

# Public Document Pack

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Prif Swyddog (Llywodraethu)



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To: Cllr Ted Palmer (Chairman)

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

**Co-opted Members:**

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

3 June 2021

Dear Sir/Madam

**NOTICE OF REMOTE MEETING**  
**CLWYD PENSION FUND COMMITTEE**  
**WEDNESDAY, 9TH JUNE, 2021 at 9.30 AM**

Yours faithfully

Robert Robins  
Democratic Services Manager

Please note: This will be a remote meeting and 'attendance' will be restricted to Committee Members and those Members of Council who have asked the Head of Democratic Services for an invitation. Such attendees may only speak at the Chair's discretion.

The meeting will be live streamed onto the Council's website. A recording of the meeting will also be available, shortly after the meeting at <https://flintshire-public-i.tv/core/portal/home>

If you have any queries regarding this, please contact a member of the Democratic Services Team on 01352 702345.

## A G E N D A

### 1 **APOLOGIES**

**Purpose:** To receive any apologies.

### 2 **DECLARATIONS OF INTEREST (INCLUDING CONFLICTS OF INTEREST)**

**Purpose:** To receive any Declarations and advise Members accordingly.

### 3 **APPOINTMENT OF VICE CHAIR**

**Purpose:** Appointment of Vice Chair and note that the Chair and Vice Chair are therefore appointed as Member and Deputy respectively of the Joint Governance Committee for the Wales Pension Partnership.

### 4 **MINUTES** (Pages 5 - 12)

**Purpose:** To confirm as a correct record the minutes of the last meeting held on the 23 March 2021.

### **ITEMS FOR APPROVAL OR DISCUSSION**

### 5 **CLWYD PENSION FUND DRAFT AUDIT PLAN** (Pages 13 - 26)

**Purpose:** To provide Committee Members with the 2020/21 draft Audit Wales plan for review.

### 6 **FUNDING, FLIGHT-PATH AND RISK MANAGEMENT FRAMEWORK** (Pages 27 - 48)

**Purpose:** To update Committee Members on the funding position, and the implementation of the Flight path and risk management framework.

### 7 **RESPONSIBLE INVESTMENT ROADMAP** (Pages 49 - 88)

**Purpose:** To provide Committee Members with an update, to enable recommendations to be discussed, in respect of strengthening the Fund's climate change commitments and the availability of a sustainable equity investment option through the Wales Pension Partnership

### **ITEMS FOR NOTING ONLY**

### 8 **GOVERNANCE UPDATE AND CONSULTATIONS** (Pages 89 - 130)

**Purpose:** To provide Committee Members with an update on governance related matters including an update following submission of the Fund's response to the Pension Regulator consultation on the new Code of Practice.

9 **PENSION ADMINISTRATION/COMMUNICATION UPDATE** (Pages 131 - 174)

**Purpose:** To provide Committee Members with an update on administration and communication matters

10 **INVESTMENT AND FUNDING UPDATE** (Pages 175 - 188)

**Purpose:** To provide Committee Members with an update of investment and funding matters for the Clwyd Pension Fund.

11 **POOLING INVESTMENT IN WALES** (Pages 189 - 198)

**Purpose:** To provide Committee Members with an update on implementation of Pooling Investments in Wales.

12 **ECONOMIC AND MARKET UPDATE AND INVESTMENT STRATEGY AND MANAGER SUMMARY.** (Pages 199 - 234)

**Purpose:** To provide Committee Members with an economic and market update and performance of the Fund and Fund Managers.

13 **FUTURE MEETINGS**

**Purpose:** Future meetings of the Clwyd Pension Fund will take place at 9.30 am on :-

Wednesday, 1<sup>st</sup> September 2021  
Wednesday, 10<sup>th</sup> November 2021  
Wednesday, 9<sup>th</sup> February 2022  
Wednesday, 16<sup>th</sup> March 2022  
Wednesday, 15<sup>th</sup> June 2022

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## CLWYD PENSION FUND COMMITTEE

23 March 2021

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely at 9.30am on Wednesday, 23 March 2021.

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

Councillors: Ralph Small, Billy Mullin, Tim Roberts, Haydn Bateman.

**CO-OPTED MEMBERS:** Councillor Nigel Williams (Wrexham County Borough Council), Mr Steve Hibbert (Scheme Member Representative) and Councillor Andy Rutherford (Other Scheme Employer Representative).

### **ALSO PRESENT (AS OBSERVERS):**

Advisory Panel comprising: Colin Everett (Chief Executive) – joined at item 138, Philip Latham (Head of Clwyd Pension Fund ), Gary Ferguson (Corporate Finance Manager), Karen McWilliam (Independent Adviser – Aon Hewitt), Paul Middleman (Fund Actuary – Mercer).

Officers/Advisers comprising: Debbie Fielder (Deputy Head of the Clwyd Fund), Karen Williams (Pensions Administration Manager), Nick Buckland (Fund Investment Consultant – Mercer), Paul Vaughan (Clwyd Fund Accountant) – joined at item 138, Megan Fellowes (Actuarial Analyst – Mercer - taking minutes), leuan Hughes (Graduate Investment Trainee).

**APOLOGIES:** Councillor Julian Thompson-Hill (Denbighshire County Council), Kieran Harkin (Fund Investment Consultant - Mercer) as member of the Advisory Panel

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

Mrs Fielder noted her recent appointment as non-executive director for Pensions for Purpose, which had been approved by Human Resources and the Chief Executive.

There were no other declarations of interest.

### 134. **MINUTES 10 FEBRUARY 2021**

The minutes of the meeting of the Committee held on 10 February 2021 were reviewed.

**RESOLVED:**

The minutes of 10 February 2021 were received, approved and signed by the Chairman.

135. **GENERAL FUND UPDATE**

Mr Latham updated the Committee in a number of areas, which had occurred since the previous meeting, outlined in the executive summary of the report. Since publishing the pack, The Pensions Regulator had issued a consultation on a new code of practice and has requested responses in May. Mr Latham confirmed that the Fund's response would be approved using delegated powers.

Councillor Williams drew the Committee's attention to the Wrexham County Borough Council climate change motion noted in the report. Mr Latham confirmed information on this would be presented to the Committee as part of the Responsible Investment road map at the next meeting in June. He suggested that a further session could be provided to the Committee and the Committee agreed it would be helpful to have a briefing session arranged on this matter.

**RESOLVED:**

(a) The Committee noted the update.

136. **FUNDING STRATEGY STATEMENT – POLICY UPDATES**

Mr Latham noted that there were two key policy updates regarding changes to the regulations, which related to additional flexibilities around employer exit payments and reviewing employer contributions. The Funding Strategy Statement (FSS) had been updated in line with the changes in regulations and was required to go to consultation with employers. Despite the Fund not having many employers that can exit due to their statutory nature, Mr Latham emphasised the importance of having the policies in place especially as employers themselves can request a review of their contributions.

Mr Latham also noted that the Committee report and appendices included further information on the scheme of delegation which had been updated to incorporate the new policies, as well as a proposed process if employers appeal against the initial decision made on these flexibilities.

Mr Middleman noted the key points for consultation in paragraph 1.03 and 1.09 of the report where employer input is important.

**RESOLVED:**

- (a) The Committee approved the draft policies for inclusion in the FSS and consultation with employers.
- (b) The Committee delegated final minor changes, following consultation, to be made by the Head of Clwyd Pension Fund and Deputy Head of Clwyd Pension Fund, with any substantive changes being brought back to Committee for consideration.
- (c) The Committee agreed the updates to the Delegation of Functions, attached in Appendix 3.

137. **ADMINISTRATION STRATEGY**

Mr Latham introduced this report by highlighting that an administration strategy is not legally required but has been good practice albeit in recent months the Scheme Advisory Board (“SAB”) had formally advised the MHCLG that an administration strategy should be a legal requirement. The Fund has had an administration strategy for a number of years. The aim of the strategy is to outline the responsibilities for the Fund and its employers. Mrs Williams noted that the main changes related to the incorporation of new reporting with employers to replace the existing Service Level Agreements. She stressed that the requirements in the main are not new; it is how they are being communicated and reported on that is changing. It is hoped the new approach will be more convenient and efficient for both employers and the Fund, as well as helping more quickly identify if employers are equipped and able to deliver their responsibilities so assistance can be provided. Item 1.06 highlighted the key changes within the strategy.

Mr Latham asked whether the principal employers e.g. Council and other major employers, were prepared to meet the Fund’s expectations on this matter. Mrs Williams noted that the target timescales were something that employers had to previously adhere to. However, given that the team had not previously provided reports, it was difficult to comment, as employers may not be aware whether they are complying with the timescales or not. The reports will identify whether any employers are failing to comply in any key areas.

Councillor Bateman asked how many employers the Fund has. Mrs Williams confirmed that the Fund has around 50 employers.

**RESOLVED:**

- (a) The Committee considered and approved the updated Administration Strategy, which is attached in Appendix 1, subject to consultation with stakeholders.
- (b) The Committee delegated final minor changes, following consultation, to be made by the Head of Clwyd Pension Fund and Pensions Administration

Manager, with any substantive changes being brought back to Committee for consideration.

138. **BUSINESS CONTINUITY AND CYBERCRIME**

Mr Latham noted that the Fund were undertaking significant work understanding the Fund's resilience to cybercrime. Further information will be provided to the Committee in due course albeit this is likely to be a Part 2 item for security reasons. Mr Latham also highlighted The Pension Regulator's expectations for scheme managers to properly understand and manage cybercrime risk.

Mr Latham explained that the Fund had also previously completed business continuity planning and therefore should have comfort that there had not been any issues in the past, but further work is being done to ensure business continuity remains up to date and appropriate. As part of this a Business Continuity Policy has been developed for the Committee to consider and approve.

Councillor Bateman noted that cybercrime must be one of the Fund's key risks and Mr Latham confirmed it was a key risk and so it is important to get assurances around how this is being managed.

Councillor Williams asked what the Fund were actively doing to look at succession planning. Mrs Williams confirmed that this item was on the risk register and a lot of time was spent considering this. A wider range of staff within the team were either undergoing training or were already trained to manage this area.

Councillor Williams asked whether the Fund has changed their pay structure as other authorities were paying qualified staff at a higher level. Mrs Williams confirmed that she has not noticed this as an issue as any staff who had previously left the team, have since re-joined.

In respect of succession planning, Mrs McWilliam said that, as part of the business continuity review, the Fund is carrying out a gap analysis, which will include considering who would cover work if a member of staff were unavailable. This will help identify any key person risk.

**RESOLVED:**

- (a) The Committee reviewed and approved the Business Continuity Policy for the Fund.
- (b) The Committee commented on the ongoing work in relation to business continuity and cyber security for the Fund.

139. **WALES PENSION PARTNERSHIP BUSINESS PLAN 2021/22 TO 2023/24**

Mr Latham reminded the Committee that all Funds within the WPP had worked closely to develop the WPP business plan under review, with the focus on Responsible Investment, climate risk and private markets. The business plan must be approved by all eight Constituent Authorities who participate in WPP.

Mr Hibbert highlighted his concern around proposals on how the appointment of the Scheme Member Representative was to take place through the Joint Governance Committee (JGC). Given the appointment of a Scheme Member Representative is part of the business plan, he had concerns about approving the business plan as this may result in the issues around how the appointment is made being ignored. He emphasised that based on previous discussions at Committee, there was a strong desire for the appointment of the Scheme Member Representative to be made by the scheme members and their representative bodies, rather than the JGC.

Mr Latham acknowledged the concern but noted that the issue should not be a reason to not approve the business plan given the focus of the business plan itself does not state who or how the appointment is made.

Mrs McWilliam recommended approving the business plan and leaving the Chairman to take forward the Committee's concerns on this matter as part of the separate JGC agenda item. She emphasised that the Fund were one of eight and therefore despite the Chairman having raised these concerns, other members of the JGC would need to agree also.

Mr Everett agreed with the difficulty of the situation given the Fund was caught between procedure and principle. His advice was for the Chairman and Mr Latham to ensure that the expectations on the Scheme Member Representative appointment was clear.

All members of the Committee agreed the recommendations except Mr Hibbert who noted his concerns with the approach relating to the appointment of the Scheme Member Representative.

**RESOLVED:**

The Committee approved the draft WPP Business Plan, including the objectives of the pool on page 7 and the budget on page 14, relating to the period 2021/22 to 2023/24 before agreement by the JGC on 24th March 2021. The Committee also agreed that their view on the process of approving the Scheme Member Representative was to be taken to the JGC by the Chair.

#### 140. **BUSINESS PLAN 2021/22 TO 2023/24**

Mr Latham introduced the proposed Clwyd Pension Fund business plan for the next three years and noted the following key points:

- He thanked the team efforts in preparing the business plan and stated that it did not include any new major matters.
- He highlighted that it was good practice to regularly review Fund policies so this was included.
- Given its importance, climate change was now being considered separately within the plan.
- Pooling guidance is due to be released and this could have a significant impact on the Fund.
- The Fund will undergo an interim actuarial review this year. The interim review helps employers' budget planning and allows their finance officers to identify in advance expected costs that will arise as a result of the next actuarial valuation.
- The administration and communications section is now separated into areas that are regulatory driven or not.

Mr Hibbert asked for a report from the JGC on their stock lending activity, as promised. Mr Latham confirmed that this is reported at every JGC meeting, however it was a confidential item. Mr Latham confirmed he will investigate how this information can be shared with the Committee.

In presenting the introductory section of the Business Plan, Mrs Fielder made the following key points:

- She noted the introduction from page 128 and the changes made in the Fund update to the structure charts (highlighted on page 129).
- In addition to business as usual, the Fund had identified the areas of focus for the next three years on page 134 to 137.
- As part of the cashflows, the Fund had been quite conservative in estimating 2022/23 contributions given that this will be the next year after the actuarial valuation.
- The estimations of drawdowns and distributions in private markets had continued to be difficult following the COVID-19 related market volatility seen in February and March 2020. In the past year, the Fund's distributions were higher than expected. The estimated net distributions in excess of drawdowns were c£17 million compared to original budget of c£8 million. This highlighted the difficulty to estimate this figure.

On the lump sum payments on page 139 of the agenda, Councillor Bateman queried the increase on actual budgets of c£3 million. Mrs Fielder confirmed this figure included both retirement lump sums and death grants. She noted it was difficult to

determine lump sums that members plan to take when they retire as members have the option to commute which results in a larger lump sum in return for a smaller pension.

Mr Vaughan noted the following key points regarding the operating budget 2021/22 on page 140.

- Overall, the governance expenses were budgeted at c£2.9 million, which was a slight increase on last year's budget.
- The budget for the investment manager expenses were c£20.8 million.
- Employee costs had increased, but this was due to additional costs in relation to the McCloud remedy programme. He added that the budget did not include any inflationary increases, apart from employees with pay of less than £24,000.
- There was an increase in IT costs also in respect of additional work surrounding the McCloud judgment.
- The additional costs relating to the McCloud remedy programme were c£645k as outlined separately at the bottom of page 140.
- The overall operational budgeting costs were c£26.2 million.

Councillor Bateman queried the significant increase of investment consulting fees. Mr Vaughan clarified that the increase was due to planned project work in respect of mostly private markets and responsible investment. This was in the main work that would tail off over this and the next few years.

Mr Everett stated the potential annual pay award for 2021/22 (set nationally) remains a financial risk for all public sector employers.

Mrs Fielder expected the training sessions to remain virtual over the next few months and welcomed views from the Committee and Board around how training should be delivered in the future.

**RESOLVED:**

The Committee approved the Business Plan in Appendix 1 relating to the period 2021/22 to 2023/24, including the budget therein for 2021/22, which includes some changes to the existing staffing structure as noted therein.

The Chairman thanked everyone for their attendance and updates at the Committee meeting. The next formal Committee meeting is on 9 June 2021. The meeting finished at 10:45am.

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**Chairman**

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## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 June 2021
<b>Report Subject</b>	Audit Wales Audit Plan 2021
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

Audit Wales is required to carry out an audit of Clwyd Pension Fund's Statement of Accounts to discharge its statutory duties as Auditor General. The Fund's Statement of Accounts is contained within the Fund's Annual Report. It is the responsibility of the Pension Fund Committee to approve the audited Annual Report including the Statement of Accounts by 31<sup>st</sup> November each year.

Audit Wales has prepared an audit plan for 2021 for the Fund (attached at Appendix 1 to this report) covering the work they will carry out and associated matters.

### RECOMMENDATIONS

1	Members note and comment on the Audit Wales plan.
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## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE AUDIT WALES AUDIT PLAN</b>
1.01	The 2021 Audit Plan for the Fund is attached at Appendix 1 and Audit Wales will be in attendance at the meeting to present the plan.
1.02	The Fund's Statement of Accounts is contained within the Fund's Annual Report. It is the responsibility of the Pension Fund Committee to approve the audited Annual Report including the Statement of Accounts by 31 <sup>st</sup> November each year. It is intended that the draft Annual Report for 2020/21 will be approved in draft by the Treasurer and Flintshire County Council Section 151 Officer by the end of July 2021 and presented to the Pension Fund Committee at its meeting in 1 <sup>st</sup> September 2021 for consideration. The audited Annual Report will be presented for approval at the Pension Fund Committee at its meeting on 10 <sup>th</sup> November 2021.
1.03	External auditors are required to carry out an annual audit of the Fund's Statement of Accounts to discharge their statutory duties as Auditor General and fulfil their obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009, Wellbeing of Future Generations (Wales) Act 2015, the Local Government Act 1999, and the Code of Audit Practice. The external auditor for the Clwyd Pension Fund is Audit Wales.
1.04	The attached Audit Plan explains the extent of the audit, key financial risks considered by the auditors, other audit functions carried out, the fee for the audit, the members of the audit team and the timetable for the audit.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Proposed fees charged for the audit work for Clwyd Pension Fund is included in the Audit Wales plan as Exhibit 2 of the appendix. The fees are within the approved budget.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	All audit work is carried out on a risk based approach which is covered in detail within the Audit Wales's reports.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Audit Wales 2021 Audit Plan Clwyd Pension Fund.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><b>Contact Officer:</b> Philip Latham – Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> <a href="mailto:Philip.Latham@flintshire.gov.uk">Philip.Latham@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
	<p><b>(a) Audit Wales:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p><b>(b) Financial Audit:</b> The annual external audit of the Fund’s Statement of Accounts.</p> <p><b>(c) Financial Year:</b> the period of 12 months commencing on 1 April</p> <p><b>(d) Material:</b> A concept used to inform judgements regarding the accuracy of the Fund’s Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p><b>(e) Statement of Accounts / Final Accounts / Financial Accounts or Statements:</b> The Fund’s annual finance report providing details of the Fund’s financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p>

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## 2021 Audit Plan – Clwyd Pension Fund

Audit year: 2020-21

Date issued: May 2021

Document reference: 2414A2021-22

**This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.**

This document has been prepared as part of work performed in accordance with statutory functions.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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DRAFT

# 2021 Audit Plan

## Summary

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice to examine and certify whether Clwyd Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit..

## Impact of COVID-19

- 4 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit and performance audit work.
- 5 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many local authorities may not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of my statutory responsibilities as the Auditor General, my priority is to ensure the health, safety and wellbeing of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 6 Audit Wales staff will continue to work pragmatically to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.
- 7 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with you as the 2021 position becomes clearer.



## Audit of pension fund accounts

- 8 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole.
- 9 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Pension Fund Committee prior to completion of the audit.
- 10 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 11 I will also report by exception on a number of matters which are set out in more detail in our Statement of Responsibilities, along with further information about my work.

## Financial audit risks

- 12 The following table sets out the significant risks I have identified for the audit of the Pension Fund accounts.

### Exhibit 1: financial audit risks

This table summarises the key financial audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> </ul>

- evaluate the rationale for any significant transactions outside the normal course of business;

**Impact of COVID-19**

The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, e.g. around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.

We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.

**Other areas of audit attention**

Risks related to the financial statements:

- As part of its portfolio, the Pension Fund has substantial holdings in unquoted investments. They are accounted for at fair value determined by valuations provided by fund managers.
- External investment managers are appointed to manage the investment portfolio. Their own systems and records will generate account entries made to the Pension Fund account and net assets statement.
- The Pension fund has made further transfers of assets to the Welsh Pension Partnership during 2020-21.

My audit team will:

- assess whether the information provided by fund managers and their auditors support the year-end valuation.
- obtain direct confirmation from the fund managers of year-end investment balances and consider whether investment managers' internal control reports indicate specific risks to these balances.
- We will review the corresponding disinvestment to ensure the completeness of transfers. We will obtain confirmation from the auditors of WPP for the values and transactions involved.

## Statutory audit functions

- 13 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
  - Section 31 Right to make objections at audit.
- 14 As this work is reactive, I have not included an estimated fee in **Exhibit 2** below. If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee, audit team and timetable

- 15 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed, taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
  - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

### Fee

- 16 Your estimated fee for 2021 is set out in **Exhibit 2**.

## Exhibit 2: audit fee

This table sets out the proposed audit fee for 2021, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of pension fund accounts <sup>2</sup>	39,281	39,281

- 17 Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the relevant Pension Fund management.
- 18 Further information on my [fee scales and fee setting](#) can be found on our website.

## Audit team

- 19 The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

### Exhibit 3: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Richard Harries	Engagement Lead	02920 320640	<a href="mailto:richard.harries@audit.wales">richard.harries@audit.wales</a>
Michelle Phoenix	Audit Manager	02920 320660	<a href="mailto:michelle.phoenix@audit.wales">michelle.phoenix@audit.wales</a>
Sabel Wiliam	Audit Lead	02920 829358	<a href="mailto:sabel.wiliam@audit.wales">sabel.wiliam@audit.wales</a>

<sup>1</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>2</sup> Payable November 2020 to October 2021.

## Timetable

20 The key milestones for the work set out in this plan are shown in **Exhibit 4**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

### Exhibit 4: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	April 2021	June 2021
<b>Audit of pension fund accounts:</b> <ul style="list-style-type: none"><li>• Audit of Financial Statements Report</li><li>• Opinion on Financial Statements</li></ul>	September 2021	November 2021 November 2021
2022 Audit Plan	April 2022	June 2022

21 I can confirm that my team members are all independent of the Pension Fund and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 June 2021
<b>Report Subject</b>	Funding, Flightpath and Risk Management Framework Update
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

This report provides the Committee with the estimated funding position at a recent date and details to enable the monitoring of the Risk Management Framework.

The estimated funding position at the end of April 2021 of 102% is around 9% ahead of the expected position from the 2019 actuarial valuation although uncertainty remains.

The objectives and update on the various parts of the Risk Management Framework is included in the Appendix and shows the management of:

- Interest rate and inflation risk
- Equity market risk
- Currency risk
- Liquidity and collateral risk

Overall the framework is currently operating as expected in the current market conditions but this is regularly reviewed. There have been no changes to the level of interest rate, inflation or currency hedging. The physical and synthetic currency hedging positions have made a gain of £15.8m in total since inception due to strengthening of sterling over that period.

The equity protection strategy contract was due to expire on 23 May 2021. The Head of Clwyd Pension Fund, advised by the Funding and Risk Management Group ("FRMG"), decided it was appropriate to maintain this exposure, and therefore a new contract was put in place. Mercer and officers have been able to negotiate a 50% reduction in the costs for the Fund, equivalent to a saving of c£1m p.a. Furthermore, the strong performance of the flightpath has meant c£100m of collateral can potentially be released and consideration is being given to how that will be utilised as part of future Private Market investments. It will be held with Insight until a decision is made on how it is deployed.

The FRMG will now consider whether any further action to protect the funding position is required (and if so when) given that the funding level has moved beyond 100%.

### RECOMMENDATIONS

1	That the Committee note and consider the contents of the report.
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## REPORT DETAILS

1.00	<b>FUNDING, FLIGHTPATH AND RISK MANAGEMENT STRUCTURE UPDATE</b>
1.01	<b>Update on funding and the flightpath framework</b>  The monthly summary report as at 30 April 2021 from Mercer on the funding position and an overview of the liability hedging mandate is attached in Appendix 1. It includes a “traffic light” of the key components of the Flightpath and hedging mandate with Insight. The report will be presented at the meeting including a reminder of the principle objectives of the framework.
1.02	The estimated funding level is 102% at 30 April 2021 which is 9% ahead of the expected position when measured relative to the 2019 valuation expected funding plan. Uncertainty continues to be prevalent in the investment environment due to the potential economic impact of the COVID-19 pandemic. This means that the likelihood of achieving the assumed discount rate/returns going forward has fallen. To illustrate the impact, a reduction of 0.25% p.a. in the assumed future investment return/real discount rate would reduce the funding level by c.4% to c.98% with a corresponding decrease in surplus of £90m to a deficit of £39m.  The potential for a change in the strategy following the breach of the soft funding level trigger of 100% will be considered by the Funding and Risk Management Group (“FRMG”). A summary of recent discussions and options is summarised in paragraph 1.07 below.
1.03	The level of hedging was approximately 20% for interest rates and 40% for inflation at 30 April 2021. The hedging implemented to date provides access to a lower risk investment strategy but maintaining a sufficiently high real yield/return expectation to achieve the funding and contribution targets.  Triggers are in place to purchase additional interest rate or inflation hedging at an affordable level, currently the cost to purchase gilts in order to further increase the hedging is felt too prohibitive at the current time and therefore none of the interest rate triggers have been breached since they were re-structured in September 2017. No inflation triggers have been breached since May 2020. In September 2020, the inflation hedge was rebalanced back to the current strategic target 40% from 20% to reduce the risk that inflation will increase due to central bank and government intervention in managing the COVID-19 pandemic and the related market volatility.
1.04	Based on data from Insight, our analysis shows that the management of the Insight mandate is rated as “green” meaning it is operating in line within the tolerances monitored by Mercer who are also the Fund's strategic risk advisors.  The Cash Plus Fund is rated “amber” following underperformance since inception because of increased credit spreads driven by the economic impact of the COVID-19 pandemic. However, the Cash Plus Fund outperformed the benchmark over Q1 2021.



Collateral is within the agreed constraints, and the efficiency of the collateral position has been improved following the implementation of a collateral waterfall framework with Insight. Overall, the collateral waterfall has generated an additional £7.6m return from inception at 31 January 2019 to 30 April 2021. No further action is therefore recommended at this point.

1.05

### **Update on Risk Management framework**

#### **(i) Synthetic equity protection strategy**

The Fund gains exposure to equity markets via derivatives and protects this exposure against potential falls in the equity markets via the use of an equity protection strategy. This provides further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall although it is recognised it will not protect the Fund in totality.

It should be noted that, having an equity protection policy in place will protect from any large changes in equity markets. Importantly over the longer-term the increased security allows the Actuary to include less prudence in the Actuarial Valuation assumptions; this translated into lower deficit contributions at the 2019 valuation, whilst maintaining the equity exposure supports a lower cost of accrual than under traditional de-risking methods.

As at 30 April 2021, the synthetic equity strategy had increased by c. £110m since inception of the strategy in May 2018. Relative to investing in passive equities (and assuming no costs to do so), the strategy has underperformed by c. £54m since inception. The underperformance is largely driven by the ongoing sharp rally in equity markets causing the value of the protection to fall.

The Fund's synthetic equity and equity protection strategy is implemented through a Total Return Swap ("TRS") contract with JP Morgan, held within the Insight QIAIF (the fund that implements the risk management strategies on the Fund's behalf). The TRS contract is for a fixed term of 3 years, and was due to expire on 23 May 2021. The Head of Clwyd Pension Fund, advised by the FRMG, decided under delegated powers that it was appropriate to maintain this exposure, and therefore a new TRS contract was put in place. This will reset the market value back to zero, releasing the positive (c. £130m as at 7 May 2021) into the Insight QIAIF.

Rolling the TRS maintains the 'status quo', and ensures there are:

- No alterations to the equity indices or to the equity protection strategy;
- No "exit" costs on expiry of the TRS; and,
- No "entry" costs on entering into a new TRS.

Mercer and officers have been discussing the Fund's mandate with JP Morgan, and have been able to negotiate a reduced schedule of

	<p>transaction costs for the Fund. The revised cost structure offered by JP Morgan equates to approximately a 50% reduction, equivalent to a total saving of c. £1m p.a.</p>
<p>1.06</p>	<p>(ii) Collateral update</p> <p>By rolling the equity protection strategy, the mark-to-market value of the TRS will be reset to zero. As the existing contract has a positive market value of c. £130m (as at 7 May 2021), this amount will be released into the wider collateral pool within the Insight QIAIF as part of the roll.</p> <p>Mercer have undertaken analysis of the collateral available in the QIAIF at 31 March 2021. Mercer's analysis shows that there is sufficient collateral available within the QIAIF to allow a disinvestment of c. £100m upon rolling the equity protection strategy. The Head of Clwyd Pension Fund, on advice from the FRMG, agreed to release this collateral following their 6 May 2021 meeting.</p> <p>Collateral sufficiency tests indicated this would still provide enough collateral to support the risk management framework under adverse market scenarios.</p> <p>On the advice of FRMG, the Head of Clwyd Pension Fund agreed to retain this amount within the Insight QIAIF for the time being awaiting further analysis of the Private Market drawdowns before considering how this will be utilised.</p> <p>Initially, the excess collateral amount will be invested as follows:</p> <ul style="list-style-type: none"> <li>• 50% invested in the Tier 2 funds (equally split across the High Grade ABS and Global ABS)</li> <li>• Remaining c. 50% held as cash</li> </ul> <p>The Tier 2 funds are liquid daily dealing funds that provide return above cash, ensuring the risk management framework is operating efficiently.</p> <p>Once the timing of the Private Market drawdowns are better understood, some of the proportion of the excess collateral held as cash may be invested into the Tier 2 funds.</p> <p>Other options were considered, including releasing the full amount from the Insight QIAIF to the wider portfolio, however it was agreed the balance of risk outweighed the potential for returns.</p>
<p>1.07</p>	<p>(iii) Funding level trigger breach</p> <p>As the Fund has breached the soft funding level trigger of 100%, this now requires discussion by the FRMG around possible actions for the Fund in order to maximise the chance of maintaining the stronger funding position.</p> <p>No immediate action was recommended given the funding position is only just above the 100% trigger.</p> <p>The first step is to confirm a more accurate funding position of the Fund, accounting for any asset or liability estimates.</p> <p>The next step is to then consider actions using scenario analysis to assess</p>

	<p>the impact of actions on the level of expected returns, risk and ultimately the employer contributions.</p> <p>This will be completed by the FRMG over the coming weeks. Potential actions for consideration will include:</p> <ul style="list-style-type: none"> <li>• Do nothing but quantify what funding level would prompt action</li> <li>• Increasing the level of interest rate or inflation hedging</li> <li>• Reducing the Fund's exposure to equities / growth assets</li> <li>• Increasing the level of equity protection</li> </ul> <p>Other actions may be considered once the initial analysis is done.</p>
1.08	<p>(iv) Currency hedging gain</p> <p>The currency risk associated with the market value of the synthetic equity strategy is hedged and has made a gain of £2.3m since inception on 8 March 2019 to 30 April 2021 due to the strengthening of sterling over that period.</p> <p>Further, the Fund's overseas developed market physical equity holdings are currency hedged and has made an additional gain of c. £13.5m since inception of the strategy.</p> <p>Overall the action to hedge the Fund's developed equity currency risk has resulted in a gain of £15.8m since inception of the strategies.</p>
1.09	<p>Further details on the above actions are shown in the FRMG update report in Appendix 2.</p>

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

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part):</p> <ul style="list-style-type: none"> <li>• Governance risk: G2</li> <li>• Funding and Investment risks: F1 - F6</li> </ul>
4.02	<p>The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. The collateral waterfall framework is intended to increase the efficiency of the Fund's collateral, and generating additional yield in a low governance manner. Hedging the currency risk of the market value of the synthetic equity portfolio will protect the Fund against a strengthening pound which would be detrimental to the Fund's deficit. Hedging the currency risk of the developed market physical equity exposure will mitigate the risk of a strengthening pound.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - Monthly monitoring report – April 2021 Appendix 2 – FRMG update paper - May 2021

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<ul style="list-style-type: none"> <li>• Report to Pension Fund Committee – Flightpath Strategy Proposals – 8 November 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation and Funding/Flightpath Update – 27 September 2016 and Report to Pension Fund Committee – Funding and Flightpath Update – 22 March 2016.</li> <li>• Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview.</li> </ul> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund <b>Telephone:</b> 01352 702264 <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>The Fund – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) <b>Administering Authority or Scheme Manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>The Committee – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p> <p>(e) <b>FSS – Funding Strategy Statement</b> – the main document that outlines how we will manage employers contributions to the Fund</p> <p>(f) <b>Actuary</b> - A professional advisor, specialising in financial risk, who is appointed by Pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.</p> <p>(g) <b>ISS – Investment Strategy Statement</b> The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund</p> <p>Further terms are defined in the Glossary in the report in Appendix 1</p>

Risk management framework

# Monthly monitoring report: 30 April 2021

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Clwyd Pension Fund  
May 2021

Peter Gent, FIA  
Lucy Smith, CFA



# Overriding objectives

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**Versus**






## Objectives are two-fold but conflicting

- Risk needs to be taken in order to achieve returns, but risk does not guarantee returns

## Need to ensure a reasonable balance between the two objectives

- Do you need to take the same level of risk when 70% funded (say) as when 110% funded?

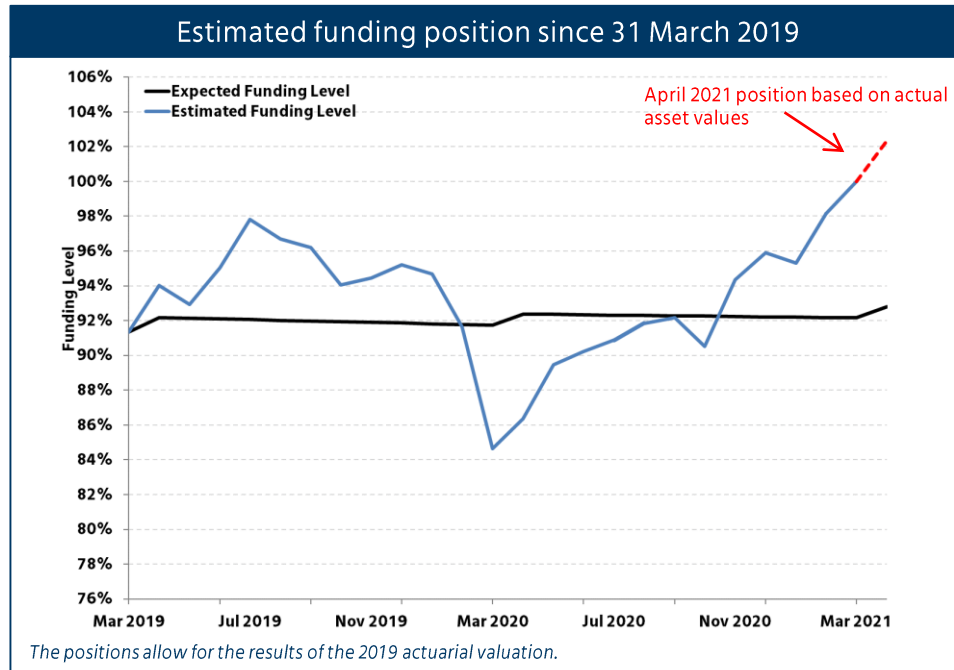
# Executive summary

 = as per or above expectations
  = to be kept under review
  = action required

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	<p><b>Overall funding position at 30 April 2021</b></p> <ul style="list-style-type: none"> <li>•Ahead of existing recovery plan</li> <li>•Funding level has breached the soft trigger of 100%</li> </ul>	<p>The funding position is ahead of the target by around 9% as at 30 April 2021. As the soft trigger had been breached the FRMG will consider if any actions are required.</p>
	<p><b>Liability hedging mandate at 31 March 2021</b></p> <ul style="list-style-type: none"> <li>•Insight in compliance with investment guidelines</li> <li>•Outperformed the benchmark marginally over Q1 2021</li> </ul>	<p>No triggers breached over Q1 2021.</p>
	<p><b>Synthetic equity mandate at 31 March 2021</b></p> <ul style="list-style-type: none"> <li>•Insight in compliance with investment guidelines</li> <li>•Underperformed the benchmark over Q1 2021</li> </ul>	<p>A dynamic protection structure was implemented in late May 2018, with refinements made in November 2020. The TRS structure is due to roll on 23 May 2021 with no further changes to the strategy.</p>
	<p><b>Currency hedging at 30 April 2021</b></p> <ul style="list-style-type: none"> <li>•Currency hedging overlay implemented in the QIF in August 2019.</li> <li>•As at 30 April 2021, the market value of the currency hedge since inception on 22 August 2019 was £13.5m</li> </ul>	<p>No action required.</p>
	<p><b>Cash Plus Funds, collateral and counterparty position at 31 March 2021</b></p> <ul style="list-style-type: none"> <li>•The Cash Plus Fund has underperformed the benchmark since inception, but the collateral waterfall outperformed over Q1 2021. We will continue to monitor performance.</li> <li>•The Insight QIF can sustain at least a 1.4% rise in interest rates or 0.8% fall in inflation without eliminating all headroom.</li> </ul>	<p>Overall, the collateral waterfall has increased by £7.6m at 31 March 2021 since implementation at 31 January 2019 versus the previous structure.</p> <p>The Fund has more than sufficient collateral to withstand this as at 31 March 2021. Consideration is being given to releasing some of this back into the portfolio.</p>

# Funding level monitoring to 30 April 2021



### Comments

The **black line** shows a projection of the *expected* funding level from the 31 March 2019 valuation based on the assumptions (and contributions) outlined as part of the 2019 actuarial valuation. The expected funding level at 30 April 2021 was around 93%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2019 to 31 March 2021. The **red dashed line** shows the progression of the estimated funding level over April 2021. At 30 April 2021, we estimate the funding level and surplus to be:

**102% £51m\***

This shows that the Fund's position was ahead of the expected funding level at 30 April 2021 by around 9% on the current funding basis.

Uncertainty continues to be prevalent in the investment environment due to the potential economic impact of the COVID-19 pandemic. This means that the likelihood of achieving the assumed real returns (CPI + 1.65% p.a. at this update) going forward has fallen. To illustrate the impact, a reduction of 0.25% p.a. in the assumed future investment return/real discount rate would reduce the funding level by c.4% to c.98% with a corresponding decrease in surplus of £90m to a deficit of £39m.

This will be kept under review in light of changing market conditions and the economic outlook.

### Funding Level Triggers

It was concluded at the FRMG on 20 June 2017 that the funding level is not currently sufficiently high to warrant de-risking in a traditional sense via a change in long term strategy.

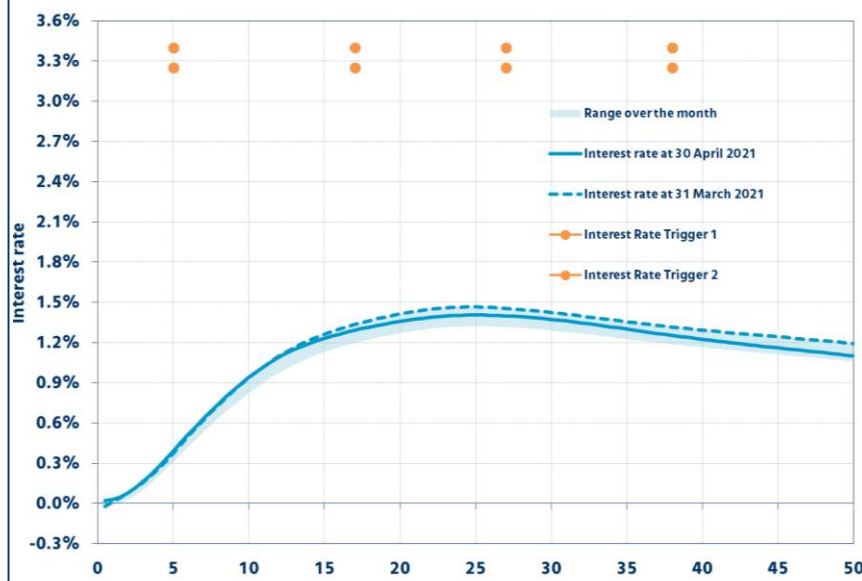
It was agreed that a "soft" trigger will be put in place to prompt FRMG discussions regarding potential actions if the funding level exceeds 100% on the current funding basis. As this has been breached discussion have now commenced.

*\*Asset values based on assets provided by Mercer investment consultants as at 30 April 2021. Note this includes a stale asset value for the WPP Fund pending clarification.*



# Update on market conditions and triggers

Change in interest rates



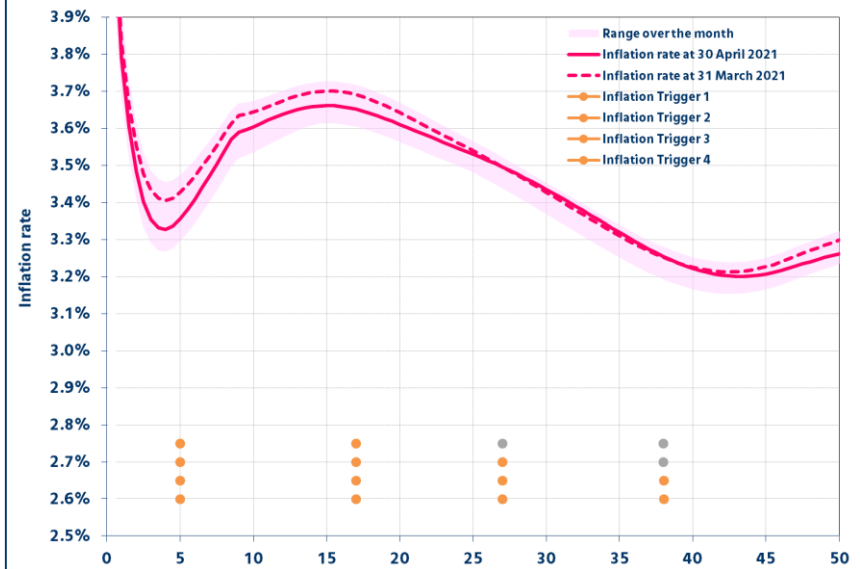
Date	Band 1	Band 2	Band 3	Band 4	Actual
31 March 2021	18.80%	18.77%	19.83%	27.72%	22.5%

Comments

Over the month of April, interest rates were relatively unchanged, falling slightly at longer durations.

Based on market conditions as at 30 April 2021, yields would need to rise by c. 1.8% p.a. before the Fund would hit any of the revised interest rate triggers implemented by Insight in Q3 2017.

Change in inflation rates (note: different scale)



Date	Band 1	Band 2	Band 3	Band 4	Actual
31 March 2021	38.61%	21.49%	30.10%	60.09%	39.7%

Comments

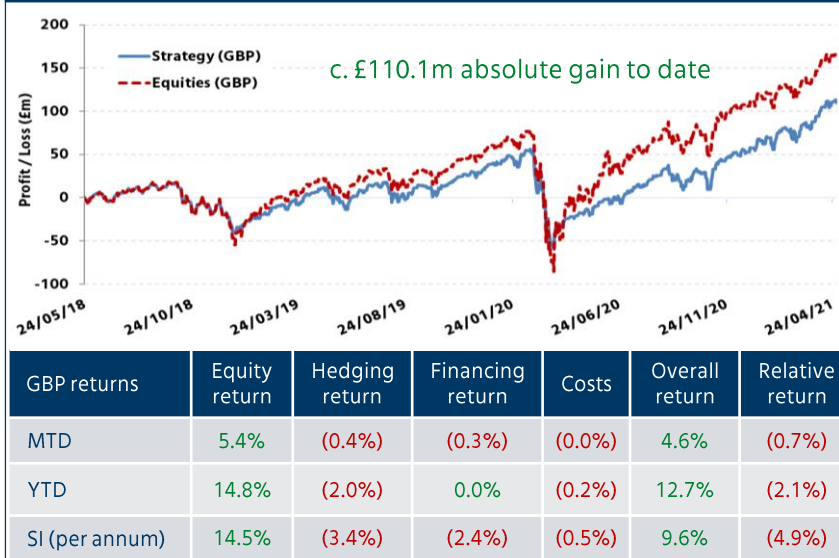
Over the month of April, inflation expectations were relatively unchanged, falling slightly at the shortest and longest durations.

Trading took place over August and September 2020 to move to the new benchmark, which brings the portfolio back to a c.20% interest rate hedge ratio and c.40% inflation hedge ratio overall. No triggers were breached in April.

# Update on equity protection mandate

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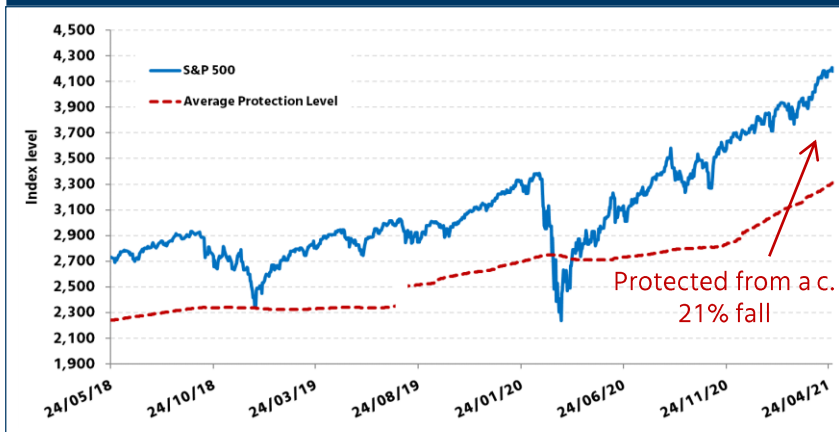
## Strategy versus equity index



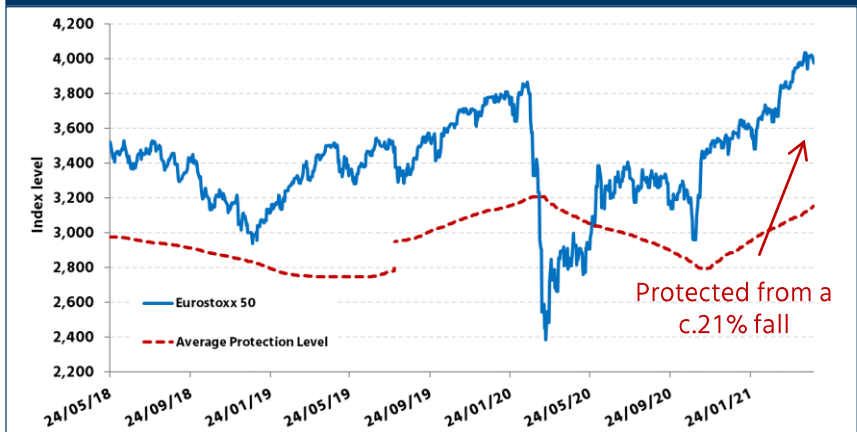
## Comments

- The Fund implemented a dynamic equity protection strategy on 24 May 2018 with exposure of £362m. The equity protection strategy was revised in Q4 2020, increasing the call frequency to two weekly. This ensures that the Fund can participate in more upside. The TRS structure is due to roll on 23 May 2021 with no further changes to the strategy.
- Strong positive equity returns over April meant that the strategy underperformed, with both hedging and financing legs detracting from returns. As at 30 April 2021, there was a gain of c.£110.1m on the strategy since inception, relative to a c. £164.1m gain had the Fund invested in passive equities (with no frictional costs).
- From inception on 8 March 2019 to 30 April 2021 the currency hedge of the market value of the synthetic equity mandate has contributed a c. £2.3m gain relative to an unhedged position given that sterling has strengthened since inception.

## US equity exposure

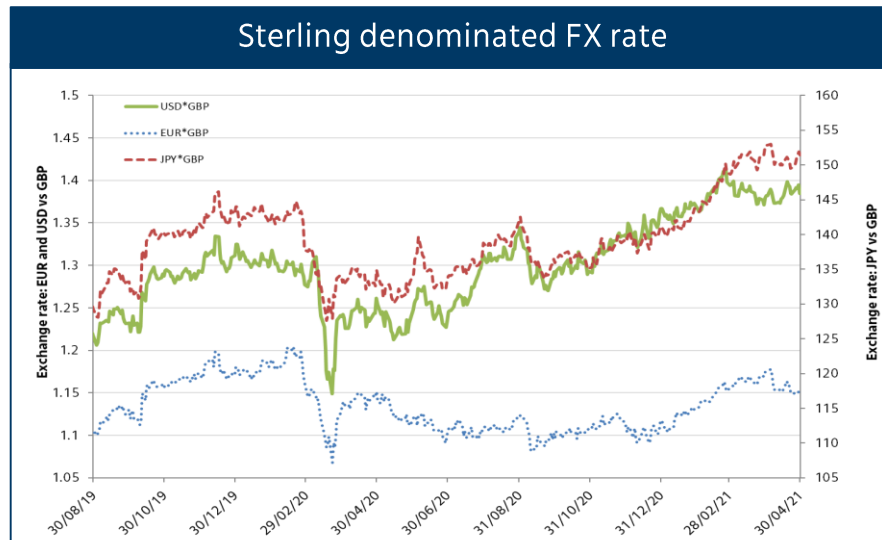


## European equity exposure



# Developed market physical equity currency hedge

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- ### Comments
- A currency hedge was placed on the physical, developed equity portfolio to lock-in gains from sterling weakness and reduce currency risk.
  - The hedge has been implemented via a currency overlay, using 3 month forward contracts, within the Insight QIAIF. The hedge is updated quarterly to allow for changes in the underlying equity exposure.
  - As at 30 April 2021, the market value of the currency hedge since inception on 22 August 2019 was £13.5m.
  - The market value has fallen over April following sterling weakening against the Euro and Yen. This was partially offset by the strengthening against the US dollar.

	Currency basket weight	FX performance (since inception*)	FX change in performance since 31 March 2021
EUR	16%	£1.2m	(£0.5m)
JPY	9%	£2.6m	(£0.1m)
USD	75%	£9.7m	£0.5m
	<b>100%</b>	<b>£13.5m</b>	<b>(£0.2m)</b>

\*Insight transacted on the currency hedge on 22 August 2019.  
 Figures may not sum due to rounding.

# Glossary

- **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determining the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- **Collateral** – Liquid assets held by the Fund as security which may be used to offset the potential loss to a counterparty.
- **Counterparty** – Commonly an investment bank on the opposite side of a financial transaction (e.g. swaps).
- **Deficit** - The extent to which the value of the Fund’s liabilities exceeds the value of the Fund’s assets.
- **Dynamic protection strategy** – Strategy to provide downside protection from falls in equity markets where the protection levels vary depending on evolution of the market.
- **Equity option** – A financial contract in which the Fund can define the return it receives for movements in equity values.
- **Flightpath** - A framework that defines a de-risking process whereby exposure to growth assets is reduced as and when it is affordable to do so i.e. when “triggers” are hit, whilst still expecting to achieve the overall funding target.
- **Funding level** - The difference between the value of the Fund’s assets and the value of the Fund’s liabilities expressed as a percentage.
- **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- **Hedging** - A strategy aiming to invest in low risk assets when asset yields are deemed attractive. Achieved by investing in government backed assets (or equivalent) with similar characteristics to the Fund future CPI linked benefit payments.
- **Hedge ratio** – The level of hedging in place in the range from 0% to 100%.
- **Insight QIAIF (Insight Qualifying Investor Alternative Investment Fund)** – An investment fund specifically designed for the Fund to allow Insight to manage the liability hedging and synthetic equity assets.

