, the outcome of the 2019 election was well received by markets, though uncertainty over how Brexit proceedings will unfold still remains. Headwinds for emerging markets began to soften in early 2019, with improvement on the trade front. In Quarter 1 2020, however, the global economy entered what is expected to be the most severe downturn since the Great Depression while oil prices collapsed simultaneously as a price war between Russia and Saudi Arabia escalated while global demand collapsed simultaneously. Unprecedented monetary easing and fiscal programmes not seen since World War II cushioned the blow somewhat.

Quarter 2 2019 was volatile but global equity markets ended the quarter on a positive note in both US Dollar and sterling terms. Quarter 3 2019 saw a sell-off during August 2019 amid global slowdown fears as well as continued trade tensions. The correction was not as severe as in late 2018 and global equity markets recovered in the end, finishing the third quarter pretty much flat in US Dollar terms but positive in sterling terms. Equity markets then rallied in the fourth quarter as progress on the trade front, as well as the prospect of prolonged easy monetary conditions on a global level, lifted sentiment. Unhedged UK investors saw most of these gains offset by the strong sterling appreciation, which accompanied the outcome of the December 2019 General Election, which was generally well received by markets. The COVID-19 pandemic which originated in China in December 2019 and started to spread globally from the second half of the first quarter of 2020 prompted governments to shut down entire countries including the US, UK and most of Europe. The abrupt halt in business activities and collapse in corporate earnings prompted investors to flee equity markets and shift into safe haven assets with the result being the worst equity sell-off since 2008 even though sterling weakening against US Dollar offset losses somewhat for unhedged UK investors.

Bond markets performed well in 2019 in both US Dollar and sterling terms amidst more dovish central bank rhetoric and a cutting cycle initiated by the Fed that continued up to the end of the third quarter of 2019. Unprecedented monetary easing measures across the globe with the Bank of England cutting the benchmark rate to 0.1% on 19 March 2020 and reinitiating quantitative easing led to a government bond rally in the first quarter of 2020 as yields fell to the lowest level in history across the globe. Amidst the general market volatility the uncertainty about the future of RPI has been weighing on the index linked gilt market. It is difficult to isolate the impact of the uncertainty around RPI from general market uncertainty, such as the potential deflationary impact of COVID-19 or the potentially inflationary impact of monetary easing. Inflation linked government bonds globally have fallen in value relative to nominal assets. A consultation on the future of RPI was launched in March 2020 and whilst some market participants took heart in that it recognised that converting RPI to CPIH would have an impact on index linked gilt holders, the general consensus appears to remain that RPI will converge to CPIH from 2025 or 2030 without any spread adjustment being applied to compensate index linked gilt holders (and other recipients of RPI linked payments). The findings of the consultation and a decision from the government are expected later this year.

UK Property saw moderate returns relative to other risk assets over 2019 but the market was severely impacted by the COVID-19 crisis in March 2020, with heightened market volatility leading to material uncertainty clauses being added to valuations at the date this report is written. In-line with other risk assets, property values experienced significant falls over the first quarter, with buildings let to non-food retail, hotels and leisure tenants worst affected, while those with long-term secure income proving more resilient thus far.

At a global level, developed markets as measured by the FTSE World index, returned -6.0%. Meanwhile, a return of -13.0% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned -8.0% 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 -18.5%. The FTSE USA index returned -2.3% while the FTSE Japan index returned -2.1%. The considerable underperformance of UK equities is attributed to the index's large exposure to oil, gas and basic materials.

Equity market total return figures are in Sterling terms over the 12-month period to 31 March 2020.

UK Government Bonds as measured by the FTSE Gilts All Stocks Index returned 9.9%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of 17.6% over the year as the longer end of the nominal yield curve fell by more than the shorter end. The yield for the FTSE Gilts All Stocks index fell over the year from 1.36% to 0.66% while the Over 15 Year index yield fell from 1.48% to 0.75%.

The FTSE All Stocks Index -Linked Gilts index returned 2.2% with the corresponding over 15-year index exhibiting a return of 2.0%. Falling inflation expectations offset falling nominal yields to an extent, cushioning the fall of real yields somewhat which explains the underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 1.7%.

Bond market total return figures are in Sterling terms over the 12-month period to 31 March 2020.

UK property investors continued to benefit from the improving property market. Over the 12-month period to 31 December 2019, the IPD UK All Property Index returned 2.11% in Sterling terms. Of the three main sectors of the UK Property market, 2 sectors record positive returns and one shows negative over the period (retail: -6.42%; office: 5.02%; and; industrial 7.24%).

The price of Brent Crude Oil fell 67.0% from \$ 68.55 to \$ 22.60 per barrel over the one-year period. Over the same period, the price of Gold increased 24.4% from \$ 1295.72 per troy ounce to \$ 1612.10.

The S&P GSCI Commodity Spot Index returned -38.1% over the one-year period to 31 March 2020 in Sterling terms.

Over the 12-month period to 31 March 2020, Sterling depreciated by 4.8% against the US Dollar from \$1.30 to \$1.24. Sterling depreciated by 7.2% against the Yen from ¥144.23 to ¥133.86. Sterling depreciated against the Euro by 2.6% from €1.16 to €1.13 over the same period.

Clwyd Pension Fund Investment Performance 2019/20

Due to the market falls as a result of COVID-19, the Fund's return was negative in the year, with an overall return of -5.1% for the twelve months, behind the Actuary's long-term return assumption of CPI +2.75%, as quoted in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS).

The return of -5.1% compared with a composite benchmark (of the underlying manager benchmarks) of -1.0% and a composite target of -0.7%. Whilst the returns for the year were below the required rate, with the impact of the first quarter of 2020 being significant, it remains appropriate to see this in context of the longer-term performance. Over five years to the 31 March 2020 the Fund achieved a return of +4.8 per annum compared with a composite benchmark of +4.6% per annum. This performance is also well ahead of the Actuarial target of CPI +2.0%.

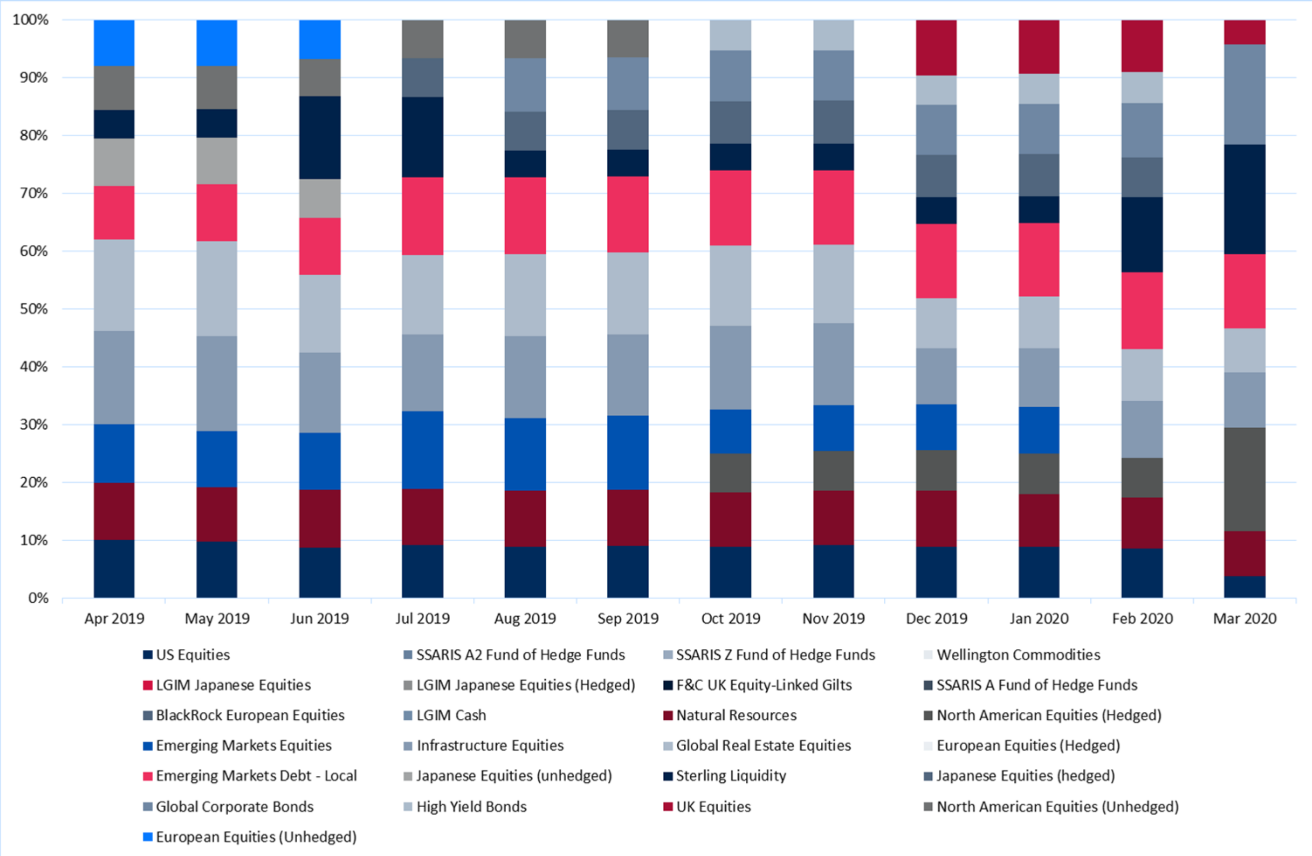
The Equity portfolio that includes Global and Emerging Market Equity exposures returned -10.4% with the market volatility and falls in market values in the last quarter of the financial year resulting in poor performance in both areas. Both Wellington Emerging Markets Core and Local portfolios underperformed their targets over the 12 months. Both of the Fund's Global Equity managers outperformed their targets during the year, however given the market conditions this both meant negative absolute returns. The Russell WPP Global Opportunities Fund returned -4.7%, and the BlackRock World Multi-factor Equity Fund returned -8.2%, compared to their targets of -4.8% and -8.5% respectively.

The Multi-Asset Credit (MAC) portfolio produced a negative return of -10.5% underperforming its target. This portfolio was due to transition to the WPP MAC portfolio in January 2020, however due to the COVID-19 related volatility in markets it has been postponed. At the time of writing, it is due to transition at the end of July 2020.

The Private Credit managers; BlackRock and Permira manage North American and European portfolios respectively, and have continued to commit during the year. Whilst it will take some time to drawdown the full commitment, and the COVID-19 pandemic is likely to see a pause in investments being made, the performance of the portfolios during 2019/20 was affected by the pandemic with values being written down in the final quarter. However, due to positive returns in the previous three quarters the total return for the year was positive at +0.2%.

In a year which saw significant volatility in the first quarter of 2020, the two elements of the Tactical Allocation Portfolio both suffered; at a headline level there was performance of -5.1% which was under the benchmark. However, the portfolio (before the strategic review) comprises two elements; a Diversified Growth Portfolio, which returned -6.1% and a Best Ideas Portfolio that produced a return of -4.2%. Within the Diversified Growth Portfolio, both of the managers underperformed their benchmarks; Investec had a negative return of -9.9% and Pyrford returned -2.3%.

