

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 20 March 2024
Report Subject	Draft Clwyd Pension Fund Business Plan 2024/25 to 2026/27
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 2024/25 to 2026/27. 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 due to a significant number of legislative changes and external influences including:

- ensuring compliance with The Pension Regulator's new General Code.
- implementing the McCloud Judgement
- integration with the National Pensions Dashboard
- other national initiatives such as the Good Governance review and expected regulations and guidance relating to pooling and investments

We also propose to carry out an interim funding review to update the Fund's financial position and employer contribution outlook to enable early engagement with employers in preparation for the triennial actuarial valuation due in 2025/26. In addition, we need to prepare succession plans in response to expected retirements across our internal teams.

The proposed Business Plan for 2024/25 to 2026/27 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 is also being asked to approve the budget which is included within the Business Plan.

RECOMMENDATIONS

1	That the Committee approve the Business Plan in Appendix 1 relating to the period 2024/25 to 2026/27, including the budget for 2024/25.
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REPORT DETAILS

1.00	REVIEW OF THE FUND'S BUSINESS PLAN
1.01	<p>The updated Business Plan for the three years commencing 2024/25 is attached as Appendix 1. It includes business as usual (day-to-day work), 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 2023/24 was approved at the 29 March 2023 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">• Review of the Fund's responsible investment policy and in particular our approach to climate change• Transition of assets to the WPP Global Sustainable Equity Fund• Retaining signatory status to the FRC Stewardship Code.• Development of our cyber security strategy and associated processes• Continuing the Fund's McCloud programme including data collection and upload• Continued implementation of the Fund's new Communications Strategy <p>In addition to these accomplishments, several of the key tasks in the 2023/24 Business Plan have progressed to the extent that they are becoming part of business as usual in 2024/25. Work will continue in these areas but they are no longer being reported on as key tasks.</p> <p>2023/24 also involved a number of changes in response to recruitment and retention challenges. Changes to the administration team staffing structure included the introduction of a new Projects Team, making temporary contracts permanent to retain experience within the team, and successful recruitment of additional staff. The success of recruitment exercises has meant training of new staff has had an impact on the delivery of some business as usual services, but the new structure and addition of new staff are expected to materially increase the resilience of the Fund's administration operations in the face of continuing legislative and national developments.</p>
1.03	<p>The ongoing amount of change being driven at a national level or by circumstances out of the Fund's control has a major impact on the delivery of the Fund's objectives and the resources required. Areas of focus proposed for 2024/25 to 2026/27 Business Plan include:</p> <ul style="list-style-type: none">• Expected changes to the governance of the LGPS from the Good Governance review and ensuring compliance with the Pensions Regulator's new General Code of Practice• Ongoing focus on climate change and considering biodiversity• Managing the cost of the scheme for employers

	<ul style="list-style-type: none"> • Responding to legislative changes, including progressing preparation for Pensions Dashboards and any investment/pooling-related changes • Retention of staff and succession planning to address expected retirements
1.04	2024/25 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.
1.05	<p>The introduction to the Business Plan also includes the proposed budget for 2024/25 including notes of key elements.</p> <ul style="list-style-type: none"> • Employee costs assume 5% pay inflation • The budget for IT within administration expenses was underspent in 2023/4 due to expected changes to the pension administration software not being made due to delays to both publication of the McCloud regulations and the onboarding schedule for the National Pensions Dashboard. This work and the associated IT costs are carried forward into 2024/25 and are reflected in the budget. • In the past, Committee and Pension Board training costs have been included together within the same line in the budget. This year they are reported as separate costs.
1.06	<p>The cashflow projection for 2024/25 to 2026/27 is also included in the introduction to the Business Plan.</p> <p>The payments from the Fund exceed the pension contributions from scheme members and employers, meaning that the shortfall needs to be found from investments and strategic cash.</p>
1.07	The Committee are asked to consider and approve the proposed Clwyd Pension Fund Business Plan for 2024/25 to 2026/27, and the budget for 2024/25 included within it.

2.00	RESOURCE IMPLICATIONS
2.01	The resources required for managing the Fund and delivering this Business Plan are included in the budget section of the Business Plan.
2.02	<p>Changes to the staffing structure during 2023/24 included temporary positions being made permanent. Within the Administration Team there is currently a vacant Communications Officer role, and this position is being reviewed before a recruitment exercise commences.</p> <p>The Pension Fund Accountant role has now been recruited to and this is expected to reduce strain on the Finance Team and assist in business continuity following the retirement of the Deputy Head of Clwyd Pension Fund in 2024. A key task within the Business Plan is succession planning</p>

	within the Senior Management Team and to consider its impact beyond that team. This work has already commenced.
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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 paragraph 2.02.

5.00	APPENDICES
5.01	Appendix 1 – Business Plan 2024/25 to 2026/27

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Previous Business Plans including Clwyd Pension Fund Business Plan 2023/24 to 2025/26 (29 March 2023 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
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- (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.
- (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.
- (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.
- (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.
- (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 DLUHC.
- (g) **DLUHC – Department of Levelling Up, Housing and Communities** – the government department responsible for the LGPS legislation
- (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.

NB: Other terms used in the report and its appendix are explained within Appendix 1.