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The analysis contained in this paper is subject to and compliant with TAS 100 regulations.



# Clwyd Pension Fund

# FRMG update

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Advisory Panel

May 2021

**Paul Middleman FIA**

welcome to brighter

# Summary of FRMG meeting

This paper has been prepared for the Advisory Panel of the Clwyd Pension Fund to provide a summary of the Funding and Risk Management Group meeting on Thursday 6 May.

## Equity protection strategy

- The existing contract that directs the equity protection strategy is due to expire on 23 May 2021. We propose that the Fund rolls the contract maintain the current equity exposure agreed as part of the wider investment strategy.
- As part of the roll, Mercer have negotiated a revised cost structure which equates to approximately a 50% reduction in transaction costs, equivalent to a total saving of c. £1m p.a. for the Fund.

## Collateral update

- Mercer have conducted analysis based on the 31 March 2021 collateral position of the risk management framework. Given the strong performance of the framework, there is sufficient collateral available to allow a disinvestment of £100m upon rolling the equity protection strategy, if desired.
- The Officers agreed to retain this amount within the risk management framework for the time being, whilst awaiting drawdown for future Private Market investments.
- Approximately 50% of the excess collateral amount will be invested in the daily dealing Tier 2 funds (split equally between the High Grade ABS and Global ABS funds) initially whilst further analysis of the Private Market drawdowns is undertaken. Additional investments of the excess collateral in Tier 2 will then be investigated.

## Funding level trigger breach

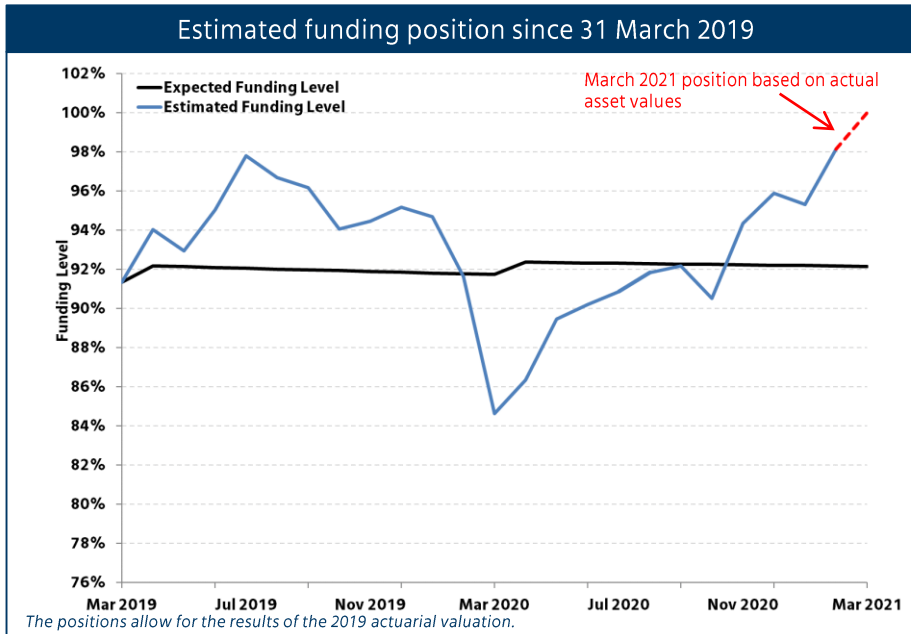
- As at 31 March 2021, the Fund breached the “soft” funding level trigger of 100% at 31 March and has improved further since. Further analysis on potential next steps will be undertaken and if/when action will be taken.



# Funding level monitoring

## Position at 31 March 2021

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**Funding Level Triggers**

It was concluded at the FRMG on 20 June 2017 that the funding level is not currently sufficiently high to warrant de-risking in a traditional sense via a change in long term strategy.

It was agreed that a “soft” trigger will be put in place to prompt FRMG discussions regarding potential actions as the funding level approaches 100% on the current funding basis. This funding level will be monitored approximately by Mercer on a daily basis.

**Comments**

The **black line** shows a projection of the *expected* funding level from the 31 March 2019 valuation based on the assumptions (and contributions) outlined as part of the 2019 actuarial valuation. The expected funding level at 31 March 2021 was around 92%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2019 to 28 February 2021. The **red dashed line** shows the progression of the estimated funding level over March 2021. At 31 March 2021, we estimate the funding level to be:

**100% (Nil)\***

This shows that the Fund’s position was ahead of the expected funding level at 31 March 2021 by around 8% on the current funding basis.

Uncertainty continues to be prevalent in the investment environment due to the potential economic impact of the COVID-19 pandemic. This means that the likelihood of achieving the assumed real returns (CPI + 1.65% p.a. at this update) going forward has fallen. To illustrate the impact, a reduction of 0.25% p.a. in the assumed future investment return/real discount rate would reduce the funding level by c.4% to c.96% with a corresponding increase in deficit to £90m.

This will be kept under review in light of changing market conditions and the economic outlook.

\*Asset values based on assets provided by Mercer investment consultants as at 31 March 2021.

# Funding level trigger breach

## Possible actions for discussion

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- As the Fund has breached the soft funding level trigger of 100%, this should warrant a discussion around possible de-risking actions that the Officers may wish to consider, such as:
  - Increasing the level of interest rate or inflation hedging
  - Reducing the Fund's exposure to equities / growth assets
  - Increasing the level of equity protection
- We don't recommend any immediate action given the funding position is only just above the 100% trigger although it has continued to improve.
- The first step is to refine the estimated funding position of the Fund, accounting for any asset or liability estimates.
- The next step is to then consider when we might de-risk by doing scenario analysis to assess the impact of de-risking actions on the contributions. This will take into account the investment outlook as a reduction in the assumed return/discount rate will affect the funding level and contributions.
- This will allow us to set some "harder" triggers to take action if/when they are achieved.

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## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 June 2021
<b>Report Subject</b>	Responsible Investment Roadmap
<b>Report Author</b>	Head of Clwyd Pension Fund

### **EXECUTIVE SUMMARY**

Much of the recent focus by LGPS on climate change and investments has been driven by the UK government's 2050 net zero commitment, as well as upcoming climate change regulation that is expected to come into force next year. In light of these developments and the Fund's commitment to ESG best practice, the Fund should continue to evolve its approach to climate change.

It is the belief of the Fund's investment adviser that setting a comprehensive net zero plan is the best way to decarbonise the investment portfolio and manage carbon risks as we transition to a low carbon economy. Further, going forward a new allocation to sustainable global equity, provided through the Wales Pension Partnership on an active basis, can play an important role in the Fund's listed equity portfolio.

The matters covered by the report are:

- What is driving investors' policy decisions to adopt a Net Zero commitment (e.g. being Net Zero by 2050)?
- How the Fund could adopt net zero targets and implement a decarbonisation plan to manage the risks and opportunities from climate change.
- A high level introduction to active sustainable global equity.

### **RECOMMENDATIONS**

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

## **REPORT DETAILS**

1.00	<b>Net Zero Investing and Sustainable Global Equity</b>
1.01	<p><b>Introduction</b></p> <p>In February 2020 the Committee agreed a number of responsible investment strategic priorities for inclusion in the Fund’s Investment Strategy Statement. These included:</p> <ul style="list-style-type: none"> <li>• Evaluating and managing carbon exposure – including measuring and understanding its carbon exposure, and setting carbon reduction targets.</li> <li>• Identifying sustainable investment opportunities.</li> </ul> <p>This report provides the next steps (i.e. road map) in meeting these priorities and builds on the information shared at the following recent sessions:</p> <ul style="list-style-type: none"> <li>• 12<sup>th</sup> May: Briefing on Fossil Fuels – this briefing considered the FCC question around whether any of the Fund’s investments involve fossil fuel industries and action that can be taken in relation to them. The full question and answer are included in Appendix 1, and the Committee are asked to remind themselves of the response to that question when considering this report.</li> <li>• 26<sup>th</sup> May: Training on responsible investment considerations – this training focussed on the three key aspects of this report. The slides from that training are included in Appendix 2 so the Committee may remind themselves of some of the detail in relation to the aspects considered in this report.</li> </ul> <p>This report includes a number of responsible investment related terms which are explained in the glossary at the back of the report (Section 7).</p>
1.02	<p><b>Why investors should adopt a Net Zero Commitment</b></p> <p>Globally we must reduce greenhouse gas emissions by 45% by 2030 (on 2010 levels) to achieve net zero by 2050, according to the Intergovernmental Panel on Climate Change (IPCC). This will create the greatest probability to limit warming to below 2°C, ideally no more than 1.5°C, compared to pre-industrial temperatures.</p>
1.03	<p>There are a number of key elements coming together for a transition to a low carbon economy. For example technology developments and price disruption in the energy sector is already evident through the falling cost of renewable energy generation and storage.</p> <p>Markets are recognising climate in pricing already and investors should make sure they are positioning their portfolios to be ahead of the curve. For example, companies with business models reliant on fossil fuels (such as oil and gas majors) may increasingly be viewed and priced differently by the market compared to renewable energy companies.</p>
1.04	<p>Momentum is growing with respect to a low carbon transition and investors are on the move. Investors who have been early to adopt best practice climate change disclosure frameworks, such as the Task Force on</p>

	<p>Climate-related Financial Disclosures, are increasingly now moving their focus to also incorporate net zero commitments. Investors are not alone as countries, local governments, cities, universities and companies are also adopting net zero targets. The framework, tools and methodologies are now available for the first time for the Clwyd Pension Fund not only to make these commitments but also develop credible implementation plans to underpin them.</p>
1.05	<p>The Fund’s investment adviser supports the increasing investor focus to target a below 2°C scenario as a priority because in this scenario:</p> <ul style="list-style-type: none"> <li>• Risks are more likely in the short term - divergence in sectors (e.g. energy and utilities) and asset classes (e.g. equities and infrastructure), means investors should be monitoring for disruption to reduce portfolio risk where possible.</li> <li>• Opportunities are more likely in the next decade - targeted allocations to companies delivering the solutions to building transition capacity and adapting to physical damages is expected to provide additional diversification benefits and new return opportunities.</li> <li>• A low carbon transition scenario is more likely than not - investors need to navigate the pace of possible transition between a 3°C and 1.5°C scenario and build resilient portfolios accordingly. It is unlikely that there will not be a transition of some magnitude.</li> <li>• It is in investors’ best interests over the long term - setting targets and aligning action to influence a below 2°C scenario, where possible, is consistent with fiduciary duty as this is expected to be most beneficial scenario for long term investors (like pension funds), particularly for those with beneficiary timeframes over multiple decades such as the Fund.</li> </ul> <p>Further information is contained in the training slides in Appendix 2.</p>
1.06	<p><b>Setting credible Net Zero targets and implementation plans for Clwyd Pension Fund</b></p> <p>Initially it is recommended that the Committee agree a target to achieve net zero by 2050, with a view to this being reconsidered at a later date to see whether a potentially earlier date could be appropriate. An initial target year of 2050 is consistent with the UK government’s legally binding target and is consistent with the Institutional Investors Group on Climate Change (IIGCC) ‘Net Zero Investment Framework’.</p> <p>The Fund can then take a step-by-step approach to align portfolios to that net zero outcome by 2050 or potentially earlier. This would involve four steps:</p> <ol style="list-style-type: none"> <li>1. <b>Calculate the baseline</b> – this includes current emissions, transition capacity and green exposures. One output is to split the portfolio into three areas: <ul style="list-style-type: none"> <li>• “Grey” – these are the stocks with high carbon intensity and low transition capacity (this is expected to include fossil fuel companies).</li> </ul> </li> </ol>

- “Green” – these are the stocks that have low carbon intensity and high transition capacity.
  - “In between” – these are stocks that have varying carbon intensity and transition prospects.
2. **Analyse portfolio possibilities** for implementing a portfolio wide transition by asset class.
  3. **Set measurable targets** for reducing emissions and growing transition capacity, tested against different scenario pathways (for example a 2050 net zero target).
  4. **Implement a plan**, drawing on outputs from each step.

1.07

Outputs from this will allow the Fund to develop and implement a comprehensive decarbonisation plan. This plan will include recommendations in relation to goals across different areas:

- Decarbonisation targets. This will include how to manage exposures to “grey” stocks and may extend to selective divestment or screening of stocks that have significant carbon exposures, with no prospects of transition.
- The use of stewardship to increase companies’ transition capacity.
- Green allocation targets.

Below we provide a high level roadmap for the delivery of this work. The Committee is being asked to agree this roadmap.

<u>Roadmap Item</u>	<u>Timeframe</u>
<p><b>Listed equity</b></p> <p>The work would cover four areas:</p> <ol style="list-style-type: none"> <li>1. Baseline emissions intensity assessment – this analysis would highlight what is driving the Fund’s carbon exposure across mandates, geographies and sectors.</li> <li>2. Net Zero 2050 (or earlier) target setting with interim targets to 2025 and 2030: <ul style="list-style-type: none"> <li>• Analyse potential 2050 (or earlier) net zero targets.</li> <li>• Analyse interim targets to 2025 and 2030 consistent with a net zero pathway to 2050 (or earlier) using carbon emissions pathway curves.</li> </ul> </li> <li>3. Grey/transition/green transition analysis (see 1.06 for more detail) – analyse the portfolio’s transition capacity, including stocks most at risk of climate change and those accessing green opportunities.</li> <li>4. Develop a detailed implementation plan across three areas: integration, stewardship and green investments. This will incorporate additional, more</li> </ol>	<p>July - October 2021</p>



	granular targets across each of these areas (see slide 12 of Appendix 2 for an example implementation plan).	
	Present results. Agree 2050 (or earlier) net zero targets and implementation plan at Pension Fund Committee meeting.	November 2021 PFC meeting
	Update Investment Strategy Statement for net zero ambition and targets. Communicate approach to key stakeholders.	November / December 2021
	<b>Property, infrastructure, private equity and private debt</b> Commence work on carbon footprinting and setting net zero targets for these additional asset classes.	January to June 2022
	<b>Listed equity</b> Monitor progress against targets and update implementation plan.	July to December 2022
	Further information is contained in Appendix 2.	
1.08	<p><b>Sustainable Global Equity</b></p> <p>Based on the current investment opportunities and long-term sustainable themes, the Fund's investment adviser believes sustainable global equities should form a material part of the Fund's equity portfolio. Sustainable global equity mandates typically have a number of characteristics:</p> <ul style="list-style-type: none"> <li>• A portfolio of companies focused on sustainable business management and global trends.</li> <li>• Often based around selecting companies aligned with sustainability themes, such as health, energy efficiency, education, labour rights, etc.</li> <li>• Generally long-term time horizon and lower expected turnover.</li> <li>• Can be concentrated and typically quality / growth oriented.</li> <li>• Strategies are increasingly considering sustainable impact reporting and alignment with the Sustainable Development Goals (SDGs).</li> <li>• Typically well placed to capture positive investment opportunities associated with the shift to a low carbon economy.</li> </ul> <p>In respect of the link to the Fund's investment strategy, it is the view of the Fund's investment adviser that an allocation to this area of the global equity market is currently (and will remain) a compelling proposition. It is also the view of the investment adviser that this allocation should be managed on an active basis.</p> <p>Currently there is no sustainable global equities sub-fund available through the Wales Pension Partnership (WPP). The time lag between the request to WPP to construct a sub-fund and the actual date for a launch and feasible transition could be between 12 and 24 months. Hence if this is agreed to be of interest to the Committee, it is necessary for this request to</p>	

	<p>be made now. In particular, should the sub-fund be available for investment in the anticipated timescale then the Committee will have the opportunity to integrate decisions regarding an allocation to this area within the 2022 Actuarial and Investment Strategy cycle.</p> <p>Further information is contained in Appendix 2.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>Taking forward the recommendations in this report will result in some additional work for the Fund's officers and Mercer including:</p> <ul style="list-style-type: none"> <li>The net zero recommendations will lead to increased annual monitoring requirements. If the Wales Pension Partnership accepts the Fund's request for a Sustainable Global Equity Fund, the responsibility for designing and launching the offering will sit with the pool. However, the Fund would want to collaborate with the pool on the specifications and be kept informed of progress with the launch.</li> </ul>

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	<p>The LGPS Investment Regulations state that the Administering Authority must consult such persons as it considers appropriate as to the proposed contents of its Investment Strategy. It is therefore likely that any changes to the Investment Strategy Statement, including introducing net zero targets into it, will be consulted on with Fund stakeholders, such as employers.</p>

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>Any net zero targets would be underpinned by credible implementation plans. This would ensure that the Fund can meet its risk adjusted return objectives and climate change objectives at the same time.</p> <p>An allocation to a new Sustainable Global Equity Fund will be subject to the usual analysis and scrutiny as other new appointments. The Fund's investment adviser will provide suitability advice on the Wales Pension Partnership offering.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – FCC Question and Response on Local Authority Pension Funds and Investments in Fossil Fuels Appendix 2 – Responsible Investment Training: Net Zero and Sustainable Equity</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>1. Current Investment Strategy Statement 2. Fossil Fuel Investments Briefing Paper May 2021</p> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund <b>Telephone:</b> 01352 702264 <b>E-mail:</b> <a href="mailto:philip.latham@flintshire.gov.uk">philip.latham@flintshire.gov.uk</a></p>

7.00	GLOSSARY OF TERMS
7.01	<p><b>What is Responsible Investment (RI)?</b>  This is an investment approach that incorporates environmental, social and corporate governance (ESG) factors and broader systemic issues — for example, climate change and sustainable development — along with active ownership (stewardship). These considerations can have a material impact on financial performance, and their inclusion is more likely to lead to sustainable investment outcomes.</p> <p><b>What is an Investment Strategy Statement?</b>  All LGPS funds are required to produce an Investment Strategy Statement (ISS). This contains the investment policy approach of the Fund. The Clwyd Pension Fund’s latest ISS includes the Fund’s Responsible Investment Policy and can be found here:  <a href="https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-policies/">https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-policies/</a></p> <p><b>What are the main approaches to Responsible Investment?</b>  Mercer views Responsible Investment as having four main approaches:</p> <ol style="list-style-type: none"> <li><b>1. Integration:</b>  Incorporating ESG factors into the investment process for risk/return reasons.</li> <li><b>2. Stewardship:</b>  Voting and engagement with underlying companies and/or investment managers and engagement with policymakers for risk/return reasons.</li> <li><b>3. Investment:</b>  Themed investing — funds that focus on the risk and return opportunities in ESG / sustainability themes, typically related to sustainability solution trends.  Impact investments – seek to balance financial return with a positive impact on society and/or the environment.</li> <li><b>4. Screening/divestment</b>  Excluding investments in companies that are perceived to have a negative impact on society, where investors do not want to profit from the product or activity for reputational or ethical reasons.</li> </ol> <p><b>What is Fiduciary Duty?</b>  The obligation on those that look after or manage other people’s money, to act in the best interest of beneficiaries, rather than serving their own interests. This duty extends to Committee members of the Fund. There is now widespread recognition that adopting a Responsible Investment approach is consistent with fiduciary duty.</p> <p><b>What are key Climate Change investment risks?</b>  Anthropogenic climate change refers to change in climate caused by human activity. Investors increasingly recognise that climate change poses a systemic risk given the low carbon transition (see definition below) and physical impacts of different climate outcomes (for example reduced</p>

resource availability and increased severity of natural catastrophes such as wildfires, droughts and hurricanes).

**What do we mean by decarbonisation?**

Described as the process under which countries, individuals or other entities aim to achieve reduced or zero carbon emissions, or businesses and investors aim to achieve reduced or zero carbon emissions in their operations and investments. It is often most closely linked to a reduction of the carbon emissions associated with the energy/electricity, industry and transport sectors.

**What is a Low Carbon Transition?**

The decarbonisation of the global economy, and in particular, the decarbonisation of the global energy and transport sectors. A successful transition would see an economy based on low carbon power sources that therefore have a minimal output of carbon emissions into the atmosphere. The Paris Agreement, which aims to limit warming to 2°C or below, is consistent with a low carbon transition. Policy and technology developments are expected to play an important role in a low carbon transition.

**What do we mean by Net Zero?**

Net zero refers to achieving net zero carbon dioxide emissions by balancing carbon emissions with carbon removal (often through carbon offsetting) or eliminating carbon emissions altogether. The UK government has set itself a legally 2050 binding net zero target and leading asset owners are starting to set their own net zero targets.

**What are Stranded Assets (Fossil Fuels)?**

These are assets that turn out to be worth less than expected as a result of changes associated with the low carbon energy transition. This could include assets that have suffered from unanticipated or premature write-down or devaluations. For example, investment in fossil fuel-based assets that as a result of changes brought about by climate change policy (or competing technology) do not recover all or part of their investment during the time they are operational.

**Scheme Advisory Board – A-Z of Responsible Investment**

To support members of LGPS funds, the Scheme Advisory Board has also put together an A-Z of Responsible Investment, which can be found here:

<https://ri.lgpsboard.org/items>

**FLINTSHIRE COUNTY COUNCIL - 24 MAY 2021**  
**AGENDA ITEM 14 - QUESTION FROM COUNCILLOR TUDOR JONES**

**Preamble / Rhagair:**

**Local Authority Pension Funds and investments in fossil fuels**

New research has revealed that UK council pensions are investing around £10 billion in fossil fuel companies like BP and Shell. Despite 75% of councils declaring a climate emergency, less than 5% have taken the significant step of withdrawing their investments in companies that are planning for catastrophic global warming of 3-5°C or more.

The choice is clear: we can choose to stick to old systems of investment that drive the profits of destructive businesses and keep accelerating the climate crisis, or we can invest local money in ways that ensure local workers not only have a pension for their retirement, but also a future worth retiring into.

Moreover, the financial argument to divest is becoming increasingly salient. Fossil fuel divestment is a practical, legal and responsible way for pension funds to respond to the climate crisis and address the financial risk caused by continuing to invest in stranded assets.

Nationally, 6 local councils, 86 universities and the UK's biggest pension fund (NEST) have all committed to divest, not to mention countless respected institutions across the globe, including the cities of San Francisco and Oslo, as well as New York State. Recent analysis found that local government pension funds had suffered a £2 billion hit to oil investments since 2017. As the value of fossil fuels continues to decline, continuing to invest public money in this failing industry is becoming financially riskier and the imperative to divest from fossil fuels is ever more urgent.

Further, in the face of extraordinary economic challenges ahead, we need to reset and create a new economy that places the health of us all above the wealth of a few. Local councils can play a part in this by mobilising the money they move out of fossil fuels into socially useful investments in the local economy.

**Question / Cwestiwn:**

Flintshire County Council is both a member of the Clwyd Pension Fund and its host. May I respectfully ask the Flintshire Member and Chair of the Clwyd Pension Fund Committee to ensure that we are aware of how this Pension Fund is invested and ascertain as to whether any of these investments involve the fossil fuel industries and if so determine to end such investments and chose those that invest in green and new energy technologies as Flintshire is now taking such a leading role in the move to fight Climate Change on behalf of all Flintshire residents?

**Note:**

It can be done:

Pension scheme Nest is to invest £1.4bn in clean energy.

Nest is the UK's largest pension scheme managing pensions for almost one third of the UK workforce and will invest £1,4bn into renewable energy infrastructure over the next ten years.

## **RESPONSE:**

Thank you for your question Councillor Jones. You attended the all Member briefing session on the 12th May 2021. The purpose of that briefing was to set out for Members the Clwyd Pension Fund's (the Fund) approach to fossil fuel investments and managing the impact of climate change on the Fund's investments.

Your question is in three parts and the answers follow this format.

### **1. The investments the Fund has in Fossil Fuel Industries**

As at 31 March 2021 the Clwyd Pension Fund was valued at £2.2bn. We have measured the proportion of assets invested in publicly listed shares of companies (approximately 20% of the fund) that are involved in the extraction of fossil fuels. This is approximately £25.3m or 1.17% of total fund assets as at 31 March 2021. These company shares have been selected by fund managers either appointed directly by the Fund or appointed through the Wales Pension Partnership (WPP) where Local Government Pension Scheme (LGPS) funds in Wales invest together as a consortium. The Fund has a complex investment strategy which means there will be some exposures to fossil fuels in asset classes that we are not able to measure at this time.

### **2. A request to end these investments – to divest**

Those managing the Fund have a fiduciary duty to the beneficiaries of the Fund. Therefore, we must invest the Fund's assets in the best interests of those beneficiaries (i.e. the members of the Fund and their dependents). This means that our investment strategy must be directed to achieving the necessary investment returns to ensure we have enough assets to pay the benefits required. We must remember this prime responsibility when considering our approach to responsible investing.

There has been much debate across pension funds globally including the 87 Local Government Pension Funds in England and Wales as to whether they should sell these shares given the planned transition to a low carbon or net zero economy. The majority approach, and that of the Clwyd Pension Fund, is not to have a blanket divestment policy for a number of reasons including:

- **The act of selling the shares simply passes ownership to another investor and has no impact on the company;** instead we use ownership powers to engage with these companies to ensure they have policies in place to transition away from fossil fuels
- The focus on engagement, rather than blanket divestment **allows the Fund to benefit from opportunities from fossil fuel companies who are in the process of transitioning to renewable forms of energy.** Several of the companies included in the £25.3m total above now also generate revenues from renewable energy.
- **The approach of engagement, rather than divestment, is supported by Government representatives and best practice initiatives** including the Minister for Pensions and Financial Inclusion, the Pensions Regulator, Local Authority Pension Forum and the Wales Pension Partnership and other groups such as Pensions for Purpose.

The Fund has already taken first steps in managing climate risk including:

- monitoring fossil fuel exposure and within the last 12 months, undertaking carbon footprint analysis on its stock markets investments which include these publicly listed company shares as at 31 March 2020 and 30 September 2020. This analysis has been used to identify sources of carbon risk within these investments. The Fund is committed to reducing its carbon footprint over time; and
- Russell (as the investment manager within the Wales Pension Partnership) have implemented a de-carbonisation strategy within the WPP Global Opportunities Equity Fund in which the Fund invests. This solution looks to reduce carbon exposures by 25% compared with the global index of shares and is seen as the first step by the Wales Pension Partnership.

Furthermore, the Fund is actively exploring a number of ways to develop its approach to climate change which will be considered at our next Pension Fund Committee meeting:

- exploring whether to make a net zero commitment as a Fund by a specific date (e.g. targeting net zero by 2050);
- considering adopting a net zero framework. Amongst other areas this would seek to:
  - Identify the high carbon / low transition potential holdings (including fossil fuel companies) and decrease exposure to these companies over time
  - Identify green holdings and seek to increase allocations to sustainable companies over time
- considering whether to formally request a Sustainable Global Equity Fund offering from WPP which would go beyond addressing climate risk. The fund manager also considers any social impact (e.g. employment practices) and whether the company has a governance arrangement fit for purpose. All these factors together can impact whether a company's value will increase or fall overtime.

### **3. A request for the Fund to invest in green and new energy technologies**

The Fund has made investments in green and new energy technologies for a number of years by investing in private rather than public companies. This includes investments selected by fund managers in solar and wind farms as well as other environmental technologies. Officers are currently exploring the potential for investing more locally in these areas. As part of the Fund's asset allocation 4% is already allocated to 'Impact' investing - investments with a specific environmental or social benefit as well as achieving the investment return required to pay pensions.

We trust this addresses the points raised in your question and provides some assurance on the progress being made by the Clwyd Pension Fund on managing climate risk.

**Cllr Ted Palmer and Philip Latham**

**Chair Clwyd Pension Fund Committee and Fund Manager**

**25th May 2021**

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Clwyd Pension Fund

# Responsible Investment Training: Net Zero and Sustainable Equity

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May 2021

welcome to brighter



# Introduction

This presentation is addressed to the Pension Fund Committee (the 'Committee') of the Clwyd Pension Fund (the 'Fund'). In this presentation we provide background to three key Responsible Investment topics. At the 9 June 2021 meeting the Committee will be asked to adopt a number of key recommendations linked to these topics.

More specifically in this presentation we consider:

1. What is driving investors' policy decisions to adopt a Net Zero commitment (e.g. being Net Zero by 2050).
2. How the Fund could adopt net zero targets and implement a plan.
3. A high level introduction to global sustainable listed equity.

We appreciate this is a complex subject area and this training session is intended to allow for questions and discussion to enable further understanding for all.

We would encourage all attendees to ask any questions they would like answered or seek clarification in respect of any area covered.

# Adopting a Net Zero Commitment

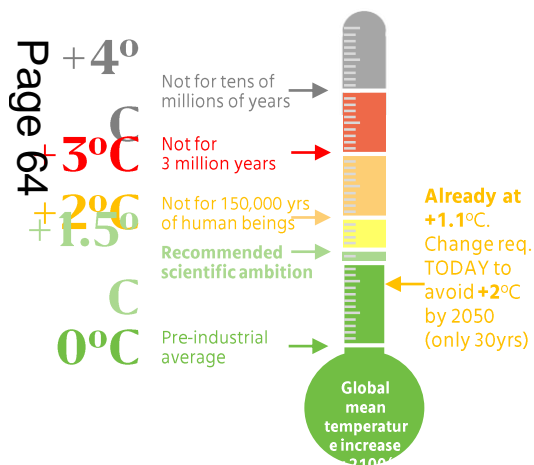
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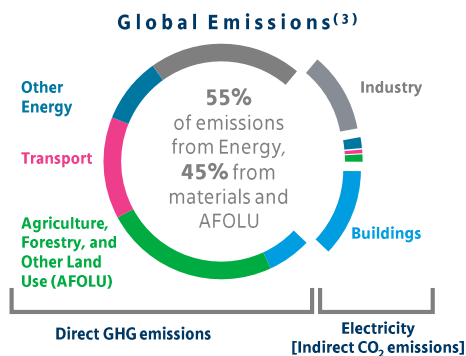
# Climate Change Context

## Why investors need to transition

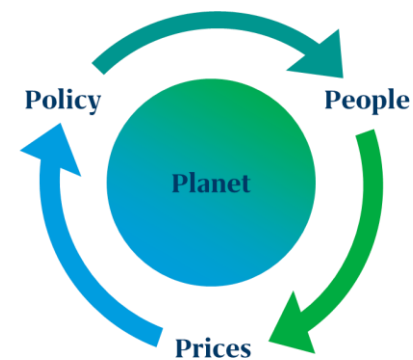
To address climate change requires us to reduce fossil fuel emissions to **limit temperature increases**



We must **reduce greenhouse gas emissions by 45% by 2030** (on 2010 levels) to achieve net zero by 2050, according to the Intergovernmental Panel on Climate Change (IPCC)<sup>(2)</sup>, for the **greatest probability to achieve <2°C, ideally 1.5°C**



In response, governments, companies, consumers, voters, and market prices are changing. As the planet warms for more people in more places, we expect the transition momentum will only increase



(1) Climate Action Tracker (<http://climateactiontracker.org/>) - last updated September 2020; (2) Intergovernmental Panel on Climate Change, the source of scientific information and technical guidance for Parties to the UN Framework Convention on Climate Change (UNFCCC) 2018 1°C Report; (3) IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, R.K. Pachauri and L.A. Meyer (eds.)]. IPCC, Geneva, Switzerland, 151 pp

# Transition to a Low-Carbon Economy

## What is already happening

**Technology** development and price disruption in the energy sector is already evident.

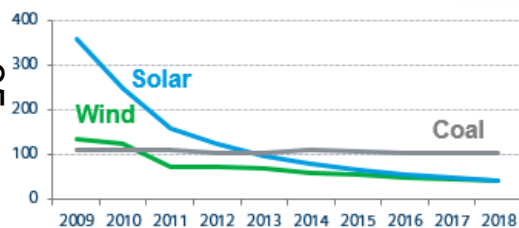
The costs of renewable energy <sup>(1)</sup> and storage <sup>(2)</sup> have meaningfully fallen. This, together with development and uptake in energy efficiency, greener grids, and electrifying new sectors is changing whole supply chains.

**Markets** are recognising climate in pricing already and investors want to be on ahead of the curve.

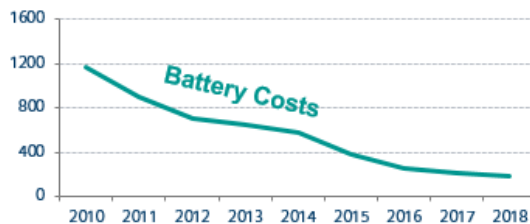
Investors already face transition risk, including stranded assets potential, if the market moves more quickly or suddenly than expected towards a 'well below 2°C' scenario. Assessing those companies and countries most vulnerable to transition disruption and opportunities is needed to stay ahead of market movements.

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Unsubsidized LCOE for US utility scale generation (\$/mwh)



Lithium-ion battery storage costs (\$/kwh)



(1) Lazard; (2) Bloomberg New Energy Finance. (3) Bloomberg, 2020

A renewables company has recently eclipsed the market capitalisation of an oil company that has been one of the biggest household names <sup>(3)</sup>.



# From Disclosure to Transition Commitments

## Investors Are on the Move

After 10 years on investor radars, 5 years since the Paris Agreement, 3 years since the TCFD framework, a growing investor cohort are now focused on action plans for decarbonising.



- **Disclosure** framework released in 2017, with the UK Chancellor of the Exchequer announcing mandatory disclosure across the UK economy by 2025. LGPS can expect a consultation on TCFD requirements this year.



- 500+ companies have approved **Science Based Targets** (SBTs).



- The Institutional Investor Group on Climate Change (IIGCC) published the **Net Zero Investor Framework** developed by >70 investors.



- **The UN's 'Race to Zero'** that tracks net zero by 2050 targets suggests positive momentum (120 countries + hundreds of cities, companies, universities and investors). Financial regulators are also signalling change, not just in Europe.

Sources: Asset Owner Alliance - <https://www.unepfi.org/net-zero-alliance/>; Science Based Targets - <https://sciencebasedtargets.org/>; IPCC 1.5°C report; Deutsche Bank Research: 'Past the Tipping Point with Customers and Stockmarkets, Sept 2019

# Transition to a Low-Carbon Economy

## Why investors are targeting a <2°C Scenario

Mercer supports the increasing investor focus to move forward from scenario analysis<sup>(1)</sup> to target a <2°C scenario as a priority, because **in this scenario**:



- 1. Risks more likely in the short term** – divergence in sectors (e.g. energy and utilities) and asset classes (e.g. equities and infrastructure), means investors should be monitoring for disruption to reduce portfolio risk where possible
- 2. Opportunities more likely in next decade** – targeted allocations to companies delivering the solutions to building transition capacity and adapting to physical damages is expected to provide additional diversification benefits and new return opportunities.
- 3. Transition scenario more likely than not** – investors need to navigate the pace of possible transition between a 3°C and 1.5°C scenario and build resilient portfolios accordingly. It is unlikely that there will not be a transition of some magnitude.
- 4. In investors' best interests over the long term** – setting targets and aligning action to influence a <2°C scenario, where possible, is consistent with fiduciary duty as this is expected to be most beneficial scenario for long term investors (like pension funds, insurers, endowments), particularly for those with beneficiary timeframes over multiple decades.

(1) Mercer's Investing in a Time of Climate Change (2015) and The Sequel (2019) document the scenario analysis findings that compare the asset class and sector impacts on returns under a 2°C scenario as compared to a 3°C or 4°C scenario over different time periods.

# Setting a Path to Net Zero

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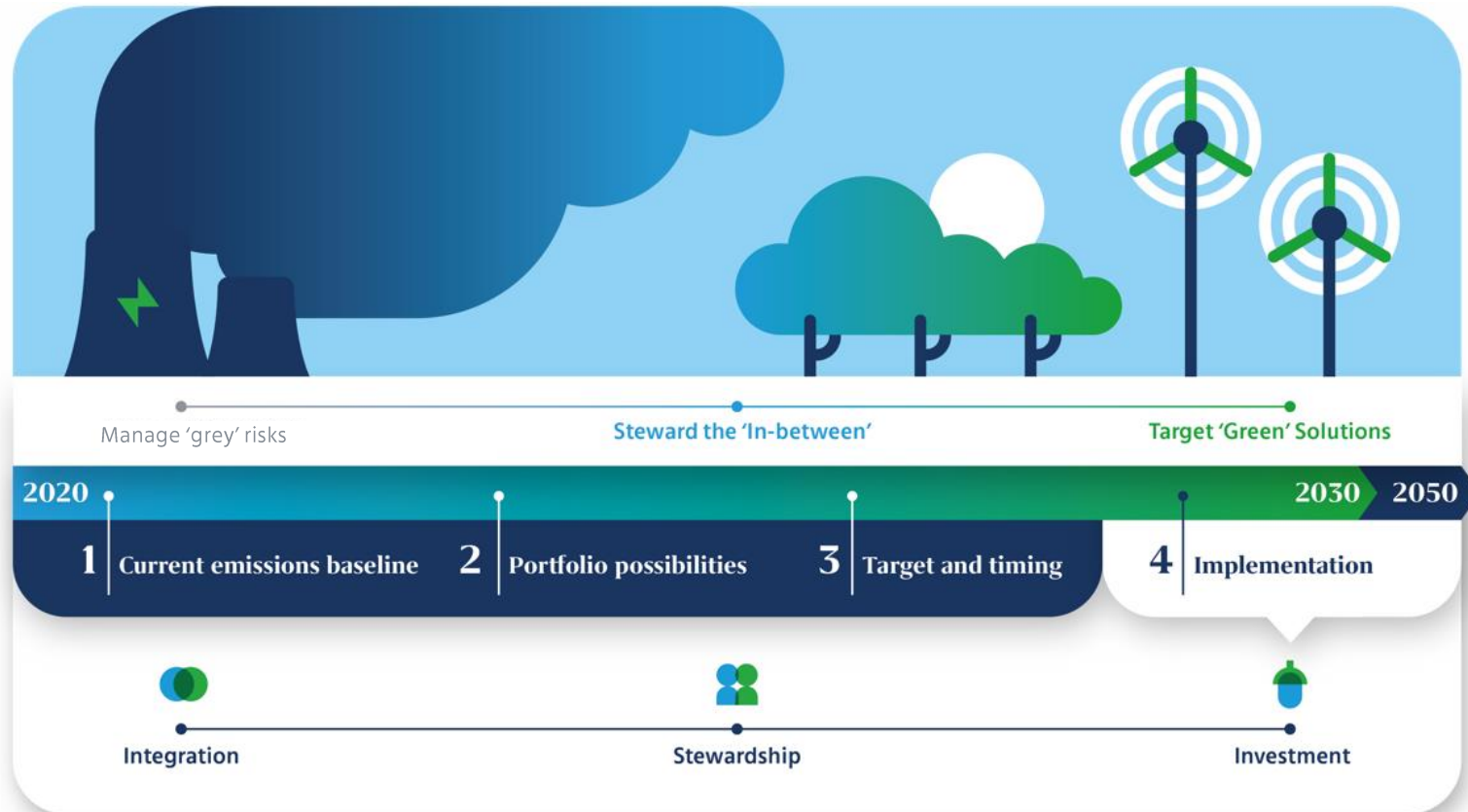




# How we can shift a portfolio from Grey to Green

## Investing in a Time of Transition

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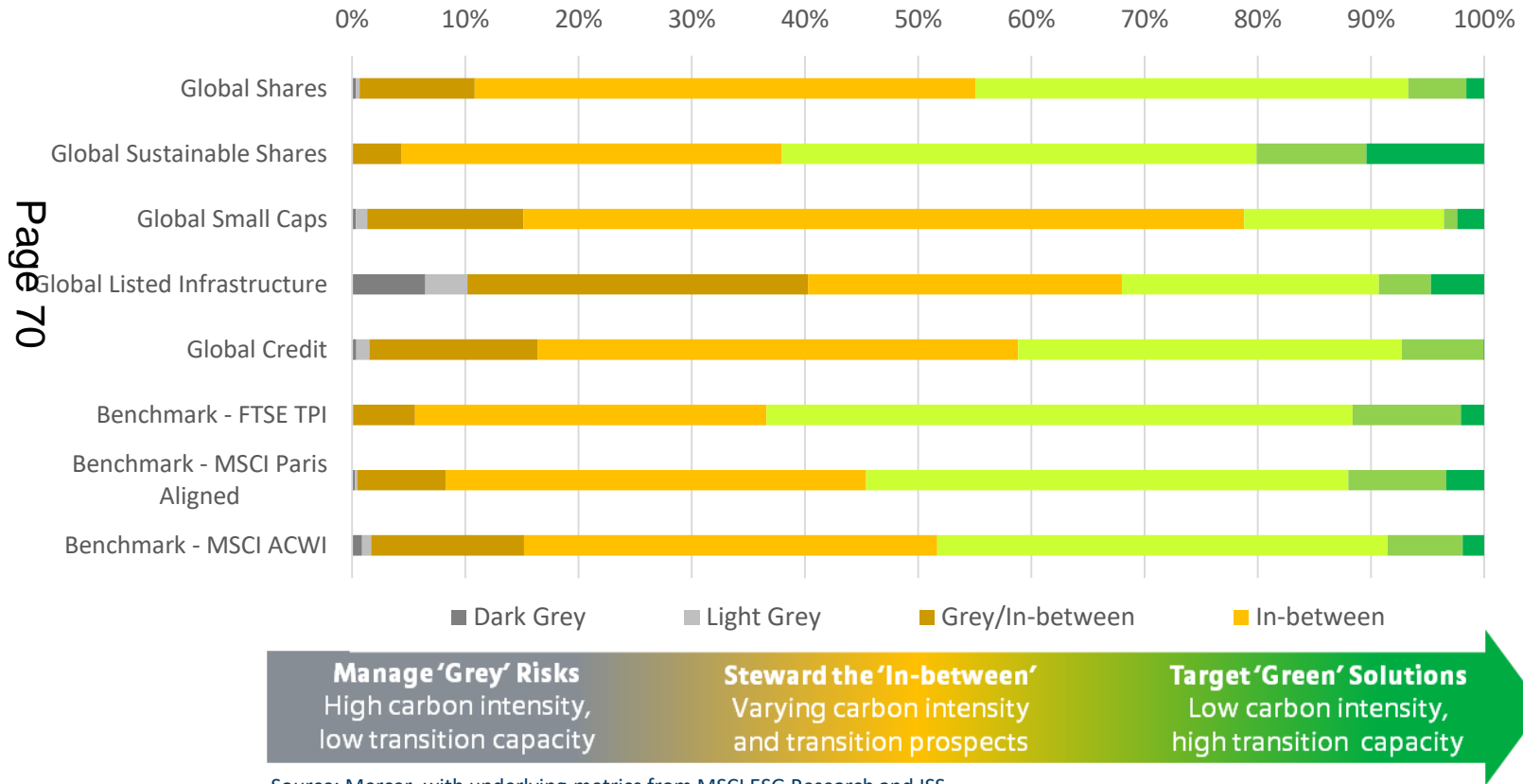


Seek to manage the 'grey' risks, including fossil fuel exposure, through detailed analysis

# Single Sector Funds Example

## Transition assessment by weight (%)

Analytics for Climate Transition Results by Weight (%)



Source: Mercer, with underlying metrics from MSCI ESG Research and ISS

# Case Study

## Mercer Investment Solutions Europe

- Mercer Investment Solutions Europe is aiming to:
  - transition all fund of funds assets towards **net zero emissions by 2050**
  - with **at least 45% reduction in emissions by 2030**
- Emissions reductions will be on an absolute emissions basis.
- Aligns with the ambitions of the Paris Agreement to target a 1.5°C limit on global temperature increases.
- Covers the majority of multi-asset funds and the Model Growth Portfolio which is held by the majority of UK based fiduciary management clients.

# Transition Metrics and Targets

## Example Implementation Plan



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	Integration (Risk Reduction)	Stewardship (Transition Support)	Investment (Solutions)
<b>2025 and 2030</b>	<ul style="list-style-type: none"> <li><b>Emissions Reduction Targets across asset classes</b> 33% and 50% reduction in carbon intensity by 2025 and 2030 respectively across asset classes:                             <ul style="list-style-type: none"> <li>Equities, fixed income etc.</li> </ul> </li> <li><b>Decrease allocation to high carbon / low transition portfolio exposures.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Transition Improvement Target:</b> 20% and 33% shift by 2025 and 2030 respectively from lower transition category to higher transition category exposures across listed assets and property.</li> <li><b>Engagement Target:</b> A targeted focus on the top twenty holdings – particularly utilities – in proactive voting and engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Increase allocation to low-carbon / sustainability-themed exposures.</li> <li><b>Green Solutions Target:</b> 20% and 33% allocation by 2025 and 2030 respectively in total across all asset classes:                             <ul style="list-style-type: none"> <li>Equities, fixed income etc.</li> </ul> </li> </ul>
<b>2021 - 2023</b>	<ul style="list-style-type: none"> <li>Achieve c. half of emissions reductions by 2023 via listed equities and corporate credit.</li> </ul>	<ul style="list-style-type: none"> <li>Mercer Climate Transition Assessment tool to be a reference for annual monitoring together with manager engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Current analysis expects 15% increases can be achieved by the end of 2023.</li> </ul>
<b>2021/ 2022</b>	<ul style="list-style-type: none"> <li>Undertake first set of analysis</li> <li>Develop implementation plan</li> <li>Communicate to stakeholders</li> </ul>		

The plan would be revisited annually and implemented over three yearly cycles. Longer term 2025 and 2030 targets would also be introduced

**Sustainable  
Global Listed  
Equity**

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**3**

# What is sustainable equity?



Combining long-term thematic changes with emerging technologies and having a broader perspective on risk

- A portfolio of companies focused on sustainable business management and global trends.
- Often based around selecting companies aligned with sustainability themes, such as health, energy efficiency, education, labour rights, etc.
- Generally long-term time horizon and lower expected turnover.
- Can be concentrated and typically quality/growth oriented.

- Strategies are increasingly considering sustainable impact reporting and alignment with the Sustainable Development Goals (SDGs).
- Sustainable equity strategies are well-placed to capture positive investment opportunities associated with the shift to a low carbon economy
- **Mercer has identified several highly-rated strategies taking a broad, diversified approach as well as those with a more specialist (regional or sustainability theme) approach.**

Supporting positive social and environmental impacts

# Listed Equity Portfolio

Manager / Fund	Strategic Asset Allocation %
Russell - WPP Global Opportunities – Global Equity	5.0
BlackRock ESG Fund – Global Equity	5.0
<b>Total Developed Global Equity</b>	<b>10.0</b>
Wellington Emerging Markets (Core) - EM Equity	3.0
Wellington Emerging Markets (Local) - EM Equity	3.0
BlackRock EM (Passive) – EM Equity	4.0
<b>Total Emerging Market Equity</b>	<b>10.0</b>
<b>Total Equity</b>	<b>20.0</b>

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- ESG funds, like sustainable equity, are naturally biased towards companies with **better governance practices** and those with less **environmentally and socially** damaging business models.
- Based on the **current investment opportunities and long-term themes**, we strongly believe sustainable equity strategies should form a material allocation of the Fund’s equity investments.

We believe sustainable equity strategies are well positioned for the ‘new normal’

# Key Takeaways

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# 4



# Three Upcoming Recommendations



**Adopt a Net Zero  
Ambition for the Fund**



**Support your Net Zero  
target with a credible  
implementation plan**



**Formally request that the  
Wales Pension  
Partnership offer a  
Sustainable Global Equity  
Fund**

# Appendix

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# 5

# Responsible Investment roadmap



Climate change scenario analysis and carbon footprinting  
Q4 2020 / Q1 2021



Work with WPP to develop an active Sustainable Global Equity Fund  
H2 2021



Update ISS for latest decisions – asset allocations, plus overarching decision as to whether to adopt a net zero ambition and framework  
H2 2021



Net Zero Commitment and target setting  
H2 2021



Work with WPP to produce UK Stewardship Code report and TCFD report  
2021/22



Build up exposure to sustainable private market allocations  
Ongoing

# Transition and Decarbonisation Principles

## What we mean

What we DON'T mean by Decarbonisation ...	...and what Mercer DOES mean by Decarbonisation
Immediate...	A multi-year plan to significantly reduce emissions in the portfolio, with the decade to 2030 critical to a net zero 2050 target, and 3-5 year targets also helpful.
... divestment from only fossil fuel energy ...	Scope 1,2, (and soon scope 3) emissions for all sectors, energy supply plus the demand side sectors.
... only in equities, ...	A total portfolio approach, including real assets (property and infrastructure), that seeks reductions in portfolio emissions (intensity) and real world emissions (absolute).
... regardless of price ...	'Decarbonisation-At-The-Right-Price' to build flexibility into the strategic plan to capitalise on opportunities that may arise in the shorter term.
... or capacity for emissions reduction in the future, ...	Looking beyond emissions today to account for transition plans expected to impact emissions tomorrow and transformative solutions opportunities.
... with disregard for broader investment and ESG principles	Traditional investment and ESG factors must continue to be considered to ensure the focus on carbon doesn't miss other issues or create unintended consequences.

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# Net Zero Commitments and Action

## What are Investment Managers Doing?

### Making net zero commitments

- Net Zero Asset Managers initiative launched in December 2020.
- International group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 and supporting investing aligned with net zero emissions by 2050.

### Signatories

81 signatories  
\$7 trillion in assets under management



### Launching products that support their net zero ambitions

Managers are innovating and launching climate change strategies to help meet their net zero targets.

Innovative strategies include:

- Passive equity/fixed income funds based on EU Paris-aligned Benchmarks / Climate Transition benchmarks.
- Sustainable thematic / impact equity funds focused on climate solutions.
- Fixed income funds incorporating green bonds.
- Real estate and infrastructure funds with net zero targets.
- Low carbon transition / physical resilience focused private market funds.

### Five climate change parameters of the FTSE TPI Climate Transition Index:



Source: FTSE Russell  
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# Climate Transition: The How and What?

## How does Mercer help you align to Net Zero?

Mercer's climate transition advice, supported by Mercer's Analytics for Climate Transition (**ACT**), follows a step by step approach to align to a net zero\* outcome by 2050. Mercer will help you to:

1. **Calculate the baseline** - current emissions, transition capacity and green exposures
2. **Analyse portfolio possibilities** for implementing a portfolio wide transition by asset class
3. **Set measurable targets** for reducing emissions and growing transition capacity, tested against different scenario pathways
4. **Implement a plan**, drawing on outputs from each step and our recommended priorities.

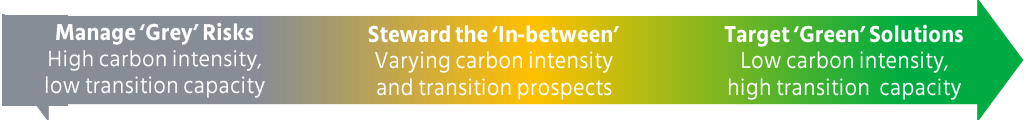
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## What is the End Result?

At completion, **you will be well prepared to establish a climate transition plan, including targets, and have confidence in answering key questions:** Can we reduce emissions and set aligned targets while a) meeting investment objectives? & b) not just divesting today's high carbon companies? And can this be practically implemented and monitored?