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.



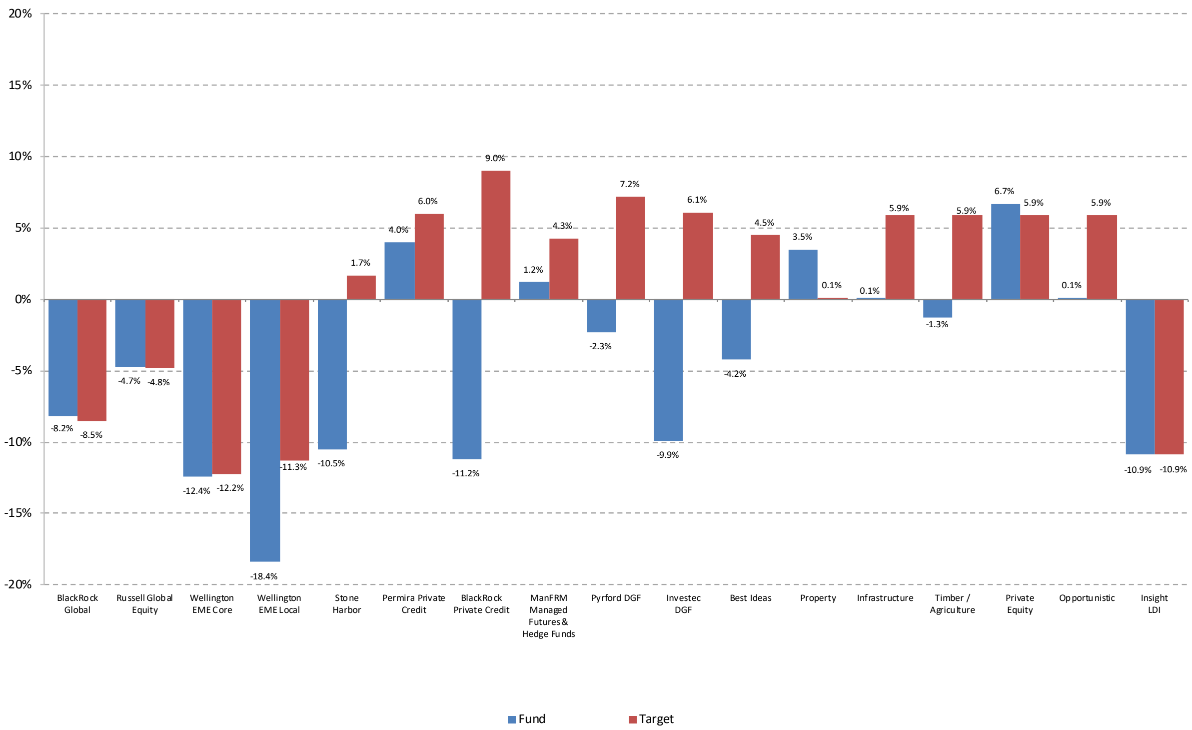
The chart demonstrates the diversified nature of the holdings within the Best Ideas portfolio, which has included regional Equities, Commodities, Corporate Bonds and High Yield US Debt as well as liquid alternatives in the form of listed Infrastructure and Global REITS. It also shows how the underlying 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 has been particularly helpful in February and March 2020 as market volatility and falling valuations hit all investors.

The Managed Account Platform with MANFRM contains a Managed Futures & Hedge Funds portfolio, which produced a positive absolute return of +1.2% 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.

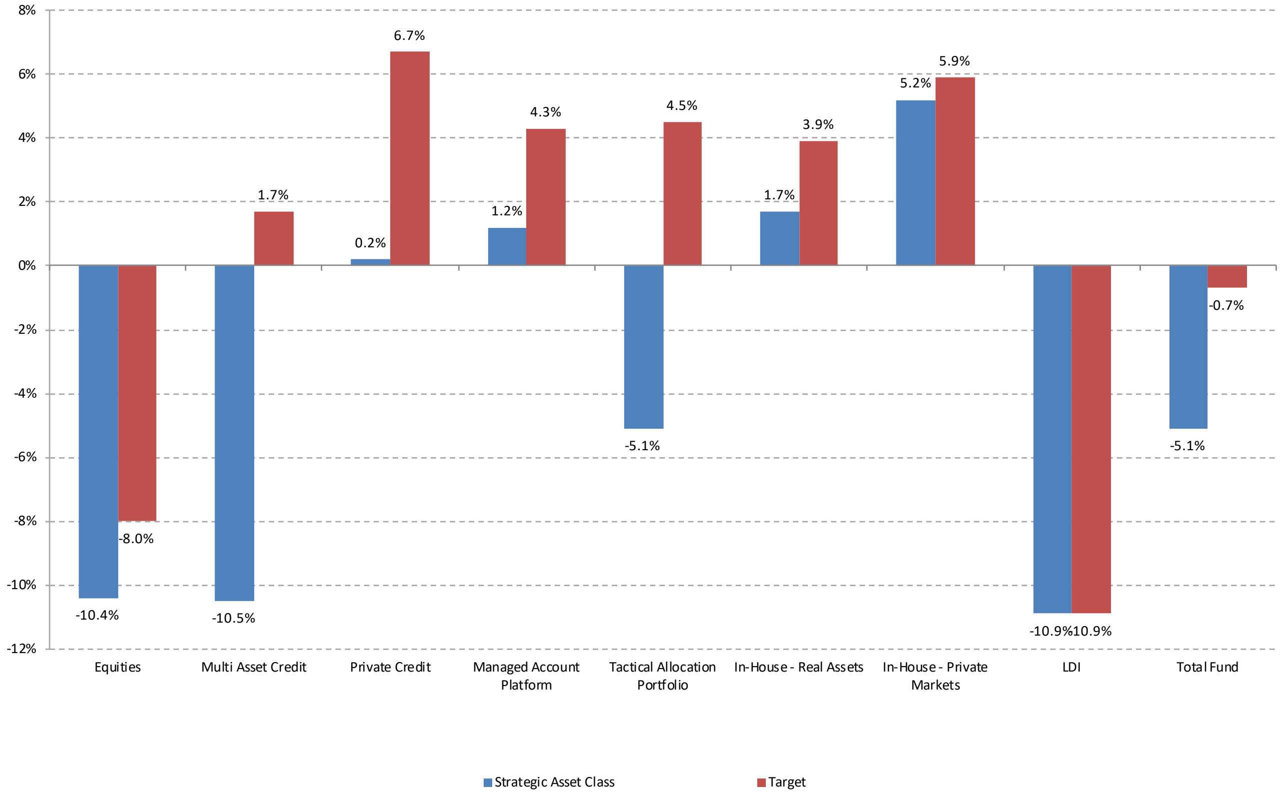
In the 12 months under review the internally managed private markets assets achieved a strong positive return of +5.2% and the Real Assets portfolio +1.7%. Valuations of these “Alternative assets” were affected by the impact of COVID-19, however at this stage the impact seen is less dramatic due to the illiquid nature of the assets. . Within the Private Markets portfolio Private Equity performed best returning +6.7%.

The Liability Driven Investment portfolio (a key component of the Flightpath/De-Risking Framework) which consists of regional synthetic Global Equities, Gilt and inflation exposures (as well as equity protection and currency hedging strategies) returned -10.9% in 2019/20. However, the performance of this portfolio over the short term is less relevant due to its risk management characteristics. The performance of this portfolio (renamed Cash and Risk Management Framework in the strategic review) in the period was also skewed by the exposure to Global Equity. Whilst the risk management elements of the portfolio performed as expected and managed the fund’s risks, the dramatic fall in equity markets in February and March 2020 resulted in the overall fall in values.

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 2019/20

The market conditions for the first nine months of the year were beneficial for investors, and the Fund benefited from these strong investment markets. The Fund saw positive returns across most asset classes, and the market value of the Fund was just over £2.0 Billion at 31 December 2019. However, in February and March 2020 markets suffered significant falls as a result of COVID-19 concerns and global lockdowns. Volatility in markets was recorded at even higher levels than the Global Financial Crisis in 2008/09, and as a result, the total Fund return was -11.2% for the quarter ending 31 March 2020.

As a result the performance of the Fund for the twelve months under review was -5.1%. Since late March 2020, financial markets have moved into positive territory and the Fund's returns have moved in a similar way.

The Fund's focus on risk management has been beneficial during the year when comparing to other LGPS Funds with an investment strategy more heavily weighted to Equities. It is important to bear in mind that the Fund is investing for the long term and has a diversified portfolio, which aims to achieve a targeted balance between return and risk. However this is not to say that we are not cognisant of shorter term market conditions – as commented in previous years the Fund's Best Ideas Portfolio (within the Tactical Allocation Portfolio) is evidence of this.

Investment Strategy

The Fund's Investment Strategy was reviewed in conjunction with the Actuarial Valuation in the year, with the final strategy being approved for consultation by the Committee in November 2019. In reviewing the Fund's Investment Strategy, a number of factors were considered:

- The global economic and market background
- Review of asset classes under consideration
- Assessment of the results of the 2019 Actuarial Valuation
- Proposed revised strategy

The new strategy is shown in the table below, and shows the change from the existing strategy:

Asset Class	Current Strategic Allocation	Proposed Strategy	Change
Developed Global Equity	8.0%	10.0%	+2.0%
Emerging Market Equity	6.0%	10.0%	+4.0%
Diversified Growth	10.0%	-	-10.0%
Hedge Funds	9.0%	7.0%	-2.0%
TAA/Best Ideas	11.0%	11.0%	-
MAC	12.0%	12.0%	-
Property	4.0%	4.0%	-
Private Equity	10.0%	8.0%	-2.0%
Local/Impact	-	4.0%	+4.0%
Infrastructure	8.0%	8.0%	-
Private Credit	3.0%	3.0%	-
Cash & Risk Management Framework	19.0%	23.0%	+4.0%
Total	100.0%	100.0%	

The first key consideration in reviewing the Investment Strategy is the key assumptions contained within the Actuary's valuation. These assumptions include a required rate of investment return. For the 2019, Valuation the Actuary has assumed a rate of return of Inflation (measured by the Consumer Prices Index (CPI)) +1.75% for past service and Inflation or CPI +2.25% for future service. It is therefore crucial that the Investment Strategy achieves a return in excess of this future service rate of CPI +2.25%.

The key desired outcomes from the review were to set a long-term Strategic Asset Allocation for the Fund that would:

- deliver the level of returns required by the Fund's Actuary, and;
- do this at an acceptable level or risk, and;
- where possible seek to reduce the overall level of investment management fees paid by the Fund.

The other key consideration when considering implementation of the Investment Strategy was the role of the WPP.

The revised strategy (shown in the table above) was assessed against Mercer's long term market forecasts, and we have estimated that the new strategy will deliver a long term (10 year) return of 5.6% per annum, compared to the existing strategy which delivers an estimated 5.4% per annum. This forecast return of 5.6% (or CPI +3.4%) is comfortably ahead of the Actuary's required rate of return of CPI +2.25%.

We have also assessed the risks of the revised strategy and estimate that the overall risk levels increase by around 1.5% when compared to the existing strategy. We assess that this level of risk is acceptable to the Fund and, that due to the strategic overall approach to risk management, is appropriate.

