

FLINTSHIRE COUNTY COUNCIL (As Lead Authority for the Clwyd Pension Fund)

CLWYD PENSION FUND BOARD

Minutes of the meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Administering Authority for the Clwyd Pension Fund), held virtually by WebEx, on Tuesday 23rd February at 9.30am.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams, Mr Phil Pumford

Employer Representatives: Mr Steve Gadd

IN ATTENDANCE

Mr Philip Latham (Head of Clwyd Pension Fund and Secretary to the Board)

Mrs Karen Williams (Pension Administration Manager) (left at 1.30pm)

Mrs Debbie Fielder (Deputy Head Clwyd Pension Fund)

Ms Mary Lambe (Aon – Minute taker)

Actions

1. APOLOGIES/ WELCOME

Apologies received from Mr Steve Jackson, Employer Representative.

Ms Mary Lambe was introduced and attended to record the minutes of the meeting.

As Mr Gadd needed to leave during the meeting to attend a Council meeting the order of the agenda was adjusted and the minutes are set out in the order items were discussed.

2. DECLARATIONS OF INTEREST

Mr Pumford informed the Board that he knew Ms Lambe in a personal capacity, and it was agreed no conflict existed.

3. MINUTES AND MATTERS ARISING

The Chair asked for comments on the minutes of which there were none and the draft minutes of the meeting held on the 6 November 2020 were confirmed as a correct record by all Board members.

Actions

4. ACTION TRACKER

The contents of the Action Tracker were discussed. As previously agreed, completed actions are now removed from the Action Tracker once reported as completed to the Board.

There were no comments on the Action Tracker directly with the following additional points raised:

- The Chair asked Officers about the progress for the vacant Governance post. Mrs Fielder outlined that a business case needs to be put forward and that a new process was in place (this is due to people being on a deployment list for the Council). It was noted that new team member recruited for the website role was from the deployment list and the new requirements may not be significantly onerous. **Chair asked that Mrs Fielder and the Board Secretary take it forward.**

Board Secretary and Mrs Fielder

RESOLVED:

The Board noted the ***Action Tracker which is to be updated*** in line with point above.

Board Secretary

5. PENSION BOARD BUDGET (AGENDA ITEM 22)

Mrs Fielder provided an update and noted that:

- a revised budget showing £7,600 for Wales Pensions Partnership (WPP) meetings which the Chair attends will be issued
- costs went down in 2020/21 mainly due to lack of face to face events, but the budget has been set at a similar level to previous year to allow for face to face events to resume, and
- the cost for training events is split between Aon advisor costs and other costs.

Mrs Fielder mentioned that the Board have insurance renewed annually and that information will be issued to members shortly.

Board members had no comments on the budget and agreed this should now be taken to the Pension Fund Committee for approval.

6. RESPONSIBLE INVESTMENT INCLUDING CLIMATE CHANGE/CARBON NEUTRALITY (AGENDA ITEM 14)

The Board Secretary provided an update from the slides prepared for a session on this subject for Wrexham County Borough Council the following day, noting that this is huge issue at present, across the LGPS and more widely.

He noted that:

- The Fund's Responsible Investment (RI) Strategy is set out in the Investment Strategy Statement (ISS).
- An RI Roadmap for the Fund is being taken to the June PFC meeting.
- On carbon footprinting analysis the Fund can measure 30% of assets and the Fund is broadly in line with benchmark (MSCI standard benchmark).

The Board Secretary noted that Russell have indicated that the Fund can reduce carbon exposure by c25% without impacting investment risk. Reducing carbon exposure further than that would require the Fund to have a different strategy. This number isn't static and changes all the time. The Fund officers' and adviser's view is that, as part of the RI roadmap, moving further into sustainable equities will result in a better long-term return for the Fund. The challenge is how to define and measure carbon exposure. He noted there is no easy answer and there is pressure from divestment groups but also oil companies etc have their own transition plans (e.g. towards renewable energy).