\*Net zero' means emissions are reduced as far as possible, where there are options to do so, with any remaining emissions offset by absorbing an equivalent amount from the atmosphere e.g. in nature (trees and soils) or via carbon capture and storage or use technologies

# Mercer Climate Transition Framework



2020



## 1. Determine current baseline

Asset Class	Coverage	Global Carbon Intensity (tCO2e/USD million)	Low Carbon %	High Carbon %	Transition Capacity %	Carbon Intensity (tCO2e/USD million)	Low Carbon %	High Carbon %	Transition Capacity %
Global Shares	98%	180	8%	92%	30%	200	10%	90%	15%
Global Fixed Income	95%	150	5%	95%	10%	180	15%	85%	10%
Global Real Estate	90%	120	10%	90%	20%	150	20%	80%	10%
Global Infrastructure	85%	100	15%	85%	25%	130	25%	75%	15%
Global Private Equity	80%	80	20%	80%	30%	100	30%	70%	20%
Global Commodities	75%	60	30%	70%	40%	80	40%	60%	30%
Global Alternatives	70%	50	40%	60%	50%	70	50%	50%	40%



## 2. Analyse portfolio possibilities



## 3. Set measurable goals

- For example:
- Support the net zero by 2050 ambition
  - Set aligned 2030 targets for reducing emissions + growing green exposures and transition capacity
  - Establish 1-3yr plan by asset class

## 4. Implementation

### Integration



- Incorporate scenario and transition analysis into strategy and portfolio construction decisions
- Monitor developments and prices (DARP\*)

### Stewardship



- Engage with companies, particularly those in transition, and policymakers
- Utilise voting rights

### Investment



- Allocate to new innovation and solutions
- Monitor developments and prices (DARP\*)

### Screening



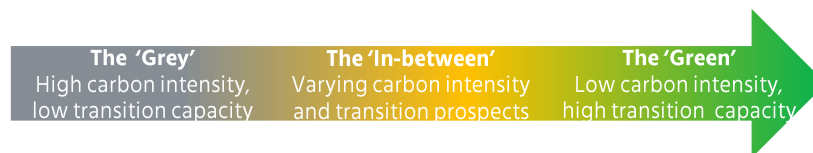
- Restrict high-carbon exposures if required

Disclosure consistent with the TCFD framework – including metrics and targets

(\*DARP - Decarbonisation at the Right Price)

# Calculate the Baseline

## Sample dashboard



	Mercer Single Sector Funds	Coverage	Investor's Contribution to Absolute Emissions	Metric By Asset Class	Weighted Average Carbon Intensity	Metric By Asset Class	Dark Grey %	Light Grey %	Grey/ In-between %	In-between %	Green/ In-between %	Light Green %	Dark Green %
Public	Global Shares		74,543.4	T CO2	86.0	T CO2e / \$M Rev	0.3	0.3	9.7	42.1	36.4	4.9	1.5
	Global Sustainable Shares		5,711.9	T CO2	73.6	T CO2e / \$M Rev	0.0	0.0	4.1	31.8	39.6	9.2	9.8
	Global Small Caps		47,031.3	T CO2	108.8	T CO2e / \$M Rev	0.3	1.0	13.5	62.4	17.3	1.2	2.3
	Global Listed Infrastructure		11,115.2	T CO2	1085.1	T CO2e / \$M Rev	6.0	3.5	27.9	25.7	21.1	4.3	4.4
	Global Credit		22,219.0	T CO2	Corporate: 135.7 Sovereigns: 15.8	T CO2e / \$M Rev & TCO2e / \$M GDP	0.2	0.7	8.8	25.3	20.2	4.3	0.0
Private – Illiquid	Australian Direct Property		12,153.4	T CO2	69.7	TCO2e / \$ Sqm	-	-	-	-	-	-	-
	Global Unlisted Infrastructure		TBC	T CO2	758.2	T CO2e / \$M Rev (proxy)	-	-	-	-	-	-	-

Source: Mercer, with underlying metrics from MSCI ESG Research and ISS



# The impact of Covid-19

## Fast forward to the future?

- The Covid-19 pandemic has accelerated a number of existing trends, and magnifying distinctions between winners and losers:

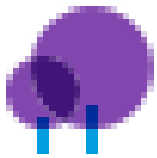
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### **Stay at Home** Remote working and staycations

**Winners:** Internet based technology companies; warehouses; supermarkets; renewable energy; healthcare.

**Losers:** Retail; offices; travel; fossil fuel market; leisure.



### **Climate Change** Move to a low carbon economy

**Lower carbon emissions generated over last 12 months** but emissions reductions caused by previous economic shocks have been temporary.

Learnings from this pandemic can help to support the development of investor practices, which better prepare portfolios to weather other systemic risks, like climate change.



### **Corporate resilience** Focus from Shareholder to Stakeholder

**Resilient companies in the short and long term** are those that have:

- Comprehensive business plans;
- Prudent cash reserves;
- Strong stakeholder relations; and
- Positive response to labour rights.

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## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 June 2021
<b>Report Subject</b>	Governance Update
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

On each Committee agenda LGPS governance matters and the impact on the Clwyd Pension Fund (CPF) are provided for discussion along with updates on the Clwyd Pension Fund's governance strategy and policies for information. The last update report was provided at the February 2021 Committee meeting and therefore this update report includes developments since that report.

This update includes matters that are mainly for noting, albeit comments are clearly welcome.

The report includes updates on:

- The Fund's response to the Pension Regulator's new Code of Practice consultation
- An update from recent Scheme Advisory Board meeting
- A new research project to look at the state of the nation in the LGPS by the PLSA
- Update to the Fund's risk dashboard and changes to the governance risks since the last meeting
- The latest changes to our breaches of the law register
- The updated training plan for 2021/22.

### RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
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## REPORT DETAILS

<b>1.00</b>	<b>GOVERNANCE RELATED MATTERS</b>
1.01	<p><b>Business Plan Update</b></p> <p>Usually the three main update reports at each Committee include the latest progress against the business plan. Given we are only 2 months into 2021/22, there are no updates included for this meeting. Full updates will be provided at the next meeting.</p>
1.02	<p><b>Current Developments and News</b></p> <p><i>Pension Board update</i></p> <p>The Clwyd Pension Board met on 23 February and the draft minutes are included in Appendix 1. The main items of discussion were responsible investment, cyber-crime and data improvement plans. The Board also received updates on areas such as asset pooling, business continuity, administration service delivery, and compliments and complaints. The next meeting is on 24 June.</p>
1.03	<p><i>National LGPS Scheme Advisory Board (SAB) Update</i></p> <p>The LGPS SAB met on 8 February and 10 May. At the point of writing the 10 May summary was not published but papers and an agenda for the meeting which covered the 2016 SAB Cost Management Process, climate change and reporting regulations, and the SAB's 2021/22 workplan and budget can be found here – <a href="http://lgpsboard.org/index.php/about-the-board/prev-meetings">http://lgpsboard.org/index.php/about-the-board/prev-meetings</a>.</p>
1.04	<p><i>The Pensions Regulator (TPR) New Code of Practice</i></p> <p>TPR are replacing their current Codes of Practice with a single new code of practice. The new code brings together 10 existing codes of practice, including Code of Practice 14 (the code of practice which applied to the LGPS), into a single (on-line) code which will apply to all UK pension schemes.</p> <p>TPR has issued its consultation on the new Code of Practice which ran for 10 weeks to 26 May 2021. The Fund has reviewed the new Code of Practice, prepared and submitted a response to the consultation which was approved under the delegation or responsibilities for urgent matters. The response has already been shared with Committee and Board members by email from the Pensions Administration Manager. .</p> <p>The key focus of the Fund's response to the consultation are requests for TPR to:</p> <ul style="list-style-type: none"> <li>• Collaborate with the other bodies which provide guidance and codes of practice for LGPS Funds (e.g. SAB and CIPFA) to ensure consistency in the standards expected from LGPS Funds</li> <li>• Provide further guidance on which modules within the new Code apply to the LGPS</li> </ul>

	<ul style="list-style-type: none"> <li>• Provide further guidance on where the responsibility (i.e. Scheme Manager, Pension Committee and or Pension Board) lies for compliance with the new Code</li> <li>• Set out how they intend to assess compliance with the Code and provide guidance on how Funds should demonstrate compliance with the new Code.</li> </ul> <p>TPR have indicated that they expect the final version to be issued in November 2021.</p>
1.05	<p><i>PLSA LGPS Best Practice Research</i></p> <p>The Pensions and Lifetime Savings Association (PLSA) has launched a new research project to look at the state of the nation – both areas of best practice, as well as the future challenges for the LGPS. The research is going to look at the biggest issues facing the LGPS including getting the guidance funds will need, attracting the talent they want, and reducing the burden of its administration from complex regulation.</p> <p>The research will have four main objectives:</p> <ul style="list-style-type: none"> <li>• To develop a comprehensive understanding of the major issues and challenges facing the operation of the scheme</li> <li>• To establish a base of understanding to measure against in future years</li> <li>• To identify best practices or gaps in effective operations and</li> <li>• To identify where additional clarity is needed from guidance from the regulators and the Government, and how the scheme may evolve in the future.</li> </ul> <p>The research will be conducted through a series of roundtables, a survey and case studies, as well as through the production of one of the PLSA’s biggest pieces of thought-leading policy work for 2021.</p> <p>The Head of Clwyd Pension Fund sits on the PLSA Local Authority Committee and is going to be part of the group managing this research.</p>
1.06	<p><b>Policy and Strategy Implementation and Monitoring</b></p> <p><i>Training Policy and Plan</i></p> <p>The Clwyd Pension Fund Training Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to:</p> <ul style="list-style-type: none"> <li>• have training on the key elements identified in the CIPFA Knowledge and Skills Framework</li> <li>• attend training sessions relevant to forthcoming business and</li> <li>• attend at least one day each year of general awareness training or events.</li> </ul> <p>Appendix 2 sets out the training plan for the Fund. Recent events included:</p> <ul style="list-style-type: none"> <li>• completion of a set of 7 induction sessions for new members of the Committee and Board,</li> </ul>

	<ul style="list-style-type: none"> <li>• Responsible Investment (RI) related training including on fossil fuels and the RI roadmap and</li> <li>• the external PLSA Annual Conference, which the Head of Clwyd Pension Fund spoke at.</li> </ul> <p>New dates for training added to the plan include:</p> <ul style="list-style-type: none"> <li>• the second session on the Fund’s flightpath taking place on 21 July</li> <li>• a WPP training session in July (date to be confirmed) relating to responsible investment indices, solutions and reporting</li> <li>• the LGC Pensions and Investment Summit which is taking place in Leeds on the 9 and 10 September 2021. This is scheduled to be a face to face event at the Royal Armouries in Leeds.</li> <li>• the LGA Fundamentals three day training (a date in each of October, November and December) with virtual options; these are generally aimed at newer members of Committees and Boards and the agendas are attached in Appendix 3.</li> </ul> <p>Officers will continue to be in touch with information as further training sessions and events become available. In the meantime if you wish to attend any of these events please contact the Deputy Head of Clwyd Pension Fund.</p>
1.07	<p><i>Recording and Reporting Breaches Procedure</i></p> <p>The Fund’s procedure requires that the Head of Clwyd Pension Fund maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 4 details the current breaches that have been identified.</p> <p>There are three new administration breaches (A21, A22 and A23) including two matters relating to errors by employers and an unfortunate data breach within the Fund's Administration Team, which we have self-referred to the Information Commissioner's Office. Although all serious in nature, none require reporting to the Pensions Regulator, mainly due to the processes around them being updated to avoid a repeat of the issue.</p> <p>Hafan Deg has now paid all outstanding contributions to March and therefore this breach (F38) has now been resolved. Their payment of contributions will continue to be monitored and consideration is being given to further engagement with the employer.</p>
1.08	<p><b>Delegated Responsibilities</b></p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. There has been one use of delegated responsibilities since the last Committee meeting which was to approve the Fund’s response to TPR’s new Code consultation as outlined in paragraph 1.04. The response was approved by the Chairman, the Corporate Finance Manager and the Head of Clwyd Pension Fund.</p>



	<b>Calendar of Future Events</b>
1.09	<p>Appendix 5 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates. Members should note the events taking place before the 1 September Committee meeting:</p> <ul style="list-style-type: none"> <li>• 23 June – CIPFA Pension Board Annual Event (Board members only)</li> <li>• 24 June – Pension Board meeting (Board members only)</li> <li>• 21 July – Flight Path Training (for all Committee and Board members).</li> </ul>

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

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>Appendix 6 provides the dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk register has been updated since it was last presented to the Committee in February and March (extracts were in the Business Plan). Members should note the reduction in several risks which is extremely positive.</p> <p>The main changes this month relate to:</p> <ul style="list-style-type: none"> <li>• Risk number 2: No or inappropriate decisions are made due to Governance (particularly at PFC) being poor - Given the good progress in delivering the Fund's training plan including completion of the induction training the Likelihood for this risk has been changed from Low to Very Low which matches the target.</li> <li>• Risk number 5: Externally led influence and change such scheme change (e.g. McCloud and £95k cap), national reorganisation, cybercrime, Covid-19 and asset pooling means the Fund's objectives/legal responsibilities are not met or are compromised - Given the solid management of the McCloud programme and in relation to the COVID-19 pandemic, the Likelihood for this risk has been reduced from Significant to Low. There still is uncertainty in relation to cybercrime (with ongoing work to appreciate the risks to the Fund) and an expected consultation on new asset pooling guidance so the risk is not quite on target but will continue to be monitored.</li> <li>• Risk number 6: Insufficient staff numbers (for various reasons) could result in services are not being delivered to meet legal and</li> </ul>

	<p>policy objectives – this is the governance risk that remains furthest from target. That being said this risk is also more in control is much more in control as a result of the solid management of the McCloud programme and in relation to the COVID-19 pandemic. Therefore the Likelihood has been changed from Significant to Low. It's not quite on target due to the ongoing vacant Governance Officer position and some further work to ensure succession planning is robust.</p>
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<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – Draft Pension Board minutes  Appendix 2 – Training plan  Appendix 3 – LGA Fundamentals training agenda  Appendix 4 – Breaches log  Appendix 5 – Calendar of future events  Appendix 6 – Risk Register</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Response to TPR New Code consultation – circulated by email from Pensions Administration Manager at beginning of June to all Committee and Board members.</p> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>Committee or PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) <b>Board, LPB or PB – Local Pension Board or Pension Board</b> – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR</p>

requirements and efficient and effective governance and administration of the Fund.

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

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

### **CLWYD PENSION FUND BOARD**

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

#### **THE BOARD:**

##### **Present:**

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams, Mr Phil Pumford

Employer Representatives: Mr Steve Gadd

#### **IN ATTENDANCE**

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

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

Mrs Debbie Fielder (Deputy Head Clwyd Pension Fund)

Ms Mary Lambe (Aon – Minute taker)

#### **Actions**

#### **1. APOLOGIES/ WELCOME**

Apologies received from Mr Steve Jackson, Employer Representative.

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

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

#### **2. DECLARATIONS OF INTEREST**

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

#### **3. MINUTES AND MATTERS ARISING**

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

**Actions**

**4. ACTION TRACKER**

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

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

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

**Board Secretary and Mrs Fielder**

**RESOLVED:**

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

**Board Secretary**

**5. PENSION BOARD BUDGET (AGENDA ITEM 22)**

Mrs Fielder provided an update and noted that:

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

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

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

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

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

He noted that:

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

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

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

## Actions

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

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

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

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



## Actions

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

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

**Mrs K Williams**

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

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

Investment:

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

Governance:

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

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

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

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

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

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

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

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

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

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

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

## **9. BUSINESS CONTINUITY (AGENDA ITEM 6)**

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

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

## **10. CYBER (AGENDA ITEM 7)**

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

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

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

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

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

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

**Board  
Secretary**

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

**Mrs  
Fielder**

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

**11. COMMITTEE AND BOARD TRAINING (AGENDA ITEM 8)**

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

**12. MCCLOUD REMEDY PROJECT (AGENDA ITEM 9)**

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

**13. DATA IMPROVEMENT PLAN (AGENDA ITEM 10)**

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

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

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

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

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

**Mrs K Williams**

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

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

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

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

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

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

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

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

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

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

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

**Board Secretary**

**17. RISK REGISTER (AGENDA ITEM 16)**

The Board had no comments on this area.

**18. BREACHES LOG (AGENDA ITEM 17)**

The Board had no comments on this area.

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

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

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

**Chair / Mr  
Pumford**

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

The Board noted there were no comments.

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

The Board noted there were no comments.

**22. FUTURE WORK PLANS**

The Board discussed items on the future workplan including:

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

***Action - to add to June 2021 agenda.***

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

***Action - to add to workplan***

**Board  
Secretary  
(all  
actions)**

## 23. FUTURE DATES

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

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

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

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

**Board members**

## 24. ANY OTHER BUSINESS

Noted that the next meeting of the Board is 24<sup>th</sup> June 2021.

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

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

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

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

**Board Secretary / Board**



**Clwyd Pension Fund**  
**Training Plan 2020/21 to 2021/22 - as at 02 June 2021**

External /CPF event	Title of session	Training Content	Timescale	Training Length	Audience	Complete
CPF	Investment considerations - Fossil Fuels	Briefing Session - RI Roadmap	26/05/2021	2 hours Webex	Committee, Pensions Board and Officers	
External	CIPFA LB Annual Event	Various	23/06/2021	1 day	Board Members	
CPF	Funding, Flight-Path and Risk Management Framework	Part 2 (reminder plus new content)	21/07/2021	Max 2 hours Webex/Teams	Committee, Pensions Board and Officers	
External	Responsible Investment Indices and Solutions /Responsible Investment Reporting	BlackRock / Hymans Robertson	Jul-21	TBC	Committee, Pensions Board and Officers	
CPF	Governance considerations - Cyber Security	Cyber risk to the fund and how this is being assessed and controlled	July - October 2021 (ahead of PFC where Cyber discussed)	Max 2 hours Webex/Teams	Committee, Pensions Board and Officers	
CPF	Governance update - Various	*The role and powers of <b>The Pensions Regulator and Codes of Practice</b> <b>*MIFID2</b> knowledge and skills requirements and The impact on The Fund around investment restrictions *Changes to be introduced as a result of The national <b>SAB good governance project</b>	Autumn 2021	Max 2 hours Webex/Teams	Committee, Pensions Board and Officers	
External	LGC Investment Summit - Leeds	Various topical presentations	9-10 September 2021	2 days (in person)	Committee, Pensions Board and Officers	
External	LGA Fundamentals - London, Leeds, Cardiff or virtual (for London dates only)	Various topics covering the basics of most pension fund areas of responsibility	Day 1 - 12, 21, 26 October Day 2 - 9, 18, 23 November Day 3 - 2, 8, 15 December Dates relate to London, Leeds, Cardiff respectively	3 separate days - 9.30am to 4pm	New/nearly new Committee and Board members	
External	LAPFF, Bournemouth	Annual Conference	6 - 8 Dec 2021	3 days (in person)	Chair plus Officer	
External	LGA	Annual Conference	20 - 21 Jan 2022	2 days (in person)	Committee, Pensions Board and Officers	
CPF	Administration considerations - Pension Scheme Taxation	Including lifetime allowance and annual allowance	TBC	30 mins - 1 hour est.	Committee, Pensions Board and Officers	
CPF	Administration considerations - £95k Cap	If applies to Wales, the new £95k cap and the impact on scheme members being given early retirement	TBC	Estimated at 30 mins	Committee, Pensions Board and Officers	
CPF	Administration considerations - Goodwin Case	Overview of Goodwin court case affecting widowers' pension entitlements retrospectively to 2005	TBC	Estimated at 30 mins	Committee, Pensions Board and Officers	
CPF	Investment considerations - Private Markets	All aspects of investing in Private Markets (addition to BP)	TBC	2 hours Webex	Committee, Pensions Board and Officers	
CPF	Investment considerations - investment strategy	Setting the strategy and delivery of Investment objectives	TBC	TBC	Committee, Pensions Board and Officers	
CPF	Investments considerations - Asset Classes	Risk and return characteristics	TBC	TBC	Committee, Pensions Board and Officers	
CPF	Governance considerations - Myners Principles	To include reviewing the effectiveness of the PF Committee	TBC	Estimated at 1 hour	Committee, Pensions Board and Officers	
<b>Previous events</b>						
External	CIPFA Local Pension Board Seminars	Spring Session	02/04/2020	1 day	Pensions Board	N
External	PLSA Local Authority Conference, Gloucestershire	Various - Held virtually over 5 days	18-20/05/2020	5 days	Committee, Pensions Board and Officers	N
External	SAB Webinar	Streamlining Data, Manging investment risks	01/06/2020	1 hour Webinar	Committee, Pensions Board and Officers	Y
External	CIPFA Local Pension Board Seminars	Annual Event	24/06/2020 - Webex	9.30 - 16.00	Pension Board	Y
External	Responsible Investing & Climate Risk	To frame the Funds response to Climate Risk and Responsible Investing and low carbon investments	25/06/2020	2 hours Webex	Committee, Pensions Board and Officers	Y
External	Room 151	Cost transparency/Stewardship/Green Energy	22/07/2020	2 hour Webinar	Committee, Pensions Board and Officers	Y
CPF	McCloud Reform	Background to the McCloud Reform and the programme of work to be undertaken	05/08/2020	2 hours Webex	Committee, Pensions Board and Officers	Y
CPF	McCloud -Impact for Employers	Specific training for Employers with regard to the impact of McCloud	11/08/2020	2 hours Webex	Officers, McCloud Steering Group (Pension Board and Scheme Member Rep - Committee)	Y
External	CIPFA McCloud Implementation Workshop	Impact on Administration and Members	19/08/2020 Webex	10 -13.00	Committee & Pensions Board	N

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## **Fundamentals - Day 1 – LEGAL FRAMEWORK OF THE LGPS**

- 9:30            **Registration and Coffee**
- 9:30            **Chair's introduction to the day**
- 10:00           **The Legal Landscape**
- The LGPS in its legal context
  - General local authority legal issues
  - LGPS specific duties and responsibilities
  - Wider duties and responsibilities
  - What happens when things go wrong?
- 11:15           **Break**
- 11:30           **Governance Framework**
- The Hutton report
  - The Public Service Pensions Act 2013
  - The law governing -
    - The responsible authority (MHCLG)
    - Scheme advisory board
    - Local pension board
    - Asset pools
- 12:45           **Lunch**
- 1:30            **Benefit Structure**
- The basis of the LGPS
  - Final salary v CARE schemes
  - A tour of the 2014 Scheme
  - Administering authority and scheme employer roles
- 2:15 to 4:00   **(Break at 2:45)**
- 3:00            **Investment Framework**
- The Management and Investment of Funds Regulations – a history
  - Statement of investment principles
  - Investment Strategy Statement (ISS)
  - ISS statutory guidance
  - Funding strategy statement
  - Annual reports and auditing
- 3:55            **Course Review and Further Information**
- 4:00            **Close**

## Fundamentals - Day 2 – LGPS INVESTMENTS

**9:30 Registration and refreshments**

**9:55 Introduction from the Chair**

**10:00 Investing strategically Part 1**

What is asset allocation and why it really drives return?

**10.40 Investing strategically Part 2**

What are the different asset classes and how do they work?

**11.20 Break**

**11.40 The climate challenge**

What are the options to minimise the risk of your portfolio to climate change and contribute to a low carbon world?

**12.40 Lunch**

**1.30 The stewardship challenge**

How to manage your managers and be an effective asset owner

**2.10 The impact challenge**

Taking account of the social impact of your investments and the opportunities to make a difference

**2.50 Break**

**3.10 The 'crystal ball' challenge**

The outlook for opportunities and risks over the medium and long term

**4:15 Close**

## **Fundamentals - Day 3 – DUTIES AND RESPONSIBILITIES**

- 9:30            **Registration and Coffee**
- 9:30            **Chair's introduction to the day**
- 10:00  
**members**            **Duties and responsibilities of Pension Committee and Board**
- The evolving requirements
  - Committee vs Board - delegation and representation
  - The governance budget
  - The Pension Regulator's involvement
  - Standing agenda items, breaches of law, knowledge and training
  - Bodies with oversight over the LGPS
- 11:00            **Break**
- 11:15            **Preparing and maintaining Scheme strategies and policies**
- Mandatory and desirable policies in the LGPS
  - How strategies and policies assist the scheme manager
- 12:00            **MHCLG – a view from the bridge**
- The role of the ministry
  - Issues on the radar
- 12:45            **Lunch**
- 1:30            **The Local Pension Board - a case study**
- How the local pension board can improve service delivery
  - Good practice, scrutiny and supporting the board
- 2:15 to 4:00    **(Break at 2:45)**
- 3:00            **Valuations, Exit Payments and Funding Valuation**
- The purpose of an actuarial valuation
  - Assets and liabilities
  - How do liability calculations work?
  - What assumptions are used?
- Funding**
- What is the importance of funding strategy?
  - Different employers – different characteristics and objectives
  - Employer covenants
- 3:55            **Course Review and Further Information**
- 4:00            **Close**

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<b>Ref</b>	A1	<b>Date entered in register</b>	19/09/2017
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Late notification of joining	<b>Owner</b>	SB
<b>Party which caused the breach</b>	CPF + various employers		
<b>Description and cause of breach</b>	<p>Requirement to send a Notification of Joining the LGPS to a scheme member within 2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled.</p> <p>Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale. 14/8/19 General data cleansing including year-end is affecting whether legal timescale is met. Individual on long-term sick impacting this.</p>		
<b>Category affected</b>	Active members		
<b>Numbers affected</b>	<p>2017/18: 2676 cases completed / 76% (2046) were in breach.  2018/19: 3855 cases completed / 66% (2551) were in breach.  2019/20:  - Q1 - 822 cases completed / 62% (507) were in breach  - Q2 - 750 cases completed / 46% (380) were in breach  - Q3 - 1086 cases completed / 55% (603) were in breach  - Q4 - 705 cases completed / 29% (207) were in breach</p> <p>2020/21  -Q1 - 442 cases completed / 55% (245) were in breach  -Q2 - 1430 cases completed / 56% (799) were in breach  -Q3 - 1329 cases completed / 29% (386) were in breach  -Q4 - 739 cases completed / 15% (114) were in breach</p>		
<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>- Late scheme information sent to member which may result in lack of understanding.</li> <li>- Potential complaints from members.</li> <li>- Potential for impact on CPF reputation.</li> </ul>		

<b>Actions taken to rectify breach</b>	<ul style="list-style-type: none"> <li>- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing).</li> <li>- Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly.</li> <li>- Training of new team members to raise awareness of importance of time restraint.</li> <li>- Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task.</li> <li>- 6/6/18 - Updating KPI monitoring to understand employers not sending information in time.</li> <li>3/6/19 - Review of staff resources now complete and new posts filled.</li> <li>14/8/19</li> <li>-Streamlining of aggregation cases with major employers.</li> <li>- Consider feasibility and implications of removing reminders for joining pack (agreed not to change).</li> <li>- Consider feasibility of whether tasks can be prioritised by date of joining (agreed not to change).</li> <li>14/11/19 - Utilising FCC trainees to assist with this procedure. Joined early September.</li> <li>30/01/2020 - backlog completed and addressed older case work.</li> <li>25/09/2020 - Appointed and training new members of staff</li> <li>17/11/2020 - Training of new staff continuing. An increase of cases completed compared to previous. Expecting next quarter results to improve due to completion of training.</li> <li>02/02/2021 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient.</li> </ul>
<b>Outstanding actions (if any)</b>	
<b>Assessment of breach and brief summary of rationale</b>	21/05/2021 - Improvements have continued. Further improvements expected in Q1. Number of cases that have breached remain too high to alter assessment of breach.
<b>Reported to tPR</b>	No

<b>Ref</b>	A2	<b>Date entered in register</b>	19/09/2017
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Late transfer in estimate	<b>Owner</b>	SB
<b>Party which caused the breach</b>	CPF + various previous schemes		
<b>Description and cause of breach</b>	<p>Requirement to obtain transfer details for transfer in, and calculate and provide quotation to member 2 months from the date of request.</p> <p>Breach due to late receipt of transfer information from previous scheme and late completion of calculation and notification by CPF. Only 2 members of team fully trained to carry out transfer cases due to new team structure and additional training requirements. 29/1/19 National changes to transfer factors meant cases were put on hold / stockpiled end of 2018 / early 2019.</p>		
<b>Category affected</b>	Active members		



<b>Numbers affected</b>	2017/18: 235 cases completed / 36% (85) were in breach. 2018/19:213 cases completed / 45% (95) were in breach. 2019/20: - Q1 - 51 cases completed / 59% (30) were in breach - Q2 - 56 cases completed / 29% (16) were in breach - Q3 - 53 cases completed / 21% (11) were in breach - Q4 - 64 cases completed / 21% (14) were in breach 2020/21 -Q1- 59 cases completed / 19% (11) were in breach -Q2- 54 cases completed / 35% (19) were in breach -Q3- 56 cases completed / 29% (16) were in breach - Q4-55 cases completed / 20% (11) were in breach
<b>Possible effect and wider implications</b>	- Potential financial implications on some scheme members. - Potential complaints from members/previous schemes. - Potential for impact on CPF reputation.
<b>Actions taken to rectify breach</b>	17/11/2020 - Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with in a more timely manner. 02/02/2021 - Training to continue. Complex area of work so training taking longer to complete. Training will continue through Q4. 21/05/2021 - Staff members attended external training course.
<b>Outstanding actions (if any)</b>	- Completion of training of team members in transfer and aggregation processes. 29/1/19: - If KPIs don't improve, investigate how much of the delay is due to external schemes and look for ways to improve this.
<b>Assessment of breach and brief summary of rationale</b>	21/05/2021 - Further improvements expected in Q1. Although number of breaches continue to improve, the number in breach remains too high to change the assessment level.
<b>Reported to tPR</b>	No

<b>Ref</b>	A4	<b>Date entered in register</b>	19/09/2017
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Late notification of retirement benefits	<b>Owner</b>	SB
<b>Party which caused the breach</b>	CPF + various employers + AVC providers		
<b>Description and cause of breach</b>	Requirement to provide notification of amount of retirement benefits within 1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age.  Due to a combination of: - late notification by employer of leaver information - late completion of calculation by CPF - for members who have AVC funds, delays in receipt of AVC fund values from AVC provider.		
<b>Category affected</b>	Active members mainly but potentially some deferred members		
<b>Numbers affected</b>	2017/18: 960 cases completed / 39% (375) were in breach. 2018/19: 1343 cases completed / 30% (400) were in breach 2019/20: - Q1 - 315 cases completed / 28% (87) were in breach - Q2 - 411 cases completed / 24% (99) were in breach - Q3 - 348 cases completed / 26% (93) were in breach - Q4 - 256 cases completed / 18% (47) were in breach 2020/21 - Q1 - 214 cases completed in total / 37% (79) were in breach - Q2 - 232 cases completed / 25% (59) were in breach - Q3 - 331 cases completed / 19% (63) were in breach -Q4 - 350 cases completed / 19% (68) were in breach		

<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF).</li> <li>- Potential complaints from members/employers.</li> <li>- Potential for impact on CPF reputation.</li> </ul>
<b>Actions taken to rectify breach</b>	<ul style="list-style-type: none"> <li>- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of retirees (ongoing).</li> <li>- Set up of ELT to monitor and provide leaver details in a more timely manner.</li> <li>- Prioritising of task allocation.</li> <li>- Set up of new process with one AVC provider to access AVC fund information.</li> <li>- Increased staff resources.</li> </ul> <p>3/6/19 - Review of staff resources now complete and new posts filled.  14/8/19 - Improvements have been made and more should be made as staff are settled in and trained. Business case approved.  25/09/20 - Increased engagement with employers to assist with challenges faced due to working from home in relation to Covid-19 requirements. Employers faced challenges in getting information to us in relevant timescales.  17/11/2020- Number of cases completed has increased whilst percentage in breach has reduced compared to last quarter. This is hoped to continue due to increased engagement with employers and processes amended to mitigate challenges faced by Covid-19.  02/02/21 - Completed case numbers continue to increase whilst percentage in breach has reduced again this quarter. Improved engagement with employers via new monthly reporting process should assist in reducing the number of breaches further in future quarters.  21/05/2021 - New reports to employers will go live in June so expected improvement in future quarters.</p>
<b>Outstanding actions (if any)</b>	<ul style="list-style-type: none"> <li>- Further training of newly promoted team member to deal with volume of work.</li> <li>- Identifying which employers are causing delays.</li> </ul> <p>14/11/19 Continuation of training.  30/1/2020 Ongoing liaison with employers and rolling out monthly monitoring.</p>
<b>Assessment of breach and brief summary of rationale</b>	21/05/2021 - Completed case numbers continue to increase whilst percentage in breach has remained the same. Assessment level to remain as amber. New reports will help to identify if CPF or employer responsible for breach.
<b>Reported to tPR</b>	No

<b>Ref</b>	A6	<b>Date entered in register</b>	20/09/2017
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Late notification of death benefits	<b>Owner</b>	SB
<b>Party which caused the breach</b>	CPF		
<b>Description and cause of breach</b>	<p>Requirement to calculate and notify dependant(s) of amount of death benefits as soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative).</p> <p>Due to late completion by CPF the legal requirements are not being met. Due to complexity of calculations, only 2 members of team are fully trained and experienced to complete the task.</p>		
<b>Category affected</b>	Dependant members + other contacts of deceased (which could be active, deferred, pensioner or dependant).		

<b>Numbers affected</b>	2017/18: 153 cases completed / 58% (88) were in breach. 2018/19: 184 cases completed / 30% (56) were in breach 2019/20: - Q1 - 33 cases completed / 24% (8) were in breach - Q2 - 41 cases completed / 34% (14) were in breach - Q3 - 49 cases completed / 26% (13) were in breach - Q4 - 42 cases completed / 28% (12) were in breach 2020/21 -Q1- 39 cases completed / 23% (9) were in breach -Q2- 52 cases completed / 38% (20) were in breach -Q3- 31 cases completed / 29% (9) were in breach -Q4- 73 cases completed / 21% (15) were in breach
<b>Possible effect and wider implications</b>	- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from beneficiaries, particular given sensitivity of cases. - Potential for impact on CPF reputation.
<b>Actions taken to rectify breach</b>	- Further training of team - Review of process to improve outcome - Recruitment of additional, more experienced staff. 3/6/19 - Review of staff resources now complete and new posts filled. 3/2/20 - Training of additional staff now complete.
<b>Outstanding actions (if any)</b>	3/2/21 - Further work required to identify where the delay falls e.g. request or receipt of information to facilitate the calculation of benefits.
<b>Assessment of breach and brief summary of rationale</b>	21/05/2021 - Number of completed cases increased and number in breach reduced. Breach rating to remain as green as expect numbers to reduce again next month (as small backlog had accumulated).
<b>Reported to tPR</b>	No

<b>Ref</b>	A9	<b>Date entered in register</b>	29/08/2018
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Late notification of leaver rights and options	<b>Owner</b>	SB/JT
<b>Party which caused the breach</b>	CPF + various employers		
<b>Description and cause of breach</b>	<p>Requirement to inform members who leave the scheme of their leaver rights and options, as soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member).</p> <p>Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale.</p>		
<b>Category affected</b>	Active members		

<b>Numbers affected</b>	2018/19: 3596 cases completed / 45% (1634) were in breach 2019/20: - Q1 - 541 cases completed / 6% (34) were in breach - Q2 - 391 cases completed / 6% (23) were in breach - Q3 - 541 cases completed / 6% (36) were in breach - Q4 - 306 cases completed / 3% (8) were in breach 2020/21 -Q1- 418 cases completed / 9% (37) were in breach - Q2 -313 cases completed / 2% (6) were in breach -Q3 - 311 cases completed / 1% (3) were in breach -Q4 - 592 cases completed / 0.17% (1) in breach
<b>Possible effect and wider implications</b>	- Late notification of benefits/costs to member/employer. - Potential complaints from members/employers. - Potential for missed opportunities by members/employers. - Potential for impact on CPF reputation.
<b>Actions taken to rectify breach</b>	- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of leavers (ongoing). - Set up of Employer Liaison Team (ELT) to monitor and provide leaver details in a more timely manner. - Training of new team members to raise awareness of importance of time restraint. - Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task. - 6/6/18 - Updating KPI monitoring to understand employers not sending information in time. 3/6/19 - Review of staff resources now complete and new posts filled. 14/8/19 - Ongoing streamlining of aggregation cases with major employers. - Consider feasibility of whether tasks can be prioritised by date of leaving (no action taken). - Carrying out backlogs of previous leavers (most of which are due to i-Connect roll out). 21/05/2021 - New reports to employers will go live in June so expected improvement in future quarters.
<b>Outstanding actions (if any)</b>	- Ongoing roll out of i-Connect. - Bedding in of new staff/ training. - Contacting employers which are causing delays. 28/1/19: - Introduce process to analyse specific employers causing problems. 3/2/21 '- Start providing monthly updates of problems with employers.
<b>Assessment of breach and brief summary of rationale</b>	21/05/2021 - Number of cases increased and number of breaches reduced to only 1. Rating will remain green and expect to close this breach if remain within legal timescales next quarter.
<b>Reported to tPR</b>	No

<b>Ref</b>	A19	<b>Date entered in register</b>	17/08/2020
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	21/05/2021
<b>Title of Breach</b>	TUPE process not followed correctly	<b>Owner</b>	KW
<b>Party which caused the breach</b>	Employer		
<b>Description and cause of breach</b>	TUPE process not followed as employer unsure of procedures and didn't realise their responsibilities.		
<b>Category affected</b>	Active members		
<b>Numbers affected</b>	12 employees		

<b>Possible effect and wider implications</b>	Contributions may be being deducted by new employer even though not officially approved as a CPF employer. Members may not be aware of situation (they possibly think they are in the CPF but our records do not reflect this). Risk of reputational impact for employer and CPF. Potential complaints from employees.
<b>Actions taken to rectify breach</b>	17/11/2020 - Meeting held between originating employer, legal advisor, benefit advisor and members of CPF to resolve breach and devise action plan.
<b>Outstanding actions (if any)</b>	
<b>Assessment of breach and brief summary of rationale</b>	21/05/2021 - Outstanding actions complete and breach can be closed
<b>Reported to tPR</b>	No

<b>Ref</b>	A20	<b>Date entered in register</b>	03/02/2021
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Members not entered into LGPS	<b>Owner</b>	KW
<b>Party which caused the breach</b>	Employer		
<b>Description and cause of breach</b>	Number of employees entered into the Peoples' Pension, rather than the LGPS, by their employer (confidential until all employees are communicated with). Some employees did opt out of Peoples' Pension.		
<b>Category affected</b>	Active members		
<b>Numbers affected</b>	18 employees		
<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>- As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively.</li> <li>- Unclear if the employees who opted out, would have also opted out of the LGPS.</li> <li>- LGPS Contributions will need to be collected from employer and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period.</li> <li>- Employer will need to liaise with Peoples' Pension to reverse membership there.</li> </ul>		
<b>Actions taken to rectify breach</b>	<p>3/2/2021 - Liaising with employer to determine how best to put employees back in correct position. Letters sent to members to explain</p> <p>21/05/2021 - Regular meetings held with employer and have an action plan in place. Exact number of 18 members have now been identified.</p>		
<b>Outstanding actions (if any)</b>	26/5/2021 - Action plan to now be delivered.		
<b>Assessment of breach and brief summary of rationale</b>	21/05/2021 - Exact number of members impacted now identified as 18. Assessment of breach to remain as amber.		
<b>Reported to tPR</b>	No		

<b>Ref</b>	A21	<b>Date entered in register</b>	21/05/2021
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Data Breach	<b>Owner</b>	KW
<b>Party which caused the breach</b>	CPF		
<b>Description and cause of breach</b>	265 Pension Increase letters contained details relating to another member on the reverse side. This was as a result of the printing being out of order. Error not noticed internally and CPF unaware until member rang to question.		
<b>Category affected</b>	Pensioner members.		
<b>Numbers affected</b>	265 pensioner members		

<b>Possible effect and wider implications</b>	-As a result the letters that the pension members received in Welsh relate to another member and their information has been printed on the Welsh translation of another member's letter. Details on the letter included Name, address, pension reference number and annual amount of pension. - Reputational risk - Causing worry and distress to members concerned
<b>Actions taken to rectify breach</b>	21/05/2021 - All members concerned have received an apology letter and the correct Pension Increase letter - Breach reported to the internal Information Officer - Self- referral to the Information Commissioners Office
<b>Outstanding actions (if any)</b>	21/05/2021 - awaiting outcome of ICO report
<b>Assessment of breach and brief summary of rationale</b>	21/05/2021 - Despite the large number of members affected and the seriousness of the issue, it is a one off error and processes have now been revised to ensure it doesn't happen again. Therefore it is an amber assessment.
<b>Reported to tPR</b>	No

<b>Ref</b>	A22	<b>Date entered in register</b>	21/05/2021
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Members not entered into LGPS	<b>Owner</b>	KW
<b>Party which caused the breach</b>	Glyndwr		
<b>Description and cause of breach</b>	Number of employees entered into alternative pension schemes, rather than the LGPS, by Glyndwr.		
<b>Category affected</b>	Active members		
<b>Numbers affected</b>	6 employees		
<b>Possible effect and wider implications</b>	- As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively. - LGPS Contributions will need to be collected from employer and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period. - Employer will need to liaise with alternative provider to reverse membership there.		
<b>Actions taken to rectify breach</b>	21/05/2021- Liaising with employer to determine how best to put employees back in correct position and detailed plan of actions has been developed. Letters sent to members to explain		
<b>Outstanding actions (if any)</b>	26/5/2021 - Action plan to now be delivered.		
<b>Assessment of breach and brief summary of rationale</b>	21/05/2021 - Small number of employees affected and still determining individual resolutions.		
<b>Reported to tPR</b>	No		

<b>Ref</b>	A23	<b>Date entered in register</b>	21/05/2021
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Incorrect member contributions paid	<b>Owner</b>	KW
<b>Party which caused the breach</b>	Employer		
<b>Description and cause of breach</b>	When employees are stepping up from their substantive post to higher graded post, incorrect employee and employer contributions have been made. This is due to an incorrect recording on the payroll system.		
<b>Category affected</b>	Active and Deferred		
<b>Numbers affected</b>	25 current and previous employees		



<b>Possible effect and wider implications</b>	- As a result the employees may have less valuable pension rights, and so LGPS CARE pay and contributions will need to be checked and difference in contributions paid retrospectively. - LGPS Contributions will need to be collected from employer, and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period.
<b>Actions taken to rectify breach</b>	21/05/2021- Process has been updated to ensure correct contributions/CARE pay going forward. - Liaising with employer to determine how best to put employees back in correct position retrospectively and letters to be sent to members to explain.
<b>Outstanding actions (if any)</b>	21/05/2021 - Detailed plan of specific actions and communications being developed.
<b>Assessment of breach and brief summary of rationale</b>	21/05/2021 - Small number of employees affected and still clarifying impact.
<b>Reported to tPR</b>	No

<b>Ref</b>	F38	<b>Date entered in register</b>	21 Jan 2021
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	08 Feb 2021
<b>Title of Breach</b>	Late payment of contributions	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Hafan Deg (K L Care Ltd)		
<b>Description and cause of breach</b>	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions.  Contributions in relation to November and December 2020 were not received within the deadline. Previous Breach F37		
<b>Category affected</b>	Active members and employer		
<b>Numbers affected</b>	2 active members		
<b>Possible effect and wider implications</b>	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
<b>Actions taken to rectify breach</b>	- 21/01/21 emailed Employer to request payment		
<b>Outstanding actions (if any)</b>	8/2/21 No outstanding actions. Payment now received.		
<b>Assessment of breach and brief summary of rationale</b>	8/2/21 November and December payments were received on 8th February. Will continue to monitor the situation for further delays in payments.		
<b>Reported to tPR</b>	No		

<b>Ref</b>	F39	<b>Date entered in register</b>	23 Feb 2021
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	24 Feb 2021
<b>Title of Breach</b>	Late payment of contributions	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Hafan Deg (K L Care Ltd)		
<b>Description and cause of breach</b>	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions.  Contributions in relation to January 2021 were not received within the deadline. Previous Breach F38		
<b>Category affected</b>	Active members and employer		
<b>Numbers affected</b>	2 active members		

<b>Possible effect and wider implications</b>	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.
<b>Actions taken to rectify breach</b>	- 23/02/21 emailed Employer to request payment
<b>Outstanding actions (if any)</b>	24/2/21 No outstanding actions. Payment now received.
<b>Assessment of breach and brief summary of rationale</b>	24/02/21 - Amber due to previous issues but January payment now received. Will continue to monitor the situation for further delays in payments.
<b>Reported to tPR</b>	No

<b>Ref</b>	F40	<b>Date entered in register</b>	23 Mar 2021
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	30 Mar 2021
<b>Title of Breach</b>	Late payment of contributions	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Hafan Deg (K L Care Ltd)		
<b>Description and cause of breach</b>	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions.  Contributions in relation to February 2021 were not received within the deadline. Previous Breach F39		
<b>Category affected</b>	Active members and employer		
<b>Numbers affected</b>	2 active members		
<b>Possible effect and wider implications</b>	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
<b>Actions taken to rectify breach</b>	- 23/03/21 emailed Employer to request payment		
<b>Outstanding actions (if any)</b>	30/3/21 No outstanding actions. Payment now received.		
<b>Assessment of breach and brief summary of rationale</b>	30/03/21 - Amber due to previous issues but February payment now received. Will continue to monitor the situation for further delays in payments.		
<b>Reported to tPR</b>	No		

<b>Ref</b>	F41	<b>Date entered in register</b>	23 Apr 2021
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	30 Apr 2021
<b>Title of Breach</b>	Late payment of contributions	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Hafan Deg (K L Care Ltd)		
<b>Description and cause of breach</b>	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions.  Contributions in relation to March 2021 were not received within the deadline. Previous Breach F40		
<b>Category affected</b>	Active members and employer		
<b>Numbers affected</b>	2 active members		
<b>Possible effect and wider implications</b>	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
<b>Actions taken to rectify breach</b>	- 23/04/21 emailed Employer to request payment		
<b>Outstanding actions (if any)</b>	30/4/21 No outstanding actions. Payment now received.		
<b>Assessment of breach and brief summary of rationale</b>	30/04/21 - Despite previous issues March payment now received and April 2021 payment received on time.		



Reported to tPR	No
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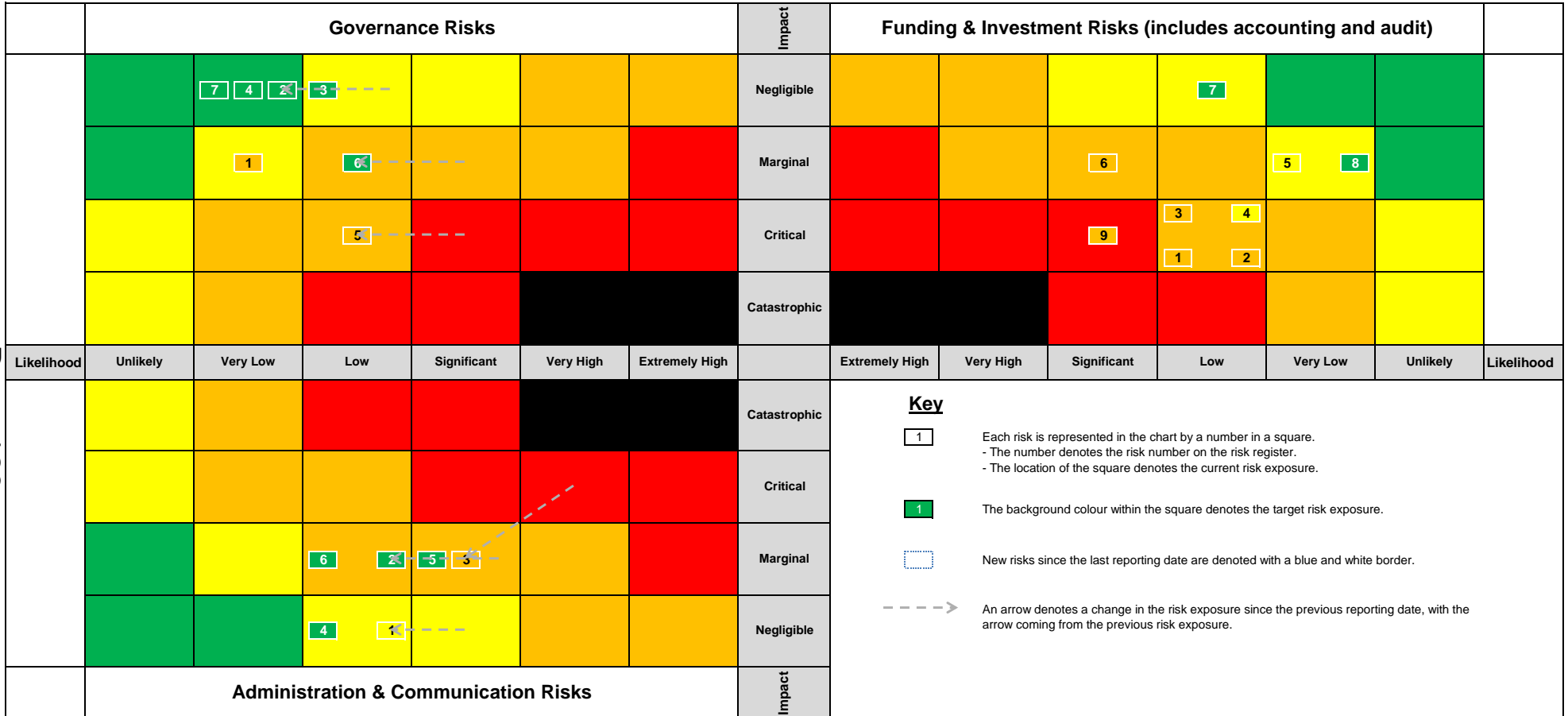
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CLWYD PENSION FUND - CALENDAR OF EVENTS APRIL 2021 ONWARDS						
Month	Date	Day	Committee	Training	Pension Board	Location
<b>2021</b>						
<b>April</b>						
	07-Apr	Wed		Induction Training Investment Practice 2pm - 4pm		Virtual
	21-Apr	Wed		Flight Path Training Part I 10am - 12pm		Virtual
	21-Apr	Wed		Induction Training Administration 2pm - 4pm		Virtual
	21-Apr	Wed		WPP Training Private Markets/ Legal Structures 2pm - 4pm		Virtual
	28-Apr	Wed		Induction Training Accounting Audit & Procurement 2pm - 4pm		Virtual
<b>May</b>						
	05-May	Wed		Induction Training Communication 2pm - 4pm		Virtual
	12-May	Wed		Fossil Fuel Training 12.30pm - 2pm		Virtual
	18 - 19 May	Tues - Wed		PLSA LGPS Annual Conference		Virtual
	26-May	Wed		Responsible Investment Roadmap 2pm - 4pm		Virtual
<b>June</b>						
	09-Jun	Wed	9.30am - 11.30am			Virtual
	23-Jun	Wed		CIPFA Pension Board Event		Virtual
	24-Jun	Thu			9.30am - 3pm	Virtual
<b>July</b>						
	TBC			WPP RI Indices and Reporting		Virtual
	21-Jul	Wed		Flight Path Training Part II TBC		Virtual
<b>Sept</b>						
	01-Sep	Wed	9.30am - 11.30am			Virtual
	9 - 10 Sept	Thur - Fri		LGC Investment Seminar		Leeds
<b>Oct</b>						
	12 Oct 21 Oct 26 Oct			LGA Fundamentals Day 1		London Leeds Cardiff
<b>Nov</b>						
	10-Nov	Wed	9.30am - 11.30am			
	9 Nov 18 Nov 23 Nov			LGA Fundamentals Day 2		London Leeds Cardiff
<b>Dec</b>						
	6 - 8 Dec	Mon - Wed		LAPFF Annual Conference		Bournemouth
	2 Dec 8 Dec 15 Dec			LGA Fundamentals Day 3		London Leeds Cardiff

Month	Date	Day	Committee	Training	Pension Board	Location
<b>2022</b>						
<b>Jan</b>						
	20 - 21 Jan	Thurs - Fri		LGA Annual Conference		Bournemouth
<b>Feb</b>						
	09-Feb	Wed	9.30am - 11.30am			TBC
<b>Mar</b>						
	16-Mar	Wed	9.30am - 11.30am			

All Fund Risk Heat Map and Summary of Governance Risks

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**Clwyd Pension Fund - Control Risk Register**  
**Governance Risks**

Objectives extracted from Governance Policy (03/2017), Training Policy (11/2015) and Procedures for Reporting Breaches of the Law (11/2015)

- G1 Act in the best interests of the Fund's members and employers
- G2 Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- G3 Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- G4 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- G5 Understand and monitor risk
- G6 Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- G7 Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
- T1 Ensure that the Clwyd Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.
- T2 Those persons responsible for governing the Clwyd Pension Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.
- B1 Ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report.
- B2 Assist in providing an early warning of possible malpractice and reduce risk.

