Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Gweinyddwyd gan
Administered by

Cyngor Sir y Fflint
Flintshire County Council

CLWYD PENSION FUND
ANNUAL REPORT 2020/2021

Clwyd Pension Fund Annual Report 2020/21

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Section 1

Introduction to the Clwyd Pension Fund Annual Report 2020/21

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

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

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

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

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

Cllr Ted Palmer	Colin Everett
Chair of the Clwyd Pension Fund Committee	Chief Executive, Flintshire County Council

Section 2

Summary by the Head of Clwyd Pension Fund

This section of the report highlights some of the main elements of this year's Annual Report, and explains how to use the report to find more information about the activities and performance of the Fund during the year, along with some of the challenges and risks which the Fund faces moving forward.

Governance, Training and Risk Management

Flintshire County Council is the Administering Authority for the Fund, and delegates responsibility for running the Fund to a Pension Fund Committee. The work of the Committee is supported by a Pensions Advisory Panel. In addition, a Pension Board, chaired by the Fund's Independent Advisor, assists the Committee in ensuring compliance with legislation and The Pension Regulator's requirements and ensuring efficient governance and administration of the Fund. Despite the impact of the COVID-19 pandemic, the Committee, Advisory Panel and Pension Board have continued to function effectively during 2020/21.

The Fund is required to produce an Annual Governance Statement which is Section 3 of this report.

The Fund's Knowledge and Skills Policy ensures that those charged with Governance including senior officers of the Fund have the appropriate knowledge and skills to ensure the Fund is appropriately managed. Attendance at training is recorded and monitored to ensure that the training is fully effective.

The risk landscape within which the Fund operates is complex and the risks which the Fund faces are often as a result of events outside the Fund's control. This was evident in the risks arising from the potential impact of the COVID-19 pandemic. The Fund has a well-established and effective approach to risk management, including maintaining a risk register which is regularly monitored and reported to those charged with governance.

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

Funding

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

A key part of the Funding Strategy Statement is the Fund's Flightpath Strategy, which is designed to provide stability of funding and stability to employer contribution rates in the long term. This has been monitored and revised during the year to ensure its continuing effectiveness.

Future challenges in respect of funding include:

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

Further details of the funding position may be found in the Funding and Flightpath Review which is Appendix 5 to this report.

Investment

Investment activity operates within the objectives defined by the Investment Strategy Statement. Each of these objectives reflects the Fund's desire to incorporate sustainability and act as a Responsible Investor in its investment approach.

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

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

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

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

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

Administration

The Administration and Communication Strategies frame the work of the Fund's Administration Team. The Administration Strategy was updated in March 2021, consolidating information previously held in employer Service Level Agreements. The Communications Strategy will be updated in 2021/22 and will reflect advances in technology to aid communications with stakeholders.

On a day to day basis, the Administration Team provides a service covering the calculation and payment of benefits, transfers in and out of the Fund, the maintenance of individual members' records and communications and advice to members and employers. During the year, nearly 30,000 cases involving all activities across the team were completed. During 2020/21 the Team has continued to deliver a high quality service despite the challenges posed by the impact of the COVID-19 pandemic.

In addition to this work, the Team has been working on a number of projects designed to improve the quality of the service provided to members and employers:

- developing and implementing a data improvement plan. Data Quality is improving and progress against the plan will continue to be monitored
- developing further Key Performance Indicators (KPIs) to help improve performance monitoring
- continuing the roll out of the i-Connect system, allowing employers to directly enter and update information to the Fund's database
- finalising work on the ongoing GMP rectification and reconciliation project
- improving accessibility to the Fund's website, and the quality of the website generally
- working closely with employers on compliance statements and through the Employer Liaison Team
- responding to the impact of the McCloud court case

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

In addition to those mentioned above, the Administration Team faces a number of challenges going forward. Key amongst these are:

- involvement in the development of a new National Pensions Dashboard
- responding to possible changes resulting from the Cost Management Process
- the impact of indexation and equalisation of GMPs

Further details of the administration of the Fund may be found in the Administration Report which is Appendix 4 to this report.

Finance

The total net assets of the Fund (excluding cash) at 31st March 2021 was £2,152m. Total contributions for the year from members and employees were around £85m, with benefits and other payments to members about £83m. Total management expenses paid by the Fund was about £22m, with an increase in the Funds market value and income of about £469m. The Fund continues to transition assets to WPP with the intention of saving costs and improving returns on investments, and this will continue in 2021/22.

The Fund continues to operate within its budget. Key variances against budget during the year were underspends on manager fees, actuarial fees, administration employee costs and outsourcing costs. Pooling fees were overspent as a result of spend on transition fees and transaction costs which were uncertain and therefore not included specifically in the budget.

Further details of the Fund's finance s may be found in the Fund's Statement of Accounts which is Appendix 7 to this report, and the Financial Report which is Appendix 8.

Other information

Four key strategy statements also form part of this report. They are the Governance and Compliance Statement (Appendix 9), the Funding Strategy Statement (Appendix 10), the Investment Strategy Statement (Appendix 11) and the Communication Strategy Statement (Appendix 12).

The following documents may also be found on the Fund's website at https://mss.clwydpensionfund.org.uk/home/investments-and-governance/ :

- Business Plan
- Administration Strategy
- Breaches Policy
- Conflicts of Interest Policy
- Knowledge and Skills Policy

Overall, despite a challenging year, the Fund has improved both financially and with the service provided to our members and employers. We will seek to both consolidate and improve in 2021/22 in line with the Fund's Mission Statement.

Philip Latham

Head of Clwyd Pension Fund

Clwyd Pension Fund Mission Statement

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

Appendix 1

Governance, Training and Risk Management

Introduction

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

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

- Governance Policy and Compliance Statement
- Risk Policy
- Conflicts of Interest Policy
- Knowledge and Skills Policy
- Procedure for Recording and Reporting Breaches of the Law.

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

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

Governance Structure

Background

To carry out the responsibilities relating to the management of Clwyd Pension Fund, Flintshire County Council as Administering Authority to the Fund, has established a formal Pension Fund Committee (the Committee), supported by a Pensions Advisory Panel (the Panel). The Committee includes both scheme member and employer representatives who have full voting rights . In performing its role the Committee takes advice from the Panel (a group of officers and professional advisors). The Committee has a scheme of delegation to officers to ensure efficient management and timely decision making on urgent matters between meetings. It receives monitoring reports at each quarterly Committee against the Governance, Funding, Investment, Administration and Communication Strategies and progress against the 3 year Business Plan. The agenda, reports and minutes for each Committee are available on the Flintshire County Council website – www.flintshire.gov.uk. The membership of both the Committee and the Panel are shown below.

Flintshire County Council has also established the Clwyd Pension Board (the Board). The role of the Board as defined in regulation is to assist in:

- securing compliance with legislation and the Pensions Regulator's requirements and
- ensuring effective and efficient governance and administration of the Fund.

The minutes of the Board's meetings are included in the Committee agenda papers and Board members attend Committee, making an important contribution to debates and discussion. The Board annual report is included within this Annual Report.

Further information about the Board can be found on the Fund's website - https://mss.clwydpensionfund.org.uk/home/investments-and-governance/

Clwyd Pension Fund Committee

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

Advisory Panel

Panel Members	
Chief Executive (FCC)	Colin Everett
Corporate Finance Manager/ S151 Officer (FCC)	Gary Ferguson CPFA
Head of Clwyd Pension Fund (FCC)	Philip Latham
Investment Consultant (Mercer)	Kieran Harkin
Fund Actuary (Mercer)	Paul Middleman FIA
Independent Advisor (Aon)	Karen McWilliam FCIPP

Clwyd Pension Fund Board

Local Board Members			Voting Rights
Independent Chair	Karen McWilliam		X
Employer Representatives	Mark Owen	To June 2020	√
	Steve Gadd	From July 2020	√
	Steve Jackson		√
Scheme Member Representatives	Phil Pumford		√
	Elaine Williams		√

Investment Managers

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

Investment Managers	Address
BlackRock	12 Throgmorton Avenue, London
Insight Investment	160 Queen Victoria Street, London
Man Group	Riverbank House, 2 Swan Lane, 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 and Benefit Consultants: Mercer Ltd	Old Hall Street, Liverpool
Investment Consultant: Mercer Ltd	7 Charlotte Street, Manchester
Independent Advisor: Aon Solutions UK Ltd	122 Leadenhall Street, London
External Auditors: Audit Wales	24 Cathedral Road, Cardiff
Bank: National Westminster Bank plc	48 High St., Mold
AVC Provider: Prudential	121 King's Road, Reading
AVC Provider: Utmost Life & Pensions	Utmost House. 6 Vale Avenue, Tunbridge Wells
Legal Advisors: This varies depending on the issue and can include the Flintshire County Council in-house legal team as well as organisations listed on the LGPS National Legal Services Framework .	

Clwyd Pension Fund Contact Details

Name	Post	Contact details
Philip Latham	Head of Clwyd Pension Fund	(01352) 702264
Debbie Fielder	Deputy Head Clwyd Pension Fund	(01352) 702259
Karen Williams	Pensions Administration Manager	(01352) 702963
Pensions Administration	pensions@flintshire.gov.uk	(01352) 702761
Pensions Finance	pensionsinvestments@flintshire.gov.uk	(01352) 702812

Knowledge and Skills

Clwyd Pension Fund Knowledge and Skills Policy

There is a growing need for LGPS Pension Committee members, Pension Board members and officers to have the knowledge and skills to ensure LGPS funds are appropriately managed, and decisions around the management of funds are robust and well based. This need is being emphasised in guidance including by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Pensions Regulator (TPR) as well various elements of legislation.

The Fund has a well-developed Knowledge and Skills Policy which details the knowledge, skills and training strategy for members of the Committee, the Board and senior officers responsible for the management of the Fund. It has been created to provide a formal framework and greater transparency on how the relevant knowledge and skills are acquired and retained in accordance with the Fund's aspirations and national requirements. It aids existing and future Committee members, Board members and senior officers in their personal development and performance in their individual roles, providing a structure which will ensure that the Fund is managed by individuals who have the appropriate levels of knowledge and skills. Details of how to access the Knowledge and Skills Policy are included in the contents page of this Annual Report.

Training Performance 2020/21

The Fund has a Training Plan which is provided to both Committee and Board Members and details all the training to be covered during the year. Due to restrictions on face to face events, Members were provided training where possible by virtual platforms. Some conferences were held virtually and many providers also hosted bite size training events which some of the Committee and Board chose to attend.

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

a) Individual Training Needs – ensuring a training needs analysis is carried out at least once every two years which drives the content of the Fund's Training Plan.

b) Hot Topic Training – attendance by at least 75% of the required Pension Fund Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.

c) General Awareness – each Pension Fund Committee member, Pension Board member or senior officer attending at least one day each year of general awareness training or events.

d) Induction training – ensuring areas of identified individual training are completed within six months of appointment.

Actual performance in 2020/21 was as follows:

a) Individual Training Needs – The last training needs analysis was completed out in Spring 2020 which drove the training completed during 2020/21.

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

- Low Carbon Equity 6 (67% attendance)
- McCloud 6 (67% attendance)

- Carbon Footprinting 5 (56% attendance)
- AJCM 6 (67% attendance)

c) General Awareness – Out of the total of 13 Committee and Board members 10 (77%) completed at least one general awareness day in accordance with the policy.

d) Induction Training – Inductions sessions were completed in March, April and May 2021 for 4 new members (3 Committee and 1 Board). The sessions were delivered within six months of joining for all but 1 of the new members. Recordings of the sessions were made available for those not able to attend.

The following table details all the training provided to members of the Committee during 2020/21 to satisfy the requirements of the Knowledge and Skills Policy. This includes Committee meeting's attended and relevant training sessions, conferences and seminars. Board Members also received and completed relevant training in line with the Policy, details of which are included in the Pension Board Annual Report.

Date		Cllr T Palmer	Cllr H Bateman	Cllr B Mullin	Cllr R Small	Cllr T Roberts	Cllr N Williams	Cllr J Thompson-Hill	A Rutherford	S Hibbert
	Committees									
May-20	Informal Committee Briefing	na	√		√	√	√	na	√	√
Oct-20		√	√	√	√	√		na	√	√
Nov-20		√	√	√	√					√
Feb-21		√	√	√	√	√	√	√	√	√
Mar-21		√	√	√	√	√	√		√	√
	Key Areas of Competency (as per CIPFA framework)									
Mar-21	Investments & Funding	√								
Mar-21	Governance	√			√			√		
Mar-21	Actuarial	√						√		
	Additional Hot Topics									
Jun-20	Low Carbon Equity	na	√		√		√	na	√	√
Aug-20	McCloud - Virtual	na	√		√	√		na	√	√
Aug-20	McCloud Impact for Employers	na								√
Nov-20	AJCM Governance, Admin, Investments RI	√	√	√	√			na	√	√
Nov-20	Carbon Foot Printing	√	√	√	√			na		√
	Conferences									
Dec-20	LAPFF									√
Jan-21	LGA Annual Conference								√	√
Mar-21	LGC March		√							√
Mar-21	PLSA									√
	Wales Pension Partnership Training									
Sep-20	WPP Engagement & Voting	√			√				√	
Oct-20	WPP RI Perf Metrics/ Alternative Asset Classes			√					√	√
Nov-20	WPP Progress of Pools/ Collaboration Opportunities	√		√					√	√
Feb-21	WPP Operator review and processes	√	√	√	√			√		√
Feb-21	WPP JGC Induction Training	√								
Mar-21	WPP Operator Oversight	√								

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

Risk Management

Background

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

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

Significant Risks

Overall the next few years will continue to be challenging for those involved in the governance, management and operation of the Fund. The risks discussed below are documented in the Risk Register which will continue to be updated at each Committee meeting as circumstances change. The risks shown are those risks which, as at March 2021, were identified as amber i.e. with moderate consequences that are considered a possible occurrence, or higher, and where we were not meeting the target risk exposure.