The Board Secretary noted that assessing the impact of climate change is key and what the impact on returns would be in different scenarios over different time periods (2030, 2050, 2100). Most scenarios could have a negative impact on the Fund's investment return. Also it will require changing the Fund's investment strategy which in turn will need to be implemented by WPP.

Actions

The Chair asked about fiduciary duty and the Board Secretary noted that climate change will impact returns and that evidence suggests Funds could see reduced investment returns due to climate change. He noted that there is significant power in hands of policy makers on this and it is critical that it is recognised that the Committee members make decisions about Fund matters in the best interests of the scheme members.

Mrs E Williams highlighted, from the perspective of a scheme member, that her instinct is that it is important that there is seen to be a plan in place for the Fund. Perhaps scheme members are not aware of the plan but they should be. She noted that doing nothing is not an option, not only for obvious reasons but also because investment returns would go down if nothing was done. Having a plan is important and she hoped we can see it develop but also get this message out to scheme members too. The Board Secretary outlined his hope that in the long term, as a Fund and also across Wales, there is lower investment in companies with adverse effects from climate change.

Mr Pumford asked if there is something that can be done to get this information to members in an easy to understand way. The Board Secretary mentioned that the Fund could use PENPAL rather than just the website. He also noted that there is a lot of good work engaging with companies via the LGPS which can drive change. Trying to get this out and make it understandable is the challenge. Mrs K Williams noted that how we word messages will be crucial given interest in this area and potential for FOI requests.

Mr Gadd mentioned net zero targets for Councils and the importance of setting targets. He also noted the importance of getting the message to staff in Local Authorities and the benefits of that coming from the Fund directly. The Chair also mentioned the risk of pressure to align with other targets, including employers, rather than setting an appropriate and achievable Fund target. The Board Secretary highlighted that they are in the hands of what happens globally as to whether they achieve the Fund's target. Mr Gadd asked what we should expect to see in June for the PFC meeting. The Board Secretary indicated a net zero target, but he also highlighted it will be interesting to see what will come from COP 26 conference in Glasgow later this year. The underlying message is we don't want to be investing in companies that are not addressing climate change. The roadmap should set out timescales in relation to targets.

Actions

The Chair noted the role of the Board is ensuring efficient and effective governance and therefore it is not about the Board considering whether the Fund should divest in specific assets or companies. However she agreed that conversations on this subject are really valuable including us highlighting the need for engagement with Scheme Members. The Board Secretary concluded that this is a huge part of our governance now and as a result takes up significant time and budget.

Action - Mrs K Williams would arrange for wording on RI to be included in future version of PENPAL.

Mrs K Williams

7. ASSET POOLING (standard item) (AGENDA ITEM 13)

The Board Secretary provided an update from an investment and governance perspective.

Investment:

- Global assets progressing as expected, emerging markets delayed to September
- Private equity/property which is 27% of the Fund is a more difficult transition.

Governance:

- Improving and more policies coming on board
- Scheme member representative agreed at last JGC. Process is they are likely to come to LPBs to seek representation.

Mrs E Williams asked, if the nominees are scheme member representatives on Pension Boards, how would we know about nominees from South Wales for example. The Chair noted that if the PBs were told to determine the nominees, the Chairs could work together to agree and manage that process. She highlighted that at some point Mr Pumford or Mrs E Williams may be asked to consider being put forward for the role and this would likely involve having to complete a short application form. Then the process would likely involve the successful candidate being chosen from the nominees by the JGC.

Mr Gadd highlighted his concern about the appointment not being left to the Pension Boards to decide. The Board Secretary noted that a Job Description and Person Specification will be provided which will guide the process. He also highlighted that he understands legally that the JGC must make the appointment but hopefully this give flexibility for the Boards to drive who the nominees are.

Rotation is also likely to be included within the approach taken too. Mr Pumford noted that short-term rotation could be ineffective.

The Chair suggested that once the proposed process is made available the Fund can make suggestions to the Host Authority on any elements where there is concern.

