

# Public Document Pack



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To: Cllr Ted Palmer (Chairman)

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

**Co-opted Members**

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

4 February 2021

Dear Sir/Madam

**NOTICE OF REMOTE MEETING**  
**CLWYD PENSION FUND COMMITTEE**  
**WEDNESDAY, 10TH FEBRUARY, 2021 at 9.30 AM**

Yours faithfully

Robert Robins  
Democratic Services Manager

Please note: Due to the current restrictions on travel and the requirement for physical distancing, this meeting will not be held at its usual location. This will be a remote meeting and 'attendance' will be restricted to Committee Members. The meeting will be recorded.

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

## A G E N D A

### 1 **APOLOGIES**

**Purpose:** To receive any apologies.

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

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

**3 MINUTES (Pages 3 - 10)**

**Purpose:** To confirm as a correct record the minutes of the last meeting held on the 25 November 2020.

**4 GOVERNANCE UPDATE (Pages 11 - 52)**

**Purpose:** To provide Committee Members with an update on governance related matters including progress with the Business Plan and training

**5 PENSION ADMINISTRATION / COMMUNICATIONS UPDATE (Pages 53 - 98)**

**Purpose:** To provide Committee Members with an update on administration and communication matters including progress with the Business Plan

**6 INVESTMENT AND FUNDING UPDATE (Pages 99 - 120)**

**Purpose:** To provide Committee Members with an update of investment and funding matters for the Clwyd Pension Fund, including progress with the Business Plan

**7 POOLING INVESTMENTS IN WALES (Pages 121 - 144)**

**Purpose:** To provide Committee Members with an update on implementation of Pooling Investments in Wales including progress with a scheme member representative on the Wales Pension Partnership Joint Governance Committee.

**8 ECONOMIC AND MARKET UPDATE AND INVESTMENT STRATEGY AND MANAGER SUMMARY. (Pages 145 - 178)**

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

**9 FUNDING, FLIGHT-PATH AND RISK MANAGEMENT FRAMEWORK (Pages 179 - 194)**

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

## CLWYD PENSION FUND COMMITTEE

25 November 2020

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely at 9.30am on Wednesday, 25 November 2020.

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

Councillors: Ralph Small, Billy Mullin, Haydn Bateman

**CO-OPTED MEMBERS:** Mr Steve Hibbert (Scheme Member Representative).

**ALSO PRESENT (AS OBSERVERS):** Elaine Williams (PFB Scheme Member Representative)

**APOLOGIES:** Councillor Andy Rutherford (Other Scheme Employer Representative), Councillors Julian Thompson-Hill, Nigel Williams and Tim Roberts.

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

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

Guest speakers presenting for items 4 and 5 comprising: Hill Gaston (Mercer), Gerard Fitzpatrick (Russell Investments), Sasha Mandich (Russell Investments), Aidan Quinn (Consultant – Russell Investments) and Eamonn Gough (Link Fund Solutions).

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

There were no declarations of interest.

118. **MINUTES 7 OCTOBER 2020**

The minutes of the meeting of the Committee held on 7 October 2020 were agreed.

**RESOLVED:**

The minutes of 7 October 2020 were received, approved and signed by the Chairman.

120. **RESPONSIBLE INVESTING AND CLIMATE RISK**

Mr Buckland introduced the session by reminding the Committee that when the revised investment strategy was agreed by the Committee in February 2020, a new formulated Responsible Investment (RI) policy was also agreed. He added that the RI Policy contained a number of key areas of focus and included a statement on Climate Change. The Fund recognises the importance of addressing the financial risks associated with Climate Change through its investment strategy, and recognises it as a financial risk.

The RI Policy also recognised the multitude of potential areas on which to focus, and therefore agreed 5 strategic priorities for the next 3 years (2020-2023). One of these priorities was to evaluate and manage carbon exposure. Mr Buckland finished by commenting that the session today would look at the results of the carbon footprinting exercise that Mercer had undertaken on the Fund's equity assets. Prior to presenting the results Mr Gaston would start with an educational session, designed to aid the Committee's understanding of the results.

Mr Gaston from Mercer presented a detailed training session to help the understanding of the Committee members regarding carbon footprinting. He considered the issue of Climate Change, and global warming and noted that at present the world is on track for circa + 3°C of warming before the end of the century, and so he concluded that there needs to be more work done globally to meet the ambition of the Paris Agreement. He continued to consider the practicalities of measuring a carbon footprint, and looked at the metrics on which to focus, and addressed the issue of Scope 1, 2 and 3 emissions and how these are assessed.

Mr Gaston then moved on to consider the results of the analysis for the Clwyd Pension Fund. To start he addressed the issue of coverage across the asset classes, and noted that at the moment the analysis was limited to public equity investments, with some information available for fixed income and property investments.

To put this into context Mr Buckland reminded the Committee of the current investment strategy and noted that for the carbon footprint analysis Mercer had covered listed equity (10% Global equity, 10% Emerging Markets equity) and most of the TAA/Best Ideas portfolio. Given that the Fund is diversified and has exposure to private markets, Mr Buckland emphasised the difficulty of analysing carbon footprinting in respect of this. Mr Gaston moved on to note that when the carbon footprint was analysed at 31 March 2020 18.6% of the Fund was able to be assessed, and at 30 September 2020, due to changes in asset mix, the proportion analysed had increased to 26.5% of the Fund.

Mr Gaston focussed on the findings on the executive summary. He mentioned that the listed equity portfolio is marginally more carbon efficient than the MSCI ACWI global benchmark. There was also a reduction in carbon intensity of c9% which was partly driven by the reduction in carbon intensity in the assets now held with WPP and the transfer of passive equities with BlackRock to their ESG Equity Fund.

Mr Hibbert asked whether the carbon footprints shown in the presentation are the fund manager's own analysis, or whether Mercer had separately analysed these. Mr Gaston confirmed that Mercer had undertaken the analysis based on the fund managers stock holdings, and an MSCI tool. This ensures that a consistent and independent assessment is used across all portfolio when comparing them.

Mr Gaston noted the following further key points:

- The analysis split the overall fund between the listed equity managers, and the holdings within the TAA/Best Ideas portfolio.
- Overall, the listed equity funds in the portfolio are all more efficient than the benchmark at 30 September 2020.

- The WPP Russell Global Opportunities fund had seen its footprint improve significantly between 31 March 2020 and 30 September 2020.
- The BlackRock ESG tracker fund had a footprint equivalent to around 60% of the benchmark index. This was in line with expectations for the Fund.
- Within the Best Ideas portfolio there were two holdings in particular dominating the results; the LGIM Infrastructure equity fund, and the Investec Global Natural Resources fund had a significantly high carbon footprint.

It was noted that this footprint was likely to change due to a number of factors in the coming months, in particular the transfer of emerging market assets to WPP Russell.

Mr Buckland noted that the recommendations from Mercer within the presentation were being worked through with officers and will be developed into strategic objectives for agreement by the Committee at a later date.

Mr Gaston covered these “recommendations” and highlighted that the fourth recommendation is the most ambitious one where the Fund would need to consider whether they wish to adopt a strategic net zero objective.

Mr Latham recommended a very clear work programme be developed. Mr Harkin and Mr Buckland agreed that this was appropriate and would be discussed with officers before being brought back to Committee for consideration.

Mr Latham confirmed the recommendation was just that the Committee note and discuss any comments they have on the agenda item.

There was discussion about whether there was a potential clash between the Committee considering the fiduciary duty to maximise returns, and the desire to ensure that the portfolio was invested sustainably. Mr Everett highlighted the need to ensure the Committee can continue to oversee this to be confident the fiduciary requirement is continuing to be met. Mr Gaston agreed, and also highlighted that climate change was a systemic risk which by not taking action would impact all companies and sectors in asset allocation thereby affecting the ability to maximise returns.

The recommendations were agreed in principle subject to the officers coming back to the Committee at a future meeting with a clear work plan and recommended objectives.

**RESOLVED:**

- (a) The Committee noted and commented on the Carbon foot printing presentation.

**121. ASSET POOLING AND WPP ANNUAL UPDATES**

Mr Gough, from Link Fund Solutions introduced himself to the Committee. He started the presentation by making a number of comments:

- Despite delays and complexities, Link Fund Solutions had launched 5 fixed income sub-funds in 2020.

- The status of the Emerging Markets sub fund launch was on hold due to the requirements to be included in the prospectus, linked to the proposed decarbonisation approach. Link Fund Solutions had aimed for a launch in Q2 2021 however this may be delayed.

Mr Quinn from Russell introduced himself to the Committee and noted that since the Committee last met there has been no difference in terms of managers in the global opportunities sub-fund.

Mr Quinn made the following key points:

- Despite the market meltdown in Q1 2020, the performance of the global opportunities portfolio was positive in terms of investment returns. He added that since inception, excess returns were positive (c0.5% p.a.) but this is still a relatively short period.
- The chart on slide 8 outlined the difference in growth versus value, with growth outperforming value.

Mr Harkin asked how the portfolio looked going forward following the change in the US administration, given the different policies that would be adopted. Mr Fitzpatrick from Russell introduced himself and responded by noting that it would depend on the final outcome of the US election. In terms of the senate situation, it was currently believed to be more split and that republicans would retain the senate situation with Biden as president. The senate controls tax cuts (which are good for the economy and market), which Trumps administration led, therefore he believed it is likely to stay in place. Overall, a positive result given the uncertainty.

Mr Fitzpatrick focused on the targets for the Multi Asset Credit Funds. Since inception, the performance was positive with an outperformance of 2.8% p.a. vs a 1.1% p.a. target. Events such as the US election and COVID-19 have been good for credit assets as they fed through in credit markets.

He stated that the target return is SONIA + 4% p.a. The assets under management are £636 million as at 31 October 2020 for WPP as a whole. Mr Fitzpatrick outlined from how Russell planned on achieving the performance target.

Mr Fitzpatrick continued to note that credit markets continue to have a role to play as part of a wider asset allocation, given it is a medium expected level of return compared to equities. In terms of tactical management, Russell take a "risk on, risk off" approach.

Mr Mandich spoke about the Global Opportunities Fund in which the Clwyd Fund invested. It has been planned to target a 25% lower carbon footprint than the benchmark in early 2021. This will become possible through EPI (enhanced portfolio implementation) which has been designed to give the Fund Manager more control.

Mr Mandich then moved onto the topic of Emerging Markets. Mr Mandich noted that the Emerging Markets sub-fund is to be launched in the next 3 to 6 months. The aim of the sub-fund was to deliver stable excess returns whilst generating manager fee savings. On average across the WPP, the authorities pay c0.7% in manager fees, whereas this sub-fund is expected to charge only c0.4% (with an overall saving of more than £1 million). Mr Mandich also added that they will be hiring a China specialist to find opportunities on the Fund's behalf.

Mr Hibbert raised his concerns about whether the Fund will still be investing at a 4 degree increase and only targeting a 25% carbon reduction. Mr Mandich replied that they are working out how to achieve the required improvements in this area.

Presenters from Russell Investments and Link Fund Solutions left the meeting.

Mr Latham commented that previously when considering investments in WPP he had considered whether the proposal would produce better risk adjusted returns for the Clwyd Fund, and whether it would save fees. He felt that for the WPP Emerging Markets sub-fund it was a “win-win” with both considerations being met. He added that the potential for lower carbon emissions was another benefit.

He added that there were still ongoing discussions at WPP regarding having a scheme member representative. However, to move this forward it will require full consensus by all participating administering authorities. Mr Everett thanked the officers for continuing to raise the issue of the scheme member representative. The Committee noted their hopes for consensus to be agreed and agreed that they would also support this being sourced from the Pension Boards as long as it was a scheme member representative.

The Committee agreed the recommendations.

**RESOLVED:**

- (a) The Committee noted and discussed the presentation from the WPP Operator and Investment Manager.
- (b) The Committee ratified the decision to invest in the Wales Pension Partnership Emerging Market Equity Fund.
- (c) The Committee agreed that the assets should be transitioned and delegate the specific timing to the Clwyd Fund officers on the OWG.
- (d) The Committee noted the WPP Annual Report.

**122. FUNDING AND INVESTMENT UPDATES**

Mr Harkin gave a brief investment update and noted that the latest valuation of the fund (as at 31 October) was broadly unchanged but slightly lower than the position in September 2020.

Mr Hibbert asked whether the Committee could have more details on the Fund’s synthetic equity strategy, collateral waterfall and other elements of the flightpath structure. Mr Harkin and Mr Middleman confirmed that Mercer could provide further information on this at planned training sessions.

Mr Middleman confirmed that in terms of the funding position, the Fund was broadly on track in terms of where the funding position is against the 2019 actuarial valuation. The position trending down slightly from the end of September, but to date the Fund is ahead of schedule based on estimates of where the asset values are. However, there still remains

uncertainty in outlook for future investment returns which could affect the Fund's solvency position.

**RESOLVED:**

- (a) The Committee noted the Market and Economic update for the quarter ended 30 September 2020.
- (b) The Committee noted the Investment Strategy and Manager Performance summary for the quarter ended 30 September 2020.
- (c) The Committee noted the Funding and Risk Management Framework update and the outcomes of the annual health-check review.
- (d) The Committee noted the outcomes from the review of the Fund's AVC provision.

123. **REGULATION CHANGES AFFECTING THE LGPS**

Mr Latham noted that the work surrounding the McCloud remedy was going to plan as the Fund was in the process of gathering data from employers. However, there was a risk with delays to regulations. The consultation on GMP indexation/equalisation was also noted along with the recommendation.

Information was shared from a letter from Welsh Government regarding the 95k cap. The Fund would only be impacted by this regulation if employers within the Fund had members who were leaving and fall under the relevant category.

Mr Everett stated that risks taken are at the risk of the employer, not the Clwyd Pension Fund. Mr Middleman agreed and said that the separate governance and decisions by the Fund and the employer need to be clear on this. Mr Middleman said that this was an extremely complex area and it needed to be discussed with employers to ensure the correct processes are in place.

Mr Everett noted the extremely challenging issue surrounding these changes. Mr Middleman agreed with the complexity and noted that a potential policy on this matter may need to be agreed for the Fund. Mrs McWilliam confirmed that the Fund can use urgency delegations to deal with this situation.

**RESOLVED:**

- (a) The Committee considered the report.
- (b) The Committee considered and agreed the recommendation for the consultation response in relation to the GMP Indexation Consultation, as outlined in paragraph 1.07, and delegated the completion of the response to the Head of the Clwyd Pension Fund.

124. **GOVERNANCE UPDATE**

Mr Latham thanked the Board for the comments in paragraph 1.02 of this agenda item. He also made the Committee aware of possible induction training sessions to be scheduled in 2021.



**RESOLVED:**

- (c) The Committee noted the update on governance related matters.
- (d) The Committee noted the feedback in paragraph 1.02 from the Pension Board.

The Chairman thanked everyone for their attendance and updates at the Committee meeting. The next formal Committee meeting is on 10 February 2021. The meeting finished at 12:15pm.

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**Chairman**

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## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 10 February 2021
<b>Report Subject</b>	Governance Update
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

On each Committee agenda LGPS governance matters and the impact on the Clwyd Pension Fund (CPF) are provided for discussion along with updates on the Clwyd Pension Fund's governance strategy and policies for information. The last update reports were provided at the October and November 2020 Committees and therefore this update report includes developments since those reports.

This update includes matters that are mainly for noting, albeit comments are clearly welcome. The only matter for approval relates to:

- Changes to some of the timescales relating to business plan items (some of which are due to delays in guidance or regulations at a national level).

The report includes updates on:

- Membership of the Committee
- The latest compliance check against The Pensions Regulator's public sector requirements
- Update to the Fund's risk dashboard and changes to the governance risks since the last meeting
- The latest changes to our breaches of the law register
- The updated training plan following the self-assessment training needs analyses that were completed by members in February 2020.

### RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee approve the changes to the timelines for governance tasks in the business plan as outlined in paragraph 1.01.
3	That the Committee provide their views on the timescales for setting up the next training sessions relating to specific subject matters as referred to in paragraph 1.08.

## REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p data-bbox="320 271 783 304"><b>Business Plan 2020/21 Update</b></p> <p data-bbox="320 344 1382 488">Appendix 1 shows progress with this quarter's work in the 2020/21 business plan. Given the impact of Covid-19 and other priorities, relatively good progress is being made with the agreed actions. The Committee should note the following:</p> <ul data-bbox="368 495 1382 2040" style="list-style-type: none"><li data-bbox="368 495 1382 674">• G1: Review against new Pensions Regulator Single Modular Code – As mentioned in the October 2021 update, The Pensions Regulator has delayed the issue of the Code for consultation and this is now due in Spring 2021. We understand the new draft Code may be issued for consultation in the next few weeks.</li><li data-bbox="368 680 1382 965">• G2: Review of Governance Related Policies – The Fund's Training Policy was due for review. However as mentioned in the original plan, CIPFA are updating their Knowledge and Skills Code of Practice and Framework relating to the LGPS. The new Code and Framework are expected to be issued in March 2021. The review of the Training Policy will therefore be deferred until after that point so any new requirements from CIPFA can be incorporated where appropriate.</li><li data-bbox="368 972 1382 1151">• G4: Develop business continuity plan – Preparation of the business continuity plan is now progressing. A draft Business Continuity Policy will be brought to the Committee in March for approval, and the 2021/22 business plan will include the ongoing development in relation to this area of work.</li><li data-bbox="368 1158 1382 1525">• G5: Ensure appropriate cyber-security is in place – in line with The Pension Regulator's recommended approach to managing cyber risk, a cyber-risk questionnaire has been issued to Heywood (pensions administration system provider) and Flintshire County Council (FCC) (for other systems and hardware used by CPF) to assess any cyber risks relating to the Fund's main systems and equipment. The outcome of this exercise will be fed back to the March Committee. Officers are also documenting the key relationships and responsibilities for managing cyber-risk within the Fund. It is likely this work will go into 2021/22.</li><li data-bbox="368 1532 1382 1749">• G6: Process and internal control review – the first stage of this work (identifying any gaps in documented processes) was due to take place during 2020/21. This work has not yet started due to the need to reprioritise other work. This work will be incorporated into the business continuity work as part of the 2021/22 business plan which the Committee will be asked to approve in March.</li><li data-bbox="368 1756 1382 2040">• G7: Effectiveness survey – It was planned to undertake a survey of the Committee, Pension Board members and key officers' views on the effectiveness of the Fund's governance arrangements. This is something that is expected as part of Myners' Principles (which relate to good governance). Given the impact of Covid-19 on meetings and decision making particularly during 2020, it is proposed that this should be deferred until later in 2021. Accordingly, this will be included in next year's business plan.</li></ul>

1.02	The Committee is asked to note the contents of the business plan and approve the updated timescales as shown in Appendix 1.
1.03	<p><b>Current Developments and News</b></p> <p><i>Covid-19</i></p> <p>As was mentioned at previous meetings, the delivery of pension fund services has continued with very little impact on the Fund's priorities, despite the changes in how pension fund officers and employers have been working since 19 March 2020.</p> <p>The Pensions Team continue to work mainly from home and is expected to do so for the foreseeable future. Unfortunately, there has now been a situation of Covid-19 in the Pensions Team, and there have also been a higher than normal number of family bereavements and illness (in the main not Covid related). Despite these extremely sad circumstances, the ongoing dedication of the team has meant business as usual continues to be maintained with little impact on existing service standards. Good progress is being made with many of the projects and tasks that were identified for completion this year, however, there is now a greater need to prioritise work and some projects and tasks will be delayed. This will continue to be monitored. Further information on these matters is contained in the Administration and Communications Update and the Funding and Investments Update, including the financial impact on the Fund.</p>
1.04	<p><i>Pension Fund positions</i></p> <p>Councillor Julian Thompson-Hill has been appointed to the Pension Fund Committee as the Denbighshire County Council (DCC) representative. Councillor Thompson-Hill was already the substitute member for this position.</p> <p>The Chief Executive of Flintshire County Council is intending on finishing full-time work later in 2021. As he holds the Fund Administrator position, an alternative is being considered for this position.</p>
1.05	<p><i>Pension Board update</i></p> <p>The last Clwyd Pension Fund Board meeting was on the 6 November and the minutes were included in the November Committee papers. The next meeting is on 23 February. The Board continue to attend training events including WPP sessions, and there are CIPFA Pension Board seminars later in February which are being attended by three Board members. In addition, the Board attended a McCloud Steering Group as mentioned in the separate Administration and Communications Update report.</p>
1.06	<p><i>National LGPS Scheme Advisory Board (SAB) Update</i></p> <p>There have been no further meetings of the LGPS SAB since 2 November 2020, and there are no summary minutes of what was agreed at that meeting. We understand the next LGPS SAB is on 8 February but at the point of writing, no information is available regarding the agenda items.</p>

1.07

*The Pensions Regulator Code of Practice No 14*

The Pensions Regulator's Code of Practice No 14 outlines expectations in relation to the governance and administration of public service pension schemes. It was issued in April 2015. The Code is split into the following categories, and within each of these categories there are a number of specific requirements:

- Reporting duties
- Knowledge and understanding
- Conflicts of interest
- Publishing information
- Risk and internal controls
- Maintaining accurate member data
- Maintaining contributions
- Providing information to Members and Others
- Internal dispute resolution procedure
- Reporting breaches.

