

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 March 2023
Report Subject	Business Plan 2023/24 to 2025/26
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The Committee approves a three-year Business Plan in February or March of every year and receives updates each quarter on progress. The purpose of this report is to present the proposed Business Plan for 2023/24 to 2025/26. The Business Plan includes information on business as usual, other tasks or projects, risks and an estimate of the financial resources required.

Looking ahead, the next few years will continue to be challenging for those involved in the governance, management and operation of the Fund for a number of reasons including:

- the remedy for the McCloud court case
- implementing changes to meet, monitor and review the Fund's targets in relation to climate risk and develop the Fund's approach to stewardship
- a new Code of Practice being launched by The Pensions Regulator
- preparation for integration with the National Pensions Dashboard
- other government initiatives such as new DLUHC asset pooling guidance.

The proposed Business Plan for 2023/24 to 2025/26 has been prepared with a view to ensuring that our legal responsibilities and strategic objectives are being met, and all our known risks are being managed and resourced appropriately. The Committee are also being asked to approve the budget which is included within the Business Plan, and two staffing structure changes, as outlined in paragraph 2.03, to assist with delivering the Business Plan.

RECOMMENDATIONS

1	That the Committee approve the Business Plan in Appendix 1 relating to the period 2023/24 to 2025/26, including the budget for 2023/24.
2	That the Committee approve the two additions to the staff structure as outlined in paragraph 2.02; an additional Principal Pensions Officer for three months in 2023/24, and an additional Principal Pensions Officer for projects to 31 March 2024 at a total cost of £64,207 (including on-costs).

REPORT DETAILS

1.00	REVIEW OF THE FUND'S BUSINESS PLAN
1.01	<p>The updated Business Plan for the three years commencing 2023/24 is attached as Appendix 1. It includes business as usual, main tasks or projects with descriptions, a current risk assessment and an estimate of the financial resources required.</p>
1.02	<p>The Business Plan for 2022/23 was approved at the 16 March 2022 Pension Fund Committee. Much of the business plan was delivered with a number of key achievements being accomplished including:</p> <ul style="list-style-type: none">• Updating the Council's Constitution to clarify responsibilities as a result of the change of FCC Chief Executive• Developing the Fund's first Task Force on Climate Related Financial Disclosures (TCFD) report and becoming a signatory of the Stewardship Code.• Completion of the 31 March 2022 actuarial valuation and review of the Funding Strategy.• Reviewing and agreeing the Fund's asset allocation.• Fundamental review of the Fund's Communications Strategy and development of a new brand and logo for the Fund.• Continuing the Fund's McCloud programme including initial loading of updated employer data.• Ongoing development of cyber security strategies and processes including supplier/partner organisation cyber resilience assessments. <p>The year continued to provide some challenges in relation to recruitment and retention, which started to have an impact on the delivery of some business as usual services. However a major achievement was the review of how recruitment is undertaken resulting in successful recruitment of 9 external new staff members in early 2023 in addition to internal promotions.</p>
1.03	<p>There continues to be an exceptional amount of change which is being driven at a national level or by circumstances out of the control of the Fund. These have a major impact on the delivery of the Fund's objectives and the resources required. The following illustrates the main areas we are currently aware of, many of which are explicit in the proposed 2023/24 to 2025/26 Business Plan:</p>

1.04	<p>Within the 2023/24 to 2025/26 Business Plan key tasks include:</p> <p>Governance:</p> <ul style="list-style-type: none"> • carrying out compliance checks against The Pension Regulator's New General Code • implementing any governance changes as a result of the Scheme Advisory Board Good Governance review, including creating a Workforce Policy • succession planning and reviewing ongoing resource requirements <p>Investments and Funding:</p> <ul style="list-style-type: none"> • implementing changes to meet, monitor and review the Fund's new targets in relation to climate risk • reviewing the Fund's approach to stewardship and engagement • working with our partners in WPP on the procurement of the operator contract and implementing private credit, private equity and infrastructure within WPP <p>Administration and Communications:</p> <ul style="list-style-type: none"> • completing the required changes relating to the McCloud remedy • preparation for integration with the National Pensions Dashboards

