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To:

Councillors: Haydn Bateman, Kevin Hughes, Billy Mullin, Tim Roberts and Ralph Small

Co-opted Members

Steve Hibbert, Cllr. Andrew Rutherford and Cllr Nigel Williams

12 March 2020

Dear Councillor

You are invited to attend a meeting of the Clwyd Pension Fund Committee which will be held at 9.30 am on Wednesday, 18th March, 2020 in the Delyn Committee Room, County Hall, Mold CH7 6NA to consider the following items

At 11.30 am or at the rise of the meeting a training session for members of the Clwyd Pension Fund Committee only will be held.

A G E N D A

1 APOLOGIES

To receive any apologies.

2 DECLARATIONS OF INTEREST (INCLUDING CONFLICTS OF INTEREST)

To receive any Declarations and advise Members accordingly.

3 MINUTES (Pages 3 - 12)

To confirm as a correct record the minutes of the last meeting held on the 11 February 2020.

GOVERNANCE

4 **WALES PENSION PARTNERSHIP BUSINESS PLAN 2020/21 TO 2022/23**
(Pages 13 - 34)

To provide Committee Members with the Wales Pension Partnership Business Plan for approval.

5 **CLWYD PENSION FUND BUSINESS PLAN 2020/21 TO 2022/23** (Pages 35
- 80)

To provide Committee Members with the Clwyd Pension Fund Business Plan for approval.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Robert Robins', with a horizontal line extending to the right.

Robert Robins
Democratic Services Manager

CLWYD PENSION FUND COMMITTEE

11 February 2020

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held at County Hall, Mold at 9.30am on Tuesday, 11 February 2020.

PRESENT: Councillor Haydn Bateman (Vice Chair in the Chair)

Councillors: Ralph Small, Billy Mullin, Kevin Hughes, Adele Davies-Cooke – joined at item 99.

CO-OPTED MEMBERS: Councillor Nigel Williams (Wrexham County Borough Council), Councillor Andrew Rutherford (Other Scheme Employer Representative), and Mr Steve Hibbert (Scheme Member Representative) – up to item 103.

ALSO PRESENT (AS OBSERVERS): Mr Phil Pumford (PFB Scheme Member Representative), Elaine Williams (PFB Scheme Member Representative).

APOLOGIES: Councillor Huw Llewellyn Jones.

IN ATTENDANCE:

Advisory Panel comprising: Colin Everett (Chief Executive) – up to item 101, Philip Latham (Head of Clwyd Pension Fund), Gary Ferguson (Corporate Finance Manager), Karen McWilliam (Independent Adviser – Aon), Kieran Harkin (Fund Investment Consultant – Mercer), Paul Middleman (Fund Actuary – Mercer).

Officers/Advisers comprising: Debbie Fielder (Deputy Head of the Clwyd Pension Fund), Karen Williams (Pensions Administration Manager), Nick Buckland (Fund Investment Consultant – Mercer), Nick Page (Risk Advisor – Mercer), Megan Fellowes (Actuarial Analyst – Mercer - taking minutes), Ieuan Hughes (Graduate Investment Trainee).

It was confirmed that Cllr Bateman would be fulfilling the role of Chairman for the next three months ahead of the Council's AGM.

97. **DECLARATIONS OF INTEREST (including conflicts of interest)**

Mrs McWilliam referred to the reference to the upcoming tenders for the Investment Consultant and Independent Governance advisor roles in the Governance Update (agenda item 8) and noted Aon will obviously be submitting a tender for one of those contracts and that if there are any discussions on this she will leave the meeting for that part of the meeting. Mercer also noted the equivalent interest.

There were no other declarations of interest.

98. **MINUTES 28 NOVEMBER 2019**

On page 10, Mr Hibbert queried whether the issue of Scheme Member Representation had been considered at the WPP JGC meeting in January. Mrs Fielder said that there was a JGC meeting in December but no one from the Fund was represented and there was no meeting in January. The next JGC meeting is in March where it is expected that JGC Scheme Member Representation will be on the agenda.

Mrs McWilliam noted the reference to the GMP rectification exercise on page 11 and stated that this exercise will now continue through to at least June 2020.

The minutes of the meeting of the Committee held on 28 November 2019 were then agreed.

RESOLVED:

The minutes of 28 November 2019 were received, approved and signed by the Chairman.

99. **INVESTMENT STRATEGY STATEMENT AND RESPONSIBLE INVESTMENT POLICY**

Mr Buckland and Mr Latham took the Committee through the latest Investment Strategy Statement (ISS) and noted the following key points;

- The regulations requiring funds to produce an ISS were made in 2016.
- The first ISS was required to be published by 31 March 2017.
- These regulations are still in place; however new regulations are due later in 2020. As a result, the ISS may need to be further amended.
- Statutory guidance states that Fund policies on investment cannot go against Government policy.
- There are a number of key requirements for inclusion in an ISS and Mr Buckland highlighted these, including diversification of investments and consideration of risk.

Mr Latham highlighted the changes that had been made to the ISS.

The first change was to include a new Funding and investment's objective at bottom of page 4 of the ISS in relation to the pooling of assets through WPP. The Committee agreed the proposed wording.

Cllr Williams asked whether the Supreme Court case involving the Palestine Solidarity Campaign and Government policy would inhibit the Fund's Responsible Investment policy. Mr Buckland responded that the way in which the Responsible Investment policy has been written, his view is there is no conflict. He said that the bigger issue is that some Funds have disinvested due to certain ethical beliefs. Mr Buckland said that we await the results of the court case and will return to this issue, which should be known over the next few months.

Mr Everett asked why the two asset classes, agriculture and timber, were included within the ISS, and not categories such as renewable energy. Mr Harkin explained that infrastructure as an asset class covers a range of investments including renewable energy. He agreed to revisit the categories.

The Chairman queried how the Fund's benchmark is determined. Mr Buckland said that the benchmark is a composite of all of the benchmarks of the Fund's underlying asset classes. For example, equities and private markets will both have a benchmark, adding these all together determines the Fund's overall benchmark.

Mr Latham added that there are strategic ranges set out on page 12 of the ISS. He noted that a conditional range is used when there are major risks to the Fund, in which case the officers, taking account of advice from the Fund's Investment Consultants, can make decisions that move the asset allocations beyond the strategic range, into the conditional

range. Mrs McWilliam asked whether the conditional range had been used before. Mr Latham confirmed that he couldn't recall an extreme situation, but it has been used when the Fund was going through a transition.

Mrs McWilliam suggested to soften the wording on page 21 of the ISS. The wording stated;

In the longer term, subject to the above mentioned objectives being met, the Clwyd Fund is committed to investing all of its assets through the WPP.

Mrs McWilliam proposed that the wording should be closer aligned to the pooling objective on page 4 of the ISS. Mr Everett backed this suggestion and the Committee agreed this wording should be modified in the final ISS.

The ISS states that the Fund will achieve the target weight in three years. Mrs McWilliam asked from when i.e. what year this will be invested. Mr Buckland referred Mrs McWilliam to the document which stated that it is between 2020 – 2023.

Mrs McWilliam highlighted to the Committee that she had some minor changes to feed into the ISS. The Committee approved the revised Investment Strategy Statement subject to minor changes being made by officers, including the points discussed.

RESOLVED:

The Committee noted, commented on and approved the revised Investment Strategy Statement subject to the agreed changes being made.

100. **ACTUARIAL VALUATION UPDATE AND FUNDING STRATEGY STATEMENT**

Mr Middleman noted that at the September meeting the draft Funding Strategy Statement (FSS) had been discussed and the consultation with employers went ahead in November (including the AJCM and meetings with individual employers) with comments being invited. There had been no material changes to that draft but there had been some minor changes as a result of the discussions with employers and also due to lack of progress on certain national issues and structural changes.

Mr Middleman updated the Committee on the state of play on the consultations on the 4-year valuation cycle and Fair Deal which were due to introduce protected status for members and a Deemed Employer route. There has not been any response to the 4-year valuation consultation and the Fair Deal consultation has not been progressed. It is not envisaged that either of these will be progressed before the FSS needs to be signed off so the related wording has been removed from the FSS. These will be reinserted as required and brought back to Committee once there is an update from those consultations.

Mr Middleman made the following key points;

- When Mercer set assumptions, in particular around inflation, Mercer look at the best estimate of RPI from market yields on Government Bonds. Mercer then estimate CPI inflation (the increases applied to liabilities) by deducting 1% p.a. from RPI (i.e. an RPI-CPI gap of 1% p.a.).

- Following the proposed change in RPI to be more like CPIH, in the September 2019 announcement, the market implied RPI inflation had shifted. Whilst this does not affect the assumptions at the valuation date (31 March 2019) it is important that the Fund recognise this update in the FSS. If this wasn't recognised it would result in using an assumption for CPI (based on the current RPI / CPI gap) which is too low and hence undervaluing liabilities in future calculations. It was noted this will be discussed in more detail in the next item but the proposal is to reduce the RPI to CPI gap to 0.7% p.a. to compensate for this. The consultation on the change is expected as part of the Budget on 11 March 2020 and the position will be kept under review.
- The overall funding level was 91% at the valuation date, with a deficit of £175m.
- The ongoing cost of benefits as a result of the valuation was 17.3% of pensionable pay.
- Contribution rates for employers will be implemented on this basis from 1 April 2020.

On page 25, the Chairman asked why the average deficit recovery period increased from 12 years in the draft FSS to 13 years. Mr Middleman noted this was an average and that different employers (including the Councils) had different periods appropriate to their circumstances and most had reduced by 3 years but 2 Unitary Councils had reduced by 2 years. It was also noted that it is the overall set of parameters that matter i.e. other assumptions like the discount rate are perhaps more important. Furthermore, there have been in-depth discussions regarding this, the affordability of contributions overall and including allowance for McCloud costs. There needs to be a balance agreed when setting a funding plan because it has to be fair to all tax payers (current and future generations) and given that the recovery period for the Fund was relatively short, Mr Middleman was comfortable overall that this is a fair position. Mr Everett added that it was decided to extend Flintshire County Council's recovery period by a year in order to help balance the budgets, which he believes is a reasonable step that was agreed with the Actuary after a well-informed period of discussion.

In respect of the McCloud judgment, Mr Middleman noted that a key part of the setting the strategy is whether to allow or not allow for the potential costs of the McCloud ruling in the contributions paid to the Fund. As the employers had decided to include it directly (as opposed to considering it a budget risk in the future) this gave more credence to concluding the deficit recovery period was fair.

Mrs McWilliam queried why the link between RPI and CPI was not listed as one of the risks in the ISS. Mr Middleman said that it is a structural change but no real difference from any other change to inflation (which was covered). Mercer do not know how it will manifest yet, but whilst there is no harm in including it explicitly in the ISS they do not believe it is required at this point.

RESOLVED:

- (a) The Committee noted the report and activity since the September 2019 meeting and consultation.
- (b) The Committee approved the final Funding Strategy Statement.

101. FUNDING, FLIGHTPATH AND RISK MANAGEMENT FRAMEWORK UPDATE

Mr Page introduced himself to the Board and presented the flightpath introductory training session. Further detailed sessions will be scheduled to deliver more detail on the various elements. The presentation covered the main objectives of the flightpath and the following key points were made;

- The aim of the investment strategy is to deliver a return above inflation, CPI inflation in particular, given that the Fund's liabilities rise with inflation.
- Higher returns above inflation means that lower employer contributions are required to make good on the benefits for members. Conversely lower returns above inflation would mean higher contribution requirements for employers.
- In order to generate return, risk must be taken. However, there is a need to find a balance between taking enough risk to ensure contributions are affordable, but not too much risk that may result in losses on the investments leading to higher contributions in the future. The overarching objective is to be fair to current and future taxpayers by getting this reasonable balance.
- The aim of the flightpath strategy is to manage investment risks to improve the affordability and stability of employer contributions.
- The flightpath is a risk management approach rather than a de-risking mechanism, and works in tandem with the Fund's well diversified investment strategy.
- The flightpath seeks to manage (i.e. hedge) risks associated with both the assets and the liabilities. However, it does not manage all investment or liability risks; rather there is an assessment of whether the benefit of managing a particular risk outweighs the cost of doing so. Cost considerations relate to manager and consulting fees, transaction costs, initial and ongoing governance requirements and the overall impact and likelihood of a risk manifesting negatively so the overall objective is not met.
- The Fund's biggest risk is rising inflation, given that members' benefits i.e. the Fund liabilities, are linked to inflation. This is managed through a Liability Driven Investment (LDI) strategy which aims to maximise the certainty of returns above inflation when market opportunities arise through a yield-based trigger mechanism. The hedge level was previously at 20% for interest rates and 40% for inflation. The Fund has decided to reduce inflation exposure by 20% temporarily in light of RPI reform risk which was discussed in more detail after the training.
- The flightpath also manages equity downside risk through an equity protection strategy, and the risk that sterling appreciates, reducing the value of overseas assets in GBP terms, through a currency hedging strategy.
- The flightpath seeks to implement the risk management strategies in an efficient manner. This is evidenced by the collateral "waterfall" approach, which ensures the strategies are supported by enough collateral (essentially a cash like pool of assets backing the hedging framework) but not too much that it acts as a drag on Fund returns. Excess collateral is invested in higher yielding but daily dealing funds in order to generate higher returns but is available for collateral to maintain the hedging position if required at short notice in a low governance manner.
- The flightpath operates through a series of quarterly Funding and Risk Management Group (FRMG) meetings with advisors and officers, monthly and quarterly reporting, and daily monitoring of funding level and market triggers. This

allows for opportunities to be identified and the Committee has delegated powers to the Head of the Clwyd Pension Fund to action those opportunities in a timely manner.

- As a direct result of implementing the flightpath, the deficit is £250m better off (all other things equal) since its inception in 2014, which equates to c£15m-£20m p.a. in contribution savings for employers. This is clearly a significant positive impact for the Fund and its employers.

Mrs McWilliam asked how the LDI is managing both liability risks on slide 6. Mr Page confirmed that it looks at both inflation and interest rates, which together provide a yield/return over inflation with a high degree of certainty. This links to the primary objective for the Fund which is to achieve returns above inflation with increasing certainty to provide affordability and stability of employer contributions. Mr Page clarified it is important that this takes place at the right time as otherwise it would be too expensive to achieve certainty. This is why there are triggers in place for when the opportunity arises.

Mrs McWilliam asked whether the Fund should be concerned about being unique in the WPP by having a flightpath strategy. Mr Page confirmed that other LGPS Funds do have similar risk management strategies in place and risk management is an increasing area of focus within the LGPS. Whilst it is not yet on the agenda for WPP to offer a portfolio that can incorporate such a strategy, Brunel have appointed a risk management provider similar to what the Clwyd Pension Fund has in place.