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

Key:

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 Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2021	Target Risk Status	Further Action
Externally led influence and change such scheme change (e.g. McCloud and £95k cap), national reorganisation, cybercrime, Covid-19 and asset pooling	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Reduced to amber		1 - Regular ongoing monitoring by AP to consider if any action is necessary around asset pooling, cost cap and McCloud judgement 2 - Ensure Board requests to JGC/OWG are responded to 3 - Identify further actions to manage Cybercrime risk 4 - Refresh and document business continuity assessments/ procedures
Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades	Services are not being delivered to meet legal and policy objectives			1 - Recruit to vacant governance and business role 2 - Ongoing consideration of succession planning 3 - Continue training of new and newly promoted staff

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions			1 - Consider as part of Interim Valuation review
1. Responsible Investment (including Climate Change) is not properly considered within the Fund's long-term Investment Strategy meaning it is not sustainable and does not address all areas of being a Responsible Investor 2. WPP does not provide CPF with the tools to enable implementation of RI policies	The Fund's long-term Investment Strategy could fail to deliver appropriate returns			1 - Implement Strategic RI Priorities, including analysing the Fund's carbon Footprint. Analyse impact of Climate Change at a Strategic level. Identify sustainable investment opportunities and improve disclosure and reporting 2 - Work with WPP to ensure the Fund is able to implement effectively via the Pool

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Employers: - don't understand or meet their responsibilities - don't have access to efficient data transmission - don't allocate sufficient resources to pension matters (including due to Covid-19)	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues			1 - Ongoing roll out I-connect 2 - Develop and roll out Assumed Pensionable Pay training - in house and employers 3 - Identify other employer data issues and engage directly with employers on these 4 - Developing monthly Key Performance Indicators (KPI)_reporting for employers 5 - Reviewing approach to annual Service Level Agreement (SLA) communications with employers
Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes including McCloud and £95k cap)	Unable to meet legal and performance expectations due to external factors	Reduced to amber		1 - Ongoing consideration of resource levels post recruitment of new posts 2 - Ongoing consideration of likely national changes and impact on resource 3 - Ongoing consideration of £95k cap on processes etc
Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and £95k)	High administration costs and/or errors			1 - Ongoing roll out of iConnect 2 - Ongoing identification of data issues and data improvement plan 3 - Review of and update website 4 - Review of success of new website/iConnect/member self-service 5 - Carry out CPF tender for pension administration system 6 - If delays in system upgrades, look for alternative solutions to administer regulatory changes

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
System failure or unavailability, including as a result of cybercrime and Covid-19	Service provision is interrupted			1 - Ongoing checks relating to interface of recovery plan with non-pensions functions 2 - Develop business continuity policy for CPF 3 - Review of cybercrime risk controls

Appendix 2

Independent Adviser's Report - Annual Report of Karen McWilliam

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

At a glance…

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

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

A significant amount has been achieved in extremely difficult circumstances, which is of great credit to all involved, and in my view the overall management and governance of the Fund continues to be in an extremely good position.

My role

My remit is to provide independent advice to the Clwyd Pension Fund (the Fund), predominantly on governance and administration matters. This includes reporting annually to stakeholders on whether the Administering Authority (Flintshire County Council) is managing all risks associated with governance, investments, funding, administration and communication.

It should be noted that I am not required to be, nor indeed am I, an expert in all of these areas. In particular, the Fund already has an appointed Actuary to advise on funding matters and an appointed Investment Consultant to advise on investment matters. I therefore use my working knowledge in these areas (and close working relationship with those appointed advisers) to specifically advise on the governance of these areas rather than on these areas themselves.

This is my seventh annual report, and it sets out my views on the management and administration of the Fund and, in particular, how it has evolved during 2020/21 (April to March), but also touches on some developments that have taken place after March 2021. I also highlight some of the ongoing challenges the Administering Authority will face both in the short term and in the longer term.

Effective Governance

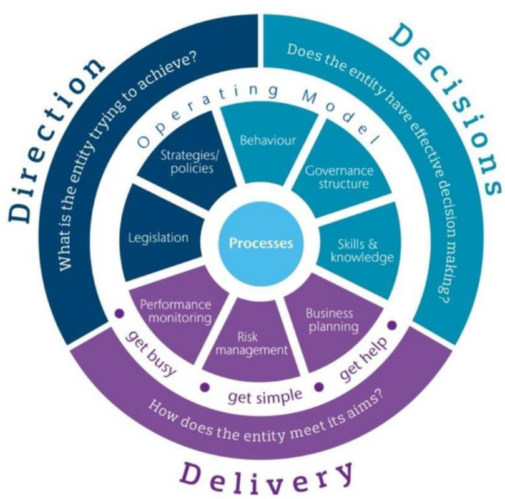
Key Benefits

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

- Robust risk management that can assist in avoiding issues arising or at least reducing their impact
- Ensuring resources and time are appropriately focussed
- Timely decision making and implementation of change
- A clear view of how the Fund is being operated for the Pension Fund Committee.

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

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



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

– the overall **governance** (i.e. management and decision making) of the Fund

– having an appropriate approach to **funding** the liabilities

– the safeguarding and **investment** of assets

– the **administration** of the scheme members' benefits and

– **communications** with the Fund's stakeholders.

Observations

In this section I consider the progress made in the key areas of focus for the Fund, as well as highlighting my thoughts for the future.

Governance

Key Achievements

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

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

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

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

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

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

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

– Steve Gadd (Denbighshire County Council) to the Pension Board.

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

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

– risks are properly understood and managed, and

– roles and responsibilities are clearly defined, assigned and understood by those responsible for the Clwyd Pension Fund.

More generally:

– I feel that the current **governance structure is well established** and is working as intended. The structure has been proven to allow decisions to be made urgently where required and minimises the risk of inadequate governance during challenging times such as with the pandemic, and due to changes in Committee members.

– **Attendance at Committee, Board and Advisory Panel** meetings and training events has been excellent throughout the year, despite the challenges presented by virtual meetings.

– The **Pension Board** continues to play an integral part in the governance of the Fund (recognising my role as Chair of the Board). The Board have produced a separate report (Appendix 3) which outlines the work they have undertaken, and which I believe demonstrates the excellent partnership they have with the Committee and officers of the Fund, and the benefits that they bring to the overall management of the Fund.

- I continue to be pleased to see all those involved in the governance of the Fund demonstrating a strong understanding of the potential **conflicts of interest** that can arise and following the requirements of the Fund's Conflicts of Interest Policy. A number of potential conflicts were properly highlighted before or during meetings and they were managed appropriately. I am not aware of any potential conflict situations that were not notified in accordance with the Fund's Policy.
- The **risk management framework** is embedded including in the day to day management of the Fund. Risk management across all areas of Fund responsibilities is considered regularly and forms a standard part of all Committee reports. I believe those involved with the governance of the Fund have a good appreciation of the key risks and are working hard to continuously develop robust internal controls where feasible.
- A wide range of **performance measures** are in place across Fund matters including the areas of administration, investments and funding, and further measures are being developed as the Fund's strategies evolve (such as further administration key performance indicators and measures relating to carbon emissions relating to the Fund's assets). These are integral to the day to day management of the Fund and provide assurance that issues can and will be identified in a timely manner, as well as enabling the Administering Authority to evidence strong or improving performance in many areas.
- **Business planning** continues to be integral to the day to day running of the Fund. The 2020/21 to 2022/23 business plan was approved in March 2020 and was monitored throughout the year. The plan continues to be robust, with very little need to adapt it mid-year, and the officers of the Fund have done a tremendous job in delivering the projects and tasks highlighted within it particularly during the pandemic.

My opinion is that the governance of Clwyd Pension Fund continues to compare extremely well to the Aon Governance Framework. The Council identifies and sets out good clear objectives in all areas, measures itself effectively against these objectives, and has a good attitude to business planning and to risk management. The Council’s governance structure for Fund matters works well, as mentioned above, and the individuals charged with managing the Clwyd Pension Fund are engaged, committed to their roles and well trained.

Looking to the future:

There are several matters relating to governance that I will be particularly interested in during 2021/22, most of which have been included in the Fund's ongoing business plan which was approved in March 2021:

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

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

- The Chief Executive of Flintshire County Council, Colin Everett, will be leaving his position in 2021/22. As the Administrator of the Fund he has played an integral role in advising the Committee and as part of the Advisory Panel, particularly in relation to national matters and matters involving wider Council responsibilities. I have enjoyed working with Colin, wish him all the best for the future and look forward to working with the new Administrator.

- More generally, the next few years are clearly going to be difficult for LGPS administering authorities given the plethora of changes and initiatives mainly from Government. It will be critical that the Administering Authority proactively consider **resourcing** throughout this period to minimise impact on the services being provided to the Fund's stakeholders, whilst still proactively delivering and meeting expectations on these new initiatives.

Funding and Investments (including accounting and financial management)

Key Achievements

- Good progress against Responsible Investment priorities

- Strong focus on governance of WPP including agreement to co-opted scheme member representative

I work closely with both the Actuary and the Investment Consultant to the Fund, and each will produce his own report, so this area of my report focusses on how things are done, rather than the detail of what is done. Key areas in relation to investment and funding this year have included:

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

- measuring carbon exposure within the Fund's investment portfolio and then setting a target for carbon reduction

- having a dedicated Social/Impact allocation of 4% by 2023.

Good progress is being made, particularly around better understanding of carbon exposure within the Fund. The Administering Authority are now considering implementing a net-zero target, and I welcome that there has been a lot of time focussed on this, including taking advice from the Fund's Investment Consultant, to ensure the Administering Authority continues to manage the Fund's assets whilst also striving to achieve appropriate standards in environmental, governance and social matters.

The **asset pooling in Wales** arrangements, through Wales Pensions Partnership (WPP) is now well established and assets from the Clwyd Pension Fund have continued to be transitioned across to WPP. It is clearly critical that Clwyd Pension Fund management and stakeholders have confidence in the ongoing management of WPP to ensure its assets are appropriately safeguarded as well as meeting the investment return targets within the Fund's investment strategy. I am pleased there continues to be stronger focus (than in previous years) on the governance of WPP including a wide range of training. I am particularly delighted that, at last, WPP have agreed to the appointment of a co-opted scheme member representative to the Joint Governance Committee which I hope will provide greater confidence to LGPS scheme members throughout Wales. It is my understanding that the investment sub-funds that are being established are continuing to meet the requirements of the Clwyd Pension Fund, in that they are suitable alternatives to existing assets being held and they are aligned to the Fund's investment strategy including existing responsible investment objectives. I am aware that the dedication and commitment of Clwyd Pension Fund officers continues to be integral to the success of WPP as well as ensuring alignment with the Fund's strategies. I am also particularly pleased to see their involvement at a national level on various working groups and initiatives, bringing greater insight and expertise to the Administering Authority.

Looking to the future:

– From an investment perspective, implementing the Fund's **Responsible Investment priorities** will probably remain the most critical element of work over the next year. It is a complex area and the options may have a number of risks associated with them, but also opportunities. I am also mindful of the potential for pressure coming from other parties including carbon pressure groups, employers, trade unions and Government to align the Fund's investment strategy with their views or to invest in particular initiatives. It is critical these matters are well thought through with robust due diligence carried out as decisions are being made and thorough monitoring during and after implementation.

– It is also worth noting that the **WPP's Operator contract** with Link Fund Solutions is for an initial period of 5 years to December 2022, albeit with the option to extend for 2 years. As such a critical supplier to all Welsh LGPS Funds, this is a matter that will on my radar for the next few years.

– Another key project for this year will be the **Interim Funding Update and Funding Strategy Statement Policy update** ahead of the valuation as at 31 March 2022. From a governance point of view, I welcome these actions which will allow for discussions with employers about their contribution requirements as well as establishing the framework for the valuation in advance of the work being completed. I am mindful that many employers may be balancing tight budgets on the back of the pandemic and therefore timely discussions around changes to contributions rates will be welcomed by them.

Administration and Communications

Key Achievements

– Excellent initial progress made in the McCloud remedy programme

– Member self-service providing increased support for scheme members during the pandemic

– i-Connect employer functionality now covering almost all active scheme membership

Despite the challenges brought on by the pandemic there has been excellent progress made on the **McCloud remedy programme** undertaken by the Fund's Administration Team which is a major part of work for the Team and will continue for a number of years. By establishing a separate programme team the Administering Authority has been able to continue to make progress in this area with minimal disruption to the ongoing governance of the Fund. In my view the communications with employers has been excellent, and employer data to allow recalculations of benefits is now being received. This critical collection of data is expected to be mainly complete by the autumn of 2021. I have also been pleased to see regular reporting of the progress on this programme to the Committee, Board and Advisory Panel.

In relation to **day to day workloads and service standards**, 2020/21 was another busy year for the team with over 29,000 administration cases coming into the Pensions Administration Team, an increase of nearly 1,900 compared to 2019/20. Despite the challenges of the pandemic, they managed to complete over 29,800 cases, an increase of over 2,200 compared to 2019/20. Key performance indicators are monitored for the main processes including dealing with retirements, quotations of benefits, deaths and providing information to new scheme members. The overall percentage of cases completed within the service standard relating to internal timescales for the Administration Team fell just slightly compared to the previous year, with 77% completed within the agreed service standard. However, the two other measures which are arguably of greater importance demonstrated an increase in the number of cases meeting the service standard:

– Service standard relating to legal requirements – 76.2% (increase of over 3.5% on 2019/20)

– Service standard relating to overall process time – 61% (increase of nearly 6% on 2019/20).

The **Member Self-Service (MSS) facility** appears to have been invaluable to scheme members during the pandemic with a number of tasks being carried out on-line by scheme members. The number of users of the system has grown to 12,491 (36% of scheme members) as at 30 April 2020, which is a growth of over 1,700 members since early January 2020. As well as providing instant access to certain information and tasks for scheme members, this provides much greater efficiency for the Fund's Administration Team.

The roll out of **i-Connect**, which is an online administrative module that allows information to be submitted by employers more directly and efficiently into the pension administration system from their own payroll systems, commenced in 2017/18. I am pleased that there has again been an improvement in the use of i-Connect. Currently 51 out of 54 employers are live on the system, meaning electronic data is being submitted monthly for 98% of active members, which is 4% improvement since last year. TPR actively encourages this form of data submission so I am delighted to see this system nearly fully rolled out across all employers.

Overall, my general opinion is that the Clwyd Pension Fund compares extremely well to the Aon Governance Framework in the areas of administration and communication. The Council identifies and sets out clear objectives, has an excellent level of performance measurements in place and demonstrates robust business planning and risk management. The knowledge and understanding of the existing individuals within the Fund is excellent, and the Pension Fund Committee's and Board's engagement on administration is also excellent.

Looking to the future:

– The **McCloud remedy** is going to remain be a major programme of work and the greater part of this work will be carried out within the Pensions Administration Team. Given the magnitude of this work, it will need to be well controlled and resourced, with robust quality checks and efficiencies gained through bulk processing where at all possible. It is putting a strain on employers in providing data which will need to continue to be well managed, recognising the differences in how employers hold and can collate their own data. Further the communications will need to be clear and focussed on individual circumstances.

– Combined with the above will be work related **to implement survivor benefits changes** which are also expected to be retrospectively introduced**.** This will again largely be completed by the Administration team and so may put a strain on resources.

– Given these projects, the other area of key focus for the Administration Team is ensuring **day to day business as usual tasks** are not impacted.

Final Thoughts

I want to say a huge thank you to the Pension Fund Committee, Pension Board, officers and other stakeholders of the Fund for continuing to make me extremely welcome, and for being so open and receptive to my many suggestions, particularly during these challenging times. I remain extremely impressed and inspired by the hard work and dedication of the Fund's officers, and the commitment and engagement I see from the Pension Fund Committee and Pension Board members who continue to dedicate many hours to Committee / Board business.

Appendix 3

Pension Board Annual Report

Introduction

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

Role and Membership of the Clwyd Pension Fund Board

The Public Service Pensions Act (PSPA) 2013 requires each Administering Authority in the LGPS to have a local Pension Board consisting of employer and scheme member representatives. Some Pension Boards also have an Independent Chair, which is the case with the Clwyd Pension Fund Board. The Chair is a non-voting role.