In addition, there is a section in the Fund's compliance check relating to Scheme Advisory Board requirements which are separate.

Since the Code was issued the Fund has carried out regular reviews to assess its compliance against the requirements, some of which are legal requirements. Although compliance is assessed on an ongoing basis, periodically a more detailed review takes place, and this was carried out in the latter part of 2020. The findings were considered in detail by the Pension Board at their last meeting.

The findings of the latest review continue to show a high level of compliance by the Fund and improvements in a number of areas. The first page of the summary in Appendix 2 shows there is only 1 area where it has not yet been possible to carry out a full check of whether the Fund is compliant (with 1 further area not being relevant). In relation to whether the Fund is compliant or not the breakdown is as follows:

- Fully compliant – 85 areas
- Partially compliant – 10 areas
- Non-compliant – no areas
- Not relevant – 1 area.

The second and third pages of the summary show how the current compliance compares with the previous review. On page 2 the arrows pointing to the right denote that all movements against the last review are improvements; no areas have moved down to partially or non-compliant. The numbers in the arrows denote the number of areas that have moved in each area. Page 3 of that summary lists all the individual areas showing them as either full compliant (green boxes), partially compliant (amber boxes) or an area that has moved since the last review (the arrows).

Appendix 3 provides more detail in relation to the 10 areas that are partially compliant but in summary:

- The majority of these relate to the same category, which is around the monitoring and management of the receipt of contributions from employers. This process is well established in the Fund, but it is not fully documented which is the reason for it being scored as partially

	<p>compliant. This is an area of work that has been identified but has been re-prioritised due to a staff secondment and other priority work.</p> <ul style="list-style-type: none"> <li>• The 2 areas within the Knowledge and Skills category will remain partially compliant as it is not felt appropriate to meet these requirements, as highlighted in the commentary against these points.</li> <li>• The 1 area in the Providing Information to Members and Others category will be resolved as part of the Fund's website review which is expected to make progress during 2021; this has been subject to recruiting a web specialist which is underway.</li> </ul> <p>Members are asked to consider the findings and are invited to comment and ask questions. Any Members who would like to see the complete compliance document can request this from officers.</p>
1.08	<p><b>Policy and Strategy Implementation and Monitoring</b></p> <p><i>Training Policy</i></p> <p>The Clwyd Pension Fund Training Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to:</p> <ul style="list-style-type: none"> <li>• have training on the key elements identified in the CIPFA Knowledge and Skills Framework</li> <li>• attend training sessions relevant to forthcoming business and</li> <li>• attend at least one day each year of general awareness training or events.</li> </ul> <p><i>Training Plan</i></p> <p>The current training plan is included in Appendix 4. Further updates to the Training Plan will be included with the 2021/22 Business Plan that will be considered at the March Committee. In the meantime, the induction training sessions have been set up and all longer serving Committee and Board members have received information on these if they wish to attend. The induction training sessions are included in the training plan and cover the following areas:</p> <ul style="list-style-type: none"> <li>• Governance – 3<sup>rd</sup> March from 10am to 12 noon</li> <li>• Actuarial – 10<sup>th</sup> March from 2pm to 4pm</li> <li>• Investment &amp; Funding (inc. Flightpath) – 31<sup>st</sup> March from 2pm to 4pm</li> <li>• Investment Practice – 7<sup>th</sup> April from 2pm to 4pm</li> <li>• Administration – 21<sup>st</sup> April from 2pm to 4pm</li> <li>• Accounting, Audit &amp; Procurement – 28<sup>th</sup> April from 2pm to 4pm</li> <li>• Communication – 5<sup>th</sup> May from 2pm to 4pm</li> </ul> <p>There are a number of subject areas that Committee members have previously highlighted for training, or that have been identified by officers as being necessary given the planned business items for the Fund in the future. Committee members are asked to consider whether they are happy with short sessions (one to two 2 hours) being set up during March and April, or whether they would prefer these to be deferred until after the</p>

	<p>induction training has been completed. The subject matters are likely to be the Fund's risk management framework (flight path) and cybercrime risk.</p> <p>Appendix 4 includes various external events attended by Committee members and Pension Board members during 2020/21 as well as details of forthcoming external events considered suitable for general awareness training. Officers will continue to be in touch with further information as these training sessions and events become available.</p>
1.09	<p><i>Recording and Reporting Breaches Procedure</i></p> <p>The Fund's procedure requires that the Head of Clwyd Pension Fund maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 5 details the current breaches that have been identified. There is one new administration breach (A20). Hafan Deg continues to be late in submitting contributions and so a new finance breach has been created for that (F38), albeit the previous breaches for delayed remittances have now been resolved. This will continue to be monitored.</p>
1.10	<p><b>Delegated Responsibilities</b></p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. There has been no use of delegated responsibilities since the last Committee meeting.</p>
1.11	<p><b>Calendar of Future Events</b></p> <p>Appendix 6 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates. Members should note the events taking place before the 23 March committee meeting:</p> <ul style="list-style-type: none"> <li>• Various induction training dates (new Committee/Board members essential but all invited)</li> <li>• 15 to 22 February – CIPFA Local Pension Board Seminars (open to all Board members)</li> <li>• 23 February - Pension Board meeting (Board members only)</li> <li>• 24 February – WPP training event on review process and regulatory requirements (open to all Committee and Board members)</li> <li>• 18 to 19 March – LGC Investment Summit (open to all Committee and Board members).</li> </ul> <p>Members should confirm attendance at these events, if not already done so, with the Deputy Head of Clwyd Pension Fund.</p>



<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>As mentioned in paragraph 1.03, there has now been a situation of Covid-19 in the Pensions Team, and there have also been a higher than normal number of family bereavements and illness (in the main not Covid related).</p> <p>As a result, and also due to other pressures mainly driven by Government changes, some project work and tasks are now being re-prioritised. It should be noted that this relates to areas that are not essential and generally fall in the categories of good practice or efficiency improvements.</p>

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>Appendix 7 provides the dashboard showing the current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk register has been updated since it was last presented to the Committee in October including updating the existing controls and outstanding actions. In addition, most of the risks have had their "Expected Back on Target" date extended to later in 2021, mainly driven by the uncertainty around Covid-19 and the impact of national changes including the McCloud remedy and the £95k cap. However the only risks where the current scores have changed compared to October's register are as follows:</p> <ul style="list-style-type: none"> <li>• Risk 1 – Risk is not identified and/or appropriately considered resulting in losses or other detrimental impact on the Fund or its stakeholders: This is an area which we think is extremely well managed now in relation to the Fund and as such we have lowered the likelihood rating from Low to Very Low (which is actually lower than the target).</li> <li>• Risk 2 – Governance (particularly at PFC) is poor resulting in inappropriate or no decisions being made: The likelihood of this has now been moved to Low given the reappointment of some Committee and Board members which has resulted in continuity of membership. It is expected this will be reduced further once the induction training has taken place. The target has also been reduced to Very Low as we consider that to be a reasonable expectation.</li> <li>• Risk 3 – Decisions, particularly at PFC, are influenced by conflicts of interest, and as such our legal fiduciary duties are not met: The likelihood of this has been increased to Low based on the increased expectation that local area or Wales specific investments could be considered in the near future which will be new to the Fund. It will be important to ensure that processes and due diligence is robust to manage any potential conflicts which might result in pressure to approve these investments.</li> </ul>

	<p>The two biggest governance risks continue to be as follows:</p> <ul style="list-style-type: none"> <li>• Risk 5 – the biggest governance risk continues to relate to the impact of externally led influence and scheme change which could also restrict our ability to meet our objectives and/or legal responsibilities. This is mainly due to the ongoing uncertainty around the McCloud judgement and other national changes such as the £95k cap and related reform.</li> <li>• Risk 6 – This is the risk of insufficient staff numbers meaning services are not delivered to meet legal and policy objectives. This risk is high due to the uncertainty around Covid-19 related absences amongst staff members.</li> </ul>
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<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – Business plan progress 2020/21  Appendix 2 – TPR movements in compliance  Appendix 3 – TPR non-compliant areas  Appendix 4 - Training plan  Appendix 5 – Breaches  Appendix 6 – Calendar of future events  Appendix 7 – Risk register.</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>No relevant background documents.</p> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

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

- (d) **Board, LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of.
- (f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to MHCLG.
- (g) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation.
- (h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pension Partnership asset pooling arrangement.
- (i) **CIPFA – Chartered Institute of Public Finance and Accountability** - a UK-based international accountancy membership and standard-setting body. They set the local government accounting standard and also provide a range of technical guidance and support, as well as advisory and consultancy services. They also provide education and learning in accountancy and financial management.

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# Business Plan 2020/21 to 2022/23 – Q3 Update

## Governance

### Cashflow projections

	2018/19 £000s	2019/20 £000s	2020/21 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/over
<b>Opening Cash</b>	(21,188)	(5,764)	(23,800)	(20,237)		
<b>Payments</b>						
Pensions	59,447	63,182	67,800	48,634	64,984	(2,816)
Lump Sums & Death Grants	14,708	15,486	16,000	8,922	12,922	(3,078)
Transfers Out	6,791	4,447	6,000	4,863	6,463	463
Expenses	4,263	3,863	5,200	3,996	5,328	128
Tax Paid	0	107	100	167	167	67
Support Services	265	161	170	0	170	0
<b>Total Payments</b>	<b>85,474</b>	<b>87,246</b>	<b>95,270</b>	<b>66,582</b>	<b>90,034</b>	<b>(5,236)</b>
<b>Income</b>						
Employer Contributions	(39,554)	(41,665)	(44,000)	(37,126)	(49,501)	(5,501)
Employee Contributions	(14,794)	(15,363)	(16,000)	(12,630)	(16,840)	(840)
Employer Deficit Payments	(18,811)	(19,244)	(14,000)	(15,015)	(14,937)	(937)
Transfers In	(4,220)	(5,976)	(6,000)	(2,747)	(3,747)	2,253
Pension Strain	(1,644)	(1,558)	(1,200)	(8)	(508)	692
Income	(45)	(92)	(40)	(27)	(33)	7
<b>Total Income</b>	<b>(79,068)</b>	<b>(83,898)</b>	<b>(81,240)</b>	<b>(67,553)</b>	<b>(85,566)</b>	<b>(4,326)</b>
<b>Cashflow Net of Investment Income</b>	<b>6,406</b>	<b>3,348</b>	<b>14,030</b>	<b>(971)</b>	<b>4,468</b>	<b>(9,562)</b>
Investment Income	(7,990)	(9,464)	(8,000)	(7,847)	(10,447)	(2,447)
Investment Expenses	3,593	3,800	4,000	3,009	4,009	9
<b>Total Net of In House Investments</b>	<b>2,009</b>	<b>(2,316)</b>	<b>10,030</b>	<b>(5,809)</b>	<b>(1,970)</b>	<b>(12,000)</b>
<b>In House Investments</b>						
Draw downs	91,883	115,114	70,403	33,108	44,108	(26,295)
Distributions	(58,348)	(55,270)	(78,672)	(37,596)	(48,596)	30,076
Net Expenditure /(Income)	33,535	59,844	(8,269)	(4,488)	(4,488)	3,781
<b>Total Net Cash Flow</b>	<b>35,544</b>	<b>57,528</b>	<b>1,761</b>	<b>(10,297)</b>	<b>(6,458)</b>	<b>(8,219)</b>
Rebalancing Portfolio	(20,120)	(72,001)		7,654	7,654	7,654
<b>Total Cash Flow</b>	<b>15,424</b>	<b>(14,473)</b>	<b>1,761</b>	<b>(2,643)</b>	<b>1,196</b>	
<b>Closing Cash</b>	<b>(5,764)</b>	<b>(20,237)</b>	<b>(22,039)</b>	<b>(22,880)</b>	<b>(19,041)</b>	

## Operating Costs

	2018/19	2019/20	2020/21				
	Actual	Actual	Budget	Revised Budget	Actual	Projected for full year	Projected under/over
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Governance Expenses</b>							
Employee Costs (Direct)	193	283	323	323	196	265	(58)
Support & Services Costs (Internal Recharges)	23	20	24	24	0	24	0
IT (Support & Services)	0	2	5	5	1	5	0
Other Supplies & Services)	64	102	82	82	36	82	0
Audit Fees	39	38	41	41	7	41	0
Actuarial Fees	407	465	641	641	368	471	(170)
Consultant Fees	598	641	859	859	612	854	(5)
Advisor Fees	436	220	337	524	399	504	(20)
Legal Fees	57	20	41	41	0	20	(21)
Pension Board	58	53	73	88	59	86	(2)
Pooling (Consultants & Host Authority)	85	79	119	120	19	120	0
<b>Total Governance Expenses</b>	<b>1,960</b>	<b>1,923</b>	<b>2,545</b>	<b>2,748</b>	<b>1,697</b>	<b>2,472</b>	<b>(276)</b>
<b>Investment Management Expenses</b>							
Fund Manager Fees*	21,218	20,030	24,458	24,458	2,825	21,000	(3,458)
Custody Fees	31	31	32	32	12	32	0
Performance Monitoring Fees	60	76	93	93	36	66	(27)
Pooling (Operator / Manager)		292	190	190	0	400	210
<b>Total Investment Management Expenses</b>	<b>21,309</b>	<b>20,429</b>	<b>24,773</b>	<b>24,773</b>	<b>2,873</b>	<b>21,498</b>	<b>(3,275)</b>
<b>Administration Expenses</b>							
Employee Costs (Direct)	777	935	893	1,247	803	1,091	(156)
Support & Services Costs (Internal Recharges)	113	151	66	140	0	140	0
Outsourcing	394	197	900	300	41	71	(229)
IT (Support & Services)	364	408	424	405	422	450	45
Other Supplies & Services)	86	112	63	108	84	108	0
Miscellaneous Income	0	0	0	0	0	0	0
<b>Total Administration Expenses</b>	<b>1,734</b>	<b>1,803</b>	<b>2,346</b>	<b>2,200</b>	<b>1,350</b>	<b>1,860</b>	<b>(340)</b>
<b>Employer Liaison Team</b>							
Employee Costs (Direct)	205	222	223	223	154	205	(18)
<b>Total Costs</b>	<b>25,208</b>	<b>24,377</b>	<b>29,887</b>	<b>29,944</b>	<b>6,074</b>	<b>26,035</b>	<b>(3,909)</b>

## Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
x	Original item where the period has been moved or task deleted since original business plan

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		xM	
G2	Review of governance related policies	x		x	x	xM	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	xM	
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.

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## Summary of measures completed and compliant

### Completed

Task	Fully completed	In progress	Not started	Not yet relevant	Total
Reporting Duties (A)	4 100%	0 0%	0 0%	0 0%	4
Knowledge and Understanding (B)	12 100%	0 0%	0 0%	0 0%	12
Conflicts of Interest (C)	11 100%	0 0%	0 0%	0 0%	11
Publishing Information (D)	4 100%	0 0%	0 0%	0 0%	4
Risk and Internal Controls (E)	8 100%	0 0%	0 0%	0 0%	8
Maintaining Accurate Member Data (F)	11 100%	0 0%	0 0%	0 0%	11
Maintaining Contributions (G)	8 89%	0 0%	0 0%	1 11%	9
Providing Information to Members and Others (H)	12 92%	1 8%	0 0%	0 0%	13
Internal Dispute Resolution (I)	9 100%	0 0%	0 0%	0 0%	9
Reporting Breaches (J)	3 100%	0 0%	0 0%	0 0%	3
Scheme Advisory Board Requirements (K)	15 100%	0 0%	0 0%	0 0%	15
<b>Total</b>	<b>97 98%</b>	<b>1 1%</b>	<b>0 0%</b>	<b>1 1%</b>	<b>99</b>

### Compliant

Task	Fully compliant	Partially compliant	Non-compliant	Not yet relevant	Total
Reporting Duties (A)	4 100%	0 0%	0 0%	0 0%	4
Knowledge and Understanding (B)	10 83%	2 17%	0 0%	0 0%	12
Conflicts of Interest (C)	11 100%	0 0%	0 0%	0 0%	11
Publishing Information (D)	3 75%	1 25%	0 0%	0 0%	4
Risk and Internal Controls (E)	7 88%	1 13%	0 0%	0 0%	8
Maintaining Accurate Member Data (F)	11 100%	0 0%	0 0%	0 0%	11
Maintaining Contributions (G)	2 25%	5 63%	0 0%	1 13%	8
Providing Information to Members and Others (H)	10 91%	1 9%	0 0%	0 0%	11
Internal Dispute Resolution (I)	9 100%	0 0%	0 0%	0 0%	9
Reporting Breaches (J)	3 100%	0 0%	0 0%	0 0%	3
Scheme Advisory Board Requirements (K)	15 100%	0 0%	0 0%	0 0%	15
<b>Total</b>	<b>85 89%</b>	<b>10 10%</b>	<b>0 0%</b>	<b>1 1%</b>	<b>96</b>

Summary of change in compliance status from previous review

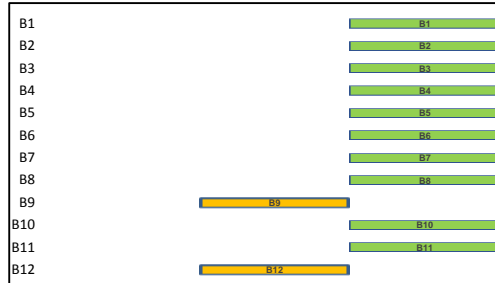
	All	Reporting Duties	Knowledge and Understanding	Conflicts of Interest	Publishing Information	Risk and Internal Controls
Partially compliant to Fully compliant Non-compliant to Fully compliant Non-compliant to Partially compliant Fully compliant to Partially compliant Partially compliant to Non-compliant Fully compliant to Non-compliant Not yet relevant to Non-compliant Not yet relevant to Partially compliant Not yet relevant to Fully compliant						
	Maintaining Accurate Member Data	Maintaining Contributions	Providing Information to Members and Others	Internal Dispute Resolution	Reporting Breaches	Scheme Advisory Board Requirements
Partially compliant to Fully compliant Non-compliant to Fully compliant Non-compliant to Partially compliant Fully compliant to Partially compliant Partially compliant to Non-compliant Fully compliant to Non-compliant Not yet relevant to Non-compliant Not yet relevant to Partially compliant Not yet relevant to Fully compliant						

Detailed change in compliance status from last review

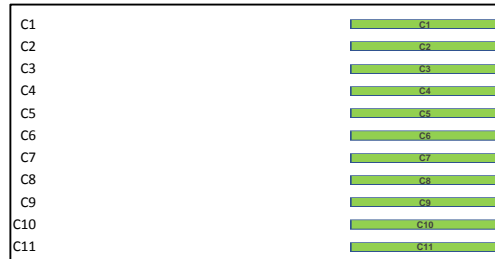
**Reporting Duties**



**Knowledge and Understanding**



**Conflicts of Interest**



**Publishing Information**



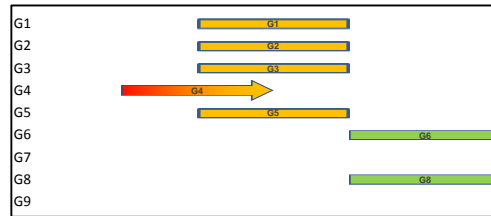
**Risk and Internal Controls**



**Maintaining Accurate Member Data**



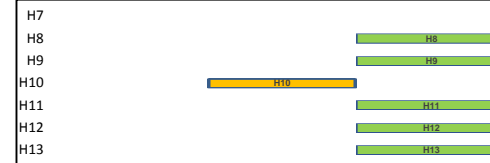
**Maintaining Contributions**



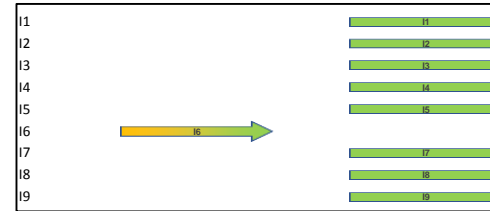
**Providing Information to Members and Others**