Mr Middleman noted that not every risk management idea that is considered is implemented. Rather, a risk is assessed and if deemed to be material, a range of options are considered on how it should be managed. Mr Everett welcomed further detail on the range of options in relation to decision making to help provide some further context for the Committee in future.

Due to the proposed reform by the government to abolish RPI, Mr Page confirmed that the plan was to align what is currently RPI to CPIH in the future, which is similar to CPI but includes housing costs such as changes to council tax rates. From a liability perspective, there will be no impact as the liabilities are CPI linked which is not changing. Mr Page noted that RPI is currently around 1% p.a. higher than CPIH, and the Fund's inflation hedging assets which are all linked to RPI would fall in value under reforms. Mr Page estimated that the worst-case scenario is that the impact could be a c£100m increase in deficit.

At the FRMG it was discussed at length whether, due to this potential change, the inflation hedging assets should be restructured. It was concluded that on balance there should be a reduction in the inflation hedge ratio from 40% to 20% as a result to mitigate this risk ahead of the consultation starting on 11 March. The Fund is still exposed to inflation rising and there is also a risk that the reform does not proceed, which is the reasoning behind only reducing half the exposure and not all. Therefore, the £100m increase in deficit stated above would now be £50m in the worst-case scenarios modelled. Mr Page confirmed that longer term, the Fund should seek to return back to the 40% inflation hedge ratio once the outcome of the consultation was clearer. The consultation will run from 11 March 2020 for 6 weeks and the Chancellor has committed to a response on this by July 2020.

The Chairman asked whether there is any allowance for housing costs in CPI. Mr Page confirmed that it is not included in CPI but is included in CPIH. CPIH is the UK's national statistic for inflation even though it is not well used or known.

The Chairman queried whether the consultation on government tax relief is due to come in. Mr Middleman said that he would be surprised if it did at this Budget but there could be a consultation announced on the issue given the sources of finance needed by the Government. The Committee will be updated in due course on any issues arising.

Mr Page added that at 31 December 2019, the approximate funding level was 94%, the equity protection had made a £38m gain since inception, and the currency hedging had made a gain of £9m since inception.

The report was noted and no further questions were asked.

RESOLVED:

- (a) The Committee noted this report on the various elements of the Risk Management Framework, equity protection and currency hedging strategy.
- (b) The Committee were made aware of the risk from potential RPI reform and the balanced action taken to reduce this risk as well as the costs.

102. **POOLING INVESTMENTS IN WALES**

Mr Latham gave an overview of the report which demonstrated the progress of the WPP. Paragraph 1.08 illustrates the provision of an emerging market equity sub fund through the WPP and the asset allocation for the Clwyd Pension Fund increasing from 6% to 10% (or £200m). Mr Latham and Mrs Fielder are due to represent the Committee and this matter at the next OWG.

Mr Latham asked for the views of the Committee as to whether the proposed private markets sub-group should have a separate portfolio for impact investing given there is a specific allocation with the Clwyd Pension Fund's investment strategy. Mr Latham explained that the two proposed priority areas for the WPP private markets impact sub-fund are affordable housing and climate change. One of the areas the Fund could ask to be included are the economic areas, looking at SME's to invest in to hopefully create jobs in the local area.

Mr Hibbert stated that he was not content with the phrase "affordable housing". He strongly believed that there needed to be a specific reference to the need for a social element within that. Cllr Williams agreed strongly that a different and clearer definition is required.

Cllr Mullin asked whether the areas for inclusion could be extended if these materialise as time goes on. Mr Latham confirmed that they can be added to and extended.

The Committee concluded that they were supportive of climate change elements, supportive of affordable housing subject to the definition being expanded to ensure this included a social requirement, and that they would ideally like the portfolio to include a local

element focussed on the Welsh economic generation. Mr Latham agreed that he would feed the Committee's wishes back to the WPP.

RESOLVED:

- (a) The Committee noted the report.
- (b) The Committee discussed the creation of an impact fund and priority investments.

103. **GOVERNANCE UPDATE**

Mr Latham said that there was a Scheme Advisory Board meeting on 3 February but there are no formal meeting notes published yet.

Mr Latham highlighted the key change to the Governance Policy which is the inclusion of an objective focussed on data security and cybercrime; this was shown on page 141 - *Ensuring confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.*

Mr Latham reminded the Committee about completing their self-assessment forms, and added that Mrs Fielder had hard copies available to complete if that was the preferred option.

Cllr Hughes attended the two day LGA Governance Conference on 23 and 24 January. He highlighted it was a very useful event with lots of discussion about McCloud but there had been no explanation of the background which would have been helpful.

Mrs Williams gave a brief overview explaining that McCloud is an age discrimination case and there was a ruling relating to the firefighters and judicial pension schemes which said younger people put in the new schemes, would now be worse off. People complained that this was ageist and it was upheld so the case needed to be remedied. The Government agreed this needed to be considered for all public sector schemes including the LGPS.

For the LGPS it is likely that the Fund will need to implement a remedy which involving checking which is the better of the old and new schemes for certain members, given that this was the approach provided to all members who were active on 1 April 2012 and within 10 years of retirement. This may be extended to all members who were active at 1 April 2012 irrespective of age. Whilst this has a potential to increase funding costs (as discussed in an earlier item) it is likely to have a much more material impact on the administration, due to the need to recalculate benefits for many members who have left or retired since 2012.

It also affects employers as the Fund will need to gather part time hour changes from employers from April 2014, which will then have to be updated on the Fund's administration system. Mrs Williams explained that, even though the remedy is not likely to be implemented until 2022 at the earliest, the administration team will go ahead with updating the systems so that it will be up to date and the team are prepared. They are expected to them have to and recalculate historical benefits and make payments accordingly (to existing pensioners).

Cllr Rutherford suggested that the two-day conference could have been completed in one day and he also agreed with Cllr Hughes regarding the clarity on McCloud. Mrs McWilliam suggested that further training on McCloud could be provided on the 18 March training day that has been scheduled for the Committee and Board. The Committee welcomed that opportunity for further training.

Mrs McWilliam highlighted to the Committee that there is a Local Authority Responsible Investment Seminar on 8 July in Hertfordshire.

RESOLVED:

- (a) The Committee considered the update and provided comments. The Committee agreed to return their self-assessment training needs analysis forms by 19 February as referred to in paragraph in 1.07 of the report.
- (b) The Committee approved the Governance Policy and Compliance Statement, including the new objective relating to cybercrime, referred to in paragraph 1.06 of the report and attached in Appendix 2.

104. **ADMINISTRATION AND COMMUNICATIONS UPDATE**

Mrs Williams presented the report. She highlighted that each month the team report on legal requirements for the Key Performance Indicators (KPIs) and each KPI will have a timescale which the team have to legally adhere to. Currently, the Fund provide KPI requirements for 7 processes in the Fund including retirements and death etc. The team monitor how long it takes to report from reciting member information to implementing it, however, sometimes it is the member who is in control of this i.e. it takes them weeks to respond. Mrs Williams highlighted the importance of gathering the Committee's ideas and views for other KPIs to assess and this is something that will be developed over time.

The Chairman asked about resourcing and whether extra staffing is required. Mrs Williams said that if things remained the same then the staff would be fine but because there have been recent updates in regulations and court case announcements that has led to the team being required to complete additional work to support this. This means the resourcing and workflow management will need to be closely monitored.

RESOLVED:

The Committee considered the update and provided comments.

105. **INVESTMENT AND FUNDING UPDATE**

Mrs Fielder gave a brief investment and funding update and made the following key points;

- She understood that the business plan priorities for 2019/20 were near completion with most of the tasks on target to be completed before the end of the year.
- Following the results of the valuation, many of the funding and investment risks on the risk register had been reduced in overall relative value and in some cases at target levels.

The report was noted and no further questions were asked.

RESOLVED:

The Committee considered and noted this report for delegated responsibilities.

106. **ECONOMIC UPDATE, INVESTMENT STRATEGY AND MANAGER SUMMARY**

Mr Harkin gave an update on the recent outbreak in the coronavirus and what it means in context of a pension fund. He said that markets had seen significant falls in China and emerging markets initially, however markets had since recovered. The impact in immediate terms on the bond and equity markets were subject to sentiment. He stated that if there are real severe falls in markets, the Fund has protection through the cash and risk management framework. Mr Harkin then emphasised that the biggest question is whether there is a big economic lag effect i.e. how many countries rely on China to build and buy things for them around manufacturing, for example Apple, and therefore there could be a wider impact such as on the US stock market.

He added that the Fund value tipped over £2 billion at the end of December. The Fund is going through some changes in the investment strategy and implementing them and are in a healthy position despite market volatility.

The report was noted and no further questions were asked.

RESOLVED:

- (a) The Committee discussed and commented on the Market and Economic update for the quarter ended 31 December 2019, which effectively sets the scene for the Investment Strategy and Manager Performance summary.
- (b) The Committee discussed and commented on the Investment Strategy and Manager Performance summary for the quarter ended 31 December 2019.

The Chairman thanked everyone for their attendance and updates at the Committee meeting. The next formal Committee meeting is on 18th March along with the training sessions following that meeting. The meeting finished at 1pm.

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Chairman



CLWYD PENSION FUND COMMITTEE

Date of Meeting	18th March 2020
Report Subject	WPP Business Plan 2020/21 to 2022/23
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The Wales Pension Partnership (WPP) Joint Governance Committee (JGC) agreed a three-year Business Plan on 12th March 2020.

In accordance with the Inter Authority Agreement the approval of the WPP Business Plan, which includes the strategic objectives and budget, is a reserved matter for the Constituent Authorities.

The draft WPP Business Plan presented to the JGC is attached and any changes requested by the JGC will be provided as a verbal update by the Head of Clwyd Pension Fund.

The WPP Business Plan and budget will be constantly monitored by the Officer Working Group (OWG) and reviewed each year.

RECOMMENDATIONS

1	That the Committee approve the WPP Business Plan, including the objectives of the pool on page 7 and the budget in Appendix 1 (and any verbal changes) relating to the period 2020/21 to 2022/23.
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REPORT DETAILS

1.00	Review of the WPP Business Plan
1.01	The first WPP Business Plan for the three years commencing 2020/21 is attached as Appendix 1. This draft was discussed at the WPP JGC on 12 March 2020 and any changes agreed by the JGC to this draft will be explained by the Head of Clwyd Pension Fund.
1.02	The Business Plan includes WPP: <ul style="list-style-type: none">• objectives, beliefs and policies• work plan• training plan• financial budget
1.03	Approval of the WPP Business Plan, including the strategic objectives and budget within it, is a reserved matter and requires approval by all eight of the Constituent Authorities. The draft Business Plan was developed in consultation with officers from the eight Constituent Authorities and the WPP Oversight Advisor.
1.04	Excellent progress has already made by the WPP in terms of pooling investments with 50% already pooled which will increase to 70% during the first year of this Business Plan. However, there remains much to do in terms of governance, on-going establishment, monitoring Operator Services, communication, training and reporting. The ongoing involvement and impact on Clwyd Pension Fund of the WPP Business Plan has been transposed into the Clwyd Pension Fund Business Plan which is being considered as a separate item on this meeting's agenda.
1.05	It is a positive step forward by the WPP that their objectives and challenges are now articulated within this Business Plan which will enable the Clwyd Pension fund to deliver its pooling objective. Therefore, support of this Business Plan and budget is recommended to the Clwyd Pension Fund Committee.
1.06	Future years' WPP Business Plans will also be developed for Constituent Authorities to consider and approve, as required by the Inter Authority Agreement. Furthermore, should it transpire that additional expenditure exceeding 30% of the agreed 2020/21 WPP budget is required, then this is also a reserved matter that will be brought back to the Constituent Authorities.

2.00	RESOURCE IMPLICATIONS
2.01	<p>The resources required for delivering the WPP Business Plan is included in the budget section of the Business Plan.</p> <p>The Clwyd Pension Fund Business Plan includes a budget for pooling.</p> <p>There will be considerable time allocated by the Head & Deputy of the Clwyd Pension Fund in delivering and monitoring the WPP Business Plan which is</p>

	not recognised in the budget, however it does result in greater reliance on external advisors on local matters than would otherwise be the case.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The WPP Inter-authority Agreement requires all eight Constituent Authorities to approve the WPP Business Plan.

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.

5.00	APPENDICES
5.01	Appendix 1 – WPP Business Plan 2020/21 to 2022/23

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	WPP Inter- Authority Agreement Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>(a) The Fund – 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) The Committee – 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) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p>

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| <p>(e) Inter-Authority Agreement (IAA) – the governance agreement between the eight Wales pension funds for purposes of pooling</p> <p>(f) Wales Pension Partnership (WPP) – the name agreed by the eight Wales pension funds for the Wales Pool of investments</p> <p>(g) The Operator – 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> <p>(h) Financial Conduct Authority (FCA) – the regulator of the financial markets and financial services firms in the UK</p> |
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Wales Pension Partnership Business Plan 2020 -2023



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Introduction

This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2020/21, 2021/22 and 2022/2023. This business plan was approved by the WPP Joint Governance Committee on 12 March 2020. The business plan is constantly monitored and will be formally reviewed and agreed every year.

The purpose of the business plan is to:

- Explain the background and governance structure of the WPP
- Outline the priorities and objectives of the WPP over the next three years
- Introduce the WPP's policies and plans
- Outline the financial budget for the relevant Business Plan period
- Summarise the WPP's Investments & Performance Objectives

About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools.