Legislation states that the role of the Pension Board is to assist the Administering Authority in securing compliance with regulations and with requirements imposed by the Pensions Regulator, as well as assisting in ensuring effective and efficient governance and administration of the Scheme. This has generally been interpreted as the Pension Board having an oversight role but not a decision-making role. For the Clwyd Pension Fund (the Fund), we have very much embraced this role as being about partnership. We work closely with the Pension Fund Committee (the decision-making committee for the Fund) and officers of the Fund in the hope that the questions we ask, and the challenge we sometimes provide, will assist in ensuring that the Fund is managed in the best interests of its scheme members and employers.

Board members undertake these roles for a period of between three and five years, although we may be reappointed for future terms if we are selected again through the recruitment process.

Membership, meetings, training and attendance

Our Board membership during 2020/21 is as shown in the table below. Mark Owen, one of our Employer Representatives from Wrexham County Borough Council resigned from his role in June 2020 and we thank Mark for his outstanding contribution to the Board since it was established in 2015. Following a recruitment process Mark was replaced by Steve Gadd, the Head of Finance and Property at Denbighshire County Council, from July 2020 and we welcome Steve to the Board.

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

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

The meetings were also attended by the Board Secretary (the Head of Clwyd Pension Fund) and Pension Fund Officers who support the Pension Board.

As members of the Pension Board, we have all committed to meeting the requirements of the Clwyd Pension Fund's Training Policy which also ensures we meet the legal requirement to have the right level of knowledge and skills to carry out our Pension Board roles. We attended a range of events and training in 2020/21 to complement the induction training we undertake on appointment. In addition, we are invited to attend the Pension Fund Committee meetings and their training events.

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

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

What has the Pension Board done during 2020/21?

Our meetings include several standing items, including:

- latest Pension Fund Committee papers,
- reviewing the administration of the Fund including performance against Key Performance Indicators (KPIs) and data improvement activity,
- reviewing the Fund's risk register,
- receiving updates on all compliments and complaints, and
- monitoring of our allocated budget.

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

- The impact of the **Covid-19 pandemic** on the Fund. At each of our meetings we heard from Pension Fund Officers how the pandemic and the response to it, had affected the day to day operations of the Fund including communications with scheme members and employers. Officers reported that there had been minimal disruption to business as usual from the move to home working due to the success of the Fund's business continuity and disaster recovery exercise (into which the Pension Board had previously input). Training of new recruits proved more challenging and staff absences were experienced, which at one point meant a small backlog in day to day business, but this was quickly addressed. We have been delighted with the resilience and exemplary efforts of the administration team throughout 2020/21 despite the challenges of the pandemic.
- The impact of the **McCloud Supreme Court judgement** on the workload of the Pensions Administration Team. We monitored this closely throughout the year with updates provided at separate McCloud Steering Group meetings since June, where we played an advisory role. We have been extremely pleased with the Fund's proactive and early engagement on this issue and the progress made to date in relation to project planning and data collection. We expect this to be a major project for the Fund throughout 2021/22 and 2022/23.

- Assessing compliance with **The Pensions Regulator's (TPR's) Public Service Code of Practice.** During the year the Board reviewed the annual assessment of the Fund against the Code. We noted the positive improvement in that there are now no non-compliant areas. The Board worked through the amber (partially compliant) items in detail with Pension Fund Officers during the November meeting. We also acknowledge the expected changes in this area with a new combined Code expected later in 2021 which will replace the existing Public Service Code of Practice.

- We engaged with Pension Fund Officers on the **Data Improvement Plan**. We were pleased to note that the common and scheme specific data scores had both improved and that there were five fewer categories on this year's data improvement plan. We discussed the need for bulk address tracing exercises and received assurance that this is being considered as part of regular exercises. We were however disappointed by the letter received from GAD around the valuation data which we felt was not a fair reflection of the quality of the Fund's data.

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

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

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

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

We have a number of items on our forward plan for 2021/22, although the exact agendas and timescales will necessarily remain flexible to consider any further matters that may arise. The following are already on our work plan for the forthcoming year:

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

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

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

Conclusion and final comments

In our view 2020/21 has been a successful and productive year for the Board, and we are pleased with the work we have completed, which has covered a wide range of fund management areas. We continue to have an excellent working relationship with the Pension Fund Committee and the Fund's officers and are grateful for the way they have all embraced our involvement and for their openness in their interaction with us. We would like to thank the Committee for welcoming us to their meetings, which helps us put the challenges and successes of the Fund much more easily into context. We look forward to continuing that relationship.

Phil Pumford, Member Representative

Elaine Williams, Member Representative

Steve Jackson, Employer Representative

Steve Gadd, Employer Representative

Karen McWilliam, Independent Chair

Clwyd Pension Fund Board

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

Appendix 4

Administration Report

Introduction

This report describes the way in which the Fund delivers its administration related services to members and employers. It identifies current and potential future challenges, and explains the way in which the Administration Team is meeting them. The report also includes Key Performance Indicator (KPI) information and some information on the membership of the Scheme.

The work of the Administration Team is driven by the Fund's Administration and Communications Strategies.

Our Pensions Administration Strategy ensures that both the Fund and the employers are fully aware of their responsibilities under the Scheme and outlines the performance standards they are expected to adhere to, to ensure the delivery of a high-quality, timely and professional administration service. This Strategy was last reviewed and updated in March 2021, and now encompasses all information that was previously found in the employers' Service Level Agreements. This negates the need for separate agreements moving forward. All employers and the Clwyd Pension Fund Administration Team work towards adhering to the Pensions Administration Strategy instead.

Our Communication Strategy was last updated in 2019. The policy outlines the type of communications the Fund would like to provide to scheme members, scheme employers and prospective scheme employers, the Clwyd Pension Fund Committee (the Committee), the Clwyd Pension Fund Board (the Board) and Advisory Panel (the Panel), Fund staff and other interested organisations.

The chosen methods of communication are monitored and reviewed to ensure they are effective. The main means of communication with the above stakeholders are outlined in the Communications Strategy and include using more technology to provide quicker and more effective communication. This strategy will be reviewed and updated in 2021/22 to take into account the different communication methods that we have had to adopt due to COVID-19.

The Communication Strategy and Pensions Administration Strategy are available to view on the Fund's website.

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

How our service is delivered

The Fund's day to day administration service is provided by the Pension Administration Team which consists of a total of 42.1 Full Time Equivalent (FTEs) members of staff including a Pension Administration Manager.

It is split between:

- an Operational Team
- a Technical and Payroll Team
- a Regulations and Communications Team
- an Employer Liaison Team (ELT)
- a McCloud Team (temporary project team)

It is separate from the Finance Team which manages the Fund's investment portfolio, collects pension contributions from employers and maintains the Fund's accounts.

The Operational Team delivers a pensions service for over 49,500 scheme members. This includes the calculation of various benefits, transfers in and out with other pension arrangements, refunds of contributions and maintenance of individual scheme member records. The Team not only calculate pensions for members but also survivor benefits to spouses, civil and cohabiting partners and children.

The Technical Team implements and maintains the pension software systems (including the on-line facilities of Member Self-Service, and I-Connect for employer data uploads), collects and reconciles member data from all Fund employers and provides a pensioner payroll service for over 15,000 pensioners and dependents paying more than £6 million per month.

The ELT provides assistance to Fund employers in providing accurate and complete notifications to the Fund, and the Regulations and Communications Team provides guidance on regulatory matters to all stakeholders and a communication service for Scheme members and employers.

COVID-19 Update

The coronavirus pandemic forced staff members to work from home from March 2020 and to make changes to processes ensuring service delivery was maintained. The impact of Covid-19 from a stakeholder experience has been minimal. The main changes have been in relation to incoming/outgoing post. Processes have been adapted to ensure continuity in this area. Staff members have continued to work from home during the pandemic remaining contactable with interviews, training sessions and meetings taking place via virtual methods. Productivity levels have remained consistent and in some areas improved. Regular meetings have taken place to give staff members the opportunity to catch up with each other and a continued focus for the management team is ensuring well-being of all staff members.

Summary of Activity

In addition to this day to day work during 2020/2021 the Pension Administration Team has been managing other major pieces of work and projects as described below.

Data Quality

Data quality requirements are embedded in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations in 2014 and The Pensions Regulator (TPR) has oversight of this area within the LGPS. The Administration Team collectively developed a data improvement plan for 2020/21 in readiness for the annual review of common and scheme specific data which is reported to TPR. The results of the time and effort that is dedicated to ensuring good data quality has led to improved common and scheme specific data scores over recent years (see table below). This includes the successful on-boarding of a number of our employers onto i-Connect. The on-boarding process has been a collective effort with employers ensuring correct data is received on a monthly basis which has positively impacted the TPR scores. The Fund Actuary has also reduced the allowance in the liabilities, for unresolved data issues, by £4m following the work completed during the 2020 data cleansing exercise. The data improvement plan for 2021/22 has been presented to the Pension Board and progress against plan will be monitored through the year.

	Common Data %*	Scheme Specific Data %*
2019 / 2020	97.4	97.2
2018 / 2019	96.8	92.7
2017 / 2018	92.7	68.2

*The score is the % of data that has met specific targets set by TPR in relation to Common Data (NINO, Name, Address etc) and Scheme Specific Data (Member benefits, Member details, Her Majesty's Revenue and Customs (HMRC) details etc). The score is reported back to TPR and a data improvement plan is put in place to improve scores in addition to any other action determined by the regulator.

KPI Monitoring

The Fund measures and reports monthly performance in order to ensure timescales are being met, as set out in the Fund's Administration Strategy. The Fund currently measures seven categories of workflow, separately considering timescales in relation to legal requirements, the overall member experience and the Fund's internal target. However, increasing external scrutiny on all Funds to report additional information has prompted the Fund to undertake a review of its current measures. Utilising Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, the Fund integrated a further six categories of workflow to monitor against as part of the monthly KPI monitoring and reporting against these will commence in 2021/22.

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

i-Connect

In 2020/21 the Fund continued to roll-out, to its employers, the electronic data system i-Connect. i-Connect ensures timely and more accurate data is provided to the Fund and replaces the requirement for employers to submit a year end return. The functionality includes the notification of new starters, leavers, name changes, address changes and job changes. The system allows member details extracted from their employer's payroll systems to be directly uploaded to the Funds pension's administration system on a monthly basis. Further employers were subscribed onto i-Connect in 2020/21 and currently, we have 50 out of 52 employers submitting data relating to active members using i-Connect which is 98% of membership. The Fund is aiming to achieve 100% by the end of 2021. The Fund provides training to all new employers to ensure they supply their data through i-Connect, and the use of the functionality is now a requirement as part of the Fund's Administration Strategy.

Guaranteed Minimum Pension (GMP) Reconciliation

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

Initial work identified that there were significant discrepancies between the sets of data held by HMRC and the Fund. This was not unexpected and was the case with many pension schemes carrying out the GMP reconciliation exercise. A significant amount of work was undertaken to determine the correct GMP and contracting out data, ensure all systems were updated, and calculate and process any benefits in payment that have been impacted.

Clwyd Pension Fund Website

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

Within the website (which includes access to the Member Self Service portal) there are multiple sections to help users navigate their way around and to find the information which they are looking for. Users are able to download Scheme literature and forms from the website. All the Fund's policies and strategies as well as information on the investments of the Fund are also available.

Due to the introduction of website accessibility regulations, public sector websites are required to meet national accessibility standards and to publish an accessibility statement on their websites. To meet the government's requirements, websites must achieve level A of the Web Content Accessibility Guidelines (WCAG 2.1). This means that websites should be accessible to people with impairments to their vision, hearing, mobility and thinking and understanding. Accessibility should also be considered for those visiting websites via a tablet, mobile phone or other device. To ensure our compliance with these regulations, the Fund has now started a working relationship with a company who provide reporting software which allows each page on the Fund's website to be automatically trawled on a weekly basis. This weekly report shows our scores in relation to certain areas within website accessibility:

- Digital Certainty Index
- Quality Assurance
- Accessibility
- Search Engine Optimisation

The reports allow us to see where our scores can be improved and where areas of the website need to be amended or fixed in order to be compliant.
The table below shows the initial scores compared to the latest available at year end. This highlights the improvements up to that point.

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

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

Member 1-2-1 Sessions

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

Employer Compliance Statement

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

Employer Liaison Team Services

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

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

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

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

McCloud Remedy Case

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

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

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

The programme focused on data collection from employers during 2020/21 and continues to do so. It is necessary to gather certain elements of data such as part-time hours back to 2014. This is a substantial amount of work for the employers to produce the data. From a Fund perspective this is also significant to ensure the data is validated and then uploaded into the administration system. There are regular meetings to ensure the programme remains within timescales and a separate risk register has been developed and is reviewed regularly.

Other Expected National Changes

National Pensions Dashboard

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

Cost Management Process

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

Indexation and Equalisation of GMPs

A recent court case determined that it is necessary to revisit pension benefits for scheme members who have accrued GMPs to ensure the equal treatment between men and women. This was (in the main) pre-empted by the LGPS and a consultation on indexation and equalisation of GMPs has determined that the current position that has been used to deal with indexation up to 5 December 2018 has been extended to cover those members with a GMP who reach state pension age between 6 December 2018 and 5 April 2021. For all those members full indexation will be applied to their full pension value regardless of whether there is a GMP element to it. Alternative options of conversion, case by case, and continuation of full indexation have been considered and further guidance will be provided to LGPS Funds following the latest consultation in December 2020, which could include extending the temporary solution of full indexation beyond April 2021.

2020/21 key performance and other information

Member and Employer Feedback 2020/2021

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

<u>Member survey results:</u>

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

Some Member Survey comments:

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

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

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

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

Employer Survey Results

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

Member Self-Service (MSS)

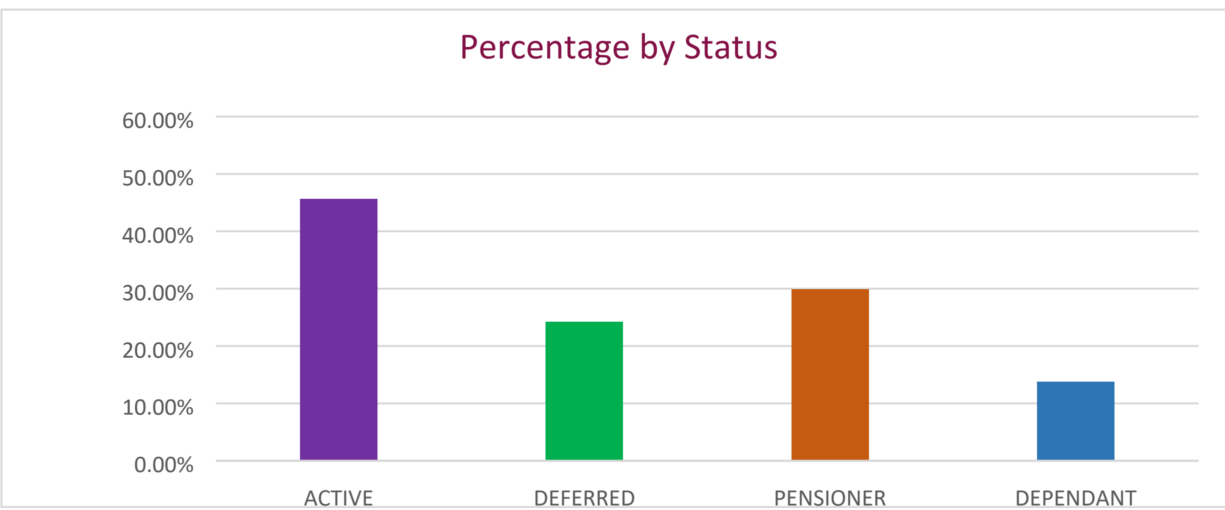
MSS allows scheme members to log into a secure web area to view the information which is held on their pension account.