**Providing Information to Members and Others (Cont)**



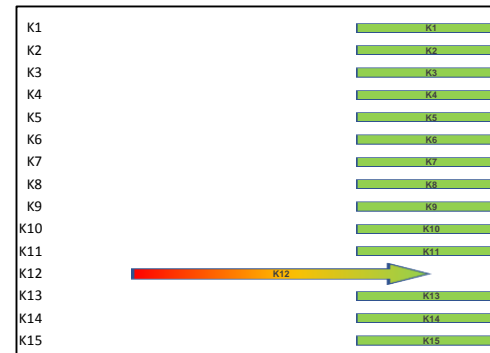
**Internal Dispute Resolution**



**Reporting Breaches**



**Scheme Advisory Board Requirements**



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## Summary of measures not yet completed and compliant

Summary date: 27 January 2021

No.	TPR Requirement	Notes from TPR Code	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
<b>B - Knowledge and Understanding</b>									
B9	Does the Fund offer pre-appointment training for new pension board members or mentoring by existing members?	<p>56 - Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post. Therefore, they should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law. Schemes should offer pre-appointment training or arrange for mentoring by existing pension board members.</p> <p>This can also ensure that historical and scheme-specific knowledge is retained when pension board members change.</p>	<p>Induction process in Training Policy including providing all with copies of key documents.</p> <p>Pre appointment training/mentoring is not currently offered. Training is provided on appointment and ongoing basis instead.</p>	Ongoing (annual check)	16 Jun 2020	Fully completed	Partially compliant	No further action planned. Acknowledged by the PB at 25/02/2020 meeting.	
B12	Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?	<p>59 - The regulator has provided an e-learning programme to help meet the needs of pension board members, whether or not they have access to other learning.</p> <p>If schemes choose alternative learning programmes they should be confident that those programmes:</p> <ul style="list-style-type: none"> <li>- cover the type and degree of knowledge and understanding required</li> <li>- reflect the legal requirements, and</li> <li>- are delivered within an appropriate timescale.</li> </ul>	<p>It is the intention that all PB and PC members will carry this out. However, focus has been on completing other induction training. Some PB/PC members have already completed some modules.</p> <p>In 2018 it was agreed to cover these areas as part of the general CPF customised training rather than requiring members to complete the toolkit modules.</p>	Ongoing (annual check)	16 Jun 2020	Fully completed	Partially compliant	PB acknowledged at 25 Feb 2020 meeting that it remains the case that the tool is not bespoke to LGPS needs and more bespoke training is being provided in these areas.	
<b>D - Publishing information about schemes</b>									
D4	Does the Administering Authority public information about pension board business?	<p>97 - Schemes should also consider publishing information about pension board business, for example board papers, agendas and minutes of meetings (redacted to the extent that they contain confidential information and/or data covered by the Data Protection Act 1998). They should consider any requests for additional information to be published, to encourage scheme member engagement and promote a culture of transparency.</p>	<p>PB are not public meetings so details are currently not published, though Flintshire may publish information relating to the PB from time to time. PB meeting minutes become part of PFC meetings and are therefore public. Link to PFC meetings on PB page of web site.</p> <p>An annual report by the Chair of the PB is prepared and published as part of the annual report and accounts.</p> <p>Members of the public can also request access to meeting papers.</p>	Ongoing (annual check)	16 Jun 2020	Fully completed	Partially compliant	Board agreed (25 February 2020 meeting) with the position on public information and no further action required.	Deb/Karen adding link to PFC meetings on PFC webpage
<b>E - Managing risk and internal controls</b>									
E7	Does the Administering Authority have adequate systems, arrangements and procedures (internal controls) in place for the administration and management of the Fund and are they documented?	<p>101 - The scheme manager must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.</p> <p>A failure to have adequate internal controls may cause an administrative breach of the law.</p> <p>102 - For these purposes 'internal controls' means:</p> <ul style="list-style-type: none"> <li>- arrangements and procedures to be followed in the administration and management of the scheme</li> <li>- systems and arrangements for monitoring that administration and management</li> <li>- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme</li> </ul> <p>103 - Internal controls should include:</p> <ul style="list-style-type: none"> <li>- a clear separation of duties</li> <li>- processes for escalation and /decision making</li> <li>- documented procedures for assessing and managing risks, reviewing breaches of law and managing contributions</li> </ul> <p>105 - The scheme's internal controls should address significant risks which are likely to have a material impact on the scheme. Scheme managers should employ a risk-based approach and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls. They should seek advice, as necessary.</p>	<p>Based on a high level discussion, it is considered that there is a good awareness of appropriate internal controls and these appear to be in place. The Fund has process notes in place for known processes and new process notes are put in place for new areas so the Fund is compliant as it believes possible in current circumstances.</p> <p>For example, in relation to administration, different roles have different access and ability to carry out certain functions on the systems. There are, for example, limitations on who can check and get access to certain things (do, check, review process) and system won't allow anything to be done by a person without correct authority. Doing and checking can be done by the same person if at the right level but if this were the case a report on this goes to the Pension Administration Manager and investigated. A list of users and levels is available on altair. Also staff cannot access their own pension records.</p> <p>The Fund has put into place reporting on performance against the identified KPIs, and there are SLAs with the Employers to attempt to ensure timely and accurate data and contributions. The Pensions Administration Strategy sets out the greater focus the Fund has on systems (i.e. i-Connect).</p> <p>The finance team make good use of spreadsheets to carry out control checks in relation to movement of monies and bank reconciliation. Further information is included in point F3. They are in the process of documenting their existing procedures for contribution and employer information checking (also see G1).</p>	Ongoing (annual check)	16 Jun 2020	Fully completed	Partially compliant	Process notes for Finance Team in development	

No.	TPR Requirement	Notes from TPR Code	Ciwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
<b>G - Maintaining contributions</b>									
G1	Does the Fund have procedures and processes in place to identify payment failures?	<p>150 - The scheme manager should ensure that there are effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator. A 'payment failure' is where contribution payments are not paid to the scheme by the due date(s), or within the prescribed period and a 'materially significant payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions.</p> <p>151 - Schemes should monitor pension contributions, resolve payment issues and report payment failures, as appropriate, so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.</p>	<p>Spreadsheet in place showing expected contributions and is compared with how much paid by each employer. Pay is stored on there as well. If late, the expected amount (and contribution once paid) is highlighted red. Employer SLA is 19th/22nd of the following month for both employee and employer conts. SLA says the Fund may charge interest on late payments but to date this has not been implemented.</p> <p>The sheet is monitored on receipt of remittance(s) and/or payment received, and a key check carried out on the 19th/22nd to identify late payments. However there is currently no procedure documented for this and is down to an individual on the team being available to do this. Few employers have payment timing issues, so there is no formal procedure to follow when failures happen. In practice, failures are raised with the DHPF and the team will chase the employer via phone or email first. Remittance advices updated to include APP and 50/50.</p>	Ongoing (annual check)	25 Jun 2020	Fully completed	Partially compliant		Document procedures for dealing with late and incorrect payments. (DHPF)
G2	Do those processes and procedures include a contributions monitoring record to determine whether contributions are paid on time and in full?	<p>152 - Adequate procedures and processes are likely to involve:</p> <ul style="list-style-type: none"> <li>- developing a record to monitor the payment of contributions</li> <li>- monitoring the payment of contributions</li> <li>- managing overdue contributions, and</li> <li>- reporting materially significant payment failures.</li> </ul> <p>156 - A contributions monitoring record will enable schemes to check whether contributions have been paid on time and in full, and, if they have not, provide a trigger for escalation for schemes to investigate the payment failure and consideration of whether scheme managers need to report to the regulator and, where relevant, members.</p> <p>157 - A contributions monitoring record should include the following information:</p> <ul style="list-style-type: none"> <li>- contribution rates</li> <li>- the date(s) on or before which employer contributions are to be paid to the scheme</li> <li>- the date by when, or period within which, the employee contributions are to be paid to the scheme</li> <li>- the rate or amount of interest payable where the payment of contributions is late.</li> </ul>	<p>The spreadsheet highlights where a payment is not received by the 19th/22nd of each month. It also highlights if contributions could be incorrect by comparing salary vs contribution rate employer rates so there appears to be robust checks in place. If rates paid by employer do not look consistent this will be raised. There is no formal documented procedure (albeit the spreadsheet does store all the historical information too). For employee contributions checks are made via i-Connect system to assess accuracy. For those employers not using i-Connect the year-end file is used to reconcile employee contributions.</p> <p>Remittance advices updated for Financial year April 2019 to compliment the new Employer Compliance Certificate produced.</p>	Ongoing (annual check)	25 Jun 2020	Fully completed	Partially compliant		Formalise procedures for dealing with late payments (as above).
G3	Do those processes and procedures include monitoring payments against the contributions monitoring record on an ongoing basis?	<p>161 - Schemes should monitor contributions on an ongoing basis for all the membership categories within the scheme. Schemes should regularly check payments due against the contributions monitoring record.</p> <p>162 - Schemes should apply a risk-based and proportionate approach to help identify employers and situations which present a higher risk of payment failures occurring and which are likely to be of material significance and require the scheme manager to intervene.</p> <p>163 - Schemes should be aware of what is to be paid in accordance with the contributions monitoring record or other scheme documentation, which may be used by the pension scheme. Schemes should also have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all.</p> <p>164 - For schemes to effectively monitor contributions they will require access to certain information. Employers will often provide the payment information that schemes need to monitor contributions at the same time as they send the contributions to the scheme.</p> <p>165 - Schemes should have adequate internal controls in place to monitor the sharing of payment information between the employer, pension scheme and member. Where the necessary payment information is not automatically available or provided by employers, schemes should request the additional information they need. Schemes may not need to obtain payment information as a matter of course, only where it is required for effective monitoring.</p> <p>165 - Scheme managers must record and retain information on transactions, including any employer and employee contributions received and payments of pensions and benefits, which will support them in their administration and monitoring responsibilities.</p> <p>166 - Where the administration of scheme contributions is outsourced to a service provider, schemes should ensure that there is a process in place to obtain regular information on the payment of contributions to the scheme and a clear procedure in place to enable them to identify and resolve payment failures which may occur.</p>	<p>The process includes reconciliation with the payment received and shown in the financial system.</p>	Ongoing (annual check)	25 Jun 2020	Fully completed	Partially compliant		Processes still to be documented

No.	TPR Requirement	Notes from TPR Code	Ciwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
G4	Are these procedures regularly reviewed to ensure they are effective?	171 - The regulator recognises that a monitoring process based on information provided by employers may not be able to confirm deliberate underpayment or non-payment, or fraudulent behaviour by an employer. Schemes should review current processes or develop a new process which is able to detect situations where fraud may be more likely to occur and where additional checks may be appropriate.	Payments are, on the whole, usually on time but no formal review of the process/procedure is undertaken. This will be incorporated as a part of formalising the procedure.  Audit activity in this area both in relation to the Annual Report and Accounts and Administration Audit. Internal Audit review the process followed for contributions. External Audit undertake a reasonableness check to compare their expected contributions against actual received contributions.	Ongoing (annual check)	25 Jun 2020	Fully completed	Partially compliant		Ensure documented process includes a regular review of effectiveness of process.
G5	Do the Administering Authority's processes include managing overdue contributions in line with TPR's suggested approach?	168 - When schemes identify or are notified of a problem, they should assess whether a payment failure has occurred before taking steps to resolve and, if necessary, report it. During their assessment, schemes should take into account: - legitimate agreed payments made directly by an employer for scheme purposes, i.e. where the scheme has agreed that a contributions payment can be made late due to exceptional circumstances - legitimate agreed payment arrangements made between an employee and employer, i.e. where the employer has agreed that a contribution payment can be made late due to exceptional circumstances - contributions paid directly to a pension provider, scheme administrator or investment manager - any AVCs included with an employer's overall payment.  169 - Where schemes identify a payment failure, they should follow a process to resolve issues quickly. This should normally involve the following steps: a. Investigate any apparent employer failure to pay contributions in accordance with the contributions monitoring record or legal requirements. b. Contact the employer promptly to alert them to the payment failure and to seek to resolve the overdue payment. c. Discuss it further with the employer as soon as practicable to find out the cause and circumstances of the payment failure. d. Ask the employer to resolve the payment failure and take steps to avoid a recurrence in the future.	TPR's suggested approach is followed. This will be formally documented. The CPF Breaches Procedure is in place to monitor this area. All breaches are reported to the PB and PFC regularly.	Ongoing (annual check)	25 Jun 2020	Fully completed	Partially compliant		Formalise procedures for dealing with late and incorrect payments.
<b>H - Providing information to members and others</b>									
H7	Is basic scheme information provided to new and prospective members within required timescales?	200 - Managers must disclose certain basic information about the scheme and the benefits it provides to a prospective member (if practicable to do so) or a new member. Where the manager has received jobholder information for the member or prospective member they must provide the information within a month of the jobholder information being received. Where they have not received jobholder information, they must provide the information within two months of the date the person became an active member of the scheme.  201 - Managers must also provide the information on request to a relevant person within two months of the request being made, except where the same information was provided to the same person or trade union in the 12 months before the request.	When CPF notified, they send a starter letter with Member Self-Service registration details to all new members. Once member registers on Member Self-Service they are provided with a starter pack including relevant forms to complete. Within Member Self-Service there is a brief guide to scheme. Employers may also provide this information but Fund cannot confirm in all cases. Councillor members are provided this information in paper format.  All documentation is reviewed as and when changes arise (as well as part of periodic process reviews) and the Fund ensure they meet legal requirements. Also the Fund measure against the 2 month legal timescale for information to be provided to member. Fund has implemented i-Connect which highlights new members on a monthly basis rather than end of year and so helps solve them throughout the year. For those employers providing information in paper format a year-end exception report is reviewed to identify any differences and flags any missing starters.  Statistics are now available through KPI monitoring. They are reported monthly and this information is reviewed at each PFC and PB meeting.	Ongoing (annual check)	10 Jul 2020	Fully completed	Employers - Partially compliant	Whilst CPF are considered compliant here we are awaiting employer KPI stats before moving from 'partially compliant'.	Evaluating current KPI timescales structure and feedback to be given to Employers on a monthly basis from April 2020 with reporting expected Q3 2020/21.
H10	Is all other information provided in the format and methods required by law?	See above.	Fund monitor all legally required timescales as part of KPI reports which are issued to PFC and PB. Where issues arise with employer failing to provide data or providing inaccurate data the Fund works with that employer to rectify situation to ensure processes can be carried out correctly and within required timescales.  All information is provided in line with Disclosure Regulations and the Fund ensures changes are reflected as and when they arise. In addition the Fund carries out process reviews which considers content of all documents to members. In addition the Fund's Benefit Adviser undertakes an annual review of the actively provided AVCs via Prudential.	Ongoing (annual check)	10 Jul 2020	In progress	Partially compliant	From September 2020 the Fund must ensure it complies with new website accessibility requirements. As part of this work the Fund will also review content of information provided. In addition additional KPIs being developed by Fund for Q2 2020/21.	

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**Clwyd Pension Fund**  
**Training Plan 2020/21 to 2021/22 - as at 27 January 2021**

External /CPF event	Title of session	Training Content	Timescale	Training Length	Audience	Complete
External	CIPFA Local Pension Board Seminars	Spring Session	Various - 15/2/2021 to 22/2/2021	Approx 4 hours	Pensions Board and Officers (separate sessions)	
External	WPP Training Event	Review Process and Regulatory Requirements	24/02/2021	14.00 - 16.30	Committee, Pensions Board and Officers	
CPF	Day 1 - Induction / Refresher Training Governance	Governance	03/03/2021	10.00 - 12.00	Compulsory for new Committee and Pensions Board/optional otherwise	
CPF	Day 2 - Induction / Refresher Training Funding and Actuarial	Actuarial	10/03/2021	14.00 - 16.00	Compulsory for new Committee and Pensions Board/optional otherwise	
External	LGC Investment Summit	Various topical presentations.	18 - 19/03/2021	2 days	Compulsory for new Committee and Pensions Board/optional otherwise	
CPF	Day 3 - Induction / Refresher Training Investments	Investment & Funding (inc. Flightpath)	31/03/2021	14.00 - 16.00	Compulsory for new Committee and Pensions Board/optional otherwise	
CPF	Day 4 - Induction / Refresher Training Accounting , Audit and Procurement	Investment Practice	07/04/2021	14.00 - 16.00	Compulsory for new Committee and Pensions Board/optional otherwise	
CPF	Day 5 - Induction / Refresher Training Administration	Administration	21/04/2021	14.00 - 16.00	Compulsory for new Committee and Pensions Board/optional otherwise	
CPF	Day 6 - Induction / Refresher Training Communications	Accounting, Audit & Procurement	28/04/2021	14.00 - 16.00	Compulsory for new Committee and Pensions Board/optional otherwise	
CPF	Day 7 - Induction / Refresher Training Communications	Communication	05/05/2021	14.00 - 16.00	Committee, Pensions Board and Officers	
External	PLSA	Local Authority Conference 2021	18 - 19/05/2021	2 days	Committee, Pensions Board and Officers	
CPF	Pensions Regulator	The role and powers of the Pensions Regulator and Codes of Practice	Spring 2021 (with draft new code)	Estimated at 1 hour	Committee, Pensions Board and Officers	
CPF	MIFID 2 Requirements	MIFID2 knowledge and skills requirements and the impact on the Fund around investment restrictions	Spring 2021 (with K&S Policy review)	Estimated at 30 mins	Committee, Pensions Board and Officers	
CPF	Pension Scheme Taxation	Including life time allowance and annual allowance	TBC	30 mins - 1 hour est.	Committee, Pensions Board and Officers	
CPF	£95k Cap	If applies to Wales, the new £95k cap and the impact on scheme members being given early retirement	TBC	Estimated at 30 mins	Committee, Pensions Board and Officers	
CPF	Goodwin Case	Overview of Goodwin court case affecting widowers' pension entitlements retrospectively to 2005	TBC	Estimated at 30 mins	Committee, Pensions Board and Officers	
CPF	Private Markets	All aspects of investing in Private Markets	TBC	2 hours Webex	Committee, Pensions Board and Officers	
CPF	Investment Strategy	Delivery of Investment objectives	TBC	TBC	Committee, Pensions Board and Officers	
CPF	Asset Classes	Risk and return characteristics	TBC	TBC	Committee, Pensions Board and Officers	
CPF	Cyber Security	Cyber risk to the fund and how this is being assessed and controlled	TBC	30 mins - 1 hour est.	Committee, Pensions Board and Officers	
CPF	Good Governance Project	Changes to be introduced as a result of the national SAB good governance project	TBC	Estimated at 1 hour	Committee, Pensions Board and Officers	
CPF	Myners Principles	To include reviewing the effectiveness of the PF Committee	TBC	Estimated at 1 hour	Committee, Pensions Board and Officers	
<b>Previous events</b>						
External	CIPFA Local Pension Board Seminars	Spring Session	02/04/2020	1 day	Pensions Board	N
External	PLSA Local Authority Conference, Gloucestershire	Various - Held virtually over 5 days	18-20/05/2020	5 days	Committee, Pensions Board and Officers	N
External	SAB Webinar	Streamlining Data, Manging investment risks	01/06/2020	1 hour Webinar	Committee, Pensions Board and Officers	Y
External	CIPFA Local Pension Board Seminars	Annual Event	24/06/2020 - Webex	9.30 - 16.00	Pension Board	Y
External	Responsible Investing & Climate Risk	To frame the Funds response to Climate Risk and Responsible Investing and low carbon investments	25/06/2020	2 hours Webex	Committee, Pensions Board and Officers	Y
External	Room 151	Cost transparency/Stewardship/Green Energy	22/07/2020	2 hour Webinar	Committee, Pensions Board and Officers	Y
CPF	McCloud Reform	Background to the McCloud Reform and the programme of work to be undertaken	05/08/2020	2 hours Webex	Committee, Pensions Board and Officers	Y
CPF	McCloud -Impact for Employers	Specific training for Employers with regard to the impact of McCloud	11/08/2020	2 hours Webex	Officers, McCloud Steering Group (Pension Board and Scheme Member Rep - Committee)	Y
External	CIPFA McCloud Implementation Workshop	Impact on Administration and Members	19/08/2020 Webex	10 -13.00	Committee & Pensions Board	N