8. COVID-19 IMPACT ON FUND (AGENDA ITEM 5)

The Board Secretary updated the Board on how the Fund is assessing the impact of COVID-19 in the longer term. He noted that the funding level was 96% at the end of December 2020 and it has not changed much since then. Mercer's view is that there continues to be risk, for example risk of market shocks, but that Pension Funds are in a good situation at the moment.

From an operational perspective the Board Secretary updated the Board that there had been some delays on various work items, some of which are due to national delays. There is nothing of particular concern and generally things are in control including in relation to contributions being paid by employers. One member of the team had COVID-19 and the Board Secretary mentioned recently there had been a number of family bereavements that team members were dealing with, which had impacted on team resources. Regardless, outstanding caseloads have been reducing.

Mrs K Williams informed the Board that moral is high across the team and when team members have had more challenging points during the pandemic, they have been fortunate that others in the team have been able to support those people.

Mrs K Williams noted that there has been a challenge with training new recruits remotely however despite that, outstanding cases which had at one point reached over 10,000 was now under 5,000. The performance against KPIs may have slipped slightly due to training but the amount of work being processed is increasing. As part of work in reducing the outstanding cases the team is also trying to assess what the business as usual number of cases is for the Fund as there will always be a volume of cases being processed.

The Chair highlighted the excellent work of the team and asked that the Board's best wishes and thanks were shared with them.

9. BUSINESS CONTINUITY (AGENDA ITEM 6)

Mrs K Williams updated the Board that the focus, following the move to the full team home-working last March, is to develop the Business Continuity Plan focussing on how the team work around things that could arise in the future as part of the evolving working practices. She went on to confirm that officers have had a few meetings to discuss the roadmap ahead and work is underway to develop a comprehensive Policy, documenting activities and acceptable recovery plans. Mrs Williams noted that the Fund needs to be as prepared as possible to ensure an appropriate response should an incident arise.

The Chair stated that she was assured that officers are revisiting business continuity arrangements given how different the working environment has become in the last 18 months.

10. CYBER (AGENDA ITEM 7)

The Board received an update from Mrs K Williams on the progress of the Fund's cyber security work. She emphasised that the key activity for the Fund includes understanding and mitigating the threat of cyber risk and ensuring compliance with TPR requirements in this area. She explained that recent work included issuing a cyber questionnaire to Heywood the administration software supplier and Flintshire County Council. Work is underway to develop a report of the findings and Mrs Williams took the Board through the Heywood findings and indicated that further clarification is being sought on two of their responses and further updates will be taken back to the Board. She outlined that she would also come back with the Flintshire position in due course.

On data-mapping the slides presented to the Board showed how the mapping exercise can help identify vulnerable areas through highlighting the volume and frequency of data flows, where data comes from and who it goes to. Mrs K Williams then showed the Board how the risk of each area is assessed across the areas of data type, data quality, frequency and security noting that it was still a work in progress which will be built on. The Chair asked if the red and amber flags on the data mapping grid indicate who the Fund needs to speak to. Mrs Williams confirmed they do and they help to identify the areas the Fund needs to spend more time on. It emphasises how many parties are involved and indicates where risk to the Fund may exist from external threats. Mrs Williams explained that the same process is followed for money transfers including approving payments. She also noted that there are areas the Fund cannot control (e.g. members' passwords). Next steps include developing a Cyber Risk Policy and an Incident Response Plan.

The Chair asked if we should add cyber as a standard item on the agenda. Mr Pumford agreed and Mrs K Williams confirmed it could be going forward.

Mrs Williams also noted that officers are keen to understand how the Fund compares to other LGPS funds.

The Board Secretary asked if the slides could be shared and Mrs Fielder confirmed she would share the slides when circulating the budget information. There was also a wider discussion on what would be reportable to TPR in a cyber security situation and also the Chair highlighted the publicly known cyber-attack recently for Hackney Council which impacted documents and directories for that Fund.

Action – The Board Secretary will arrange for cyber to be added to the Board agenda going forward and an update will be brought to the next meeting.