MSS enables our members to:

- update their personal details
- run estimates for retirement using their chosen retirement dates
- amend their death grant beneficiaries,
- view all member specific documents, and
- upload completed forms for Clwyd Pension Fund to process

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

As at 31st March 2021, 36.13% of Clwyd Pension Fund's membership had registered for MSS. This can be broken down into the different membership status types as seen in the graph below:



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

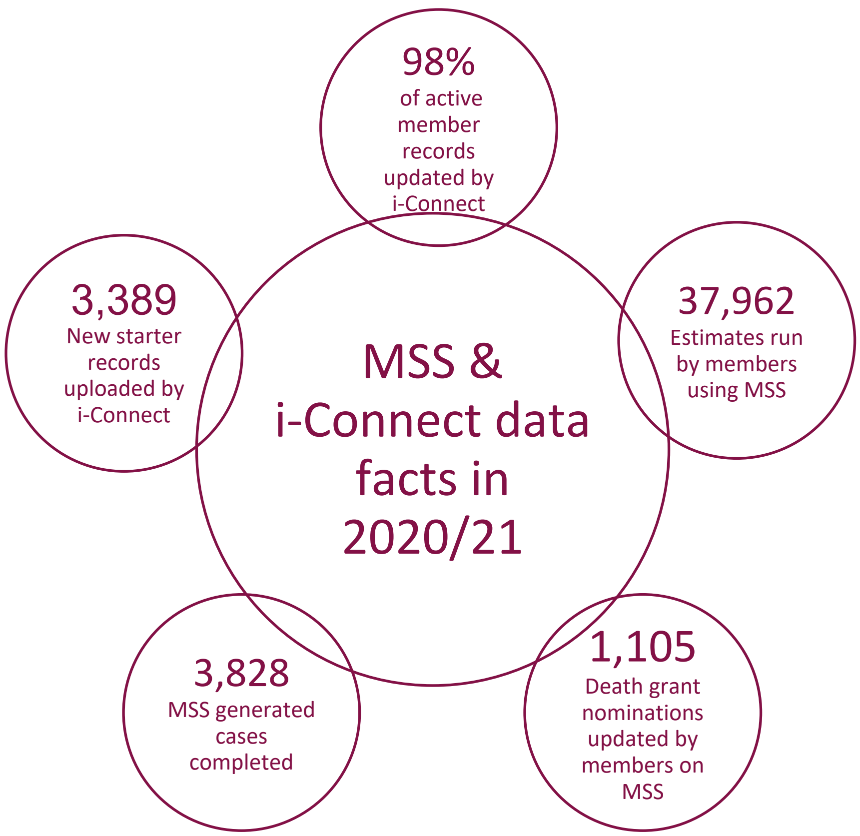
MSS has been an effective method of communication during COVID-19 when our Pensions Administration Team were remote working. It allowed the upload of such documents as retirement packs and estimates to members' MSS accounts. It also has meant that members have been able to access their information more quickly rather than waiting to receive documents in the post. Members have also been able to upload completed forms to their MSS accounts for the Fund to then progress payment of their benefits.

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

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

MSS and I-Connect Statistics

*



Scheme Membership details

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

Full time equivalent staff in the Pension Administration Team	Total Fund members	Ratio of staff to members of Fund	Average cases completed per member of staff
33.1	49,854	1:1506	902

Summary of Employers as at 31st March 2021

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

53	35	88
Scheduled Bodies	**Admitted Bodies**	**Total**

*excluding Councillors

2020/2021 New Pensioners

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

Member Trends:

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

Analysis of Pension Overpayments and Write Offs

The Fund has a policy in which it does not seek to recover any overpayments of pensioner payroll payments which are under £100. Details of those are shown below. Every effort is made to recover any payroll overpayments above £100. In some circumstances these may be written off with agreement from the Chief Executive.

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

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

Key Performance Indicators (KPI)

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

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

Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate)	332	99%	20 working days from receipt of all information	332	78%
Notification of amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age [4]	1202	78%	10 working days from receipt of all information	1202	94%
Providing quotations on request for retirements	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	827	99%	15 working days from receipt of all information	827	82%
Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative)	195	73%	10 working days from receipt of all information	195	74%

Other performance information

The total number of cases completed annually continues to increase. Despite that, there has still been a positive effect on the performance levels achieved across all areas. Additional resource and developments in technology have contributed towards this success and will continue to be monitored to ensure service standards do not decrease. In order to satisfy legal requirements the KPI's noted above are measured at a specific point within the case. These numbers will therefore, not match the completed cases shown below which also include other areas of work.

Completed Cases 2020/2021

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

2019/20

Total cases completed

27,589

2020/21

Total cases completed

29,854

Case Movement

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

Value for Money Statement

The Fund measures Value for Money by achieving its objectives set out in both the Administration Strategy and the Communication Strategy and particularly the following objectives:

- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so
- Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working

To successfully deliver these objectives there is a robust Business Plan and Data Improvement Plan in place, risk management is integrated into our day to day business and we continually measure success against these objectives in various ways such as through our KPIs, satisfaction surveys and our Breaches Register. Progress updates on each of these are regularly reported to the Committee and the Board.

Some of the key measures to demonstrate Value for Money are as follows:

- The quality of data is fundamental to both the valuation of the fund's liabilities and how this is subsequently reported in the fund's accounts. As mentioned earlier, our common and scheme specific data quality scores are 97.4% and 97.2% respectively and these have significantly improved in recent years evidencing that data is now of a high quality.
- We aim for 5% per year increases in the proportion of scheme members registered on Member Self-Service, which directly results in greater efficiencies. We achieved an increase of 2.95% from March 2020 to March 2021.
- We strive to use digital communications as a default in all situations unless there are valid reasons not to do for efficiency or effectiveness reasons. In 2018 we moved to digital annual benefit statements. Since then, all newsletters, retirement packs and pay-slips are issued digitally too (unless the member has opted to receive a paper copy).
- We regularly review our progress against a wide range of KPIs (including legal timescales, overall process timescales and internal Fund turnaround times), workload case numbers (received, completed and outstanding) and our business plan requirements to ensure our resources are appropriate to meet our objectives.

- We aim for the cost per member to not be in upper or lower quartiles when benchmarked against all LGPS Funds using national data. The latest measure confirms our cost per member (CIPFA measure) to be £35.77 and this represents a position within the middle quartiles of the Funds included in the comparison.

Furthermore, in 2020/21 the administration of the Fund was achieved within the agreed budget.

Complaints Procedure

The Fund's complaints procedure is officially known as the Internal Dispute Resolution Procedure (IDRP).

Usually, before IDRP is instigated, an 'informal' complaint is raised by a member and the Pensions Administration Manager or Principal Pensions Officers will attempt to resolve the complaint and confirm this in writing where possible. If the complaint is against an employer decision, it is the employer's responsibility to attempt to resolve this complaint. If the member is dissatisfied with the response, they may appeal. IDRP has a two stage process under LGPS regulations.

Written appeal applications must be made using the Fund's official IDRP forms and must be returned to the Fund within six months of the date of the decision that the member is appealing against.

Stage One of the appeals process requires the Fund's 'nominated person' to investigate the complaint. For Stage One, this nominated person is Mr Yunus Gajra, who works for West Yorkshire Pension Fund. He reviews the dispute and makes a determination as to whether the decision reached was made in line with the Scheme regulations. Should the member remain dissatisfied with the outcome they can make an application under Stage Two which can be forwarded to the Fund. Stage Two appeals are heard by Mr Robert Robins (FCC).

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

2020/2021	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	5	0	2	3
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	1	0	1	0
Stage 2 - Against Administering Authority	0	0	0	0

Appeal Contact details:	Mrs Karen Williams Pensions Administration Manager, Clwyd Pension Fund, County Hall, Mold, CH7 6NA
Stage One decision maker:	Mr Yunus Gajra West Yorkshire Pension Fund, P O Box 67, Bradford, BD1 1UP
Stage Two decision maker:	Mr Robert Robins, Flintshire County Council, Democratic Services, County Hall, Mold, CH7 6NA

Contact Details

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

Mrs Karen Williams, Pensions Administration Manager

Clwyd Pension Fund, County Hall, Mold, CH7 6NA.

Email: Karen.williams@flintshire.gov.uk

Tel: 01352 702963

Appendix 5

Funding and Flightpath Review

An update from the Actuary

I am delighted to provide my annual update from an actuarial perspective on the activities of the Clwyd Pension Fund (the Fund) during 2020/21. This was a particularly challenging period given the ongoing pandemic and the Fund has been very resilient both financially and operationally over this period which is testament to the strong governance and oversight in place. It is pleasing to see that the funding position has continued to improve, reaching full funding at the end of March 2021. The Risk Management Framework has been integral to achieving the improved funding position and will help provide much needed overall contribution stability. The challenge now is to consider how we can maximise the chance of remaining fully funded or better through a combination of the investment strategy and employer contributions to provide ongoing stability. This is a delicate balance as providing more certainty through reduced risk may result in lower returns being achieved, which in turn would impact on the funding position, and increase contribution requirements. This will be considered over the coming months as we move closer to the 2022 actuarial valuation.

Risk Management Framework

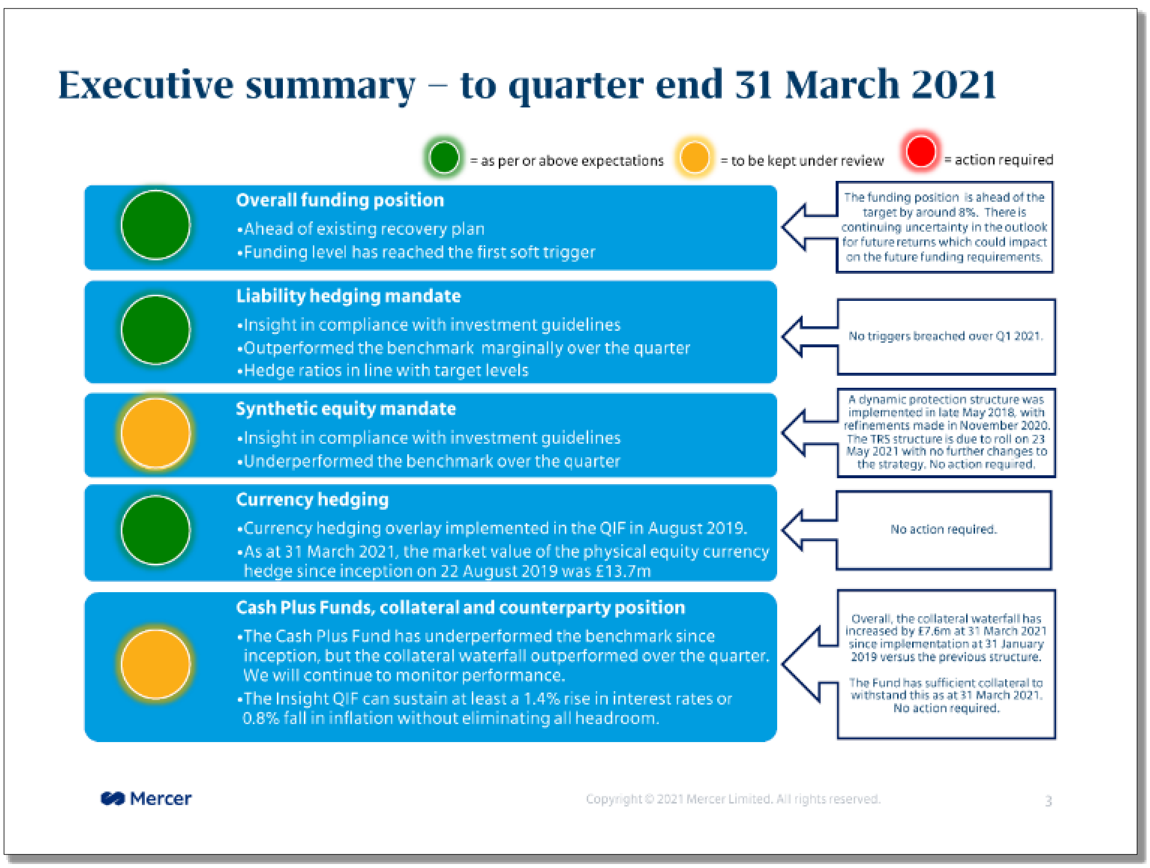
Flightpath Strategy

A critical aspect of managing risk relates to the Flightpath Strategy which is central to providing stability of funding and employer contribution rates in the long term. This strategy has been in operation for 7 years now and there have been big strides forward in achieving the objective of reaching full funding by 2026.

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

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

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



Whilst monitoring the funding position is central to my role, it is also important that we ensure other operational aspects of the Flightpath run by Insight Investment Management (Insight) are working correctly, as this is vital to the success of the strategy. Therefore, we monitor on a monthly basis using a red/amber/green (RAG) rating system and the summary at March 2021 is shown above. It can be seen that all aspects were in line with expectations apart from:

– The synthetic equity mandate, where there has been some underperformance relative to an unhedged equity position. This is driven by the sharp rally in equity markets post March 2020, causing the value of the equity downside protection to be less valuable. Overall, however, the rally in markets has meant that the synthetic equity mandate has been a key contributor to the improved overall funding position. This equity downside protection is still critical to the overall strategy of protecting against large falls in markets, such as those we experienced last year due to the economic impact of the pandemic.

– The "cash plus" funds which provide the collateral to operate the framework experienced some underperformance over the first half of 2020 as a result of increased credit spreads driven by the economic impact of the Covid-19 pandemic. Since then, these funds have performed well as part of the recovery and have added value relative to the previous collateral framework that didn't make use of these types of funds.

Changes in the Equity Downside Protection Strategy

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

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

The existing contract that operated the synthetic equity and equity protection strategy expired on 23 May 2021, resulting in a gain to the fund of c. £130m. The Funding and Risk Management Group (FRMG) concluded that the contract should be extended for three years and that the level of equity market exposure should be retained. As part of extending the contract, significant cost reductions were negotiated amounting to £1m per annum benefit for the Fund.