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

<b>Actions taken to rectify breach</b>	<ul style="list-style-type: none"> <li>- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing).</li> <li>- Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly.</li> <li>- Training of new team members to raise awareness of importance of time restraint.</li> <li>- Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task.</li> <li>- 6/6/18 - Updating KPI monitoring to understand employers not sending information in time.</li> <li>3/6/19 - Review of staff resources now complete and new posts filled.</li> <li>14/8/19</li> <li>-Streamlining of aggregation cases with major employers.</li> <li>- Consider feasibility and implications of removing reminders for joining pack (agreed not to change).</li> <li>- Consider feasibility of whether tasks can be prioritised by date of joining (agreed not to change).</li> <li>14/11/19 - Utilising FCC trainees to assist with this procedure. Joined early September.</li> <li>30/01/2020 - backlog completed and addressed older case work.</li> <li>25/09/2020 - Appointed and training new members of staff</li> <li>17/11/2020 - Training of new staff continuing. An increase of cases completed compared to previous. Expecting next quarter results to improve due to completion of training.</li> <li>02/02/2021 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient.</li> </ul>
<b>Outstanding actions (if any)</b>	<ul style="list-style-type: none"> <li>- Ongoing roll out of i-Connect.</li> <li>28/1/19:</li> <li>- Introduce process to analyse specific employers causing problems.</li> <li>17/11/2020 - Training of new recruits to be completed this quarter.</li> </ul>
<b>Assessment of breach and brief summary of rationale</b>	02/02/2021 - Improvements have continued in Q3 and further improvements expected in Q4 as staff members become more efficient and confident. Number of cases that have breached remain too high to alter assessment of breach.
<b>Reported to tPR</b>	No

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



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

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

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

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

<b>Numbers affected</b>	2017/18: 153 cases completed / 58% (88) were in breach. 2018/19:184 cases completed / 30% (56) were in breach 2019/20: - Q1 - 33 cases completed / 24% (8) were in breach - Q2 - 41 cases completed / 34% (14) were in breach - Q3 - 49 cases completed / 26% (13) were in breach - Q4 - 42 cases completed / 28% (12) were in breach 2020/21 -Q1- 39 cases completed / 23% (9) were in breach -Q2- 52 cases completed / 38% (20) were in breach -Q3- 31 cases completed / 29% (9) were in breach
<b>Possible effect and wider implications</b>	- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from beneficiaries, particular given sensitivity of cases. - Potential for impact on CPF reputation.
<b>Actions taken to rectify breach</b>	- Further training of team - Review of process to improve outcome - Recruitment of additional, more experienced staff. 3/6/19 - Review of staff resources now complete and new posts filled. 3/2/20 - Training of additional staff now complete.
<b>Outstanding actions (if any)</b>	3/2/21 - Further work required to identify where the delay falls e.g. request or receipt of information to facilitate the calculation of benefits.
<b>Assessment of breach and brief summary of rationale</b>	02/02/2021 - Number of breaches has reduced this quarter but unfortunately so had the number of completed cases. Further work required to identify where the delay falls e.g. request or receipt of information to facilitate the calculation of benefits.
<b>Reported to tPR</b>	No

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

<b>Numbers affected</b>	2018/19: 3596 cases completed / 45% (1634) were in breach 2019/20: - Q1 - 541 cases completed / 6% (34) were in breach - Q2 - 391 cases completed / 6% (23) were in breach - Q3 - 541 cases completed / 6% (36) were in breach - Q4 - 306 cases completed / 3% (8) were in breach 2020/21 -Q1- 418 cases completed / 9% (37) were in breach - Q2 -313 cases completed / 2% (6) were in breach -Q3 - 311 cases completed / 1% (3) were in breach
<b>Possible effect and wider implications</b>	- Late notification of benefits/costs to member/employer. - Potential complaints from members/employers. - Potential for missed opportunities by members/employers. - Potential for impact on CPF reputation.
<b>Actions taken to rectify breach</b>	- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of leavers (ongoing). - Set up of Employer Liaison Team (ELT) to monitor and provide leaver details in a more timely manner. - Training of new team members to raise awareness of importance of time restraint. - Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task. - 6/6/18 - Updating KPI monitoring to understand employers not sending information in time. 3/6/19 - Review of staff resources now complete and new posts filled. 14/8/19 - Ongoing streamlining of aggregation cases with major employers. - Consider feasibility of whether tasks can be prioritised by date of leaving (no action taken). - Carrying out backlogs of previous leavers (most of which are due to i-Connect roll out).
<b>Outstanding actions (if any)</b>	- Ongoing roll out of i-Connect. - Bedding in of new staff/ training. - Contacting employers which are causing delays. 28/1/19: - Introduce process to analyse specific employers causing problems. 3/2/21 '- Start providing monthly updates of problems with employers.
<b>Assessment of breach and brief summary of rationale</b>	02/02/2021 - Percentage of breach reduced again so will maintain as green.
<b>Reported to tPR</b>	No

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

<b>Possible effect and wider implications</b>	Contributions may be being deducted by new employer even though not officially approved as a CPF employer. Members may not be aware of situation (they possibly think they are in the CPF but our records do not reflect this). Risk of reputational impact for employer and CPF. Potential complaints from employees.
<b>Actions taken to rectify breach</b>	17/11/2020 - Meeting held between originating employer, legal advisor, benefit advisor and members of CPF to resolve breach and devise action plan.
<b>Outstanding actions (if any)</b>	17/11/2020 Relevant process and forms to be completed by all parties to confirm membership in CPF, and pensions system to be updated reflecting correct membership. 02/02/2021 - Some actions remain outstanding. Reminder emails sent to employers.
<b>Assessment of breach and brief summary of rationale</b>	02/02/2021 - No changes to nature or detail of breach so assessment level remains the same.
<b>Reported to tPR</b>	No

<b>Ref</b>	A20	<b>Date entered in register</b>	03/02/2021
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Members not entered into LGPS	<b>Owner</b>	KW
<b>Party which caused the breach</b>	Employer		
<b>Description and cause of breach</b>	Number of employees entered into the Peoples' Pension, rather than the LGPS, by their employer (confidential until all employees are communicated with). Some employees did opt out of Peoples' Pension.		
<b>Category affected</b>	Active members		
<b>Numbers affected</b>	Estimated approx 30 employees		
<b>Possible effect and wider implications</b>	<ul style="list-style-type: none"> <li>- As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively.</li> <li>- Unclear if the employees who opted out, would have also opted out of the LGPS.</li> <li>- LGPS Contributions will need to be collected from employer and employee/employer conts paid into Clwyd Pension Fund in relation to retrospective period.</li> <li>- Employer will need to liaise with Peoples' Pension to reverse membership there.</li> </ul>		
<b>Actions taken to rectify breach</b>	3/2/2021 - Liaising with employer to determine how best to put employees back in correct position.		
<b>Outstanding actions (if any)</b>	3/2/2021 - Detailed plan of specific actions and communications being developed.		
<b>Assessment of breach and brief summary of rationale</b>	3/2/2021 - Small number of employees affected and still clarifying wider implications.		
<b>Reported to tPR</b>	No		

<b>Ref</b>	F35	<b>Date entered in register</b>	31 Jul 2020
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	18 Nov 2020
<b>Title of Breach</b>	No submission of contribution remittance advice	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Hafan Deg (K L Care Ltd)		

<b>Description and cause of breach</b>	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.  Contributions relating to June and July 2020 were received late but no remittance advices were received. August remittance is still outstanding.
<b>Category affected</b>	Active members and employer
<b>Numbers affected</b>	2 active members
<b>Possible effect and wider implications</b>	Unable to verify information being paid or reconcile with member year end information.
<b>Actions taken to rectify breach</b>	31/07/2020 - Emailed employer to request remittance. Escalated to Deputy Head of Pension Fund to continue dialogue in relation to this and other outstanding breaches.
<b>Outstanding actions (if any)</b>	
<b>Assessment of breach and brief</b>	18/11/20 - outstanding remittances received.
<b>Reported to tPR</b>	No

<b>Ref</b>	F36	<b>Date entered in register</b>	23 Sep 2020
<b>Status</b>	Closed	<b>Date breached closed (if relevant)</b>	18 Nov 2020
<b>Title of Breach</b>	No submission of contribution remittance advice	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Hafan Deg (K L Care Ltd)		
<b>Description and cause of breach</b>	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.  Contributions relating to August 2020 were received within the legal timescale but no remittance advice was received. September remittance is still outstanding. Previous Breach F35		
<b>Category affected</b>	Active members and employer		
<b>Numbers affected</b>	2 active members		
<b>Possible effect and wider implications</b>	Unable to verify information being paid or reconcile with member year end information.		
<b>Actions taken to rectify breach</b>	17/11/2020 - Emailed employer to request remittance. Escalated to Deputy Head of Pension Fund to continue dialogue in relation to this and other outstanding breaches.		
<b>Outstanding actions (if any)</b>			
<b>Assessment of breach and brief</b>	18/11/20 - outstanding remittances received.		
<b>Reported to tPR</b>	No		

<b>Ref</b>	F38	<b>Date entered in register</b>	21 Jan 2021
<b>Status</b>	Open	<b>Date breached closed (if relevant)</b>	
<b>Title of Breach</b>	Late payment of contributions	<b>Owner</b>	DF
<b>Party which caused the breach</b>	Hafan Deg (K L Care Ltd)		
<b>Description and cause of breach</b>	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions.  Contributions in relation to November and December 2020 were not received within the deadline. Previous Breach F37		
<b>Category affected</b>	Active members and employer		
<b>Numbers affected</b>	2 active members		

<b>Possible effect and wider implications</b>	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.
<b>Actions taken to rectify breach</b>	- 21/01/21 emailed Employer to request payment
<b>Outstanding actions (if any)</b>	Continue to try and make contact with the employer
<b>Assessment of breach and brief summary of rationale</b>	Whilst October payment was received on time, November and December are still outstanding with no response to the email requesting payment
<b>Reported to tPR</b>	No

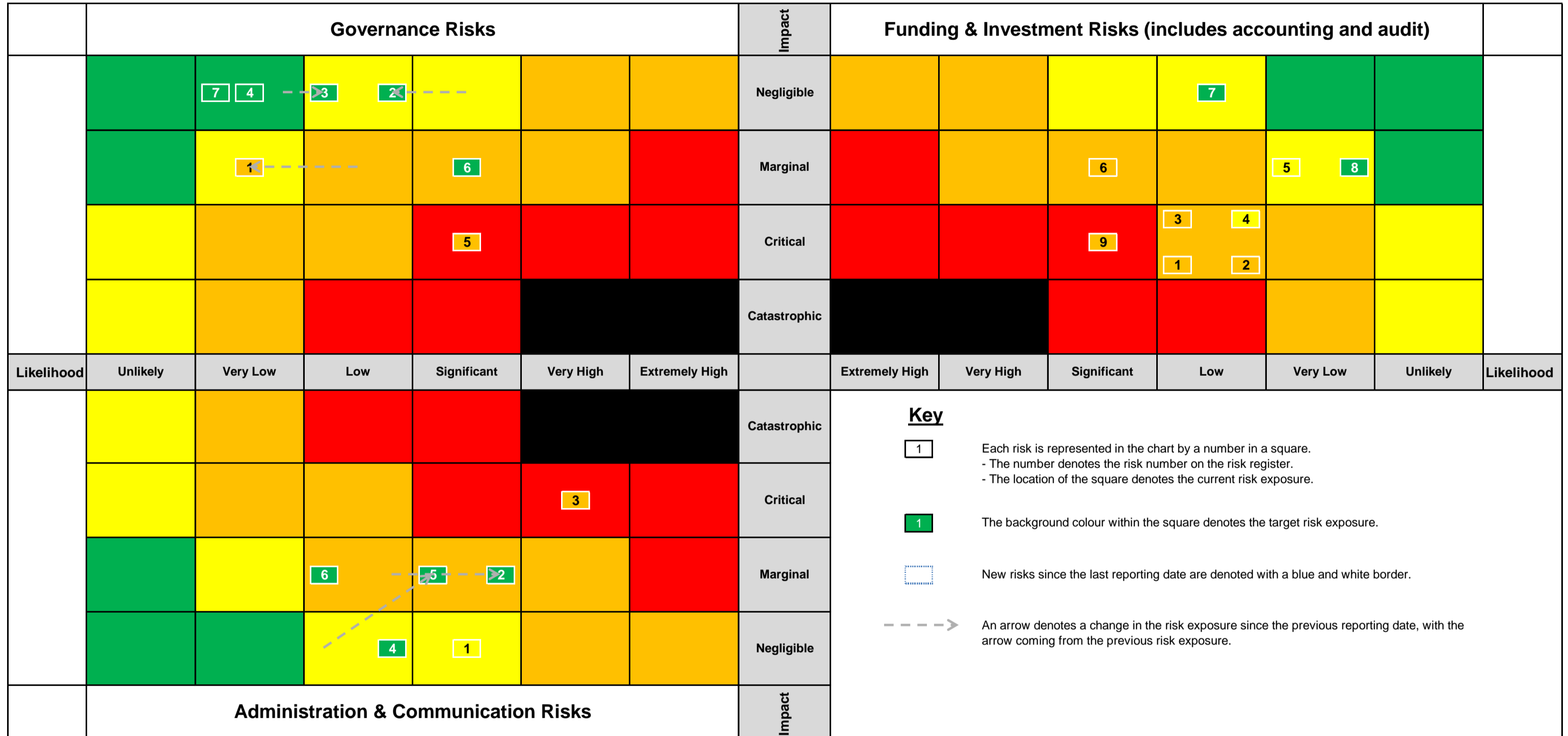
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Month	Date	Day	Committee	Training	Pension Board	Location
<b>2021</b>						
<b>January</b>	26-Jan	Tue		LGA LGPS Annual Conference		Virtual
<b>February</b>						
	10-Feb	Wed	9.30am - 11.30am			Webex
	23-Feb	Tue			9.30am - 3pm	Webex
	15- 22 Feb	various		Pension Board Seminars		
	24-Feb	Wed		WPP Review of Processes 2.00pm - 4.30pm		Virtual
<b>March</b>						
	03-Mar	Wed		Induction Training Governance 10am - 12pm		Virtual
	10-Mar	Wed		Induction Training Actuarial 2pm - 4pm		Virtual
	18 - 19 Mar	Thus / Fri		LGC Investment Summit		Virtual
	23-Mar	Tue	9.30am - 11.30am			Virtual
	31-Mar	Wed		Induction Training Investments & Funding 2pm - 4pm		Virtual
<b>April</b>						
	07-Apr	Wed		Induction Training Investment Practice 2pm - 4pm		Virtual
	21-Apr	Wed		Induction Training Administration 2pm - 4pm		Virtual
	28-Apr	Wed		Induction Training Accounting Audit & Procurement 2pm - 4pm		Virtual
<b>May</b>						
	05-May	Wed		Induction Training Communication 2pm - 4pm		Virtual
	18 - 19 May	Tues - Wed		PLSA LGPS Annual Conference		Virtual
<b>June</b>						
	09-Jun	Wed	9.30am - 11.30am			Virtual
	24-Jun	Thu			9.30am - 3pm	Virtual

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All Fund Risk Heat Map and Summary of Governance Risks



Clwyd Pension Fund - Control Risk Register

Governance Risks

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

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

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	
1	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately considered (recognising that many risks can be identified but not managed to any degree of certainty)	All	Marginal	Very Low	Yellow	1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to each PFC 3 - Advisory panel meets at least quarterly discussing changing environment etc 4 - Fundamental review of risk register annually 5 - TPR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Marginal	Low	Green	☺			None	Head of CPF	30/04/2021	26/01/2021	
2	Inappropriate or no decisions are made	Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	G1 / G2 / G3 / G4 / G5 / G6 / G7	Negligible	Low	Yellow	1 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Annual check against TPR Code 4 - Training Policy, plan, monitoring (regular self assessments) and induction training in place for PFC and PB members based on CIPFA Code/Framework 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PFC, PB and officers in their responsibilities, with formal Advisory Panel 6 - Terms of reference for the Committee in the Constitution allows for members to be on the Committee for between 4-6 years but they can be re-appointed 7 - Different categories of Committee and Board members have different end of term dates, to ensure continuity 8 - Approved schedule of officer delegations, including ability for urgent matters to be agreed outside of formal Committee (involving Chair of PFC) 9 - Regular Covid catch ups taking place with senior managers and advisers to consider/manage impact on Fund 10 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible	Negligible	Very Low	Green	☺	Current likelihood 1 too high	03/06/2019	Jun 2021	1 - Training plan for new committee members to be delivered (in progress) (PL) 2 - Further self assessment of training needs to be carried out in 2021/22 (PL)	Head of CPF	30/04/2021	26/01/2021
3	Our legal fiduciary responsibilities are not met	Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers	G1 / G2 / G4 / G6 / T2	Negligible	Low	Yellow	1 - CPF Conflicts of Interest Policy focussed on fiduciary responsibility regularly discussed and reviewed 2 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 3 - All stakeholders to which fiduciary responsibility applies represented at PFC and PB 4 - Training Policy, Plan, monitoring (regular self assessments) and induction training in place for PFC and PB members including training on fiduciary responsibility and the CPF Conflicts Policy 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PC, PB and officers in their responsibilities, with formal Advisory Panel 6 - Clear strategies and policies in place with Fund objectives which are aligned with fiduciary responsibility 7 - WPP Conflicts of Interests Policy in place	Negligible	Very Low	Green	☺	Current likelihood 1 too high	26/01/2021	Dec 2021	1 - Ensure appropriate due diligence process for investments with potential conflict (Welsh or local)	Head of CPF	30/04/2021	26/01/2021
4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	G2 / G7	Negligible	Very Low	Green	1 - Range of policies in place and all reviewed at least every three years 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually (work in progress) 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored	Negligible	Unlikely	Green	☺	Current likelihood 1 too high	01/07/2016	Mar 2021	1 - Ensure work relating to annual monitoring is completed and included in PFC papers (DF)	Dep. Head of CPF	30/04/2021	26/01/2021
5	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such scheme change (e.g. McCloud and £95k cap), national reorganisation, cybercrime, Covid-19 and asset pooling	G1 / G4 / G6 / G7	Critical	Significant	Red	1 - Continued discussions at AP, PFC and PB regarding this risk 2 - Involvement of CEO / links to WLGA and WG 3 - Fund's consultants involved at national level/regularly reporting back to AP/PFC 4 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring) 5 - Asset pooling IAA in place 6 - Officers on Wales Pool OWG 7 - Ongoing monitoring of cybercrime risk by AP 8 - McCloud planning undertaken and full programme management in place 9 - Regular Covid catch ups taking place with senior managers and advisers to consider/manage impact on Fund 10 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible	Marginal	Low	Orange	☹	Current impact 1 too high Current likelihood 1 too high	28/02/2017	Oct 2021	1 - Regular ongoing monitoring by AP to consider if any action is necessary around asset pooling, cost cap, £95k cap and McCloud judgement (PL) 2 - Ensure Board requests to JGC/OWG are responded to (PL) 3 - Identify further actions to manage Cybercrime risk (PL) 4 - Refresh and document business continuity assessments/ procedures (KW)	Head of CPF	30/04/2021	26/01/2021
6	Services are not being delivered to meet legal and policy objectives	Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades.	G3 / G6 / G7 / T1	Marginal	Significant	Orange	1 - Fundamental review of succession planning and resources carried out over 2017 to 2020 and new structures put in place 2 - Ongoing task/SLA reporting to management AP/PFC/LPB to quickly identify issues 3 - Quarterly update reports consider resourcing matters 4 - Consultants provide back up when required 5 - Additional resources, such as outsourcing, considered as part of business plan 6 - Impact of potential Covid absences being discussed regularly ensuring priority work continues unaffected	Negligible	Very Low	Green	☹	Current impact 1 too high Current likelihood 2 too high	01/07/2016	Oct 2021	1 - Recruit to vacant governance and business role (PL) 2 - Ongoing consideration of business continuity (PL) 3 - Continue training of new and newly promoted staff (PL)	Head of CPF	30/04/2021	26/01/2021
7	Legal requirements and/or guidance are not complied with	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches)	G3 / G6 / T1 / T2 / B1 / B2	Negligible	Very Low	Green	1 - TPR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliance areas (relevant individuals provided with a copy and training provided) 4 - Training policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures 7 - Strategies and policies often included statements or measures around legal requirements/guidance 8 - Wide range of advisers and AP in place 9 - Independent adviser in place including annual report which will highlight concerns 10 - Outstanding actions relating to TPR Code reviewed regularly	Negligible	Very Low	Green	☺			1 - Further documented processes (as part of TPR compliance) e.g. contribution payment failure (DF)	Head of CPF	30/04/2021	24/09/2020	

Page 52



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 10 February 2021
<b>Report Subject</b>	Administration and Communications Update
<b>Report Author</b>	Pensions Administration Manager

### EXECUTIVE SUMMARY

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

This update includes matters that are mainly for noting, albeit comments are clearly welcome. The only matter for approval is changes to some of the timescales relating to business plan items (some of which are due to delays or changes in guidance or regulations at a national level).