We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

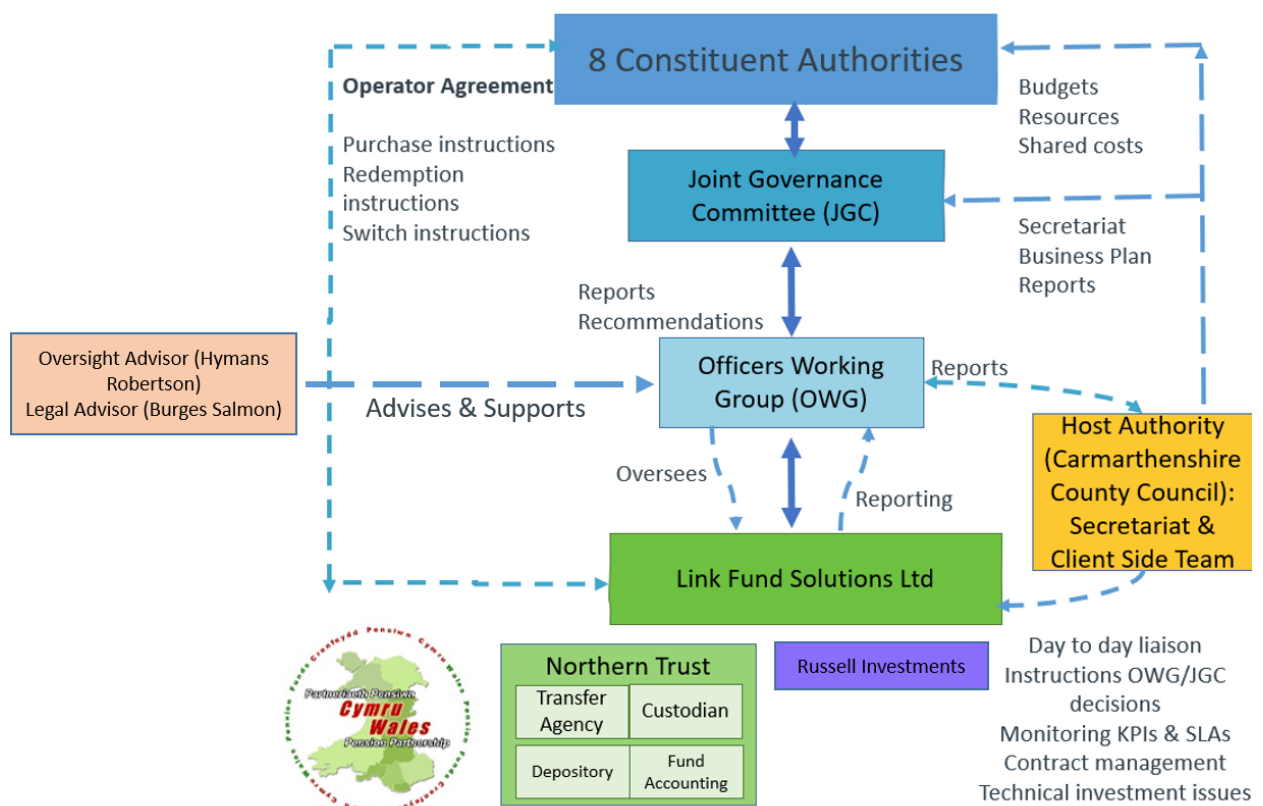
Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

We have a clear vision and are in control of the pace we take to ensure we meet our goals. The eight Constituent Authorities of the Wales Pension Partnership are:



Governance

The WPP places a strong emphasis on governance and the diagram below illustrates the governance structure established by the WPP. In addition, the WPP Governance Matrix outlines the roles and responsibilities of the WPP's Joint Governance Committee, Officer Working Group, Host Authority, Operator, Oversight Advisor and Constituent Authorities (Pension Committees), this can be found on the WPP website.



Risk management is embedded into the governance of the WPP. The WPP has adopted a policy of seeking to identify and measuring key risks and to ensure that suitable controls and governance procedures are in place to manage these risks. The WPP's focus on risk management is evidenced by the fact that several of the WPP's work plan items relate to risk management.

During the course of this business plan the WPP will seek to develop mechanisms, frameworks and process for managing the following key risks:

- The service delivery and performance of its Operator
- Ongoing performance of investment managers
- The robustness of the WPP governance structure
- Risk associated with Climate change

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP will ensure the meeting of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers will also be made publicly available. Local Pension Board engagement days will also be held regularly as a means of fostering stakeholder engagement.

The WPP recognises the importance of all of its stakeholders to reflect this the WPP has put in place an Engagement Protocol Framework, this is carried out via the following engagement mechanisms:

Engagement mechanisms	Frequency
• Strategic Relationship Review meeting	Bi-Annual
• JGC Engagement	Quarterly
• OWG Engagement	Every 2 Months
• Annual Shareholder Day	Annual
• Pension Fund Committees	Annual
• Manager Engagement Days	Bi-Annual
• Member Communications	Annual
• Engagement via the website & LinkedIn	Continuous

Objectives

The primary objectives for WPP are outlined below, these have been formulated following consultation with the Constituent Authorities on their requirements of the pool:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers.

Beliefs

The WPP holds the following beliefs, these are used to guide the WPP's decision making, policies and business plans. These beliefs are reviewed annually.

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented.
- Good governance should lead to superior outcomes for the WPP's stakeholders.
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders.
- Responsible Investment alongside consideration and evidential management of Environmental, Social and Governance issues should result in better outcomes for the WPP's stakeholders.
- Effective internal and external communication is vital to achieving the WPP's objectives.
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise.
- Fee and cost transparency will aid decision making and improve stakeholder outcomes.
- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve.
- A flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

Policies

The WPP's key policies, registers and plans are listed below and can be found on the WPP website at:

<https://www.walespensionpartnership.org/>

These documents are reviewed on at least an annual basis and the WPP will continually assess whether any additional policies, registers or plans are required.

- Responsible Investment Policy
- Training Plan
- Governance Matrix
- Communication Plan

The WPP workplan includes a number of additional governance documents that will be developed during the next three years, these will be made available on the WPP website.

Work Plan

The table below shows the key priorities and objectives that the WPP aims to complete over the next three years.

Governance

The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework by developing additional policies, registers, plans and carrying out ongoing reviews of its existing governance documents and structure.

Work to be completed	2020 - 2021	2021 - 2022	2022 - 2023
• Development of Climate Risk Policy	✓		
• Development of Conflict of Interest Policy	✓		
• Development of a WPP Voting Policy	✓		
• Formulation of a WPP Governance Manual	✓		
• Formulation of a WPP Risk Register	✓		
• Review of Inter Authority Agreement		✓	✓
• Review of Joint Governance Committee Terms of Reference		✓	✓
• Review of Officer Working Group Terms of Reference		✓	✓
• Development of a WPP Business Continuity Plan		✓	✓
• Development of a WPP Complaints Policy			✓
• Development of a WPP Rebalancing Policy			✓
• Development of a WPP Breach and Errors Policy			✓
• Annual review and update of WPP Business Plan	✓	✓	✓
• Annual review of RI policy	✓	✓	✓

Ongoing Establishment

The WPP is proud of its progress to date in regard to the pooling of assets and will continue to allocate resources to ensure that all suitable assets are pooled. To date the WPP has pooled 50% of its assets and by the end of March 2021 the WPP plans to have pooled 70% of its assets.

Work to be completed	2020 - 2021	2021 - 2022	2022 - 2023
• Launch of Emerging Market equity tranche	✓		
• Launch of Fixed Income sub-funds	✓		
• Launch of Private Markets sub-funds	✓	✓	✓
• Review and develop a mechanism to pool any suitable non-pooled assets			✓

Operator Services

The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers pose a material risk to the WPP. The WPP will prioritise the development of a framework that will allow it to monitor and evaluate the Operator's service delivery, this framework will be imbedded into the WPP risk monitoring mechanisms.

Work to be completed	2020 - 2021	2021 - 2022	2022 - 2023
• Formulation of a WPP Operator Oversight Framework	✓		
• Review of Operator's contract	✓	✓	
• Review and development of Operator KPI reporting	✓	✓	
• Market Review of development with the Operator market		✓	
• Setting up and implementing a framework for monitoring the performance of Russell as investment advisors to Link		✓	✓
• WPP Operator re-tender			✓
• Formulation of new Operator contract			✓

Communication, Training and Reporting

The WPP's objective is to achieve material cost savings while improving or maintaining investment performance after fees, to track its progress towards this objective the WPP will continue to develop its investment performance mechanism. In particular the WPP will incorporate ESG metrics into its performance reporting to reflect the significance of ESG factors on investment performance.

The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and will publish a WPP Annual Progress Update to proactively communicate its progress.

Work to be completed	2020 - 2021	2021 - 2022	2022 - 2023
• Development of Investment Manager performance reporting, including ESG metrics and climate change risk	✓	✓	
• Formulation of the WPP's annual training plan	✓	✓	✓
• Formulation of the WPP's Annual Newsletter	✓	✓	✓

Resources, budget and fees

The WPP recognises that insufficient resources poses a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP will carry out the following pieces of work to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2020 - 2021	2021 - 2022	2022 - 2023
• Appointment of legal advisor	✓		
• Annual review of resources and capacity	✓	✓	✓
• Formulation of Annual WPP Budget	✓	✓	✓
• Review and Monitoring of Fees (including Link & Russell)	✓	✓	✓

Training Plan 2020-2021

The WPP must have appropriate knowledge and understanding of:

- the regulations and markets relating to the Local Government Pension Scheme (LGPS);
- the pooling of Local Government Pension Funds; and
- relevant investment opportunities.

The WPP's training plan is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

The list below outlines the training topics that the WPP plans to complete during the 2020-2021 financial year. The full WPP training plan can be found on the WPP website.

- Managing Conflict of interest
- Operator Monitoring
- Performance metric (including RI metrics)
- Progress of other LGPS Pools
- Collaboration Opportunities
- Climate Risk
- Asset Class – Alternatives (Private Markets)
- Decision Logging
- Identifying lessons to be learnt
- Transparency Requirements
- Enacting guidance and regulation

Budget 2020-2023

The table below outlines the WPP's budget for the next three years.

	2020-21	2021-22	2022-23
	£'000	£'000	£'000
Host Authority *	181	208	216
Oversight Advisor *	400	400	400
Legal Advisor *	20	20	20
TOTAL to be recharged	601	629	636
Operator Services **	27,557	32,033	35,136
TOTAL to be deducted from the NAV	27,557	32,033	35,136

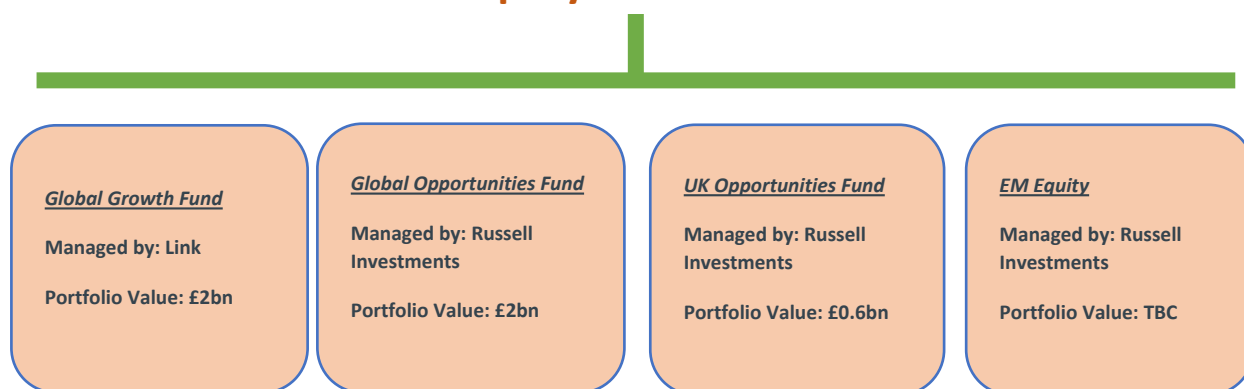
*Host Authority, Oversight Advisor and Legal Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.

**Operator Services cost are based on each Constituent Authority's percentage share of WPP assets (held with the Operator) and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets (held with the Operator).

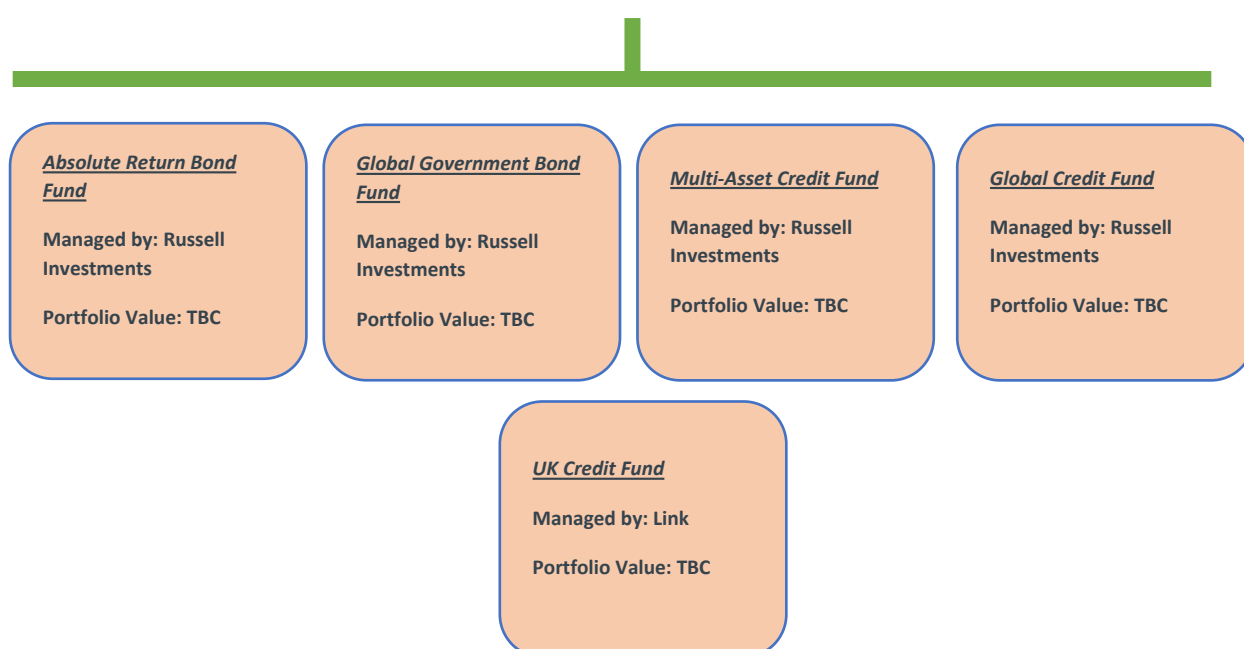
Investments & Performance

The WPP's Constituent Authorities have total assets of circa £17.5bn (as at 31 March 2019). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies. The diagram below outlines the WPP's existing Sub-Funds:

Equity Sub-Funds



Fixed Income Sub-Funds



The Officer Working Group receives quarterly, six monthly and annual performance reports, the Group reviews and challenges the performance of Investment Managers on behalf of the WPP.

The WPP hosts regular manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee and Board Members and the WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at local level, this will include manager attendance at Pension Committees.