**Board
Secretary**

Mrs Fielder will share slides presented to the Board via email.

**Mrs
Fielder**

MR GADD LEFT THE MEETING 11.06AM AND AS THE MEETING CEASED TO BE QUORATE, THE MEETING PAUSED AT 11.15AM. MR GADD REJOINED THE MEETING AND THE QUORATE MEETING RECOMMENCED AT 1.14PM.

11. COMMITTEE AND BOARD TRAINING (AGENDA ITEM 8)

Ms Lambe provided a brief update to the Board in line with the papers provided including details of the forthcoming induction training and doodle poll issued. It was noted that one Committee member had not attended the induction training and this is being pursued further.

12. MCCLOUD REMEDY PROJECT (AGENDA ITEM 9)

The Board agreed to defer this item given there is a separate Steering Group meeting on 1 March which Pension Board members participate at.

13. DATA IMPROVEMENT PLAN (AGENDA ITEM 10)

Mrs K Williams provided an update to the Board confirming that common data scores are now 97.4% (previously 96.8%) and scheme specific data is now 97.2% (was 96.4%). The Chair asked if the numbers are for this year only (i.e. the data queries from last year are all sorted) or is it a mix. Mrs K Williams noted that there are some areas that are consciously not dealt with and so there will be some

overlap. However this is detail she would like in the comment box going forward to form part of the story to help understand reoccurring data issues. She also mentioned that this would help identify if a team member were not following process notes. There are 5 fewer categories on this year's plan as officers have cleared those areas and there are no new categories of failure this year which is positive.

The Chair asked about row 5 – addresses. It states that 1,759 members recorded as gone away and the Chair asked when was the last time a member tracing exercise was carried out and how many were left over after that exercise. Mrs K Williams outlined that the last bulk exercise was a DWP exercise in 2019; she could not give the exact figure but can provide it. Officers want to do bulk address tracing exercises more regularly but not every year. There needs to be an exercise for those members who are not on MSS or don't have a postal address on the system. The Chair noted this appears to be a large number of records which could be worrying. Mrs Williams noted that some of the records will be the same scheme member due to multiple scheme memberships. The Board Secretary noted that the deferred member group is harder to reach. Mrs K Williams is hoping the Pensions Dashboard will help too.

The Board discussed the position of other funds and the impact on resourcing of data scoring. Mrs K Williams noted all schemes/funds will do data scoring exercise as TPR request this information, but it is what is done with the data identified by the scoring that has a bigger impact on resourcing.

Action - Mrs K Williams will provide figures on numbers from 2019 DWP Bulk member tracing exercise.

Mrs K Williams

14. ADMINISTRATION UPDATE (AGENDA ITEM 11) (standard item)

The Chair invited the Pensions Administration Manager to provide an update. Mrs K Williams gave a summary of the progress with the GMP reconciliation activity. Now the data cleansing part of the GMP project has been finalised, it has transpired that in some cases, the Fund is underpaying members' pensions. There are 227 members where the Fund have had to adjust their pension; 38 were underpaid pensioners and 162 were overpaid pensioners. Each individual has been sent a letter giving two months' notice of the change. The Fund agreed for overpayment cases there would be no recovery of any overpayment amount but the pension would be put to the correct amount going forward. A couple of members phoned to understand how this happened. One asked for the IDPR pack so if he wanted to complain he could. £386K is the total amount of non-recoverable overpayments. It is a substantial amount of money but no fault of the member and in most cases not the Fund's fault either. In total there was £60K arrears of underpaid annual pension and ongoing monthly

amounts have also been increased now. The team are now undertaking a final data cleanse and Mrs Williams confirmed all payment adjustments have been made. The Board Secretary asked what the wider position across the LGPS is regarding GMP reconciliation. The Chair and Mrs K Williams noted that Clwyd is ahead of the pack with some not carrying out the reconciliation exercise and others going through it at the moment.