The key changes to the strategy are:

Removal of allocation to Diversified Growth Funds (DGF)

- Performance across the DGF universe has been poor.
- The Fund has other ways to invest tactically, such as the Best Ideas portfolio.
- Overall diversification within the total Fund leads to a less compelling case to invest in DGFs.

Increase allocation to Global and Emerging Market Equities

- Linked to removal of DGF allocation, both DGFs had an underlying allocation to equity. The increased allocation is therefore, at least in part designed to replace this.
- In the longer term, Emerging Market equities will offer the potential for higher returns than Developed Global Equity.
- The Fund is allocating to a Low Carbon ESG portfolio to support the Fund's proposed Responsible Investment objectives.

Reduce Strategic weight, and restructure Hedge Fund allocation

- Allocation to Hedge Funds was 7% of the total Fund; existing strategic target weight was 9%.
- Performance had been weak, plus the wider investment allocations that the Fund has; the new strategy has a reduced strategic weight of 7%.
- Since the mandate was originally designed, the Fund's Risk Management Framework has evolved to cover a number of areas.
- Hedge Fund mandate restructured to offer wider opportunity set.

Creation of an explicit Local/Impact portfolio

- The Fund's In-House Private Markets portfolio has a number of investments that are seeking to make a positive contribution to the Environment or Society more widely whilst still making an appropriate level of investment return.
- This change to the strategy explicitly creates an allocation to this area, and enables the Fund to continue to make these specific investments.

- Funded in part by a reduction in the strategic weight for Private Equity; however, this includes a number of existing investments that have been identified to form the basis for the new portfolio.

Increase allocation to Cash and Risk Management Framework

- Framework has been in place for a number of years and has evolved in a number of ways to help the Fund effectively manage its investment risks.
- Valuation of the portfolio has increased over time and has moved to an overweight position versus the strategic weight.
- It is not appropriate to look to reduce this.
- This allocation will also be used to manage the Fund's cash-flow requirements. This change effectively brought the strategic weight in line with the actual position.

The Fund's Investment Strategy continues to be more diversified than most Local Government Pension Scheme (LGPS) Funds and incorporates a Flight-path/De-Risking 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. It does appear that other LGPS funds are continuing the move to more diversified strategies as the average LGPS fund has 51% allocated to equity, compared to 55% as at 31 March 2019, and 62% as at 31 March 2017. However, this is still significantly higher than the Fund is.

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.

Since 2015, the Fund has invested via the Tactical Allocation Portfolio which included a Diversified Growth Portfolio comprising two DGF managers (Investec and Pyrford) and a Best Ideas Portfolio. The new strategy has removed the allocation to DGF, with the Best Ideas portfolio remaining.

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 Fund's existing strategic asset allocation, strategic and conditional ranges (established following the 2016 review), is shown below.

Strategic Asset Class	Strategic Allocation (%)	Strategic Range (%)	Conditional Range (%)
Global Equity	8.0	5.0 – 10.0	0 – 30
Emerging Markets Equity	6.0	5.0 – 7.5	0 – 15
Credit Portfolio	15.0	10.0 – 20.5	0 – 25
Multi Asset Credit	12.0	10.0 – 15.0	5 – 20
Private Credit	3.0	2.0 – 5.0	0 – 10
Managed Account Platform	9.0	7.0 – 11.0	5 – 15
Tactical Allocation Portfolio	21.0	15.0 – 25.0	10 – 30
Diversified Growth	10.0	8.0 – 12.0	5 – 15
Best Ideas Portfolio	11.0	9.0 – 13.0	5 – 15
Private Markets	10.0	8.0 – 12.0	8 – 12
Real Assets	12.0	10.0 – 15.0	5 – 20
Property	4.0	2.0 – 6.0	0 – 10
Infrastructure*	8.0	5.0 – 10.0	2 – 12
Liability Hedging	19.0	10.0 – 30.0	10 – 30
Cash	0.0	0.0 – 5.0	0 – 30

* Infrastructure includes exposure to Agriculture and Timber

Manager	Mandate	Strategy 18/19	Actual 31/03/19	Strategy 19/20	Actual 31/03/20
Equities					
WPP Global	Global Equity	4.0%	4.2%	4.0%	4.2%

The table below shows the revised strategic asset allocation, which will take effect from April 2020.

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 following table shows the strategic allocation compared to the actual asset allocations as at 31 March 2019 and 31 March 2020. The table reflects the previous strategic weights as the new strategy takes effect from April 2020.

Opportunities					
Wellington Management International Ltd	Emerging Markets Equity	6.0%	6.4%	6.0%	5.7%
BlackRock	Global Equity	4.0%	3.8%	4.0%	3.7%
Credit					
Stone Harbor Investment Partners	Multi-Asset Credit	12.0%	10.9%	12.0%	10.3%
Permira (1)	Private Credit	1.8%	1.4%	1.8%	1.5%
BlackRock (1)	Private Credit	1.2%	0.3%	1.2%	0.8%
Managed Account Platform					
ManFRM	Managed Futures & Hedge Funds	9.0%	7.4%	9.0%	7.9%
ManFRM	Hedge Funds (Legacy)		0.1%		
Tactical Allocation Portfolio					
Pyrford International		5.0%	4.5%	5.0%	4.6%
Investec Asset Management(2)	Diversified Growth	5.0%	4.5%	5.0%	4.2%
In-house	Best Ideas Portfolio	11.0%	10.7%	11.0%	10.8%
In-House - Real Assets					
Various	Property	4.0%	6.6%	4.0%	7.1%
Various	Infrastructure	6.0%	3.6%	6.0%	6.3%
Various	Timber/Agriculture	2.0%	1.3%	2.0%	1.1%
In-House – Private Markets					
Various	Private Equity	8.0%	8.9%	8.0%	9.8%
Various	Opportunistic	2.0%	2.6%	2.0%	3.0%
Insight	Liability Driven Investments	19.0%	22.7%	19.0%	17.9%
Cash			0.3%		1.1%

1) The Credit Portfolio has a 3.0% allocation to Private Credit, which was established in 2017. Draw down will take some time. As part of the strategic review, Private Credit now forms part of the overall Private Markets portfolio.
2) Investec Asset Management were renamed Ninety One in March 2020.

Responsible Investment

In 2019, the Fund undertook a review of its Responsible Investment Policy in conjunction with the overall review of the Strategic Asset Allocation. The target for this review was to re-affirm the Fund's existing beliefs, supplement these with additional views if appropriate and consider ways in which these views could be implemented.

As a result of this review, the Fund's long standing Responsible Investment Policy was updated to reflect current attitudes and thinking. In addition, to help formally frame the policies the Fund has set a number of high-level beliefs that will sit over the more detailed policies, and will convey the Fund's overarching attitude to being a Responsible Investor.

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.

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 2019/20 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
BlackRock	186	2,514	2,342	156	10	6
Ninety One	117	1,425	1,353	46	9	12
Pyrford	60	890	859	31	0	0
WPP-Russell	93	817	696	84	2	35
Wellington	161	1,498	1,244	196	30	28

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 Wellington, BlackRock, Insight, Pyrford, Ninety One, MAN Group and Stone Harbor 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 £943m in 2010 to £1,777m in 2020.

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.

Period (Years)	Clwyd Pension Fund (%) pa	Clwyd Benchmark (%) pa	Average Local Authority (%) pa
1	-5.1	-1.0	-4.8
3	+1.3	+2.9	+1.9
5	+4.8	+4.6	+5.2
10	+5.9	+6.0	+6.9
20	+4.8	+4.9	+5.5

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, and the new strategy will take effect from April 2020, therefore the existing strategy is shown as this was in place at 31 March 2020.

Investment	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	LGPS Average
Equities								
Global Unconstrained	-	-	5.0	5.0	8.0	4.0	4.0	
Global Developed (Smart Beta)	-	-	-	-	-	4.0	4.0	
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	6.0	
Frontier Markets Active	-	-	-	-	2.5	-	-	
Developed Passive	-	-	-	19.0	-	-	-	
	72.0	**66.0**	**55.0**	**43.0**	**17.0**	**14.0**	**14.0**	**51.0**
Fixed Interest								
Traditional Bonds	10.0	9.5	-	-	-	-	-	
High Yield/ Emerging	1.5	2.0	-	-	-	-	-	
Unconstrained	-	-	13.0	15.0	15.0	12.0	12.0	
Private Credit (illiquid)	-	-	-	-	-	3.0	3.0	
Cash/ Other	2.5	0.5	-	-	-	-	-	
	14.0	**12.0**	**13.0**	**15.0**	**15.0**	**15.0**	**15.0**	**21.0**
Liability Driven Investment	-	-	-	-	**19.0**	**19.0**	**19.0**	-
Alternative Investments and Cash								
Property	5.0	7.0	6.5	7.0	7.0	4.0	4.0	
Infrastructure	0.5	5.0	1.5	2.0	2.0	6.0	6.0	
Timber/ Alternatives	-	-	1.5	2.0	2.0	2.0	2.0	
Commodities	-	-	2.0	4.0	-	-	-	
Private Equity & Opportunistic	4.5	4.5	6.5	10.0	10.0	10.0	10.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	-	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	9.0	9.0	
Currency Fund	-	4.0	4.0	-	-	-	-	
Tactical Asset Allocation (TAA)	-	2.0	5.0	12.0	-	-	-	
Tactical Allocation (Diversified Growth)	-	-	-	-	10.0	10.0	10.0	
Tactical Allocation (Best Ideas)	-	-	-	-	9.0	11.0	11.0	
	14.0	**22.0**	**32.0**	**42.0**	**49.0**	**52.0**	**52.0**	**28.0**

IN HOUSE PORTFOLIO

REAL ASSETS

Property Open Ended Holdings	Number of Fund	Environmental/Social Impact	Number of Funds
Schroders	1		
Hermes	1		
LAMIT	1		
Legal & General	1		
BlackRock	1		
Property Closed Ended Holdings			
Aberdeen Property Asia Select	2	Bridges Property	2
BlackRock US Residential	1	Igloo Regeneration	1
Darwin Leisure Property	2	Threadneedle Low Carbon	1
Franklin Templeton	2		
InfraRed Active Property	3		
North Haven Global Real Estate	3		
Paloma Real Estate	2		
Partners Group Global Real Estate	2		

Timber			
		BGT Pactual Timberland	2
		Stafford Timberland	3
Agriculture			
		Insight Global Farmland	1
		GMO	1
Infrastructure			
Access Capital Infrastructure	1	InfraRed Environmental	1
Arcus European Infrastructure	2	Impax Infrastructure	2
Base Camp	1		
Carlyle Global Infrastructure	1		
GSAM West Street Infrastructure	1		
HarbourVest Real Assets	1		
Hermes Infrastructure	1		
InfraRed	2		
Innisfree	1		
JP Morgan Infrastructure	1		
Newcore Strategic	1		
North Haven Global Infrastructure	3		
Pantheon	1		
Partners Group Direct Infrastructure	1		
Total Funds	**40**		**14**