Sub Fund	Performance benchmark	Participating Funds	Managers	Launch Date
Global Growth Fund	MSCI ACWI ND	RCT, Dyfed, Gwynedd and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities Fund	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT and Clwyd	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ and Oaktree	Feb 19
UK Opportunities Fund	FTSE 100	Cardiff and Torfaen,	Majedie, Lazard, Baillie Gifford, Investec and Liontrust	Sept 19
Global Credit Fund	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Powys, Torfaen	TBC	TBC
Global Government Bond Fund	FTSE World Government Bond Index (GBP Hedged)	Cardiff, Torfaen	TBC	TBC
Multi-asset Credit Fund	3-month GBP LIBOR + 4% p.a.	Cardiff, Gwynedd, Powys, Swansea, Clwyd	TBC	TBC
Absolute Return Bond Fund	3-month GBP LIBOR + 2-3% p.a.	Gwynedd, Powys, RCT, Swansea	TBC	TBC

UK Credit Fund	iBOXX £ Non-Gilts All Maturities	RCT	TBC	TBC
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Contact Details

If you require further information about anything in or related to this business plan, please contact the Wales Pension Partnership:

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website can be found here:

<https://www.walespensionpartnership.org/>





CLWYD PENSION FUND COMMITTEE

Date of Meeting	18th March 2020
Report Subject	Business Plan 2020/21 to 2022/23
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 2020/21 to 2022/23. The Business Plan includes 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 and a new Code of Practice being launched by The Pensions Regulator. The Fund's Business Plan covering the period from 2020/21 to 2022/23, which the Committee is asked to approve, has been prepared to ensure that all our known risks are being managed and resourced.

RECOMMENDATIONS

1	That the Committee approve the Business Plan in Appendix 1 relating to the period 2020/21 to 2022/23, including the budget therein for 2020/21.
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REPORT DETAILS

1.00	Review of the Fund's Business Plan
1.01	The updated Business Plan for the three years commencing 2020/21 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.
1.02	<p>A number of key achievements were accomplished in 2019/20 including:</p> <ul style="list-style-type: none"> • the completion of the 2019 actuarial valuation involving the review of the funding strategy; this included all employers agreeing to include a budget for expected additional costs relating to the McCloud judgement • review of the Fund's investment strategy and responsible investment policy including agreeing a number of key priorities for the next three years • transfer of some initial Fund asset classes to the Wales Pensions Partnership • review of the Fund's flight-path risk management plan, including increasing the Fund's equity risk protection and reviewing the inflation hedge ratio to safeguard against the impact of RPI reform • completion of nearly all administration backlogs • a major data cleansing exercise • a fundamental increase in the use of digital communications for scheme members and employers, through the Member Self-Service (MSS) and i-Connect systems. <p>Much of these and other priorities for 2019/20 will continue to be delivered and monitored as part of business as usual to ensure we continue to meet the Fund's objectives.</p>
1.03	<p>Within the 2020/21 to 2022/23 business plan key tasks include:</p> <ul style="list-style-type: none"> • Implementing the remedy for the McCloud court case, and any further "cost cap" changes • Further transition of assets to the Wales Pension Partnership (WPP), and feeding into the ongoing development of WPP policies • Carrying out compliance checks against The Pension Regulator's new Single Modular Code • Implementing the Fund's Responsible Investment Policy including climate risk • Implementing any governance changes as a result of the SAB Good Governance review • Understanding any risk and developing controls relating to cybercrime and business continuity • Finalising and implementing the Fund's cash flow and liquidity policy • Finalising implementation of digital systems including i-Connect for greater efficiencies in administration.
1.04	Looking ahead, 2020/21 will continue to be challenging for those involved in the governance, management and operation of the Clwyd Pension Fund but we hope the benefits of a number of initiatives are already being realised and will continue to assist in delivering this three-year Business Plan. The

	Plan has been updated to ensure that all our known risks are being managed and resourced.
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2.00	RESOURCE IMPLICATIONS
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2.01	The resources required for managing the Fund and delivering this Business Plan are included in the budget section of the Business Plan.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	None directly as a result of this report.
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4.00	RISK MANAGEMENT
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4.01	The key risks are considered as part of the business planning process and articulated within the draft Business Plan.
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5.00	APPENDICES
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5.01	Appendix 1 – Business Plan 2020/21 to 2022/23
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	<p>Previous Business Plans including Clwyd Pension Fund Business Plan 2019/20 to 2021/22 (February 2019 PFC).</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>
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7.00	GLOSSARY OF TERMS
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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>
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- (c) **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) **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, the Pensions Regulator requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, of which Clwyd Pension Fund is part.
- (f) **SAB – Scheme Advisory Board** – the national LGPS Scheme Advisory Board is established under primary legislation. Its purpose is to make recommendations for policy and legislative change to the Secretary of State and to provide guidance and advice to LGPS administering authorities.

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

Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

BUSINESS PLAN 2020/21 TO 2022/23

March 2020

Introduction

This is the business plan for the Clwyd Pension Fund, which is managed and administered by Flintshire County Council. The business plan details our priorities and areas of key focus in relation to the Clwyd Pension Fund for 2020/21, 2021/22 and 2022/23. This business plan was approved at the Clwyd Pension Fund Committee meeting on 18 March 2020. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored, and the Pension Fund Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the background and objectives of Flintshire County Council for the management of the Clwyd Pension Fund
- document the priorities and improvements to be implemented by the pension service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide staff, partners and customers with a clear vision for the next three years.

In addition, this business plan includes a budget for expected payments to and from the Clwyd Pension Fund during 2020/21 including the resources required to manage the Fund, as well as the expected cashflows over the period of this plan.

Further Information

If you require further information about anything in or related to this business plan, please contact:

Philip Latham, Head of Clwyd Pension Fund, Flintshire County Council
E-mail - philip.latham@flintshire.gov.uk
Telephone - 01352 702264

Background to the Clwyd Pension Fund

The Clwyd Pension Fund ("CPF") is a £2bn¹ Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in North East Wales and employees of other qualifying bodies which provide similar services.

Total Fund membership is 49,700 (48,100²) with 17,200 (16,300) active contributors from 49 (44) contributing employers and 32,500 (31,800) retired, survivor, deferred and other members.

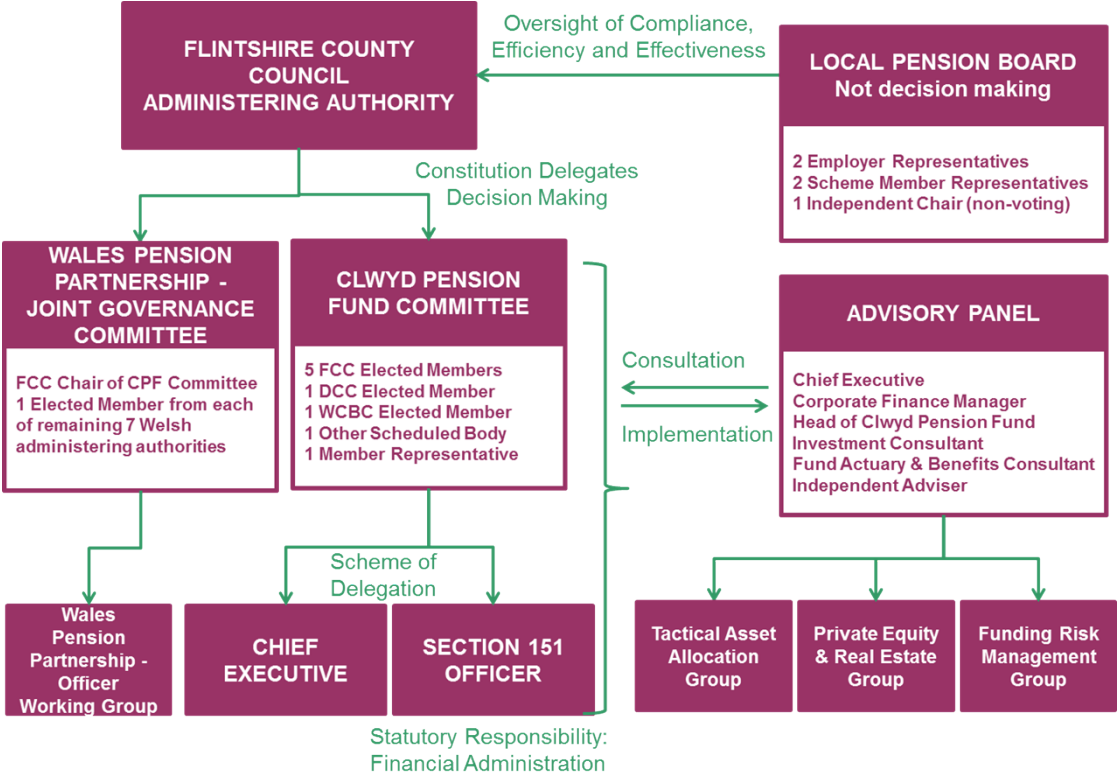
Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council ("the Council") to a formal Pension Fund Committee ("PFC"), supported by a Pensions Advisory Panel ("AP"). The Council has delegated specific responsibilities to the Chief Executive who is the Administrator to the Fund. The Corporate Finance Manager is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Fund matters.

A Local Pension Board is in place to assist in:

- securing compliance of Fund matters and
- ensuring the efficient and effective governance and administration of the Fund.

This structure is illustrated below.



¹ Information correct as at 31 January 2020.

² The figures shown in brackets in this paragraph were as at March 2019.

The Joint Governance Committee ("JGC") for the Wales Pension Partnership ("WPP" - the Wales asset pool) is a joint committee of the eight participating administering authorities. An inter-authority agreement has been agreed which delegates certain investment decisions to the JGC. The JGC will be advised by an Officer Working Group on which each of the administering authorities will be represented. The Wales Pension Partnership has its own suppliers and advisers.

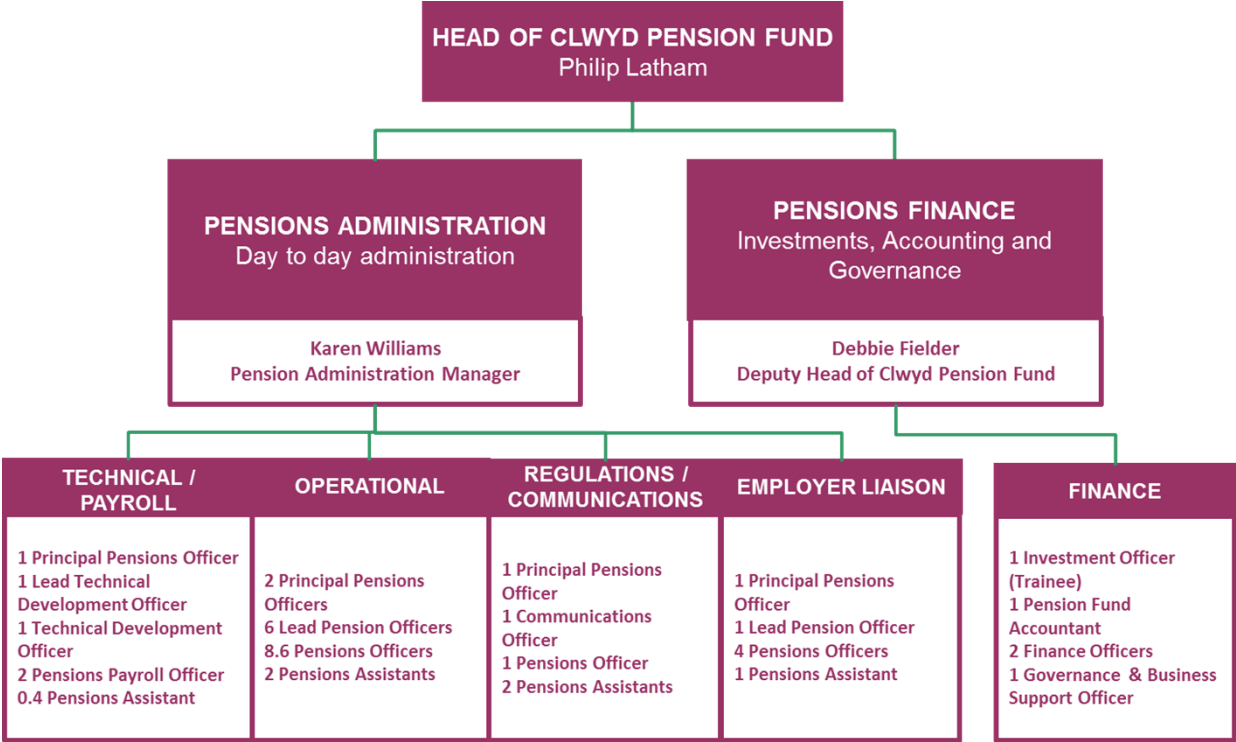
The Pension Fund Management Team

The day to day operations of the Fund are managed by the Head of Clwyd Pension Fund supported by the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager. There are two sections within the team:

- The Pensions Administration Section which is responsible for the day to day administration of pension benefits and is headed by the Pension Administration Manager. The section is split between an Operational Team, a Technical and Payroll Team and a Regulations and Communications Team. The Operational Team delivers a pensions service for approximately 49,700 scheme members and 49 employing bodies. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical and Payroll Team implements and maintains the pension software systems, reconciles employer records, and runs a pensioner payroll service for 14,700 pensioners, survivors and dependents. The Regulations and Communications Team is responsible for ensuring all communications are good quality and kept up to date, including the Fund's website, as well as ensuring the Section's processes are in line with legislation.
- Additionally within the Pensions Administration Section there is an Employer Liaison Team that undertakes employer responsibilities which are recharged to the employer through their employer contribution rate. This team was created in late 2016/17 and a number of the Fund's employers use this service.
- The Pensions Finance Section, which is responsible for accounting, investment and governance matters, is headed by the Deputy Head of the Clwyd Pension Fund. The section is responsible for the day to day accounting and closure of the accounts. They also manage the Fund's assets working with the Wales Pension Partnership and source and recommend new private market investments. This involves the monitoring of 49 private market managers (approximately 135 funds) and 7 core external fund managers including those held by Wales Pensions Partnership.³

³ Information correct as at 31 January 2020

The structure as at March 2020 is illustrated below.



The Pension Fund Management Team and Pension Fund Committee are assisted by a range of specialist consultants, suppliers and fund managers.

Aims and Objectives for the Management of the Fund

Our Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a ‘can do’ approach.

Our key strategies and policies which guide the management of the Fund are listed below and can be found on our website at www.clwydpensionfund.org.uk

- Governance Policy and Compliance Statement
- Training Policy, Conflicts of Interest Policy, Risk Management Policy and Reporting and Recording Breaches of the Law Procedure
- Investment Strategy Statement including Responsible Investment Policy
- Funding Strategy Statement
- Administration Strategy
- Communications Strategy
- Employer Service Level Agreements including Employer Liaison and Communications Team agreements.