The report includes updates on:

- Current Developments and News – this includes updates relating to software testing, data improvement plans and new efficiencies across the team
- Day to day tasks and key performance indicators – showing the position to end of December 2020
- Communications – Details of the 1-2-1 member engagement sessions, an update on the usage of the Fund's Member Self-Service (MSS) facility and details of employer engagement and communications sent
- Update to the Fund's risk dashboard and changes to the administration and communications risks since the last meeting including the consideration of the £95k cap into existing risks.

### RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee approve the extension of the timescales in relation to a number of actions within the Business Plan as outlined in paragraph 1.01.

## REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS
1.01	<p data-bbox="320 322 783 353"><b>Business Plan 2020/21 Update</b></p> <p data-bbox="320 394 1358 533">Progress against the business plan items for quarter three of this year is positive for the majority of items but slightly behind in some areas as illustrated in Appendix 1. Key items to note relating to this quarter's work are as follows:</p> <ul data-bbox="320 577 1382 2083" style="list-style-type: none"><li data-bbox="320 577 1382 1196">• A1 Implement Survivor Benefit Changes – There has been no progress on this since the last update due to delays in information being issued by LGA and MHCLG. This area of work is as a result of the changes to the regulations in respect of the calculation of and entitlement to surviving partner pensions in respect of Civil Partners or same sex marriages and the outcome of Elmes versus Essex High Court Ruling. Deceased members who may have a surviving partner entitled to a benefit under the new rulings have been identified. Processes and letters have been drafted and we are still currently awaiting further guidance from the LGA on how to proceed with these cases. As mentioned in previous updates a further case, Goodwin versus the Department for Education, has highlighted that previous changes to regulation may now lead to further discrimination within the Teachers' Pension Scheme and other public service pension schemes (including the LGPS). The MHCLG consultation on the Goodwin changes is also still outstanding. As a result of these national delays this work clearly will now fall into 2021/22.</li><li data-bbox="320 1205 1382 1608">• A2 GMP Reconciliation – This exercise was outsourced to Equiniti and has continued to progress well despite the recent challenges. The rectification part of the exercise is now nearing completion with all of the letters having been sent to the affected members informing them of the amendments to their pension benefits. Due to the complexity of some these cases, the final stages of the reconciliation project took slightly longer than expected. Any remaining amendments to pension and administration system updates were actioned in January. A final member data comparison exercise is due to be completed by the end of February with any amendments also to be completed by then, bringing the exercise to a successful end.</li><li data-bbox="320 1617 1382 1863">• A3 i-Connect – Good progress is being made towards having all employers' on-board and submitting active member data electronically every month. The focus for Q3 and continuing into Q4 is to on-board all remaining employers either prior to, or part of the year end process. The remaining employers cover only 4% of Fund membership. I-connect data verification reports and continuous data cleaning processes are also being developed which will improve data quality.</li><li data-bbox="320 1872 1382 2083">• A4 Improve employer monitoring and engagement - This project involves developing a clear process for identifying what employers are doing well and also where issues exist. The Fund will provide information to the employers on their performance, and introduce more formal escalation procedures where required. Due to the complex reporting required to capture individual employer data, the timescales</li></ul>

	<p>for this item have slipped slightly. Reports are expected to be finalised by the end of Q4 and will be shared with employers in line with the new financial year.</p> <ul style="list-style-type: none"> <li>• A5 Fundamental review of all Fund communications - The Fund has a wide range of standard forms, booklets, and leaflets as well as information on websites and other media. A fundamental review of all communications will be done to ensure they are presented in a manner that meets the Fund's Communication Strategy. A review of the website has already commenced to ensure it meets the national standards for website compliance. This action will now need to continue into 2021 and incorporate A13 and A14. This will allow for the recruitment of the new Lead Website and Technical Development officer whom will primarily be responsible for the co-ordination and completion of these exercises.</li> <li>• A8 McCloud and Cost Cap – The McCloud programme is now taking place and a separate update is included later in this report</li> <li>• A10 Develop Under/Over Payment Policy - 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. The Fund have developed a policy to coincide with the GMP reconciliation exercise which has resulted in a number of benefits being recalculated. Although initially due to be complete in Q3, the review of the policy has taken longer than expected due to other pressures and will now be ready for consideration by the Committee at the March meeting.</li> <li>• A17(a) Other Expected National Changes – £95k cap – This is a fundamental change in legislation which could impact the pension and redundancy benefits paid to scheme members who are made redundant or retired on business efficiency grounds, by capping the total value of their early leavers payments (including any strain on the fund payment) to £95k. Unfortunately the timing of the change means that MHCLG have not yet made amending regulations to clarify how this will impact the LGPS. Judicial reviews are being planned for the Spring of 2021 and the MHCLG amendment regulations are not expected until after that point. Fortunately the Fund hasn't had any members that have breached the £95k cap as yet but in the interim the Fund will continue to review each case. This situation may continue into 2021/22 and the business plan has been updated accordingly.</li> </ul>
1.02	<p>The Committee is asked to approve an extension of timescales for the completion of the following:</p> <ol style="list-style-type: none"> <li>1. review of all Fund communications</li> <li>2. implementation of processes in relation to the £95k cap and wider reform.</li> </ol>
1.03	<p><b>Current Developments and News</b></p> <p>The following details additional developments and news that are not covered in the Business Plan section:</p> <p><i>McCloud Programme update</i></p> <ul style="list-style-type: none"> <li>• LGPS Consultation/Regulations - As reported to the last Committee, the Clwyd Pension Fund response to the MHCLG consultation on the</li> </ul>

proposed changes to the LGPS statutory underpin protection to remove the unlawful discrimination found in the McCloud and Sergeant court cases was submitted on 8 October 2020. MHCLG has not yet publicly responded to the consultation feedback, and it is unclear when final regulations will be made, as the required changes to the Public Service Pensions Act could impact on the delivery timescale of the LGPS amendment regulations. A ministerial statement providing an update is expected to be issued in February 2021 and it is hoped this will provide greater clarity on timescales and perhaps also on some high-level points expected in the amendment regulations. MHCLG has informally advised that administering authorities should commence data collection in the meantime.

- CPF McCloud Programme Progress - An update on the progress of the Clwyd Pension Fund McCloud programme is attached at Appendix 2. The programme currently has an overall health status of green, meaning that it is largely on track. The update report shows that the programme is currently focussing on data collection with employers including having one to one meetings with employers to discuss the requirements. The programme is also considering data checking and validation procedures for when data is received from employers. It is expected that the administration software toolkit to assist in collating data into the administration system provided by Heywood is not likely to be available as soon as hoped. The team have received a test version of the administration software toolkit and are currently working with Heywood (the software administration provider) to gain clarity on what the toolkit will provide, and the data checking procedures and validations that the toolkit will carry out, to ensure the programme is not delayed unnecessarily. However, any delay in the amendment regulations being made could further delay changes to the administration software, resulting in an impact on delivery of the programme timescales.

#### *Other updates*

- The Operations team have completed a review of a number of processes including aggregation of multiple LGPS memberships, deferment of benefits on leaving and setting up a new joiner to the Fund. This is to ensure efficiency, effectiveness and the correct level of staff being responsible for the correct stage of the process. Improvements are already being noticed with the number of outstanding cases now at its lowest since reporting began.
- The Technical and Payroll team have successfully completed the testing to provide Pensioner and Dependant members with an electronic version of their monthly payslip to replace the hard copy payslips which are produced if there is a change in pay of £5 or more. In addition a notification will be included on the Pensioner and Dependents P60s this year advising members that their P60 will be provided electronically only in future years, starting from next year. If a member opts to receive paper correspondence, then a paper copy will continue to be sent via their preferred communication method. Team members continue to attend Technical and Payroll user groups (virtual meetings) and are key participants of vital testing programmes that are currently underway with Heywoods.
- The Administration team have collectively developed the data improvement plan for 2020/21 in readiness for the annual review of



	<p>common and scheme specific data for all pension schemes by The Pension Regulator (TPR). This continues to be an important addition to business as usual, and the results of the time and effort that is dedicated to this has led to improved TPR scores over recent years. The data analysis by the Fund Actuary has also identified that the 2020 data cleansing exercise has resulted in the liabilities assumed due to data issues being reduced by c£4m. The future data improvement plan will be presented to the Pension Board at the next meeting and progress against plan monitored through the year.</p> <ul style="list-style-type: none"> <li>• The Pension Administration Manager has continued to attend meetings with fellow Pension Administration Managers and Industry Specialists. The main agenda items for these meetings include the well-being and productivity of staff members during the current working from home conditions and the impact that the McCloud ruling will have upon administration.</li> <li>• The Communications team have successfully liaised with FCCs internal central dispatch department and organised new processes for the receipt and allocation of paper post. This has reduced the need for team members to go to County Hall on a regular basis to allocate post accordingly. Other efficiencies in relation to external outgoing printing and posting are also being discussed and tested.</li> <li>• The Communications team have provided additional support recently to a number of employers with TUPE queries. This is a difficult and complicated area and has required a significant amount of time and expertise to ensure the correct guidance is given.</li> <li>• There have been a number of Town and Community Councils that have joined the scheme recently. The administration team has collectively supported these new employers with the appropriate training and guides provided.</li> <li>• The Employer Liaison Team are currently working together with FCC IT colleagues to develop a solution to assist FCC payroll to extract and manipulate member data. This is in response to the McCloud ruling requirements. If successful, this will encourage future collaborations and pooling of specialist knowledge and resource for future projects.</li> <li>• In January the Administration team, in conjunction with Heywoods successfully completed a disaster recovery test. The Administration team will continue to develop internal tests and processes as part of the Business Continuity work which will be included in the 2021/2022 Business Plan.</li> </ul>
1.04	<p><b>Policy and Strategy Implementation and Monitoring</b></p> <p><i>Administration Strategy</i></p> <p>The latest monitoring information in relation to administration is outlined below:</p> <ul style="list-style-type: none"> <li>• Day to day tasks – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis to December 2020 since April 2017 as well as how this is split in relation to our three unitary authorities and all other employers. The number of tasks being completed by the team increased in October and November, reducing in December which reflects the office shutdown and additional annual leave that is typically taken during the Christmas period. The number of outstanding cases is at its lowest and continues to fall. Training</li> </ul>

continues with the newly appointed staff members (detailed below), and once complete will improve the time taken to complete cases thus having a positive impact on the overall number of cases being completed.

- Key performance indicators – Appendix 4 shows our performance against the key performance indicators that are measured on a monthly basis up to December 2020. The charts illustrate that there continues to be fluctuation in performance recently. This is as a result of a number of factors:
  - the recruitment to backfill the vacant posts within the operations team following the transition to the McCloud team
  - training requirements of new staff members in a virtual environment
  - delays in receiving information from members and employers during the lock down period
  - staff utilising their annual leave entitlement during the Christmas period
  - a significant number of staff members have sadly lost family members over the last few months and this has had a direct impact on performance and morale, as well as resulting in some absences.
- The continuation of training facilitates the completion of different types of cases by more staff members. The fluctuation of performance against KPI targets will also improve. Focus continues on improving the legal requirements timescales with particular focus on informing the employer (see A4 on Business Plan) if they have achieved/not achieved the agreed timescales as stipulated in the Administration Strategy.

1.05 *Internal dispute resolution procedures*

In relation to the cases outstanding for 2019/2020:

- Since the last update, the same three Stage One appeals against employers, are outstanding. Further medical evidence has been requested in order for final appeal decisions to be made, but the pandemic is causing delays with this. Of these three cases, two are against the tier awarded for ill health retirement and one is against the fact that ill health retirement was not awarded at all.
- There are no Stage Two appeals outstanding.

In relation to the cases outstanding for 2020/2021:

- There are three Stage One appeals against employers for non-award of ill health retirement. These appeals are currently ongoing.
- There is one Stage Two appeal against the employer regarding the tier of ill health retirement that was awarded by the employer. This appeal has been rejected.

	2019/20			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	9	1	5	3
Stage 1 - Against Administering Authority	2		2	
Stage 2 - Against Employers	1		1	

	<table border="1"> <tr> <td>Stage 2 - Against Administering Authority</td> <td>0</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td colspan="3">2020/21</td> </tr> <tr> <td></td> <td></td> <td>Received</td> <td>Upheld</td> <td>Rejected</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Ongoing</td> </tr> <tr> <td>Stage 1 - Against Employers</td> <td>3</td> <td></td> <td></td> <td>3</td> </tr> <tr> <td>Stage 1 - Against Administering Authority</td> <td>0</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Stage 2 - Against Employers</td> <td>1</td> <td></td> <td>1</td> <td></td> </tr> <tr> <td>Stage 2 - Against Administering Authority</td> <td>0</td> <td></td> <td></td> <td></td> </tr> </table> <p>There are no CPF cases that are currently with the Pensions Ombudsman.</p>	Stage 2 - Against Administering Authority	0						2020/21					Received	Upheld	Rejected					Ongoing	Stage 1 - Against Employers	3			3	Stage 1 - Against Administering Authority	0				Stage 2 - Against Employers	1		1		Stage 2 - Against Administering Authority	0			
Stage 2 - Against Administering Authority	0																																								
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		Received	Upheld	Rejected																																					
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Stage 1 - Against Administering Authority	0																																								
Stage 2 - Against Employers	1		1																																						
Stage 2 - Against Administering Authority	0																																								
1.06	<p><i>Communications Strategy</i></p> <p>The Communications Team has continued to increase engagement with employers during recent months. The following communications have been provided since the last update:</p> <ul style="list-style-type: none"> <li>• Twenty-five emails have been sent to all employers providing information in relation to McCloud, exit payment reform (including the £95k cap), employer flexibilities and Covid-19 FAQs.</li> <li>• The Penpal Newsletter was issued to all active, deferred and pensioner members providing information relating to McCloud, an update on Covid-19 and a financial overview of the Fund. This was also provided to employers.</li> <li>• Requests to employers to confirm if they believe they are in or out of scope of the £95k cap ruling.</li> <li>• Meetings with employers to discuss the TUPE transfer process have taken place along with some individual on-line employer training sessions.</li> </ul>																																								
1.07	<p>Other key points in relation to communications include:</p> <ul style="list-style-type: none"> <li>• The member requests for 1-2-1 sessions that are offered to members as part of the Annual Benefit Statement communication was lower than usual this year (195 compared to 490). Discussions with employers are taking place to establish if the 1-2-1 sessions were promoted as well as previous years. Another aspect to consider is that the meetings were held virtually this year and members may have preferred the face to face option.</li> <li>• Of the 195 1-2-1 appointments made, 19 members did not turn up to the virtual meeting.</li> </ul>																																								
1.08	<p>Appendix 5 provides an updated summary of Member Self Service (MSS) registered users, which illustrates that enrolment to Member Self Service continues to grow. A further 457 members have registered since the last update taking the total number of registered members to 12,020. The recent upgrade of functionality for deferred members to request retirement information described in the previous update is proving a useful addition to members; 226 members have requested a retirement pack for their deferred benefit via MSS as opposed to email/post/telephone in the period from 1/10/20 to 31/12/20. The benefit projector continues to be a very popular function with 6,821 benefit projections having been calculated by members in this last period. There have also been 305 changes to member's Expression of Wish details. The Fund is planning a further exercise to try and increase registration numbers whilst maintaining</p>																																								

	engagement with members. Further updates will be provided in future reports.
1.09	<p><b>Delegated Responsibilities</b></p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegations have been used since the last Committee.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>Following the successful transition of four staff members from the Operations team to the McCloud team in July, all substantive positions have been filled and training is well under way. All new appointments have integrated well with the team despite the new virtual environment in which we are currently working.</p> <p>The review of the Technical and Payroll team resulted in the addition of two new positions. The recruitment to the new Lead Payroll Officer is complete and was filled with an internal promotion. Recruitment is now underway to fill their substantive post. The recruitment to the new Lead Website and Technical Development Officer has resulted in the appointment of a FCC graduate trainee. Both appointees provide excellent knowledge and skill in their respective areas.</p> <p>Recruitment is underway to replace a Pension Officer who has resigned within the Employer Liaison Team (ELT). The existing Pension Officer is leaving to pursue other opportunities. Recruitment is also underway to fill a separate vacant part-time Pension Assistant role also within the ELT.</p> <p>Staffing levels will be continuously reviewed within the McCloud, ELT and Administration teams, and consideration given in relation to potential peaks in workload as the McCloud Programme progresses.</p>

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>Appendix 6 provides the dashboard and the extract of administration and communications risks. The key risks continue to relate to:</p> <ul style="list-style-type: none"> <li>• Risk number 2 - Employers not understanding or meeting their responsibilities which could lead to us being unable to meet our legal or</li> </ul>

	<p>performance expectations. Increased engagement with employers has kept the risk likelihood low, but external factors such as working from home and McCloud means the impact is still a marginal risk,</p> <ul style="list-style-type: none"> <li>• Risk number 3 - The Fund not meeting legal and performance expectations due to external factors such as unexpected work increases due to regulation changes. The impact of McCloud and the delay in regulations concerning the £95k cap and exit reform confirms this as a key risk.</li> <li>• Risk number 5 - High administration costs and/or errors due to service provision being interrupted, systems not kept up to date or not utilised appropriately. This risk relates in particular to the performance of the software and the ability of the provider to respond to regulation changes such as McCloud, the £95k cap and exit payment reform that now causes a potential risk. If delays in solutions are experienced, manual calculations may be required and the system may not be utilised as expected for a period of time.</li> </ul>
4.02	<p>Since the last update, all of the risks have had their target date updated to be October 2021 and a number of the internal controls and outstanding actions have been updated. These changes are in the main due to the ongoing uncertainty around McCloud and the £95k cap legislation as outlined previously in this report. In addition, the following risks have had their likelihood or impact scores changed:</p> <ul style="list-style-type: none"> <li>• Risk number 2 – unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues: employers don't understand or meet their responsibilities and also don't allocate sufficient resources to pension matters. The current likelihood of this happening has been increased from low to significant. Whilst confident that data is being received in a timelier manner due to the provision of data monthly via i-Connect, the change in risk relates to the uncertainty around Covid-19 related absences amongst employer staff members. An annual review of SLA communications with employers has been added as a new action. This is to ensure employer understanding in relation to their legal requirements and responsibilities.</li> <li>• Risk number 5 - high administration costs and/or errors, including utilisation and efficiency of processes and systems. The current impact has increased from Negligible to Marginal, and the impact increased from Low to Significant. Both of these changes have resulted in the current risk status increasing to Amber. These changes reflect the challenges that Heywood face to develop software solutions and enhancements in relation to McCloud and the £95k cap. If not developed in a timely manner the system will not be utilised appropriately. This risk will be monitored and reviewed as regulations are confirmed. A review of the Technical team is now complete so this action has now been removed.</li> </ul>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – Business Plan update 2020/21  Appendix 2 – McCloud Programme update report  Appendix 3 – Analysis of cases received and completed  Appendix 4 – Key Performance Indicators</p>

	Appendix 5 – Member Self Service update Appendix 6 – Risk register update
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<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Report to Pension Fund Committee – Business Plan 2020/21 to 2022/23  <b>Contact Officer:</b> Karen Williams, Pensions Administration Manager <b>Telephone:</b> 01352 702963 <b>E-mail:</b> karen.williams@flintshire.gov.uk


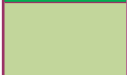


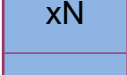

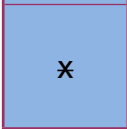
<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) <b>LPB or PB – Local Pension Board or Pension Board</b> – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) <b>TPR – The Pensions Regulator</b> – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.</p> <p>(g) <b>SAB – The national Scheme Advisory Board</b> – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.</p> <p>(h) <b>MHCLG – Ministry of Housing, Communities and Local Government</b> – the government department responsible for the LGPS legislation.</p>

# Business Plan 2020/21 to 2022/23 – Q3 Update

## Administration and Communications

### Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
	Item added since original business plan
	Period moved since original business plan due to change of plan /circumstances
	Original item where the period has been moved or task deleted since original business plan

Ref	Key Action -Task	2020/21 Period				Later Years		
		Q1	Q2	Q3	Q4	2021/22	2022/23	
A1	Implement Survivor Benefits Changes	x	x	xM	xM	xM		
A2	GMP Reconciliation	x	x					
A3	i-Connect	x	x	xM	xM			
A4	Improve employer monitoring and engagement	x	x	x				
A5	Fundamental review of all Fund communications	x	x	x	x	xM		
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	x
A9	National Pensions Dashboard	x	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	x
A16	Preparation of Member Data for Valuation and Funding Reviews						x	x
A17	Other Expected National Changes (dates unknown)							
A17a	£95k cap and wider reform			xN	xN	xM		



## **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
--	----------------

### 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.

## A17a - £95k Exit Cap and Wider Reform

A £95k cap was introduced at the end of 2020 by HMT that applies to all public service pension schemes. This put a £95k limit on the total of exit payments, such as redundancy payments, for members leaving the scheme. It also includes pension fund strain costs within the calculation of the cap.