	<ul style="list-style-type: none"> • further enhancements to implement the Fund’s new Communications Strategy.
1.05	<p>The key risks for the fund are articulated in the Business Plan and could be summarised into the key points, all of which would impact on the Fund’s objectives and legal obligations being met:</p> <ul style="list-style-type: none"> • the impact of externally led influence and change • insufficient staff numbers due to recruitment and retention difficulties or staff with insufficient knowledge • market uncertainty including fund managers not meeting their targets • WPP not being able to provide the required asset portfolios and also being unable to provide the tools to implement the Fund’s RI policy • the investment targets not being achieved, impacting solvency and employer contributions due to market uncertainty, national changes.
1.06	<p>Looking ahead, 2023/24 will no doubt continue to be challenging for those involved in the governance, management and operation of the Clwyd Pension Fund. The Business Plan has been updated to ensure that all our known risks are being managed and resourced. However given the ever-changing environment, the Business Plan is a live document that can be updated within the year with the approval of the Committee.</p>
1.07	<p>The introduction to the Business Plan also includes the proposed budget for 2023/24 including notes of key elements.</p>
1.08	<p>The Committee are asked to consider and approve the proposed Clwyd Pension Fund Business Plan for 2023/24 to 2025/26, and the budget for 2023/24 included within it.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>The resources required for managing the Fund and delivering this Business Plan are included in the budget section of the Business Plan. It assumes no vacancies in the current staffing structure and continuation of all temporary positions within the current staffing structure to 31 March 2024.</p>
2.02	<p>Delivering the Business Plan will be challenging which is why there are a number of temporary positions within the Administration Team. However a key risk in the delivery of the plan is the ongoing vacant Principal Pension Fund Accountant. This position has now been vacant since early 2022 and the latest recruitment exercise was unsuccessful. It is now being readvertised with a market supplement but this vacancy continues to put a major strain on the Finance Team and particularly the Deputy Head of Clwyd Pension Fund.</p>

2.03	<p>In addition, the Committee are asked to approve to the following changes to the staffing structure:</p> <ul style="list-style-type: none"> • The Principal Pensions Officer in the Technical and Payroll Team will be commencing maternity leave in the summertime. In order to assist in ensuring her role is appropriately covered during her maternity leave it is recommended that another Lead Pensions Officer acts up to a Principal Pensions Officer for the three months prior to maternity leave. This “overlap” will assist in ensuring a robust handover of duties as well as assisting in managing a number of key tasks that need completed at that level early in 2023/24. The cost of this would be £12,841 including on-costs. • To assist in protecting business as usual operational tasks (such as dealing with scheme member retirements, leavers, deaths and transfers) and to aid with succession planning for expected retirements, it is suggested that any project work is managed by a separate Principal Pensions Officer rather than the current Principal Pensions Officer who also manages the business as usual tasks. The person appointed to this new projects Principal Pensions Officer post would manage projects such as the retrospective pay award recalculations of benefits, implementing the imminent CARE revaluation regulation change and developing the Fund’s Pensions Dashboards solution. It is expected that a separate project team will be proposed as part of a staffing structure review later in the year once further workflow analysis has been completed. However in the meantime it is suggested that an additional Principal Pensions Officer to manage projects is created as a temporary measure until 31 March 2024. The cost of this would be £51,366 including on-costs.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	The key risks are considered as part of the business planning process and articulated within the draft Business Plan. However delivery of the Business Plan is subject to having the appropriate resources in place, which is a key risk and is described further in paragraphs 2.01 to 2.03.

5.00	APPENDICES
5.01	Appendix 1 – Business Plan 2023/24 to 2025/26

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Previous Business Plans including Clwyd Pension Fund Business Plan 2022/23 to 2024/25 (March 2022 PFC agenda pack).</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – 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) Administering Authority or scheme manager – 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) Committee or PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) Board, 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.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.</p> <p>(g) DLUHC – Department of Levelling Up, Housing and Communities – the government department responsible for the LGPS legislation</p> <p>(h) 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.</p> <p>NB: Other terms used in the report and its appendix are explained within Appendix 1.</p>