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the areas of governance, funding, investments, and administration, communications and employer liaison team to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

Governance

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk
- 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
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

Funding and Investments

- Achieve and maintain assets equal to 100% of liabilities within the 13-year average timeframe, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Minimise unrecoverable debt on employer termination
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability;
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

Administration

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders

- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS⁴ regulations and in the delivery of the administration functions of the Fund
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

Communications

- Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- Communicate in a clear, concise manner
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so.
- Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

Employer Liaison Team

- Provide a high quality, professional, proactive, timely and customer focused service to the employer
- Provide the agreed service in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the employer is aware of and understands their role and responsibilities under the LGPS regulations and the Fund's Administration Strategy
- Ensure that accurate member information is provided to the Fund, in the correct format, within the agreed timescales
- Ensure data is protected and has authorised use only.

Business as usual

The appendix to this business plan highlights what our key priorities are for the next three years. This focusses on areas of change and project like tasks which are in addition to our day to day “business as usual” duties. On a day to day basis our focus is on the following key elements of Fund management:

- Paying pension benefits to all our beneficiaries, as prescribed by the LGPS regulations
- Communicating with our scheme members about their membership of the Fund
- Ensuring we receive all the pension contributions paid by active members of the Fund, again as prescribed by the LGPS regulations
- Ensuring all the employers in the Fund pay their pension contributions
- Safeguarding the money in the Fund (the Fund's assets)

⁴ Local Government Pension Scheme.

- Investing any Fund assets that are not currently needed to pay benefits
- Working with the actuary so, every three years, he determines how much employers need to pay into the Fund to ensure we have enough money to pay pension benefits in the future

Understanding the continuing pressure on resources and budgets for employers and the administering authority, an Employer Liaison team is available which can provide assistance to employers by carrying out a number of the employer responsibilities on the employers' behalf.

Managing the Fund on a day to day basis involves a wide range of processes and procedures, some of which are outlined below and all of which have been designed around achieving our Fund's objectives as outlined in our strategies and policies. The management of the Fund is significant, complex and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as illustrated below.

Governance

- Setting the agenda, reporting and presenting to the Pension Fund Committee, Local Pension Board and Advisory Panel
- Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk management policy, breaches of law procedure and The Pension Regulator's Code of Practice
- Ensuring we adhere to Council and legal requirements for procurement, health & safety and data protection
- Procurement of and payment for, advisers and other services
- Assisting internal and external audit in their role
- Replying to Freedom of Information requests
- Participation at the Joint Governance Committee and Officer Working Group of the Wales Pension Partnership
- Managing the risk of cybercrime and ensuring our data and systems are safeguarded.

Accountancy

- Preparing and publishing the Fund's Annual Report
- Completing the Annual Accounts and assisting with external auditors
- Preparing and quarterly monitoring of the Annual Budget
- Preparation of statutory and non-statutory returns as required
- Monthly bank reconciliations
- Quarterly cash flow and treasury management
- Monthly monitoring of income and expenditure including employer and scheme member contributions
- Quarterly invoicing of employers for pensions strain and added years.

Funding

- Agreeing the funding strategy with the actuary every three years, consulting with employers and monitoring continued appropriateness annually
- Assisting the actuary with the triennial Actuarial Valuation by providing membership data and presenting results and explanations to employers of future employer contributions and deficit payments

- Arranging through the Actuary data required by the Government Actuary's Department ("GAD")
- Monitoring the employers' funding positions and covenants including their ability to pay contributions and managing any employers who wish to join or leave the Fund.

Investments

- Carrying out a fundamental review of the investment strategy every three years
- Appointing, monitoring and dismissing of fund managers including within a pooling environment
- Quarterly monitoring and reporting on investment performance
- Monthly monitoring and reporting on the Fund's funding position and implementation of our cash and risk management strategy ("Flight-path") with annual 'health checks'
- Working with other LGPS funds in Wales and nationally to pool investments through our role within the Joint Governance Committee and Officer Working Group
- Monthly monitoring and implementation of the tactical asset allocation decisions
- Procurement and monitoring of over 100 investments in private markets
- Ensuring costs are fully disclosed in line with the Cost Transparency
- Developing and monitoring the Fund's approach to Responsible Investment.

Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change their status in the Fund
- Calculating and notifying entitlement to pension and death benefits
- Providing quotations of retirement benefits including any additional costs to employers
- Providing information on how scheme members can increase their pension benefits
- Maintaining scheme member records
- Providing a scheme members' help line for ad-hoc enquiries
- Administering the Fund's Internal Dispute Resolution Procedure.

Payroll

- Calculating and paying monthly pensions to all pensioners and beneficiaries
- Issuing payslips (where net pay has changed)
- Issuing P60s
- Investigating returned payments and dealing with any under or overpayment of pensions
- Updating and maintaining accuracy of pensioner member details.

Communication

- Providing Annual Benefit Statements to all active and deferred scheme members
- Providing information to members via one to ones, workshops and newsletters
- Maintaining the Fund's website and members' self-service facility
- Provide new employers with information about their Fund responsibilities
- Providing ongoing training and technical updates to employers
- Running an Annual Meeting for employers and members' representatives.

Technical

- Maintaining and updating the pensions software system, including overseeing the monthly employer returns
- Providing guidance on changes in processes following legislation updates
- Developing reporting to provide information on progress against key performance indicators and daily work management
- Providing reports and extracts for the Fund Actuary and GAD
- Reporting and making payments to HMRC
- Processing bulk updates to data such as annual pensions increases and year end employer returns.

Employer Liaison Team

- Providing notifications regarding new starters, personal/employment changes and leavers/retirements in the Fund
- Undertaking estimates of benefits for scheme members and the employer
- Undertake response to outstanding requests for information to cleanse the pension records
- Providing information to the Fund's actuary as required for new alternative delivery models for employer services
- Undertake work as necessary to clear outstanding year-end or other data queries.

The plan for the next three years

Key Challenges and Influences

The last decade saw an unprecedented number of external factors that impacted or could impact the management of the Fund on top of major changes that have been implemented to the Fund in recent years, such as:

- Implementation of a new governance structure, including creation of a Pension Fund Committee, Advisory Panel and Local Pension Board between 2014 and 2016.
- A fundamental review of the investment strategy in 2014/15, to ensure a closer relationship with the funding strategy through implementation of a flight-path risk management plan, which is annually reviewed.
- The implementation of the new Local Government Pension Scheme from April 2014 and each year introducing innovative ways of working within the Administration Section.
- Establishing and investing assets in the Wales Pension Partnership since 2016/17.

This puts us in a strong position to meet the challenges ahead. The following are just some of the key areas of focus for the Fund over the next three years:

- Implementing the remedy for the McCloud court case, and any further "cost cap" changes
- Finalising the roll-out of improved systems to our employers, allowing more timely submission of data and in a more automated manner
- Carrying out compliance checks against The Pension Regulator's new Single Modular Code
- Implementing the Fund's Responsible Investment Policy

- Implementing any governance changes as a result of the SAB Good Governance review
- Understanding any risk and developing controls relating to cybercrime and business continuity
- Finalising and implementing the Fund's cash flow and liquidity policy.

These, and other priorities for the next three years, are articulated in more detail in the appendix to this business plan, split into four sections; governance, funding and investments, administration and communications and employer liaison team.

Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council. The following shows the expected income and expenditure to the Fund (cash flow) as well as the expected operating costs.

Cash flow projection for 2020/21 to 2022/23

	Estimated 2019/20 £000s	Budget 2020/21 £000s	Budget 2021/22 £000s	Budget 2022/23 £000s
Opening Cash	(5,764)	(23,800)	(22,039)	(34,900)
Payments				
Pensions	62,623	67,800	69,000	70,400
Lump Sums & Death Grants	16,202	16,000	16,000	16,000
Transfers Out	4,870	6,000	6,000	6,000
Expenses (excluding investments)	4,047	5,200	5,400	5,400
Tax Paid	97	100	100	100
Support Services	140	170	170	170
Total Payments	87,979	95,270	96,670	98,070
Income				
Employer Contributions	(41,028)	(44,000)	(44,800)	(46,000)
Employee Contributions	(15,333)	(16,000)	(17,000)	(17,200)
Employer Deficit Payments	(19,112)	(14,000)	(14,000)	(14,000)
Transfers In	(5,948)	(6,000)	(6,000)	(6,000)
Pension Strain	(1,151)	(1,200)	(1,200)	(1,200)
Income	(71)	(40)	(40)	(40)
Total Income	(82,643)	(81,240)	(83,040)	(84,440)
Cash-flow Net of Investment Income	5,336	14,030	13,630	13,630
Investment Income	(7,797)	(8,000)	(8,000)	(8,000)
Investment expenses	3,764	4,000	4,000	4,000
Total Net of In House Investments	1,303	10,030	9,630	9,630
In House Investments				
Draw downs	115,874	70,403	46,947	24,800
Distributions	(63,292)	(78,672)	(69,438)	(46,033)
Net Expenditure /(Income)	52,582	(8,269)	(22,491)	(21,233)
Total Net Cash-Flow	53,885	1,761	(12,861)	(11,603)
Rebalancing Portfolio	(71,921)			
Total Cash Flow	(18,036)	1,761	(12,861)	(11,603)
Closing Cash	(23,800)	(22,039)	(34,900)	(46,503)

Operating Cost Budget 2020/21

	Actual 2018/19	Budget 2019/20	Estimate 2019/20	Budget 2020/21
	£000s	£000s	£000s	£000s
Governance Expenses				
Employee Cost (Direct)	193	299	287	323
Support & Services Costs (Internal Recharges)	23	22	22	24
IT (Support & Services)	0	5	5	5
Other Supplies & Services	78	70	105	82
Audit Fees	39	40	40	41
Actuarial Fees	407	435	435	641
Consultant Fees	598	664	664	859
Advisor Fees	480	179	179	337
Legal Fees	57	40	40	41
Pension Board	0	69	69	73
Pooling (Consultants & Host Authority)	85	109	109	119
Total Governance Expenses	1,960	1,932	1,955	2,545
Investment Management Expenses				
Fund Manager Fees	22,780	21,000	23,000	24,458
Custody Fees	31	31	31	32
Performance Monitoring Fees	60	66	66	93
Pooling (Operator/Manager)	0	186	186	190
Total Investment Management Expenses	22,871	21,283	23,283	24,773
Administration Expenses				
Employee Costs (Direct)	767	893	934	1,247
Support & Services Costs (internal Recharges)	113	66	120	140
Outsourcing	394	900	500	300
IT (Support & Services)	364	424	424	405
Other Supplies & Services	86	63	105	108
Total Administration Expenses	1,724	2,346	2,083	2,200
Employer Liaison Team				
Employee Costs (Direct)	215	213	225	223
Total Costs	26,770	25,774	27,546	29,740

Notes relating to proposed budget:

- 1) The administration employee costs include the following additional costs:
 - a. An allowance has been made for work associated with the McCloud project, including prioritising the completion of other work in the period before the McCloud work begins. The allowance is £150k and expected to relate to overtime plus new temporary positions but the detail will not be known until later in 2020/21.
 - b. The extension of contracts for the full year relating to two temporary staff
 - c. Payroll and technical team – a business case is being developed in relation to the restructure of this team, which will result in the increase of two FTE staff members. This is driven in the main by greater time spent on data quality, doing internal payments and greater use of digital solutions including i-Connect and member web services.

- 2) The actuarial, consultancy and adviser costs include allowances for the projects outlined in the appendices, including McCloud, the transformation from RPI to CPIH, cash flow management, The Pensions Regulator's review and the national LGPS Good Governance project. However this is offset by a major reduction in the administration outsourcing budget.
- 3) The costs incurred by the Employer Liaison Team will be recovered from the participating employers making use of the service through their employer contribution rate.

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis within the Pension Fund Management Team and the Pension Fund Advisory Panel
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee, which will be shared with the Pension Board
- as part of these quarterly updates:
 - highlight any areas where we are exceeding or failing to achieve our targets and the reasons why, and identify any changes to the planned priorities as a result of this
 - highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

Current Significant Risks

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

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

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

Key:

Risk Exposure	Impact/Likelihood
Black	Catastrophic consequences, almost certain to happen
Red	Major consequences, likely to happen
Amber	Moderate consequences, possible occurrence
Yellow	Minor consequences, unlikely to happen
Green	Insignificant consequences, almost very unlikely to happen

Governance

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Externally led influence and change such scheme change (e.g. McCloud), national reorganisation and cybercrime, asset pooling	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Red	Orange	<ol style="list-style-type: none"> 1 - Regular ongoing monitoring by AP to consider if any action is necessary around asset pooling, cost cap and McCloud judgement 2 - Ensure Board requests to JGC/OWG are responded to 3 - Identify further actions to manage Cybercrime risk 4 - McCloud planning session to take place
Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades	Services are not being delivered to meet legal and policy objectives	Orange	Green	<ol style="list-style-type: none"> 1 - Recruit to vacant governance and business role 2 - Ongoing consideration of succession planning 3 - Continue training of new and newly promoted staff

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Orange	Yellow	<ol style="list-style-type: none"> 1 -The level of hedging will be monitored and reported regularly via FRMG
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	Investment and/or funding objectives and/or strategies are no longer fit for purpose	Red	Orange	<ol style="list-style-type: none"> 1 - Ensure proactive responses to consultations etc.
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	The Fund's long-term Investment Strategy could fail to deliver appropriate returns	Red	Orange	<ol style="list-style-type: none"> 1 - Implement Strategic RI Priorities, including analysing the Fund's carbon Footprint 2 - Analyse impact of Climate Change at a Strategic level 3 - Identify sustainable investment opportunities and improve disclosure and reporting

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Orange	Green	<ol style="list-style-type: none"> 1 - Ongoing roll out I-connect 2 - Develop and roll out APP training - in house and employers 3 - Identify other employer data issues and engage directly with employers on these 4 - Developing monthly SLA reporting for employers
Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes)	Unable to meet legal and performance expectations due to external factors	Red	Orange	<ol style="list-style-type: none"> 1 - Ongoing consideration of resource levels post recruitment of new posts 2 - Ongoing consideration of likely national changes and impact on resource 3 - McCloud planning session to take place
Systems are not kept up to date or not utilised appropriately, or other processes inefficient	High administration costs and/or errors	Orange	Green	<ol style="list-style-type: none"> 1 - Ongoing roll out of iConnect 2 - Ongoing identification of data issues and data improvement plan 3- Review of effectiveness of new website/iConnect planned for 2019/20 4- Increased engagement with Heywood about change in their business model 5 - Development of pension administration system national framework as a founder member

Training Plan

A Clwyd Pension Fund Training Policy has been established to aid Pension Fund Committee, Pension Board members and senior officers in performing and developing personally in their individual roles, with the aim of ensuring that Clwyd Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. The following training plan has been developed for 2020/21 to assist in meeting that aim. This has been developed following a Training Needs Self-Assessment completed by all Pension Fund Committee and Pension Board members during February 2020.