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	
1	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately considered (recognising that many risks can be identified but not managed to any degree of certainty)	All	Marginal	Very Low	Yellow	<ul style="list-style-type: none"> <li>1 - Risk policy in place</li> <li>2 - Risk register in place and key risks/movements considered quarterly and reported to each PFC</li> <li>3 - Advisory panel meets at least quarterly discussing changing environment etc</li> <li>4 - Fundamental review of risk register annually</li> <li>5 - TPR Code Compliance review completed annually</li> <li>6 - Annual internal and external audit reviews</li> <li>7 - Breaches procedure also assists in identifying key risks</li> </ul>	Marginal	Low	Orange	☺			None	Head of CPF	31/10/2021	26/01/2021	
2	Inappropriate or no decisions are made	Governance (particularly at PFC) is poor including due to: <ul style="list-style-type: none"> <li>- short appointments</li> <li>- poor knowledge and advice</li> <li>- poor engagement /preparation / commitment</li> <li>- poor oversight</li> </ul>	G1 / G2 / G3 / G4 / G5 / G6 / G7	Negligible	Very Low	Green	<ul style="list-style-type: none"> <li>1 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge</li> <li>2 - Oversight by Local Pension Board</li> <li>3 - Annual check against TPR Code</li> <li>4 - Training Policy, plan, monitoring (regular self assessments) and induction training in place for PFC and PB members based on CIPFA Code/Framework</li> <li>5 - There is a range of professional advisors covering all Fund responsibilities guiding the PFC, PB and officers in their responsibilities, with formal Advisory Panel</li> <li>6 - Terms of reference for the Committee in the Constitution allows for members to be on the Committee for between 4-6 years but they can be re-appointed</li> <li>7 - Different categories of Committee and Board members have different end of term dates, to ensure continuity</li> <li>8 - Approved schedule of officer delegations, including ability for urgent matters to be agreed outside of formal Committee (involving Chair of PFC)</li> <li>9 - Regular Covid catch ups taking place with senior managers and advisers to consider/manage impact on Fund</li> <li>10 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible</li> </ul>	Negligible	Very Low	Green	☺			1 - Further self assessment of training needs to be carried out in 2021/22 (PL)	Head of CPF	31/10/2021	28/05/2021	
3	Our legal fiduciary responsibilities are not met	Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers	G1 / G2 / G4 / G6 / T2	Negligible	Low	Yellow	<ul style="list-style-type: none"> <li>1 - CPF Conflicts of Interest Policy focussed on fiduciary responsibility regularly discussed and reviewed</li> <li>2 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge</li> <li>3 - All stakeholders to which fiduciary responsibility applies represented at PFC and PB</li> <li>4 - Training Policy, Plan, monitoring (regular self assessments) and induction training in place for PFC and PB members including training on fiduciary responsibility and the CPF Conflicts Policy</li> <li>5 - There is a range of professional advisors covering all Fund responsibilities guiding the PC, PB and officers in their responsibilities, with formal Advisory Panel</li> <li>6 - Clear strategies and policies in place with Fund objectives which are aligned with fiduciary responsibility</li> <li>7 - WPP Conflicts of Interests Policy in place</li> </ul>	Negligible	Very Low	Green	☺	Current likelihood 1 too high	26/01/2021	Dec 2021	1 - Ensure appropriate due diligence process for investments with potential conflict (Welsh or local) (PL)	Head of CPF	31/10/2021	26/01/2021
4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	G2 / G7	Negligible	Very Low	Green	<ul style="list-style-type: none"> <li>1- Range of policies in place and all reviewed at least every three years</li> <li>2 - Review of policy dates included in business plan</li> <li>3 - Monitoring of all objectives at least annually (work in progress)</li> <li>4 - Policies stipulate how monitoring is carried out and frequency</li> <li>5 - Business plan in place and regularly monitored</li> </ul>	Negligible	Unlikely	Green	☺	Current likelihood 1 too high	01/07/2016	Oct 2021	1- Ensure work relating to annual monitoring is completed and included in PFC papers (DF)	Dep. Head of CPF	30/06/2021	28/05/2021
5	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such scheme change (e.g. McCloud and E95k cap), national reorganisation, cybercrime, Covid-19 and asset pooling	G1 / G4 / G6 / G7	Critical	Low	Orange	<ul style="list-style-type: none"> <li>1 - Continued discussions at AP, PFC and PB regarding this risk</li> <li>2 - Involvement of CEO / links to WLGA and WG</li> <li>3 - Fund's consultants involved at national level/regularly reporting back to AP/PFC</li> <li>4 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring)</li> <li>5 - Asset pooling IAA in place</li> <li>6 - Officers on Wales Post OWG, and Pension Board Chair attending WPP LPB Chair meetings</li> <li>7 - Ongoing monitoring of cybercrime risk by AP</li> <li>8 - McCloud planning undertaken and full programme management in place</li> <li>9 - Regular Covid catch ups taking place with senior managers and advisers to consider/manage impact on Fund</li> <li>10 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible</li> </ul>	Marginal	Low	Orange	☹	Current impact 1 too high	28/02/2017	Dec 2021	<ul style="list-style-type: none"> <li>1 - Regular ongoing monitoring by AP to consider if any action is necessary around asset pooling, cost cap, E95k cap and McCloud judgement (PL)</li> <li>2 - Identify further actions to manage Cybercrime risk (PL)</li> <li>3 - Refresh and document business continuity assessments/procedures (KW)</li> </ul>	Head of CPF	31/10/2021	28/05/2021
6	Services are not being delivered to meet legal and policy objectives	Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades.	G3 / G6 / G7 / T1	Marginal	Low	Orange	<ul style="list-style-type: none"> <li>1 - Fundamental review of succession planning and resources carried out over 2017 to 2020 and new structures put in place</li> <li>2 - Ongoing task/SLA reporting to management AP/PFC/LPB to quickly identify issues</li> <li>3 - Quarterly update reports consider resourcing matters</li> <li>4 - Consultants provide back up when required</li> <li>5 - Additional resources, such as outsourcing, considered as part of business plan</li> <li>6 - Impact of potential Covid absences being discussed regularly ensuring priority work continues unaffected</li> <li>7 - Resourcing regularly considered as part of major projects (e.g. McCloud)</li> </ul>	Negligible	Very Low	Orange	☹	Current impact 1 too high Current likelihood 1 too high	01/07/2016	Dec 2021	<ul style="list-style-type: none"> <li>1 - Recruit to vacant governance and business role (PL)</li> <li>2 - Ongoing consideration of business continuity including succession planning (PL)</li> </ul>	Head of CPF	31/08/2021	28/05/2021
7	Legal requirements and/or guidance are not complied with	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches)	G3 / G6 / T1 / T2 / B1 / B2	Negligible	Very Low	Green	<ul style="list-style-type: none"> <li>1 - TPR Code Compliance review completed annually</li> <li>2 - Annual internal and external audit reviews</li> <li>3 - Breaches procedure also assists in identifying non-compliance areas (relevant individuals provided with a copy and training provided)</li> <li>4 - Training policy in place (fundamental to understanding legal requirements)</li> <li>5 - Use of nationally developed administration system</li> <li>6 - Documented processes and procedures</li> <li>7 - Strategies and policies often included statements or measures around legal requirements/guidance</li> <li>8 - Wide range of advisers and AP in place</li> <li>9 - Independent adviser in place including annual report which will highlight concerns</li> <li>10 - Outstanding actions relating to TPR Code reviewed regularly</li> </ul>	Negligible	Very Low	Green	☺			1 - Further documented processes (as part of TPR compliance) e.g. contribution payment failure (DF)	Head of CPF	31/1/0/21	24/09/2020	



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 June 2021
<b>Report Subject</b>	Administration and Communications Update
<b>Report Author</b>	Pensions Administration Manager

### EXECUTIVE SUMMARY

An administration and communications update is on each quarterly Committee agenda and includes a number of administration and communications related items for information or discussion. The last update report was provided at the February Committee meeting, therefore this update report includes matters since that date.

This update includes matters that are mainly for noting, albeit comments are clearly welcome.

The report includes updates on:

- Current Developments and News – this includes updates relating to the McCloud Programme and the annual Satisfaction Survey.
- Day to day tasks and key performance indicators – showing the position to end of April 2021.
- Communications –An update on the usage of the Fund's Member Self-Service (MSS) facility and details of employer engagement and communications sent.
- Update to the Fund's risk dashboard and changes to the administration and communications risks since the last meeting.

### RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
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## REPORT DETAILS

1.00	<b>ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS</b>
1.01	<b>Business Plan 2020/21 Update</b>  As we are only partly way through quarter one, an update against the current business plan is not provided at this time. A full update will be given at the next Committee meeting.
1.02	<b>Current Developments and News</b>  The following details developments and news in addition to business as usual  <i>McCloud Programme update</i> <b>LGPS Regulations</b> – A Written Ministerial Statement was issued on the 13 <sup>th</sup> May 2021 and confirmed the following points: <ul style="list-style-type: none"><li>○ Underpin protection will apply to LGPS members who meet the revised qualifying criteria, principally that they were active in the scheme on 31st March 2012 and subsequently had membership of the career average scheme without a continuous break in service of more than five years.</li><li>○ A ‘two stage process’ will apply for assessing the underpin so that, where there is a gap between a member’s last day of active membership and the date they take their pension, members can be assured they are getting the higher benefit.</li><li>○ Scheme regulations giving effect to the above changes will be retrospective to 1st April 2014.</li><li>○ A full Government response, containing further details will be published later this year. This will include the Government’s decision on whether members will be expected to meet the underpin qualifying criteria in a single period of scheme membership for the underpin to apply (which means that if they have multiple periods of employment, they may need to aggregate them into one single period of scheme membership).</li><li>○ It is anticipated that regulations giving effect to these changes will be made after new primary legislation in relation to public service pensions has completed its passage through Parliament and the Government’s intention is that regulations will come into force on 1st April 2023.</li></ul> The main observations from the statement are: <ul style="list-style-type: none"><li>○ In relation to the proposed underpin qualifying criteria, as part of the consultation response, CPF expressed concerns about the “cliff edge” situation for some members – an active member on 31<sup>st</sup> March 2012 is included for the McCloud remedy, whereas an active member on 1<sup>st</sup> April 2012 is excluded. However this has not been accepted as the 31<sup>st</sup> March 2012 qualifying date remains.</li></ul>



- If Annual Benefit Statements are required to show an underpin value (which we think is reasonably likely given the delay in the making of the regulations), there is a strong likelihood of the value changing or diminishing on leaving active membership or at retirement. This may lead to challenge, and was highlighted in the CPF consultation response.
- There is no reference to draft regulations being in place to enable software suppliers to work on any system solutions prior to the implementation of the new regulations. More detail may follow, but there is no confirmation in the Statement.

CPF McCloud Programme Progress - An update on the progress of the Clwyd Pension Fund McCloud programme is attached as Appendix 1. The programme currently has an overall health status of green, meaning that it is largely on track. Following the Ministerial Statement release a formal decision was made at the Programme Management Group (PMG) meeting to continue with the programme as planned as nothing in the statement impacts on the planned work for the foreseeable future. A review of the risks has resulted in the assessment of a number of risks being reduced. This is a result of good engagement from employers, and recruitment and training progressing as planned.

#### *Other updates*

- The Technical and Payroll team have successfully completed the Year End process and are now working towards the production of the Annual Benefit Statements. The format of these statements have been improved for those members using Member Self Service (MSS) to view their documents.
- The Pension Administration Manager has continued to attend meetings with fellow Pension Administration Managers and Industry Specialists. The main agenda items for these meetings include the well-being and productivity of staff members during the current working from home conditions and the impact that the McCloud ruling and the National Pension Dashboard will have upon administration.
- The Communications team has issued a satisfaction survey to employers and members requesting feedback on service delivery. Please see Appendix 2 for a summary of the results. Whilst responses were mainly positive, further engagement is required to increase the number of surveys that are returned. This will provide greater clarity on whether the CPF is meeting its objectives set out in both the Administration and Communication strategies. Based on the member results, additional efforts are required to promote the scheme. An exercise is planned for later in the year to increase MSS registration; this exercise will address the feedback from scheme members.
- The Employer Liaison Team has continued to work with FCC IT colleagues to develop a solution to assist FCC payroll to extract and manipulate member data. This is in response to the McCloud ruling requirements. If successful, this will provide a

	<p>solid foundation for future collaborations and pooling of specialist knowledge and resource for future projects.</p> <ul style="list-style-type: none"> <li>○ The Technical and Payroll team are currently testing a new product as part of the Fund's Altair administration system that will provide additional reporting functionality including greater internal control in the production of results required for The Pension Regulator annual survey of data quality. It is proposed that the product will go live in June 2021.</li> <li>○ Prudential, who provide an Additional Voluntary Contributions (AVC) facility for the Fund, is continuing to have difficulties in providing a prompt service to their customers. The issues include delays in processing payments for scheme members who are retiring and in answering emails. It appears that delays in AVCs being applied to scheme members accounts are now resolved and Prudential has assured us that there will be no loss of investment growth to scheme members as AVCs will be retrospectively deposited in accounts. Prudential has also been compensating members for other delays such as in relation to delayed retirement payments. The CPF Pensions Administration Manager and Operations Principal Pensions Officer continue to have ongoing communications with the Prudential Client Manager albeit the delays in Prudential responding to emails does make this difficult. This is a matter that is affecting all LGPS administering authorities who use Prudential.</li> </ul>
1.03	<p><b>Policy and Strategy Implementation and Monitoring</b></p> <p><i>Administration Strategy</i></p> <p>The draft Administration Strategy was approved, subject to consultation, at the March Committee meeting. The strategy was sent to all employers for consultation as agreed together with further information relating to their responsibilities. No comments were received in relation to Strategy and it has therefore been finalised using the delegated powers agreed at the March meeting.</p>
1.04	<p>The latest monitoring information in relation to administration is outlined below:</p> <ul style="list-style-type: none"> <li>• Day to day cases – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis up to and including April 2021 this year and also covering the last three years. The data is split in relation to our three unitary authorities and all other employers. The number of cases completed by the team since the last update report in February has again been higher than the number of cases being created due to incoming work. This has resulted in the number of outstanding cases continuing to fall and is now at its lowest since we started monitoring this information. Training is progressing well for the recently recruited staff which has contributed towards the higher number of cases being completed on a monthly basis.</li> <li>• Key performance indicators – Appendix 4 shows our performance against the key performance indicators that are measured on a monthly basis up to April 2021. The charts illustrate that there has been improvement in some areas. There has however, been a decline in performance relating to transfers in particular. Although the target has not been met, the number of actual cases completed has increased.</li> </ul>

	<p>Additional training sessions have taken place to increase knowledge and skill in this area which in turn will improve efficiency.</p> <ul style="list-style-type: none"> <li>The continuation of training in a number of key areas will drive performance against KPI targets to improve. Focus continues on improving the legal requirements timescales in addition to ensuring internal targets are met and as part of this, all employers are being sent their first monthly reports showing how they have performed against three key service standard targets.</li> </ul>																																																												
1.05	<p><i>Internal dispute resolution procedures</i></p> <p>There is still one outstanding Stage One IDRP case for 2019/2020. The IDRP relates to the tier of ill health awarded by the employer. The Stage One IDRP representative and employer are awaiting a medical report in order to make a final decision and this has been delayed due to COVID-19.</p> <p>An overview of IDRP cases for 2020/2021:</p> <ul style="list-style-type: none"> <li>There were five Stage One appeals against employers, all relating to ill health retirement issues. By the end of 2020/2021 two had been rejected and three were still outstanding.</li> <li>During 2020/2021 we received one Stage Two appeal against an employer regarding ill health retirement. This appeal was rejected.</li> </ul> <p>In relation to the cases outstanding for 2021/2022:</p> <ul style="list-style-type: none"> <li>There is one Stage One appeal against an employer for non-award of redundancy pension when the member believes they have been made redundant. This appeal is ongoing.</li> <li>Currently, no Stage Two appeals have been made by any members.</li> </ul> <table border="1" data-bbox="316 1272 1388 1736"> <thead> <tr> <th></th> <th colspan="4">2020/2021</th> </tr> <tr> <th></th> <th>Received</th> <th>Upheld</th> <th>Rejected</th> <th>Ongoing</th> </tr> </thead> <tbody> <tr> <td>Stage 1 - Against Employers</td> <td>5</td> <td>0</td> <td>2</td> <td>3</td> </tr> <tr> <td>Stage 1 - Against Administering Authority</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Stage 2 - Against Employers</td> <td>1</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Stage 2 - Against Administering Authority</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <th></th> <th colspan="4">2021/2022</th> </tr> <tr> <th></th> <th>Received</th> <th>Upheld</th> <th>Rejected</th> <th>Ongoing</th> </tr> <tr> <td>Stage 1 - Against Employers</td> <td>1</td> <td>0</td> <td>0</td> <td>1</td> </tr> <tr> <td>Stage 1 - Against Administering Authority</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Stage 2 - Against Employers</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Stage 2 - Against Administering Authority</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>There are no CPF cases that are currently with the Pensions Ombudsman.</p>		2020/2021					Received	Upheld	Rejected	Ongoing	Stage 1 - Against Employers	5	0	2	3	Stage 1 - Against Administering Authority	0	0	0	0	Stage 2 - Against Employers	1	0	1	0	Stage 2 - Against Administering Authority	0	0	0	0		2021/2022					Received	Upheld	Rejected	Ongoing	Stage 1 - Against Employers	1	0	0	1	Stage 1 - Against Administering Authority	0	0	0	0	Stage 2 - Against Employers	0	0	0	0	Stage 2 - Against Administering Authority	0	0	0	0
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1.06	<p><i>Communications Strategy</i></p> <p>The Communications Team has maintained regular engagement with employers and scheme members over recent months. The following communications have been provided since the last update:</p> <ul style="list-style-type: none"> <li>Thirteen emails have been sent to all employers providing information in relation to various matters including the new</li> </ul>																																																												

	<p>contribution bandings for 2021/2022, McCloud, exit payment reform (including the £95k cap), Prudential issues update.</p> <ul style="list-style-type: none"> <li>• The Clwyd Catch Up newsletter and Pension Increase letters were issued to all Pensioner and Dependant members in line with their method of communication preference.</li> <li>• All Pensioner and Dependant members have received their annual P60.</li> </ul>
1.07	<p>Other key points in relation to communications include:</p> <ul style="list-style-type: none"> <li>• A number of meetings have taken place with scheme members who recently transferred from Flintshire County Council employment to Theatr Clwyd Trust and Theatr Clwyd Music Trust, to assist them in understanding the implications on their pension rights. These bodies have been established as individual employers in their own right within the Fund.</li> <li>• Fifteen virtual meetings consisting of training sessions, LGA bulletin update meetings and working group meetings have also taken place.</li> </ul>
1.08	<p>Appendix 5 provides an updated summary of Member Self Service (MSS) registered users, which illustrates that enrolment to Member Self Service continues to grow. A further 471 members have registered since the last update taking the total number of registered members to 12,491. The MSS functionality is continuing to be reviewed and improved. The next development relates to the format of the 2021 benefit statements. It is anticipated that members will be able to access their statement more efficiently this year without the need to download a PDF.</p> <p>During the reporting period, 220 members have requested a retirement pack for their deferred benefit via MSS as opposed to email/post/telephone. The benefit projector continues to be a very popular function with 15,251 benefit projections having been calculated using MSS functionality by members in this last period. There have also been 318 changes to member's Expression of Wish details on MSS. The Fund is planning a further exercise to try and increase registration numbers whilst maintaining engagement with members. Further updates will be provided in future reports.</p>
1.09	<p><b>Delegated Responsibilities</b></p> <p>The following employers have been approved to join the scheme as new employers using delegated responsibilities since the last committee meeting. Further details are contained in Appendix 6.</p> <ul style="list-style-type: none"> <li>• Aramark</li> <li>• Theatr Clwyd Trust</li> <li>• Theatr Clwyd Music Trust</li> <li>• Churchill Contract Services Ltd</li> <li>• Dolce Ltd</li> </ul>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>Following the approval of the McCloud budget for 2021/2022, an additional Lead Pension officer has been appointed to the Employer Liaison Team (ELT). This position was filled by an internal candidate on a secondment basis. Recruitment is now underway to fill their substantive posts along with the other positions approved at the last Committee meeting in relation to McCloud.</p> <p>The vacant Pension Officer role within ELT has also been appointed to and the successful candidate commenced employment mid-May.</p> <p>Staffing levels will be continuously reviewed within the McCloud, ELT and Administration teams, and consideration given in relation to potential peaks in workload as the McCloud Programme progresses.</p>

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>Appendix 7 provides the dashboard and the extract of administration and communications risks. The key risks which are furthest from target relate to:</p> <ul style="list-style-type: none"> <li>• Risk number 5 - High administration costs and/or errors due to service provision being interrupted, systems not kept up to date or not utilised appropriately. This risk relates in particular to the performance of the software and the ability of the provider to respond to regulation changes such as McCloud. If delays in solutions are experienced, manual calculations may be required and the system may not be utilised as expected for a period of time. We are also due to carry out a procurement exercise in relation to this software in the coming months.</li> <li>• Risk number 6 - Service provision is interrupted due to system failure or unavailability including as a result of cybercrime or COVID-19. The risk remains higher than target until further work has been completed to understand the Fund's cyber resilience and to update business continuity plans.</li> </ul>
4.02	<p>Since the last update, a number of the risk have had their scores decreased and are now on or closer to target. This is mainly due to internal controls and outstanding actions having been completed as follows:</p> <ul style="list-style-type: none"> <li>• Risk number 1 – unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues such as poorly trained staff and/or we can't recruit. The current likelihood of this happening has been reduced from significant to low. This is as a result of the recent recruitment to vacant positions within the team. Training plans are in place to monitor progression.</li> </ul>

	<ul style="list-style-type: none"> <li>• Risk number 2 – unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues such as employers don't understand or meet their responsibilities and also don't allocate sufficient resources to pension matters. The current likelihood of this happening has been reduced from significant to low. This reflects the increase in employers submitting their data via i-Connect.</li> <li>• Risk number 3 – unable to meet legal and performance expectations due to external factors such as an unexpected work increase due to regulation changes. The current impact has been reduced from critical to marginal and the current likelihood reduced from significant to low. These changes reflect the successful management of the McCloud programme to date and expected national changes are included on the Business Plan for future consideration and awareness.</li> </ul>
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<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – McCloud Programme update report Appendix 2 – Satisfaction Survey summary report Appendix 3 – Analysis of cases received and completed Appendix 4 – Key Performance Indicators Appendix 5 – Member Self Service update Appendix 6 – Delegated Responsibilities Appendix 7 – Risk register update

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Report to Pension Fund Committee – Pension Administration Strategy (March 2021) <b>Contact Officer:</b> Karen Williams, Pensions Administration Manager <b>Telephone:</b> 01352 702963 <b>E-mail:</b> karen.williams@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p>

- (d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of.
- (f) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.
- (g) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
- (h) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation.

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# Clwyd Pension Fund McCloud Programme Update

Page 141

Prepared for: Pension Fund Committee






Prepared by: Aon

Date: 9 June 2021

# High level Programme Plan

Key	Description
<span style="background-color: #002060; color: white;"> </span>	Complete
<span style="background-color: #92d050;"> </span>	On track
<span style="background-color: #ffcc00;"> </span>	Overdue
<span style="background-color: #ff0000;"> </span>	At risk
<span style="background-color: #00b0f0;"> </span>	Not started

Workstream /key deliverables	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22 to Mar-23	Apr-23
<b>Consultation response</b>																					
i. Submit Fund response (milestone 1)	x																				
ii. Consultation response from MHCLG (milestone 2) - estimated													x								
iii. Ministerial statement								x													
iv. Regulations made (milestone 3) – estimated																				x	x
v. Regulations come into effect (milestone 4)																					x
<b>Communications</b>																					
i. Pensions Saving Statements issued	x																				
ii. Pensions Extra issued	x																				
iii. Other McCloud communications (TBC)						x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
<b>Data collection</b>																					
i. Data Collection template - draft, finalise	x	x	x	x	x																
ii. Employer questionnaire - draft, finalise	x	x	x	x	x																
iii. Meetings with pilot employers		x	x	x	x	x															
iv. Data decision process and collection protocol – draft, finalise		x	x	x	x	x	x	x													
v. 1to1 meetings with employers, agree timetables, monitor and manage			x	x	x	x	x	x													
vi. Agree timetables with individual employers, monitor and manage			x	x	x	x	x	x	x	x	x	x	x								
vii. Data collection from employers			x	x	x	x	x	x	x	x	x	x	x								
viii. Data decision protocol – flowchart / roadmap – draft, finalise							x	x	x												
viii. Review data from employers, data validation			x	x	x	x	x	x	x	x	x	x	x	x							
<b>Heywood data solutions</b>																					
i. Heywood provide confirmation of data solutions and timescales – TBC		x	x	x	x	x	x	x	x	x											
ii. Receive patch releases of solutions, testing										x	x	x	x	x	x	x	x	x	x	x	x
iii. Upload employer data, testing, final										x	x	x	x	x	x	x	x	x	x	x	x
iv. Further data cleansing / manual input											x	x	x	x	x	x	x	x	x	x	x
<b>Programme meetings</b>																					
i. Workstream meetings	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
ii. PMG meetings		x		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
iii. SG meetings			x			x			x			x			x			x		x	

Key	Description
	Complete
	On track
	Overdue
	At risk
	Not started

**Programme background:** The Court of Appeal has ruled that changes to public service pension schemes, including the LGPS, for future service made in 2014 and 2015, were discriminatory against younger members. The Government eventually gave a commitment to make changes to all public service pension schemes to remove discrimination.

**Programme purpose:** To implement the regulations the Government will make to remedy the discrimination against younger members of the LGPS for the Clwyd Pension Fund

**Key deliverables 1 March 2021 – 30 June 2021**

Programme workstream deliverables / Description	Responsibility	Sign-off	Deadline	Notes	Status
<b>1. Data collection – templates and piloting</b> i. Complete data decision process and collection protocol ii. Data collection with pilot employers	Data & communications workstreams	PMG	March 2021	Meetings with pilot employers have been now completed.	<b>Complete</b>
<b>2. Data collection – attend employer 1 to 1 sessions (all in scope employers)</b>	Data workstream	n/a	May 2021	Meetings complete for 99.6% of employers (% of total in scope membership).	<b>In progress</b>
<b>3. Data collection - checking and validations</b> i. Data collection ii. Data checking and quality analysis (data validation procedure)	Data workstream	PMG	Ongoing	Data collected for 16 smaller employers. Data team to form a proposal around data validation process for PMG approval.	<b>In progress</b>
<b>4. Heywood data solutions</b> i. Discussions to seek clarification of capability and timescales	Data workstream	PMG	TBC	Ongoing discussions with Heywood around solutions and timescales. CPF anticipate a bespoke solution will be required. Following ministerial statement unclear timescales for Heywood patch releases and testing.	<b>At risk</b>
<b>5. McCloud communications</b> i. PENPAL newsletter / ABS guidance notes ii. Deferred diaries DBS guidance notes	Communications workstream	PMG / SG	Aug / Sep 2021	Following ministerial statement, paragraph to be included in member communications.	<b>In progress</b>
<b>5. Consultation outcome announcement / ministerial statement</b>	n/a	n/a	TBC	Ministerial statement issued in May. Consultation announcement from MHCLG expected later in the year. PMG agreed to continue with programme as planned.	<b>Overdue</b>
<b>6. Programme meetings</b> i. Data workstream (fortnightly) ii. Communications workstream (2 per quarter) iii. Other workstreams (TBC) iv. PMG (2 per quarter) v. SG (quarterly)	Programme Manager	n/a	Ongoing	Agree appropriate time to commence other workstream meetings	<b>In progress</b>

## Programme success criteria (SC)

SC1	Identify in-scope members with 100% accuracy
SC2	Obtain and load to the administration system all data required to calculate final salary underpin, adopting agreed assumptions where data cannot be reasonably obtained
SC3	Administration processes and systems are all amended and operate in line with the regulations from the effective date
SC4	Benefit rectification is completed accurately for all affected members by the required/agreed date
SC5	Member communications are effective, evidenced by few queries and complaints
SC6	Member communications are effective, evidenced by few queries and complaints
SC7	Automation minimizes the impact on resources and SLAs/KPIs during implementation, rectification and ongoing administration
SC8	The programme is completed without unplanned disruption to business as usual and other Clwyd Pension Fund projects
SC9	The programme is completed within budget and timescale (subject to reasonable tolerances), noting that these will be agreed and reassessed from time to time throughout the programme.
SC10	The additional costs falling to employers transpire to have been reasonably estimated at the 2019 actuarial valuation

## Programme Risks

There are several risks that the programme's success criteria will not be achieved – these have been identified by CPF's programme management and are captured in a formal risk log and monitored on an ongoing basis. The current risks that are red and furthest from target are shown on in the table below.

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Success criteria at risk	Current risk impact	Current risk likelihood	Current risk status	Proposed controls in place	Target risk impact	Target risk likelihood	Target risk status
3*	Unable to load data efficiently and accurately, and in a timely manner	Data cannot be loaded onto the system in an efficient, accurate and timely manner, leading to project delays or issues with the underpin calculation. Risk covers inappropriate data format provided from employer as well as issues with uploading the data into the interface.	Data Workstream	SC1, SC2, SC8	Critical	Very High (65%)		<ol style="list-style-type: none"> <li>1. Early engagement with Heywood on a one to one basis.</li> <li>2. Initial virtual meeting and ongoing one-to one meetings with employers to highlight strict data requirements/formats.</li> <li>3. Full instructions, including checklist provided to all employers at initial engagement stage.</li> <li>4. Ongoing discussions around resourcing including upskilling and flexibility of employees.</li> </ol>	Negligible	Unlikely (5%)	
5	Insufficient or inappropriate resources	Inability to source appropriate resources required to deliver the programme deliverables (including data uploading) in the required timescales	Programme Management Group	SC8	Catastrophic	Significant (50%)		<ol style="list-style-type: none"> <li>1. Thorough programme planning, scoping of work &amp; recruitment programme (recruitment is currently underway at June 2020, and further recruitment from March 2021).</li> <li>2. Forward planning and ongoing monitoring of resource requirements.</li> <li>3. Concern raised and action taken as matter of urgency.</li> <li>4. Flexibility to utilise resource (including training or physical resource) from consultants if required.</li> <li>5. Refer all stakeholders to roles and responsibilities document to ensure resources are matched with correct roles alongside regular reminder at points throughout the programme.</li> <li>6. Strong engagement with software supplier looking for alternative efficiencies.</li> <li>7. Build resourcing plan (discussed &amp; agreed with ERs) &amp; understanding staff skill</li> <li>8. Monitoring resource of Alicia Howells' team once more info on toolkit provided</li> <li>9. Consideration of external resource.</li> </ol>	Negligible	Very Low (15%)	
7	McCloud Data collection	Unable to collect required data in full from employers in a timely manner	Programme Management Group	SC2, SC4, SC7	Critical	Significant (50%)		<ol style="list-style-type: none"> <li>1. Early engagement with employers to obtain buy-in.</li> <li>2. Initial virtual meeting to improve engagement.</li> <li>3. One to one engagement, with potential ELT engagement.</li> <li>4. Seek verification of understanding through a signed compliance statement.</li> <li>5. Training through employer webinars.</li> </ol>	Negligible	Unlikely (5%)	
30	Heywood toolkit – not fit for purpose or delay in provision or service	Inability to identify aggregation cases leading to inaccurate benefit calculations and / or delay to provision of toolkit resulting in programme delays or detrimental impact on programme resourcing	Data Workstream	SC2, SC3, SC8	Critical	Significant (50%)		<ol style="list-style-type: none"> <li>1. Pressure on Heywood client manager to come up with a feasible solution</li> <li>2. Stop deleting status 8s</li> <li>3. Try to identify cases to come up with an action plan if Heywood cannot come up with a workable solution (potentially liaise with other funds)</li> <li>4. Work out overlapping cases.</li> </ol>	Negligible	Unlikely (5%)	

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## Satisfaction Survey Results

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

### Member Survey Results

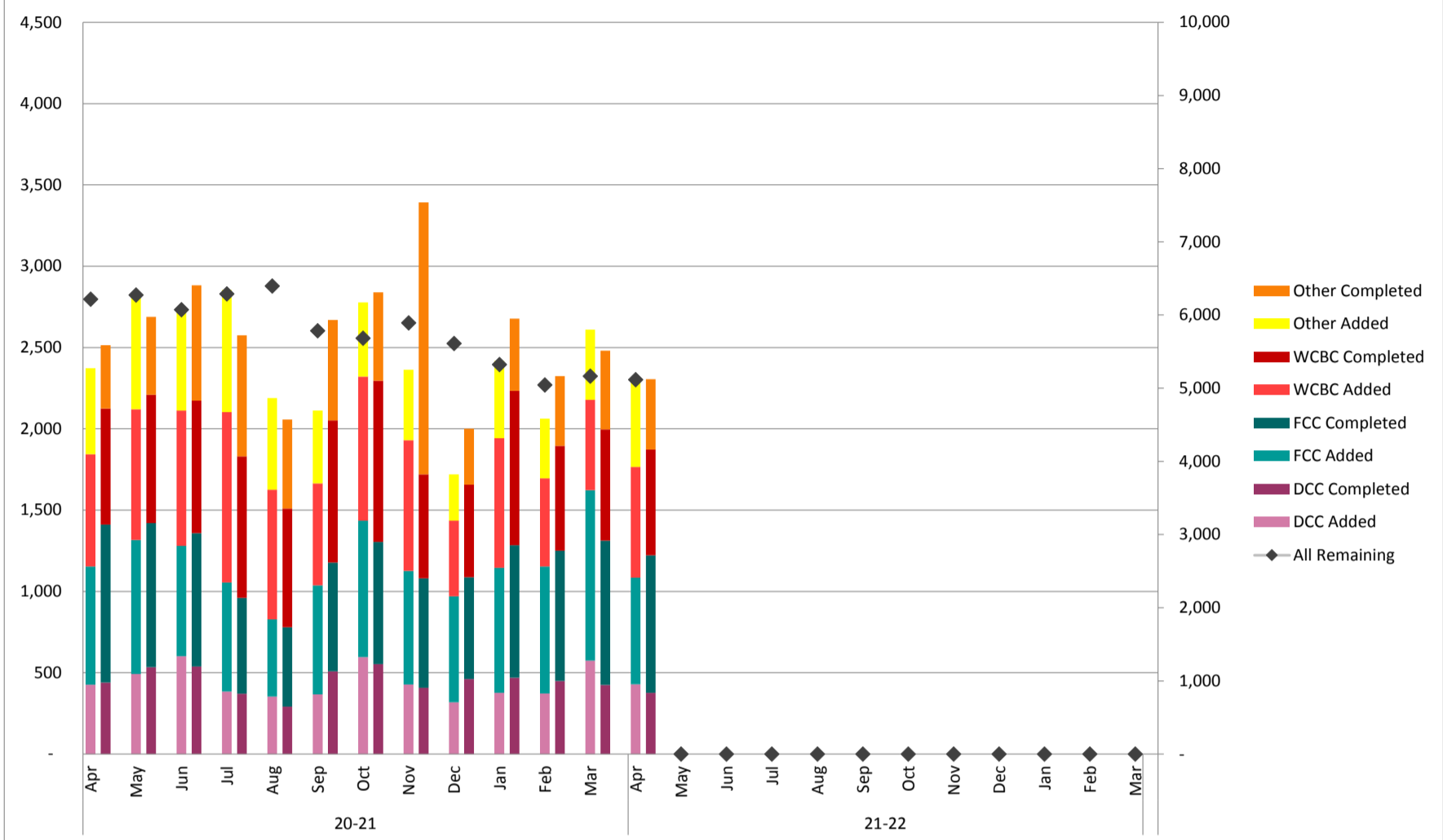
<b>2021:</b> 425 posted / 10 responses (2.4%) 15,606 emails sent / 691 responses (4.4%)  <b>Do you agree that the Clwyd Pension Fund...</b>		KPI > Agree	Strongly Agree / Agree	Neither Agree Nor Disagree	Strongly Disagree / Disagree
Administration	...offers documentation, guidance and information in a 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%

## Employer Survey Results

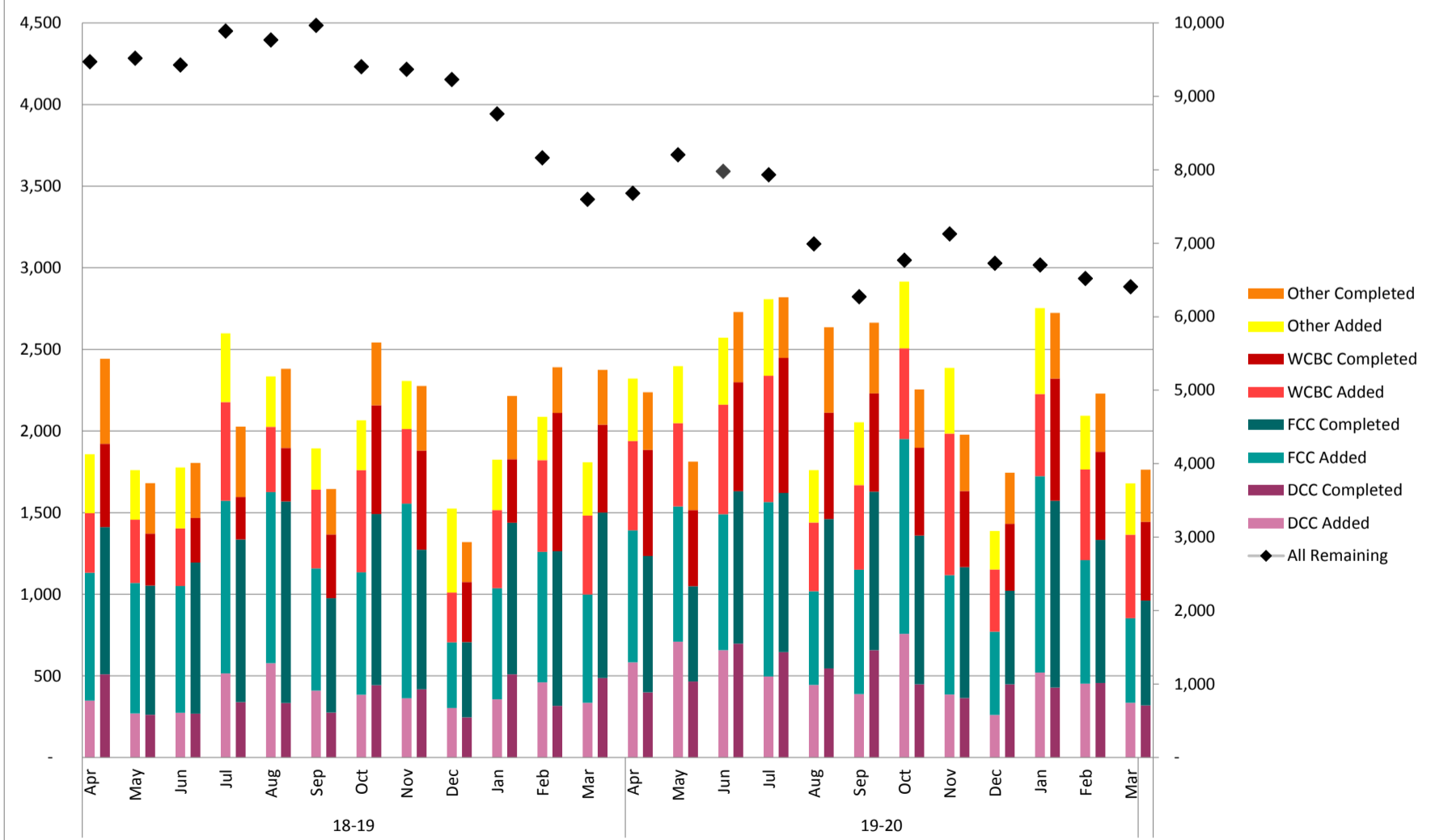
<b>2021: 123 surveys emailed (1 reminder sent) 16 responses received (13.0%)</b> <b>Do you agree that the Clwyd Pension Fund...</b>		KPI > Agree	Strongly Agree / Agree	Neither Agree Nor Disagree	Strongly Disagree / Disagree
(Non- ELT) Employer Survey	...offers documentation, guidance and information 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%



**Case Levels – Current and Previous Year**



**Case Levels – Historical**



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## Key Performance Indicators

The following pages show the performance against the key performance indicators (KPIs) which have been agreed within Clwyd Pension Fund's Administration Strategy. They cover seven areas of work, and for each there is a KPI for each of the following:

- The legal timescale that must be met
- The overall timescale for the process (including any time taken by employers and/or scheme members)
- The timescale relating to the Clwyd Pension Fund administration team only

The KPIs are specific to each process (as set out in the Administration Strategy) and illustrated by the graphs are as follows:

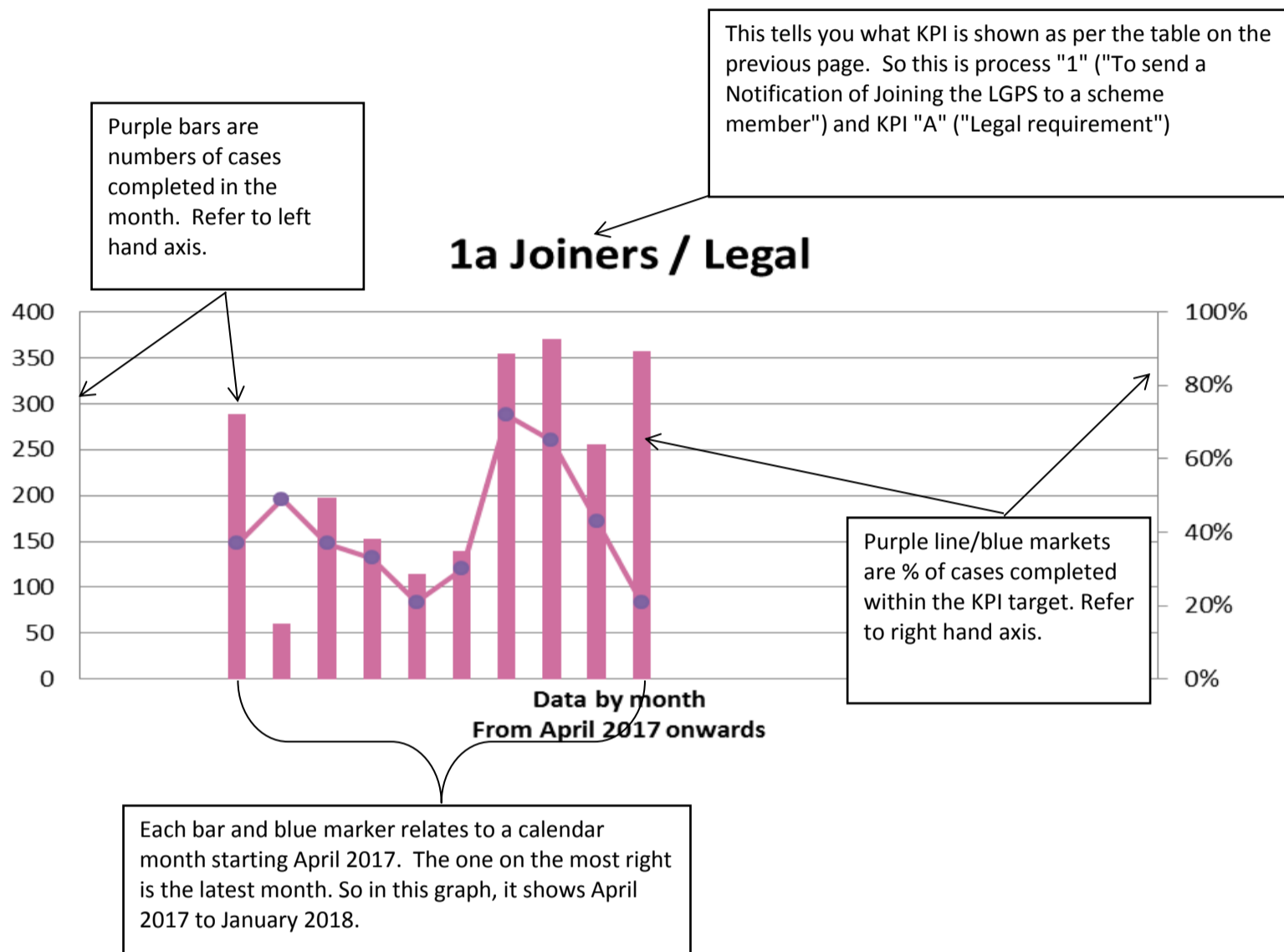
		A	B	C
	Process	Legal Requirement	Overall	CPF Administration element target
1	To send a Notification of Joining the LGPS to a scheme member	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled	46 working days from date of joining (ie 2 months)	15 working days from receipt of all information
2	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)	46 working days from date of leaving	15 working days from receipt of all information
3	Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request	46 working days from date of request	20 working days from receipt of all information
4	Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate)	46 working days from date of request	20 working days from receipt of all information
5	Notification of amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age <sup>4</sup>	23 working days from date of retirement	10 working days from receipt of all information
6	Providing quotations on request for retirements	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	46 working days from date of request	15 working days from receipt of all information
7	Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative)	25 working days from date of death	10 working days from receipt of all information

**Interpretation of graphs**

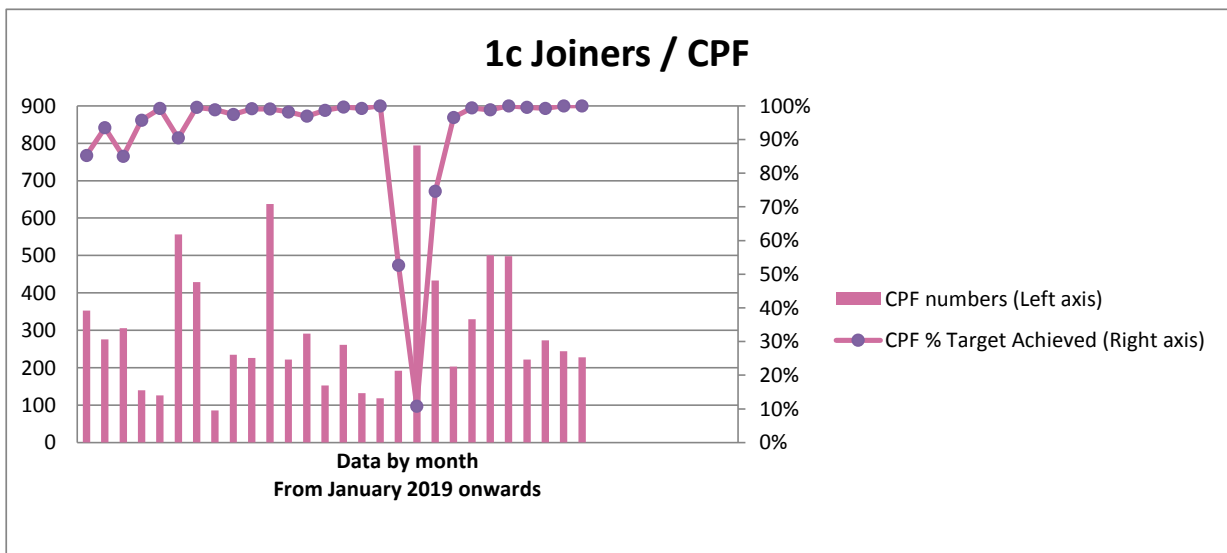
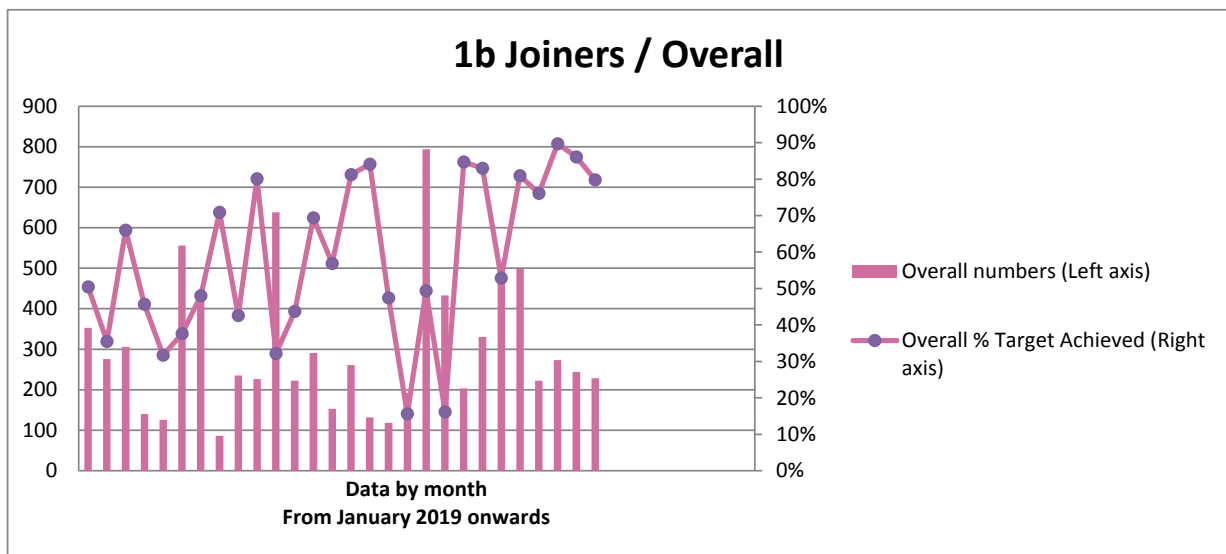
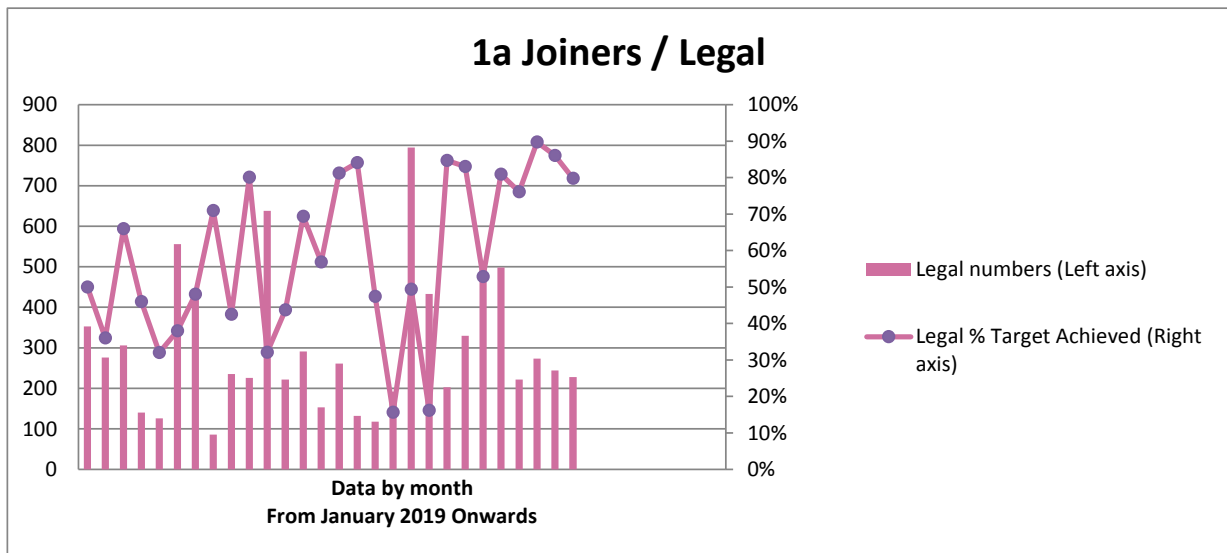
One graph has been provided for each KPI in the table above. Each graph shows month by month:

- The number of cases which have been completed each month
- The percentage of those cases completed that were completed within the KPI target

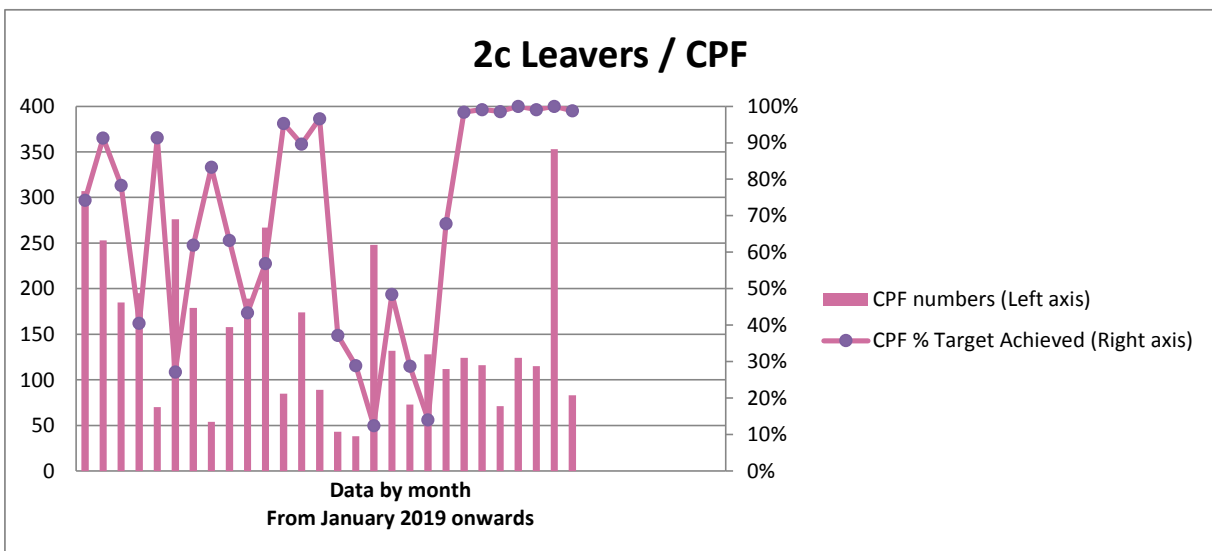
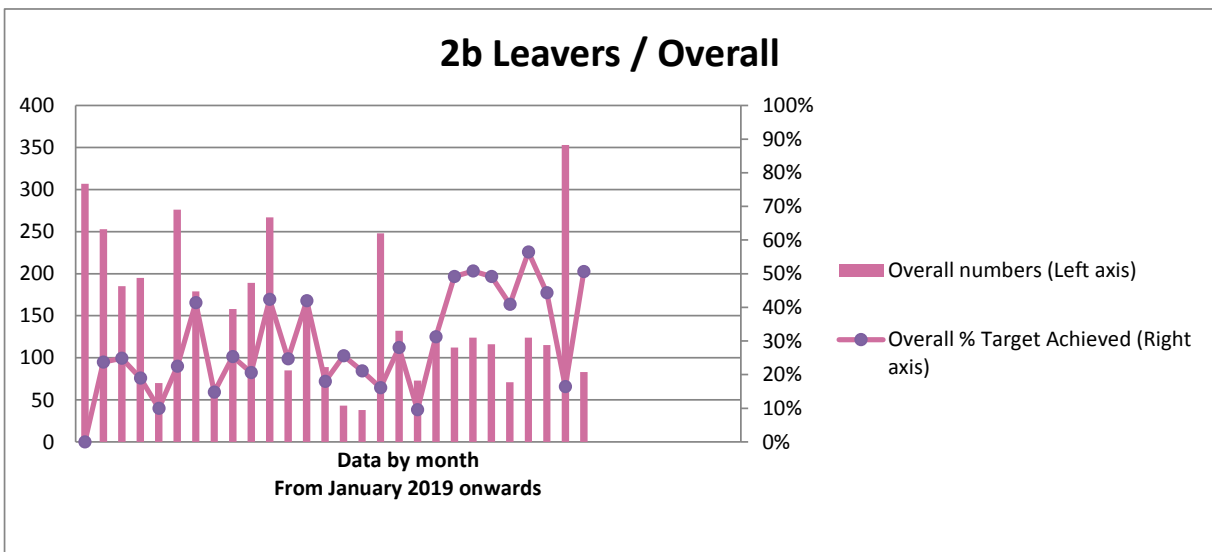
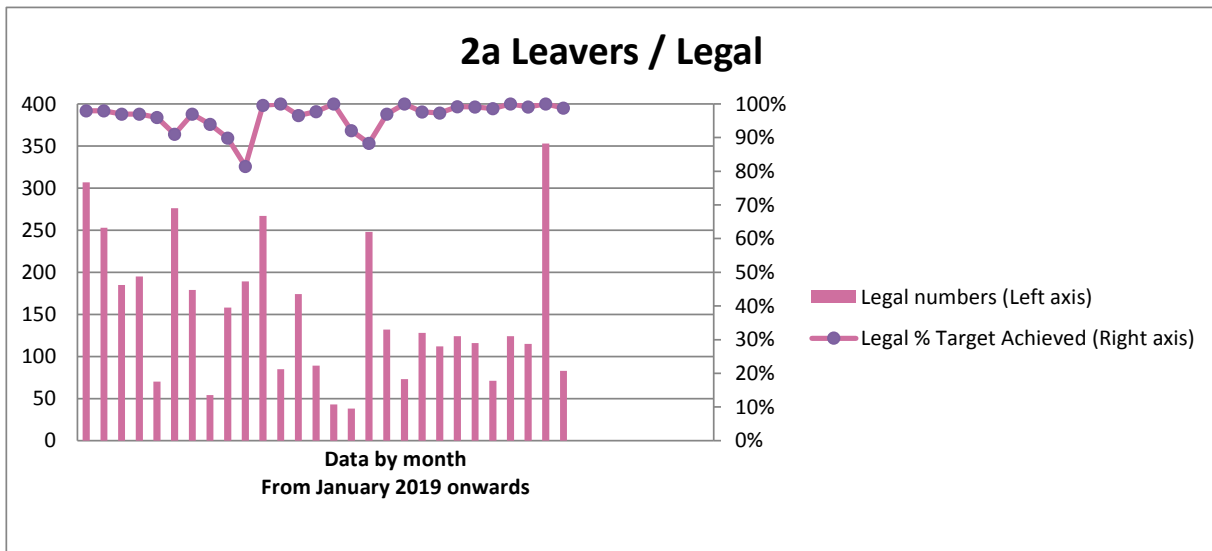
This is illustrated further below.



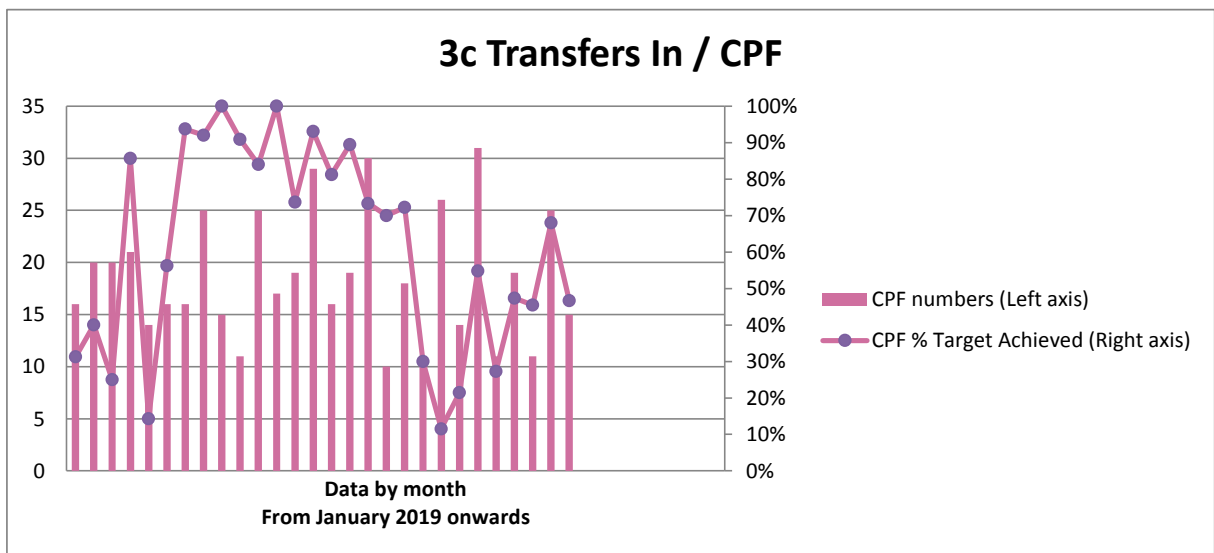
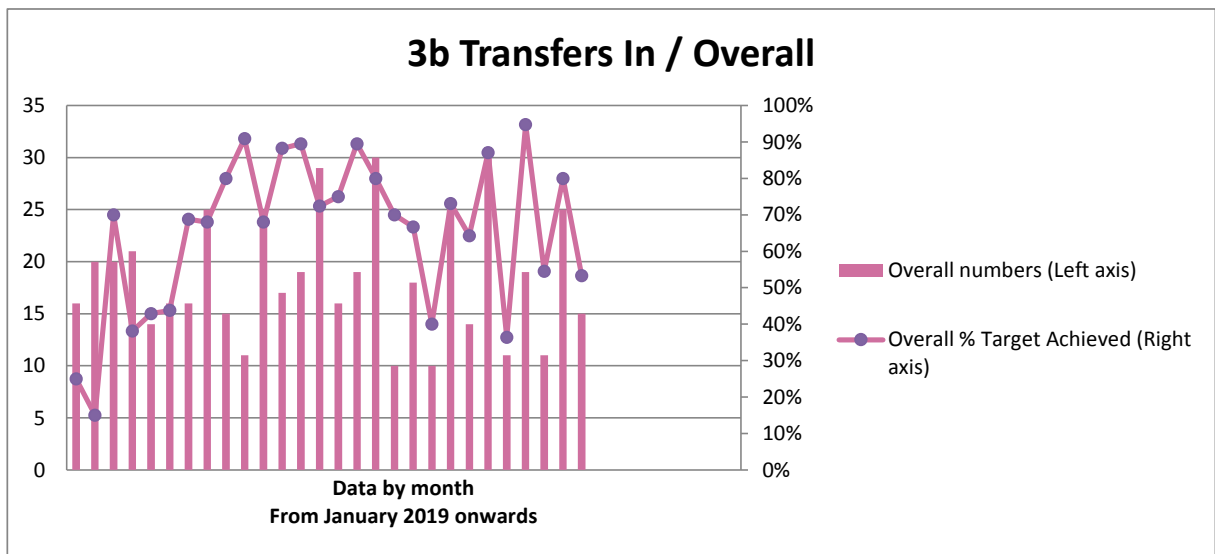
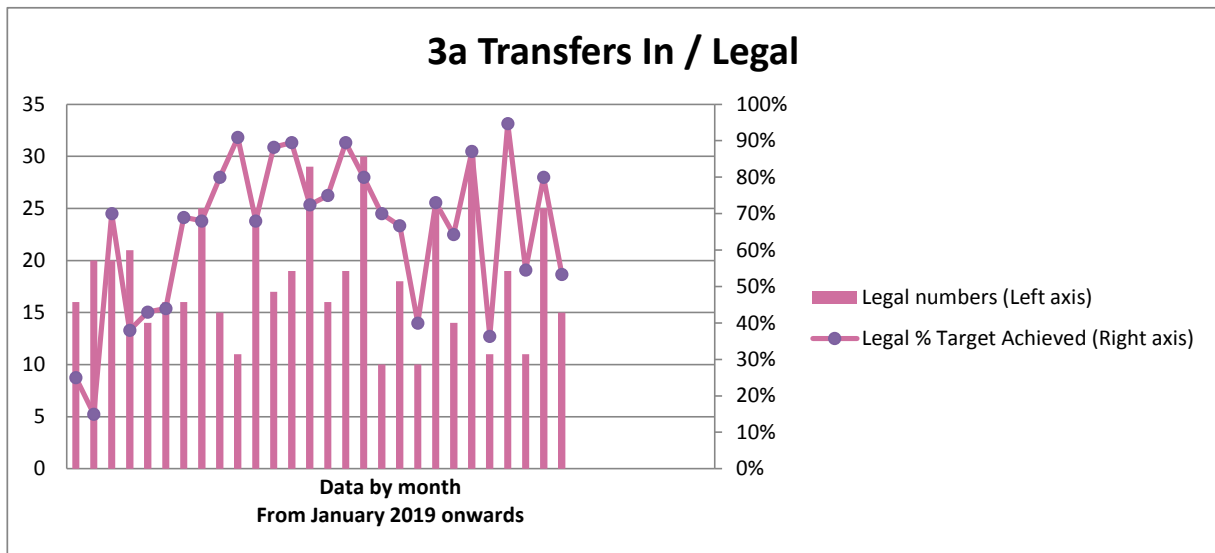
## Key Performance Indicators - relating to 30 April 2021



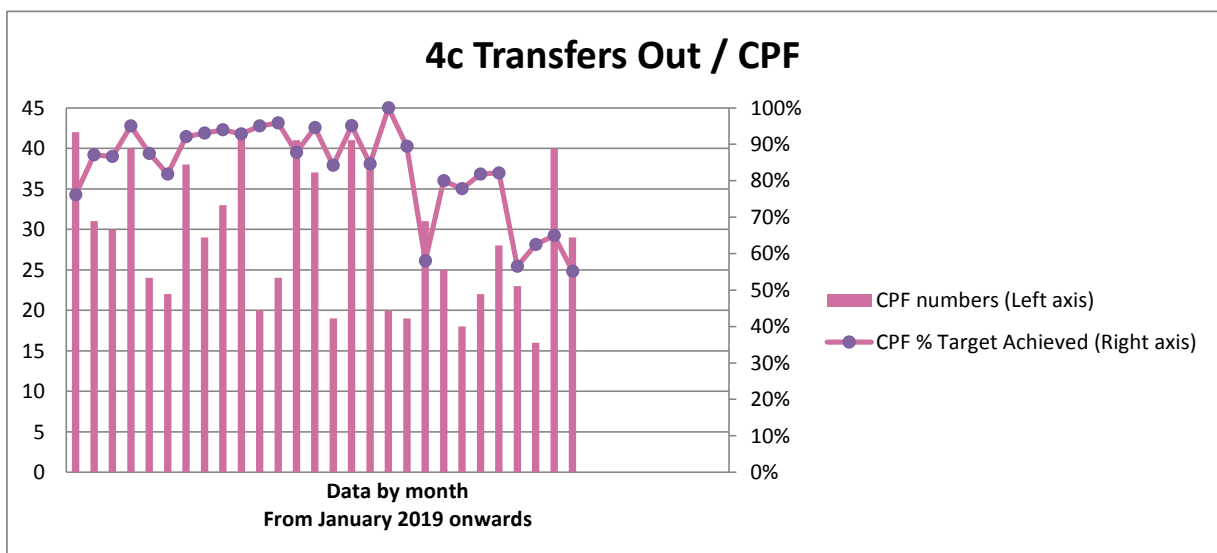
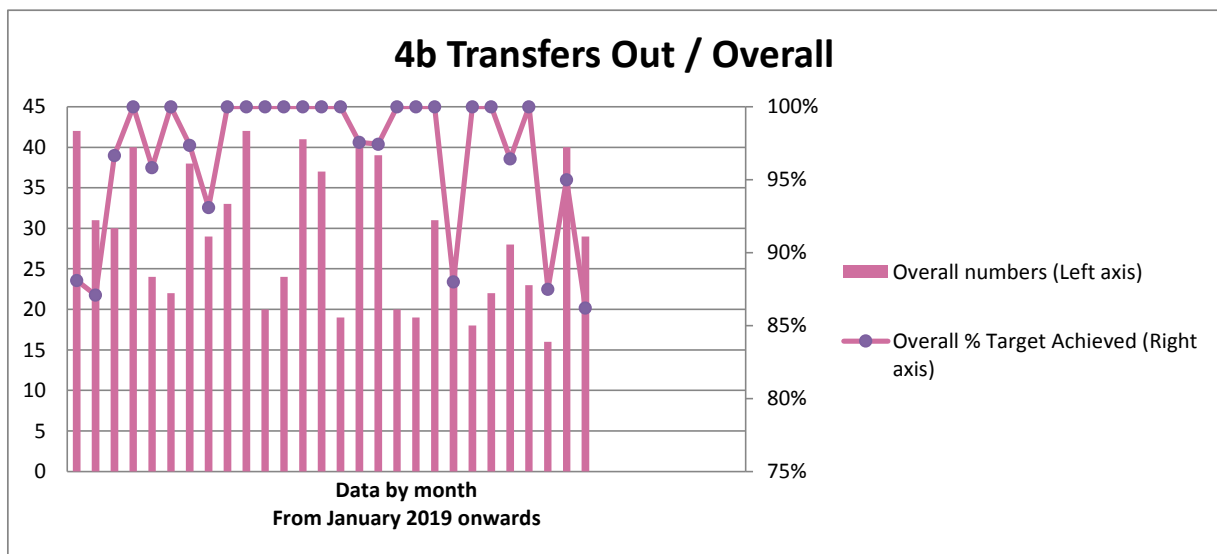
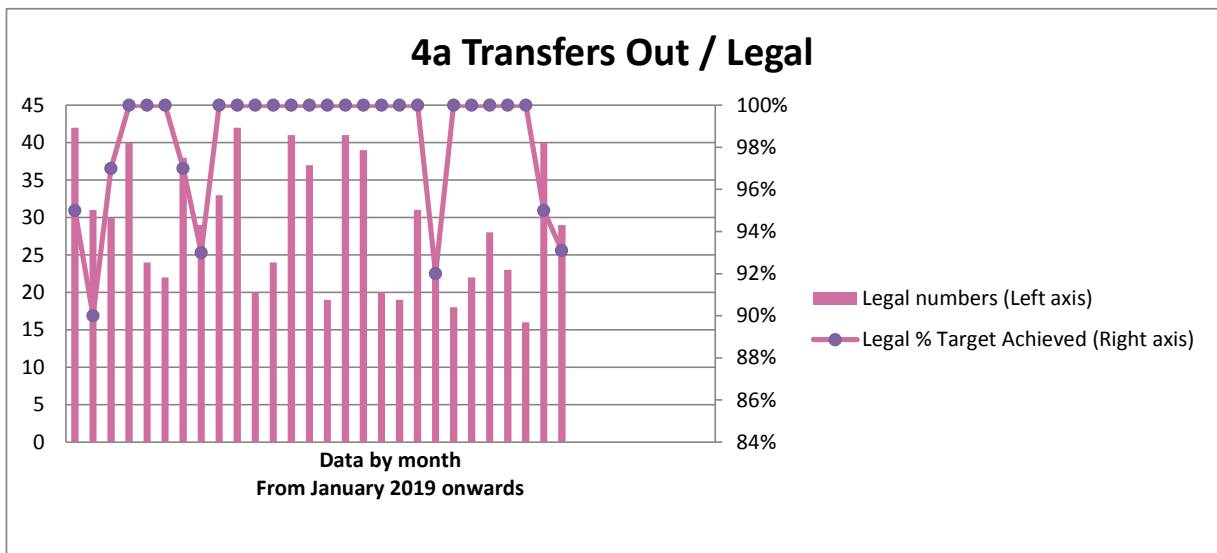
## Key Performance Indicators - relating to 30 April 2021



## Key Performance Indicators - relating to 30 April 2021

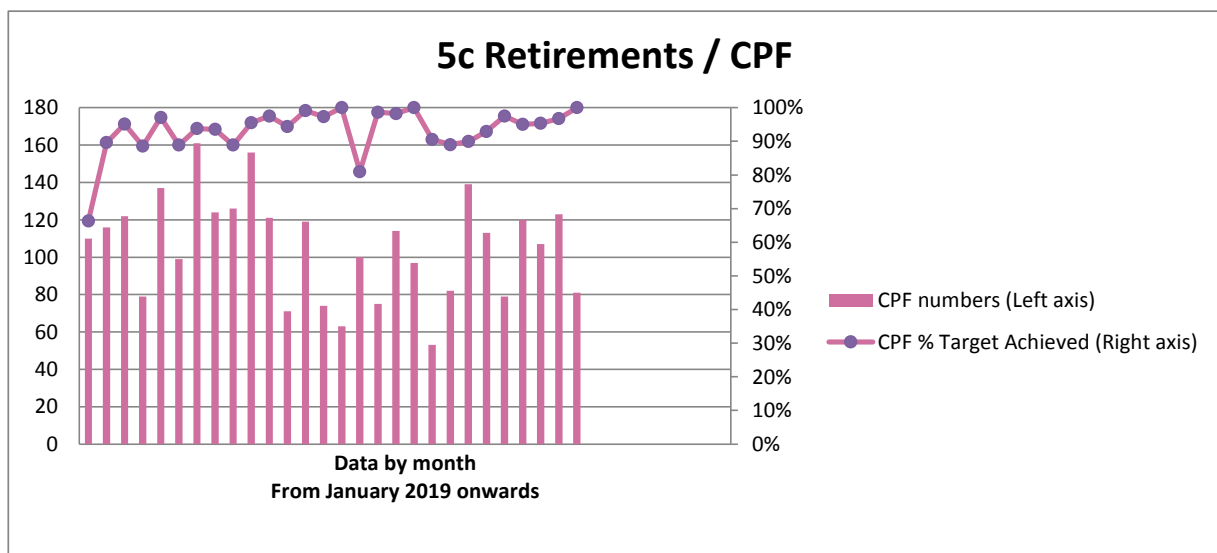
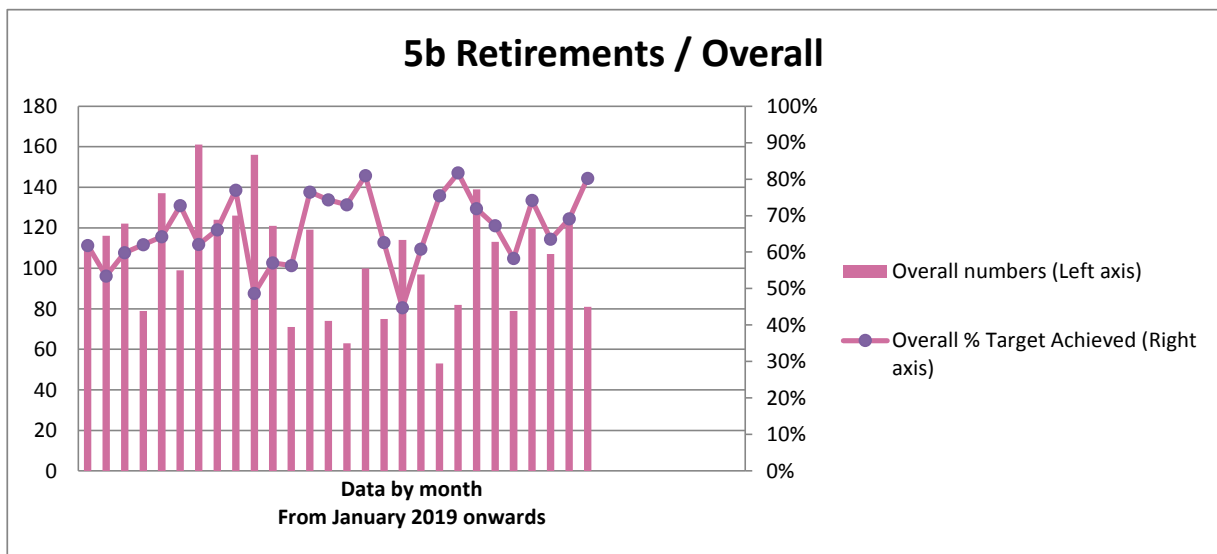
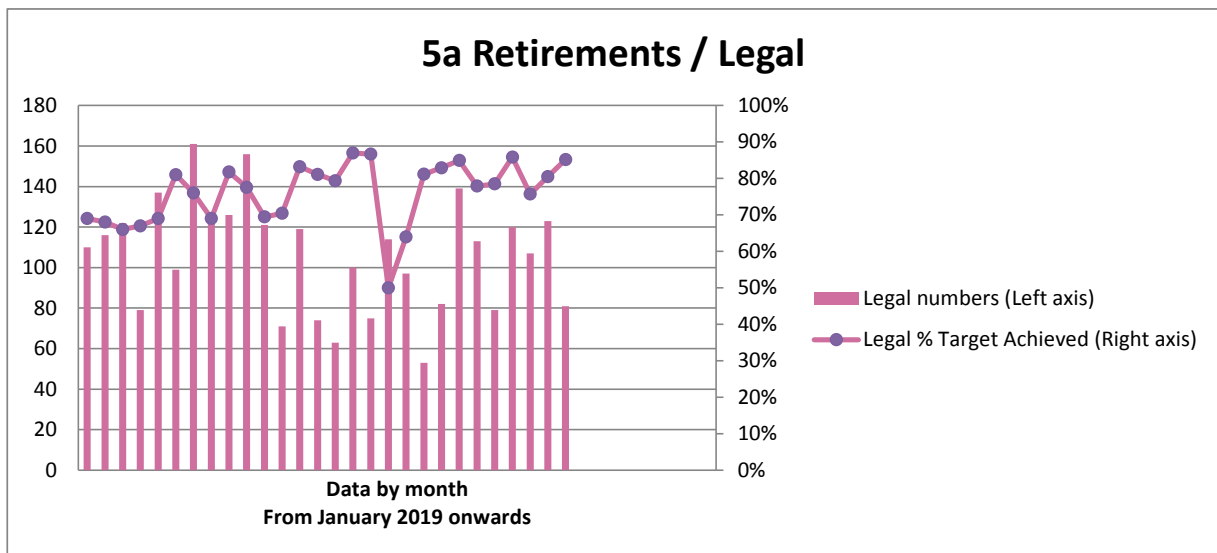


## Key Performance Indicators - relating to 30 April 2021

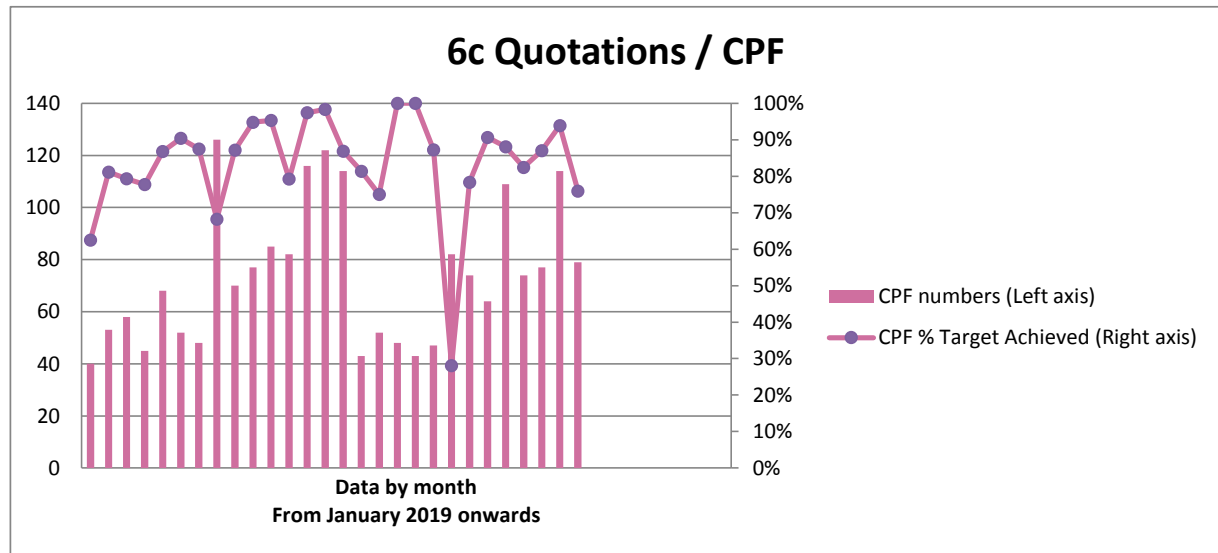
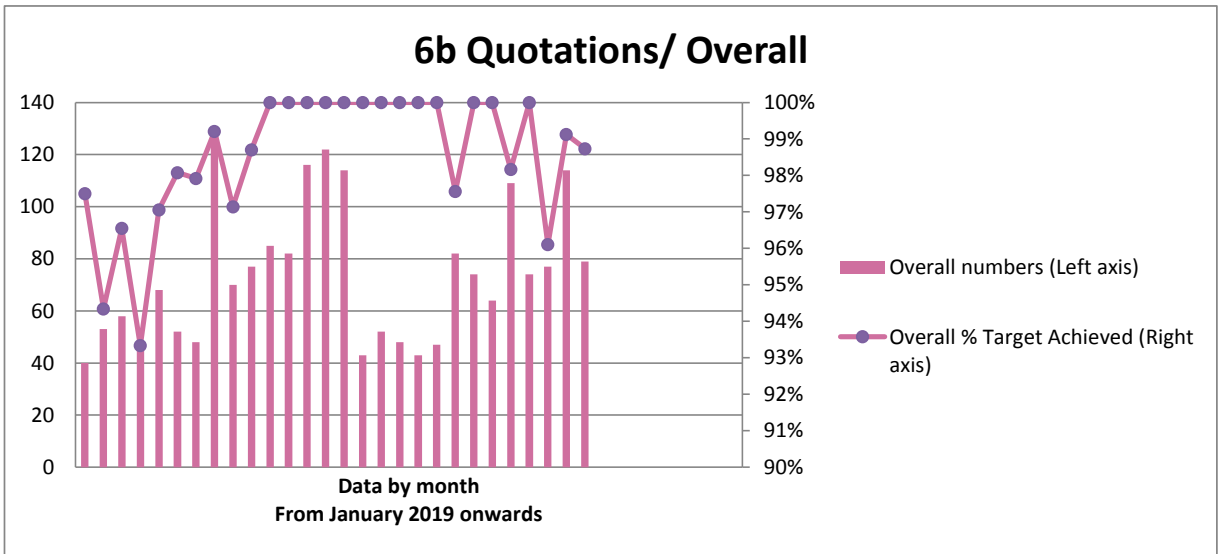
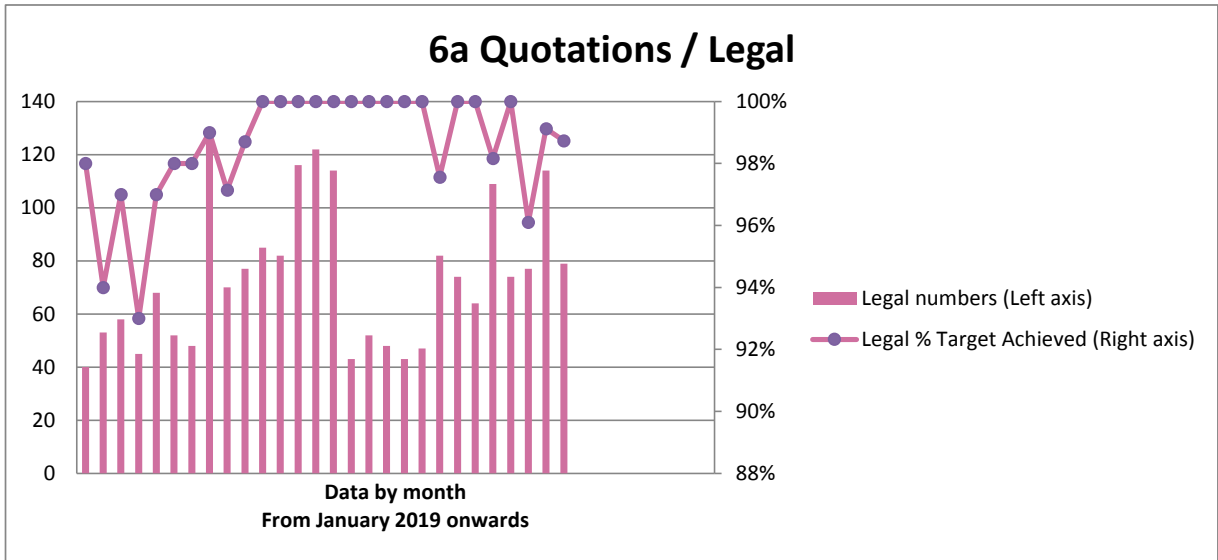




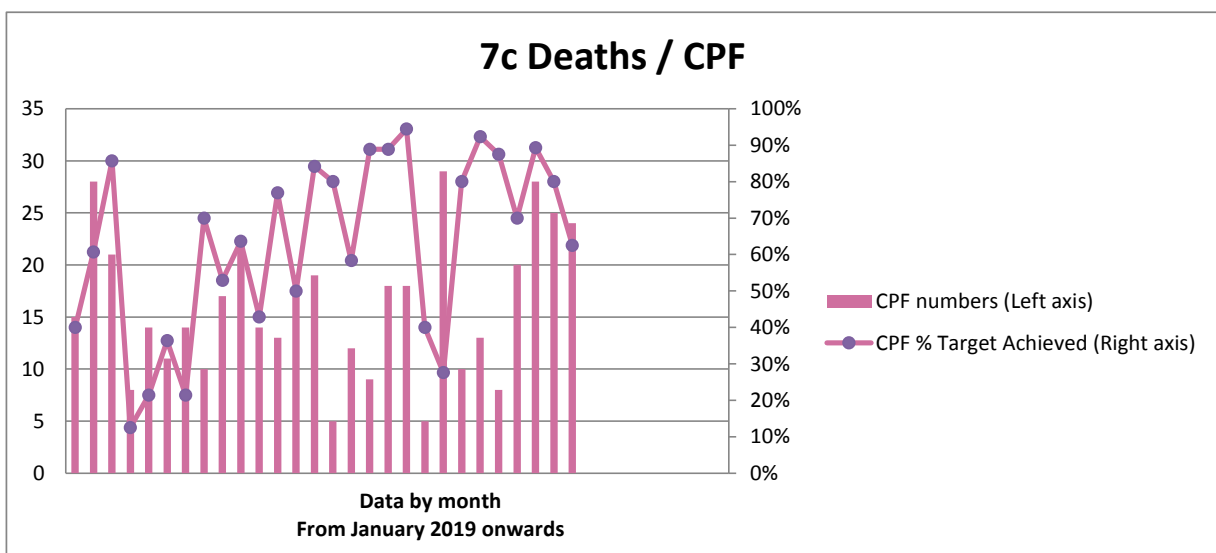
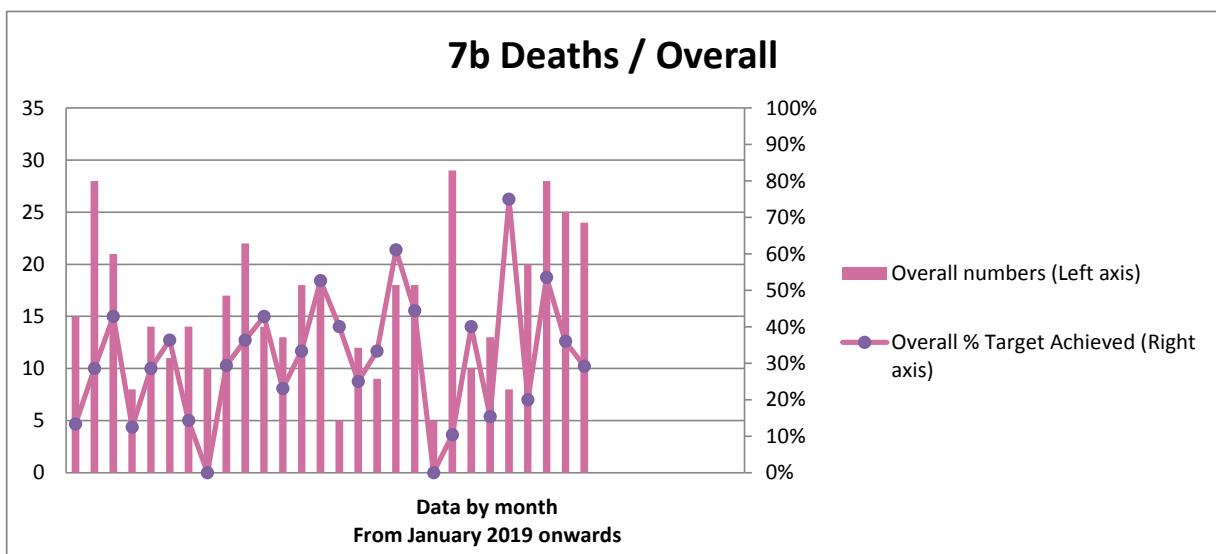
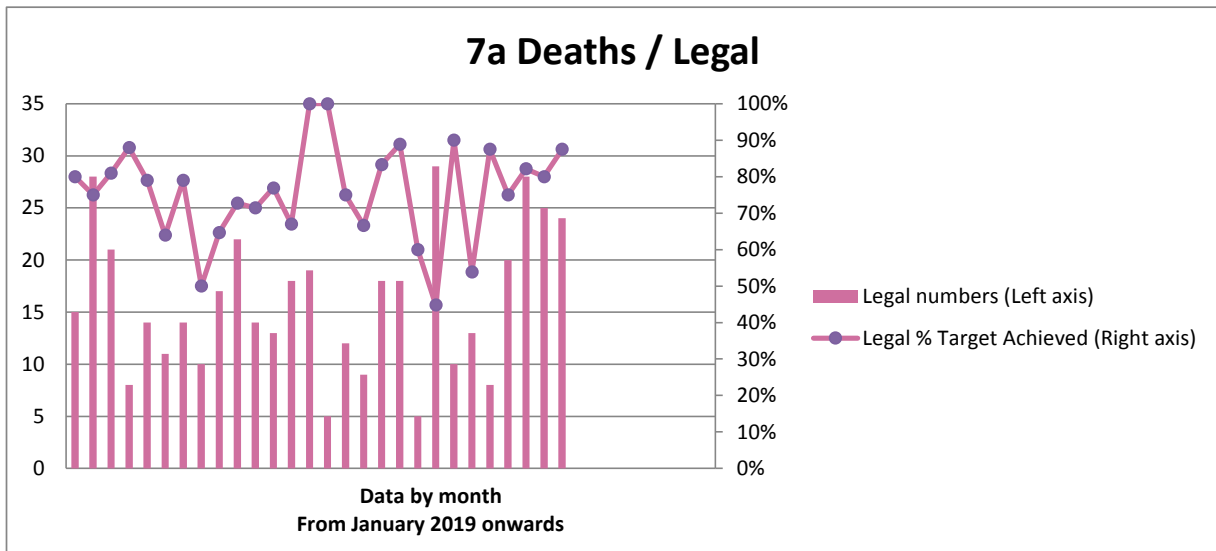
## Key Performance Indicators - relating to 30 April 2021



## Key Performance Indicators - relating to 30 April 2021

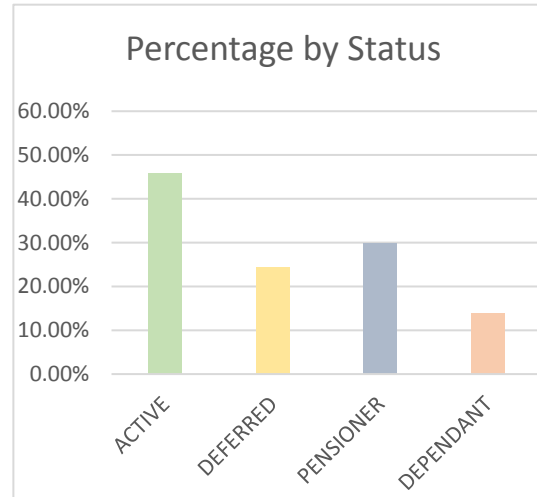
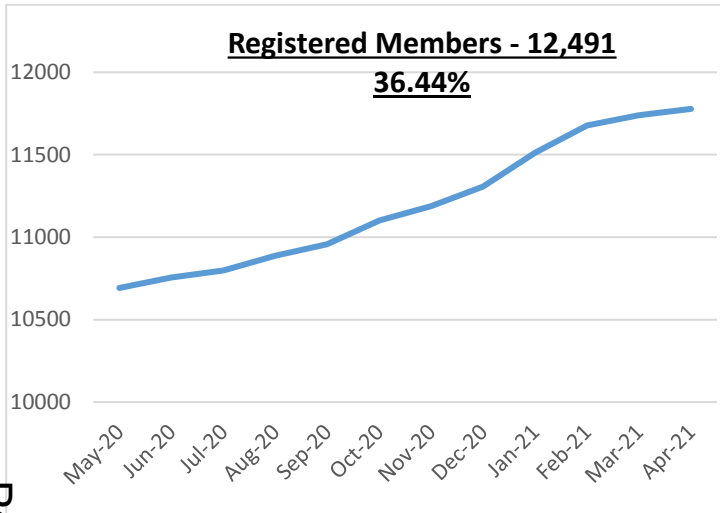


## Key Performance Indicators - relating to 30 April 2021



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# MEMBER SELF SERVICE: 01/01/2021 – 30/04/2021



**Statistics between**  
01/01/2021 to 30/04/2021 (120 days)

## CONTACT US TASKS

- 620** **MSSKEY** Key requests
- 220 SSFCASE (pay deferred)
- 71 MSSENQ Enquiry tasks
- 19 MSSEST Estimate tasks
- 61 MSSRET Retirement tasks
- 24 MSSTVT Transfer tasks
- 395 **Contact Us 3.29p/day)**
- 294** **MSSADD** Address update
- 6** **Bank details updated**

## BENEFIT PROJECTIONS

15,251 BENEFIT PROJECTIONS CALCULATED

**Avg 127.09 per day**

## EXPRESSION OF WISH

318 CHANGES OF EXPRESSION OF WISH

**2.65 per day**

## ELECTED FOR POSTAL CORRESPONDANCE

**2035 – 5.94% of overall members**

Members now have to choose between paper post or MSS

- 374 ACTIVE
- 104 DEFERRED
- 1377 PENSIONER
- 180 DEPENDANTS

## Update from 01/01/2021 to 30/04/2021

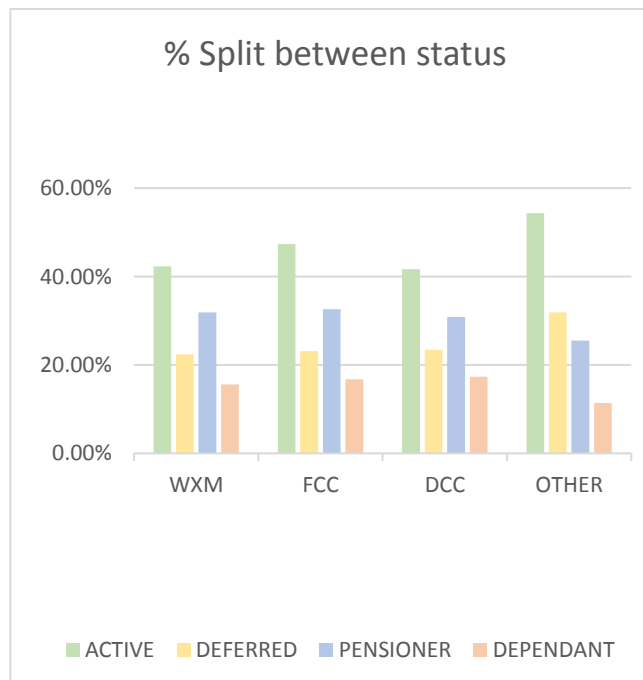
As at 30/04/2021, 36.44% of Clwyd Pension Fund's membership has registered for MSS.

We are continuing to improve website content and format to ensure that it is as user friendly and accessible as possible. This includes the MSS element of the website.

Clwyd Pension Fund is currently working on the format of the 2021 Annual Benefit Statements (ABS). The statements will again be made available via MSS (unless members have requested paper copies).

In previous years, members have logged into their MSS account and downloaded a PDF version of their ABS.

We are now working on the ABS pension figures being pulled from our pensions database onto an MSS screen. This would be the next step in how we provide our statements to our members, as it would mean that they would not need to download a PDF of their statement anymore. Instead they will be able to see their statement at one click of a button once they have logged into their MSS account.



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## DELEGATED RESPONSIBILITIES

### 1. Aramark

Delegation:	Delegated Officer(s):	Communication and monitoring of Use of Delegation
<p>Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.</p>	<p>HCPF and either the CFM or CE after taking appropriate advice from the FA</p>	<p>Ongoing reporting to PFC for noting</p>
<p><b>Action taken –</b></p> <p>Aramark was admitted as an admission body to the Clwyd Pension Fund with effect from 17 August 2020.</p> <p><b>Background</b></p> <p>Aramark is a company providing catering services for Coleg Cambria. Aramark are applying to become an admission body under the provision of Schedule 2 of the Local Government Pension Scheme Regulations 2013 (their specific circumstance is crossed below):</p> <p><i>1. The following bodies are admission bodies with whom an administering authority may make an admission agreement-</i></p> <p>(a) <i>a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);</i></p> <p>(b) <i>a body, to the funds of which a Scheme employer contributes;</i></p> <p>(c) <i>a body representative of-</i></p> <p>(i) <i>any Scheme employers, or</i></p> <p>(ii) <i>local authorities or officers of local authorities;</i></p> <p>(d) <i>a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-</i></p> <p>(i) <i>the transfer of the service or assets by means of a contract or other arrangement, X</i></p> <p>(ii) <i>a direction made under section 15 of the Local Government Act 1999 (115) (Secretary of State's powers),</i></p> <p>(iii) <i>directions made under section 497A of the Education Act 1996 (116) ;</i></p> <p>(e) <i>a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.</i></p>		

The effective date of the contract was 17 August 2020. An admission agreement has been prepared and signed by all parties. An admission agreement may take effect on a date before the date on which it is executed as per Part 3 of Schedule 2. As the body is providing a service for Coleg Cambria, Coleg Cambria is also be party to the admission agreement and will act as guarantor.

Initial funding level is 100%. The agreement is a Closed agreement (i.e. restricted to just the transferring employees) with 13 existing Clwyd Pension Fund scheme members transferring from Coleg Cambria to Aramark. All contributions have been paid from the contract start date.

Advice has been taken from the Fund Actuary. The notional assets equal the liabilities being transferred (on an ongoing funding basis) and accordingly the initial funding level is 100% and the surplus/deficit at the point of transfer is Nil. This will be reviewed at future actuarial valuations. The initial employer contribution rate will be 24.4% of pensionable pay.



## 2. Theatr Clwyd Trust

Delegation:	Delegated Officer(s):	Communication and monitoring of Use of Delegation
<p>Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.</p>	<p>HCPF and either the CFM or CE after taking appropriate advice from the FA</p>	<p>Ongoing reporting to PFC for noting</p>
<p><b>Action taken –</b></p> <p>Theatr Clwyd Trust was admitted as an admission body to the Clwyd Pension Fund with effect from 1 April 2020.</p> <p><b>Background</b></p> <p>Theatr Clwyd Trust has been established for the advancement of the arts by the management and development of Theatr Clwyd and its programme of productions, events, shows and other activities involving the arts of theatre, dance, visual arts and music managed from there and the pursuit of any other charitable objects.</p> <p><i>1. The following bodies are admission bodies with whom an administering authority may make an admission agreement-</i></p> <p>(a) <i>a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);</i></p> <p>(b) <i>a body, to the funds of which a Scheme employer contributes;</i></p> <p>(c) <i>a body representative of-</i></p> <p>(i) <i>any Scheme employers, or</i></p> <p>(ii) <i>local authorities or officers of local authorities;</i></p> <p>(d) <i>a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-</i></p> <p>(i) <i>the transfer of the service or assets by means of a contract or other arrangement, X</i></p> <p>(ii) <i>a direction made under section 15 of the Local Government Act 1999 (115) (Secretary of State's powers),</i></p> <p>(iii) <i>directions made under section 497A of the Education Act 1996 (116) ;</i></p> <p>(e) <i>a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.</i></p>		

The effective date of the contract is 1 April 2021. An admission agreement has been prepared and signed by all parties. As the body is providing a service for Flintshire County Council, Flintshire County Council will also be party to the admission agreement and will act as guarantor.

The agreement is a Closed agreement with 62 members transferring. Advice has been taken from the Fund Actuary. The notional assets equal the liabilities being transferred (on an ongoing funding basis) and accordingly the initial funding level is 100% and the surplus/deficit at the point of transfer is Nil. This will be reviewed at future actuarial valuations. The initial employer contribution rate will be 18.4% of pensionable pay.

The level of risk to the Fund has also been assessed by the Fund Actuary and a risk assessment report provided.

### 3. Theatr Clwyd Music Trust

Delegation:	Delegated Officer(s):	Communication and monitoring of Use of Delegation
<p>Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.</p>	<p>HCPF and either the CFM or CE after taking appropriate advice from the FA</p>	<p>Ongoing reporting to PFC for noting</p>

#### Action taken –

Theatr Clwyd Music Trust was admitted as an admission body to the Clwyd Pension Fund with effect from 1 April 2020.

#### Background

Theatr Clwyd Music Trust has been established for the advancement of the arts by the management and development of Theatr Clwyd and its programme of productions, events, shows and other activities involving the arts of theatre, dance, visual arts and music managed from there and the pursuit of any other charitable objects.

1. The following bodies are admission bodies with whom an administering authority may make an admission agreement-

- (a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);
- (b) a body, to the funds of which a Scheme employer contributes;
- (c) a body representative of-
  - (i) any Scheme employers, or
  - (ii) local authorities or officers of local authorities;
- (d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-
  - (i) the transfer of the service or assets by means of a contract or other arrangement, X
  - (ii) a direction made under section 15 of the Local Government Act 1999 **(115)** (Secretary of State's powers),
  - (iii) directions made under section 497A of the Education Act 1996 **(116)** ;
- (e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

The effective date of the contract is 1 April 2021. An admission agreement has been prepared and signed by all parties. As the body is providing a service for Flintshire County Council, Flintshire County Council will also be party to the admission agreement and will act as guarantor.

The agreement is a Closed agreement with 34 members transferring. Advice has been taken from the Fund Actuary. The notional assets equal the liabilities being transferred (on an ongoing funding basis) and accordingly the initial funding level is 100% and the surplus/deficit at the point of transfer is Nil. This will be reviewed at future actuarial valuations. The initial employer contribution rate will be 19.5% of pensionable pay.