PRIVATE MARKETS

Private Equity Direct Funds	Number of Funds	Environmental/Social Impact	Number of Funds
Access Capital	1	Bridges Ventures	2
Apax	4	Environmental Technologies	3
August Equity	3	Ludgate Environmental	1
Capital Dynamics	3		
Carlyle	2		
Charterhouse	3		
ECI	3		
Granville Baird	2		
Partners Group Direct	2		
Unigestion	1		
Private Equity Fund of Funds			
Access Capital	4	HarbourVest Cleantech	1
Capital Dynamics	7	Hermes Environmental	1
HarbourVest	5	Partners Group Life Fund	1
Partners Group	10		
Standard Life	2		
Unigestion	2		
Opportunistic			
BlackRock European Property	2	Foresight Regional Investment	1
Carlyle	2	Development Bank of Wales	1
Dyal	1		
JP Morgan Secondary’s	1		
Marine Capital	1		
Marquee Brands	1		
NB Credit Opportunities	1		
North Haven Asia	1		
Pinebridge Structured Capital	1		
Total Funds	**65**		**11**

Private Debt	
Permira	1
BlackRock	1
Total Funds	2

Kieran Harkin

Head of LGPS Investments

Section 10 - Clwyd Pension Fund Accounts 2019/20

FUND ACCOUNT

2018/19 £000		Note	2019/20 £000
	Dealings with members, employers and others directly involved in the Fund		
(74,327)	Contributions	**7**	(77,108)
(4,379)	Transfers in		(6,108)
(78,706)			**(83,216)**
	Benefits payable :		
59,825	Pensions	**8**	63,070
11,910	Lump sums (retirement)		13,531
1,891	Lump sums (death grants)		2,360
73,626			**78,961**
6,625	Payments to and on account of leavers	**9**	4,446
80,251			**83,407**
1,545	**Net (additions)/withdrawals from dealings with members**		**191**
26,770	Management expenses	**10**	24,377
28,315	**Net (additions)/withdrawals including fund management expenses**		**24,568**

	Returns on Investments		
(14,413)	Investment income	**11**	(11,741)
(95,178)	Change in market value of investments	**12**	76,509
(109,591)	**Net return on investments**		**64,768**
(81,276)	**Net (increase)/decrease in the net assets available for benefits during the year**		**89,336**
(1,785,499)	**Opening net assets of the scheme**		(1,866,775)
(1,866,775)	**Closing net assets of the scheme**		**(1,777,439)**

NET ASSETS STATEMENT

2018/19 £000s		Note	2019/20 £000s
1,862,743	**Investment Assets**	**13**	1,774,622
1,862,743	**Net Investment Assets**		**1,774,622**
29	**Long-term debtors**	**18**	204
5,817	**Debtors due within 12 months**	**18**	4,725
(1,814)	**Creditors**	**19**	(2,112)
1,866,775	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,777,439**

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 at page 118.

NOTE 1 - THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND

General

Clwyd Pension 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 pension fund.

The LGPS is a contributory defined scheme established by statute, which provides pensions and other benefits to employees and former employees of Flintshire County Council and the 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 a Pension Committee which is a committee of Flintshire County Council.

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 Fund is financed by contributions and investment earnings from the Fund's investments. 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 2020. 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. The valuation showed that the funding level increased from the previous valuation (31st March 2016) from 76% to 91%. The employers' contribution rates are structured to achieve a gradual return to 100% funding level over a 13 year period from April 2020. Currently employer contribution rates range from 11.5% to 29.4% of pensionable pay.

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. As required, the Accounts have been prepared in accordance with the 2019/20 Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable pay	Each year worked is worth 1/60 x final pensionable pay
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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.

In addition Clwyd Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from the pension fund. The Fund uses Prudential and Utmost (previously Equitable Life) as its AVC providers. Equitable Life closed its operation following a vote amongst its policyholders and subsequent approval by the High Court. As a result, investments held with Equitable Life were transferred to Utmost Life and Pensions ("Utmost") on 1 January 2020. AVCs are paid to the AVC providers by employers and provide additional benefits for individual contributors.

Governance

Flintshire County Council, as the pension fund administering authority, has delegated management of the Fund to the Clwyd Pension Fund Committee (the "Committee"). The Committee comprises five elected Members from Flintshire County Council and four co-opted members comprising two elected Members from unitary authorities, one other scheme employer representative and one scheme member representative, each with equal voting rights, access to training and to information. The Committee is responsible for both the administration and investment policy of the Fund.

In accordance with the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance of the Pension Fund. The Board met three times in 2019/20 and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

Investment Strategy

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, the Fund has an approved Investment Strategy Statement which details compliance with the Myners principles of investment management.

The Committee has delegated the management of Fund's investments to nine core investment managers appointed in accordance with the 2016 Regulations, and whose activities are specified in detailed investment management agreements and are monitored on a quarterly basis.

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 Clwyd Pension 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 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.

There are 49 employer bodies within the Fund with active members (including Flintshire County Council) and over 49,000 members as detailed below.

2018/19 No.		2019/20 No.
42	Number of employers with active members	49
16,528	Active members	17,211
12,981	Pensioners receiving benefits	14,739
18,583	Deferred Pensioners	17,745
48,092		**49,695**

The scheduled bodies which contributed to the Fund during 2019/20 are:

Unitary Authorities:	Flintshire, Denbighshire, Wrexham.
Educational Organisations:	Coleg Cambria, Glyndwr University.
Town and Community Councils:	Acton, Argoed, Bagillt, Buckley, Caia Park, Cefn Mawr, Coedpoeth, Connah's Quay, Denbigh, Flint, Gresford, Gwernymynydd, Hawarden, Holywell, Hope, Marchwiel, Mold, Northop, Offa, Penyffordd, Prestatyn, Rhosllanerchrugog, Rhyl, Shotton
Other:	North Wales Fire Service, North Wales Valuation Tribunal,

The admitted bodies contributing to the Fund are:

Aramark Ltd	Chartwells	Hafan Deg
Aura Leisure & Libraries Ltd	Churchill	Holywell Leisure Ltd
Bodelwyddan Castle Trust	Civica UK	Home Farm Trust Ltd
Careers Wales	Denbighshire Leisure	Newydd Catering & Cleaning Ltd
Cartref y Dyffryn Ceiriog	Denbigh Youth Group	Wrexham Commercial Services
Cartref NI	Freedom Leisure	
	Glyndwr Students' Union	

NOTE 2 - BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position at year end as at 31st March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 basis, is disclosed in the actuary's report at page 30 of these accounts.

The accounts have been prepared on a going concern basis.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice on Local

Authority Accounting in the United Kingdom:

- IFRS 16 Leases - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). These changes are unlikely to have any material impact on the Fund's financial statements. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment of Settlement

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In summary, accounting policies adopted are detailed as follows:

Fund Account – Revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. 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

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013. Individual transfer values received and paid out have been accounted for on a cash basis.

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.

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. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

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.

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.

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.

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.

Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. 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.

Management expenses

The Fund discloses its administration, governance and investment management expenses in accordance with the CIPFA Guidance *Accounting for Local Government Pension Scheme Management Expenses* (2016).

Administration, oversight and governance expenses are also accounted for on an accruals basis. All Flintshire County Council staff costs are charged direct to the Fund and management, accommodation and other support service costs are apportioned to the Fund in accordance with Council policy.

Investment management expenses are accounted for on an accruals basis and 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 10A 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.

Net Assets Statement

Financial instruments

Financial assets are included in the Net Assets Statement 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.

Financial liabilities are recognised at fair value on the date the Fund becomes party to 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 Investments.

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). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash held in current accounts is kept to a minimum, all other cash deposits are included as part of investment balances in the net assets statement.

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 (see page 30).

Additional Voluntary Contributions (AVCs)

The Clwyd Pension Fund provides an AVC scheme for its members, the assets of which are invested separately from those of the pension 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 20).

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 amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The items in the Net Assets Statement at 31 March 2020 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 potential impact of the Covid-19 pandemic has and will continue to affect the valuation of assets and liabilities. As far as possible the effects have been estimated and reflected in the accounts but such estimates must be viewed in the context of the extent and seriousness of the pandemic and the volatility and uncertainty it has caused. The Fund has a risk management framework in place and, in particular, equity protection which will help mitigate some of the impact of significant falls in equity markets if they persist.	The effects on the net pension liability of changes in asset values and individual assumptions can be measured. For instance, a 10% decrease in asset values would have reduced the 2019 valuation funding level of 91% to 82%. A 0.25% p.a. reduction in the discount rate would in isolation have reduced the funding level to 88% (a 0.25% p.a. increase in assumed inflation would have a similar impact). A combination of the asset and discount rate changes would reduce the funding level to 79%.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effect is as stated above.
Value of investments at level 3	The Pension 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	Note 15 summarises the techniques used, the key sensitivities underpinning the valuations and the sensitivity or tolerance around the values reported.

	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. This may be affected in 2019/20 as a result of the potential impact of COVID 19 discussed above.	
Britain leaving the European Union	There is a high level of uncertainty about the implications of Britain leaving the European Union. Because it is not presently possible to predict any 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.

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 2020. 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

2018/19 £000s		2019/20 £000s
(27,244)	Administering Authority - Flintshire County Council	(28,575)
(43,575)	Scheduled bodies	(45,132)
(3,508)	Admitted bodies	(3,401)

(74,327)	**Total**	**(77,108)**

By type

2018/19 £000s		2019/20 £000s
(15,519)	**Employees contributions**	(16,337)
	Employers contributions:	
(38,370)	Normal contributions	(40,791)
(18,885)	Deficit contributions	(19,208)
(1,553)	Augmentation contributions	(772)
(58,808)	**Total employers' contributions**	**(60,771)**
(74,327)	**Total contributions**	**(77,108)**

NOTE 8 – BENEFITS PAYABLE

By employer

2018/19 £000s		2019/20 £000s
26,877	Administering Authority - Flintshire County Council	27,376
45,611	Scheduled bodies	50,183
1,138	Admitted bodies	1,402
73,626		**78,961**

By type

2018/19 £000s		2019/20 £000s
59,825	Pensions	63,070
11,910	Lump sums (retirement)	13,531
1,891	Lump sums (death grants)	2,360
73,626		**78,961**

NOTE 9 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2018/19 £000s		2019/20 £000s
6,257	Transfer values paid (individual)	4,025
149	Refunds of contributions	226
219	Other	195
6,625	Total	**4,446**

NOTE 10 – MANAGEMENT EXPENSES

2018/19 £000s		2019/20 £000s
2,020	Oversight and Governance	1,999
22,811	Investment Management Expenses (see Note 10A)	20,353
1,939	Administration costs	2,025
26,770	**Total**	**24,377**

The Oversight and Governance costs include the fees payable to Audit Wales for the external audit of the Fund of £39k for 2019/20 (£39k in 2018/19).

Note 10A – INVESTMENT MANAGEMENT EXPENSES

2018/19 £000s		2019/20 £000s
2,264	Transaction costs	1,829
14,181	Fund Management Fees	15,300
31	Custody Fees	43
6,335	Performance related fees	3,181
22,811	**Total**	**20,353**

The main contributor to the reduction in Investment Management Expenses was a lower level of performance fees in private markets.