Title of session	Training Content	Timescale	Audience
CIPFA and Barnett Waddingham: Local Pension Boards Spring Session	National changes, responsible investment and panel sessions	2/4/2020	Pension Board
PLSA Local Authority Conference, Gloucestershire	Various topical presentations spanning all fund matters	18-20/5/2020	Committee, Pension Board and Officers
Induction training	Covering all subject matter in line with CIPFA LGPS competencies	May-June 2020	New Committee/ Pension Board
CIPFA and Barnett Waddingham: Local Pension Boards Annual Event	Update by key players together with a focus on the Scheme's financial viability and the problem of managing data	24/6/2020	Pensions Board
LGC Investment & Pensions Summit, Leeds	Various topical presentations. Agenda not yet available	9-11/9/2020	Committee, Pension Board and Officers
LAPFF, Bournemouth	Various topical presentations around the work of the LAPFF	2-4/12/2020	Committee, Officer
LGPS Trustees Conference	Various topical presentations. Agenda not yet available	Expected early 2021	Committee, Pension Board and Officers
LGC Investment Seminar, Carden Park	Various topical presentations. Agenda not yet available	Expected March 2021	Committee, Pension Board and Officers
Internal training days / as part of Committees	<p>Specific topics including:</p> <ul style="list-style-type: none"> ▪ The Myners Principles, including reviewing effectiveness of the PFC ▪ The Pension Regulator's role and powers (including Codes of Practice) ▪ Pension scheme taxation system (including annual and lifetime allowance) ▪ McCloud reform ▪ The MIFID2 requirements ▪ Investment strategy/delivery of investment objectives ▪ Asset classes/risk return characteristics 	Dates to be confirmed	Committee, Pension Board and Officers

Appendix - BUSINESS PLAN 2019/20 - 2021/22 – Key Tasks

Governance

Ref	Key Action –Task	2020/21 Period				Later Years	
		Q1	Q2	Q3	Q4	2021/ 22	2022/ 23
G1	Review against new TPR Singular Modular Code	x		x	x		
G2	Review of governance related policies	x		x	x	x	x
G3	Review appointment of Pension Fund Committee representatives and Local Board members	x	x				x
G4	Develop business continuity plan	x	x	x			
G5	Ensure appropriate cyber-security is in place	x	x	x	x		
G6	Process and internal control review	x	x	x	x	x	
G7	Effectiveness survey				x		
G8	Outcome of Scheme Advisory Board separation/efficient governance review					x	

G1 – Review against new TPR Single Modular Code

What is it?

The Pensions Regulator (TPR) is expected to introduce a new Single Modular Code in Summer or Autumn 2020 (subject to consultation). This new Code will merge the existing 15 codes the Regulator has in place. The first iteration of the new Code will include Code of Practice No.14 (the relevant Code for Public Service Pension Schemes) as part of the merger of 10 of the 15 codes currently in place. This could result in changes to the requirements placed on Public Service Pension Schemes, including the LGPS. Work will be undertaken to review whether the Fund complies with the requirements within the new Code. After the initial review, ongoing compliance checks will be carried out on a regular basis.

Timescales and Stages

Respond to Singular Modular Code consultation	2020/21 Q1
Review and report the CPF's activity against the new Single Modular Code from the Pensions Regulator	2020/21 Q3 & 4

Resource and Budget Implications

This review will be performed by the Deputy Head of Clwyd Pension Fund and Pensions Administration Manager working with the Independent Adviser. Estimated costs of the review are included within the budgets shown.

G2– Review of Governance Related Policies

What is it?

The Fund has several policies focussing on the good governance of the Fund, all of which are subject to a fundamental review, usually at least every three years. The policies and the due dates for their reviews are as follows:

Policy	Last reviewed	Next review due
Governance Policy and Compliance Statement*	February 2020	February 2023
Risk Policy	May 2016	June 2020
Conflicts of Interest Policy	September 2018	September 2021
Procedure for Recording and Reporting Breaches of the Law	November 2015	As and when deemed appropriate
Training Policy	November 2015	June 2020

CIPFA are shortly to be issuing an updated Code of Practice relating to LGPS Knowledge and Skills. It seems appropriate to defer the review of the Training Policy until that has been issued, so that any changes can be incorporated into the Policy.

Timescales and Stages

Risk Policy	2020/21 Q1
Training Policy	2020/21 Q3 & Q4
Conflicts of Interest Policy	2021/22
Governance Policy and Compliance Statement*	2022/23

*The requirements relating to this are currently under national review, so it is possible this may need to be reviewed at an earlier stage due to national changes.

Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser. Estimated costs are included in the budget.

G3 - Review appointment of Pension Fund Committee Representatives and Local Board Members

What is it?

The employer and scheme member representatives on the Local Board are appointed for a period of three years. This period may be extended to up to five years. The currently appointments will be subject to review as follows:

- Two scheme employer representatives – July 2020 (five-year point)
- Scheme member representative (trade union) – October 2020 (three-year point)
- Scheme member representative (non-trade union) – February 2023 (three-year point)

The representative members (for other scheme employers and scheme members) on the Pension Fund Committee are appointed for a period of not more than six years. The existing representative members were appointed in July 2014 and may be reappointed for further terms. However their existing appointments will need to be reviewed by July 2020.

Timescales and Stages

Review and recruit current Pension Board representatives (2 x employer plus trade union scheme representative)	2020/21 Q1 & 2
Review existing Pension Fund Committee representatives (other scheme employers and scheme members)	2020/21 Q1 & 2
Review Pension Board scheme member representative (non-trade union)	2022/23

Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser. All costs are being met from the existing budget.

G4 – Develop business continuity plan

What is it?

The Fund has carried out a number of tests in recent years to ensure services can continue to be maintained in various scenarios, such as an office fire. It is now necessary to capture the Fund's business continuity plans and processes into one central document, based on the current methods of working, within a central document that will be maintained and subject to further testing.

Timescales and Stages

Develop business continuity plan	2020/21 Q1 to Q3
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Resource and Budget Implications

To be led by the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager with guidance from the Independent Adviser. All expected costs are included within the existing budgets.

G5 – Ensure appropriate cyber-security is in place

What is it?

Cyber risk is considered a key risk to the Fund, as it is to most organisations nowadays. In line with The Pensions Regulator's requirements, work will be carried out to better understand how that risk is being managed in relation to the Fund's member data, assets and other procedures. This will include asking our system providers and suppliers to provide further information in relation to how they are managing cyber risk. After this initial work has been carried out, a process will be put in place to ensure that ongoing checks are carried out.

Timescales and Stages

Investigate areas of potential risk and put in place appropriate processes and checks 2020/21 Q1 to 4

Resource and Budget Implications

To be led by the Head of Clwyd Pension Fund with assistance from the Deputy Head of Clwyd Pension Fund, the Pensions Administration Manager and the Independent Adviser. There may be additional costs if specialist cyber guidance is required.

G6 – Process and internal control review

What is it?

One of the key requirements of The Pensions Regulator is to ensure that appropriate processes and internal controls are in place, and that they are clearly documented. This is also critical for the purposes of business continuity and succession planning.

This project will consist of a number of stages with the ultimate aim of ensuring all key processes are identified and appropriately documented. A key part of this will also be identifying any areas where greater efficiencies can be built in. This will cover all functions carried out by the Fund.

Timescales and Stages

Identify and document all existing processes, identify any gaps or processes that require review and agree priority for developing new or reviewing existing processes 2020/21 Q1 to Q4

Continue with developing new or reviewing existing processes 2021/22

Resource and Budget Implications

This review will be carried out by all teams across the Fund, led by the Pension Fund Accountant. There are not expected to be any additional costs.

G7 – Effectiveness Survey

What is it?

It is generally accepted that the effectiveness of governance arrangements should be considered regularly given the impact these can have on the management of the Fund (financially and otherwise). The Fund's Independent Adviser provides an annual report on the effectiveness of the Fund's governance arrangements. Feedback is also received through other routes including from the Pensions Board. However Myners' Principles highlight the need for self-assessment by both officers and members of a Committee. Accordingly an effectiveness survey of the Committee, PB members and key officers will be undertaken. This will provide members with an opportunity to share their views on the governance arrangements for the Fund. This will also be timely given the expected requirements from the SAB good governance review.

Timescales and Stages

Undertake an effectiveness survey

2020/21 Q4

Resource and Budget Implications

This review will be performed by the Independent Adviser. Costs of the review will be included within the relevant year's budget.

G8 – Outcome of Scheme Advisory Board good governance review

What is it?

The national LGPS Scheme Advisory Board (SAB) is carrying out a project to help and assist with the successful management of potential conflict of interests arising between a pension fund and its parent local authority. It was originally investigating options for change regarding the separation of LGPS pension funds and their host authorities.

The review has now evolved to focus on the elements of good governance, rather than the structure of the organisation. A number of recommendations have been made including ensuring appropriate conflicts of interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority. Further work is being carried out by SAB to make formal recommendations to MHCLG. It is expected statutory guidance will be issued by MHCLG which will include a requirement for each administering authority to report on how they are complying with the new guidance. The final timescales are still to be confirmed.

Timescales and Stages

Expected period to review existing arrangements against new statutory guidance

2021/22

Resource and Budget Implications

The costs are uncertain at this stage in time.

Funding and Investments (including accounting and audit)

Ref	Key Action –Task	2020/21 Period				Later Years	
		Q1	Q2	Q3	Q4	2021/22	2022/23
F1	Cash Flow and Liquidity Policy	x					
F2	Implement Revised Investment Strategy	x	x				x
F3	Implement Responsible Investment Strategic Priorities	x	x	x	x	x	x
F4	Ongoing Asset Pooling Implementation and Transition	x	x	x	x	x	x
F5	RPI reform		x	x	x	x	
F6	Interim Funding Review					x	
F7	Triennial Actuarial Valuation and associated tasks						x

F1 – Cash Flow and Liquidity Policy

What is it?

The Fund has a significant number of factors to consider when looking at cash-flow requirements. These include contributions from employees and employers, payments to pensioners and transfer values in and out. On the investment side this includes income/dividends receivable from investments, commitments to Private Markets that require regular draw-downs and repayments of investments, and transition of existing investments.

As a result of all of these moving parts it is key to ensure that the Fund has sufficient cash flow to meet all its commitments, but without maintaining a significant balance in cash which would, potentially, be a drag on investment returns. Following on from the analysis performed in the last year, the CPF intends to implement a cashflow and liquidity policy.

A revised Policy was discussed by Officers and Advisers in January 2020 and is intended to ensure that all of the Fund’s different cash flows are managed holistically, and that there is always sufficient cash available to make required payments and investments. This policy will be refined, agreed, and monitored on a regular basis with reports to Committee.

Timescales and Stages

Finalise cashflow and liquidity policy 2020/21 Q1

Resource and Budget Implications

The cost of this work is included within the Fund’s budgets for 2020/21 and will include input from the Actuary and the Investment Consultant.

F2 –Implement revised Investment Strategy

What is it?

This relates to the triennial review of the Investment Strategy once the Actuarial Valuation has been finalised and the Funding Strategy agreed. This will need to include considerations of the WPP. Further details are set out within F4 below.

As a result of the Investment Strategy Review in 2019/20 the Committee agreed a number of changes. The new strategy takes effect from 1 April 2020 and so will need to be implemented in an efficient and effective way as close to this date as practical.

The Fund has planned the transition to the new arrangements and the majority of this is due to take place in the first quarter of 2020/21.

In addition, after the next Actuarial Valuation which is due in 2022, the Fund will need to review the strategy to ensure it remains effective.

Timescales and Stages

Implement changes to 2020 Investment Strategy	2020/21 Q1 & 2
Triennial review 2022	2022/23
Implement changes to 2023 Investment Strategy	2022/23 to 2023/24

Resource and Budget Implications

The majority of the work will be carried out by Mercer as the Investment Adviser together with the Head of the Clwyd Pension Fund and Deputy Head of Clwyd Pension Fund prior to final submission of proposals to the Advisory Panel and Pension Fund Committee. Costs of the review are included within the budgets shown.

F3 –Implement Responsible Investment Strategic Priorities

What is it?

The Fund agreed its updated Responsible Investment policy in February 2020 with five key priorities which are as follows:

- Evaluate and manage carbon exposure
- Identify sustainable investment opportunities
- Improve public disclosure and reporting
- Active engagement on ESG risks
- Comply with the FRC Stewardship Code.

Alongside its Investment Strategy Review in 2019/20 the Fund reviewed and revised its Responsible Investment Policy. The Policy was split into a number of key areas setting out the Fund’s approach to being a Responsible Investor. The Fund recognises that as a Responsible Investor there are a multitude of potential areas on which to

focus, however it is not possible to do it all in one go. It has therefore decided to set the following strategic priorities for its work over the next three years (2020-2023):

- **Evaluate and manage carbon exposure**
 - This will include measuring the Fund’s existing exposure to carbon within its investment portfolio, and once this has concluded, set targets to reduce this over the coming five years.
- **Identify sustainable investment opportunities**
 - The Fund’s new Investment Strategy has an allocation to Social/Impact investments, or investments that aim to make a positive social or environmental impact. The Fund already has a number of investments in this area and will be looking to add to these.
- **Improve disclosure and reporting**
 - The Fund will be working to improve transparency and reporting. An analysis of the impact of Climate Change on the Fund’s Investment Strategy will form part of this work.
- **Active Engagement on ESG risks**
 - To work proactively with WPP and LAPFF⁵ to actively engage with the Fund’s underlying investments.
- **FRC Stewardship Code**
 - The Fund is currently a signatory to the Code; however a new Code was launched in 2019. The aim is to assess the potential to remain a signatory in 2020.

In addition to these priorities, the Fund is aware that the Scheme Advisory Board and MHCLG will be issuing revised guidance on Responsible Investing in 2020, and it will be important to review the Fund’s policy and update if necessary to ensure it is still relevant and compliant.