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

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

What will we need to consider during 2021/22?

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

- **Maintaining full funding** – In light of the funding level moving over 100%, the challenge is how do we maintain or even improve this position. This cannot be guaranteed and will be a delicate balance between a number of often competing factors. Actions will be considered as part of the regular FRMG meetings.

- **McCloud remedy** – We are still waiting for a formal response from the Government on the final remedy, but this is expected during late 2021. Whilst allowance has been made in the employer contributions this will provide operational challenges in implementing the remedy.

- **Cost management outcome and review** – The 2016 cost management review process is now in full swing following the pause caused by the McCloud judgment. It is not clear at this point whether this will result in the changes to benefits or member contributions proposed back in 2018 for the LGPS will be changed or removed but I would expect that to be the case. In addition, the Government Actuary's Department have started a consultation on the suitability of the cost control mechanism going forward and I will be inputting into this process on behalf of the Fund.

- **GMP Equalisation and Indexation** – HM Treasury previously published a consultation on how the pensions of public service scheme members who have accrued Guaranteed Minimum Pension (GMP) should be indexed in payment once a member retires. It has now been confirmed that the current full indexation provisions will be extended to cover those members of public service pension schemes reaching State Pension age from 6 April 2021. Based on the 2019 valuation data, I have calculated that this is likely to incur additional costs to the Fund of £7m over all employers. This will be taken into account as part of the 2022 valuation.

- **Exit cap** – The Exit Payment Regulations came into force on 4 November 2020 which meant that any severance payments from employers to members leaving public service (including in relation to LGPS early retirement costs) should be limited to £95,000. This had potentially significant implications for the Fund and public sector employers affected. In February 2021, the Government revoked these Regulations as after representation from several different representative groups they accepted that the cap had unintended consequences. We expect that this will come back on the agenda later in the year and we await details of how it will operate and be implemented.

- **Implementation of new Funding Strategy Statement policies** – A number of Regulation changes took place over 2020 (the ability to review contributions between valuations and the introduction of new arrangements for employers exiting the Fund). The Fund has updated its Funding Strategy Statement to reflect these changes and will now work with employers to action the new flexibilities introduced. It is unlikely to impact on many employers in the Fund given most of the employers are public authorities or tax raising bodies. However, in some circumstances we will need to use these new policies to manage employer risks and liabilities more effectively.

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

Paul Middleman FIA

Fund Actuary and FRMG member

Appendix 6

Investment Policy and Performance Report

I am pleased to provide an update from an investment perspective on the activities of the Clwyd Pension Fund (the Fund) during 2020/21. As the Fund's Investment Consultant, I provide advice to the Fund on how to manage various investment risks. I also have a specific role in guiding the overall direction of the Fund via my seat on the Fund Advisory Panel and the Funding and Risk Management Group (FRMG).

Investment Strategy Statement (ISS)

When considering the Fund's investments it is appropriate to start with the overall investment objectives, which are set out in the ISS. The ISS is appended to this report and sets out the funding and investment objectives for the Fund. The specific investment objectives are:

> Achieve and maintain assets equal to 100% of liabilities within the 13-year average timeframe, whilst remaining within reasonable risk parameters;
>
> Strike the appropriate balance between long-term consistent investment performance and the funding objectives;
>
> Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability;
>
> Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these;
>
> Aim to use the Wales Pensions Partnership (WPP) as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's Investment Strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

Each of these specific objectives have embedded within them the Fund's desire to incorporate sustainability in its long-term approach and to demonstrate that it is acting effectively as a Responsible Investor.

This report demonstrates progress made towards these long-term objectives during the year, compliance with the ISS, the economic and market environment and changes implemented or planned during the year.

Market Commentary

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

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

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

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

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

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

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

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

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

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

At a regional level, European markets returned 34.9% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 26.7%. The FTSE USA index returned 42.7% while the FTSE Japan index returned 26.3%. The considerable underperformance of UK equities relative to global markets is attributed to the index’s large exposure to oil, gas and basic materials which only started to benefit from a full recovery being priced in at the end of 2020.

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

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

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

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

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

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

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

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

Clwyd Pension Fund Investment Performance 2020/21

Due to the strong recovery in markets following the market falls as a result of COVID-19, the Fund posted strong investment returns for the year. Overall the Fund's assets returned 23.3% for the twelve months, well ahead of the Actuary's future service return assumption of CPI +2.25%, as quoted in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS).

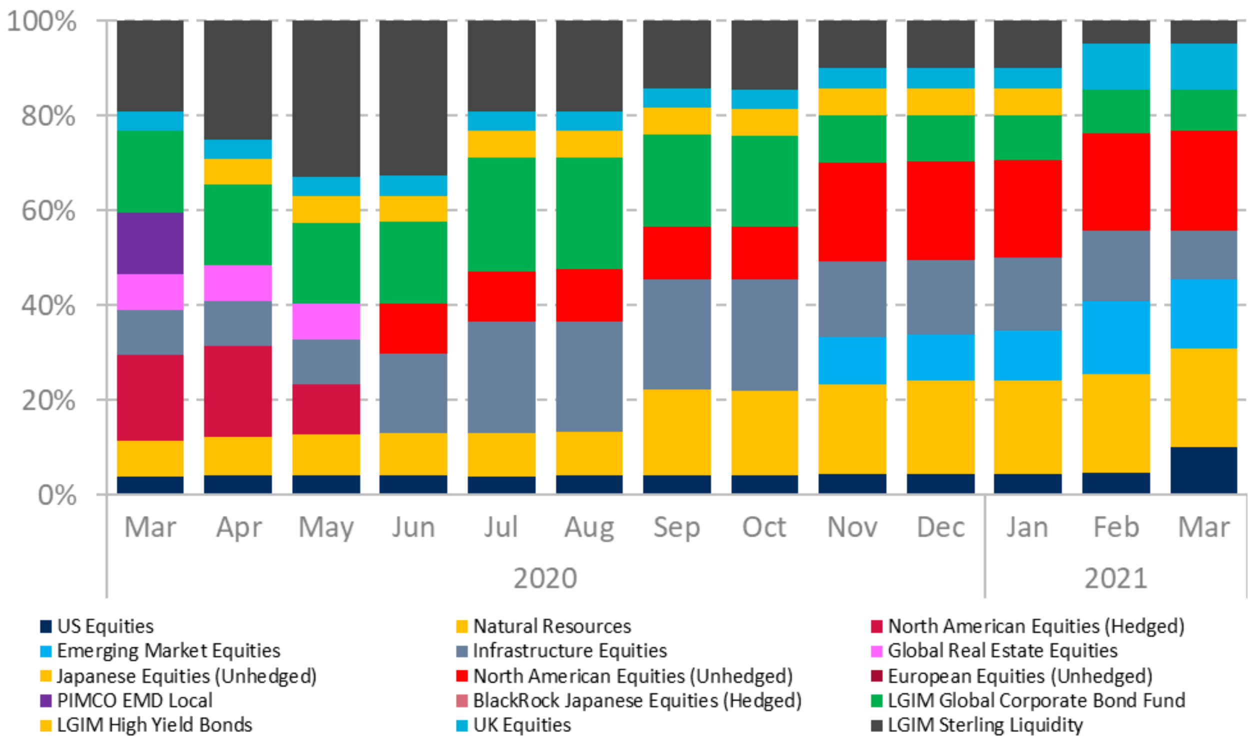
The Fund returned 23.3% compared with a composite benchmark (of the underlying manager benchmarks) of 19.3%. Whilst the returns for the year were well ahead of the required rate, given the impact COVID – 19 had on the preceding year's returns, it remains appropriate to see this in context of the longer-term performance. Over three years to the 31 March 2021 the Fund achieved a return of +7.1% per annum, compared with a benchmark of +7.7% per annum. This performance is also well ahead of the future service target of CPI +2.25%.

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

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

During the year in review the Fund's allocation within the Tactical Allocation portfolio was altered. Investments in the Diversified Growth Funds managed by Pyrford and Ninety-One were terminated. This has resulted in the Best Ideas Portfolio being the sole holding within the Tactical Asset Allocation holdings. The Best Ideas Portfolio produced a return of +22.0% over the one year period to 31 March 2021, well in excess of its long term target of CPI +3.0% p.a.

Throughout the year under review, a number of positions have been taken within the underlying composition of the Best Ideas portfolio as demonstrated in the chart below. There is a monthly meeting of the Tactical Asset Allocation Group where Mercer monitor and review the portfolio and make recommendations to the Fund Officers. A robust process has been put in place with a transparent audit trail (including minutes of all meetings) documenting any changes and decisions together with their rationale.



Source: Mobius Life

The chart demonstrates the diversified nature of the holdings within the Best Ideas portfolio, which has included regional Equities, Commodities, Corporate Bonds and High Yield US Debt as well as liquid alternatives in the form of listed Infrastructure and Global REITS. It also shows how the underlying holdings have changed following decisions that have been taken by the Tactical Asset Allocation Group over the year. One key holding during the year has been the Sterling Liquidity (cash) fund. This was particularly helpful in February and March 2020 as market volatility and falling valuations hit all investors.

The Managed Account Platform with MAN contains a Hedge Funds portfolio, which produced a positive absolute return of +3.5% during the year. The portfolio was restructured as part of the strategic review and the new structure was in place with effect from April 2020.

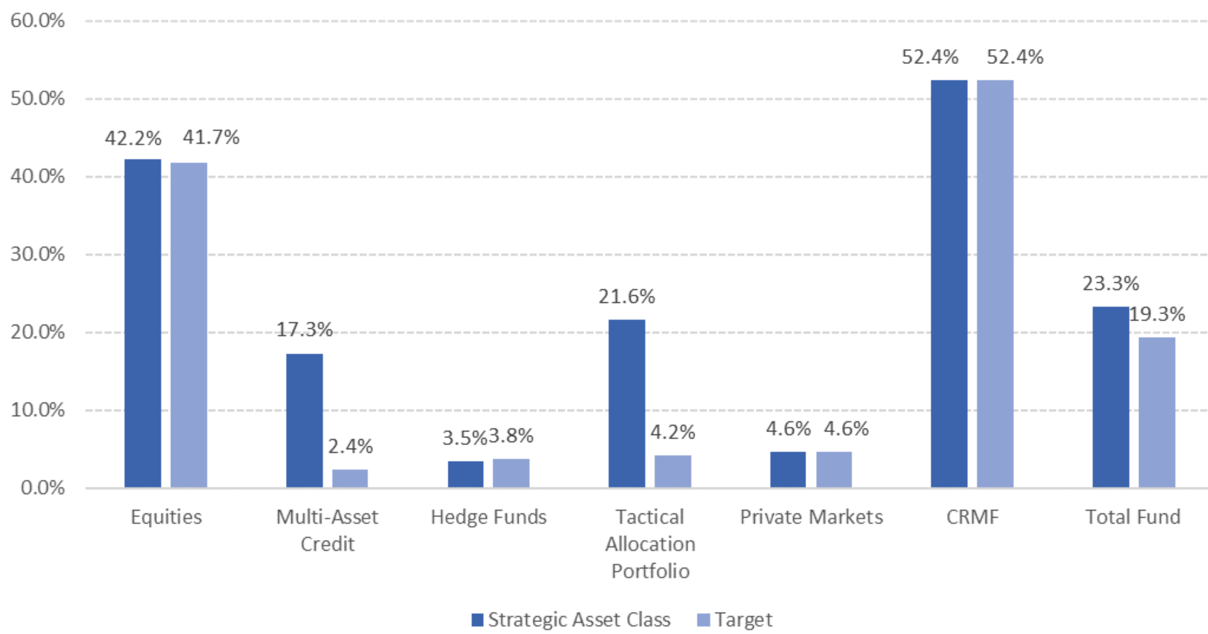
In the 12 months under review the private markets assets achieved a positive return of +4.6%. Valuations of these “Alternative assets” were affected by the impact of COVID-19, however the impact seen was less dramatic than for listed comparators due to the illiquid nature of the assets. Within the Private Markets portfolio Private Equity posted the strongest returns at +11.2%.

The Cash and Risk Management Framework investment portfolio (a key component of the Risk Management Framework) which consists of regional synthetic Global Equities, Gilt and inflation exposures (as well as equity protection and currency hedging strategies) returned +52.4% in 2020/21. However, the performance of this portfolio over the short term is less relevant due to its risk management characteristics. The risk management elements of the portfolio performed as expected and managed the fund's risks effectively over the period as well as during the dramatic falls in equity markets in February and March 2020.

The following charts below summarise the 12-month performance against the target for each of the Fund's asset classes and managers together with the total Fund. It should be noted we have only included those funds/asset classes that have a full 12-month return.

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

Source: Mercer



Summary of Investment Performance 2020/21

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

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

Investment Strategy

The Fund's Investment Strategy is shown in the table below:

Strategic Asset Class	Strategic Allocation (%)	Strategic Range (%)	Conditional Range (%)
Developed Global Equity	10.0	5.0 – 15.0	0 – 30
Emerging Market Equity	10.0	5.0 – 15.0	0 – 30
Hedge Funds	7.0	5.0 – 9.0	0 – 15
TAA/Best Ideas	11.0	9.0 – 13.0	0 – 20
Multi-Asset Credit	12.0	10.0 – 14.0	0 – 20
Cash and Risk Management Framework	23.0	10.0 – 35.0	0 – 40
Private Markets			
Property	4.0	2.0 – 6.0	0 – 8
Private Equity	8.0	6.0 – 10.0	0 – 15
Local/Impact	4.0	0.0 – 6.0	0 – 8
Infrastructure	8.0	6.0 – 10.0	0 – 15
Private Credit	3.0	1.0 – 5.0	0 – 6

The Fund's Investment Strategy continues to be more diversified than most Local Government Pension Scheme (LGPS) Funds and incorporates a Cash and Risk Management Framework, which differentiates the Fund from many other LGPS Funds. The aim of the Fund's strategy remains to reduce the volatility of returns, in line with the objective of stabilising employer contribution rates. Although history suggests that in the long term equities should out-perform other asset classes, these returns can be very volatile and the asset class can under-perform for many years.

The Cash and Risk Management Framework is a key feature of the Fund's Investment Strategy and looks to manage a number of the key risks. As described above the strategic target weight has been increased as part of the recent review, demonstrating that it remains strategically important. This portfolio is explained in more detail in the Risk Management section of the Actuary's report.

The Best Ideas Portfolio is a short-term (12-month horizon) tactical allocation based upon Mercer's suggested "best ideas". Aside from the decisions being made on a tactical (short-term) basis, the basic premise of the decisions within this portfolio is that any asset allocation implementation should be liquid (to enable speed of action should it be required) and cost efficient. Given the material size of this allocation (11% of total Fund assets), further detail is provided in the Performance section of this report.

The following table shows the strategic allocation compared to the actual asset allocations as at 31 March 2020 and 31 March 2021.