The level of risk to the Fund has also been assessed by the Fund Actuary and a risk assessment report provided.

#### 4. Churchill Contract Services Ltd

Delegation:	Delegated Officer(s):	Communication and monitoring of Use of Delegation
Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.	HCPF and either the CFM or CE after taking appropriate advice from the FA	Ongoing reporting to PFC for noting

#### Action taken –

Churchill Contract Services Ltd was admitted as an admission body to the Clwyd Pension Fund with effect from 1 December 2020.

#### Background

Churchill Contract Services Ltd are applying to become an admission body under the provision of Schedule 2 of the Local Government Pension Scheme Regulations 2013 (their specific circumstance is crossed below):

1. *The following bodies are admission bodies with whom an administering authority may make an admission agreement-*

- (a) *a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);*
- (b) *a body, to the funds of which a Scheme employer contributes;*
- (c) *a body representative of-*
  - (i) *any Scheme employers, or*
  - (ii) *local authorities or officers of local authorities;*
- (d) *a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-*
  - (i) *the transfer of the service or assets by means of a contract or other arrangement, X*
  - (ii) *a direction made under section 15 of the Local Government Act 1999 (115) (Secretary of State's powers),*
  - (iii) *directions made under section 497A of the Education Act 1996 (116) ;*
- (e) *a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.*

The effective date of the contract was 1 December 2020. An admission agreement has been prepared and signed by all parties. An admission agreement may take effect on a date

before the date on which it is executed as per Part 3 of Schedule 2. As the body is providing a service for WCBC, WCBC will also be party to the admission agreement and will act as guarantor.

Initial funding level is 100%. The agreement is a Closed agreement (i.e. restricted to just the transferring employees) with 4 existing Clwyd Pension Fund members transferring from WCBC to Churchill Contract Services Ltd. All contributions have been paid from the contract start date.

Advice has been taken from the Fund Actuary. The notional assets equal the liabilities being transferred (on an ongoing funding basis) and accordingly the initial funding level is 100% and the surplus/deficit at the point of transfer is Nil. This will be reviewed at future actuarial valuations. The initial employer contribution rate will be 20.6% of pensionable pay.

## 5. Dolce Ltd

Delegation:	Delegated Officer(s):	Communication and monitoring of Use of Delegation
<p>Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.</p>	<p>HCPF and either the CFM or CE after taking appropriate advice from the FA</p>	<p>Ongoing reporting to PFC for noting</p>
<p><b>Action taken –</b></p> <p>Dolce Ltd was admitted as an admission body to the Clwyd Pension Fund with effect from 1 September 2020.</p> <p><b>Background</b></p> <p>Dolce Ltd is a company providing catering services for Ysgol Bryn Coch. Dolce Ltd are applying to become an admission body under the provision of Schedule 2 of the Local Government Pension Scheme Regulations 2013 (their specific circumstance is crossed below):</p> <p>1. <i>The following bodies are admission bodies with whom an administering authority may make an admission agreement-</i></p> <p>(a) <i>a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);</i></p> <p>(b) <i>a body, to the funds of which a Scheme employer contributes;</i></p> <p>(c) <i>a body representative of-</i></p> <p>(i) <i>any Scheme employers, or</i></p> <p>(ii) <i>local authorities or officers of local authorities;</i></p> <p>(d) <i>a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-</i></p> <p>(i) <i>the transfer of the service or assets by means of a contract or other arrangement, X</i></p> <p>(ii) <i>a direction made under section 15 of the Local Government Act 1999 (115) (Secretary of State's powers),</i></p> <p>(iii) <i>directions made under section 497A of the Education Act 1996 (116) ;</i></p> <p>(e) <i>a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.</i></p>		

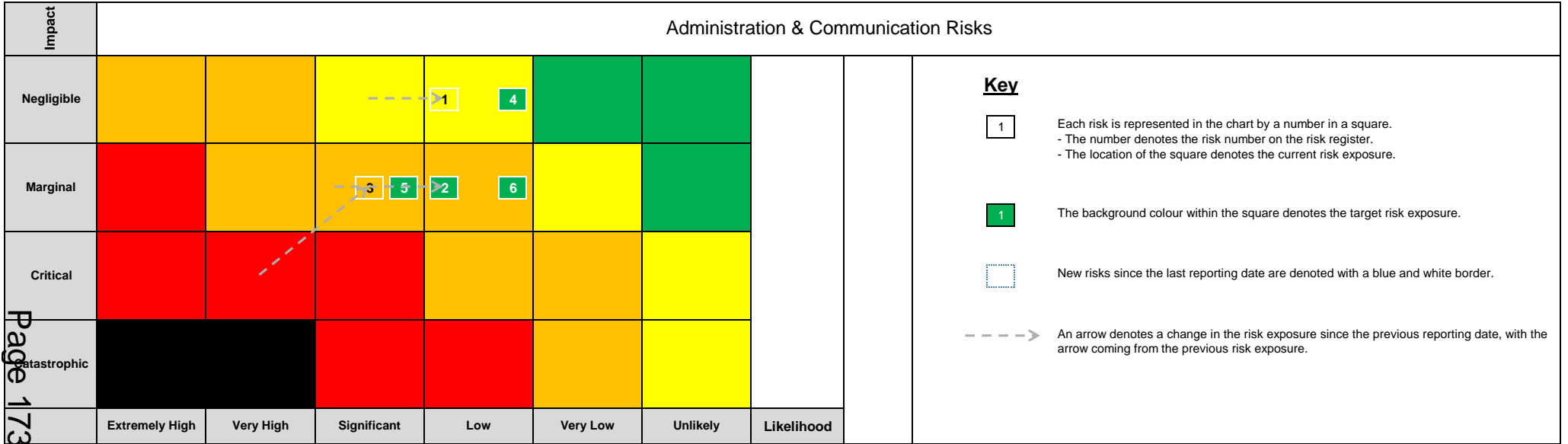
The effective date of the contract was 1 September 2020. An admission agreement has been prepared and signed by all parties. An admission agreement may take effect on a date before the date on which it is executed as per Part 3 of Schedule 2. As the body is providing a service for Ysgol Bryn Coch, Flintshire County Council will also be party to the admission agreement and will act as guarantor.

Initial funding level is 100%. The agreement is a Closed agreement (i.e. restricted to just the transferring employees) with 6 existing Clwyd Pension Fund scheme members transferring from Flintshire County Council to Dolce Ltd. All contributions have been paid from the contract start date.

Advice has been taken from the Fund Actuary. Initially the open/closed status of the employer was undecided, therefore advice was provided to cover both scenarios. The notional assets equal the liabilities being transferred (on an ongoing funding basis) and accordingly the initial funding level is 100% and the surplus/deficit at the point of transfer is Nil. This will be reviewed at future actuarial valuations. The initial employer contribution rate will be 21.7% of pensionable pay.



## Administration and Communication Risks Heat Map and Summary



**Clwyd Pension Fund - Control Risk Register**  
Administration & Communication Risks

Objectives extracted from Administration Strategy (03/2017) and Communications Strategy (04/2016):

- A1 Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- A2 Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- A3 Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- A4 Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- A5 Maintain accurate records and ensure data is protected and has authorised use only
- C1 Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- C2 Communicate in a clear, concise manner
- C3 Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders
- C4 Look for efficiencies in delivering communications through greater use of technology and partnership working
- C5 Regularly evaluate the effectiveness of communications and shape future communications appropriately

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades (including due to Covid-19)	All	Negligible	Low	Yellow	<ul style="list-style-type: none"> <li>1 - Training Policy, Plan and monitoring in place</li> <li>2 - Benefit consultants available to assist if required</li> <li>3 - Ongoing task/SLA reporting to management/AP/PC/LPB to quickly identify issues</li> <li>4 - Data protection training, policies and processes in place</li> <li>5 - System security and independent review/sign off requirements</li> <li>6 - ELT established</li> <li>7 - Temporary staff changed to permanent, and further resource increase/recruitment to new posts</li> <li>8 - Ongoing monitoring of ELT and Ops resource/workload for backlogs</li> <li>9 - Establishment of aggregation team</li> <li>10 - Ongoing training within the team</li> <li>11 - Impact of potential Covid absences being discussed at weekly Covid catch ups and plans in place for ensuring priority work continues unaffected/training of new Lead PO has been undertaken.</li> </ul>	Negligible	Low	Yellow	😊				Pensions Administration Manager	31/10/2021	26/05/2021
2	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters (including due to Covid-19)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Low	Yellow	<ul style="list-style-type: none"> <li>1 - Administration strategy updated</li> <li>2 - Employer steering group established</li> <li>3 - Greater engagement through Pension Board</li> <li>4 - Backlog project in place</li> <li>5 - Establishment of ELT</li> <li>6 - Increased data checks/analysis (actuary and TPR)</li> <li>7 - Implemented further APP data checks to identify issues</li> <li>8 - Updated Admin Strategy to include a compliance declaration</li> <li>9 - Increased engagement with employers as to how they are managing due to Covid, and ongoing CPF requirements, and also increased monitoring of employer data coming into CPF</li> <li>10 - Developed and issuing monthly KPI reporting for employers</li> <li>11 - Reviewed annual SLA communications with employers</li> <li>12 - I-connect in place for majority of membership</li> </ul>	Negligible	Very Low	Green	😊 Current impact 1 too high Current likelihood 1 too high	01/07/2016	Oct 2021	<ul style="list-style-type: none"> <li>1 - After 2020/21 year end checks consider need to roll out APP training - in house and employers (KM)</li> <li>2 - Identify other employer data issues (incl McCloud) and engage directly with employers on these (KM/AH)</li> </ul>	Pensions Administration Manager	31/10/2021	26/05/2021
3	Unable to meet legal and performance expectations due to external factors	Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes including McCloud and £95k cap)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Significant	Orange	<ul style="list-style-type: none"> <li>1 - Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues.</li> <li>2 - Benefit consultants available to assist if required</li> <li>3 - Recruitment to new posts</li> <li>4 - McCloud planning undertaken, including governance structure with Steering Group and PMG</li> </ul>	Marginal	Low	Orange	😐 Current likelihood 1 too high	27/08/2018	Oct 2021	<ul style="list-style-type: none"> <li>1 - Ongoing consideration of resource levels post recruitment of new posts (KW)</li> <li>2 - Ongoing consideration of likely national changes and impact on resource (KW)</li> <li>3 - Ongoing consideration of £95k cap on processes etc (KW/KM)</li> </ul>	Pensions Administration Manager	31/10/2021	26/05/2021
4	Scheme members do not understand or appreciate their benefits	Communications are inaccurate, poorly drafted or insufficient (including McCloud and £95k cap)	C1/ C2 / C3	Negligible	Low	Yellow	<ul style="list-style-type: none"> <li>1 - Communications Strategy in place</li> <li>2 - Annual communications survey for employees and employers</li> <li>3 - Specialist communication officer employed</li> <li>4 - Website reviewed and relaunched (2017)</li> <li>5 - Member self service launched (2017)</li> <li>6 - Comms Officer recruited</li> <li>7 - Ongoing identification of data issues and data improvement plan in place</li> </ul>	Negligible	Very Low	Green	😐 Current likelihood 1 too high	01/07/2016	Oct 2021	<ul style="list-style-type: none"> <li>1 - Ongoing promotion of member self service (KM)</li> <li>2 - Review of and update website during 2020/21 (KM)</li> <li>3 - Review of success of new website/Connect/member self-service planned for 2021/22 (KM)</li> </ul>	Pensions Administration Manager	31/10/2021	26/05/2021
5	High administration costs and/or errors	Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and £95k)	A2 / A4 / C4	Marginal	Significant	Orange	<ul style="list-style-type: none"> <li>1 - Business plan has number of improvements (I-connect/MSS etc)</li> <li>2 - Review of ad-hoc processes (e.g. deaths and aggregation)</li> <li>3 - Participated as a founding authority on national framework for admin systems and this is now launched</li> <li>4 - Procurement of Altair on business plan</li> <li>5 - Joined latest Heywood Testing Party</li> <li>6 - Implementation of other Altair modules including in-house lump sum payment facility</li> <li>7 - Increased engagement with Heywood about change in their business model</li> <li>8 - Increased engagement with Heywood re McCloud software enhancements</li> <li>9 - IConnect in place for majority of scheme members</li> <li>10 - Ongoing identification of data issues and data improvement plan in place</li> </ul>	Negligible	Very Low	Green	😐 Current impact 1 too high Current likelihood 2 too high	01/07/2016	Oct 2021	<ul style="list-style-type: none"> <li>1 - Review of and update website during 2020/21 (KM)</li> <li>2 - Review of success of new website/Connect/member self-service planned for 2021/22 (KM)</li> <li>3 - Carry out CPF tender for pension admin system (KW)</li> <li>4 - If delays in system upgrades, look for alternative solutions to administer regulatory changes (KW)</li> </ul>	Pensions Administration Manager	31/10/2021	26/05/2021
6	Service provision is interrupted	System failure or unavailability, including as a result of cybercrime and Covid-19	A1 / A4 / C2	Marginal	Low	Yellow	<ul style="list-style-type: none"> <li>1 - Disaster recover plan in place and regularly checked</li> <li>2 - Hosting implemented</li> <li>3 - Implement lump sum payments via pensioner payroll facility</li> <li>4 - Regular communications with Heywood re how dealing with Covid &amp; early communications with FCC re how to ensure payments are made as a back up</li> </ul>	Negligible	Unlikely	Green	😐 Current impact 1 too high Current likelihood 2 too high	08/11/2019	Oct 2021	<ul style="list-style-type: none"> <li>1 - Develop updated business continuity plan for CPF (KW)</li> <li>2 - Review of cybercrime risk controls (KW/PL)</li> </ul>	Pensions Administration Manager	31/10/2021	26/05/2021



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 June 2021
<b>Report Subject</b>	Investment and Funding Update
<b>Report Author</b>	Deputy Head, Clwyd Pension Fund

### EXECUTIVE SUMMARY

An investment and funding update is on each quarterly Committee agenda.

There are separate agenda items on asset pooling in Wales, investment performance and the funding and flight path risk management framework. This update includes matters that are mainly for noting, albeit comments are clearly welcome.

This report provides updates on the following items:

- Confirmation of the outcome of the recent consultation on changes to the Funding Strategy Statement.
- Update on matters being considered at SAB's Responsible Investment Advisory Group which the Deputy Head of Clwyd Pension Fund attends.
- Risk register - there have been no changes to the scoring of the current risks.
- Delegated responsibilities – this details the delegated responsibilities which have been completed by officers since the last Committee meeting.

### RECOMMENDATIONS

1	That the Committee consider and note the update for delegated responsibilities and provide any comments.
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## REPORT DETAILS

1.00	<b>INVESTMENT AND FUNDING RELATED MATTERS</b>
1.01	<p><b>Business Plan Update</b></p> <p>Usually the three main update reports at each Committee include the latest progress against the business plan. Given we are only 2 months into 2021/22, there are no updates included for this meeting. Full updates will be provided at the next meeting.</p>
1.02	<p><b>Current Development and News</b></p> <p><i>SAB Responsible Investment Advisory Group</i></p> <p>As previously reported, the Scheme Advisory Board (SAB) have created a Responsible Investment Advisory Group (RIAG) consisting of a selection of Fund Managers, Consultants and representatives from the LGPS Asset Pools and key Administering Authority groups. The Deputy Head of the Clwyd Pension Fund represents the Wales Pension Partnership on this group and has attended both the meetings held in the last two months. The group are actively assisting SAB with responses to the following consultations: :</p> <ul style="list-style-type: none"> <li>• The Ministry of Housing, Communities and Local Government (MHCLG) intends to consult formally later this year on the implementation of mandatory reporting in the LGPS aligned to the Task Force on Climate related Financial Disclosure (TCFD) requirements. An informal consultation took place with a limited audience and RIAG assisted SAB with responses to this.</li> <li>• The Department for Work and Pensions (DWP) has launched a call for evidence for consideration of social risks and opportunities by occupational pension schemes. RIAG have also been assisting SAB with responses to this.</li> </ul> <p>SAB have also created a Responsible Investment (RI) A – Z which is a one stop shop for information, links and case studies in a fast growing and complex area. There is the functionality to filter on areas of interest and covers classification such as asset class or approach, category (environmental, social, governance) or status (mandatory, aspirational) This will continue to evolve as more information is available. The RI A – Z can be viewed <a href="#">here</a>.</p>
1.03	<p><i>Flintshire County Council – Climate / Carbon Enquiry</i></p> <p>At the meeting of Flintshire County Council on 25<sup>th</sup> May 2021, a question was asked of the Pension Fund with regard to exposure in fossil fuel industries and green or new energy technologies. The question and the Fund response was shared with Committee and Board members in advance of the meeting and is also attached as an appendix on agenda item 7 of this Committee.</p> <p>Prior to the Flintshire County Council meeting, the Pension Fund had held a briefing session for Committee and Board members which covered in detail the investments the Fund holds. The session invitation was also</p>

	extended to any Flintshire Members who wished to attend.
1.04	<p><i>Review of Employer Contributions and Flexibility on Exit Payments</i></p> <p>Proposed policies relating to the review of employer contributions and exit payment flexibility were incorporated into a draft revised Funding Strategy Statement (FSS) presented at the March Committee. The draft revised FSS was circulated to all employers in April for consultation and responses were requested by May 26<sup>th</sup>. All responses have now been received and will be incorporated into the final FSS. It was agreed at the previous Committee that any minor amendments be made by delegation to the Head of the Clwyd Pension Fund. The responses do not require any substantive changes at this time but if this changes we will bring the FSS back to the Committee for consideration.</p>
1.05	<p><i>GMP Indexation</i></p> <p>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. In their view this would also satisfy GMP equalisation requirements between genders (with a few exceptions). The new State Pension introduced from April 2016 removed the mechanism that enabled full price inflation protection for public servants' GMP, and an interim solution to this problem, requiring the LGPS to provide full indexation on all GMP pension, was put in place for members who reach State Pension Age up to 5 April 2021. The consultation considered:</p> <ul style="list-style-type: none"> <li>• Whether the government should discount conversion of GMP into non-GMP pension as a long-term policy solution and make the interim solution, of full indexation, permanent</li> <li>• If not, how long the government should extend full indexation for before reconsidering conversion or a feasible alternative solution in the future.</li> </ul> <p>The response to the consultation was published on 23 March 2021. It has now been confirmed that HMT will not be adopting a “GMP conversion” approach for the LGPS. Instead, the current indexation provisions will be extended to cover those members of public service pension schemes reaching State Pension age from 6 April 2021. In our previous Committee, we concluded that this was the best option for the Fund and this was reflected in the Fund's response to the consultation. This was on the basis that it is the simplest option to implement from an operational perspective (especially given this solution is already in place up to 5 April 2021) and also the easiest option to communicate to the affected members. However, the solution does have implications in terms of a small increase in liabilities, as the affected members will now receive full indexation in line with CPI on their GMP as opposed to limited or no indexation. Based on the 2019 valuation data, the Fund Actuary has calculated this to be £7m for the Fund as a whole and most of this cost will fall on the major employers. This would be included at the 2022 actuarial valuation when setting employer contribution rates.</p>
	<b>Policy and Strategy Implementation and Monitoring</b>
1.06	The Advisory Panel receive a detailed investment report from the Fund's

	<p>Investment Consultants, Mercer, which shows compliance with the approved Investment Strategy Statement and reports on fund manager performance. A summary of this performance is shown in the Mercer report included in agenda item 12.</p> <p>As reported in agenda item 6, the estimated funding level is currently 102% and continues to be monitored. Our annual report will be reporting a 100% fully funded position as at 31<sup>st</sup> March 2021. Appendix 3 shows the historic funding position from 1989 to 2021 and key milestones for the Fund from 1989 when the Fund allowed employers to take a “contribution holiday” and funding levels were able to be less than 100%. Stock market falls and lower return expectations caused levels to drop as low as 65% in 2004 and were only at 68% in 2013 when the “Flight Path “ strategy was introduced in 2014. Since then, levels continued to improve and had been close to 100% before the impact on markets last March 2020 due to the COVID-19 pandemic after which we have seen markets rebound to current levels.</p> <p>The Advisory Panel also receive reports from the following Clwyd Pension Fund officer/adviser working groups:</p> <ul style="list-style-type: none"> <li>• Tactical Asset Allocation Group (TAAG)</li> <li>• Cash and Risk Management Group (CRMG)</li> <li>• Private Equity and Real Assets Group (PERAG)</li> </ul> <p>Any delegations arising from these meetings are detailed in Appendix 1.</p>
1.07	<p><b>Delegated Responsibilities</b></p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 1 updates the Committee on the areas of delegation used since the last meeting. To summarise:</p> <ul style="list-style-type: none"> <li>• Cash-flow forecasting continues to be monitored through the Cash and Risk Management Strategy.</li> <li>• Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG).</li> <li>• Three further investments have been agreed across the Private Equity and Impact portfolios.</li> </ul>

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

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	As outlined in paragraph 1.03, the proposed changes to the Funding Strategy Statement was consulted on with employers.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Appendix 2 provides the dashboard and risk register highlighting the

	current risks relating to Investments and Funding matters.
4.02	<p>There have been no additional risks added to the register since the last Committee and all nine risks have remained the same as reported to the February 2021 Committee. Of the nine, most remain on target and the remainder are one step away from the target impact or likelihood, which is mainly due to the uncertainty around markets.</p> <p>The most significant risk (but still just one step away from target) is risk nine which is that the Fund's long-term Investment Strategy fails to deliver appropriate returns due to either responsible investment not being properly considered or WPP does not provide the Fund with the tools to enable implementation of its RI policies.</p> <p>In line with Internal Audit recommendations, we are changing and expanding on the narrative on some risks, mainly the risk descriptions or names.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – Delegated Responsibilities  Appendix 2 – Risk dashboard and register – Investments and Funding  Appendix 3 – Historic Funding Positions</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Funding Strategy Statement - March 2021 Pension Fund Committee</p> <p><b>Contact Officer:</b> Debbie Fielder, Deputy Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702259  <b>E-mail:</b> Debbie.a.fielder@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>The Fund - Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>The Committee - Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) <b>TAAG – Tactical Asset Allocation Group</b> – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from JLT Employee Benefits, the Fund Consultant.</p>

- (e) **AP – Advisory Panel** – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.
- (f) **PERAG – Private Equity and Real Asset Group** – a group chaired by the Clwyd Pension Fund Manager with members being the Pensions Finance Managers, who take specialist advice when required. Recommendations are agreed with the Fund’s Investment Consultant and monitored by AP.
- (g) **In House Investments** – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments. The due diligence, selection and monitoring of these investments is undertaken by the PERAG.
- (h) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (i) **ISS – Investment Strategy Statement** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
- (j) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (k) **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- (l) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- (m) **Actuary** - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.
- (n) A full glossary of Investments terms can be accessed via the following link.  
<https://www.schroders.com/en/uk/adviser/tools/glossary/>



## **DELEGATED RESPONSIBILITIES**

	<b>Delegation to Officer(s)</b>	<b>Delegated Officer(s)</b>	<b>Communication and Monitoring of Use of Delegation</b>
1.07.1	Rebalancing and cash management	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

### **Rebalancing Asset Allocation**

#### **Background**

The Investment Strategy Statement (ISS) includes a target allocation against which strategic performance is monitored (Strategic Allocation). There are strategic ranges for each asset category that allow for limited deviation away from the strategic allocation as a result of market movements. In addition there is a conditional medium term asset allocation range (Conditional range) to manage major risks to the long term strategic allocation which may emerge between reviews of the strategic allocation.

The Tactical Asset Allocation Group (Investment Consultant & Officers) which meets each month consider whether it is appropriate to re-balance to the strategic asset allocation. Recommendations are made to the Head of the Clwyd Pension Fund who has delegated authority to make the decision. Re-balances or asset transitions may be required due to market movements, new cash into the Fund or approved changes to the strategic allocation following a strategic review.

#### **Action Taken**

In the period January to March 2021 the remaining £41m held with Stone Harbor was redeemed and £39m invested in the WPP Multi Asset Credit sub fund.

### **Cash Management**

#### **Background**

The Deputy Head of the Clwyd Pension Fund forecasts the Fund's 3 year cash flows in the Business Plan and this is monitored quarterly and revised on an annual basis. The bank account balance is monitored daily. The main payments are pension related, expenses and investment drawdowns. New monies come from employer and employee contributions and investment income or distributions. This cash flow management ensures the availability of funds to meet payments and investment drawdowns. The LGPS investment regulation only allow a very limited ability to borrow. There is no strategic asset allocation for cash, although there is a strategic range of +5% and a conditional range of +30% which could be used during times of major market stress.

#### **Action Taken**

The cash balance as at 31<sup>st</sup> March 2021 was £37.1m (£22.9m at 31<sup>st</sup> December). The cash flow is monitored to ensure there is sufficient monies to pay benefits and capital calls for investments. Work is continuing with the Consultant and Actuary to monitor the cash-flow situation and be aware of any unforeseen issues. As a result of the COVID pandemic, the Fund reviewed the levels of distributions and drawdowns it originally expected. Whilst, as suspected, distributions were lower than expected, drawdowns were also lower and the effect to end of March has been a surplus of £19.6m. As part of the Investment Strategy Review, the new Cash Management and Risk Strategy can be utilised if this situation reverses. Monthly cash flows for the financial year to 2020/21 are shown graphically at the end of the delegations appendix.

	<b>Delegation to Officer(s)</b>	<b>Delegated Officer(s)</b>	<b>Communication and Monitoring of Use of Delegation</b>
1.07.2	Short term tactical decisions relating to the 'best ideas' portfolio	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

### **Background**

The Tactical Asset Allocation Group (Investment Consultant and Officers) meet each month to consider how to invest assets within the 'Best Ideas' portfolio given the shorter term market outlook (usually 12 months). The strategic asset allocation is 11% of the Fund. The investment performance target is CPI +3 %, although the aim is to also add value to the total pension fund investment performance.

### **Action Taken**

Since the previous report to Committee in February 2021 the transactions agreed within the portfolio were:

- Full redemption LGIM High Yield Bonds - £12.8m (crystallised +28.4%)
- Partial redemption LGIM Liquidity Fund -£10.8m
- Invest £11.8m in LGIM UK Equity
- Invest £11.8m in BlackRock Emerging Market Equity
- Partial redemption LGIM Infrastructure Fund -£11.5m
- Partial redemption of Nighty One Global Natural Resources Fund - £15.5m
- Invest £11.5m BlackRock US Opportunities Fund
- Invest £15.5m in LGIM Commodity Index Fund

The current allocations within the portfolio following the transactions are:

- US Equities (3.4%)
- Commodities (2.4%)
- Infrastructure (1.1%)
- Global Bonds (1.0%)
- UK Equity (1.1%)
- EM Equity (1.6%)
- Liquidity Fund (0.4%)

Detailed minutes of the Group identifying the rationale behind the recommendations made to the Head of the Clwyd Pension Fund and decisions made under this delegation are circulated to the Advisory Panel.

As at the end of March 2021, the Best Ideas portfolio 1 year performance was +21.3% against a target of +3.7% and the 3 year performance was +7.0% against a target of +4.4%.

	<b>Delegation to Officer(s)</b>	<b>Delegated Officer(s)</b>	<b>Communication and Monitoring of Use of Delegation</b>
1.07.3	Investment into new mandates / emerging opportunities	PFM and either the CFM or CEO (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP

## **Background**

The Fund's current investment strategy includes a 27% asset allocation to private equity (8%), property (4%), infrastructure (including legacy timber and agriculture assets) (8%), private debt (3%) and impact / local investing (4%) These are higher risk investments, usually in limited partnerships, and as such, previously, these are smaller commitments in the range of £8m to £15m in each. Across these asset categories there are currently in excess of 60 investment managers, investing in 115+ limited partnerships or other vehicles.

The Private Equity & Real Estate Group (PERAG) of officers and Consultant meet at least quarterly and are responsible for implementing and monitoring the investment strategy and limited partnerships across these asset classes. The investments in total are referred to as the 'In-House portfolio'. There is particular focus on Environmental, Social and Governance (ESG), sustainability and impact aspects on the investments made.

A review has been being undertaken of the existing portfolio and future cash flows by the Consultants and the results determined the forward work plan. It is anticipated that when the Wales Pension Partnership (WPP) are able to accommodate commitments in these alternative areas, the Fund will commit any available monies through the WPP. The Fund Consultants and WPP will work closely to ensure the available sub funds are suitable for the Funds existing Private Market strategy. Until these asset classes are available through the WPP, the Fund will continue to work with Mercer recommendations to deploy capital and look for any opportunities which fulfil the current agreed strategy.

## **Action Taken**

Due diligence has been completed on 2 existing managers for allocation to the Impact portfolio and all paperwork and due diligence on Private Equity investments recommended by the Fund's Consultants has been completed. The following investments have been agreed:

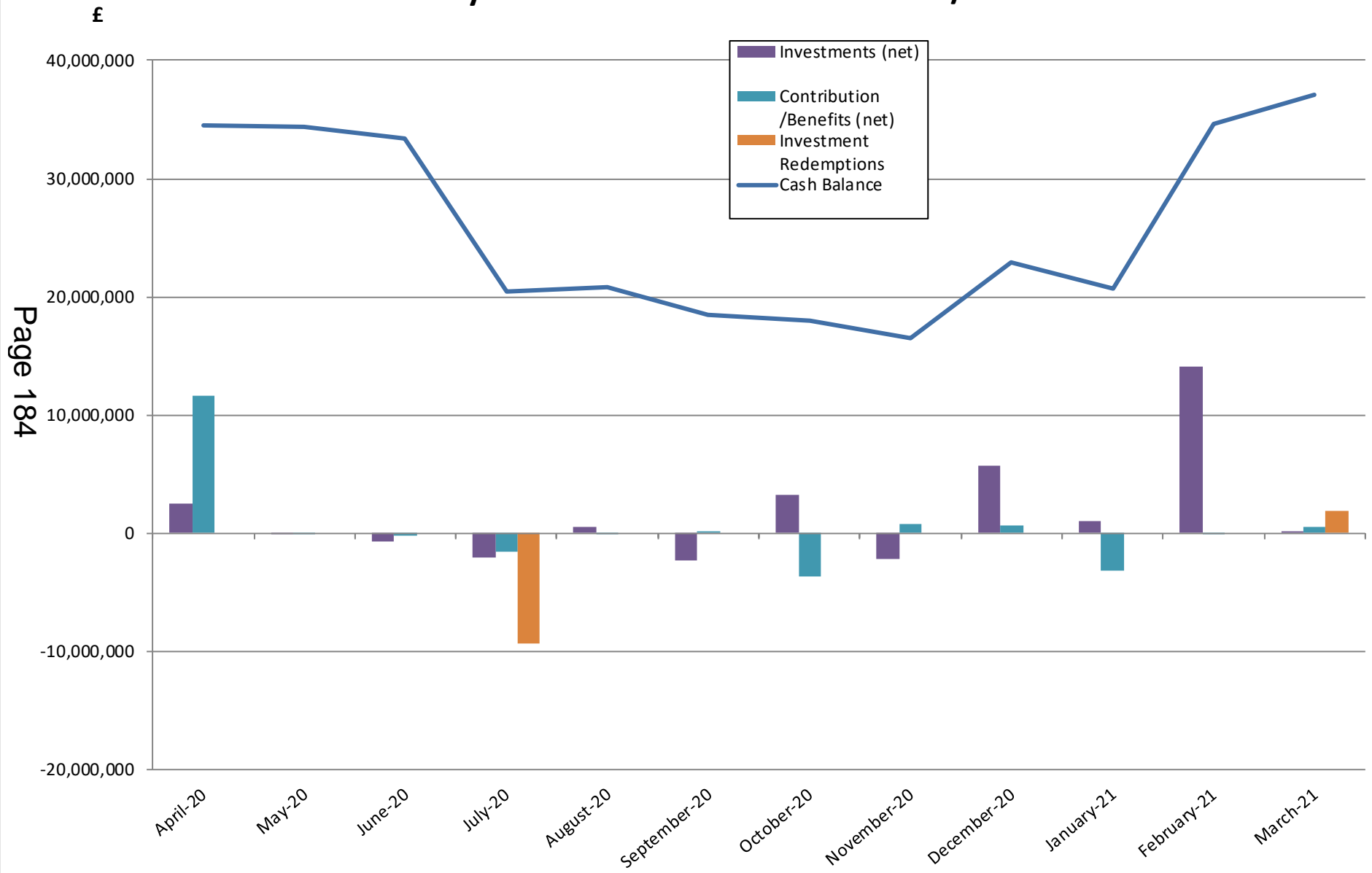
### Impact / Local

- Foresight Regional Fund III                      £12m
- Bridges Property Fund V                              £11m

### Private Equity

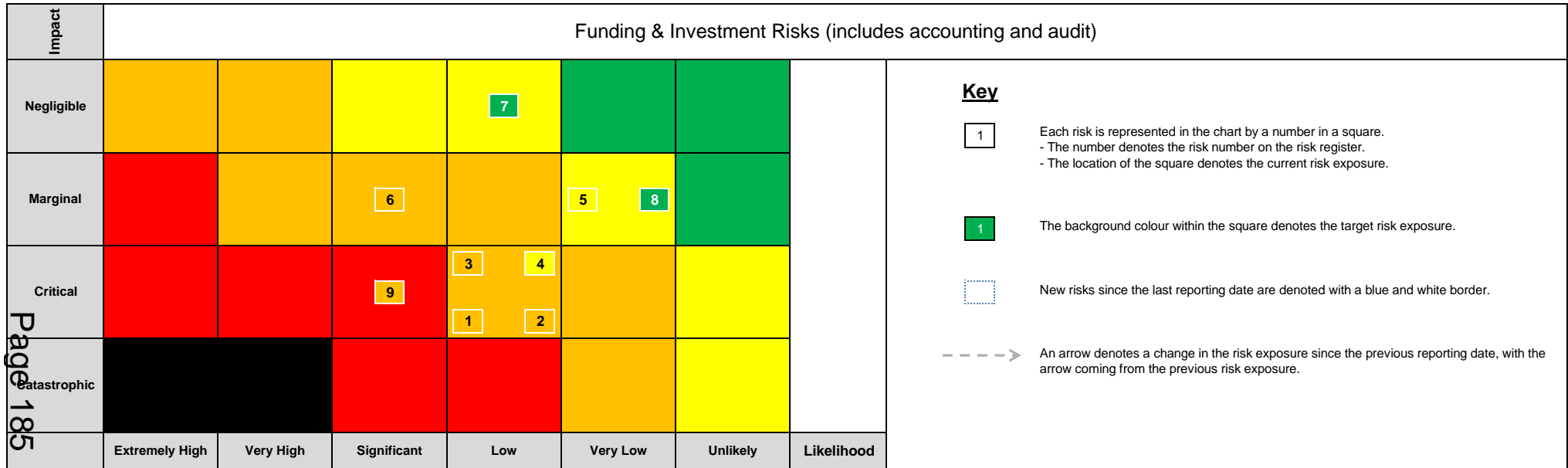
- FSN Fund VI    €15m (£14m)

# Clwyd Pension Fund - Cash-flow 2020/21



Funding and Investment Risks (Including Accounting & Audit) Heat Map and Summary

Appendix 2



Clywd Pension Fund - Control Risk Register  
Funding & Investment Risks (includes accounting and audit)

Objectives extracted from Funding Strategy Statement (2021/7) and Statement of Investment Principles (2017):

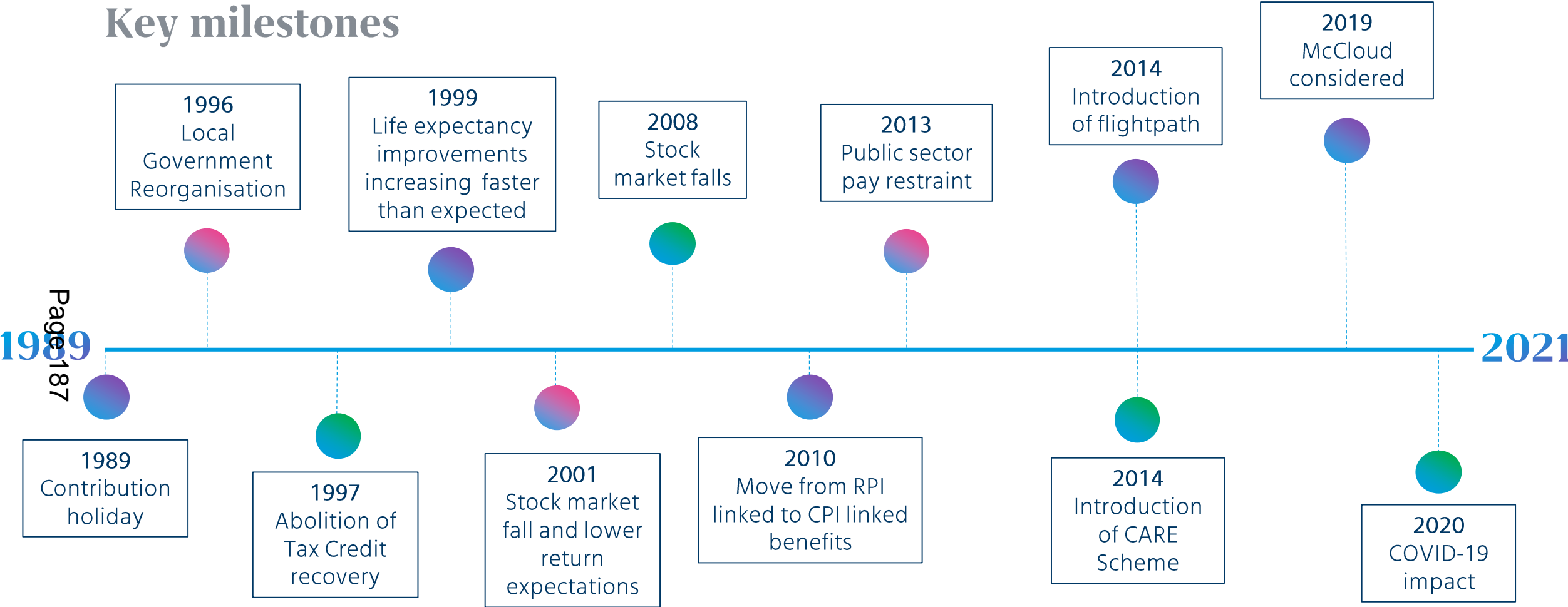
- F1 Achieve and maintain assets equal to 100% of liabilities within the 15 year average timeframe whilst remaining within reasonable risk parameters
- F2 Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- F3 Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- F4 Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- F5 Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- F6 Ensure net cash outgoings can be met as/when required
- F7 Minimise unrecoverable debt on employer termination.
- F8 Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- F9 Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current likelihood (see key)	Current Risk Status	Target controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Change	Risk Manager	Next review date	Last Updated		
1	Employer contributions are unaffordable and/or unstable	An appropriate funding strategy can not be set	F1 / F2 / F3 / F4 / F5	Critical	Low	High	1 - Ensuring appropriately prudent assumptions on an ongoing basis 2 - All controls in relation to other risks apply to this risk 3 - Consider employer covenant and reasonable affordability of contributions for each employer as part of the valuation process and as part of the ongoing risk management framework.	Critical	Very Low	Low	☹️	Current likelihood 1 too high	07/05/2020	Dec 2021	1 - Discussions with Employers to assess affordability as part of Interim Valuation review (DF)	Head of CPF	31/03/2021	21/01/2021	
2	Funding level reduces, increasing deficit	Movements in assets and/or liabilities (as described in 3.4.5) in combination, which leads to a reduction in funding level and increased contribution requirements in particular	F1 / F2 / F3 / F4 / F5 / F7	Critical	Low	High	See points within points 3.4 and 5	Marginal	Low	Low	☹️	Current impact 1 too high	31/03/2016	Mar 2033	1 - Equity Protection Strategy to be reviewed in light of market outlook (DF) 2 - In conjunction with Risks 3, 4 and 5 - overall return outlook will be considered in light of COVID-19 (PL) - See points within points 3, 4 and 5	Head of CPF	31/03/2021	21/01/2021	
3	Investment targets are not achieved therefore materially reducing agency / increasing contributions	-Markets perform below actuarial assumptions -Fund managers and/or in-house investments don't meet their targets -Market opportunities are not identified and/or implemented. -Black swan event e.g. global pandemic such as Covid-19 -Wales Pension Partnership (WPP) does not provide CPF with portfolios to deliver the Investment Strategy -Internal team do not have sufficient knowledge in order to challenge the investment managers on the advice given or understand the implications of all investment choices issues on the fund	F1 / F2 / F3 / F4 / F7	Critical	Low	High	1 - Use of a diversified portfolio (regularly monitored) 2 - Flightpath in place to exploit these opportunities in appropriate market conditions 3 - Monthly monitoring at Investment Day, FRMG and TAAG meetings 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee 5 - On going monitoring of appointed managers (including in house investments) managed through regular updates and meetings with key personnel 6 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of investment opportunities available 7 - Consideration and understanding of potential Brexit implications. 8 - Equity Protection and Currency Hedging Strategy in place to protect equity gains and potentially reduce volatility of contributions. 9 - Assess impact of Covid-19 on markets and likelihood of achieving required outcomes as part of Interim Valuation review 10 - Officers work closely with the WPP to ensure that CPF has the ability to pool its assets in an efficient and effective manner	Critical	Low	Low	High	☺️					Dep. Head of CPF	31/03/2021	21/01/2021
4	Value of liabilities increase due to market /inflation moving out of line with actuarial assumptions	Market factors impact on inflation and interest rates	F1 / F2 / F4 / F5 / F7	Critical	Low	High	1 - LDI strategy in place to control interest and inflation risks. 2 - Use of a diversified portfolio which is regularly monitored. 3 - Monthly monitoring of funding and hedge ratio position versus targets 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee. 5 - Consideration and understanding of potential Brexit implications. 6 - Consideration and understanding of potential Covid-19 implications. 7 - The level of hedging is being monitored and reported.	Marginal	Very Low	Low	☹️	Current impact 1 too high Current likelihood 1 too high	31/03/2016	Mar 2033	1 - Consider as part of Interim Valuation review (DF)	Dep. Head of CPF	31/03/2021	21/01/2021	
5	Value of liabilities/contributions change due to demographics of line with assumptions	This may occur if employer matters (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	F1 / F2 / F5 / F7	Marginal	Very Low	High	1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases.	Marginal	Very Low	Low	High	☺️			1 - Longevity assumption being considered in light of Covid-19 and as part of Interim Valuation review (DF)	Dep. Head of CPF	31/03/2021	21/01/2021	
6	Investment and/or funding objectives and/or strategies are no longer fit for purpose	Legislation changes such as LGPS regulations (e.g. asset pooling), progression of Brexit and other funding and investment related requirements - ultimately this could increase employer costs	F1 / F2 / F3 / F4 / F5 / F6 / F7	Marginal	Significant	High	1 - Ensuring that Fund concerns are considered by the Pensions Advisory Panel and Committee as appropriate 2 - Employers and interested parties to be kept informed and impact monitored 3 - Monitor developments over time, working with investment managers, investment advisers, Actuary and other LGPS 4 - Participation in National consultations and lobbying 5 - Costings performed in relation to the potential impact of McCloud on employers. Employers informed as part of the valuation regarding the potential contribution provision over 2020-23. Major employers agreed to include McCloud.	Marginal	Low	Low	High	☹️	Current likelihood 1 too high	31/03/2016	Mar 2021	1 - Once the Govt provide clarity on final remedy, request funding for McCloud from employers who did not make a provision (DF) 2 - Consider policies on amendment of rates and deferred debt arrangement, once final guidance is published (DF)	Dep. Head of CPF	31/03/2021	21/01/2021
7	Insufficient cash or liquid assets to pay benefits	- Insufficient cash (due to failure in managing cash) or only illiquid assets available - longer term this will likely become a problem and would result in unanticipated investment costs. - Further risk presented with the introduction of exit credits for exiting employers in the 2018 Regulations update. - Covid-19 could also impact on cash-flow as employers may suffer cash-flow problems. - Private Markets distributions could dry up due to liquidity in markets.	F1 / F6	Negligible	Low	High	1 - Cashflow monitoring (including private markets) to ensure sufficient funds 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Holding sufficient liquid assets as part of agreed cashflow management policy 4 - Monitor cashflow requirements to ensure that they have enough liquid assets to pay the benefits when needed 5 - Treasury management policy is documented to help monitor and manage cashflow 6 - Assessment of risk of Covid-19 on employers to help understand the impact that it will have on their ability to pay contributions (i.e. their covenant) and address any cashflow issues 7 - Employers have been informed to notify Fund of any significant restructuring exercises. 8 - Employers have been informed to notify Fund of potential contract end dates (incl. changes) in sufficient time to reduce risk of large payments (i.e. through a contribution rate review in advance of the contract end date)	Negligible	Very Low	Low	High	☹️	Current likelihood 1 too high	07/05/2020	Jun 2021	1 - Continue with ongoing communications with employers to ensure they can continue to pay contributions in light of Covid-19 (DF)	Dep. Head of CPF	31/03/2021	21/01/2021
8	Loss of employer income and/or other employers become liable for their deficits	Employer ceasing to exist with resulting funding (bond or guarantee)	F5 / F7	Marginal	Very Low	High	1 - Consider profile of Fund employers and assess the strength their covenant and/or whether there is a quality guarantee in place. 2 - When setting terms of new admissions require a guarantee or bond. 3 - Formal consideration of this at each actuarial valuation plus proportionate monitoring of employer strength 4 - Identify any deterioration and take action as appropriate through discussion with the employer.	Marginal	Unlikely	Low	High	☹️	Current likelihood 1 too high	31/03/2016	Dec 2021	1 - Discussions with Employers to assess covenant risk after analysis of responses to covenant data request as and when received (DF)	Dep. Head of CPF	31/03/2021	21/01/2021
9	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.	1. Responsible Investment (including Climate Change) is not properly considered within the Fund's long-term Investment Strategy meaning it is not sustainable and does not address all areas of being a Responsible Investor 2. WPP does not provide CPF with the tools to enable implementation of RI policies	F1, F4, F8, F9	Critical	Significant	High	1. Fund has in place Responsible Investment (RI) Strategy 2. RI Policy has 5 Strategic RI Priorities 3. WPP has RI policy in place	Critical	Low	Low	High	☹️	Current likelihood 1 too high	03/02/2020	Mar 2023	1 - Implement Strategic RI Priorities, including analysing the Fund's carbon Footprint. Analyse impact of Climate Change at a Strategic level. 2. Identify sustainable investment opportunities and improve disclosure and reporting (DF) 3. Work with WPP to ensure the Fund is able to implement effectively via the	Dep. Head of CPF	31/03/2021	21/01/2021

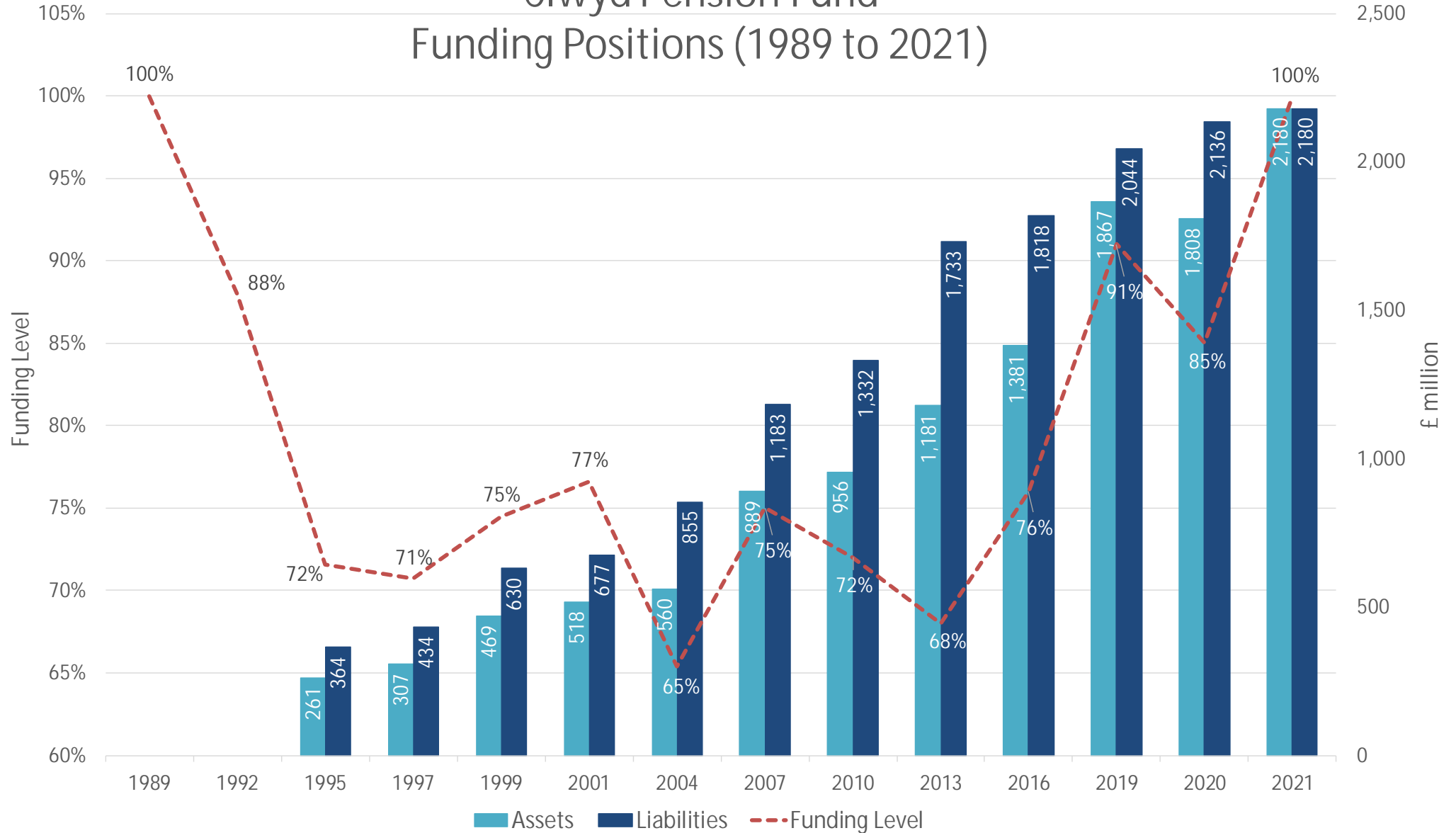
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# Clwyd Pension Fund

## Key milestones



# Clwyd Pension Fund Funding Positions (1989 to 2021)







## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 June 2021
<b>Report Subject</b>	Asset Pooling in Wales
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the work undertaken by the Wales Pension Partnership (WPP) with pooling investments in Wales.

There was a WPP Joint Governance Committee (JGC) on 16 March 2021 and the draft minutes and key policy documents approved are appended for information. As previously discussed each Constituent Authority is now asked to confirm the inclusion of a co-opted Scheme Member Representative on the JGC. This was already approved at the February 2021 Clwyd Pension Fund Committee.

The assets under management (AUM) now stand at £ £9.3m. The transition in relation to Emerging Markets has now received FCA approval and is expected to proceed in September.

The Head of Clwyd Pension Fund and Deputy continue to assist the Host Authority (Carmarthenshire County Council) and the WPP Oversight Adviser (Hymans Robertson) with their respective roles, as well as representing the interests of the Clwyd Pension Fund on the:

- Officer Working Group
- Risk sub group
- Responsible Investment sub group
- Private Markets sub group.