Timescales and Stages

Undertake Carbon Foot-printing analysis	2020/21 Q1
Agree approach to active engagement with WPP adviser	2020/21 Q1 & 2
Undertake Strategic Climate Change impact analysis	2020/21 Q2 & 3
Identify improvements to disclosure and reporting and implement	2020/21 Q3 & 4
Identify sustainable investment opportunities relating to social/impact	2020/21 to 2022/23
Review and revise RI Policy when national guidance is issued	Assumed 2020/21 Q2 & 3
Develop and submit application for new Stewardship Code	2020/21 Q3 & 4

Resource and Budget Implications

Estimated costs for the implementation are contained within existing plans/budgets including the costs of external consultants.

⁵ LAPFF is the Local Authority Pension Fund Forum, which aims to protect the long-term interests of beneficiaries through promoting high standards of corporate governance and responsibility.

F4 – Ongoing Asset Pooling Implementation and Transition

What is it?

The Wales Pension Partnership ("WPP") was created to allow the pooling of assets across the Welsh LGPS Funds. The assets are continuing to be transitioned to WPP's Operator and further policies and procedures developed to ensure the proper management of WPP.

WPP has developed a three-year business plan for 2020 to 2023 which is subject to approval by the constituent authorities and includes the key areas of focus during that period. The timescales and stages below highlight how Clwyd Pension Fund will be involved in the ongoing work and transitions.

Timescales and Stages

Feed into development of key polices as per WPP business plan	2020/21 to 2022/23
Feed into review of governance of WPP	2021/22 and 2022/23
Transition of assets to newly launched funds:	2020/21 Q1
▪ Fixed Income	
▪ Emerging Markets	2020/21 Q3
▪ Private Markets	2020/21 Q4
Review and develop a mechanism to pool any suitable non-pooled asset e.g. Flight Path	2022/23
Provide views to host on WPP operator arrangements and oversight	2020/21 to 2021/22
Provide input to preparation for Operator market review and re-tender	2021/22 to 2022/23
Feed into development of WPP reporting including ESG and climate change	2020/21 Q1 to 2021/22
Consider and implement MHCLG asset pooling guidance	Unknown

Resource and Budget Implications

2020/21 and future budgets will include CPF's share of the governance costs managing the pool, and also its share of fees relating to pooled assets. For 2020/21 the estimated cost of governance for CPF in relation to WPP is £119k, which includes an estimated share of the Host Authority costs (£95k) and the estimated costs CPF expects to bear directly from its own consultants for advice in relation to the WPP (£24k). The estimate for fees in relation to the pooled assets, including the Operator's costs, is £190k and is at this stage a provisional sum. Any other costs relating to the WPP will be met from within existing budgets.

F5– RPI reform

What is it?

For a number of years, concerns have been raised throughout the pensions industry as to whether the Retail Prices Index (RPI) provides a good measure of inflation. It was announced on 4 September 2019 that a reform of RPI will take place to bring it into line with the Consumer Prices Index (CPI), including owner occupiers’ housing costs (CPIH). The change cannot be made until at least 2030 except with the consent of the Chancellor of the Exchequer. A consultation is expected to start on 11 March 2020 to consider this in detail and a statement is expected from the Chancellor in July 2020.

Any change may impact detrimentally on the value of the assets held by the CPF where they are linked to the RPI index e.g. Index-linked Government Bonds. As the Fund has a significant exposure to these types of assets, as part of the Flightpath to protect against increases in inflation expectations which in turn increase the liabilities of the Fund, consideration is required to whether changes are needed to mitigate the potential impact on the Fund assets. The Fund therefore performed an initial restructure of assets to limit the exposure to the potential risk of change whilst maintaining some inflation protection overall, albeit lower than the existing protection. This was done in Q4 2019/20. This will need to be monitored during and following the completion of the consultation to consider when and how the inflation protection is increased back to current levels.

In addition, this potential change has implications on the inflation assumption used in actuarial calculations so an initial adjustment has been proposed and this will also be kept under review during and after the consultation has been completed.

Timescales and Stages

Reconsider hedging position post consultation	2020/21 Q2 & 3
Implement new hedging position	2020/21 Q2 & 3
Actuarial implications for assumptions	2020/21 Q3 & 4 and 2021/22

Resource and Budget Implications

This will be performed by the risk advisers as part of the discussions that take place in the CPF Funding and Risk Management Group (FRMG) and estimated adviser costs have been included in the 2020/21 budget.

F6 – Interim Funding Review

What is it?

In advance of the 2022 actuarial valuation, the Actuary will assess the funding position in order to prepare the Fund and employers for the potential contribution outcomes from the 2022 valuation.

Timescales and Stages

Carry out interim funding review	2021/22
Results and discussion with employers	2021/22

Depending on the timing of these changes it is possible that the timescale is brought forward. This will be noted in future business plans.

Resource and Budget Implications

This exercise will be performed by the Fund Actuary. It is an important exercise for the Fund and will involve input from both the Clwyd Pension Fund Administration and Finance teams. An allowance will be made in the 2021/22 budget as appropriate.

F7 – Triennial Actuarial Valuation and associated tasks

What is it?

It is the formal actuarial valuation of the Fund detailing the solvency position and other financial metrics. It is a legal requirement of the LGPS Regulations. It determines 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. This is considered in conjunction with the employer risk management framework implemented by the Fund. Employers will be required to provide financial statements and evidence of affordability and security before contributions can be agreed. The exercise will include cash flow projections to input into the Cash and Risk Management policy framework.

Timescales and Stages

Effective date	31 March 2022
Initial whole Fund results (expected)	2022/23 Q2
Individual Employer results (expected)	2022/23 Q2 & Q3
Deadline for agreement of all contributions and sign-off	31 March 2023

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and it will determine contribution requirements for all participating employers from 1 April 2023. It is a major exercise for the Fund and will take considerable resource from the Administration and Finance teams over 2022/23. Employers will be formally consulted on the funding strategy as part of the process. The Fund Actuary's costs in relation to this exercise will be included in the 2022/23 budget.

Administration (including Communications)

Ref	Key Action -Task	2020/21 Period				Later Years	
		Q1	Q2	Q3	Q4	2021/ 22	2022/ 23
A1	Implement Survivor Benefits Changes	x	x				
A2	GMP Reconciliation	x	x				
A3	i-Connect	x	x				
A4	Improve employer monitoring and engagement	x	x	x			
A5	Fundamental review of all Fund communications	x	x	x	x		
A6	Review administration system contract	x	x	x	x	x	
A7	Efficiency improvements for existing processes	x	x	x	x	x	
A8	McCloud and Cost Cap	x	x	x	x	x	x
A9	National Pensions Dashboard	x	x	x	x	x	x
A10	Develop Under/Over Payment Policy		x	x			
A11	Scheme member process updates			x	x	x	
A12	Trivial Commutation					x	
A13	Consider success of website, on-line tools and interactive functionality					x	
A14	Webcasts					x	
A15	Review Administration & Communications Strategy Statements						x
A16	Preparation of Member Data for Valuation and Funding Reviews						x
A17	Other Expected National Changes (dates unknown)						

A1 – Implement Survivor Benefit Change: Amendment LGPS Regulations & Elmes versus Essex High Court Ruling

What is it?

The LGPS (Miscellaneous Amendment) Regulations 2018 (SI2018/1366) came into force with effect from 10 January 2019. These included changes that impact on the calculation of and entitlement to surviving partner pensions in respect of Civil Partners or same sex marriages. As a result it is necessary for the Fund to carry out a major review to identify any cases who are affected and to ensure the correct benefits are paid.

In addition, LGPS Funds need to action the outcome of the Elmes versus Essex case where it has been ruled in the High Court that in respect of any LGPS members leaving the scheme between 1 April 2008 and 31 March 2014, and who subsequently died leaving a Cohabiting Partner, that partner could have a survivors pension paid to them even without a completed nomination form in place so long as they still meet the eligibility criteria. Any potential cohabiting partners need to be contacted and surviving partner pensions put into payment if applicable.

The work in relation to these changes commenced during 2019/20 and is expected to be completed during the first part of 2020/21.

Timescales and Stages

Tracing, contacting, verifying entitlement and recalculating affected surviving partners 2020/21 Q1 & Q2

Resource and Budget Implications

This project will be absorbed by the Operations Team within Pensions Administration to ensure all surviving partners prior to the regulation change have been reviewed and amended where applicable. Any new cases from the date of the amendment regulations are already being dealt with as per the amended legislation and will be treated as business as usual.

A2– GMP Reconciliation

What is it?

The government removed the status of "contracted-out" from pension schemes in April 2016. Prior to then, contracted-out pension schemes had to ensure the benefits they paid met a minimum level and one element of this was a Guaranteed Minimum Pension (GMP) figure that accrued individually for each scheme member up to April 1997. Historically pension schemes would go to HMRC to get confirmation of the GMP amount on retirement. However, as a result of the demise of contracted-out status, HMRC will no longer be maintaining GMP and other contracting out member records. This means that the onus will be on individual pension schemes to ensure that the contracting out and GMP data they hold on their systems matches up to the data held by HMRC. HMRC are ceasing to provide their services.

Initial work identified that there were significant discrepancies between the two sets of data (HMRC v CPF), and a significant amount of work is ongoing to determine the correct benefits, ensure all systems are updated and to process a potentially significant number of over/underpayment calculations. As well as reconciling the records for former pensionable employees, the Fund also had to ensure the accuracy of national insurance information held for active members. Clwyd Pension Fund decided to outsource this exercise in 2017/18 to Equiniti and the project commenced during that year. It is now near completion with the focus now being on updating the Fund's records with the reconciled information, and correcting any pension amounts that are being recalculated.

Timescales and Stages

GMP data reconciliation and investigation	Complete
Reconciliation of national insurance information (Active Members)	Complete
Benefit correction and system updates	2020/21 Q1 & 2

Resource and Budget Implications

All costs to be met from the existing budget which includes expected costs for Equiniti who are carrying out the work and who were appointed as part of a procurement exercise. This will have some impact on internal resources in relation to the adjustments to be made to current pension amounts (i.e. under or overpayments).

A3 – i-Connect

What is it?

i-Connect is the on-line computer module that allows information to be submitted by employers more directly and efficiently into the pension administration system (Altair). This is being implemented on a phased basis by employer. We have currently on-boarded 97% of scheme members (60% of our employers) including Wrexham County Borough Council, Denbighshire County Council, Flintshire County Council and Coleg Cambria. The remaining employers to be on-boarded include:

- Glyndwr University and North Wales Fire, who will use the i-Connect file upload facility,
- The remaining Fund employers (approximately 17 smaller employers) who will use the i-Connect manual entry facility.

It was originally intended that all employers would be live on i-Connect by the end of 2020/21 but given the good progress made to date, it is hoped it will be finished earlier in the year.

Timescales and Stages

Onboard Glyndwr University and North Wales Fire	2020/21 Q1 & 2
Onboard other smaller employers	2020/21 Q1 & 2

Resource and Budget Implications

There will be a time and resource commitment required from employers. All internal costs are being met from existing budget. The system cost has increased slightly from

previous year's budget due to the greater number of employers using i-Connect and this has been incorporated into the budget. The ongoing roll out of i-Connect will continue to involve significant internal resources which may impact on other day to day work.

A4 – Improve employer monitoring and engagement

What is it?

The Fund's Administration Strategy and Employer Service Level Agreement include a number of responsibilities that must be carried out by employers. They also include service standards that employers must meet in delivering information to the Fund, to ensure the Fund then meets the overall service standards and legal deadlines. It is important to identify where employers are consistently not meeting these requirements so that the Fund can work with them to ensure that this improves. In situations where improvements are not forthcoming, then the matter will be escalated in accordance with the Administration Strategy, which in extreme cases could result in recharge of costs to the employer.

This project will involve developing a clear process for identifying where issues exist, providing information to the employers on their performance, and introducing more formal escalation where required. Key to all of this will be improved communications between the Fund and employers, with much more focus on one to one engagement by the Fund to ensure issues are resolved quickly. The existing Administration Strategy and Employer Service Level Agreement (SLA) may need to be updated to reflect the new way of working.

Timescales and Stages

Develop methodology and systems to provide information	2020/21 Q1 & 2
Launch new process at Employer Meeting/AJCM and review Strategy/SLA as required	2020/21 Q3

Resource and Budget Implications

To be led by the Pensions Administration Manager with input from all administration teams. Internal costs are being met from the existing budget but there may be additional costs if external development work is needed.

A5 – Fundamental review of all Fund communications

What is it?

The Fund has a wide range of standard forms, booklets, and leaflets as well as information on websites and other media. Given the range of material that has been created over a period of years, there are likely to be some inconsistencies in the look, feel and language used. A fundamental review of all communications will be done to ensure they are presented in a manner that meets the Fund's Communication Strategy. This has already commenced in relation to the website to ensure it meets the national standards for website compliance. This project will include developing the Fund's brand for consistent use in all Fund communications which will ensure it is recognisable

for scheme members, employers and other stakeholders. As part of this, the Fund needs to appoint a new braille supplier.

Timescales and Stages

Appoint braille supplier	2020/21 Q1
Document and agree Fund's branding guidelines	2020/21 Q1 & 2
Finalise review and update of website	2020/21 Q2 to Q4
Review and update of literature (not website)	2020/21 Q2 to Q4

Resource and Budget Implications

To be led by the Regulations and Communications Team with input from the Technical/Payroll Team. Internal costs are being met from the existing budget, but the proposed budget includes estimated external costs of £5k for ensuring the website is compliant with national standards.

A6 - Review administration system contract

What is it?

The Fund has a rolling one-year contract with Aquila Heywood in relation to their Altair administration system. It has not been subject to a full review through tender for a number of years and it would be good practice to carry this out in the near future. However, due to significant projects involving the administration system (e.g. 2016 actuarial valuation, implementing i-Connect and scheme/GMP reconciliation) and to tie in with end dates of existing add-on modules within Altair, it was agreed as part of the 2017/18 business plan to defer this until 2019/20. Over the last year a national framework has been developed for LGPS administration systems. CPF has been participating in this exercise which is due to finish by around April 2020. Once the framework is in place, it is hoped that this can be used for the Fund to carry out their own tender for an administration system. It is hoped that this will allow a new contract to be put in place before the end of 2020/21.

Should a new software supplier be appointed, there will be a significant amount of work required to migrate to the new system.

Timescales and Stages

Finalise national framework for pensions administration system	2020/21 Q1
Conduct tender for CPF administration system	2020/21 Q2 to Q4
Transition to new administration system if required	2021/22

Resource and Budget Implications

To be led by Pension Administration Manager and Principal Pensions Officer - Technical. If transition to a new system is required, there are likely to be significant transition costs and the ongoing cost of systems included in the budget will probably change.