Note 10B – WALES PENSION PARTNERSHIP MANAGEMENT EXPENSES

2018/19 £000s		2019/20 £000s
64	Oversight and Governance	70
364	Transaction Costs	200
17	Fund Management Fees	79
0	Custody Fees	13
445	**Total**	**362**

Fees for 2018/19 include costs of transition

Included in Management Expenses in Table 10 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). The underlying manager fees for the Global Opportunities sub fund are not included in this table, but are disclosed elsewhere in the Annual Report. Further details on the WPP can also be found elsewhere in the Annual Report.

NOTE 11 - INVESTMENT INCOME

2018/19 Restated £000s		2019/20 £000s
(5,802)	Private equity income	(1,827)
(5,008)	Pooled Investments	(5,859)
(3,064)	Pooled property investments	(3,817)
(38)	Interest on cash deposits	(60)
(501)	Other income	(178)
(14,413)	**Total**	**(11,741)**

Private equity income varies year on year depending on the point in the maturity cycle of the debt.

NOTE 12 – RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 2018/19 £000s	Purchases £000s	Sales £000s	Change in market value £000s	Market value 2019/20 £000s
Bonds	203,790	0	(428)	(21,099)	182,263
Pooled investment vehicles	1,089,905	10,341	(78,621)	(75,736)	945,889
Pooled Property Funds	122,836	10,179	(9,322)	2,958	126,651
Infrastructure	66,604	53,424	(6,301)	(1,571)	112,156
Timber and agriculture	23,274	0	(3,526)	165	19,913
Private equity	211,584	41,948	(43,268)	16,585	226,849
Hedge Fund	138,985	0	(511)	2,189	140,663
	1,856,978	**115,892**	**(141,977)**	**(76,509)**	**1,754,384**
Other investment balances:					
Cash	5,765			0	20,238
Net investment assets	**1,862,743**			**(76,509)**	**1,774,662**

	Market value 2017/18 £000s	Purchases £000s	Sales £000s	Change in market value £000s	Market value 2018/19 £000s
Bonds	204,372	0	0	(582)	203,790
Pooled investment vehicles	1,033,560	92,730	(100,274)	63,889	1,089,905
Pooled Property Funds	115,522	11,469	(12,957)	8,801	122,836
Infrastructure	42,125	23,630	(6,648)	7,497	66,604
Timber and agriculture	25,772	0	(3,874)	1,376	23,274
Private equity	188,399	39,137	(41,105)	25,153	211,584
Hedge Fund	150,885	0	(943)	(10,957)	138,985
	1,760,635	**166,967**	**(165,802)**	**95,178**	**1,856,978**
Other investment balances:					
Cash	21,191			0	5,765
Net investment assets	**1,781,826**			**95,178**	**1,862,743**

NOTE 13A – ANALYSIS OF INVESTMENTS

2018/19 £000		2019/20 £000
	Bonds	
203,790	Corporate - unquoted	182,263
	Pooled investment vehicles	
118,828	Managed equity funds - quoted overseas	100,300
149,723	Managed equity funds - unquoted	140,136
422,855	Liability driven investments - unquoted	317,546
83,524	Multi strategy investments - quoted	81,563
282,233	Multi strategy investments - unquoted	265,433
32,744	Fixed income funds - unquoted	40,911

	Pooled property funds	
43,748	Open-ended - unquoted	42,958
79,088	Closed-ended - unquoted	83,693
	Infrastructure	
15,133	Limited Liability Partnerships - quoted	8,403
51,471	Limited Liability Partnerships - unquoted	103,752
	Timber & Agriculture	
23,274	Limited Liability Partnerships - unquoted	19,913
	Private equity	
	Limited Liability Partnerships:	
46,840	Opportunistic funds - unquoted	52,660
164,744	Private equity funds - unquoted	174,189
138,985	**Hedge funds unquoted**	140,663
1,856,978		**1,754,384**
5,765	**Cash**	20,238
1,862,743	**Total investment assets**	**1,774,622**
0	**Total investment liabilities**	**0**
1,862,743	**Net investment assets**	**1,794,008**

Included in Pooled investment vehicles is £74,931k (2018/19 £78,673k) invested with the Wales Pensions Partnership.

The COVID-19 pandemic has impacted global and property markets. As the result of the volatility in market conditions, year-end valuation reports provided to the Fund include statements that there are material valuation uncertainties related to the Pooled Property Investments held.

The total value of these funds as at 31st March 2020 is £126.7m.

NOTE 13B – ANALYSIS BY FUND MANAGER

2018/19			2019/20	
£000	%		£000	%
422,854	22.8	Insight	317,546	18.1
203,790	11.0	Stone Harbor	182,263	10.4
198,871	10.7	Mobius	190,404	10.9
83,362	4.5	Investec	75,029	4.3
78,672	4.2	Russell Investments	74,931	4.3
138,985	7.5	MAN Group	140,663	8.0
118,828	6.4	Wellington	100,300	5.7
83,524	4.5	Pyrford	81,563	4.7
77,034	4.1	Blackrock	65,205	3.7
26,760	1.4	Private Debt	40,911	2.3
164,744	8.9	Private Equity	174,189	9.9
122,836	6.6	Property	126,651	7.2
66,604	3.6	Infrastructure	112,156	6.4
46,840	2.5	Opportunistic	52,660	3.0
23,274	1.3	Timber/Agriculture	19,913	1.1
1,856,978	**100**	**Total**	**1,754,384**	**100**

The UK holdings as at 31st March 2020 account for 30% of total investments at market value.

2018/19			2019/20	
£000	%		£000	%
616,724	31	UK	534,326	30
1,240,254	69	Overseas	1,220,058	70
1,856,978	**100**	**Total**	**1,754,348**	**100**

The following investments represent more than 5% of the net assets of the scheme. All of these companies are registered in the UK.

2018/19		Manager	Holding	2019/20	
£000	%			£000	%
422,854	23	Insight	LDI Active 22 Fund	317,546	18
138,935	8	MAN Group	Hedge Fund and Managed Account Platform	140,663	8
131,656	7	Stone Harbour	SHI LIBOR Multi Strategy No2 Portfolio	117,835	7

NOTE 14 – DERIVATIVES

No derivative instruments were held by Clwyd Pension Fund at 31 March 2020 or 31 March 2019.

NOTE 15 - FAIR VALUE OF INVESTMENTS

Fair Value – Basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

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
Unquoted bond funds	Level 2	Closing bid-market price for the underlying assets in each sub-fund subject to any premiums or discounts	Net Asset value (NAV)-based pricing set on a forward pricing basis	Not required
Quoted Pooled Investment Vehicles	Level 2	Closing bid price where bid and offer prices are published. Closing bid price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted pooled investment vehicles	Level 3	Valued quarterly at NAV in accordance with *International Private Equity and Venture Capital Association Guidelines*	Valued net of unrealised gains/losses on hedging	Internal rate of return
Pooled property funds	Level 2	Bid market price	Existing lease terms and rentals, tenant's covenant strength, lease length, transactional activity in the sector	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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Property Funds	Level 3	Valued quarterly at NAV in accordance with *International Private Equity and Venture Capital Association Guidelines*	EBITDA multiples, revenue multiples, discount for lack of market evidence, control premium possible material uncertainty clauses.	EBITDA achieved compared with forecast
Infrastructure	Level 3	Valued using discounted cashflow techniques to generate a net present value	Discount rate and cashflows used in the models	Rates of inflation, interest, tax and currency exchange
Timber and agriculture	Level 3	NAV of underlying funds using a mixture of cost, income and sales comparison approaches depending on the maturity of the investment. Valued annually, subject to quarterly adjustments based on harvest	Productive area, current and forecast prices and costs, marketing and harvest constraints, growth rates and discount rates	Market price for timber and agricultural product, land values and discount rates
Private equity and hedge fund	Level 3	Valued quarterly at NAV using the market approach using quarterly financial statements in accordance with *International Private Equity and Venture Capital Association Guidelines*	EBITDA multiples, revenue multiples, discount for lack of market evidence, control premium	Valuations could be affected by material events between the date of the financial statements provided and the pension fund's reporting date, changes to cashflows and differences between audited and unaudited accounts

Investments have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

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.

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. Sensitivity analysis of Level 3 assets is shown below.

	Assessed Valuation Range (+/-)	Market value at 31 March 2020	Value on Increase	Value on Decrease
	%	£000	£000	£000
Pooled investment vehicles (incl LDI)	10%	40,911	45,004	36,820
Pooled Property Funds	10%	115,468	127,015	103,921
Infrastructure	10%	97,293	107,022	87,563
Timber and agriculture	7%	19,913	21,306	18,519
Private equity (incl Opportunistic Funds)	10%	226,849	249,534	204,164
Hedge Fund	10%	0	0	0
Total		**500,434**	**549,881**	**450,987**

	Assessed Valuation Range (+/-)	Market at 31 March 2019	Value on Increase	Value on Decrease
	%	£000	£000	£000
Pooled investment vehicles (incl LDI)	10%	32,744	36,018	29,470
Pooled Property Funds	10%	56,165	61,781	50,548
Infrastructure	10%	51,471	56,618	46,324
Timber and agriculture	7%	23,274	24,904	21,645
Private equity (incl Opportunistic Funds)	10%	211,584	232,743	190,426
Hedge Fund	10%	5,656	6,222	5,090
Total		**380,894**	**418,286**	**343,503**

The following tables show the position of the Fund's assets at 31st March 2020 based on the Fair Value hierarchy:

2019/20	Quoted Market Price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Bonds	0	182,263	0	182,263
Pooled Investment Vehicles	181,863	723,115	40,911	945,889
Pooled Property Funds	0	11,183	115,468	126,651
Infrastructure	8,403	6,460	97,293	112,156
Timber and agriculture	0	0	19,913	19,913
Private equity	0	0	226,849	226,849
Hedge Fund	0	140,663	0	140,663
Total	**190,266**	**1,063,684**	**500,434**	**1,754,384**

2018/19	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Bonds	0	203,790	0	203,790
Pooled Investment Vehicles	202,352	854,809	32,744	1,089,905
Pooled Property Funds	0	66,671	56,165	122,836
Infrastructure	15,133	0	51,471	66,604
Timber and agriculture	0	0	23,274	23,274
Private equity	0	0	211,584	211,584
Hedge Fund	0	133,329	5,656	139,985
Total	**217,485**	**1,258,599**	**380,894**	**1,856,978**

NOTE 15A: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

The Fund holds no other assets or liabilities at fair value.