Unfortunately MHCLG has not yet made amending regulations to clarify how this impacts benefits paid from the LGPS. Current LGPS regulations require immediate payment of unreduced pension benefits when a member is made redundant, which in turn might push an employee over the £95k cap. It is therefore unclear whether LGPS members affected by the £95k cap should:

- Be paid immediate unreduced pension benefits (i.e. in line with LGPS regulations), or
- Given the option of immediate reduced pension benefits or a deferred pension (to meet the requirements of the new HMT regulations) or
- Be provided with some other option.

Welsh Government has put in place a waiver process that should reduce the number of scheme members being impacted by this until MHCLG regulations are made. Judicial reviews are being planned for the Spring of 2021 and the MHCLG amendment regulations are not expected until after that point.

The MHCLG draft amendment regulations included a number of changes that will quite radically change the choices for scheme members as well as the payments that employers can pay on redundancy or business efficiency related terminations. If they are introduced this will result in the need to make some quite major changes to the



Fund's systems, processes and communications, and may result in some temporary workarounds until the administration system can be updated. The timescales for this are uncertain and are estimated below.

**Timescales and Stages**

Update systems, processes and communications	2021/22 Q1 & 2
Carry out initial communication exercises on changes	2021/22 Q1

**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.

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# **Clwyd Pension Fund McCloud Programme Update**

Page 75

**Prepared for:** Pension Fund Committee (PFC)






**Prepared by:** Aon

January 2021

# High level Programme Plan

Key	Description
■	Completed
■	On track
■	Overdue
■	At risk
■	Not started

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

Key	Description
	Completed
	On track
	Overdue
	At risk
	Not started

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

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

**Key deliverables 1 December 2020 to 31 March 2021**

Programme workstream deliverables / Description	Responsibility	Sign off	Deadline	Notes	Status
<b>1. Data collection – templates and piloting</b> i. Data decision process and collection protocol ii. Continue data collection with pilot employers	Data & communications workstreams	PMG	31 January 2021	Data collection documents approved in draft. Meetings with pilot employers in progress - final sign off of documents following pilot meetings.	In progress
<b>2. Data collection – attend employer 1 to 1 sessions</b>	Data workstream	n/a	26 February 2021	Meetings currently being arranged (mostly taking place in January / February 2021)	In progress
<b>3. Data collection - checking and validations</b>	Data workstream	n/a	Ongoing	Data team to agree process around data validations	In progress
<b>3. Heywood toolkit</b> i. Further clarification of capability and timescales ii. Draft version of toolkit	Data workstream	PMG	TBC	Working with Heywood to seek clarification of toolkit capability and timescales	At risk
<b>4. Consultation outcome announcement / ministerial statement</b>	n/a	n/a	Expect by 28 February 2021	Delay in consultation outcome. As interim step, ministerial statement expected in February. Following this, changes may be required to programme scope.	Overdue
<b>5. Programme meetings</b> i. PMG meetings (monthly to 6 weeks) ii. Steering Group meetings (quarterly) iii. Workstream meetings (frequency varies)	Programme Manager	n/a	Ongoing	Agree appropriate time to commence other workstream meetings	In progress

## Programme success criteria (SC)

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

## Programme Risks (1 of 2)

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

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Success criteria at risk	Current risk impact	Current risk likelihood	Current risk status	Proposed controls in place	Target risk impact	Target risk likelihood	Target risk status
1	Unable to identify members in scope	In-scope members cannot be identified with 100% accuracy, leading to some members being excluded from scope, and others included who shouldn't be.	Data Workstream	SC1	Marginal	Significant (50%)	Red	<ol style="list-style-type: none"> <li>1. Review member selection criteria and methodology.</li> <li>2. Sample check members in scope and out of scope.</li> <li>3. Engage with Heywood to check plans for identifying members</li> </ol>	Negligible	Unlikely (5%)	Green
2	Poor engagement from Employers / lack of understanding	Employers do not engage in a timely manner leading to data issues and delays	Data Workstream	SC1, SC2, SC8	Critical	Significant (50%)	Red	<ol style="list-style-type: none"> <li>1. Early engagement with employers to obtain buy-in.</li> <li>2. Initial virtual meeting to improve engagement.</li> <li>3. One to one engagement, with potential ELT engagement.</li> <li>4. Consider seeking verification of understanding through a signed compliance statement.</li> <li>5. Training through employer webinars.</li> </ol>	Negligible	Unlikely (5%)	Green
3	Unable to load data efficiently and accurately, and in a timely manner	Data cannot be loaded onto the system in an efficient, accurate and timely manner, leading to project delays or issues with the underpin calculation.	Data Workstream	SC1, SC2, SC8	Critical	Very High (65%)	Red	<ol style="list-style-type: none"> <li>1. Early engagement with Heywood on a one to one basis.</li> <li>2. Initial virtual meeting and ongoing one-to-ones with employers to highlight strict data requirements/formats.</li> <li>3. Consider seeking verification of understanding through a signed compliance statement.</li> </ol>	Negligible	Unlikely (5%)	Green
4	Detrimental impact on BAU	Due to delivery of the programme, there is a resulting detrimental impact on BAU resource	Programme Management Group	SC7	Critical	Significant (50%)	Red	<ol style="list-style-type: none"> <li>1. Thorough programme planning, scoping of work and recruitment programme at programme kick off.</li> <li>2. Forward planning and ongoing monitoring of resource requirements.</li> <li>3. Concern raised and action taken as matter of urgency.</li> <li>4. Flexibility to utilise resource (including training or physical resource) from consultants if required.</li> <li>5. Reference of all stakeholders to roles and responsibilities document.</li> <li>6. Strong engagement with software supplier looking for alternative efficiencies.</li> </ol>	Negligible	Very Low (15%)	Green

## Programme Risks (2 of 2)

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Success criteria at risk	Current risk impact	Current risk likelihood	Current risk status	Proposed controls in place	Target risk impact	Target risk likelihood	Target risk status
5	Insufficient or inappropriate resources	Inability to source appropriate resources required to deliver the programme deliverables (including data uploading) in the required timescales	Programme Management Group	SC8	Catastrophic	Significant (50%)		<ol style="list-style-type: none"> <li>1. Thorough programme planning, scoping of work &amp; recruitment programme at programme kick-off.</li> <li>2. Forward planning and ongoing monitoring of resource requirements.</li> <li>3. Concern raised and action taken as matter of urgency.</li> <li>4. Flexibility to utilise resource (including training or physical resource) from consultants if required.</li> <li>5. Reference of all stakeholders to roles &amp; responsibilities document.</li> <li>6. Strong engagement with software supplier looking for alternative efficiencies.</li> <li>7. Build resourcing plan (discussed &amp; agreed with ERs) &amp; understanding staff skill</li> <li>8. Monitoring resource of AH's team once more info on toolkit provided</li> <li>9. Consideration of external resource.</li> </ol>	Negligible	Very Low (15%)	
7	Cloud Data Collection	Unable to collect required data in full from employers in a timely manner	Programme Management Group	SC2, SC4, SC7	Critical	Significant (50%)		<ol style="list-style-type: none"> <li>1. Early engagement with employers to obtain buy-in.</li> <li>2. Initial virtual meeting to improve engagement.</li> <li>3. One to one engagement, with potential ELT engagement.</li> <li>4. Consider seeking verification of understanding through a signed compliance statement.</li> <li>5. Training through employer webinars.</li> </ol>	Negligible	Unlikely (5%)	
30*	Heywood toolkit – not fit for purpose or delay in provision or service	Inability to identify aggregation cases leading to inaccurate benefit calculations and / or delay to provision of toolkit resulting in programme delays or detrimental impact on programme resourcing	Data Workstream	SC2, SC3, SC8	Critical	Significant (50%)		<ol style="list-style-type: none"> <li>1. Pressure on Heywood client manager to come up with a feasible solution</li> <li>2. Stop deleting status 8s</li> <li>3. Try to identify cases to come up with an action plan if Heywood cannot come up with a workable solution (potentially liaise with other funds</li> <li>4. Work out overlapping cases.</li> </ol>	Negligible	Unlikely (5%)	

*\*Note this risk has been added since the previous update*



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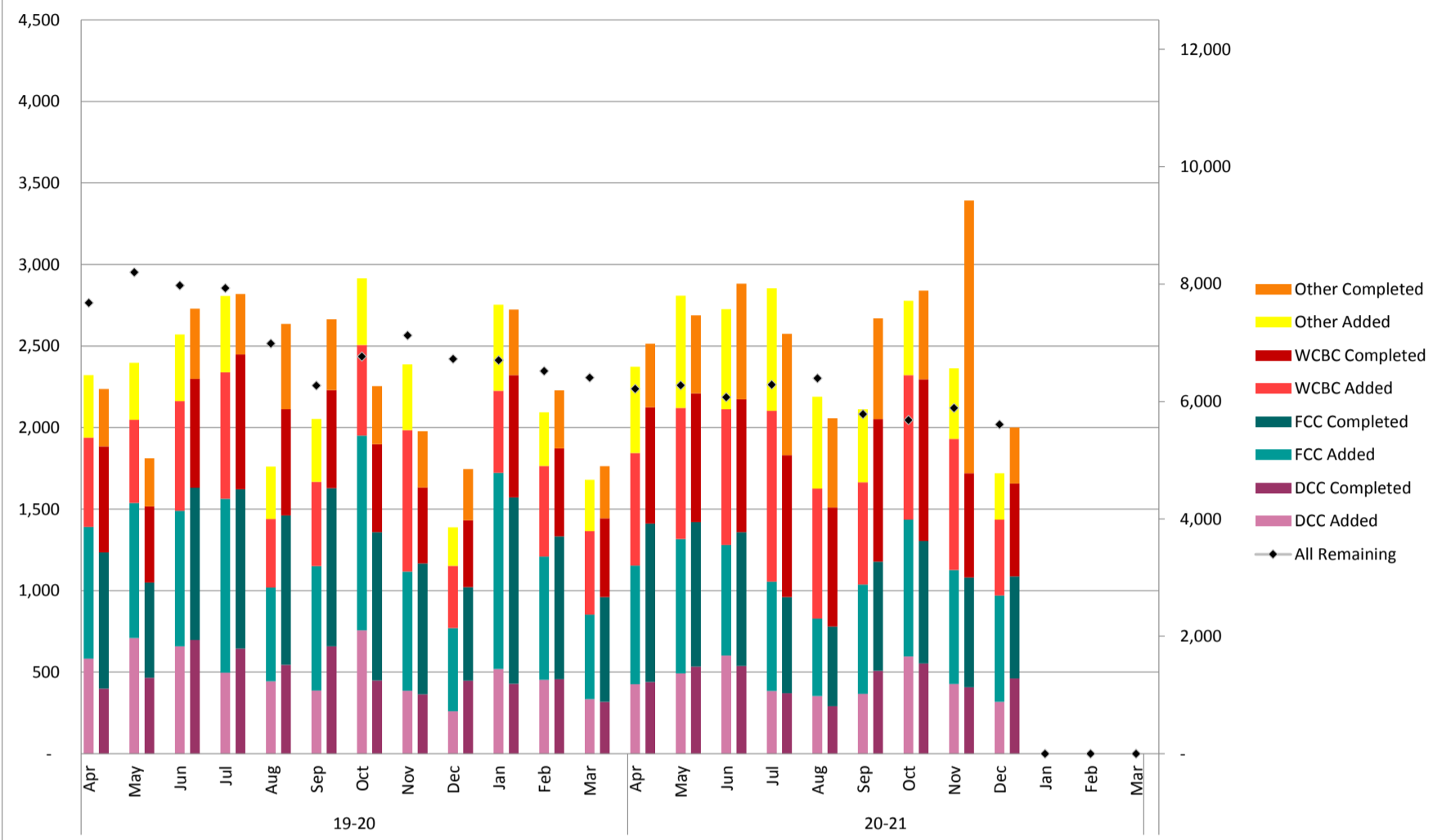
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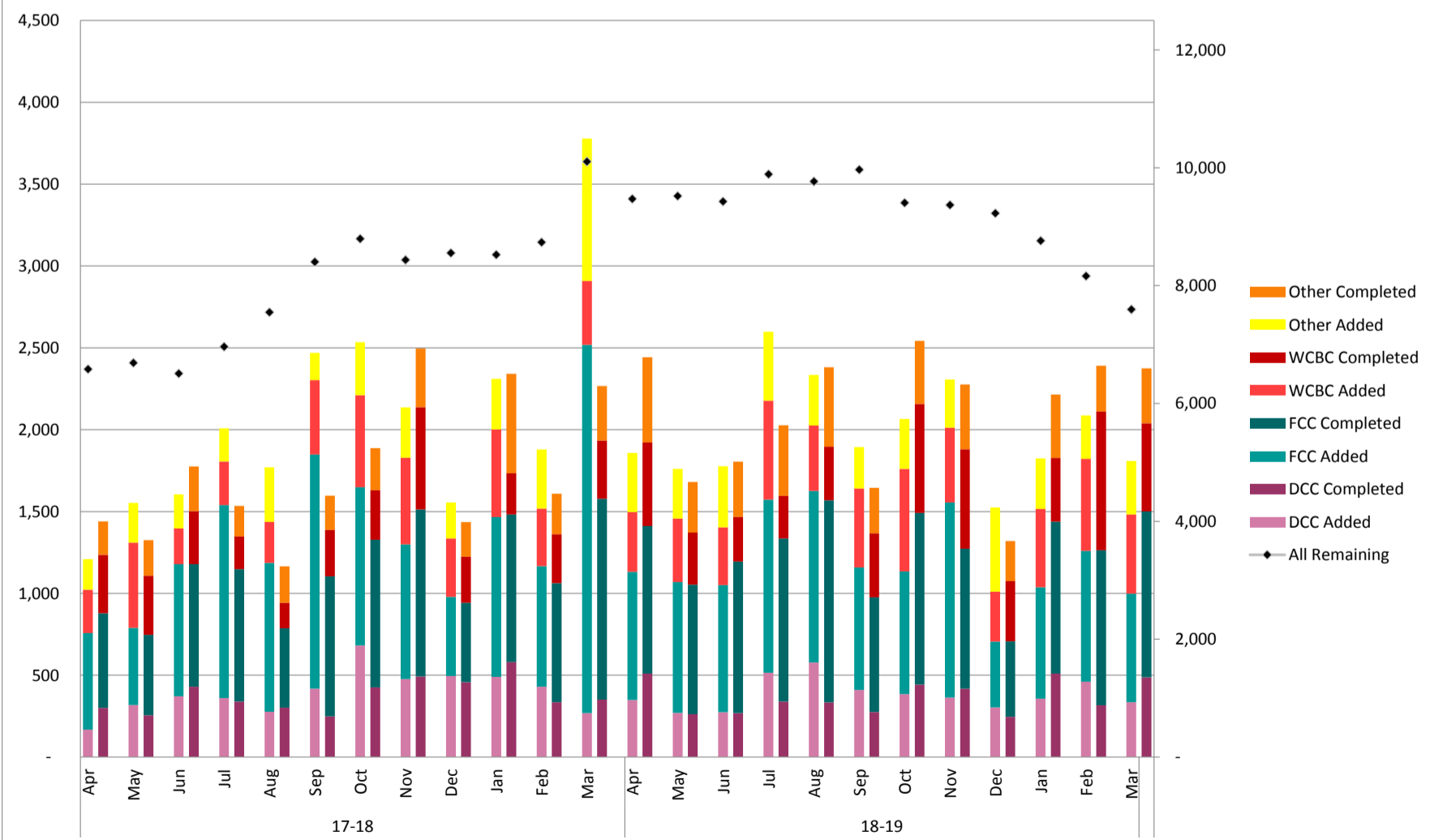


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**Case Levels – Current and Previous Year**



**Case Levels – Historical**



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## Key Performance Indicators

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

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

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

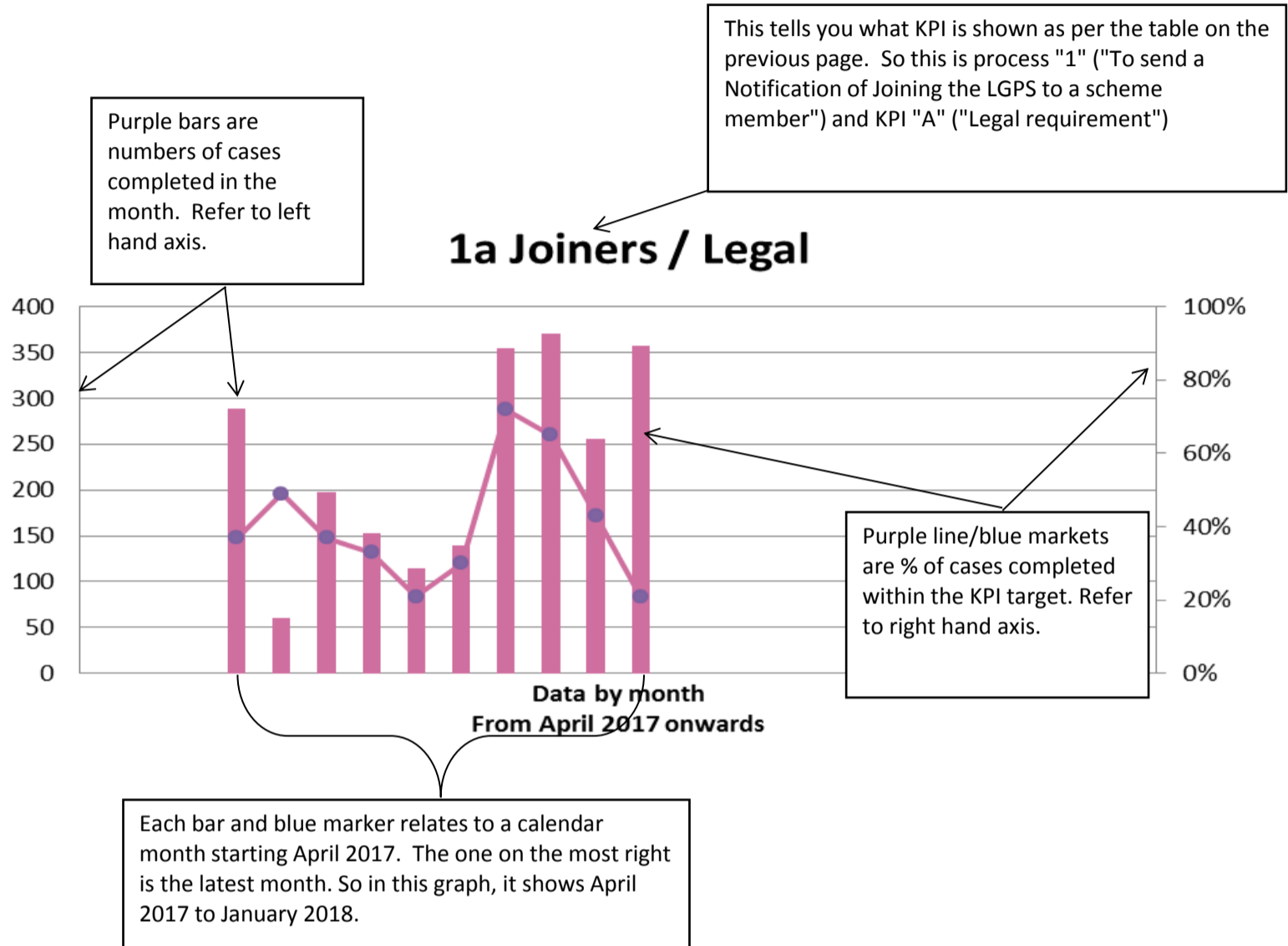
		A	B	C
	Process	Legal Requirement	Overall	CPF Administration element target
1	To send a Notification of Joining the LGPS to a scheme member	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being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