It was agreed that in the interest of time other elements of this agenda item would not be introduced by Mrs Williams, but the Board were asked if there were any questions which there were not. The Chair noted that the outstanding case load of below 5,000 cases is fantastic and also the new employer emails about how well they are doing (or not) being issued was positive.

15. COMPLIMENTS AND COMPLAINTS (INCLUDING Internal Dispute Resolution Procedure (IDRPs)) (AGENDA ITEM 12) (standard item)

The Chair asked the Board if anyone had any queries on the papers relating to compliments and complaints and there were none.

16. UPDATES ON OTHER DEVELOPMENTS AND RISKS, INCLUDING NATIONAL DEVELOPMENT (AGENDA ITEM 15)

The Chair introduced the item with Officers providing an update on the following items:

- Good Governance project – Phase 3 report has been issued and this is now with MHCLG to progress.
- TPR Single Modular Code – Update provided on expected consultation and challenges ahead with the merger of 10 codes including Code of Practice 14 into one single Code.
- New Regulations on Employer Flexibilities on Exit Payments – Confirmed that expected guidance not yet issued with regulations now having changed. The Funding Strategy Statement (FSS) will need to be updated and consulted on.
- Exit Cap (£95k) and wider reform – Welsh position not yet known. In the interim period the Fund didn't have any members that hit the cap.
- Pensions Schemes Act – update on Pensions Dashboards, Task Force on Climate related Financial Disclosures (TCDF) and management of pension scams.

The Board agreed to bring Pension Scams to a future meeting.

Action – Officers to bring topic of Pension Scams to a future meeting of the Board.

Board Secretary

17. RISK REGISTER (AGENDA ITEM 16)

The Board had no comments on this area.

18. BREACHES LOG (AGENDA ITEM 17)

The Board had no comments on this area.

19. UPDATES FROM RECENT EVENTS ATTENDED BY BOARD MEMBERS (AGENDA ITEM 18)

The recent events were discussed by the Board including attendance at the CIPFA Pension Board Spring Seminars. Mr Pumford and Mrs E Williams each attended one of the seminars and Mr Pumford agreed to share his slides. The Chair also attended a session and agreed to share her slides from the event. The Chair mentioned that in her session only two Boards had undertaken an effectiveness review

Action – Mr Pumford and the Chair to share their slides from the CIPFA event.

**Chair / Mr
Pumford**

20. CONSIDERATION OF 10th FEBRUARY 2021 COMMITTEE PAPERS (AGENDA ITEM 19) (standard item)

The Board noted there were no comments.

21. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE (standard item)

The Board noted there were no comments.

22. FUTURE WORK PLANS

The Board discussed items on the future workplan including:

- Single Modular Code – bring to future agenda once consultation has been issued.

Action - to add to June 2021 agenda.

- Audit Reports – it is important that the Board also see these reports.

Action - to add to workplan

**Board
Secretary
(all
actions)**

23. FUTURE DATES

The Board were asked to note dates relating to future meetings, training and other events involving Pension Board members including:

- Various induction training dates (new Committee/Board members essential but all invited)
- 24 February – WPP training event on the review process and regulatory requirements (open to all Committee and Board members)
- 18 to 19 March – LGC Investment Summit (open to all Committee and Board members).

The Board were reminded to let Mrs Fielder know of events they have enrolled and attended so that they can be recorded on Training Log.

Action – Board members to share attendance at events with Mrs Fielder.

Board members

24. ANY OTHER BUSINESS

Noted that the next meeting of the Board is 24th June 2021.

It was also noted that the Board Secretary is speaking at the PLSA Conference in May.

Internal audit - any thoughts for our workplan for year, this would allow us to get additional internal controls in place. The Chair suggested there could be a focus on remote working and how payments are properly approved. The Chair asked if the Board are happy if she works with Phil on this. The Board agreed to this. Mr Gadd asked is it possible to share last year's Audit Report.

The Board Secretary agreed to share the Audit Report in next 24 hours, if Board members have anything by end of this week that would be great.

Action – Board Secretary to share Audit report with Board members and Board members to share any comments back.

Board Secretary / Board