	Market Value 2018/19	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Realised gains/ (losses)	Unrealised gains/ (losses)	Market Value 2019/20
	£000	£000	£000	£000	£000	£000	£000	£000
Financial assets at fair value through profit and loss								
Pooled investment vehicles (incl LDI)	32,744	9,561	(480)			0	(914)	40,911
Pooled Property Funds	56,165	10,179	(9,322)	56,057		2,149	241	115,468
Infrastructure	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 equity (incl Opportunistic Funds)	211,584	41,948	(43,268)			14,067	2,517	226,849
Hedge Fund	5,656						(5,656)	0
Net investment assets	**380,894**	**114,902**	**(62,897)**	**56,057**	**0**	**18,531**	**(7,053)**	**500,434**

	Market Value 2017/18	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Realised gains/ (losses)	Unrealised gains/ (losses)	Market Value 2018/19
	£000	£000	£000	£000	£000	£000	£000	£000
Financial assets at fair value through profit and loss								
Pooled investment vehicles (incl LDI)	15,378	17,643	0			0	(277)	32,744
Pooled Property Funds	51,529	11,469	(11,662)			2,877	1,951	56,165
Infrastructure	30,361	23,341	(5,815)			3,456	128	51,471
Timber and agriculture	25,772	0	(3,291)			2,418	(1,624)	23,274
Private equity (incl Opportunistic Funds)	188,399	39,137	(37,577)			8,095	13,530	211,584
Hedge Fund	6,645						(989)	5,656
Net investment assets	**318,084**	**91,590**	**(58,345)**	**0**	**0**	**16,846**	**12,719**	**380,894**

NOTE 16 - FINANCIAL INSTRUMENTS

NOTE 16A - CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

2018/19 Fair Value through profit and loss £000	2018/19 Loans and receivables £000	2018/19 Financial liabilities at amortised cost £000		2019/20 Fair Value through profit and loss £000	2019/20 Loans and receivables £000	2019/20 Financial liabilities at amortised cost £000
			Financial assets:			
203,790			Bonds	182,263		
1,089,905			Pooled investment vehicles	945,889		
122,836			Property	126,651		
66,604			Infrastructure	112,156		
23,274			Timber and agriculture	19,913		
211,584			Private equity	226,849		
138,985			Hedge Fund	140,663		
	5,765		Other investment assets - cash		20,238	
	373		Debtors			
1,856,978	**6,138**	**0**		**1,754,384**	**20,238**	**0**
			Financial liabilities:			
		(513)	Creditors			(2,112)
0	**0**	**(513)**		**0**	**0**	**(2,112)**
1,856,978	**6,138**	**(513)**	**Total**	**1,754,384**	**20,238**	**(2,112)**

NOTE 16B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2018/19 £000		2019/20 £000
	Financial assets:	
95,178	Designated at fair value through profit and loss	(76,509)
0	Loans and receivables	0
	Financial liabilities:	
0	Designated at fair value through profit and loss	0
0	Financial liabilities at amortised cost	0
95,178	**Total**	**(76,509)**

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). Therefore 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 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.

Responsibility for the Fund's risk management strategy rests with the Clwyd Pension Fund Committee (the Committee) and is set out in the Investment Strategy Statement (ISS), which is available on the Fund's website (www.clwydpensionfund.org.uk).

The ISS is subject to annual review and has been prepared taking into account advice from the fund's consultants. The Committee manages investment risks, including credit risk and market risk, within agreed risk limits, which are set after taking into account the fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the fund's investment managers and monitored by the Committee by regular review of the investment portfolio throughout the year.

The investment objective of the Committee is to achieve and maintain a portfolio of suitable assets of appropriate liquidity equal to 100% of liabilities within the 1 year average timeframe, whilst remaining within reasonable risk parameters.

The strategy at March 31st was to hold:

- 81% in return-seeking investments comprising UK and overseas equities pooled funds, investment property funds, hedge funds, private equity, venture capital and infrastructure;

- 19% in investments that move in line with the long-term liabilities of the fund. This is referred to as Liability Driven Investment (LDI) and comprises UK and overseas government and corporate bonds, and repurchase agreements which allow the fund to gain unfunded exposure to gilts.

Market Risk

Market risk is the risk of loss from general market fluctuations in equity and commodity prices, interest and foreign exchange rate and credit spreads. The fund is exposed to market risk in all its investment activities. The Committee seeks to manage this risk through diversifying investments across a range of asset classes and markets with low correlations with each other and across a selection of managers. In addition, the Committee sets a strategic benchmark in the ISS for each asset class subject to fixed tolerances which also seeks to diversify and minimise risk through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class. Market risk is also managed through manager diversification with no single manager managing more than 23% of the fund's assets. Currently the maximum holding within any one fund manager is 23% with Insight managing the LDI mandate, which is within this limit.

When reviewing the Investment Strategy in 2019/20, as well as addressing the potential for investment return, the Fund also considered the risk of the proposed strategy when compared to the previous one. Risk is assessed by using a Value at Risk (VaR) approach. This approach measures the risk of loss for investments and estimates how much an investment strategy might lose (with a given possibility) given normal market conditions, in a set time period such as a day or a year.

The Fund needs to take risk within its Investment Strategy in order to achieve an adequate level of return above the Actuary's future service discount rate of Inflation (CPI) +2.25% per annum.

At a total Fund level, the total expected return of the previous strategy was 5.4% per annum with a VaR of £437.9m. The revised strategy as described earlier in the document increases the potential return to 5.6% per annum, with a VaR of £444.6m. The potential for increased return is reflected in the marginal increase in risk.

The revised Investment Strategy, effective from 1st April 2020 will be to hold:

- 77% in return-seeking investments comprising UK and overseas equities pooled funds, investment property funds, hedge funds, private equity, venture capital and infrastructure;
- 23% in investments that move in line with the long-term liabilities of the fund. This is referred to as Liability Driven Investment (LDI) and comprises UK and overseas government and corporate bonds, and repurchase agreements which allow the fund to gain unfunded exposure to gilts.

Price risk

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.

The fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments. The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by an average 7.44%, which is the three-year price volatility as advised by the Fund's consultants for the fund's Investment Strategy.

Assets exposed to price risk	Value	3 year volatility range	Value on increase	Value on decrease
	£000s	%	£000s	£000s
As at 31 March 2019	1,862,743	6.66%	1,986,728	1,738,758
As at 31 March 2020	1,774,622	7.44%	1,906,676	1,642,570

Interest Rate Risk

The fund invests in cash-based financial instruments for the primary purpose of obtaining a return on investments. Bonds and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The table below demonstrates the change in value of these assets had interest rates varied by 1%. It should be noted that the value of bonds varies inversely to interest rates.

Assets exposed to interest rate risk		Value	Value on 1% increase	Value on 1% decrease
		£000s	£000s	£000s
As at 31 March 2019		209,554	207,574	211,535
As at 31 March 2020		202,501	200,881	204,121

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The fund is exposed to currency risk because some of the fund's investments are held in overseas markets through pooled vehicles. The following table sets out the fund's potential currency exposure as at 31st March 2020:

Assets exposed to currency risk	Value	%ge change	Value on increase	Value on decrease
	£000s	%	£000s	£000s
As at 31 March 2019	1,240,254	8.20	1,341,923	1,138,585
As at 31 March 2020	1,220,058	6.84	1,303,521	1,136,597

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss.

The fund is exposed to credit risk because it invests in pooled investment vehicles and is therefore directly exposed to the credit risk in the pooled investment vehicle and indirectly exposed to the credit risks arising on financial instruments held by the pooled investment vehicles.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash is held in financial institutions which are at least investment grade credit rated.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the fund. To mitigate this risk, the fund regularly monitors the financial position of its admitted bodies.

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 2020, liquid assets were £1,253m representing 71% of total fund assets (£1,476m at 31 March 2019 representing 80% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

NOTE 18 – DEBTORS

2018/19 £000s		2019/20 £000s
29	**Long-term debtors**	204
	Short-term debtors	
1,264	Contributions due - Employees	1,285
4,140	Contributions due - Employers	3,379
339	Prepayments	0
74	Sundry debtors	61
5,817	**Total Short-term debtors**	**4,725**
5,846	**Total**	**4,929**

NOTE 19 – CREDITORS

2018/19 £000		2019/20 £000
(130)	Contributions received in advance	(20)
(1,082)	Benefits payable	(1,489)
(98)	Administering authority	(104)
0	HMRC	(66)
(504)	Sundry creditors	(433)
(1,814)	**Total**	**(2,112)**

NOTE 20 - 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 (formerly Equitable Life Assurance Society). 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.

2018/19 £000		2019/20 £000
1,270	Contributions in the year	**1,031**
	Value of AVC funds at 31 March:	
5,395	Prudential	5,434
408	Utmost (formerly Equitable Life)	408
5,803	**Total**	**5,842**

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NOTE 21 – AGENCY SERVICES

Clwyd Pension Fund pays discretionary awards to former employees of the current unitary authorities and Coleg Cambria. These are shown below together with former local authorities, current town and community councils and other bodies which are listed below under Other employers

2018/19 £000s		2019/20 £000s
519	Conwy County Borough Council	499
1,733	Denbighshire County Council	1,699
3,088	Flintshire County Council	3,056
20	Powys County Council	20
2,150	Wrexham County Borough Council	2,104
55	Coleg Cambria	56
49	Other employers	54
7,614	**Total**	**7,488**

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NOTE 22 - RELATED PARTY TRANSACTIONS

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2020, five Members of the Clwyd Pension Fund Committee had taken this option.

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 £1.9m (£1.8m in 2018/19) 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 10.

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:

2018/19 £000s		2019/20 £000s
26	Short-term benefits	17
23	Post-employment benefits	(5)
49		**12**

NOTE 23 - MATERIAL ITEMS OF INCOME AND EXPENSE

For the purpose of this Note, the Council considers material items of income and expense to be those exceeding £19m. During the year the Fund incurred the following material transactions:

- Sales of £32m and £30m Insight Investment
- Purchase of £31m JP Morgan Infrastructure Fund

NOTE 24 - CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31 March 2020, the Fund has contractual commitments of £1,013m (£1,009m in 2018/19) in private equity, infrastructure, timber and agriculture, and property funds, of which £802m (£685m in 2018/19) has been deployed, leaving an outstanding commitment of £211m (£324m at 31 March 2019).

NOTE 25 – 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 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.

2018/19 Restated £m		2019/20 £m
2,893	Present value of promised retirement benefits	2,835
1,867	Fair value of scheme assets	1,777

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:

	2018/19 %	2019/20 %
Inflation/pension increase rate assumption	2.20	2.10
Salary increase rate	3.45	3.35
Discount rate	2.40	2.40

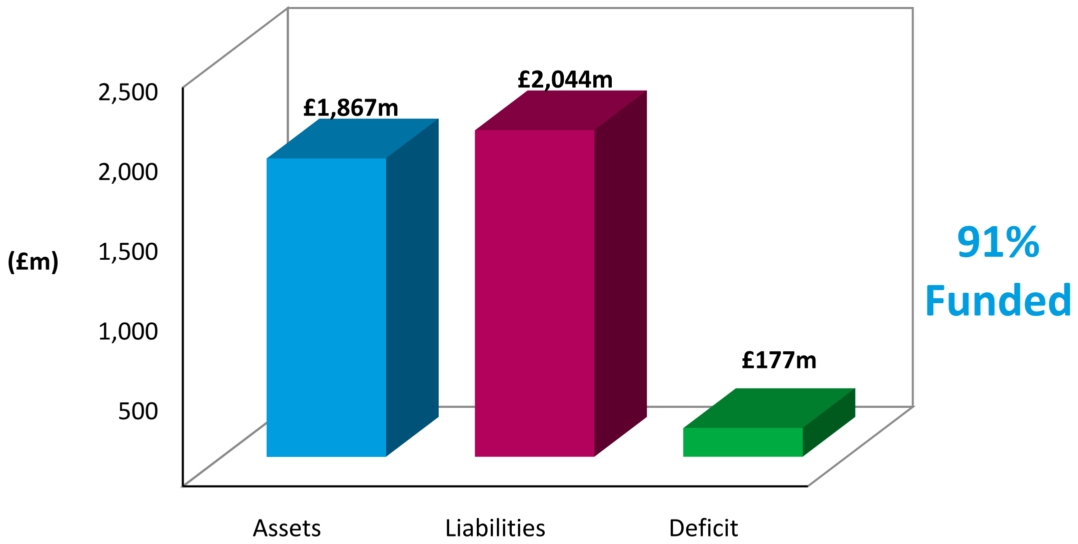
CLWYD PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020 - 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:

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

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

The assets were assessed at market value.