A7 – Efficiency improvements for existing processes

What is it?

There are a number of existing processes that will be reviewed to introduce greater efficiencies including as a result of greater digitalisation:

- Review of aggregation communications and process - When a former scheme member re-joins the scheme, or ceases a concurrent role, that member is provided with options as to whether to aggregate their accrued benefits into one record or keep them separate. This is a complex procedure that is very time consuming to administer and can also be very confusing for scheme members. Scheme members often don't respond to the letters. This project will focus on reviewing the process and communications to make the process more efficient and improve scheme member communications.
- Auto-generation of new scheme members – On entry to the scheme, each new member must be sent information about the scheme. This is currently generated individually for each new member. Reminders are also sent where members do not respond. Given the magnitude of scheme members, this is very time consuming. This project will investigate whether any or all of these processes can be carried out on a bulk basis.
- On-line retirement processing and other on-line processing - Currently scheme members who are retiring have a number of forms and declarations that they need to complete that are done via post. It would be more efficient and quicker for members if this could be done via an on-line process. This may include the need to seek legal advice to ensure that it is possible to implement a process without a written signature. Once this has been developed, it is hoped that the functionality can be developed for on-line processing for other areas, such as transfer value elections, refund elections and notifying deferred benefits.

Timescales and Stages

Aggregation - review process and communications and implement changes	2020/21 Q1 & 2
Auto-generation of new scheme members	2020/21 Q2 & 3
On-line retirement processing and other on-line processing	2020/21 Q3 & 4 and 2021/22

Resource and Budget Implications

These projects involve a mix of the various teams within the Administration Team. It is expected that most costs will be internal and will be met from the existing budget. There may be additional administration software system or other development costs.

A8 – McCloud and Cost Cap

What is it?

Public Sector Pension Schemes (including LGPS) have been designed to ensure sustainability for 25 years. LGPS has a 2% buffer either side of 19.5% for employer future service pension rates (calculated at a national level). On 6 September 2018 it was announced that the buffer had been breached which means that LGPS is currently under review in order to bring it back to within tolerance. Possible scheme change

recommendations to address this issue include a reduction in employee contribution rates. In turn, employer contribution rates could increase. Any scheme changes were originally to be effective from 1 April 2019.

However, as at 30 January 2019 the Government published a written statement which announced a pause in the cost cap exercise pending the outcome of a Supreme Court appeal regarding the McCloud case. The McCloud case has highlighted that the introduction of the new CARE schemes for Firefighters and Judges in April 2015 were unlawful. This will impact on other public service pension schemes including the LGPS (where the new CARE scheme from April 2014 included a statutory underpin for older members). Remedies are being worked through by Government to remove the inequality in the schemes, which will result in changes to scheme benefits some of which will be retrospective.

From an administrative perspective the impact of the court case is likely to result in a change to how benefits are calculated for a large number of scheme members including members who have left. Then in addition there may be a further need for benefit and/or contribution changes as a result of the cost cap, and potentially again if and when the cost cap is reconsidered (potentially in 2021/22). This is likely to significantly impact on administration process and systems as well as requiring a robust communication exercise with employers and scheme members. The additional resource requirements are likely to be significant and until the detail of the changes are known the focus is on:

- ensuring any existing backlogs or data cleansing are cleared
- fast-tracking training within the team to ensure wider and more senior work knowledge across the existing team members.

Timescales and Stages

Initial McCloud planning/impact analysis	2020/21 Q1
Ensure all data cleansing/backlogs are cleared and fast-track internal training	2020/21 Q1 to Q3
Estimated timescale of McCloud delivery including data collection*	From 2020/21 Q2
Cost cap benefit review work*	Unknown

* Timescales will be updated as more information becomes available.

Resource and Budget Implications

Although the work will be led by the Regulations and Communications Team, it will impact across all of the Administration Team. An estimated allowance for additional resource has been included in the 2020/21 budget, which includes £150k of additional resource (which is likely to be a combination of overtime and additional roles) as well as extending the two existing temporary staff members for the remainder of the year. Additional budget is also likely to be needed in future years as this project continues.

A9 – National Pensions Dashboard

What is it?

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all pension savers in the UK access to view the values of all of their pension pots, including state pension, through one central platform. A consultation was undertaken by Government in early 2019 which sought views on the potential phasing of the introduction of the pensions dashboards as well as how the architecture, funding and governance arrangements would work. The legislative requirements to participate in the Pension Dashboard for schemes (including public sector schemes) are expected to be forthcoming and the consultation proposed that all schemes should be onboarded to the Pensions Dashboard over a period of three to four years. The actual timescales that will apply to public sector pension schemes are not yet known so the timescales below are estimated. In the meantime, the Pensions Administration Manager is participating in a PLSA working group on the development of the Dashboard.

Timescales and Stages

PLSA Dashboard Working Group attendance/engagement	2020/21 Q1 to Q4
Development and testing of software	2021/22 & 2022/23
Potential target launch	2022/23 & 2023/24

Resource and Budget Implications

Resource and budget implications cannot be determined until more detail is available.

A10 – Develop Under/Over Payment Policy

What is it?

It is good practice for a pension fund to have clearly agreed policies and procedures relating to how to deal with benefits that have been under or over calculated and, where relevant, under or over paid. This could be for several reasons, including incorrect information being provided by an employer or a scheme member, late notification of a change of circumstances (such as a death of a pensioner) or CPF carrying out a benefit calculation incorrectly. CPF is currently undertaking the GMP reconciliation exercise which is resulting in benefits being recalculated. It therefore is timely to produce a CPF policy which will build on decisions made because of the GMP reconciliation exercise, as well as other situations.

Timescales and Stages

Drafting, approval of and implementation of policy	2020/21 Q2 & 3
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Resource and Budget Implications

The initial drafting work was carried out during 2018/19 by Aon. The majority of the final work will be completed internally and within the budgets shown.

A11 – Scheme member process updates

What is it?

Pension fund processes, such as retirements, often take a number of weeks, and sometimes months, to complete and they involve a number of stages. Communications with scheme members could be enhanced by providing the member more frequent updates as to the progress of their case. This project will involve investigating options for doing this, including considering different media (emails, text messages, etc) and considering how this can also be automated.

Timescales and Stages

Investigate options and roll-out solution	2020/21	Q3	to	2021/22
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Resource and Budget Implications

To be led by Regulations and Communications Team with input from Technical/Payroll Team. Internal costs are being met from the existing budget but there may be additional costs if external development work is needed.

A12 - Trivial Commutation

What is it?

This is where a member who is entitled to a small pension can elect to give up the entirety of that pension and instead receive their benefit as a single lump sum payment. A project will be carried out to identify any pensioners and dependants who may be eligible for trivial commutation and to offer it to them. This will reduce the administrative burden on the Fund paying a large number of very small pensions over a number of years as well as providing greater clarity from a funding perspective. The government has a limit for members to trivially commute their pension in relation to their single pension (£10,000 value – called a "small pot") and total benefits (£30,000 – called "trivial commutation"). As well as reducing the number of pensioner payments that require ongoing payment this could also have a positive impact on the funding level as it removes the liabilities for these members. It will also be welcomed by a number of pensioners who would prefer a one-off lump sum payment rather than ongoing smaller payments of little value.

Timescales and Stages

Timescales below are indicative and subject to prioritisation of other administration work streams.

Identify members eligible to commute under £10,000	2021/22
Communicate with eligible members and pay lump sums	2021/22
Identify members eligible to commute under £30,000	2021/22
Communicate with eligible members and pay lump sums	2021/22

Resource and Budget Implications

Some of this work may be outsourced to an external provider to assist with resourcing. The precise cost of this is as yet unknown and no contingency has been included within the 2020/21 budget to cover potential costs. It will also require input by the Technical

Team with some assistance from the Operational Team, with any such input being focussed on the later stages of the project.

A13 – Consider success of website, on-line tools and interactive functionality with employers and scheme members

What is it?

Consider the success of new systems that have been implemented, including the new website, Member Self Service, i-Connect and TEC (the Technical Education Centre which provides on-line training), and decide if any further development or systems should be put in place.

Timescales and Stages

Identify outcomes and any further development 2021/22

Resource and Budget Implications

To be completed by the Communications Principal Pensions Officer. Internal costs are being met from the existing budget.

A14 – Webcasts

What is it?

We are looking to develop a range of webcasts (for loading on the Fund's website) for employers and scheme members relating to various subject matters.

Timescales and Stages

Investigation, development and launch of first webcasts 2021/22

Resource and Budget Implications

To be led by the Regulations and Communications Team with input from the Technical/Payroll Team. Internal costs are being met from the existing budget but there may be additional costs if external development work is needed.

A15 - Review Administration and Communication Strategies

What is it?

The CPF Administration Strategy and Communications Strategy were approved at the September 2019 PFC. They must be reviewed at least once every three years to ensure they remain relevant and up to date. Given the close relationship between the two strategies, it is advantageous to review them at the same point.

There are a number of other administration related policies that also need to be reviewed regularly as shown in the table below.

Timescales and Stages

Review of Communications Strategy	2022/23
Review of Administration Strategy (if not done before)	2022/23
Scheme Pays Policy	2022/23
Administration Discretionary Policy	2022/23

Resource and Budget Implications

This will be led by the Pensions Administration Manager. All costs are being met from the existing budget.

A16 – Preparation of Member Data for Valuation and Funding Reviews

What is it?

The triennial actuarial valuation as at 31 March 2022 requires the pension administration team to provide data to the actuary. This involves an additional year end cleansing exercise post 31 March 2022 to ensure the data is of sufficient quality for the valuation and to then rectify any anomalies discovered during the valuation process. The CPF data is expected to be more robust than in previous years due to ongoing work implementing i-Connect, dealing with backlogs and carrying out data cleansing since the last valuation.

Timescales and Stages

Preparation of data for 31 March 2022 valuation	2022/23
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Resource and Budget Implications

Carried out by the Technical Team in the main with assistance from the rest of the Administration team depending on the requirement. All internal costs are being met from the existing budget.

A17 - Other Expected National Changes

There are a number of further changes that are expected in due course but the final details of the impact of them and the timescales are not yet available. These include the following.

Fair deal

In May 2016 MHCLG⁶ initially proposed that the New Fair Deal be extended to the LGPS. This would mean that for any staff being outsourced they would remain in the LGPS and their 'new' employer would gain admission body status, rather than using the previous option of being able to offer a pension scheme that is broadly comparable to LGPS.

⁶ Ministry of Housing, Communities and Local Government, who are also responsible for making legislation relating to the LGPS.

On 10 January 2019 a consultation document was published around the topic of Fair Deal – Strengthening Pension Protection. The consultation confirmed the 2016 proposal of service providers offering LGPS membership to individuals who have been compulsorily transferred from an LGPS employer, even if the contract is outsourced a second time (and removal of the option of a broadly comparable scheme). Within the 2019 consultation, there were also proposals about automatically transferring LGPS assets and liabilities when scheme employers are involved in a merger or takeover. This consultation closed on 4 April 2019. Final regulations are still to be made.

£95k Exit Cap

Changes are expected which will put a cap on the total of exit payments, such as redundancy payments, for members leaving the scheme. The consultation for this included pension fund strain costs within the calculation of the £95k cap. If this is implemented, this could result in quite a change for how early retirements are calculated and administered, requiring much closer liaison between the Fund and its employers.

Indexation and Equalisation of GMPs

A recent court case determined that it is necessary to revisit pension benefits for scheme members who have accrued GMPs to ensure the equal treatment between men and women. This was (in the main) pre-empted by the LGPS and a consultation on indexation and equalisation of GMPs has determined that the current position that has been used to deal with indexation up to 5 December 2018 has been extended to cover those members with a GMP who reach state pension age between 6 December 2018 and 5 April 2021. For all those members full indexation will be applied to their full pension value regardless of whether there is a GMP element to it. Alternative options of conversion, case by case, and continuation of full indexation will be investigated to see if it will be implemented from 6 April 2021 and further guidance will be provided to LGPS Funds when a decision is made. However, conversion seems to be the most favourable option.

Regulation simplification project

In 2019 MHCLG identified a need to make the Scheme regulations more adaptable, flexible and easy to administer, whilst maintaining a degree of consistency of approach across administering authorities. This project is called the ‘Simplification project’.

The Simplification project is supported by a working group made up of representatives from trade unions, actuarial services, MHCLG, SAB, LGA and where necessary scheme employers, payroll software providers, administering authorities and software providers. An initial meeting took place on 8 May 2019. The working group considered a couple of administrative areas that may be improved / simplified. Should these considerations proceed further, a wider consultation will occur. These areas were (a) application of assumed pensionable pay, and (b) employee and employer contributions during the first 30 days of an authorised absence. These are likely to result in the need for the Fund, and potentially the employers in the Fund, to revise systems and processes.

Impact of Annual Allowance changes

In 2019 there were reports that NHS employees have been turning down additional work, requesting to reduce their working hours and retiring early due to concerns about

pension tax. This is having an impact on workforce supply, staff retention and service delivery in the NHS. A 7 August 2019 Government announcement confirmed HM Treasury will review the annual allowance taper to support the delivery of public services, such as the NHS. Government has consulted on changes to the NHS Pension Scheme to enable senior clinicians to take on additional work without incurring unexpected tax bills. It is not clear how this may impact on the LGPS and Local Government. The Scheme Advisory Board is engaging in discussions at national level.

Employer Liaison Team

Ref	Key Action -Task	2019/20 Period				Later Years	
		Q1	Q2	Q3	Q4	2020/ 21	2021/ 22
E1	Expand ELT to more employers	x	x	x	x		

Understanding the continuing pressure on resources and budgets for employers and the administering authority, the Clwyd Pension Fund offers assistance to Fund Employers in providing accurate and complete notifications to the Fund (and other Employer duties) in a timely manner. The Employer Liaison Team (ELT) mainly assists in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. It undertakes outstanding requests for information in order to cleanse the pension records. The ELT will be monitored and progress reported on a regular basis. All costs will be met by employers through their employer contribution rate, following the task reporting process. Resources may need to be adapted to match demand depending on ongoing employer uptake. The total budget allocated for 2020/21 is £223k which will cover all of the following unless indicated otherwise.

E1 – Expand ELT to more employers

What is it?

Consider expanding the ELT service to a wider range of employers and generally making employers more aware of the facility that is available. Discussions are already underway with another medium sized employer who may be interested in using the ELT service.

Timescales and Stages

Ongoing discussions with other employers

2020/21 Q1 to 4

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