The next WPP JGC is planned for 28<sup>th</sup> July 2021 which will include the updated WPP Climate Risk Policy which was previously circulated to the Committee for comments.

### RECOMMENDATIONS

1.	That the Committee note and discuss the report and agree any comments or questions for WPP.
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## REPORT DETAILS

1.00	<b>Pooling Investment in Wales</b>
1.01	<p data-bbox="288 255 962 293"><b>Joint Governance Committee (JGC) Agenda</b></p> <p data-bbox="288 315 1406 472">There was a WPP JGC on the 24<sup>th</sup> March 2021. The draft minutes of that meeting are attached (Appendix 1) and the full public agenda is available here – <a href="#">Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 24th March, 2021, 10.00 am.</a></p> <p data-bbox="288 495 962 533">The JGC considered or approved the following:</p> <ul data-bbox="336 555 1422 2085" style="list-style-type: none"><li data-bbox="336 555 1422 797">• An update from the host authority which included next steps and priorities in relation to the launch of the Emerging Market sub fund and the continuing work of the Private Markets sub group, both of which the Clwyd Fund will be invested in. It was confirmed that the review of the Operator contact had commenced and a more detailed timeline would be provided at the next meeting.</li><li data-bbox="336 819 1422 1016">• The WPP Business Plan for 2021 – 2024 was considered for approval. This had previously been considered at the Clwyd Fund Committee in March. With regard to WPP policies, a query was raised suggesting that WPP could consider adopting a whistleblowing policy. The host authority agreed to take this forward.</li><li data-bbox="336 1039 1422 1115">• A review of the risk register which is considered quarterly by the OWG and an annual review of the Communications Policy.</li><li data-bbox="336 1137 1422 1496">• The appointment process for a non-voting scheme member representative on the JGC was discussed and approved subject to two amendments. A deputy from a different Pension Board would also be appointed and the appointment tenure be set at two years. In addition, the establishment of an appointment sub group consisting of the Chair and Vice Chair and a further nominated JGC representative (Councillor Ted Palmer) be approved. This change is now subject to formal approval by all Constituent Authorities. This was already approved at the February 2021 Clwyd Pension Fund Committee.</li><li data-bbox="336 1518 1422 1639">• An update from the operator including the assets under management (AUM) now stand £ £9.3m and FCA approval has now been received for Emerging Markets which are expected to transition in September.</li><li data-bbox="336 1662 1422 1975">• An update on investment performance as at December 2020. From a Clwyd Fund point of view, this is for the Global Opportunities Equity Fund and Multi Asset Credit Fund. Although both have relatively short track records they were ahead of benchmark. Officers received presentations in February from the fund manager on quarterly performance ending December 2020 and the performance figures are included in the Fund's quarterly Manager Summary report in agenda item 12.</li><li data-bbox="336 1998 1422 2085">• There is a standing agenda item for which the public are excluded which covers the quarterly Global Securities lending report.</li></ul>

1.02	<p><b>Officer Working Group &amp; Sub Groups</b></p> <p>The Deputy Head of Clwyd Pension Fund attends the Private Market sub-group and Responsible Investment (RI) sub-group. These are both complex areas and important for the Clwyd Pension Fund because 27% of our assets are in private markets and the ambitions within our Responsible Investment and Climate Risk policy. The private market sub group is currently meeting every other week and the RI group every 5 weeks. In addition, members of the RI sub group are also invited to attend the Host Authority meetings with Robeco.</p> <p>The Head of the Clwyd Pension Fund attends the quarterly meetings of the Risk Register group and all three groups report back to the Officer Working Group.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>How the Wales Pension Partnership operates is key in enabling the Fund to implement its investment strategy. If performance is not in line with the assumptions in our strategy, it will impact on the cost of the scheme to employers at future Actuarial Valuations. In addition, further guidance on pooling is expected from MHCLG in 2021 and the implications of that guidance are not yet known.</p> <p>Given these points, this risk (risk number 3 on the funding and investment register) continues to be categorised as significant in the Fund's risk register.</p> <p>The WPP risk register is included in the March JGC meeting pack at item 8. The focus was on the Governance and Regulation risk which are mainly on target. The Head of Clwyd Pension Fund attends the WPP Risk sub group.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – JGC 24 March 2021 draft minutes.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<ul style="list-style-type: none"> <li>• Earlier Committee reports on the progress of the WPP.</li> <li>• The Wales Pension Partnership Inter-Authority Agreement.</li> </ul> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> <a href="mailto:philip.latham@flintshire.gov.uk">philip.latham@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>The Fund – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>The Committee – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p> <p>(e) <b>Inter-Authority Agreement (IAA)</b> – the governance agreement between the eight Wales pension funds for purposes of pooling</p> <p>(f) <b>Wales Pension Partnership (WPP)</b> – the name agreed by the eight Wales pension funds for the Wales Pool of investments</p> <p>(g) <b>The Operator</b> – an entity regulated by the FCA, which provides both the infrastructure to enable the pooling of assets and fund management advice. For the Wales Pension Partnership, the appointed Operator is Link.</p>

# WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Wednesday, 24 March 2021

**PRESENT:** Councillor G. Caron (Chair)

**Councillors:**

S. Churchman, P. Lewis, C. Lloyd, M. Norris, C. Weaver, D.E. Williams and T. Palmer.

**The following officers were in attendance:**

C. Moore, Joint Committee Section 151 Officer (CCC)  
L.R. Jones, Joint Committee Monitoring Officer (CCC)  
N. Aurelius, Assistant Chief Executive - Resources (TCC)  
B. Davies, Director of Financial Services (RCT) J. Dong, Deputy S151 Officer/ Chief Finance Officer (C&CS)  
D. Edwards, Chief Finance Officer (GCC)  
C. Lee, Corporate Director of Resources (CoC)  
J. Thomas, Head of Financial Services (PCC)  
P. Latham (FCC), Head Clwyd Pension Fund (FCC)  
A. Parnell, Treasury & Pension Investments Manager (CCC)  
T. Williams, Senior Financial Services Officer (CCC)  
M. Evans Thomas, Principal Democratic Services Officer (CCC)  
K. Thomas, Democratic Services Officer (CCC)  
J. Laimann, Assistant Democratic Services Officer (CCC)  
S. Rees, Principal Translator (CCC)  
J. Connor, Technical Support (CCC)

**Also present as observers:**

A. Bull, Pensions Investment Manager (TCC)  
C. Hurst, Pension Fund Manager (PCC)  
D. Fielder, Deputy Head of Clwyd Pension Fund (FCC)  
D. Jones-Thomas, Investment Manager (GCC)  
G. Watkins, Revenue Services Manager (CoC)  
Y. Keitch, Principal Accountant (RCT)  
K. Cobb, Senior Accountant (C&CS)

**Also present:**

A. Tookey, Link Fund Solutions  
R. Thornton, Link Fund Solutions  
K. Midl, Link Fund Solutions  
J. Leggate, Russell Investments  
T. Paik, Russell Investments  
A. Quinn, Russell Investments  
P. Wharton, Russell Investments  
F. Hope, Hymans Robertson  
J. Wright, Hymans Robertson

**Virtual Meeting - 10.00 - 11.55 am**

## 1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr. Peredur Jenkins, with Cllr. Stephen Churchman attending as his deputy.

## 2. DECLARATIONS OF INTEREST

G. Caron	Member of the Greater Gwent Pension Fund; Wife is deferred member of the Greater Gwent Pension Fund; Son-in-law is member of the Greater Gwent Pension Fund
S. Churchman	Member of Gwynedd Pension Fund
P. Lewis	Member of the Powys Pension Fund
C. Lloyd	Member of the City & County of Swansea Pension Fund
M. Norris	Member of the Rhondda Cynon Taf Pension Fund
T. Palmer	Daughter and partner are members of Clwyd Pension Fund
E. Williams	Member of the Dyfed Pension Fund

[Note: There is an exemption within the Code of Conduct for Members, which allows a member who has been appointed or nominated by their authority to a relevant body to declare that interest but remain and participate in the meeting.]

## 3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 10TH DECEMBER 2020

**RESOLVED** that the minutes of the Joint Governance Committee meeting held on 10<sup>th</sup> December 2020 be signed as a correct record.

## 4. HOST AUTHORITY UPDATE

The Joint Committee received a progress update in relation to the following key areas:

- Governance;
- Ongoing establishment;
- Operator services;
- Communications and reporting;
- Training and meetings; and
- Resources, budget and fees.

In response to a query, the meeting was advised that the work on the review of the Operator contract had commenced and a more detailed timeline would be provided at the next meeting.

**RESOLVED that the Host Authority update be received.**

## **5. BUSINESS PLAN 2021 - 2024**

The Joint Committee considered the Business Plan 2021-2024. The meeting was advised that the Business Plan has been drafted in line with Section 6 of the Inter Authority Agreement and would be continuously monitored and formally reviewed and agreed on an annual basis. Following approval by the Joint Committee, the Business Plan would be sent to all Constituent Authorities for their written approval.

With regard to WPP policies, a query was raised suggesting that the WPP could consider adopting a whistleblowing policy. The host authority would take this forward with Hymans Robertson.

**RESOLVED that the Business Plan 2021-2024 be approved.**

## **6. TRAINING PLAN 2021/22**

The Joint Committee received the Training Plan 2021/22. The meeting was advised that the Training Plan was devised to supplement existing Constituent Authority training. Training was primarily focused on meeting the training needs of members of the JGC and OWG, but it could be extended to Pension Committee members and Pension Board representatives.

In response to a query, the JGC was advised that training in relation to progress of other LGPS pools and collaboration opportunities could be included on an annual basis. It was agreed that this would be included in the training plan.

**RESOLVED that the Training Plan 2021/22 be approved.**

## **7. SCHEME MEMBER REPRESENTATION**

The Joint Committee considered a report on Scheme Member Representation, which detailed the recommended appointment process and person specification that had been prepared by the OWG.

With regard to the appointment process, the report recommended that each local Pension Board nominate one scheme member representative who would submit an expression of interest setting out their specific qualities against the person specification. The appointment process would be undertaken by a JGC sub-group that would make an appointment recommendation to the JGC for approval.

Once the person specification and appointment process had been formally approved, the Inter Authority Agreement would need to be amended and the amendments would need to be approved by all eight constituent authorities.



With regard to the appointment process, it was suggested that the tenure of the appointment should be two years and the appointment should include a deputy representative from a different Pension Board to the Scheme Member Representative.

In response to a query on timescales, the meeting was advised that the appointment process was expected to take between six to twelve months as changes to the Inter Authority Agreement required approval by full Council of each constituent authority.

**RESOLVED that**

- 7.1. The Constituent Authorities be asked to approve the inclusion of a co-opted scheme representative on the Joint Governance Committee;**
- 7.2. The appointment process be approved subject to the following amendments:
  - a. A deputy representative from a different Pension Board to the Scheme Member Representative would also be appointed;**
  - b. The appointment tenure be set at two years;****
- 7.3. The establishment of an appointment sub-group consisting of the Chair - Councillor Glyn Caron, Vice Chair – Councillor Clive Lloyd and a further nominated JGC representative – Councillor Ted Palmer be approved;**
- 7.4. The person specification for the Scheme Member Representative be approved.**

**8. RISK REGISTER Q1 2021 REVIEW**

The Joint Committee received a report on the Q1 Risk Register Review. It was advised that a Risk subgroup of the OWG was reviewing the Risk Register on a quarterly basis. Key changes identified in the latest review were relating primarily to the Governance and Regulation section of the Register.

**RESOLVED that the amendments to the Risk Register be approved.**

**9. ANNUAL POLICY REVIEWS**

The Joint Committee received a report on the Annual Policy Reviews of the Communications Policy. It was advised that the existing Communications Policy had been approved in December 2019.

A communications workshop attended by members of the JGC and OWG in December 2020 had identified additional 'key messages' relating to the innovative and forward-thinking nature of the WPP and the size of the Pool. The Communication Policy had been updated to incorporate these new 'key messages'.

In response to a query, the meeting was advised that the Responsible Investment subgroup was working on communications relating to climate change queries and representatives of Friends of the Earth had been invited to one of the subgroup meetings.



**RESOLVED that the updated Communications Policy be approved.**

## **10. OPERATOR UPDATE**

The Joint Committee received a presentation on the progress of the Wales Pension Partnership in relation to the following key areas:

- Current Fund Holdings;
- Fund Launch Progress;
- Corporate Update and Engagement.

The meeting was advised that the total AUM figure has increased since the report date and now stands c£9.3bn. With regard to Emerging Markets (Tranche 4), FCA approval had been received on 23 March 2021 and launch was expected in September/October 2021.

**RESOLVED that the Operator Update be received.**

## **11. PERFORMANCE REPORTS AS AT 31 DECEMBER 2020**

The Joint Committee received a presentation on the Performance Reports as at 31 December 2020. It was advised that the sub funds had outperformed/underperformed their respective benchmarks, as follows:

- Global Opportunities outperformed by 1.28% gross / 0.91% net;
- Global Growth outperformed by 2.84% gross / 2.38% net;
- UK Opportunities outperformed by 4.33% gross / 3.90% net;
- Global Government Bond outperformed by 1.41% gross / 1.32% net;
- Global Credit outperformed by 0.81% gross / 0.75% net;
- Multi Asset Credit outperformed by 3.93% gross / 3.76% net;
- Absolute Return Bond outperformed by 0.40% gross / 0.27% net;
- UK Credit outperformed by 1.24% gross / 1.20% net.

**RESOLVED that the Performance Reports of the following sub-funds as at 31 December 2020 be approved:**

- 11.1. Global Opportunities Equity Fund;**
- 11.2. Global Growth Equity Fund;**
- 11.3. UK Opportunities Equity Fund;**
- 11.4. Global Government Bond Fund;**
- 11.5. Global Credit Fund;**
- 11.6. Multi Asset Credit Fund;**
- 11.7. Absolute Return Bond Strategy Fund;**
- 11.8. UK Credit Fund.**

## **12. EXCLUSION OF THE PUBLIC**

**RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following item as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.**

**13. GLOBAL SECURITIES LENDING REPORT AS AT 31 DECEMBER 2020**

**Following the application of the public interest test it was RESOLVED, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would adversely impact on the WPP by prejudicing negotiations.**

The Joint Committee received a report on Global Securities Lending.

**RESOLVED that the Global Securities Lending Review as at 31 December 2020 be noted.**

\_\_\_\_\_  
**CHAIR**

\_\_\_\_\_  
**DATE**



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 June 2021
<b>Report Subject</b>	Economic and Market update and Performance Monitoring report
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

The purpose of this report is to update the Committee on the Economy and Markets, and the Performance of the Fund's investments. The reports cover periods ending 31 March 2021, and are attached as appendices to this report. Key points to note:

#### Economy and Markets

- The quarter saw continued positive returns across major equity markets, building on the strong performance seen in the three previous quarters
- This was despite concern growing that further spreading of COVID-19 would lead to new restrictions and lockdowns across the world
- However, with leading economic indicators suggesting a recovery is well underway, and the passing of another large fiscal stimulus package in the US, investors continue to favour risk assets and asset class performance is demonstrative of this positive sentiment

#### Performance Monitoring Report

- Over the three months to 31 March, the Fund's total market value increased by £57.2m to £2,179.0m
- Fund Performance over 3 months, 12 months and 3 years; +2.9%, +23.3% and +7.1% p.a. respectively
- Fund Performance ahead of Composite benchmark over 3 months and 1 year but behind Composite benchmark over 3 years
- All asset classes broadly in line with strategic target weight

Performance of the Fund's assets are monitored and reviewed monthly by the Fund's Officers and advisers.

### RECOMMENDATIONS

- |    |  |
|----|--|
| 1. | That the performance of the Fund over periods to the end of March 2021 are noted along with the Economic and Market update which effectively sets the scene. |
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## REPORT DETAILS

1.00	<b>INVESTMENT AND FUNDING RELATED MATTERS</b>
1.01	<p><b>Economic and Market Update</b> The economic and market update for the quarter from the Fund's Investment Consultant is attached at Appendix 1. The report contains the following key sections:</p> <ul style="list-style-type: none"> <li>• <b>Economic and Market Background</b> – an overview of markets in the quarter, including commentary on key economic indicators</li> <li>• <b>Equity Market Review</b> – information on the performance of equity markets during the quarter and key drivers of markets</li> <li>• <b>Bond Market (Fixed Income) Review</b> – provides an update on bond yield movements and interest rates for the period</li> <li>• <b>Currencies, Commodities and Alternatives Review</b> – provides an update on the performance of Sterling against other currencies as well as highlighting movements in major commodity and alternatives asset classes for the period</li> </ul>
1.02	<p>The year started with optimism over vaccine roll-outs, the end of a contentious US election season, and the UK finally making its transition out of the EU. However, there was reason for concern over relentless Covid-19 spread leading to new restrictions and lockdowns across the world as well as fears of vaccine resistant variants. Investors however remain buoyed by the actions of central banks globally, and the bounce effect of increasingly positive economic data. This led to another strong quarter of strong returns from "risk" assets such as equities.</p> <p>US and UK Equities were amongst the strongest performers in the quarter, both returning 5.2% (in the case of the US this is the return denominated in GBP).</p> <p>Government Bond yields across the major developed markets rose over the quarter, reflective of the prevalent 'risk on' sentiment.</p> <p>Sterling continued to strengthen against the Dollar, Euro and Yen and was the strongest performing G10 currency.</p> <p>Commodities markets, with the exception of Gold, continued their strong performance in the quarter. Energy markets, led by Oil, had a particularly strong return with the temporary outage of the Suez Canal providing support in addition to positive demand sentiment as the global economic recovery continues to take place.</p>
1.03	<p><b>Performance Monitoring report</b> Over the 3 months to 31 March 2021, the Fund's total market value increased by £57.2m to £2,179.0m.</p> <p>The Total Fund has also increased in value by £370.5m in the year to 31 March 2021.</p>
1.04	<p>It is appropriate to measure performance at a Total Fund level by comparing to a number of different targets:</p>

- The first of these is the assumed return that the Actuary includes within the triennial valuation - **Actuarial Target**. This is the most crucial target as actual performance needs to be ahead of this to ensure that the Fund maintains, or improves its funding level. This currently set at Consumer Price Index (CPI +1.75% p.a.)
- The second performance measure is the overall assessment of potential return when the Fund reviews and sets its investment strategy – **Strategic Target**. (This is currently CPI +3.4% p.a.)
- The final target is the composite benchmark – **Total Benchmark**. This is a composite of each of the individual manager benchmarks, weighted by strategic target allocation. For most investment managers the benchmark does not include an expectation of outperformance, with the exception of Wellington Emerging Market equities and WPP Global Opportunities equity.

The performance against the total benchmark is shown on Page 6 of the report, and repeated below:

	2021 Q1 (%)	1 Yr (%)	3 Yrs (%)
<b>Total Clwyd Pension Fund</b>	<b>2.9</b>	<b>23.3</b>	<b>7.1</b>
Total Benchmark	2.7	19.3	7.7

On this occasion, the report does not contain the performance data relating to the actuarial and strategic targets. However, these figures will be provided verbally at the 9<sup>th</sup> June 2021 PFC meeting with the data relating to these targets once again included as standard going forward.

1.05	<p>The strongest absolute returns over the quarter came from the WPP Global Opportunities portfolio and the Cash and Risk Management Framework (CRMF). WPP Global Opportunities returned 6.4% and the CRMF returned 6.1%.</p> <p>In the 12 months to 31 March 2021 the best returns came from Emerging Markets Equity (Core) and the CRMF, with returns of 54.5% and 52.4% respectively.</p> <p>The performance of individual managers is shown in the report and is regularly reviewed by Officers and advisers, and at this stage there are no concerns that need addressing, however all positions are being monitored closely.</p>
1.06	<p>The transition of assets in the summer of 2020 has brought most asset classes in line with the target strategic weights. Due to strong performance of listed equities in the quarter Global and Emerging Market equity remain marginally overweight. As a result the In-house Private Markets assets are now around 3% under target weight. All other asset classes are well within the agreed strategic ranges.</p>

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

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The Fund's investment strategy has been designed to provide an appropriate trade-off between risk and return. The Fund faces three key investment risks: Equity risk, Interest Rate Risk and Inflation Risk.</p> <p>Diversification of the Fund's growth assets away from equities seeks to reduce the amount of the equity risk (though it should be recognised that Equities remain an important long term source of expected growth). The implementation of the Fund's De-Risking Framework (Flightpath) has been designed to mitigate the Fund's Interest Rate and Inflation Risks.</p>
4.02	<p>This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part):</p> <ul style="list-style-type: none"> <li>• Governance risk: G2</li> <li>• Funding and Investment risks: F1 - F6</li> </ul>
4.03	<p>The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. The collateral waterfall framework is intended to increase the efficiency of the Fund's collateral, and generating additional yield in a low governance manner. Hedging the currency risk of the market value of the synthetic equity portfolio will protect the Fund against a strengthening pound.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 - Economic and Market Update – 31 March 2021</p> <p>Appendix 2 – Performance Monitoring Report – 31 March 2021</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Economic and Market Update and Investment Strategy and Manager Summary 31 December 2020.</p> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>A list of commonly used terms are as follows:</p> <ul style="list-style-type: none"> <li>(a) <b>Absolute Return</b> – The actual return, as opposed to the return relative to a benchmark.</li> <li>(b) <b>Annualised</b> – Figures expressed as applying to 1 year.</li> <li>(c) <b>Duration</b> – The weighted average time to payment of cash flows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.</li> <li>(d) <b>Market Volatility</b> – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.</li> <li>(e) <b>Money-Weighted Rate of Return</b> – The rate of return on an investment including the amount and timing of cash flows.</li> <li>(f) <b>Relative Return</b> – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark.</li> <li>(g) <b>Three-Year Return</b> – The total return on the fund over a three year period expressed in percent per annum.</li> <li>(h) <b>Time-Weighted Rate of Return</b> – The rate of return on an investment removing the effect of the amount and timing of cash flows.</li> <li>(i) <b>Yield (Gross Redemption Yield)</b> – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cash flows.</li> </ul> <p><b>A comprehensive list of investment terms can be found via the following link:</b></p> <p><a href="https://www.schroders.com/en/uk/adviser/tools/glossary/">https://www.schroders.com/en/uk/adviser/tools/glossary/</a></p>

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# Clwyd Pension Fund

Economic and Market Update

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Q1 2021

# Monthly Capital Market Monitor (UK)

## March 2021

### The recovery takes hold

The year started with optimism over vaccine roll-outs, the end of a contentious US election season, and the UK finally making its transition out of the EU. However, there was reason for concern over relentless Covid-19 spread leading to new restrictions and lockdowns across the world as well as fears of vaccine resistant variants. Nevertheless, equity markets gave the new year a warm welcome with the MSCI ACWI returning 4.0% during Q1.

As investors enter the second quarter, a slightly more positive picture is emerging. Even though COVID uncertainty remains high and restrictions remain in many countries, vaccine roll-outs in a number of large developed economies kept up optimism over sustained re-openings later in the year. Leading economic indicators such as purchasing manager indices show that a recovery is well underway. The US is adding fuel to this recovery fire with another large \$1.9 trillion fiscal stimulus program. Central banks promised a continuation of easy monetary conditions – inflation come what may except where inflationary pressure is too high already such as for Brazil and Russia<sup>1</sup>. When Turkey's central bank increased rates, its governor was replaced with a government loyalist. The Turkish lira plummeted by double digits as a consequence.

2021 started with stretched valuations for most asset classes after almost a year of policy stimulus. The number of idiosyncratic incidents that hint at bubbly markets has been mounting this year – be it the Bitcoin rally, Gamestop or most recently the failures of Greensill and Archegos Capital. The first quarter witnessed a number of volatility spikes even if over March, volatility has actually fallen back to a one year low.

Equity markets have been reflecting this manic-depressive environment with a weak January, but a recovery in February and March. As markets continue to coalesce around the reopening scenario, value stocks have been outperforming growth stocks by wide margins since February as these are the stocks expected to benefit from a return to normal social interactions. Emerging markets went strong into the year but have been falling behind since February when Chinese markets began to reflect concerns over tighter credit and a regulatory pushback against its tech sector.

Bond markets have also priced in this outlook. Longer dated nominal yields have been increasing and yield curves have been steepening globally for the year, most notably for the US where this trend has continued into March. Markets priced in higher inflation risk for both cyclical and structural reasons as well as the risk of central banks being forced to tighten monetary policy, no matter how much assurance they are giving at the moment that this will not happen any time soon.

After a dismal second half of 2020, the US dollar ended its losing streak at the beginning of the year, a trend that continued up to the end of March. Higher yields are making US fixed income more attractive for foreigners and the US economic outlook being the best among developed economies.

Cyclical commodities have been performing strongly over the year so far, especially energy in anticipation of the strong pent-up demand the global rebound is bringing. Supply chains were already stretched going into 2021 which was exacerbated further by severe winter weather in February and the temporary closure of the Suez Canal in March.

<sup>1</sup> <https://www.mercer.com/our-thinking/wealth/the-return-of-the-inflation-menace.html>

### At a Glance

Market Returns in % as of end March 2021 in GBP

Major Asset Class Returns	1M	YTD	1Y
MSCI ACWI	4.0	3.6	38.9
S&P 500	5.8	5.2	40.5
FTSE All Share	4.0	5.2	26.7
MSCI World ex-UK	4.8	4.0	40.1
MSCI EM	-0.2	1.3	42.3
Bloomberg Barclays Global Aggregate	-0.6	-5.3	-5.9
ICE Bank of America Sterling Non-Gilt	-0.3	-4.1	7.0
Bloomberg Barclays High Yield	1.4	0.0	11.6
FTSE WGBI	-0.8	-6.5	-8.5
FTA UK Over 15 year gilts	0.0	-12.5	-10.4
FTA UK 5+ year ILG's	1.9	-7.0	2.6
NAREIT Global REITs	4.3	5.1	22.2
Bloomberg Commodity TR	-0.8	5.9	21.4

Source: Thomson Reuters Datastream

# Economy, policy and market drivers

## Economic recovery puts pressure on global supply chains

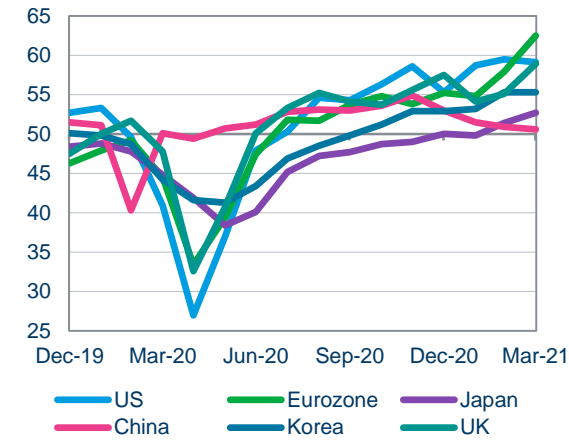
- The economic recovery is gaining momentum. Forward-looking composite purchasing manager indices for major regions are indicating a strong ongoing expansion with manufacturing still offsetting weak services. Labour markets are also healing gradually in the US, UK and Australia and are stabilising in Europe.
- Ongoing strong goods demand is putting pressure on global supply chains with worldwide shortages and bottlenecks across a range of industries. Weather disruptions earlier in the year, port backlogs, a fire in a major Japanese chip factory and a large vessel blocking the Suez canal that lasted for a week compounded the problem. The Baltic Dry Index which measures global shipping rates reached a two year high.
- Overall, the OECD has upgraded its forecast for global growth for 2021 to a significant degree, but the recovery remains uneven. While the US economy held up reasonably well in 2020Q4, growth in the UK and Japan slowed and went negative for the Eurozone.

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Growth prospects are still driven by the COVID-19 situation in different regions, which increasingly hinges on vaccination roll-outs to accelerate herd immunity and allow a sustained full reopening. The US and UK have been doing a stellar job with herd immunity expected in early summer, the EU has more catch-up to do while emerging markets are far behind. Restrictions were eased in a number of US states with Texas carrying the torch by fully reopening. The UK started tentatively reopening in late March, but lockdowns across continental Europe were extended while Brazil and India continue to struggle with the disease.

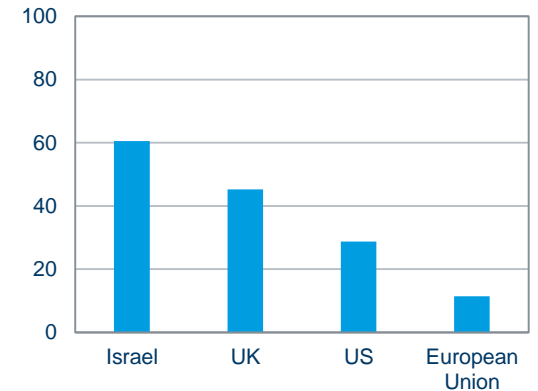
- The US-China relationship showed no signs of improving after an unproductive meeting between both countries in Alaska and a US-Japan summit where reining in China was the focus.
- The US passed another large fiscal package of \$1.9 trillion, and the Biden administration proposed an infrastructure program amounting to almost \$3TRN. The Federal Reserve reaffirmed its commitment to keep easy monetary policy in place for the foreseeable future with short dated rates not forecasted to rise until 2024 and asset purchases to continue, although there is no indication that the Fed will move to rein in the rise in longer dated yields. In the Eurozone, however, asset purchases were stepped up and soft yield control was announced. The steepening yield curve and inflationary pressure forced Turkey, Russia and Brazil to raise rates.

**Markit Manufacturing PMIs**



Source: Bloomberg; as of 31/3/21

**Share With at Least 1 Vaccine Dose**



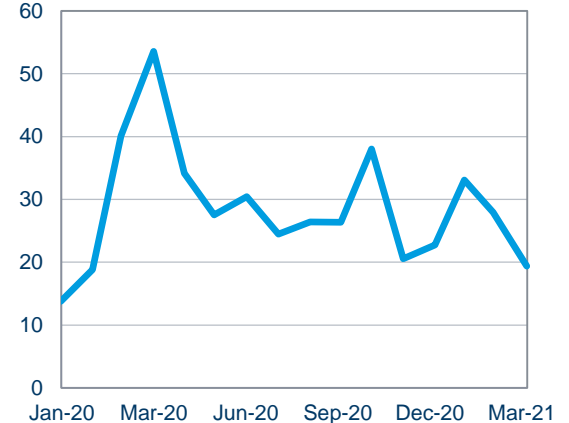
Source: Our World in Data; as of 31/3/21

**Baltic Exchange Dry Index**



Source: Bloomberg; as of 31/3/21

**VIX Index**



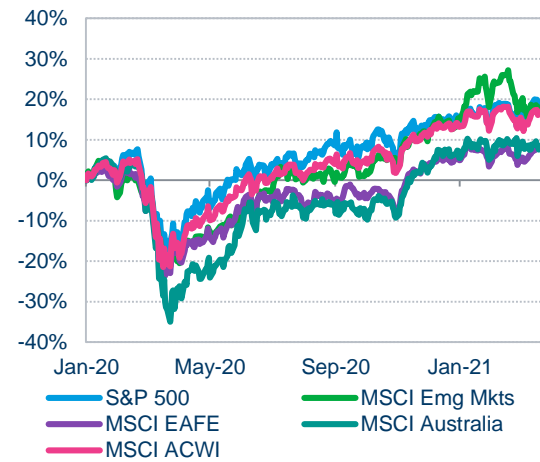
Source: Bloomberg; as of 31/3/21

# Equities

## Solid earnings outlook, positive equity returns, declining volatility

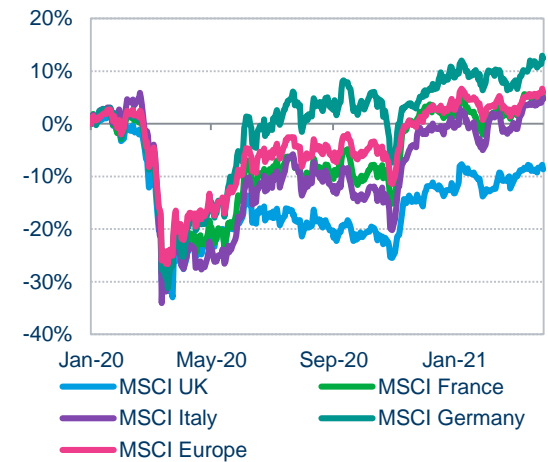
- The MSCI All Country World Index returned 4.0% for the month and 3.6% year to date. After a weak start into the month, the index rose, wobbled again in the second half, but regained its momentum and ended the month with positive returns.
- Optimism over the unfolding recovery was tempered by the continued rise in longer dated bonds yields and associated fear of tightening in financial conditions. The dividend yield for the S&P 500 reached a 15-year low and is now below the 10-year US Treasury yield<sup>1</sup>.
- Towards month end, Archegos Capital, a large family office, ran into problems with overleveraged exposure to several individual stocks. While the event drove down the prices of those individual stocks and is likely to cause losses for some banks, it seems to be an isolated incident that is relatively well contained. This did not lead to materially higher volatility as measured by the VIX index, which had been declining over March and ended the month below 20 for the first time in more than a year.
- Sectoral performance reflected developments in bond yields with value stocks beating growth stocks by a wide margin again as rising yields suggest strong economic growth which is better for value stocks than growth stocks. Value sectors such as energy and financials are also expected to benefit more from the recovery and a return to social interactions than technology driven growth stocks.
- In developed markets, the US outperformed most major countries except Germany and Italy in March.
- Emerging markets were the weakest region, returning **-0.2%** in March which was driven by the ongoing market correction in China. This was not offset by better performance for other large EM countries. China's tech stocks were hit by the rotation to value and increasing regulatory pressure. Concerns over credit tightening weighed on Chinese equity markets in general.
- According to Factset, 94 S&P 500 companies having given earnings guidance so far with 2/3 issuing positive guidance for the quarter, which is the highest number since 2006. This has likely been supportive for equity valuations this month.

**Global Equity Performance (GBP)**



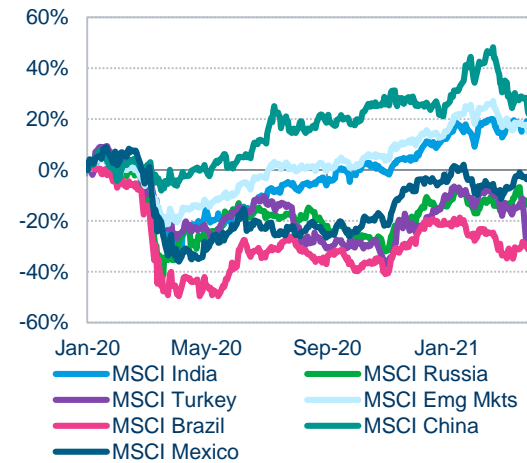
Source: Databank, Data as at 31/03/2021

**European Equity Performance (GBP)**



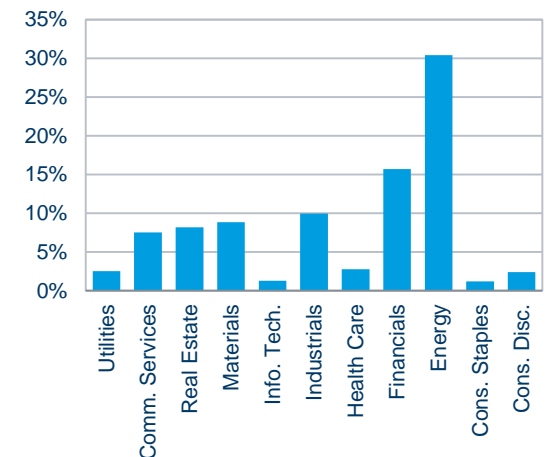
Source: Databank, Data as at 31/03/2021

**Emerging Market Equity Performance (GBP)**



Source: Databank, Data as at 31/03/2021

**MSCI USA Sector Performance (YTD - USD)**



Source: Bloomberg; as of 31/03/2021. US Dollar performance

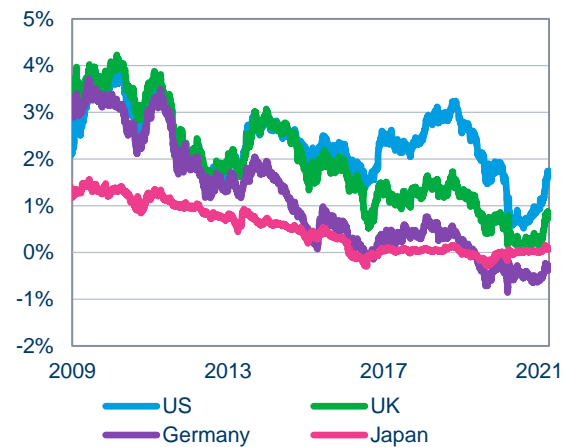
Performance figures quoted in sterling unless indicated otherwise.

# Fixed income

## US yields still on the rise, credit spreads increase marginally

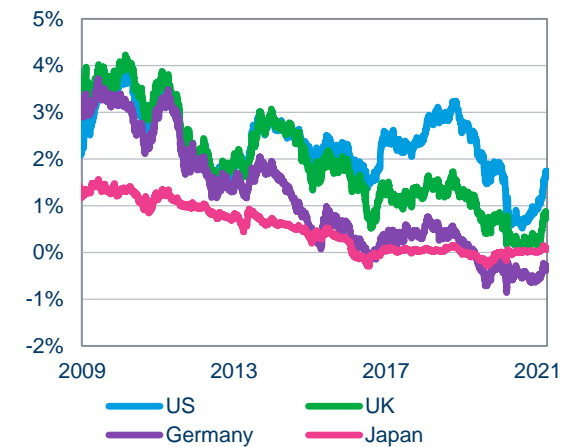
- While US long dated yields continued to rally in March, yields in other large developed economies were flat to lower, highlighting the increasing divergence in economic growth and inflation outlook this year. In the US, 10-year and 30-year Treasury yields finished at 1.74% and 2.41%, respectively<sup>1</sup>.
- The US yield curve continued steepening after the 10-year yield tested pre-pandemic levels. The Federal Reserve indicated that it would not counteract rising longer dated yields, perhaps signalling that upward pressure will remain. Favourable capital treatment for Treasury holdings by banks was allowed to expire which could reduce Treasury demand by large institutions. The first signs of rising yields tightening US financial conditions were seen in mortgage rates, which rose to their highest level for the year.
- In the UK, there was also movements in gilt yields but the moves were smaller relative to the US. The 10-year gilt yield increased by 2.5 basis points to 0.85%<sup>2</sup>. Longer dated yields moved similarly. UK 10-year breakevens rose by 17 basis points to 3.56%<sup>2</sup>.
- US inflation break-evens continued to increase in March across medium and longer maturities. The US 10-year breakeven inflation rate rose from 2.15% to 2.37%<sup>1</sup>, edging closer to the Federal Reserve's inflation target of 2% for the Personal Consumption Expenditure deflator (roughly equivalent to 2.5% CPI).
- On the credit side, investor appetite for riskier debt remained strong in the current risk-on environment and search for yield, with inflows into leveraged loan funds reaching a two-year high according to Refinitiv. Issuers are taking advantage of this trend. March was the busiest month in investment grade issuance since spring of 2020.
- IG credit spreads were virtually unchanged over the month and remained below their pre-pandemic level of 100 basis points. High yield credit spreads were also unchanged. Higher Treasury yields and unchanged spreads led to slightly negative performance over the month for investment grade, high yield and emerging market debt. IG was the worst performer within credit due to its higher duration exposure.

**10-Year Government Bond Yields**



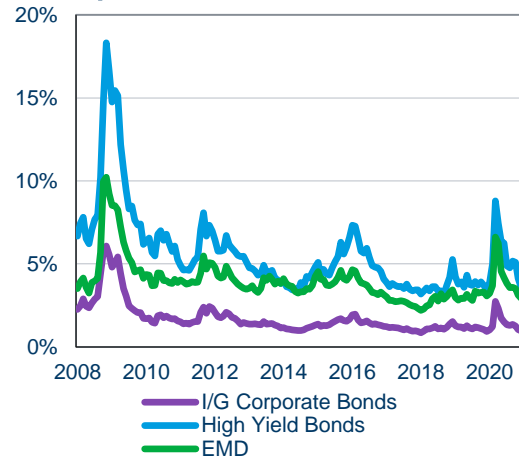
Source: Bloomberg; as of 31/03/21

**30 – 2 Year Treasury Yield Spread**



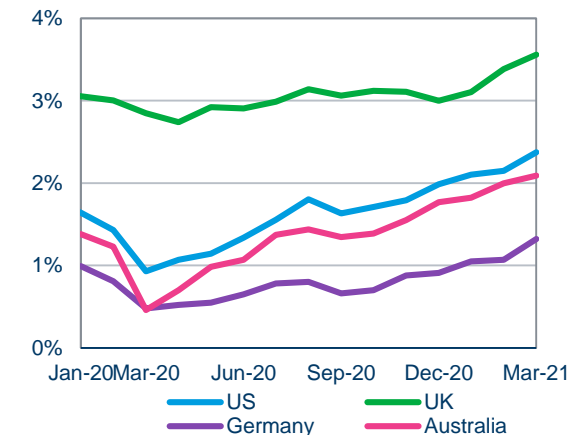
Source: Bloomberg; as of 31/03/21

**Credit Spreads**



Source: Bloomberg; as of 31/03/21

**10-Year Inflation Breakeven Rates**



Source: Bloomberg; as of 31/03/21

Performance figures quoted in sterling unless indicated otherwise.

<sup>1</sup> Source: Federal Reserve Bank of St. Louis

<sup>2</sup> Source: Bloomberg

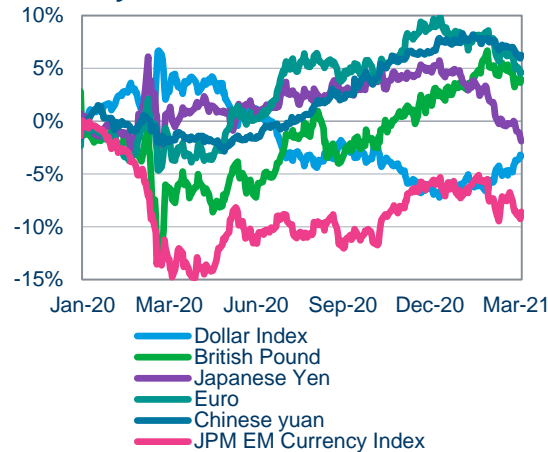


# Currencies, commodities and alternatives

## US dollar recovering, upwards pressure on commodities

- Sterling continued its strong run against the euro and yen but weakened against US dollar. Stellar vaccine rollout and subsiding Covid-19 restrictions remain a tailwind for the currency. The US dollar had a strong month against major developed currencies but performance against emerging market currencies was mixed. It strengthened against the Chinese Renminbi, Brazilian Real and Indian Rupee, the appreciation against the latter two reflecting the dire COVID situation both countries are facing. The US dollar weakened against commodity currencies such as South African Rand and Mexican Peso. The Turkish Lira plummeted over the month after President Erdogan fired the central bank's governor for raising rates to stem inflation and replaced him with a loyalist.
- Agricultural commodities were hit by a new outbreak of African Swine Fever in China which caused a sharp rise in hog futures and a commensurate decline in soy bean prices (animal feed). Overall, the Bloomberg Commodity index fell 0.8% during the month, but remains up 5.9% year to date.
- Brent oil ended the month slightly lower at around \$64<sup>1</sup>. After going close to \$70 earlier in the month when OPEC producers announced that their production cuts will remain in place and a sharp reaction to the temporary outage of the Suez Canal, upwards pressure eased again. Nevertheless, limited supply and an expected pickup in summer driving in reopened economies has raised the prospect of a leap in gas prices and brought \$3/gallon for US motorists in sight.
- Gold rose marginally by 0.6% over the month and is now down over 10% year-to-date as real interest rates keep increasing and demand for safe havens remains weak.
- The NAREIT Global REITs index returned 4% over the month. The US housing market remains tight with high demand meeting limited supply. Residential homes sales hit peaks last seen before the global financial crisis.
- Greensill Capital, a player in the alternative credit space that provided supply chain finance entered insolvency which embroiled a large Swiss bank and numerous German municipalities which had deposited cash with Greensill.
- Hedge funds, measured by the HFRX equal weighted strategies index, were pretty much flat during March.

**Currency Returns**



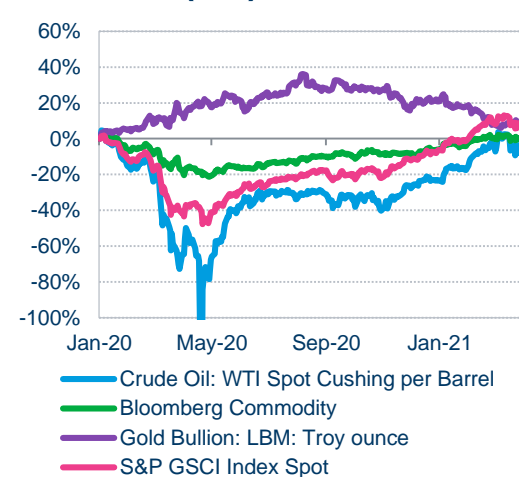
Source: Bloomberg; as of 3/31/21

**Gold (Spot, GBP)**



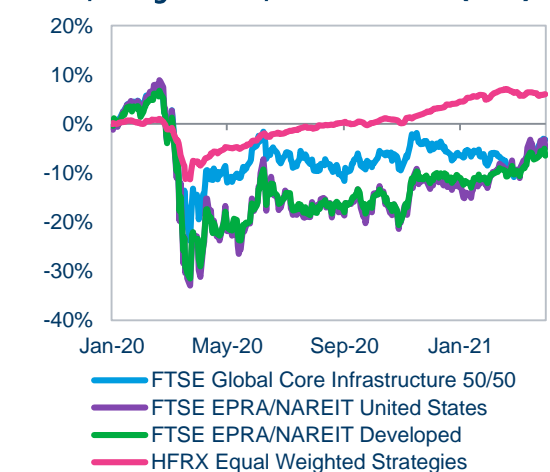
Source: Databank, Data as at 31/03/2021

**Commodities (GBP)**



Source: Databank, Data as at 31/03/2021

**REITs, Hedge Funds, Infrastructure (GBP)**



Source: Databank, Data as at 31/03/2021

Performance figures quoted in sterling unless indicated otherwise.