**Interpretation of graphs**

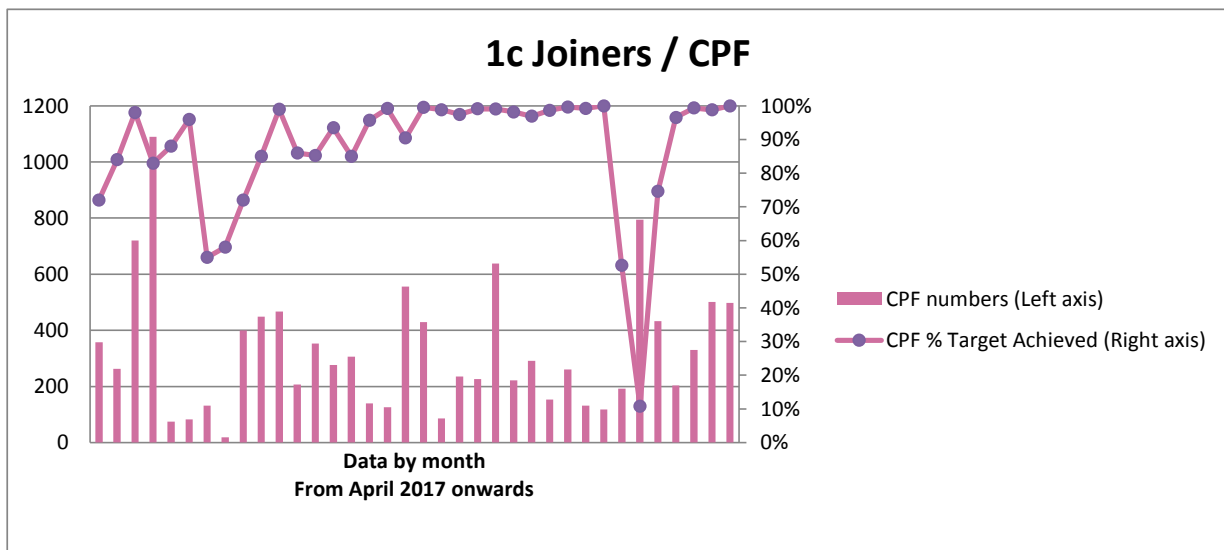
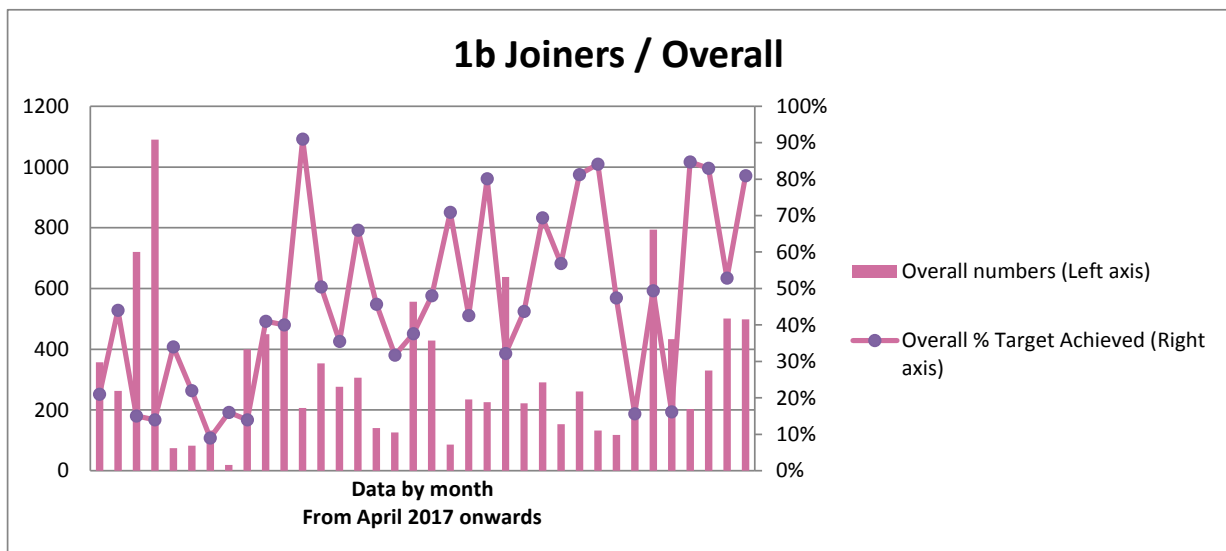
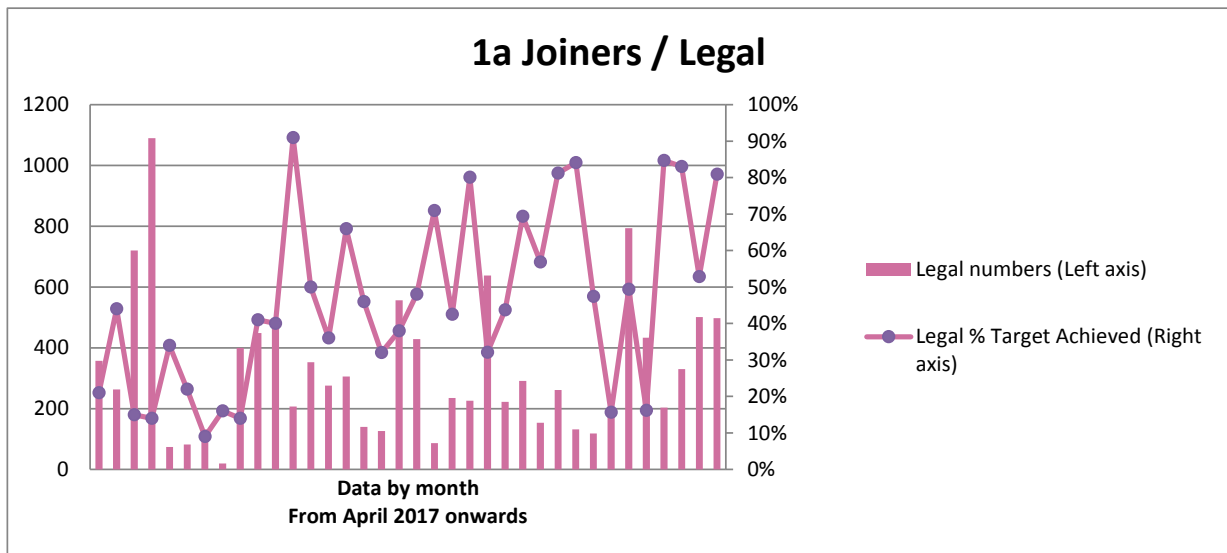
One graph has been provided for each KPI in the table above. Each graph shows month by month:

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

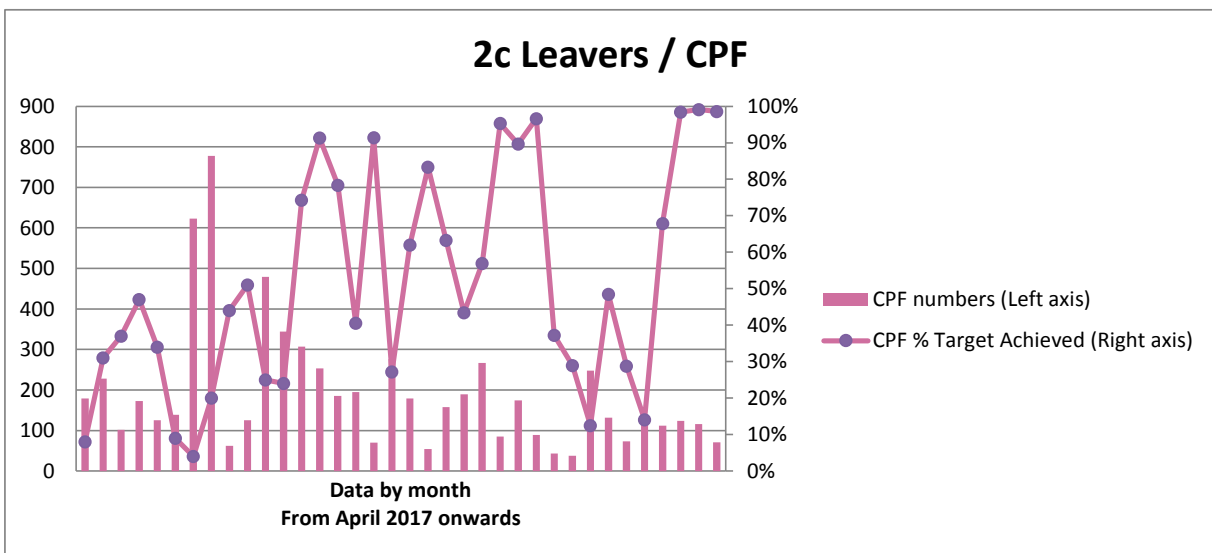
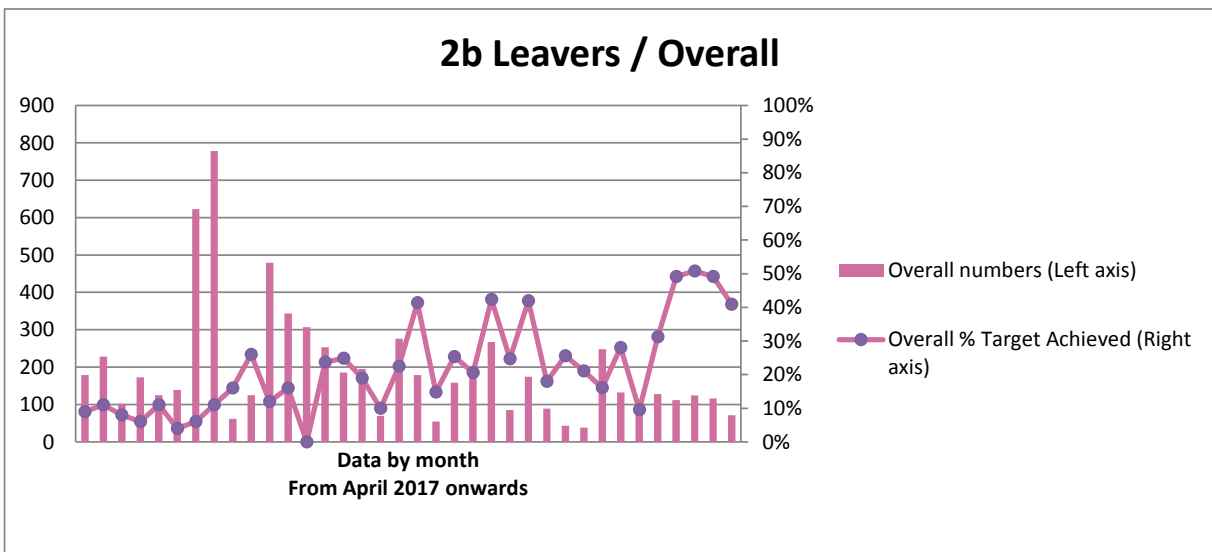
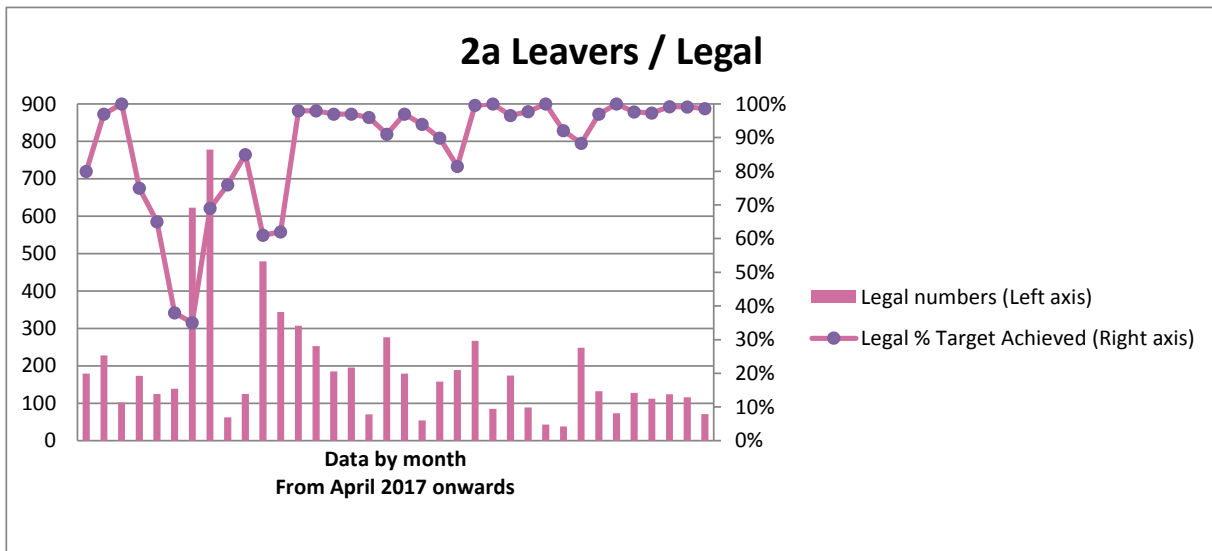
This is illustrated further below.



## Key Performance Indicators - relating to 31 December 2020

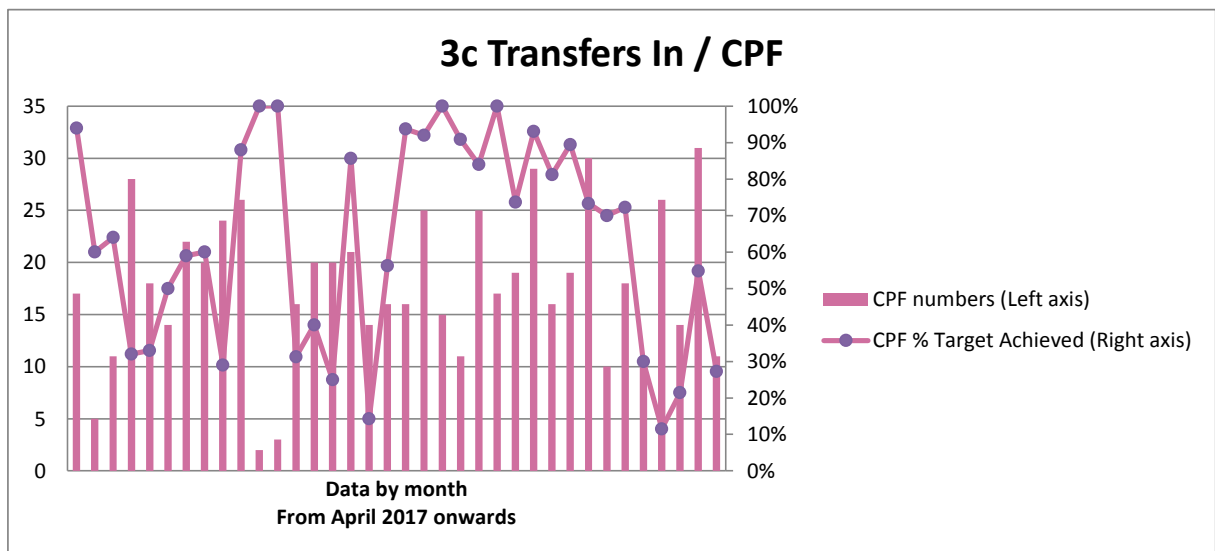
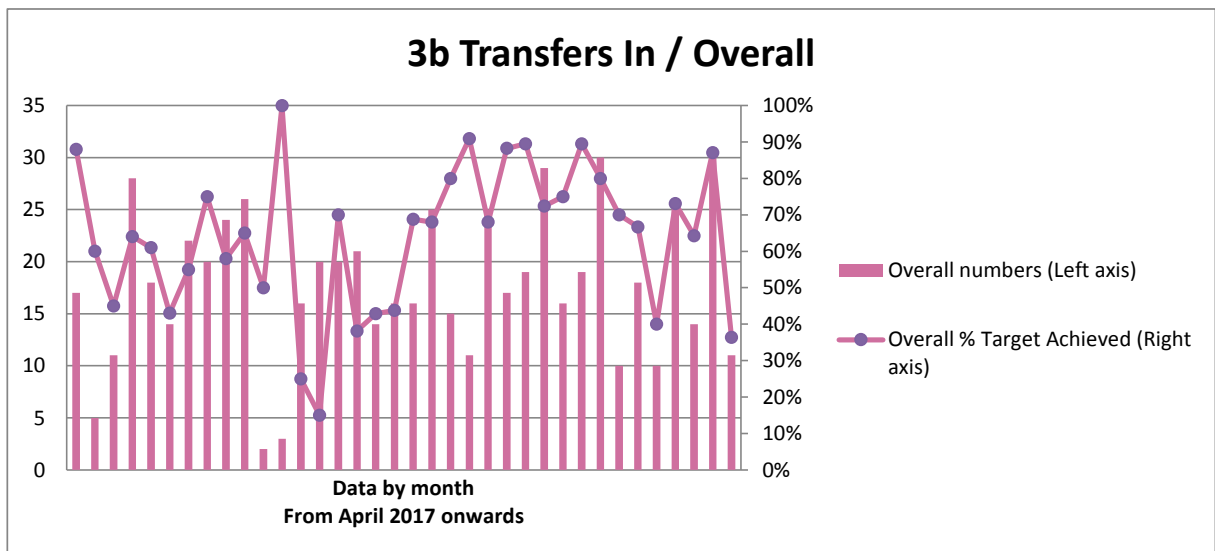
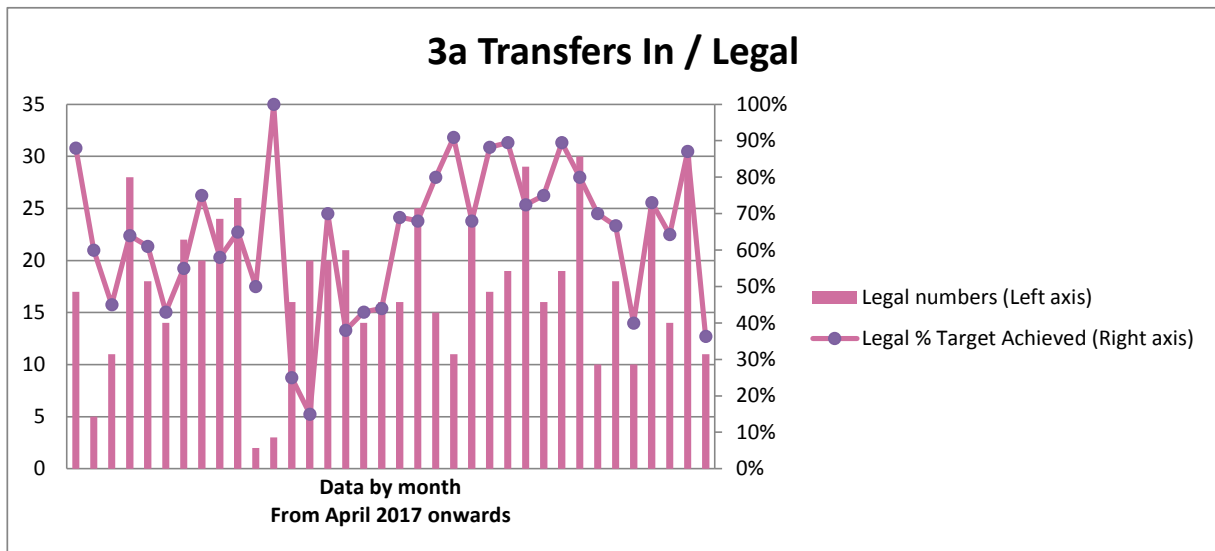