Strategic Allocation vs Actual Allocations

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

Note: Totals may not sum due to rounding

Responsible Investment

The Fund's ISS includes the full Responsible Investment Policy and includes the approach to Investment Pooling, Stewardship and Engagement and Reporting and disclosure. The Policy includes the Fund's Responsible Investment beliefs, and a set of Principles. It also sets five key Strategic Responsible Investment Priorities for the work in this area over the next three years.

The Fund has continued to progress significantly in the work undertaken over the past year. Progress has been made across all of the strategic Responsible Investment Priorities as detailed in the ISS. In particular, the Fund has analysed the carbon footprint of its equity allocations and has also undertaken detailed climate change scenario analysis in respect of its investment strategy. The Fund has also continued to deploy allocations into sustainable private market investments, many of which have direct impact focus, with some allocations designed to directly benefit the local area.

The Committee have received a series of dedicated training sessions across a range of Responsible Investment areas and the Fund continues to take actions that place it at the forefront of the Responsible Investment landscape.

Engagement and Voting

The Fund requires that its managers report how they voted the shares held within their portfolios. A summary of the voting activities of the managers for 2020/21 is shown in the following table.

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

Wellington - Local	118	1,048	843	113	51	41

Source: Investment Managers.

United Nations Principles for Responsible Investment

The Fund engages with all of its asset managers to ensure that they are fully aware of their responsibilities with regard to sustainability, and one of the ways in which the fund management industry can demonstrate that it takes its responsibilities seriously is to become a signatory to the UN Principles for Responsible Investment (UN PRI). Firms that are signatories to the UN PRI are required to commit to a set of six principles promoting and incorporating Environmental Social and Governance (ESG) principles into all aspects of its work. The Fund's major asset managers are all UN PRI signatories. For sake of completeness, Russell are not considered a direct manager of assets as they manage a portfolio of underlying investment managers. These underlying investment managers are being encouraged to become signatories to the UN PRI.

Summary of the Longer Term

The market value of the Fund has increased from approximately £1,051m in 2011 to £2,226m in 2021.

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

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

Source: Mercer, PIRC

The following table documents the changes in the Fund's Investment Strategy since 2001. As can be seen the asset allocation is very different from that of the average local government pension fund. The Fund has been particularly active and very early in its commitments to alternative assets through a broad range of specialist managers. The current weightings were reviewed in 2019, the new strategy was in effect from April 2020.

Core Manager Investments	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2021 (%)	LGPS Average
Equities								
Global Unconstrained	-	-	5.0	5.0	8.0	4.0	5.0	
Global Developed (Smart Beta)	-	-	-	-	-	4.0	-	
Global Developed (ESG)	-	-	-	-	-	-	5.0	
Global High Alpha/ Absolute	-	-	-	5.0	-	-	-	
UK Active (Traditional)	35.0	29.0	15.0	-	-	-	-	
UK Active (Portable Alpha)	10.0	10.0	12.0	-	-	-	-	
US Active	7.0	8.0	5.0	-	-	-	-	
Europe (ex UK) Active	11.0	9.0	6.0	-	-	-	-	
Japan Active	4.0	4.0	4.0	-	-	-	-	
Far East (ex UK) Active	2.5	3.0	4.0	7.0	-	-	-	
Emerging Markets Active	2.5	3.0	4.0	7.0	6.5	6.0	10.0	
Frontier Markets Active	-	-	-	-	2.5	-	-	
Developed Passive	-	-	-	19.0	-	-	-	
	72.0	**66.0**	**55.0**	**43.0**	**17.0**	**14.0**	**20.0**	**54.0**
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**	**18.0**
Liability Driven Investment	-	-	-	-	**19.0**	**19.0**	**23.0**	-

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	8.0	
Timber/ Alternatives	-	-	1.5	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	8.0	
Local/ Impact	-	-	-	-	-	-	4.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	-	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	9.0	7.0	
Currency Fund	-	4.0	4.0	-	-	-	-	
Tactical Asset Allocation (TAA)	-	2.0	5.0	12.0	-	-	-	
Tactical Allocation (Diversified Growth)	-	-	-	-	10.0	10.0	-	
Tactical Allocation (Best Ideas)	-	-	-	-	9.0	11.0	11.0	
	14.0	**22.0**	**32.0**	**42.0**	**49.0**	**52.0**	**42.0**	**28.0**

In House Portfolio

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

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

Private Debt	

BlackRock	1
Carlyle	3
Neuberger Berman	1
Permira	1
Pinebridge	1
Total Funds	7

Kieran Harkin

Head of LGPS Investments

Appendix 7
Clwyd Pension Fund Accounts
For The Year Ended 31st March 2021

Fund Account

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

Net Assets Statement

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

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the actuary's report (Note 25).

Notes to the Clwyd Pension Fund Accounts For The Year Ended 31st March 2021

Note 1 – Description of the Fund

General

Clwyd Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Flintshire County Council. The County Council is the reporting entity for the Fund.

The LGPS is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013, as amended;
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, as amended; and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The LGPS is a contributory defined scheme, which provides pensions and other benefits to employees and former employees of Flintshire County Council and scheduled and admitted bodies in North East Wales. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Clwyd Pension Fund Committee which is a committee of Flintshire County Council.

The accounts have been prepared during the national emergency situation arising from the global COVID-19 pandemic and reference will be made to any known impacts of this as required within the document. The accounts have been prepared in accordance with the 2020/21 Code of Practice (the Code) on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangement outside the scheme. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below in more detail:

2019/20 Restated No.		2020/21 No.
49	**Number of employers with active members**	**52**
	Number of employees in scheme	
5,196	Flintshire County Council	5,524
12,015	Other employers	12,018
17,211	**Total**	**17,542**
	Number of pensioners	
3,849	Flintshire County Council	4,011
9,743	Other employers	9,939
13,592	**Total**	**13,950**
	Deferred pensioners	
6141	Flintshire County Council	5,718
11,604	Other employers	11,557
17,745	**Total**	**17,275**
48,548	**Total employees**	**48,767**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013, as amended, and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2021. Employers also pay contributions to the Fund based on triennial funding valuations. The last valuation was at 31st March 2019, the findings of which became effective on 1st April 2020. Currently employer contribution rates range from 11.5% to 29.4% of pensionable pay.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of service. From 1 April 2014, the LGPS became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits as explained on the LGPS website, see www.lgpsmember.org.

In addition the Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from the Fund. The Fund uses Prudential and Utmost (previously Equitable Life) as its AVC providers. AVCs are paid to the AVC providers by employers and provide additional benefits for individual contributors.

Note 2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its financial position at 31st March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 25.

The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. The Code has introduced the following changes, amendments and interpretations to existing standards:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- IFRS 16 Leases – will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to April 2022.

These changes are mandatory for the Fund's accounting periods beginning on or after 1st April 2021 or later periods and may require changes to accounting policies in next year's accounts, but the Fund has chosen not to adopt them early. They are not expected to have a material impact on the Fund's financial statements.

Note 3 – Summary of significant accounting policies

In summary, accounting policies adopted are detailed as follows:

Fund Account – Revenue recognition

Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund's actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund's actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment income

- Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year

Fund Account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis.

All staff costs in relation to administration expenses are charged direct to the Fund and management, accommodation and other support service costs are apportioned to the Fund in accordance with Council policy.

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses include the fees paid and due to the fund managers and custodian, actuarial, performance measurement and investment consultant fees. Where fees are netted off quarterly valuations by investment managers, these expenses are included in note 11A and grossed up to increase the change in the value of investments.

Where the Fund has invested in Fund of Funds arrangements and underlying fees are incurred these are not recognised in the Funds accounts, in accordance with guidance from CIPFA. Details of underlying fees may be found in the Fund's Annual Report.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

As Flintshire County Council is the administering authority for the Fund, VAT input tax is recoverable from all Fund activities including expenditure on investment expenses.

Net Assets Statement

Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13A. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Financial liabilities

Financial liabilities are recognised at fair value on the date the Fund becomes legally responsible for the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund as part of the change in value of investments

Actuarial present value of promised future retirement benefits

The actuarial value of promised future retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of the Code and IAS 26. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a report from the actuary (note 25).

Additional Voluntary Contributions (AVCs)

The Fund provides an AVC scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds Regulations 2016), but are disclosed as a note only (see Note 21).

Note 4 - Critical judgements in applying accounting policies

Pension fund liability

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and set out in the actuary's report shown at the end of these accounts. These actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Note 5 - Assumptions made about the future and other major sources of uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take into account historical experience, current trends and future expectations. However, actual outcomes could differ from the assumptions and estimates. The items in the Net Assets Statement at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Potential Impact of Covid-19	The impact of the Covid-19 pandemic has and continues to affect the valuation of assets and liabilities. However, the most significant effects of the pandemic were seen during February and March 2020, and affected asset valuation. Since then markets have been relatively stable. As far as possible any effects have been estimated	The effects on the net pension liability of changes in asset values and individual assumptions can be measured. For instance, a 10% decrease in asset values would have reduced the 2019 valuation funding level of 91% to 82%. A 0.25% p.a. reduction in the discount rate would in isolation have reduced the funding level to 88% (a 0.25% p.a. increase in assumed inflation would have a

	and reflected in the accounts but such estimates must be viewed in the context of the extent and seriousness of the pandemic. The Fund has a risk management framework in place and, in particular, equity protection which helps to mitigate some of the impact of significant falls in equity markets.	similar impact). A combination of the asset and discount rate changes would reduce the funding level to 79%.
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 Fund contains investments in private equity, hedge funds and pooled funds including property, infrastructure, timber and agriculture, that are classified within the financial statements as level 3 investments in note 15 to these accounts. The fair value of these investments is estimated using a variety of techniques which involve some degree of tolerance around the values reported in the Net Assets Statement.	Note 15 summarises the techniques used, the key sensitivities underpinning the valuations and the sensitivity or tolerance around the values reported.

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

Note 6 - Post Balance Sheet Events

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2021. Performance of global financial markets since this date may have affected the financial value of pension fund investments as reported in the Net Asset Statement, but do not affect the ability of the Fund to pay its pensioners.

Note 7 - Analysis of contributions receivable

By employer

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

By type

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

Note 8 – Transfers in from other pension funds

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

Note 9 – Benefits payable

By employer

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

By type

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

Note 10 – Payments to and on account of leavers

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

Note 11 – Management expenses

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

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

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

Note 11a – Investment management expenses

2020/21	**Management Fees**	**Performance related fees**	**Transaction Costs**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Investment Assets				
Pooled Funds	2,928	0	1,814	4,742
Other investments				
Pooled property investments	1,958	55	102	2,115
Private equity and joint venture funds	3,302	1,782	107	5,191
Infrastructure funds	1,419	450	190	2,059
Timber and Agriculture	149	0	0	149
Private Debt	864	328	1	1,193
Impact	1,680	59	39	1,778
	12,300	**2,674**	**2,253**	**17,227**
Custody Fees				69
Total				**17,296**

2019/20 Restated	**Management Fees**	**Performance related fees**	**Transaction Costs**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Investment Assets				
Pooled Funds	5,586	0	1,115	6,701
Other investments				
Pooled property investments	2,061	1,149	86	3,296
Private equity and joint venture funds	5,345	1,450	468	7,263
Infrastructure funds	1,569	582	160	2,311
Timber and Agriculture	259	0	0	259
Private Debt	480	0	0	480
	15,300	**3,181**	**1,829**	**20,310**
Custody Fees				43
Total				**20,353**

Note 11b – Wales Pension Partnership management expenses

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

Included in Management Expenses in the first table of this note is the cost of the Fund's involvement in the Wales Pension Partnership (WPP) collective investment pooling arrangement. These are further analysed in the table above. The Oversight and Governance costs are the annual running costs of the pool which includes the host authority costs and other external advisor costs. These costs are funded equally by all eight of the local authority pension funds in Wales. Fund Management Fees are payable to Link Fund Solutions (the WPP operator) and include the operator fee and other associated costs. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). Underlying manager fees are not included in this table, but are disclosed in the Finance Report elsewhere in the Annual Report. Further details on the WPP can also be found in the Finance Report.

Note 12 - Investment income

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

Note 13 – Investments

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

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

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

Note 13 A – Reconciliation of movements in investments and derivatives

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

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

Note 13b – Analysis by Fund Manager

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

The following investments represent more than 5% of the net assets of the scheme. All of these companies are registered in the UK. Where the table above shows a holding of greater than 5% but the manager does not appear in the list below this is because investments are held in more than one fund.

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

Note 13c – Stock Lending

The Fund's Investment Strategy sets the parameters for its stock lending programme. The Fund participates in stock lending through its investments with WPP. At 31 March 2021 the total value of all WPP stock on loan was £469,065k.

Note 14 – Derivatives

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

Note 15 - Fair value of investments

Fair Value – Basis of valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Investments and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - where quoted market prices are not available, valuation techniques are used to determine fair value based on observable data.

Level 3 – where at least one input that could have a significant effect on the investment's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted Pooled Investment Vehicles	Level 1	Quoted market bid price on the relevant exchange	Not required	Not required
Infrastructure	Level 1	Published bid price ruling on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required

Amounts receivable from investment sales	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Unquoted equity investments	Level 2	Average of broker prices	Evaluated price feeds	Not required
Unquoted fixed income bonds and unit trusts	Level 2	Average of broker prices	Evaluated price fees	Not required
Unquoted pooled fund investments	Level 2	Average of broker prices	Valued net of unrealised gains/losses on hedging	Internal rate of return
Pooled property funds and hedge funds where regular trading takes place	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Hedge Fund	Level 2	Valued monthly using closing bid price where bid and offer prices are published or closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled Property Funds and hedge funds where regular trading does not take place	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against

Other unquoted and private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021 and 31 March 2020.