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

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

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 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 but the position should 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 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases*	3.45% per annum	3.35% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% 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, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 Actuarial Valuation. Full details of these assumptions are set out in the formal report on the Actuarial Valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £2,893 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£70 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£39 million (this includes any increase in liabilities arising as a result of early retirements/augmentations and the potential impact of GMP Indexation– see comments below). There was also a decrease in liabilities of £167 million due to "actuarial gains" (i.e the effects of the changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 Actuarial Valuation results into the IAS26 figures).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £2,835 million.

GMP Indexation

At present, the public service schemes are 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 may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £9 million on IAS26 assumptions, and we have included this amount within the final IAS26 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

June 2020

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

The Council is required to :-

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

Signed :

Cllr Ted Palmer

Chair of the Pension Committee

Date : 07/10/2020

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

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

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

The Chief Finance Officer has also :-

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

The statement of accounts presents a true and fair view of the financial position of the Council at 31st March 2020, and its income and expenditure for the year then ended.

Signed :

Gary Ferguson CPFA

Corporate Finance Manager (Chief Finance Officer)

Date : 07/10/2020

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Clwyd Pension Fund for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

Clwyd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – effects of COVID-19 on the Fund's Pooled Property investment valuations

I draw attention to Note 13A to the financial statements, which describes material valuation uncertainty clauses in the valuation report's on Pooled Property investments held by the Clwyd Pension Fund arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Clwyd Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

adequate accounting records have not been kept;

the financial statements are not in agreement with the accounting records and returns; or

I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Clwyd Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor’s responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor’s responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor’s report.

Adrian Crompton
Auditor General for Wales
Date: 13 October 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Section 11 - Financial Report

Introduction

This report includes financial monitoring reports for the year 2019/20 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.

Cash Flow

Cash Flow 2019/20

2019/20	Estimate £000	Actual £000	Variance £000
Opening In House Cash	(3,599)	(5,764)	
Payments			
Pensions	61,600	63,182	1,582
Lump Sums & Death Grants	15,000	15,486	486
Transfers Out	6,000	4,447	(1,553)
Expenses (Admin & Finance)	4,600	3,863	(737)
Tax	0	107	107
Support Services	140	161	21
Total Payments	87,340	87,246	(94)
Income			
Employer Contributions	(40,000)	(41,665)	(1,665)
Employee Contributions	(14,400)	(15,363)	(963)
Employer Deficit Payments	(19,800)	(19,244)	556
Transfers In	(4,000)	(5,976)	(1,976)
Pension Strain	(1,200)	(1,558)	(358)
Income	(48)	(92)	(44)
Total Income	(79,448)	(83,898)	(4,450)
Total net of Investment Income	7,892	3,348	(4,544)
Investment Income	(6,000)	(9,464)	(3,464)
Investment Expenses	3,000	3,800	800
Total net of In House Investments	4,892	(2,316)	(7,208)
In House Drawdowns	85,163	115,114	29,951
In House Distributions	(76,729)	(55,270)	21,459
Net Drawdown/Distributions	8,434	59,844	51,410
Rebalancing Portfolio	(10,000)	(72,001)	(62,001)
Total Cash Flow	3,326	(14,473)	(17,799)
Closing Cash	(273)	(20,237)	

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 25% of the Fund (this has been increased to 27% at the recent strategy review). 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 previous table shows a summarised final cash flow for 2019/20. 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.

3 Year Cash Flow Forecast

		2020/21 £000	2021/22 £000	2022/23 £000
Opening Cash		(20,237)	(18,476)	(31,337)
Payments				
Pensions		67,800	69,000	70,400
Lump Sums & Death Grants		16,000	16,000	16,000
Transfers Out		6,000	6,000	6,000
Expenses (including In House)		5,200	5,400	5,400
Tax Paid		100	100	100
Support Services		170	170	170
Total Payments		95,270	96,670	98,070
Income				
Employer Contributions		(44,000)	(44,800)	(46,000)
Employee Contributions		(16,000)	(17,000)	(17,200)
Employer Deficit Payments		(14,000)	(14,000)	(14,000)
Transfers In		(6,000)	(6,000)	(6,000)
Pension Strain		(1,200)	(1,200)	(1,200)
Income		(40)	(40)	(40)
Total Income		(81,240)	(83,040)	(84,440)
Cash Flow net of Investment Income		14,030	13,630	13,630
Investment Income		(8,000)	(8,000)	(8,000)
Investment Expenses		4,000	4,000	4,000
Total net of In House Investments		10,030	9,630	9,630
In House Drawdowns		70,403	46,947	24,800
In House Distributions		(78,672)	(69,438)	(46,033)
Net Drawdowns/Distributions		(8,269)	(22,491)	(21,233)
Total Cash Flow		1,761	(12,861)	(11,603)
Closing Cash		(18,476)	(31,337)	(42,940)
Estimated Asset Valuation		2,075	2,191	2,314

The previous table shows the cash flow forecasts for the next three years to March 2023. These are purely on a cash basis and do 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. 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 5.6% per annum.

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2019/20 compared to 2018/19. Management fees overall have reduced due to lower performance fees in Private Markets.

		2018/19 Actual £000	2019/20 Actual £000	Net change £000
Governance & Oversight Expenses				
Employee Costs (Direct)		193	283	90
Support & Service Costs (Internal Recharges)		23	20	(3)
IT (Support & Services)		0	2	2
Other Supplies & Services		66	102	36
Audit Fees		39	38	(1)
Actuarial Fees		407	465	58
Consultant Fees		598	641	43
Pooling(Consultant & Host Authority)		85	79	(6)
Advisor Fees		434	220	(214)
Legal Fees		57	20	(37)
Performance Monitoring Fees		60	76	16
Pension Board		58	53	(5)
Total Governance Expenses		**2,020**	**1,999**	**(21)**
Investment Management Expenses				
Fund Manager Fees		14,181	15,300	1,119
Performance Related Fees		6,335	3,181	(3,154)
Transaction Costs		2,264	1,829	(435)
Custody Fees		31	43	12
Total Investment Management Fees		**22,811**	**20,353**	**(2,458)**
Administration Expenses				
Employee Costs (Direct)		982	1,157	175
Support & Service Costs (Internal Recharges)		113	151	38
Outsourcing		394	197	(197)
IT (Support & Services)		364	408	44
Other supplies & services		86	112	26
Total Administrative Expenses		**1,939**	**2,025**	**86**
Total Costs		**26,770**	**24,377**	**(2,393)**

The following table shows actual costs for 2019/20 compared to the budgeted costs along with the budget for 2020/21. There will generally be a difference in manager fees compared to budget as these are based on market valuations which are difficult to estimate. Outsourcing costs were also lower than anticipated during the financial year.

	2019/20 £000 Actual	2019/20 £000 Budget	2019/20 £000 Variance	2020/21 £000 Budget
Governance & Oversight Expenses				
Employee Costs (Direct)	283	299	(16)	323
Support & Service Costs (Internal Recharges)	20	22	(2)	24
IT (Support & Services)	2	5	(3)	5
Other Supplies & Services	102	70	32	82
Audit Fees	38	40	(2)	41
Actuarial Fees	465	435	30	641
Consultant Fees	641	664	(23)	859
Advisor Fees	220	179	41	337
Legal Fees	20	40	(20)	41
Performance Monitoring Fees	76	66	10	93
Pension Board	53	69	(16)	73
Pooling (Consultants & Host Authority)	79	109	(30)	119
Total Governance Expenses	**1,999**	**1,998**	**1**	**2,638**
Investment Management Expenses				
Fund Manager Fees	20,030	21,000	(970)	24,458
Custody Fees	31	31	0	32
Pooling(Operator/Manager/Custodian)	292	186	106	190
Total Investment Management Fees	**20,353**	**21,217**	**(864)**	**24,680**
Administration Expenses				
Employee Costs (Direct)	935	893	42	1,247
Support & Service Costs (Internal Recharges)	151	66	85	140
Outsourcing	197	900	(703)	300
IT (Support & Services))	408	424	(16)	405
Other supplies & services	112	63	49	108
Total Administrative Expenses	**1,803**	**2,346**	**(545)**	**2.200**
Employer Liaison Team				
Employee costs (Direct)	**222**	**213**	9	**223**
Total Costs	**24,377**	**25,774**	**(1,397)**	**29,741**

Participating Employers of the Fund at 31 March 2020

Contributions

49 bodies contributed to the Fund during 2019/20, 31 scheduled and 18 admitted. Contributions are paid to the Fund by the 19th of the month following the month they relate to. Employer and employee contributions, (including deficit payments) received during 2019/20 are shown below, as is the rate of contribution as a percentage of pensionable pay.

7 new bodies have been admitted to the Fund during 2019/20 (4 scheduled and 3 admitted). No bonds or any other secured funding arrangements have been facilitated.