# Valuations and yields

## Ending 31 March 2021

### Valuations

FTSE ALL-Share	31/03/2021	31/12/2021	30/09/2020	30/06/2020
Index Level	7435.6	7068.6	6276.3	6465.2
P/E Ratio (Trailing)	995.6	-	171.8	143.8
CAPE Ratio	17.7	15.6	14.8	13.9
Dividend Yield	3.1	3	3.8	4.2
P/B	1.7	1.6	1.4	1.4
P/CF	5.3	5.1	4.4	4.5
MSCI World ex-UK	31/03/2021	31/12/2021	30/09/2020	30/06/2020
Index Level	8318.5	7932.7	6968.6	6434.3
P/E Ratio (Trailing)	33.3	32.1	27.8	23.7
CAPE Ratio	29.1	27.4	24.6	23.4
Dividend Yield	1.7	1.8	2	2.2
P/B	3.1	3.1	2.7	2.6
P/CF	12.7	12.6	11.1	11.2
MSCI EM	31/03/2021	31/12/2021	30/09/2020	30/06/2020
Index Level	638.4	624.1	521.4	475.9
P/E Ratio (Trailing)	21.5	21.7	18.6	16
CAPE Ratio	16.4	15.9	13.4	12.3
Dividend Yield	1.9	2	2.4	2.6
P/B	2.1	2	1.8	1.6
P/CF	11.9	12.5	10.4	8.7

Source: Bloomberg, Thomson Reuters Datastream

### Yields

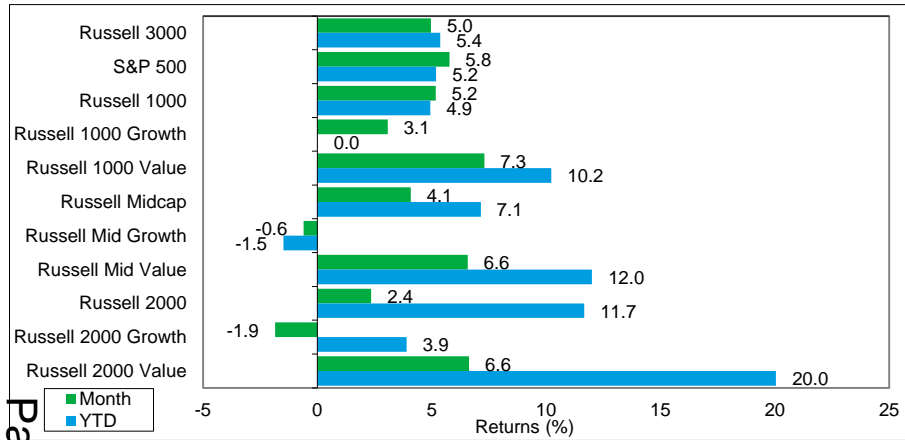
Global Bonds	31/03/2021	31/12/2021	30/09/2020	30/06/2020
Germany – 10Y	-0.29	-0.57	-0.52	-0.45
France - 10Y	-0.05	-0.34	-0.24	-0.11
US - 10Y	1.74	0.91	0.68	0.66
Switzerland – 10Y	-0.28	-0.55	-0.49	-0.44
Italy – 10Y	0.67	0.54	0.87	1.26
Spain 10Y	0.34	0.05	0.25	0.47
Japan – 10Y	0.10	0.02	0.02	0.03
Euro Corporate	0.36	0.24	0.55	0.89
Euro High Yield	3.22	3.40	4.80	5.62
EMD (\$)	5.26	4.53	5.14	5.51
EMD (LCL)	5.09	4.26	4.48	4.51
US Corporate	2.28	1.74	2.01	2.15
US Corporate High Yield	4.23	4.18	5.77	6.87
UK Bonds	31/03/2021	31/12/2021	30/09/2020	30/06/2020
SONIA	0.05	0.04	0.05	0.06
10 year gilt yield	0.85	0.20	0.23	0.17
30 year gilt yield	1.37	0.72	0.76	0.63
10 year index linked gilt yield	-2.59	-2.91	-2.94	-2.86
30 year index linked gilt yield	-1.92	-2.32	-2.19	-2.33
AA corporate bond yield	1.27	0.80	1.03	1.14
A corporate bond yield	1.51	0.97	1.25	1.41
BBB corporate bond yield	1.96	1.53	2.02	2.29

Source: Bloomberg, Thomson Reuters Datastream

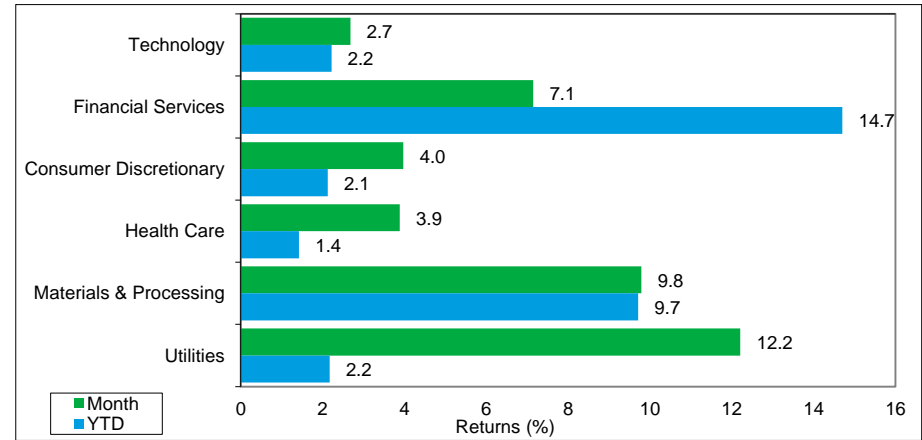
# Performance Summary (GBP)

## Style and sector equity performance ending 31 March 2021

### Style and Capitalization Market Performance



### Russell 1000 Sector Performance



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Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
S&P 500	5.8	5.2	5.2	40.5	17.2	17.4	17.2	16.7	15.6	8.6	14.7	26.4	1.6	11.3	33.5
Russell 3000	5.0	5.4	5.4	46.1	18.1	17.8	17.6	16.5	15.5	9.0	17.2	26.0	0.6	10.6	34.5
Russell 3000 Growth	2.7	0.3	0.3	47.7	24.3	23.1	21.9	20.4	18.1	9.8	34.0	30.6	4.0	18.4	28.1
Russell 3000 Value	7.2	10.9	10.9	42.3	10.7	11.6	12.8	12.3	12.6	8.0	-0.3	21.4	-2.9	3.4	41.2
Russell 1000	5.2	4.9	4.9	44.3	18.1	18.0	17.6	16.8	15.7	8.9	17.2	26.4	1.1	11.2	33.7
Russell 1000 Growth	3.1	0.0	0.0	46.3	24.5	23.5	22.0	20.7	18.4	9.8	34.2	31.1	4.6	18.9	27.7
Russell 1000 Value	7.3	10.2	10.2	40.3	10.5	11.6	12.7	12.4	12.7	7.9	-0.4	21.7	-2.6	3.8	40.0
Russell Midcap	4.1	7.1	7.1	56.0	15.7	15.4	15.6	14.7	14.2	10.6	13.5	25.5	-3.4	8.3	35.7
Russell Mid Growth	-0.6	-1.5	-1.5	51.5	20.1	20.1	19.4	17.5	15.8	10.6	31.4	30.2	1.2	14.4	28.0
Russell Mid Value	6.6	12.0	12.0	56.2	11.6	11.3	12.5	12.3	12.7	10.3	1.7	22.2	-6.8	3.5	43.1
Russell 2500	3.0	9.9	9.9	70.2	17.8	16.0	16.9	14.5	13.9	10.7	16.3	22.8	-4.4	6.7	40.3
Russell 2500 Growth	-2.0	1.5	1.5	68.5	23.1	20.6	20.9	17.5	15.9	11.0	36.1	27.5	-1.7	13.7	30.9
Russell 2500 Value	6.4	15.7	15.7	68.5	12.4	11.5	13.1	11.7	11.9	10.1	1.6	18.8	-6.9	0.8	49.3
Russell 2000	2.4	11.7	11.7	75.1	18.3	15.4	17.3	14.1	13.4	9.9	16.3	20.7	-5.5	4.7	44.7
Russell 2000 Growth	-1.9	3.9	3.9	70.9	20.9	17.8	19.6	15.9	14.7	9.8	30.5	23.5	-3.7	11.6	32.8
Russell 2000 Value	6.6	20.0	20.0	77.1	14.4	12.2	14.5	11.9	11.7	9.7	1.4	17.7	-7.4	-1.5	57.1
Russell 1000 Technology	2.7	2.2	2.2	54.2	32.9	29.3	28.8	26.2	21.6	11.2	42.2	41.5	4.9	26.4	36.1
Russell 1000 Financial Services	7.1	14.7	14.7	55.1	18.0	15.9	18.5	16.7	15.3	6.6	3.9	28.6	-2.4	11.0	39.0
Russell 1000 Consumer Discretionary	4.0	2.1	2.1	63.7	25.3	23.8	20.7	20.1	19.8	11.0	38.5	24.2	6.1	13.4	26.8
Russell 1000 Health Care	3.9	1.4	1.4	22.7	12.8	16.8	15.3	16.0	17.8	9.4	13.4	16.8	13.2	11.5	15.8
Russell 1000 Energy	4.0	27.3	27.3	63.8	-10.6	-4.7	0.1	-2.4	-0.5	4.2	-33.0	6.5	-13.5	-9.7	50.2
Russell 1000 Producer Durables	6.8	7.0	7.0	49.3	12.4	12.6	15.0	14.7	14.1	8.6	8.4	25.7	-6.9	12.1	42.4
Russell 1000 Materials & Processing	9.8	9.7	9.7	60.7	17.7	14.0	15.1	13.0	11.6	9.2	13.9	21.6	-11.1	13.1	43.1
Russell 1000 Consumer Staples	10.4	2.9	2.9	17.3	8.9	11.0	7.4	11.8	12.7	9.7	3.8	19.3	-4.1	0.3	25.9
Russell 1000 Utilities	12.2	2.2	2.2	9.2	5.6	11.5	8.4	11.6	11.4	5.9	-3.2	21.3	6.1	-3.0	43.6

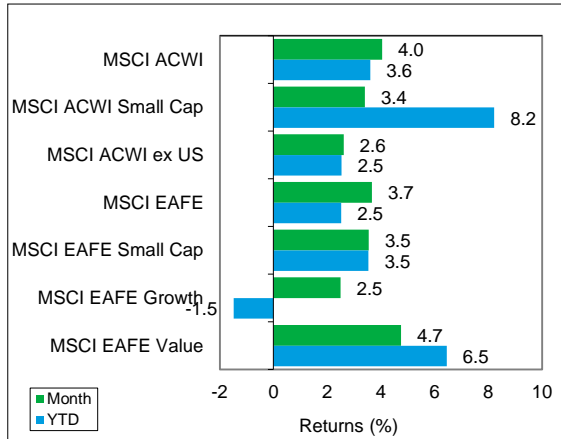
Data Source: Thomson Reuters Datastream



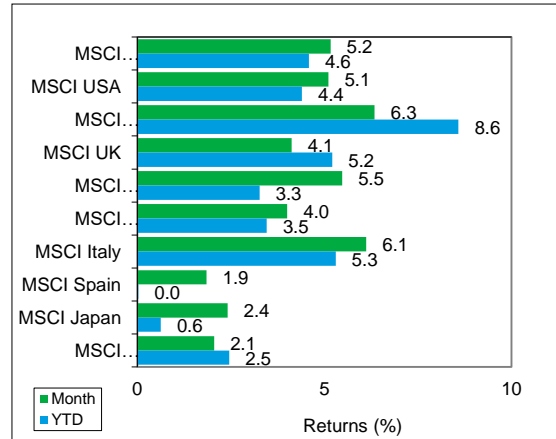
# Performance Summary (GBP)

## Global equity ending 31 March 2021

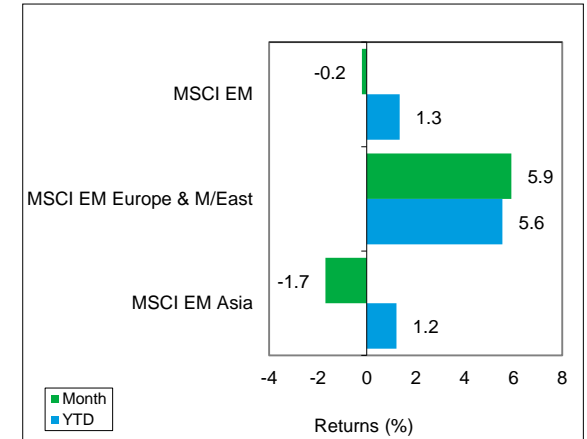
### International Equity Performance



### Developed Country Performance



### Emerging Market Performance



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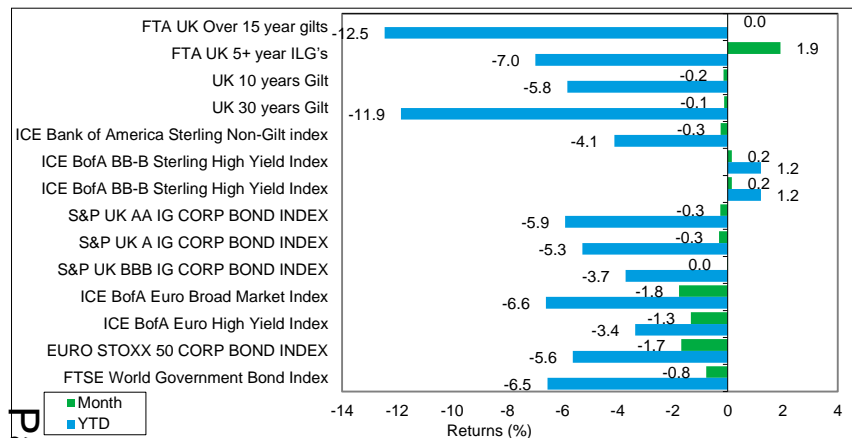
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
MSCI ACWI	4.0	3.6	3.6	38.9	13.8	12.7	14.1	12.4	10.8	7.2	12.7	21.7	-3.8	13.2	28.7
MSCI ACWI IMI	4.0	4.3	4.3	42.3	14.5	13.1	14.7	12.9	11.4	8.2	13.2	22.1	-4.0	13.8	30.0
MSCI ACWI Small Cap	3.4	8.2	8.2	63.6	15.0	11.5	14.1	12.0	10.9	10.3	12.7	19.8	-9.1	13.1	33.1
MSCI ACWI ex US	2.6	2.5	2.5	34.3	9.2	7.1	10.7	8.1	6.5	6.3	7.2	16.8	-8.9	16.2	24.6
MSCI EAFE	3.7	2.5	2.5	29.9	8.1	6.6	9.7	7.7	7.1	5.6	4.5	17.3	-8.4	14.2	20.5
MSCI EAFE Growth	2.5	-1.5	-1.5	28.2	12.6	10.5	11.8	10.2	8.8	6.2	14.6	23.0	-7.4	17.7	15.6
MSCI EAFE Value	4.7	6.5	6.5	31.0	3.1	2.4	7.4	5.0	5.2	4.9	-5.6	11.6	-9.5	10.9	25.3
EM	-0.2	1.3	1.3	42.3	11.0	7.1	13.0	9.5	5.2	10.2	14.7	13.8	-9.3	25.4	32.6
North America	5.2	4.6	4.6	42.5	17.2	17.1	16.7	15.7	14.3	8.0	16.2	25.7	0.1	10.4	33.1
Europe	4.5	3.1	3.1	30.3	7.6	6.2	9.1	6.5	6.7	5.5	2.1	19.0	-9.6	14.6	18.8
EM Europe & M/East	5.9	5.6	5.6	28.2	2.1	2.6	7.2	2.6	-1.4	6.3	-10.4	14.6	-2.2	5.8	45.8
EM Asia	-1.7	1.2	1.2	43.9	15.3	10.1	15.4	12.6	8.2	10.9	24.4	14.6	-10.2	30.5	26.6
Latin America	6.0	-6.2	-6.2	34.9	-8.4	-5.5	4.9	0.8	-2.6	8.2	-16.5	12.9	-0.8	13.0	56.3
USA	5.1	4.4	4.4	42.5	17.6	17.4	17.0	16.2	15.1	8.1	17.0	25.8	0.9	10.7	32.3
Canada	6.3	8.6	8.6	43.1	9.8	10.2	10.5	7.1	3.9	7.9	2.1	22.6	-12.1	6.0	48.6
Australia	2.1	2.5	2.5	51.4	8.3	9.6	10.7	7.1	5.9	10.3	5.4	18.2	-6.5	9.6	32.9
UK	4.1	5.2	5.2	20.0	-1.4	1.5	5.2	3.7	4.8	4.4	-13.2	16.4	-8.8	11.7	19.2
Germany	5.5	3.3	3.3	43.1	11.4	4.8	8.9	6.3	6.7	5.9	8.1	16.1	-17.3	16.6	22.6
France	4.0	3.5	3.5	34.8	8.0	6.5	10.9	7.9	6.8	5.3	0.9	20.9	-7.3	17.6	25.1
Italy	6.1	5.3	5.3	37.5	6.6	3.0	9.0	3.5	2.5	1.9	-1.3	22.4	-12.6	17.3	6.8
Spain	1.9	0.0	0.0	23.0	-2.5	-2.3	4.3	0.7	1.0	4.2	-7.7	7.7	-11.0	16.0	18.1
Japan	2.4	0.6	0.6	25.6	11.0	6.9	11.4	11.0	8.8	4.4	10.9	15.0	-7.5	13.3	22.1
Brazil	5.6	-10.8	-10.8	31.6	-10.3	-6.1	8.9	1.6	-3.4	8.6	-21.5	21.4	5.7	13.4	98.3
China	-5.0	-1.3	-1.3	29.1	13.0	8.8	17.0	14.4	8.9	11.7	25.5	18.7	-13.8	40.7	20.4
India	3.6	4.1	4.1	58.5	7.3	9.8	12.1	11.6	6.0	12.2	12.0	3.4	-1.5	26.7	17.6
Russia	6.6	4.0	4.0	29.7	8.0	8.7	15.1	8.6	1.5	10.8	-15.2	45.1	5.8	-3.9	84.7

Data Source: Thomson Reuters Datastream

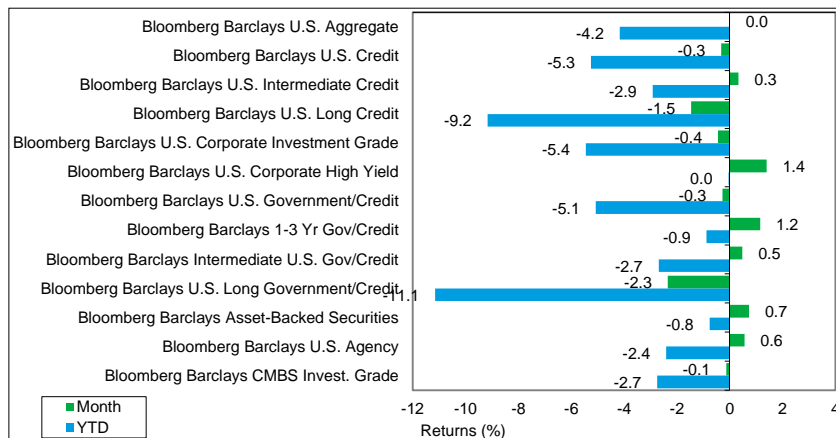
# Performance Summary (GBP)

## Fixed Income ending 31 March 2021

### Bond Performance by Duration



### Sector, Credit, and Global Bond Performance



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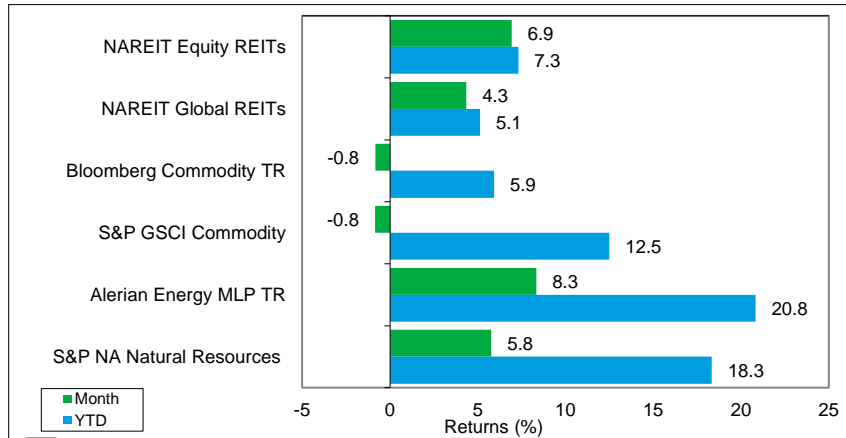
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
FTA UK Over 15 year Gilts	0.0	-12.5	-12.5	-10.4	2.7	3.3	4.8	7.6	7.9	6.4	13.9	12.0	0.3	3.3	18.5
FTA UK 5+ year ILG's	1.9	-7.0	-7.0	2.6	2.5	3.5	6.4	7.7	8.1	7.3	12.4	6.8	-0.4	2.5	27.4
UK 10 years Gilt	-0.2	-5.8	-5.8	-4.4	1.5	2.9	2.8	4.5	5.0	5.4	6.6	5.2	2.0	2.7	9.3
UK 30 years Gilt	-0.1	-11.9	-11.9	-9.7	2.9	3.4	4.8	7.7	7.9	6.4	13.8	11.7	0.4	3.1	17.7
ICE Bank of America Sterling Non-Gilt index	-0.3	-4.1	-4.1	7.0	4.3	4.1	4.6	5.2	5.8	5.7	8.0	9.5	-1.6	4.3	10.6
ICE BofA BB-B Sterling High Yield Index	0.2	1.2	1.2	22.3	7.7	6.5	7.3	6.6	8.6	9.6	6.1	13.8	-1.4	8.2	10.5
S&P UK AA IG CORP BOND INDEX	-0.3	-5.9	-5.9	4.7	2.6	3.0	4.0	4.6	5.3	5.4	7.7	7.3	-0.3	3.2	12.7
S&P UK A IG CORP BOND INDEX	-0.3	-5.3	-5.3	7.3	4.0	4.2	4.7	5.5	5.9	5.8	8.4	10.4	-1.5	3.6	12.6
S&P UK BBB IG CORP BOND INDEX	0.0	-3.7	-3.7	11.5	5.5	4.9	5.4	5.5	6.5	6.5	8.7	11.6	-2.6	5.5	11.3
ICE BofA Euro Broad Market Index	-1.8	-6.6	-6.6	-0.6	2.2	1.6	3.4	3.4	3.8	6.0	9.9	0.1	1.6	4.7	19.7
ICE BofA Euro High Yield Index	-1.3	-3.4	-3.4	17.7	4.4	3.0	6.6	4.8	5.8	8.0	8.6	5.1	-2.5	11.0	26.3
EURO STOXX 50 CORP BOND INDEX	-1.7	-5.6	-5.6	3.6	1.5	1.1	3.1	2.7	3.2	--	8.5	-0.9	0.1	5.5	19.5
FTSE World Government Bond Index	-0.8	-6.5	-6.5	-8.5	1.0	2.7	3.0	4.3	3.2	1.5	6.7	1.8	5.3	-1.8	21.2
Bloomberg Barclays U.S. Aggregate	0.0	-4.2	-4.2	-9.0	1.9	5.1	3.8	5.8	4.8	4.5	4.3	4.6	5.8	-4.9	20.9
Bloomberg Barclays U.S. Credit	-0.3	-5.3	-5.3	-2.7	3.5	6.4	5.4	7.0	6.2	5.5	6.0	9.4	3.7	-2.7	24.8
Bloomberg Barclays U.S. Intermediate Credit	0.3	-2.9	-2.9	-3.1	2.4	5.7	4.5	6.2	5.3	4.9	3.8	5.4	5.9	-4.9	22.5
Bloomberg Barclays U.S. Long Credit	-1.5	-9.2	-9.2	-1.9	5.9	8.0	7.5	9.1	8.7	7.2	9.8	18.6	-1.1	2.7	30.5
Bloomberg Barclays U.S. Corporate Investment Grade	-0.4	-5.4	-5.4	-1.9	3.9	6.7	5.7	7.2	6.4	5.6	6.5	10.2	3.3	-2.5	25.4
Bloomberg Barclays U.S. Corporate High Yield	1.4	0.0	0.0	11.6	4.3	7.3	8.7	7.9	7.8	7.4	3.9	10.0	3.6	-1.3	37.3
Bloomberg Barclays U.S. Government/Credit	-0.3	-5.1	-5.1	-8.9	2.4	5.5	4.1	6.1	5.1	4.6	5.6	5.6	5.4	-4.6	21.6
Bloomberg Barclays 1-3 Yr Gov/Credit	1.2	-0.9	-0.9	-7.8	0.3	3.5	2.7	4.1	2.9	2.8	0.4	0.3	7.2	-7.1	18.5
Bloomberg Barclays Intermediate U.S. Gov/Credit	0.5	-2.7	-2.7	-7.8	1.6	4.8	3.5	5.3	4.3	4.1	3.2	2.8	6.7	-6.2	20.3
Bloomberg Barclays U.S. Long Government/Credit	-2.3	-11.1	-11.1	-11.7	5.1	7.6	6.3	8.8	8.4	6.9	12.5	15.0	1.1	1.4	26.3
Bloomberg Barclays CMBS Invest. Grade	-0.1	-2.7	-2.7	-3.3	2.8	5.1	3.7	4.8	4.3	4.5	5.2	4.9	4.7	-2.7	14.9
Bloomberg Barclays U.S. Mortgage Backed Securities	0.7	-1.9	-1.9	-9.7	0.6	4.2	3.2	5.4	4.2	4.3	0.8	2.4	6.9	-5.9	19.8
Bloomberg Barclays Municipal Bond	1.8	-1.2	-1.2	-4.3	1.9	5.3	4.1	6.3	5.7	4.5	2.2	3.6	6.8	-2.8	17.1

Data Source: Thomson Reuters Datastream

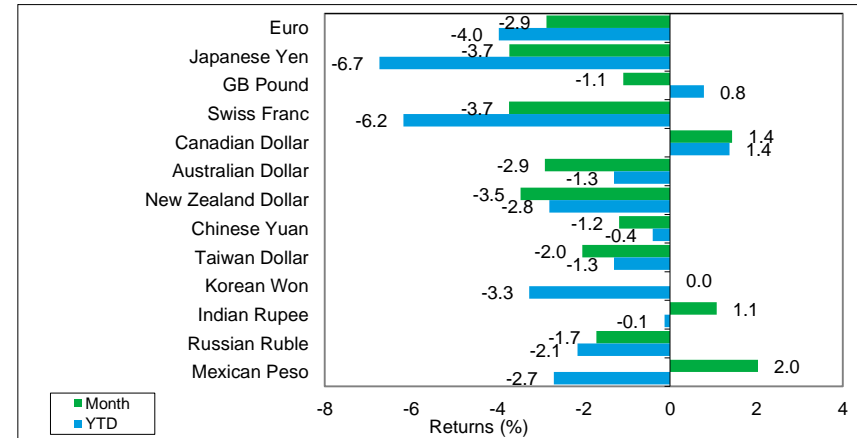
# Performance summary (GBP)

## Alternatives ending 31 March 2021

### Real Asset Performance



### Performance of Foreign Currencies versus the US Dollar



Asset Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
NAREIT Equity REITs	6.9	7.3	7.3	20.6	3.2	11.4	8.1	11.9	11.0	10.6	-8.1	23.7	1.9	-0.7	29.6
NAREIT Global REITs	4.3	5.1	5.1	22.2	-0.7	6.7	5.7	8.8	8.2	8.8	-11.0	18.3	1.2	1.8	25.2
Bloomberg Commodity TR	-0.8	5.9	5.9	21.4	-0.5	0.4	3.1	-3.2	-4.9	0.3	-6.1	3.5	-5.7	-7.1	33.3
S&P GSCI Commodity	-0.8	12.5	12.5	35.0	-8.5	-4.4	2.0	-8.3	-7.2	-2.3	-26.1	13.1	-8.5	-3.4	32.8
Alerian Energy MLP TR	8.3	20.8	20.8	82.6	-13.4	-2.4	-0.5	-4.0	0.6	7.9	-30.9	2.4	-7.0	-14.6	41.1
Oil	-2.5	20.8	20.8	159.6	-3.6	-2.5	10.0	-4.9	-4.3	4.3	-23.0	29.3	-20.2	2.7	73.0
Gold	0.6	-10.3	-10.3	-3.4	11.7	9.5	7.7	7.1	3.3	10.1	20.6	14.3	3.9	3.8	29.6
S&P NA Natural Resources	5.8	18.3	18.3	55.0	-3.8	-0.9	3.1	-0.6	-0.8	4.8	-21.5	13.1	-16.2	-7.5	56.1
Euro	-2.9	-4.0	-4.0	6.3	2.3	-1.6	0.6	-2.3	-1.9	1.5	8.9	-2.3	-4.4	14.1	-3.2
Japanese Yen	-3.7	-6.7	-6.7	-2.9	0.1	-1.4	0.3	-1.0	-2.8	0.7	5.2	0.9	2.8	3.7	2.9
GB Pound	-1.1	0.8	0.8	11.0	2.8	-0.6	-0.8	-2.7	-1.5	-0.1	3.1	3.9	-5.6	9.5	-16.3
Swiss Franc	-3.7	-6.2	-6.2	1.8	2.7	0.4	0.4	-0.9	-0.3	3.1	9.3	1.4	-0.7	4.5	-1.6
Canadian Dollar	1.4	1.4	1.4	12.0	3.1	0.9	0.7	-1.8	-2.5	1.1	2.0	5.0	-7.8	6.8	3.0
Australian Dollar	-2.9	-1.3	-1.3	23.1	3.6	-0.3	-0.1	-2.7	-3.0	2.2	9.9	-0.7	-9.5	7.8	-1.0
New Zealand Dollar	-3.5	-2.8	-2.8	17.3	1.3	-1.2	0.2	-3.0	-0.9	2.8	6.6	0.3	-5.2	2.0	1.7
Chinese Yuan	-1.2	-0.4	-0.4	8.1	1.2	-1.4	-0.3	-0.7	0.0	1.2	6.7	-1.2	-5.4	6.7	-6.5
Taiwan Dollar	-2.0	-1.3	-1.3	6.4	4.1	0.7	2.5	1.0	0.3	0.7	6.5	2.2	-3.0	9.4	1.1
Korean Won	0.0	-3.3	-3.3	8.5	0.6	-1.8	0.5	-0.8	-0.2	0.9	5.7	-3.3	-4.3	13.3	-2.4
Indian Rupee	1.1	-0.1	-0.1	3.0	-2.7	-3.8	-2.0	-2.8	-4.8	-2.2	-2.3	-2.5	-8.2	6.4	-2.6
Russian Ruble	-1.7	-2.1	-2.1	3.8	-6.8	-8.9	-2.4	-10.4	-9.3	-4.7	-16.3	12.6	-17.3	6.4	19.0
Brazilian Real	-0.6	-7.8	-7.8	-7.6	-16.5	-16.3	-8.6	-12.2	-11.7	-4.7	-22.6	-3.4	-14.7	-1.7	21.7
Mexican Peso	2.0	-2.7	-2.7	16.0	-2.5	-3.9	-3.3	-6.2	-5.3	-3.8	-4.8	3.8	0.0	5.5	-17.1
BofA ML All Convertibles	-1.8	1.9	1.9	56.5	26.0	22.6	19.8	16.2	14.0	9.4	41.7	18.4	6.4	3.9	32.1
60%S&P 500/40% Barc Agg	3.5	1.5	1.5	20.7	11.1	12.5	11.9	12.4	11.3	7.0	10.6	17.7	3.3	4.8	28.5

Data Source: Thomson Reuters Datastream

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Clwyd Pension Fund  
**Monitoring Report**  
Quarter to  
**31 March 2021**

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Kieran Harkin  
Nick Buckland

June 2021



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- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

**Kieran Harkin**

**Nick Buckland**



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# Overview

## Executive Dashboard

<b>Page 5</b>	<b>Asset Allocation</b>		<b>Page 9</b>	<b>Investment Performance</b>	
<p>Assets are broadly in line with their strategic target weights. The Cash and Risk Management Framework is slightly above weight (24.4%) as, despite a rising yield environment, equities performed strongly over the quarter. Total In-House Private Markets remain underweight (23.9%) largely due to the underweight allocation in Infrastructure, allocation to property has however reduced and it now sits within its benchmark range.</p>		<p><b>Signal</b> Previous Qtr ● Current Qtr ●</p>	<p>The Fund returned 2.9% over the quarter against a target of 2.7%. Over the 1 year and 3 year period to 31 March 2021, the Fund returned 23.3% and 7.1% against a target of 19.3% and 7.7%, respectively.</p>		<p><b>Signal</b> Previous Qtr ● Current Qtr ●</p>
<p><b>Asset Allocation</b> Within acceptable ranges.</p>			<p><b>Performance vs Benchmark</b> The Fund has outperformed strongly over the one year period and has also reduced the underperformance over three years.</p>		
<b>Page 10</b>	<b>Manager Research</b>		<b>Additional Comments</b>		
<p>No significant news to report over the quarter.</p>		<p><b>Signal</b> Previous Qtr ● Current Qtr ●</p>	<p>The Fund continues to work with the Wales Pension Partnership (WPP) with a view to transitioning Emerging Markets equity assets during 2021/22. No other transitions are planned at this stage. WPP is developing its Private Markets offering and officers are working to ensure that this is suitable to deliver the Fund’s Investment Strategy.</p>		

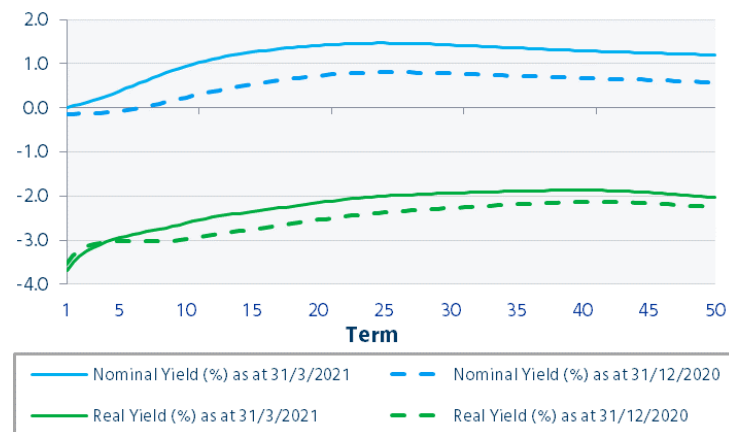
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## Market Conditions

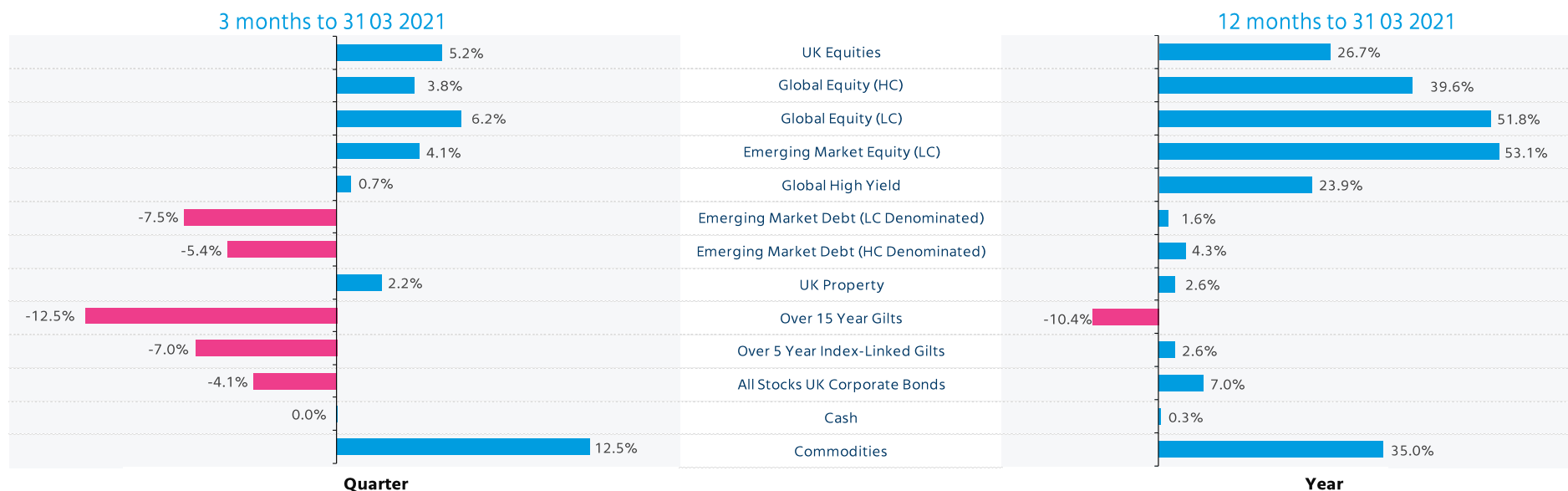
Change in Yields	Yields at (%)		Change in Yields (%)		
	31 Mar 21	31 Dec 20	3 Months	12 Months	3 Years
Over 5 Year Index-Linked Gilts	-2.06	-2.38	0.33	-0.13	-0.41
Over 15 Year Fixed Interest Gilts	1.32	0.67	0.65	0.57	-0.31
Over 10 Year Non-Gilts	2.45	1.80	0.64	-0.54	-0.60

Exchange Rates	£1 is worth		£ Appreciation		
	31 Mar 21	31 Dec 20	3 Months %	12 Months %	3 Years % p.a.
US Dollar (\$)	1.380	1.367	0.9	11.3	-0.6
Euro (€)	1.174	1.117	5.1	3.9	1.0
100 Japanese Yen (¥)	1.525	1.411	8.0	13.9	0.7



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Source: Thomson Reuters DataStream. Returns are shown in Sterling if the investment is generally expected to be on a non-currency hedged basis. Where non-Sterling exposure is expected to be hedged, returns are shown in local currency terms. Local currency returns are an approximation of a currency hedged return. LC: Local Currency; HC: Hard Currency.

# Strategy Monitoring

## Asset Allocation

	31/12/2020 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	31/03/2021 Market Value (£M)	31/12/2020 Allocation (%)	31/03/2021 Allocation (%)	31/03/2021 B'mark (%)	31/03/2021 B'mark Range (%)
<b>Total</b>	<b>2,121.8</b>	<b>-5.3</b>	<b>62.6</b>	<b>2,179.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>--</b>
Total (ex-CRMF, ex Cash)	1,598.3	-19.5	32.2	1,610.9	75.3	73.9	77.0	--
Total CRMF	500.6	0.0	30.4	531.0	23.6	24.4	23.0	10.0 - 35.0
Cash	22.9	14.2	0.0	37.1	1.1	1.7	0.0	0.0 - 5.0

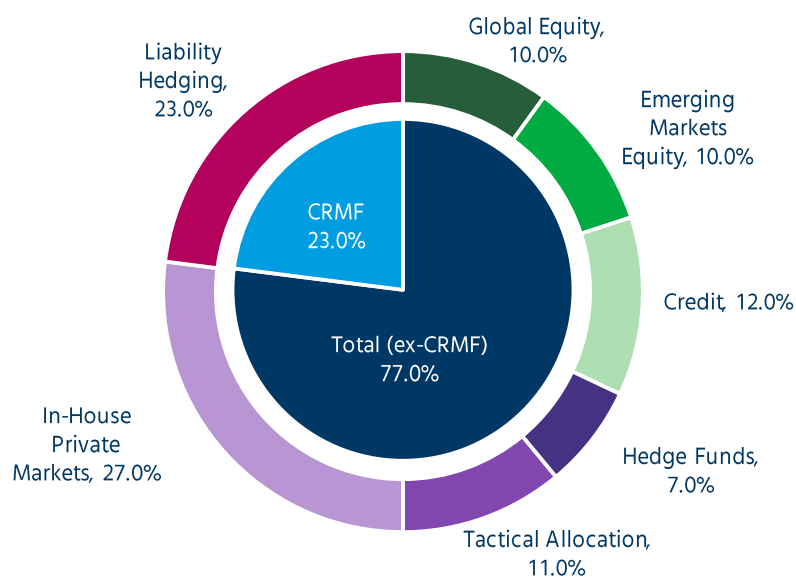
Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding. 'CRMF' refers to the Cash and Risk Management Framework.

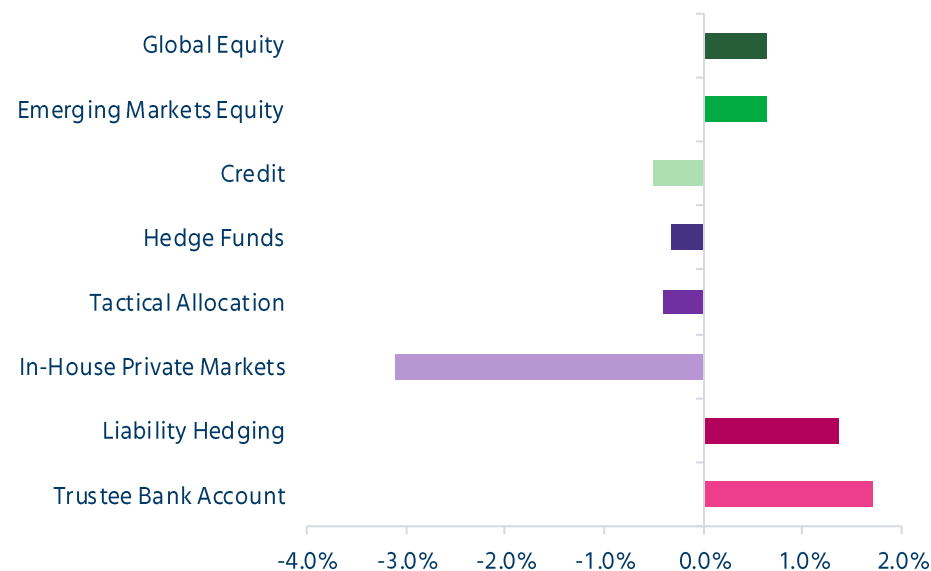
Benchmark allocation shown is the current strategic allocation. Cashflows exclude the reinvestment of £0.2m to the WPP Global Opportunities fund managed by Russell over the quarter.

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### Benchmark Asset Allocation as at 31 March 2021



### Deviation from Benchmark Asset Allocation

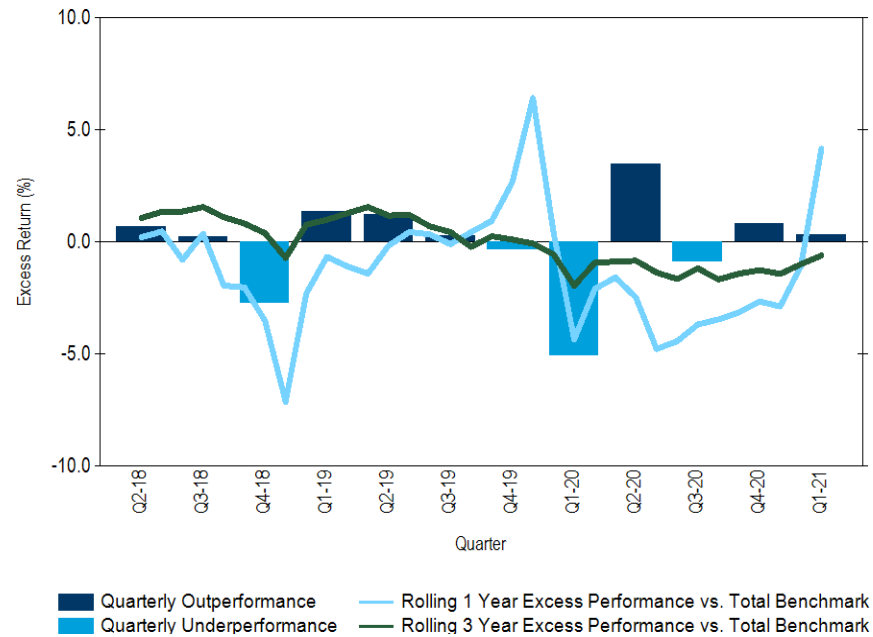


## Investment Performance

	2021 Q1 (%)	1 Yr (%)	3 Yrs (%)
<b>Total</b>	<b>2.9</b>	<b>23.3</b>	<b>7.1</b>
Total Benchmark	2.7	19.3	7.7

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Thomson Reuters Datastream. For periods over one year the figures in the table above have been annualised.

**Relative Performance**



# Investment Manager Summary



## Manager Allocation

	Investment Manager	31/12/2020 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (€M)	31/03/2021 Market Value (£M)	31/12/2020 Allocation (%)	31/03/2021 Allocation (%)	31/03/2021 B'mark (%)	31/03/2021 B'mark Range (%)
<b>Total</b>		<b>2,121.8</b>	<b>-5.3</b>	<b>62.6</b>	<b>2,179.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>--</b>
<b>Total (ex-CRMF, ex-Cash)</b>		<b>1,598.3</b>	<b>-19.5</b>	<b>32.2</b>	<b>1,610.9</b>	<b>75.3</b>	<b>73.9</b>	<b>77.0</b>	<b>--</b>
<b>Total Equity</b>		<b>449.7</b>	<b>--</b>	<b>13.5</b>	<b>463.9</b>	<b>21.2</b>	<b>21.3</b>	<b>20.0</b>	<b>10.0-30.0</b>
<b>Global Equity</b>		<b>220.5</b>	<b>--</b>	<b>10.8</b>	<b>232.1</b>	<b>10.4</b>	<b>10.6</b>	<b>10.0</b>	<b>5.0-15.0</b>
WPP Global Opportunities	Russell	110.7	--	6.4	117.8	5.2	5.4	5.0	--
World ESG Equity	BlackRock	109.9	--	4.4	114.3	5.2	5.2	5.0	--
<b>Emerging Markets Equity</b>		<b>229.2</b>	<b>--</b>	<b>2.6</b>	<b>231.8</b>	<b>10.8</b>	<b>10.6</b>	<b>10.0</b>	<b>5.0-15.0</b>
Emerging Markets (Core)	Wellington	76.1	--	1.6	77.7	3.6	3.6	3.0	--
Emerging Markets (Local)	Wellington	71.6	--	0.1	71.7	3.4	3.3	3.0	--
Emerging Markets Equity	BlackRock	81.6	--	0.9	82.5	3.8	3.8	4.0	--
<b>Total Credit</b>		<b>248.6</b>	<b>-1.9</b>	<b>3.7</b>	<b>250.4</b>	<b>11.7</b>	<b>11.5</b>	<b>12.0</b>	<b>10.0-14.0</b>
LIBOR Multi Asset	Stone Harbor	40.7	-40.9	0.2	--	1.9	--	--	--
WPP Multi-Asset Credit	Russell	207.9	38.9	3.5	250.4	9.8	11.5	12.0	--
<b>Total Hedge Funds</b>		<b>144.9</b>	<b>--</b>	<b>0.7</b>	<b>145.6</b>	<b>6.8</b>	<b>6.7</b>	<b>7.0</b>	<b>5.0-9.0</b>
Hedge Funds	Man	144.4	--	0.8	145.2	6.8	6.7	7.0	5.0-9.0
Hedge Funds (Legacy)	Man	0.4	--	0.0	0.4	0.0	0.0	--	--
<b>Total Tactical Allocation</b>		<b>222.1</b>	<b>0.0</b>	<b>8.9</b>	<b>231.0</b>	<b>10.5</b>	<b>10.6</b>	<b>11.0</b>	<b>9.0-13.0</b>
Best Ideas	Various	222.1	0.0	8.9	231.0	10.5	10.6	11.0	9.0-13.0
<b>Total Private Markets</b>		<b>532.9</b>	<b>-17.5</b>	<b>5.3</b>	<b>520.7</b>	<b>25.1</b>	<b>23.9</b>	<b>27.0</b>	<b>15.0-37.0</b>
Property	Various	142.8	-9.1	-2.7	131.0	6.7	6.0	4.0	2.0-6.0
Private Equity	Various	169.7	-6.3	5.2	168.6	8.0	7.7	8.0	6.0-10.0
Local / Impact	Various	52.2	-4.1	2.6	50.8	2.5	2.3	4.0	0.0-6.0
Infrastructure	Various	99.5	3.4	-0.2	102.6	4.7	4.7	8.0	6.0-10.0
Private Credit	Various	51.5	-1.3	0.5	50.7	2.4	2.3	3.0	1.0-5.0
Timber/ Agriculture	Various	17.2	-0.2	0.0	17.1	0.8	0.8	--	--
<b>Total CRMF</b>		<b>500.6</b>	<b>--</b>	<b>30.4</b>	<b>531.0</b>	<b>23.6</b>	<b>24.4</b>	<b>23.0</b>	<b>10.0-35.0</b>
Cash and Risk Management Framework (CRMF)	Insight	500.6	--	30.4	531.0	23.6	24.4	23.0	10.0-35.0
<b>Cash</b>		<b>22.9</b>	<b>14.2</b>	<b>--</b>	<b>37.1</b>	<b>1.1</b>	<b>1.7</b>	<b>0.0</b>	<b>0.0-5.0</b>
Cash		22.9	14.2	--	37.1	1.1	1.7	0.0	0.0-5.0

Source: Investment Managers and Mercer. Figures may not sum to total due to rounding.

Emerging Markets Core and Local valuations are converted from USD to GBP using closing price exchange rates. Hedged Funds (Legacy) valuation includes the Liongate portfolios.

Cashflows exclude the reinvestment of £0.2m to the WPP Global Opportunities fund and the reinvestment of £1.2m to the WPP Multi-Asset Credit fund managed by Russell over the quarter.

## Manager Performance

	Investment Manager	2021 Q1 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)
<b>Total</b>		<b>2.9</b>	2.7	<b>23.3</b>	19.3	<b>7.1</b>	7.7
<b>Total Equity</b>		<b>3.2</b>	2.9	<b>42.2</b>	41.7	<b>9.0</b>	11.3
WPP Global Opportunities	Russell	6.4	4.1	42.2	41.6	--	--
World ESG Equity	BlackRock	4.1	4.1	--	--	--	--
Emerging Markets (Core)	Wellington	2.1	1.6	54.5	43.7	9.6	8.1
Emerging Markets (Local)	Wellington	0.1	1.9	42.8	45.6	4.2	9.6
Emerging Markets Equity	BlackRock	1.4	1.3	--	--	--	--
<b>Total Credit</b>		<b>0.8</b>	0.9	<b>17.3</b>	2.4	<b>1.8</b>	2.2
WPP Multi-Asset Credit	Russell	0.6	1.0	--	--	--	--
<b>Total Hedge Funds</b>		<b>0.5</b>	0.9	<b>3.5</b>	3.8	<b>-1.2</b>	4.1
Hedge Funds	Man	0.5	0.9	3.6	3.8	-0.4	4.1
Hedge Funds (Legacy)	Man	-3.1	0.9	-11.9	3.8	-43.5	4.1
<b>Total Tactical Allocation</b>		<b>4.6</b>	1.4	<b>21.6</b>	4.2	<b>6.0</b>	4.6
Best Ideas	Various	4.6	1.4	22.0	4.2	7.1	4.6
<b>Total Private Markets</b>		<b>1.0</b>	1.4	<b>4.6</b>	4.6	<b>7.2</b>	5.0
Property	Various	-1.9	2.2	1.2	2.6	4.9	2.7
Private Equity	Various	3.1	1.2	11.2	5.3	11.3	5.7
Local / Impact	Various	5.1	1.2	--	--	--	--
Infrastructure	Various	-0.3	1.2	-3.5	5.3	5.7	5.7
Private Credit	Various	0.9	1.8	-4.2	7.5	1.2	7.5
Timber/ Agriculture	Various	-0.1	1.2	-2.0	5.3	0.2	5.7
<b>Total CRMF</b>		<b>6.1</b>	6.1	<b>52.4</b>	52.4	<b>12.7</b>	12.7
Cash and Risk Management Framework (CRMF)	Insight	6.1	6.1	52.4	52.4	12.7	12.7

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Thomson Reuters Datastream.

Performance benchmark for WPP Global Opportunities and Wellington Emerging Markets funds include an outperformance target.

Performance for hedge funds, best ideas and in-house portfolios has been calculated by Mercer. Private Credit benchmark was revised to Absolute Return 7.5% in Q4 2020 and for all preceding periods. For periods over one year the figures in the table above have been annualised. Prior to 30 September 2020, performance for all portfolios and sub-totals/total was estimated based on MWRR approach.

## Manager Ratings

Investment Manager	Asset Class	12m Perf	3yr Perf
Russell	WPP Global Opportunities	●	--
BlackRock	World ESG Equity	--	--
Wellington	Emerging Markets (Core)	●	●
Wellington	Emerging Markets (Local)	●	●
BlackRock	Emerging Markets Equity	--	--
Russell	WPP Multi-Asset Credit	--	--
Man	Hedge Funds	●	●
Various	Best Ideas	●	●
Various	Property	●	●
Various	Private Equity	●	●
Various	Local / Impact	--	--
Various	Infrastructure	●	●
Various	Private Credit	●	●
Various	Timber/ Agriculture	●	●
Insight	Cash and Risk Management Framework	●	●

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	Active Funds , Target Specified	Active Funds , Target Not Specified	Passive Funds
●	Meets criteria Target or above performance	Benchmark or above performance	Within tolerance range
●	Partially meets criteria Benchmark or above performance, but below target	--	--
●	Does not meet criteria Below benchmark performance	Below benchmark performance	Outside tolerance range
●	Not applicable --	--	--

# Appendix

# Appendix A

## Benchmarks

Name	Investment Manager	31/12/2020 B'mark (%)	Strategic Allocation (%)	Performance Benchmark
<b>Total</b>		<b>100.0</b>	<b>100.0</b>	-
<b>Total (ex-CRMF)</b>		<b>77.0</b>	<b>77.0</b>	-
<b>Total Equity</b>		<b>20.0</b>	<b>20.0</b>	<b>Composite Weighted Index</b>
WPP Global Opportunities	Russell	5.0	5.0	MSCI AC World (NDR) Index +2.0% p.a.
World ESG Equity	BlackRock	5.0	5.0	MSCI World ESG Focus Low Carbon Screened Midday Index
Emerging Markets (Core)	Wellington	3.0	3.0	MSCI Emerging Markets Index +1.0% p.a.
Emerging Markets (Local)	Wellington	3.0	3.0	MSCI Emerging Markets Index +2.0% p.a.
Emerging Markets Equity	BlackRock	4.0	4.0	MSCI Emerging Markets Index
<b>Total Credit</b>		<b>12.0</b>	<b>12.0</b>	<b>Composite Weighted Index</b>
LIBOR Multi Asset	Stone Harbor	2.0	--	1 Month LIBOR Index +1.0% p.a.
WPP Multi-Asset Credit	Russell	10.0	12.0	3 Month LIBOR Index +4.0% p.a.
<b>Total Hedge Funds</b>		<b>7.0</b>	<b>7.0</b>	<b>3 Month LIBOR Index +3.5% p.a.</b>
Hedge Funds	Man	7.0	7.0	3 Month LIBOR Index +3.5% p.a.
Hedge Funds (Legacy)	Man	--	--	3 Month LIBOR Index +3.5% p.a.
<b>Total Tactical Allocation</b>		<b>11.0</b>	<b>11.0</b>	<b>UK Consumer Price Index +3.0% p.a.</b>
Best Ideas	Various	11.0	11.0	UK Consumer Price Index +3.0% p.a.
<b>Total Private Markets</b>		<b>27.0</b>	<b>27.0</b>	<b>Composite Weighted Index</b>
Property	Various	4.0	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	8.0	3 Month LIBOR Index +5.0% p.a.
Local / Impact	Various	4.0	4.0	3 Month LIBOR Index +5.0% p.a.
Infrastructure	Various	8.0	8.0	3 Month LIBOR Index +5.0% p.a.
Private Credit	Various	3.0	3.0	Absolute Return Composite Weighted Index
Timber/ Agriculture	Various	--	--	3 Month LIBOR Index +5.0% p.a.
<b>Total CRMF</b>		<b>23.0</b>	<b>23.0</b>	<b>Composite Liabilities &amp; Synthetic Equity</b>
Cash and Risk Management Framework (CRMF)	Insight	23.0	23.0	Composite Liabilities & Synthetic Equity

Private Credit benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods for performance calculation purposes.

Performance benchmark for WPP Global Opportunities and Wellington Emerging Markets funds include an outperformance target as shown. These managers are monitored against the benchmark and these outperformance targets.

Cash & Risk Management Framework benchmark is assumed equal to fund performance for calculation purposes.



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