2020/21	Potential variation in fair value %	Value at 31st March £000s	Potential value on increase £000s	Potential value on decrease £000s
Other investments				
Pooled property investments	10	121,401	133,541	109,261
Private equity and joint venture funds	10	193,496	212,846	174,147
Infrastructure funds	10	91,550	100,705	82,395
Timber and Agriculture	7	17,555	18,783	16,326
Private Debt	10	52,968	58,265	47,671
Impact	10	58,171	63,988	52,353
		535,140	588,128	482,153

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

Note 15a – Fair Value of hierarchy

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

Values at 31st March 2021	Quoted market price £000s	Using observable inputs £000s	Significant observable inputs £000s	Total £000s
Investment Assets				
Bonds		250,378		250,378
Pooled Funds				
Diversified growth funds		231,021		231,021
Liability Driven Investment		500,832		500,832
Hedge Fund of Funds		145,594		145,594
Global equity		231,366		231,366
Emerging Market Equity	149,353	82,484		231,837
Other investments				
Pooled property investments	0	11,469	121,401	132,870
Private equity and joint venture funds			193,496	193,496
Infrastructure funds	9,099	5,962	91,550	106,610
Timber and Agriculture			17,555	17,555
Private Debt			52,968	52,968
Impact			58,171	58,171
	158,451	1,459,107	535,140	2,152,698
Cash deposits	67,282			67,282
Amounts receivable for sales	2,812			2,812
Total investment assets	228,546	1,459,107	535,140	2,222,792

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

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

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

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

Note 16 - Classification of Financial Instruments

2019/20				2020/21		
Fair Value through profit and loss £000s	Loans and receivables £000s	Financial liabilities at amortised cost £000s		Fair Value through profit and loss £000s	Loans and receivables £000s	Financial liabilities at amortised cost £000s
			Financial Assets			
182,263			**Bonds**	250,378		
			Pooled Funds			
346,996			Diversified growth funds	231,021		
317,546			Liability Driven Investment	500,832		
140,663			Hedge Fund of Funds	145,594		
140,136			Global equity	231,366		
100,300			Emerging Market Equity	231,837		
			Other investments			
126,651			Pooled property investments	132,870		
226,849			Private equity and joint venture funds	193,496		
112,156			Infrastructure funds	106,610		
19,914			Timber and Agriculture	17,555		
40,911			Private Debt	52,968		
			Impact	58,171		
	20,238		Cash		67,282	
			Debtors		3,229	
1,754,384	20,238	0		2,152,698	70,512	0
			Financial liabilities			
		(2,112)	Creditors			(451)
1,754,384	20,238	(2,112)		2,152,698	70,512	(451)

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

Note 17 – Nature and extent of risks arising from Financial Instruments

Procedures for Managing Risk

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cashflows. The fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Clwyd Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations, then reviewed regularly to reflect changes in activity and market conditions.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risk in two ways:

- The exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels.
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

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

Interest rate risk

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

Interest rate risk – sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/– 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

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

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the fund investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements to be not more than 15%. A 15% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Currency risk – sensitivity analysis

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

Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years. All contributions due at 31 March 2021 were received in the first months of the financial year.

Liquidity risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they fall due. The Committee monitors cashflows regularly during the year, and as part of the triennial funding review, and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2021, liquid assets were £1,617m representing 75% of total fund assets (£1,253m at 31 March 2020 representing 71% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Note 18 – Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. The valuation is not carried out on the same basis as that used for setting fund contributions and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes.

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

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:

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

Note 19 – Current Assets

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

Note 20 – Current Liabilities

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

Note 21 - Additional Voluntary Contributions (AVCs)

Clwyd Pension Fund has engaged two additional voluntary contribution (AVC) providers: Prudential Assurance Company Ltd and Utmost Life and Pensions Limited. The value of the funds invested with both AVC providers are shown below. AVCs paid directly to the Prudential are shown below.

In accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the

assets of these investments are not included in the Fund's Accounts

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

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

Note 22 – Agency Services

Clwyd Pension Fund pays discretionary awards to former employees of the current unitary authorities, Coleg Cambria and some other employers. Amounts paid are fully reclaimed from the employer bodies

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

Note 23 - Related Party Transactions

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2021, four Members of the Clwyd Pension Fund Committee had taken this option, with two being in receipt of a pension.

Two of the four Co-opted Members of the Pension Fund Committee are eligible to receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council.

Flintshire County Council

During the year Flintshire County Council incurred costs of £1.8m (£1.9m in 2019/20) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The costs have been included within Oversight & Governance costs and administration expenses at Note 11.

Key management personnel

The key management personnel of the Fund are the Chair of the Pension Fund Committee, the Flintshire Chief Executive and the Flintshire s.151 officer. Total benefits attributable to key management personnel are set out below:

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

Note 24 - Contingent liabilities and contractual commitments

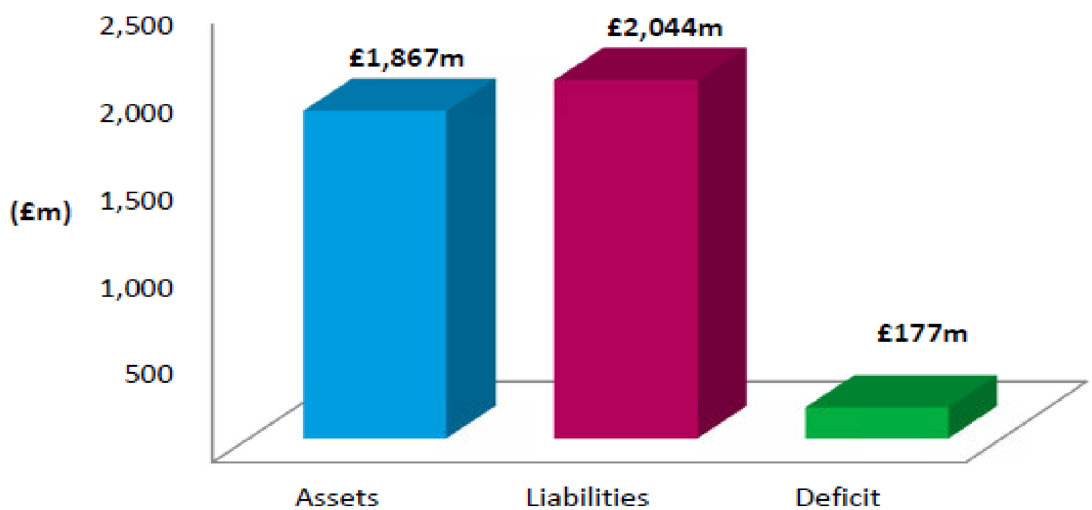
Outstanding capital commitments (investments) at 31 March 2021 were £179m (31 March 2020: £211m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

Note 25
Clwyd Pension Fund
Accounts for the year ended 31 March 2021 - statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,867 million represented 91% of the Fund's past service liabilities of £2,044 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £177 million.



The valuation also showed that a Primary contribution rate of 17.3% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 13 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an addition of approximately £16m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS and includes the estimated costs in relation to McCloud judgement where appropriate), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	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 1April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £9 million and an increase in the Primary Contribution rate of 0.5% of Pensionable Pay per annum. Where the employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer (and also within the whole Fund average secondary rate shown above).

Impact of Covid 19

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

Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in

line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority, who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of promised retirement benefits for the purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases*	3.35% per annum	3.95% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4% p.a.). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7% p.a. Both of these factors served to increase the liabilities over the year.

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

Interest over the year increased the liabilities by c£68 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£25 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £424 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £3,352 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to, a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Paul Middleman **Fellow of the Institute and Faculty of Actuaries**

Mark Wilson **Fellow of the Institute and Faculty of Actuaries**

Mercer Limited

August 2021

Appendix 8

Financial Report

Introduction

This report includes financial monitoring reports for the year 2020/21 showing both cash flow and income and expenditure compared to budget. It also details the contributions from employers and employees, and shows further information on contributions, assets, investment income and management fees.

The Fund's financial processes and activities are scrutinised by both Internal and External Audit which helps reduce the risk of errors and fraud. The Fund receives reports from Flintshire County Council Internal Audit Team and Audit Wales and acts appropriately in respect of any recommendations.

Cash Flow 2020/21

The Fund operates a rolling three year cash flow which is estimated and monitored on a quarterly basis. There are several unknowns within the cash flow such as transfers in and out of the fund and also drawdowns and distributions across the Fund's Private Market portfolio for which the current allocation was 27% of the Fund. Cash flow predictions for the drawdowns and distributions are reassessed annually to incorporate the actuals for the year and any further commitments agreed during the period. The following table shows a summarised final cash flow for 2020/21. This is purely on a cash basis and does not take into account any movements in asset values or management investment fees which are included in the pooled vehicles and accounted for at the year end, nor any year end accruals.

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

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2024. An estimate of the asset valuation has been included at the end of the table and has been based on a targeted investment strategy which looks to produce an overall return of 5.4% per annum.

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

Analysis of Operating Expenses

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

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

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

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

Employers participating in the Fund at 31 March 2021

Contributions

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

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

Scheduled bodies	Employer Contributions £	%	Employee contributions £	Avg %
Flintshire County Council	20,871,694	17.3	5,614,687	6.18
Wrexham County Borough Council	18,328,470	18.2	4,827,073	6.15
Denbighshire County Council	15,327,718	17.3	4,009,475	6.27
Coleg Cambria	2,911,362	16.5	882,954	6.35
North Wales Fire Service	1,817,784	17.0	338,858	6.74
Glyndwr University	1,568,919	17,1	520,805	6.92
North Wales Valuation Tribunal	45,039	18.9	10,984	8.10
Rhyl Town Council	42,687	18.7	8,844	7.42
Hawarden Community Council	38,040	21.8	13,726	7.05
Prestatyn Town Council	26,678	21.5	9,347	6.32
Mold Town Council	20,223	18.5	7,713	6.48
Coedpoeth Community Council	17,059	20.4	5,782	5.94
Rhos Community Council	16,255	21.6	4,593	6.07
Holywell Town Council	14,401	20.1	3,975	6.01
Buckley Town Council	13,183	26.6	5,105	6.29
Caia Park Community Council	12,432	20.8	6,384	5.92
Denbigh Town Council	7,084	18.5	2,393	6.25
Offa Community Council	6,520	26.3	2,656	6.08
Shotton Town Council	6,142	29.4	1,844	6.50
Cefn Mawr Community Council	5,006	12.2	2,179	5.01
Acton Community Council	4,988	22.9	1,213	5.80
Flint Town Council	4380	17.5	1,452	5.80
Gresford Town Council	3,498	21.9	926	5.80
Ruthin	3,252	16.0	1157	5.65
Marchwiel Community Council	3,000	23.1	696	5.73
Penyffordd Community Council	2,477	16.4	883	5.61
Hope Community Council	2,106	16.4	673	5.51
Broughton & Bretton	1,971	21.9	495	5.50
Bagillt Community Council	1,970	17.2	597	5.49
Northop Town Council	1,918	21.7	486	5.50
Gwernymynydd Community Council	1,689	28.8	323	5.51
Argoed Community Council	500	17.6	563	5.50
Connah's Quay Town Council	0	17.8	5,189	5.69
	61,128,445		16,294,029	

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

We are able to charge interest on overdue contributions during the financial year. During the year the Fund encountered some issues with some of the new employers within the Fund. These were monitored for timeliness of contributions and the Fund liaised with employers to overcome any problems they were experiencing. The analysis below shows the number of late contributions made to the Fund, along with the amounts and occasions concerned.

The Fund did not exercise its option to charge interest to any of the employers during the year but the occurrences were registered in the Fund’s breaches register and reported to the Pension Fund Committee. The total of all late payments was £1,520,605 (2.39% of the total employer contributions).

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

Fund Assets

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

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

The alternatives portfolio comprises pooled investments in the following asset classes:

Hedge Fund Managed Account, Diversified Growth Funds and Private Markets which includes, Property, Private Debt, Private Equity & Impact/Local, Infrastructure, Timber and Agriculture.

Investment Income

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

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

Fund Manager Expenses (including underlying fees)

The fees which are disclosed in the statement of accounts within the Annual Report have been disclosed in accordance with the CIPFA guidance which states that fees and expenses should only be included where the Fund has a direct relationship with the investment manager. These fees include the annual management charge as well as additional costs such as operational, administrative and legal expenses. In addition any costs for performance and transaction fees are also disclosed. These are disclosed in Note 11 in the Fund's accounts.

Fees relating to underlying managers are not required to be disclosed in the accounting regulations, however the Fund believes we should provide our stakeholders with information on all fees relating to our investments.

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

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

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

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

Assets within the "Core" disclosure include: Active Equities, Unconstrained Fixed Income, Liability Driven Investment, Hedge Fund Managed Account Platform, Diversified Growth Funds and the Tactical Asset Portfolio. These account for 74% (70% in 2019/20) of the Fund assets but only 39% (44% in 2019/20) of the total fees. Assets within the "Non-Core" disclosure include: Private Debt, Private Equity (Direct and Fund of Funds), Property (Open and Closed ended), Infrastructure, Timber and Agriculture. Whilst these account for 26% (30% in 2019/20) of the Fund assets the proportion of fees amounts to 61% (56% in 2019/20). These figures include the underlying fees. In comparison, excluding underlying fees, the proportion of fees for core assets is 28% (33% in 2019/20) and non-core, 72% (67% in 2019/20). Many of the Fund's managers are now signed up to the Cost Transparency Initiative (CTI) and are providing fees through the CTI template.

Movement in Current Assets and Current Liabilities

There was an increase in current assets of £384k in 2020/21, which is mainly due to the timing of a payment in relation to the provision of the Altair system. Current liabilities fell by £215k as a result of a reduction of benefits payable due. This figure is volatile as it is affected by the amount of lump sums and death grants due but not paid on 31st March.

Wales Pension Partnership (WPP)

The WPP was established in 2017 with the objective to deliver:

- economies of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

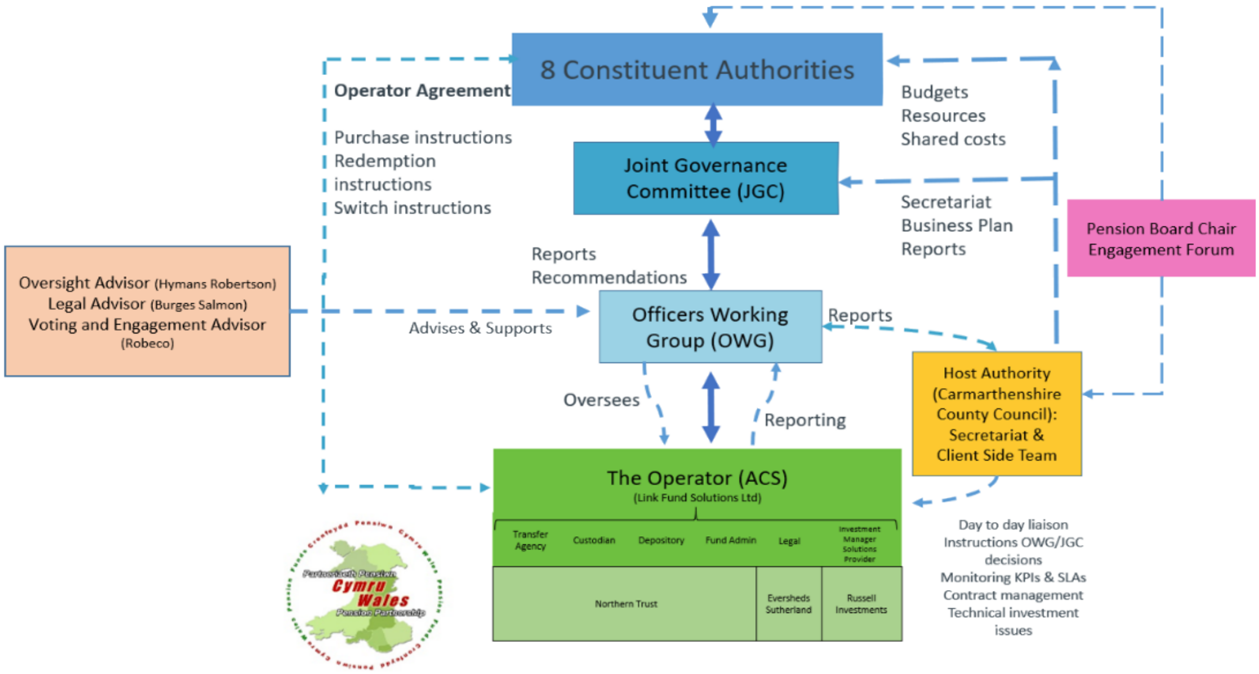
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government's pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP's operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

Governance

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:



The eight Constituent Authorities of the WPP are:

- Carmarthenshire County Council (Host)
- City and County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's Business Plan, which outlines the WPP's budget and work plan, as well at its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities.