Admitted Bodies	Employer Contribution £	%	Employee Contribution £	Avg %
Newydd Catering & Cleaning Ltd	616,198	18.40	187,513	5.6
Aura Leisure & Libraries Ltd	600,214	18.10	205,487	6.2
Careers Wales	374,107	15.20	89,652	6.3
Civica UK	215,658	19.00	67,667	6.4
Wrexham Commercial Services	168,890	17.40	55,467	5.8
Home Farm Trust Ltd	146,964	20.70	41,381	5.8
Chartwells – Compass Group UK	141,526	21.10	40,031	5.6
Freedom Leisure	125,503	18.60	41,521	6.2
Holywell Leisure Ltd	42,857	16.20	15,936	6.0
Churchills	35,293	21.50	9,175	5.5
Cartref y Dyffryn Ceiriog	31,281	23.10	3,986	6.0
Aramark Ltd	29,923	21.80	7,862	6.2
Denbighshire Leisure	28,509	13.80	16,000	7.8
Glyndwr Students Union	15,054	8.00	11,951	6.4
Cartref NI	13,903	19.90	4,230	6.0
Denbigh Youth Group	5,604	23.00	6,310	6.5
Hafan Deg (KL Care)	3,222	23.90	769	5.7
Bodelwyddan Castle Trust	3,164	19.40	1,632	5.6

Scheduled Bodies	Employer Contribution £	%	Employee Contribution £	Avg %
Flintshire County Council	23,096,647	15.20	5,213,994	6.2
Denbighshire County Council	18,061,199	15.20	4,136,000	6.3
Wrexham County Borough Council	11,171,220	15.40	4,449,465	6.2
Glyndwr University	2,034,375	15.00	479,926	6.8
Coleg Cambria	1,944,400	14.80	826,845	6.3
North Wales Fire Service	761,751	14.70	338,400	6.7
North Wales Valuation Tribunal	57,554	16.80	10,439	8.0
Rhyl Town Council	42,879	15.50	8,607	7.4
Hawarden Community Council	39,812	20.20	9,370	6.4
Coedpoeth Community Council	30,364	24.40	5,437	5.9
Prestatyn Town Council	30,100	19.00	9,183	6.4
Caia Park Community Council	20,619	25.60	5,618	6.0
Mold Town Council	19,046	17.40	6,361	6.5
Buckley Town Council	18,536	23.60	4,968	6.3
Rhos Community Council	18,083	17.10	4,539	6.1
Shotton Town Council	7,429	27.70	1,790	6.5
Cefn Mawr Community Council	6,840	17.00	2,103	5.0
Holywell Town Council	6,108	18.00	1,879	5.5
Denbigh Town Council	6,047	16.60	2,276	6.3
Acton Community Council	5,457	19.60	1,742	6.3
Offa Community Council	4,459	23.00	2,104	6.2
Gresford Town Council	3,161	21.90	837	5.8
Argoed Community Council	3,061	29.30	598	5.5
Penyffordd Community Council	2,649	21.10	691	5.5
Connah's Quay Town Council	2,125	16.20	5,157	5.7
Gwernymynydd Community Council	1,745	30.50	317	5.5
Bagillt Community Council	1,200	13.30	496	5.5
Hope Community Council	1,167	12.40	518	5.5
Marchwiel Community Council	1,105	19.20	317	5.7
Northop Town Council	1,045	19.90	289	5.5
Flint Town Council	640	17.50	212	5.8

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.

These all related to new employers. The Fund did not exercise its option to charge interest to any of the employers during the year but the occurrences were registered in the Fund's breaches register and reported to the Pension Fund Committee. The total of all late payments was £3,425 (0.008% of the total employer contributions).

Employer	Late Occasions	Contributions (£)
A	4	2,164
B	1	500
C	2	413
D	3	348

Fund Assets

The table below provides an analysis of the Fund's assets as at 31 March 2020.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	100,300	140,135	240,435
Alternatives	216,781	309,700	487,659	1,014,140
Bonds & LDI	317,546	0	182,263	499,809
Property (Direct)	0	0	0	0
Cash	20,238	0	0	20,238
Total	554,565	410,000	810,057	1,774,622

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 & Opportunistic, Infrastructure, Timber and Agriculture.

Investment Income

The table below provides an analysis of the Fund's investment income received as at 31 March 2020. The majority of the Fund assets are in pooled investments and any income is incorporated in the net asset value.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	0	0	0
Alternatives	5,968	5,713	0	11,681
Bonds & LDI	0	0	0	0
Property (Direct)	0	0	0	0
Cash	60	0	0	60
Total	6,028	5,713	0	11,741

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 10 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 all fees relating to our investments.

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

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

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

Fund Management Fees	Avg bps	19/20 £000	Avg bps	18/19 £000
CORE (70% of Fund)	**105**	**12,932**	**84**	**11,764**
Total expenses including AMC	45	5,574	37	5,141
Underlying Fees (includes performance and transaction fees)	51	6,243	35	4,917
Performance Fees	0	0	0	0
Transaction Fees	9	1,115	12	1,706
NON CORE (30% of Fund)	**296**	**16,142**	**438**	**20,022**
Total expenses including AMC	185	9,726	198	9,040
Underlying Fees (includes performance and transaction fees)	48	2,521	90	4,089
Performance Fees	60	3,181	132	6,335
Transaction Fees	14	714	12	558
TOTAL	**166**	**29,074**	**171**	**31,786**
Total Fees Excluding Underlying	116	20,310	123	22,780
Net Assets (Core)		1,227,904		1,399,935
Net Assets (Non-Core)		526,481		457,043
Total Net Assets (excluding cash)		1,754,384		1,856,978

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 70% (75% in 2018/19) of the Fund assets but only 44% (37% in 2018/19) 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 30% (25% in 2018/19) of the Fund assets the proportion of fees amounts to 56% (63% in 2018/19). These figures include the underlying fees. In comparison, excluding underlying fees, the proportion of fees for core assets is 33% (30% in 2018/19) and non-core, 67% (70% in 2018/19). Many of the Fund's managers are now signed up to the Cost Transparency Initiative (CTI) and are providing fees through the CTI template.

Wales Pension Partnership (WPP)

The WPP was established in 2017 and is a collaboration of the eight Welsh Local Government Pension Scheme (LGPS) funds of which the Clwyd Pension Fund is a Constituent Authority. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds which pre dated the Government's pooling initiative.

The WPP 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, including Hymans Robertson who have been appointed as the WPP's Oversight Advisor. 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. The eight Constituent Authorities of the WPP are:

- Cardiff and Vale of Glamorgan
- Clwyd
- Dyfed
- Greater Gwent (Torfaen)
- Gwynedd
- Powys
- Rhondda Cynon Taf
- Swansea

Link Fund Solution Ltd (The Operator)

The WPP has designed an operating model which is flexible and able to deliver value for money. The nature of the contract means the WPP is charged a certain level of basis points dependant on the level of Assets under Management (AUM) and therefore have not incurred any set up costs.

There is an Operator Agreement in place with Link Fund Solutions which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The WPP, with the support of its Oversight Advisor, oversee the work that Link Fund Solutions carry out on behalf of the WPP. The WPP's Operator Engagement Protocols have also been put in place to ensure that there are sufficient levels of direct engagement between the Operator and the individual Constituent Authorities.

Link Fund Solutions carry out a broad range of services for the WPP, these include:

- Facilitating investment vehicles & sub-funds
- Performance reporting
- Transitions implementation
- Manager monitoring and fee negotiations
- Risk reporting

Russell Investments (Management Solutions Advisor)

In collaboration with Link Fund Solutions, Russell Investments provide investment management solutions advice to the WPP. Alongside Link Fund Solutions, they work in consultation with WPP's eight Constituent Authorities to establish investment vehicles. Russell's remit includes advising Link Asset Services and WPP on efficiencies around portfolio construction which includes manager selection. Link Fund Solutions continues to work with Russell Investments, where applicable, to further reduce WPP's costs through multi-manager structures, currency management solutions, portfolio overlays, transition management and other execution services.

Hymans Robertson (The Oversight Advisor)

Hymans Robertson have been appointed the Oversight Advisors for the WPP. Hymans Robertson's role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

WPP Progress

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. There has been, across Wales in total, significant progress towards delivering on this objective. The launching of the WPP's three active equity sub-funds, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 45% of assets.

The current AUM across the eight Constituent Authorities as at 31 March 2020 is circa £17.5bn. The AUM of the assets invested in WPP, including the passive equities effectively within the Pool but held by the respective WPP Authorities in the form of insurance policies is:

Asset Class	Managed by	AUM	Clwyd AUM
Passive Equity	BlackRock	£3.57bn	£0.065bn
Global-Growth Active Equities	Link Fund Solutions	£1.96bn	N/A
Global Opportunities Active Equities	Russell Investments	£1.88bn	£0.075bn
UK-Opportunities Active Equities	Russell Investments	£0.48bn	N/A
Total		£7.89bn	£0.14bn

During 2020/21, WPP will be transitioning a further £2.94bn to 5 Fixed Income Sub Funds:

Asset Class	Managed by	AUM	Clwyd AUM
Global Credit	Russell Investments	£0.79bn	N/A
Multi Asset Credit	Russell Investments	£0.63bn	£0.20bn
UK Credit	Fidelity International	£0.56bn	N/A
Global Government	Russell Investments	£0.53bn	N/A
Absolute Return Bonds	Russell Investments	£0.43bn	N/A
Total		£2.94bn	£0.20bn

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. These can be further split by direct costs which are disclosed in the Fund accounts on page 94 of this Annual Report as directed by CIPFA and those indirect costs for underlying managers.

	Fees	Charged	£000's		
	Total Expenses including AMC	Performance Fees	Transaction Costs	Custody	Total
Asset Pool					
Direct	152	0	200	13	365
Indirect	201	0	0	0	201
Total	353	0	200	13	566
bps	25	0	14	1	40
Non Asset Pool					
Direct	15,148	3,181	1,629	31	19,989
Indirect	3,291	3,608	1,664	0	8,563
Total	18,439	6,789	3,293	31	28,552
bps	114	42	20	1	177
Fund Total	18,792	6,789	3,493	44	29,118
bps	107	39	20	1	167

Host Authority

Carmarthenshire County Council has been appointed as the Host Authority for the Wales Pension Partnership. The Host Authority 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 agree a budget which is included in their business plan which includes the costs of the Host Authority and charges relating to the Oversight Advisor, any legal services provided and charges in relation to the WPP Engagement and Voting Provider, Robeco. All these running costs are recharged equally (unless specific projects have been agreed for individual Funds) between the eight Constituent Authorities. For the financial year to March 2020, the amount recharged to the Clwyd Fund was £70k.

1 Year Asset Allocation and Performance (2019/20)

Assets						
	Opening Value £000	**%**	**Closing Value £000**	**%**	**Net Performance %**	**Local Target %**
Pool Assets						
Equities Passive	**71,050**	**3.8**	**65,205**	**3.7**	**-8.2**	**-8.5**
Equities Active	**78,672**	**4.2**	**74,931**	**4.2**	**-4.7**	**-4.8**
Total Pool Assets	**149,722**	**8.0**	**140,136**	**7.9**		
Non- Pool Assets						
Bonds Active	**203,790**	**10.9**	**182,263**	**10.3**	**-10.5**	**+1.7**
Equities Active	**118,828**	**6.4**	**100,300**	**5.7**	**-15.4**	**-11.8**
Diversified Growth	**365,757**	**19.6**	**346,996**	**19.6**	**-5.1**	**+4.5**
Liability Driven Investment	**422,854**	**22.7**	**317,546**	**17.9**	**-10.9**	**-10.9**
Hedge Funds	**138,985**	**7.5**	**140,663**	**7.9**	**+1.2**	**+4.3**
Private Equity	**211,584**	**11.4**	**226,849**	**12.8**	**+5.2**	**+5.9**
Private Debt	**32,744**	**1.8**	**40,911**	**2.3**	**+0.2**	**+6.7**
Infrastructure	**66,604**	**3.6**	**112,156**	**6.3**	**+0.1**	**+5.9**

Property	**122,836**	**6.6**	**126,651**	**7.1**	**+3.5**	**+0.1**
Timber & Agriculture	**23,274**	**1.2**	**19,913**	**1.1**	**-1.3**	**+5.9**
Cash	**5,765**	**0.3**	**20,238**	**1.1**		
Total Non-Pool Assets	**1,713,021**	**92.0**	**1,634,486**	**92.1**		
Total Assets	**1,862,743**	**100**	**1,774,622**	**100**	**-5.1**	**-0.7**