The OWG provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

Carmarthenshire County Council is the Host Authority for the WPP and is responsible for providing administrative and secretarial support to the JGC and the OWG, and liaising day to day with the Operator on behalf of all of the Welsh LGPS funds.

Link Fund Solutions (Operator) carries out a broad range of services for the WPP, which includes facilitating investment vehicles & sub-funds, performance reporting, transition implementation and manager monitoring and fee negotiations. There is an Operator Agreement in place which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of Hymans Robertson, oversee the work that Link Fund Solutions carries out on behalf of the WPP. Link engages with the Constituent Authorities by:

- Direct engagement – attendance at annual committee meetings
- Indirect engagement – with CAs collectively, through the JGC and OWG

In collaboration with Link Fund Solutions, Russell Investments provide investment management solution services to the WPP and they work in consultation with WPP’s eight Constituent Authorities to establish investment vehicles.

Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

Hymans Robertson are WPP’s Oversight Advisor and their role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

Burges Salmon are WPP’s legal advisors and they provide legal advice in relation to FCA regulated funds, tax and governance arrangements, including assisting with complex procurement processes.

Robeco UK has been appointed as WPP’s Voting and Engagement provider and are responsible for implementing the Voting Policy across WPP’s portfolio and undertaking engagement activity on behalf of the WPP.

The WPP’s beliefs are the foundation for WPP’s governance framework and have been used to guide all of the WPP’s activities and decision making, including its objectives and policies. The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances the WPP’s policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP’s key policies, registers and plans are listed below and can be found on the WPP website.

Responsible Investment has been a key priority for the WPP since it was established in 2017. Various activities have been undertaken to work towards WPP's ambition of becoming a leader in Responsible Investment. Initially the focus was on formulating a Responsible Investment Policy and since then the WPP has formulated its own Climate Risk Policy and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. A WPP RI Sub-Group has been established to take ownership of RI related workstreams and actions that are required to achieve the commitments made in the WPP's RI and Climate Risk Policies.

The WPP's Business Plan, Governance Manual and all other policies detailed in the chart above can be found on the WPP website:
https://www.walespensionpartnership.org/

Risk

Risk management is a critical element of WPP's commitment to good governance. The WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis.

Training

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

Pooling progress to date

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP have made significant progress towards delivering on this objective. The launching of the WPP's three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 68% of assets.

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

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

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

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

The above table summarises Clwyd Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund. During the year an additional £343.3m transitioned to the WPP and passive portfolios. The table above shows the assets currently managed by the pool as at 31 March 2021.

Pooling costs

Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs, the running costs are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to the Clwyd Pension Fund for the financial year ending 31 March 2021 was £88.3k, see table below.

In addition to the running costs, there are also transition costs associated with the transition of assets into the pool, these costs can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs include both explicit and implicit costs, such as commissions, spread and impact and opportunity costs known as Implementation Shortfall. Transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their net asset value as opposed to a direct charge to the Fund.

Details of the costs incurred by the Clwyd Pension Fund in respect of the WPP are detailed below.

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

* Host Authority and External Advisor costs are recharged directly to the fund

** Transition Costs (Direct) costs are shared as a proportion of total AUM.

Ongoing Investment Management Costs

The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP.

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

Asset Allocation and performance

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

Objectives 2021/22

Following the launch of a number of sub-funds to date, progress will continue to be made with significant rationalisation of the existing range of mandates. The operator will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the eight constituent funds and facilitate a significant move of the assets to be pooled.

In establishing the WPP pool, the focus has been on pooling the most liquid assets, namely equities and fixed income. The next step is to formulate an approach to pooling and managing illiquid assets such as Private Equity, Private Debt/Credit and Infrastructure. This will involve reviewing a variety of structures and platforms available and assessing these to identify the best fit to meet with the Fund's current and future requirements.

A high level transition timetable has been provided below:

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

In terms of other, non-investment objectives, the WPP hopes to continue to establish its approach as a responsible investor during 2021/22 which will involve oversight and monitoring of its voting policy, the establishment of an engagement framework, Environmental, Social and Governance (ESG) metrics monitoring and reporting output in accordance with the requirements for opt up to UK Stewardship Code and the Taskforce on Climate-Related Financial disclosure (TCFD).

There will also be a focus on the review and development of additional WPP policies, as well as the provision of timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

Securities Lending

Securities lending commenced in March 2020. Revenue is split on an 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. Total revenue of LF Wales Revenue during 2020/21 was £742,416 (gross) / £631,084 (net) with £469,064,784 out on loan as at 31 March 2021.

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

Section 3

Annual Governance Statement

Roles and Responsibilities

Flintshire County Council (the Council) is responsible for administering the Clwyd Pension Fund (the Fund), on its own behalf and on behalf of 2 other local authorities (Wrexham and Denbighshire) and 52 other large and small employers in North East Wales.

The main activities involved in managing the Fund are to make and manage investments and to administer the payment of scheme benefits. This is carried out in accordance with the requirements of the Local Government Pension Scheme (LGPS) Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Public Service Pensions Act 2013.

The Council is responsible for ensuring that all its business, including that of the Fund, is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that there are proper arrangements to use money economically, effectively and efficiently. The Council is also required to ensure that the Fund is managed to deliver best value.

Governance & Delegation

The governance framework of the Council comprises an underlying set of legislative requirements, good practice principles and management processes, which supports the philosophy of the Council's operations, the standards it sets itself, the behaviours it expects of itself and the principles it follows.

To help ensure that the governance framework is robust, the Council has developed a Local Code of Corporate Governance (the Code) which defines the principles that underpin the governance of the organisation and is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. The Code forms part of the Council's constitution and is available on the Council's website. The operation of the Fund is governed by this code. The Council produces its own Annual Governance Statement which reviews the effectiveness of its control environment.

The Fund has its own Governance Policy in place. This policy sets out the Fund's governance arrangements, including its governance structure and operational procedures for the delegation of responsibilities. It also sets out the Fund's aims and objectives relating to its governance. In accordance with the requirements of the Public Services Pensions Act 2013, the Fund has established a Local Pension Board (the Board) to act as a partner in assisting the Fund to meet its statutory and regulatory requirements and in administering the Fund effectively.

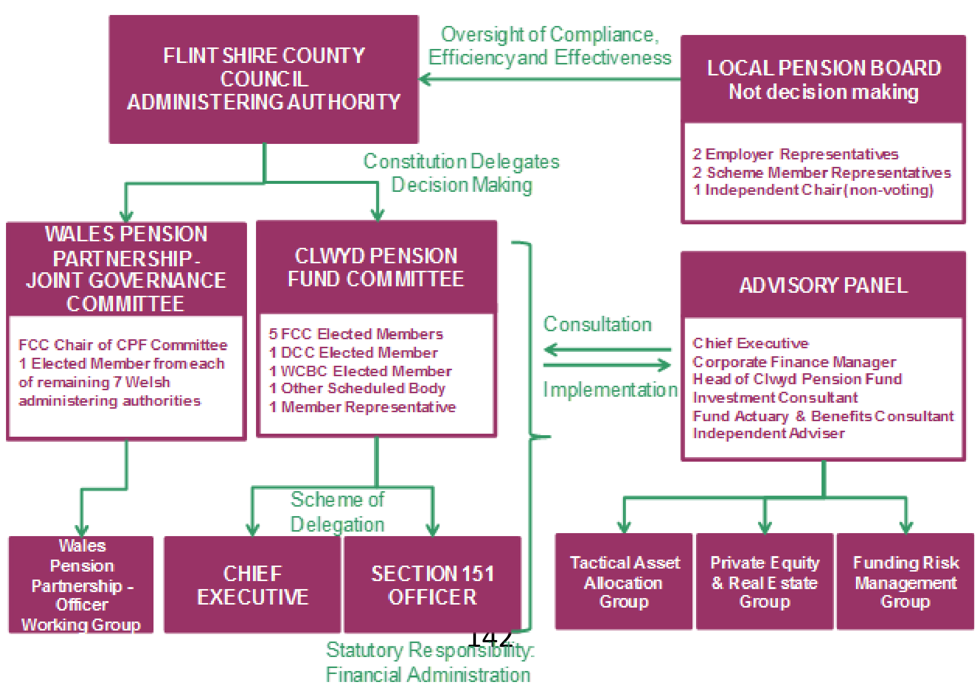
The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The Committee receives advice from the Clwyd Pension Fund Advisory Panel (the Panel) which is made of up of officers of the Council and advisors to the Fund.

The Council's Chief Executive has overall responsibility for the activities of the Fund. This includes ensuring that the arrangements for the investment of assets, the receipt of contributions and the payment of benefits are properly managed.

The Council's Corporate Finance Manager as Section 151 Officer is responsible for arranging the proper administration of the financial affairs of the Fund. He is CIPFA qualified and is suitably experienced to lead the finance function.

In addition, under an inter-authority agreement, there is delegation to the Wales Pension Partnership Joint Governance Committee to reflect the move to the pooling of pension fund assets across the 8 Welsh LGPS pension funds.

The governance structure for the Fund is shown below. The bodies to which responsibility is formally delegated are supported by the Board, and also an Advisory Panel and a number of working groups.



Strategy & Policy

The LGPS regulations require the Fund to maintain a number of strategy and policy documents which are available on its website. Key amongst these are the Governance Policy Statement, Funding Strategy Statement, Investment Strategy Statement, Communication Strategy Statement, and Administration Strategy. These documents describe the Fund's objectives together with the main risks facing the Fund and the key controls which mitigate them. In addition, the Fund has a Business Plan, Breaches Procedure, Risk Policy, Conflicts of Interest Policy and Knowledge and Skills Policy which support the governance framework.

Use of financial data

- Financial data is used and managed by the Fund in a number of different ways:
- There is a triennial actuarial valuation which determines long term cash flows, fund liabilities and contributions**.** In addition, monthly funding projections are also produced by the actuary to help the Fund keep abreast of its funding position.
- Detailed investment records are held and maintained by external partner investment managers including the Wales Pension Partnership (WPP) and the Fund's global custodian. There is quarterly performance reporting to the Fund of the position on investments.
- Economic and market forecast data is used to inform the Fund's investment strategy, which is designed to support the requirements of the Fund's funding strategy.
- The Fund prepares an annual statement of accounts, a business plan (including a budget and cash flow) and financial monitoring reports. The Fund uses the Council's Masterpiece financial ledger system to maintain its financial information.
- The Fund uses the Altair management system to manage the payment of benefits to beneficiaries. Payments to beneficiaries are made through the Council's bank account and are transferred immediately from the Pension Fund's bank account. Annual Benefit Statements are prepared and distributed to members. The Fund has a Member Self Service system, which allows members of the Fund to access their own membership information.

Annual audit reports and statements of internal control are obtained from the investment managers by the Fund and are reviewed by officers to provide assurance that the investments are managed in an adequate control environment. Any significant issues that these reports disclose are reported to the Committee on an exception basis.

Risk Management

The Fund recognises that effective risk management is an essential element of good governance. The Fund has an effective policy and risk management strategy which:

- Demonstrates best practice
- Improves financial management
- Minimises the effect of adverse conditions
- Identifies and maximises opportunities that might arise
- Minimises threats.

Risks relating to pension funds are often outside the Fund's control. The Fund's risk management focusses on measuring the current risk against the Fund's agreed target risk and identifying further controls and actions that can be put in place. These actions are then implemented as part of the day to day management or through the Fund's Business Plan.

The risks currently identified as key risks are shown in the section of the Fund's Annual Report which deals with Governance, Training and Risk Management (Appendix 1).

Review of effectiveness

The Committee is responsible for ensuring the continued effectiveness of the governance framework and system of internal control within which the Fund operates. In discharging this responsibility it relies on the assurances of officers, financial monitoring and other reports, the work of internal audit and the work of the external auditors.

The Board assists the Committee in securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the scheme, and with ensuring the effective and efficient governance of the Fund.

The Fund has in place an Independent Advisor, part of whose role is to carry out an annual review which is included in the Fund's Annual Report (Appendix 2).

The Fund's Annual Report includes a governance compliance statement (Appendix 3). This measures the extent to which the Fund's governance arrangements comply with statutory guidance.

As part of his duties, the Corporate Finance Manager ensures that the Council receives an internal audit of the control environment of the Council and the Fund. The audit coverage reviews the control environment within which the Fund operates and helps to ensure that robust arrangements are in place to:

- Safeguard the contributions made by employees and employers used to fund the pension liabilities
- Ensure control is maintained over partner investment managers who are responsible for ensuring that funds are maximised in order to meet liabilities
- Ensure that accurate and timely payment is made to retired members and beneficiaries of the Fund.

Update on significant governance issues previously reported.

There were no significant governance issues in 2019/20 specific to the Fund.

Significant governance issues

The Head of Internal Audit has confirmed that there are no significant governance issues relating to the Fund which need to be reported as a result of the work undertaken by Internal Audit on the control systems of either the Council or the Fund.

The impact of COVID-19 on governance

The last quarter of 2019/20 saw the impact of the COVID-19 pandemic growing. A 'lock down' period commenced on 23rd March 2020 for the Council, which included Fund officers who are all employees of the Council. Arrangements were made to enable officers to continue to undertake their duties. Meetings with the Fund's advisors continued, enabled by appropriate technology. Discussions included advice received from the Scheme Advisory Board (SAB) and The Pension Regulator (TPR) on the management of the scheme during the pandemic.

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

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

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

Internal Audit Opinion.

Based on the audit work undertaken for the Council and the assurances provided by the Chief Executive, the Corporate Finance Manager and the Head of Clwyd Pension Fund, it is the Head of Audit's opinion that reasonable assurance can be placed on the adequacy and effectiveness of the governance and control environment which operated during 2020/21.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance which operate on the Clwyd Pension Fund. Work undertaken by Internal Audit has shown that the arrangements in place are operating as planned. We consider the governance and internal control environment operating during 2020/21 to provide reasonable and objective assurance that any significant risks impacting the Fund's ability to achieve its objectives will be identified and actions taken to avoid or mitigate their impact.

Colin Everett

Chief Executive

September 2021

Councillor Ted Palmer

Chair Clwyd Pension Fund Committee

September 2021

Section 4

Regulatory Documents

The attached regulatory documents form part of the Governance and Performance framework within which the Fund operates. Other best practice documents are also available on Clwyd Pension Fund website. A list of these documents and the website address is available on the contents page of the report.