## Key Performance Indicators - relating to 31 December 2020

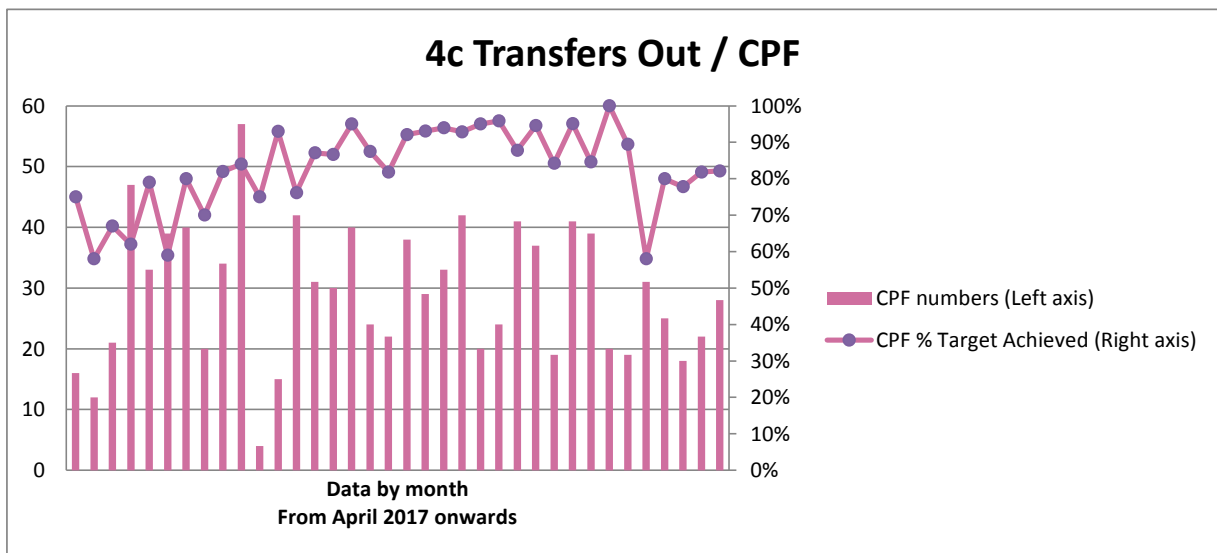
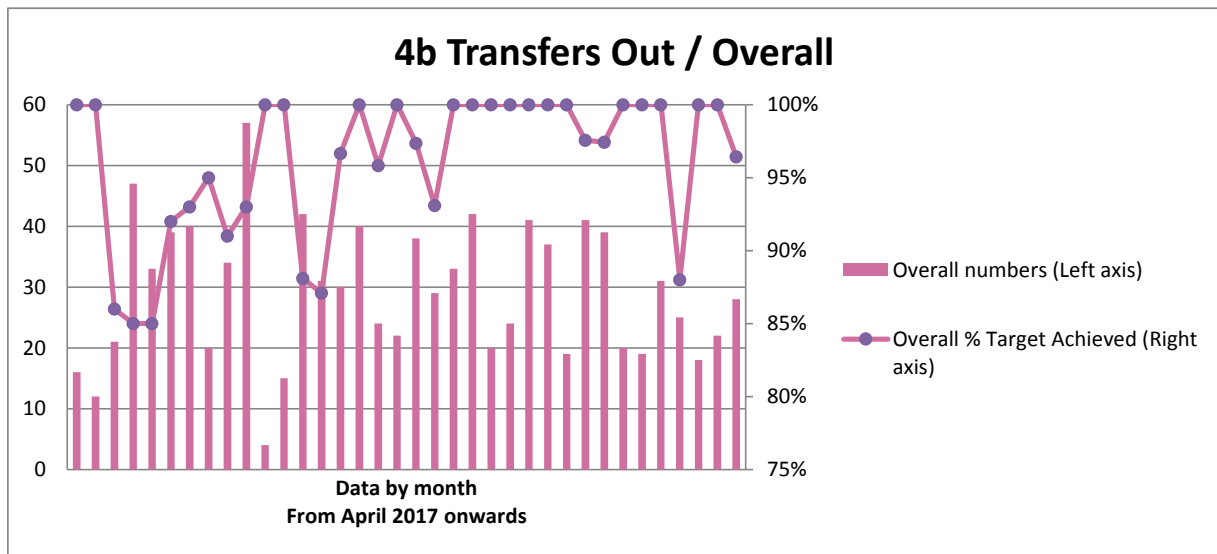
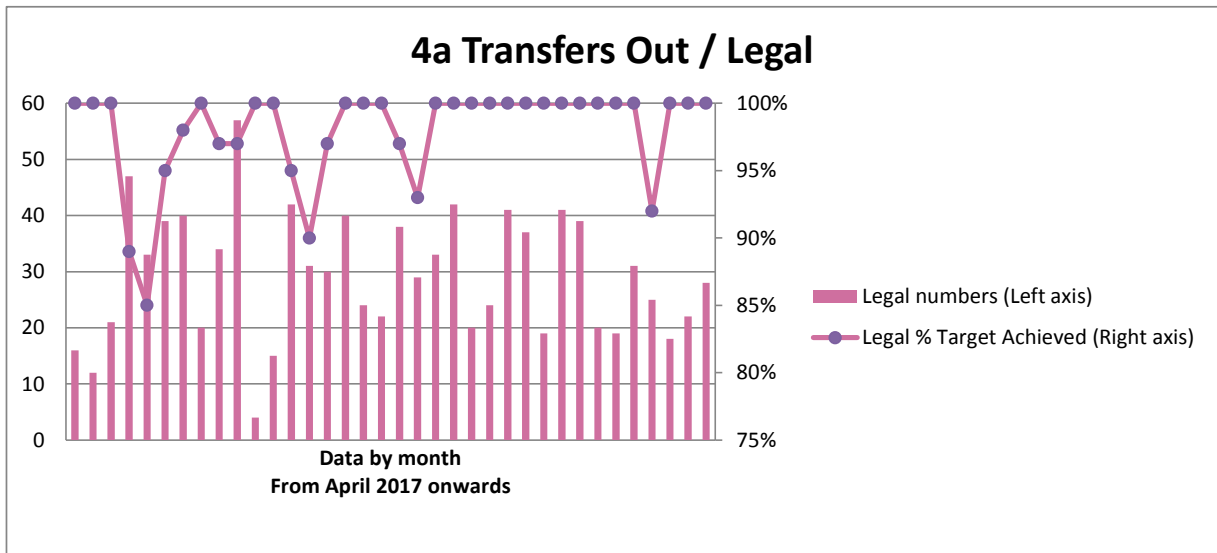




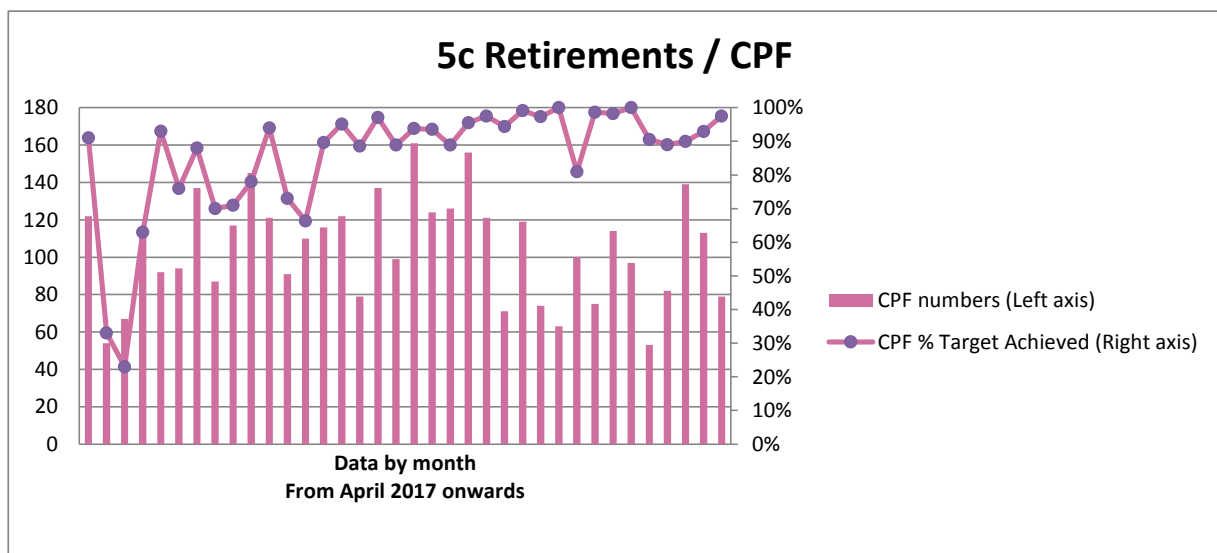
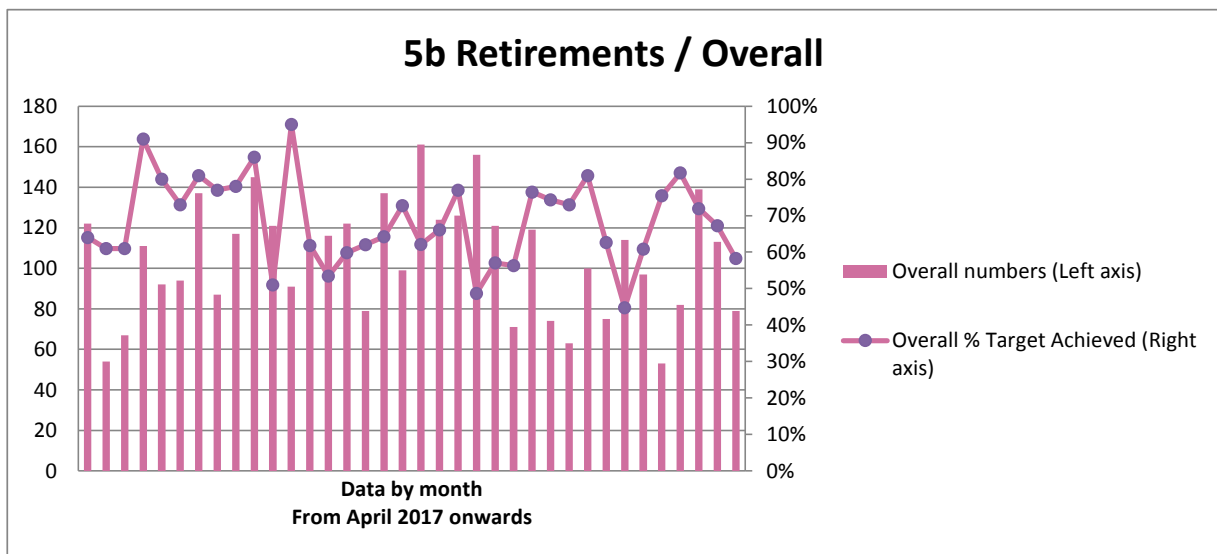
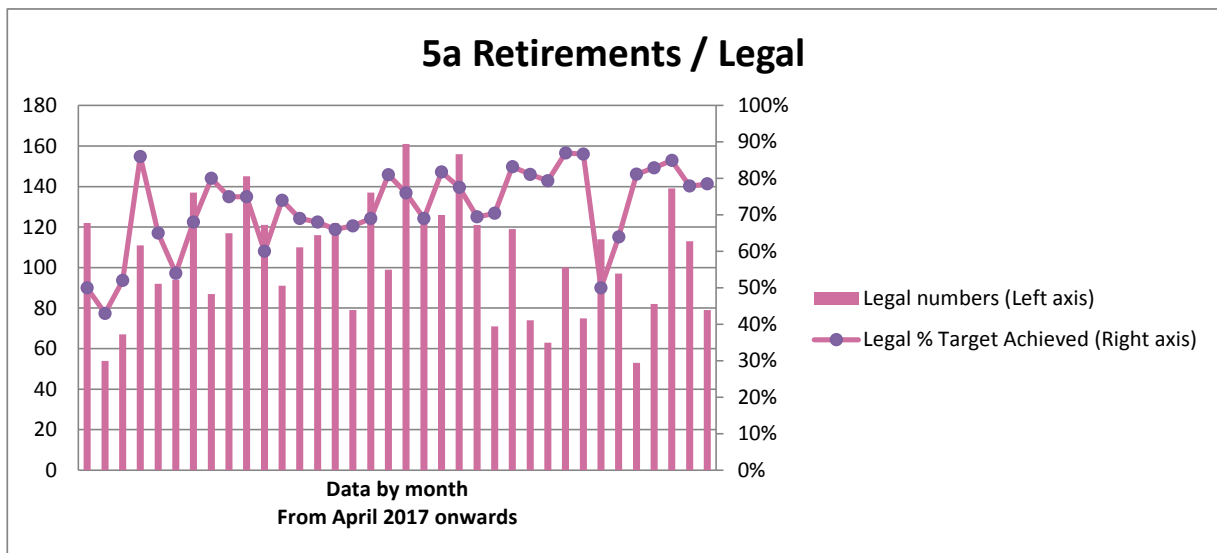
## Key Performance Indicators - relating to 31 December 2020



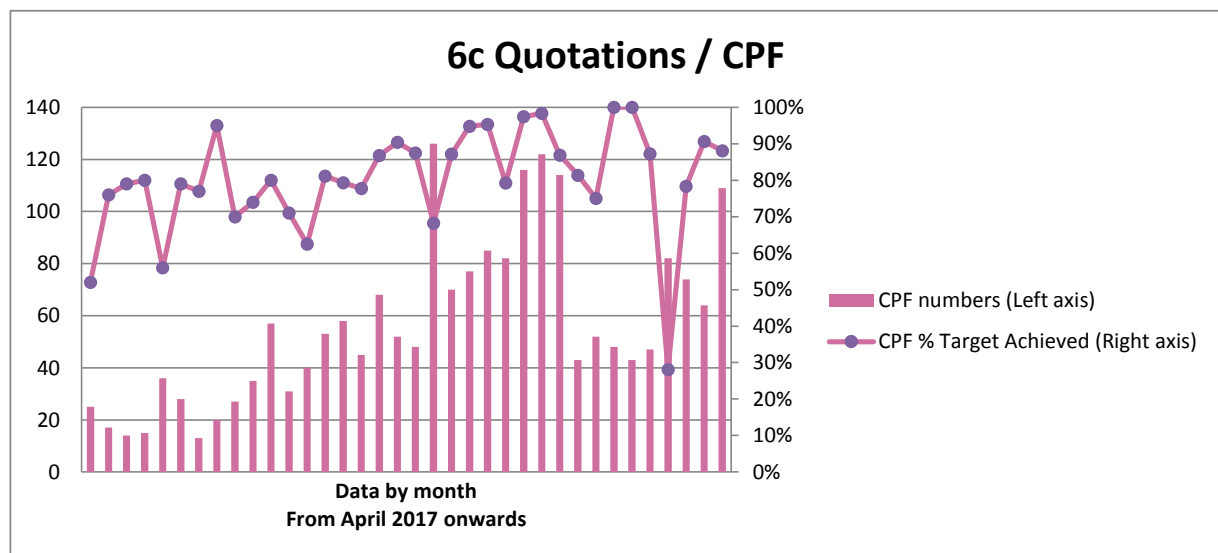
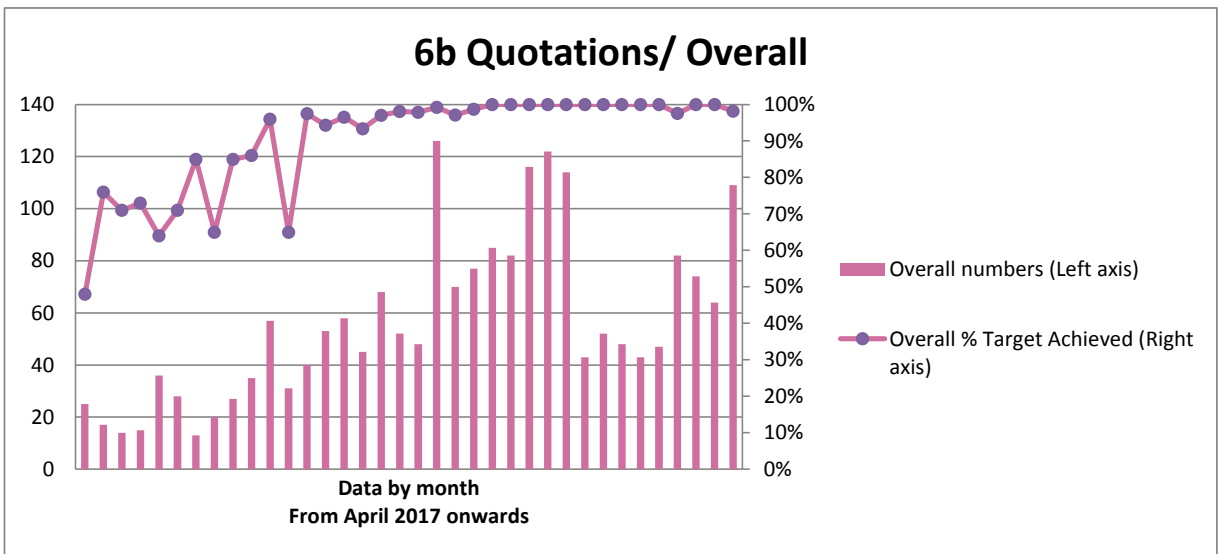
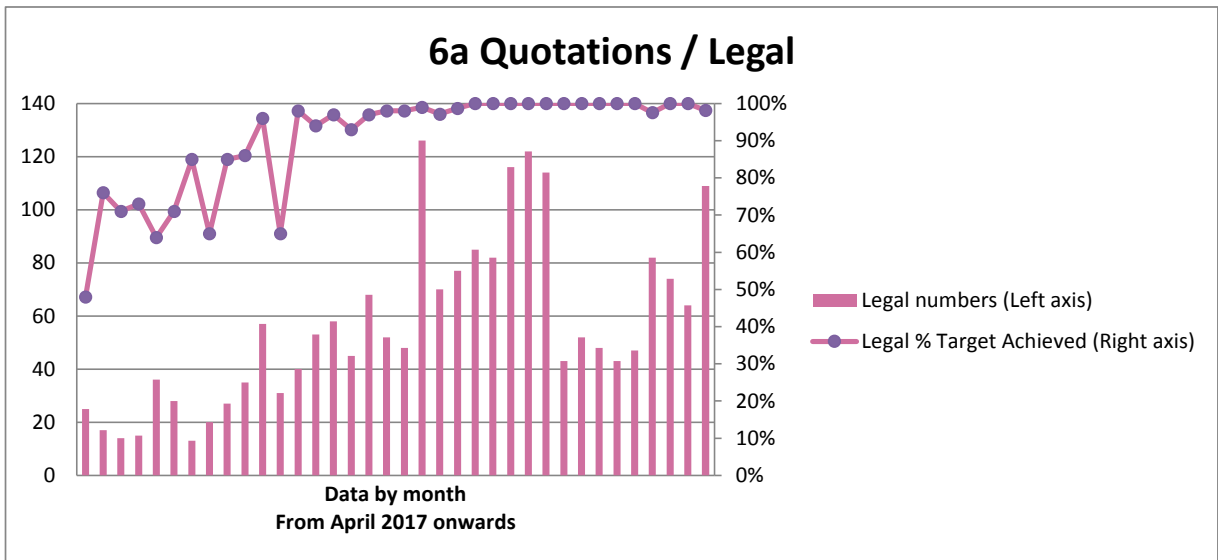
## Key Performance Indicators - relating to 31 December 2020



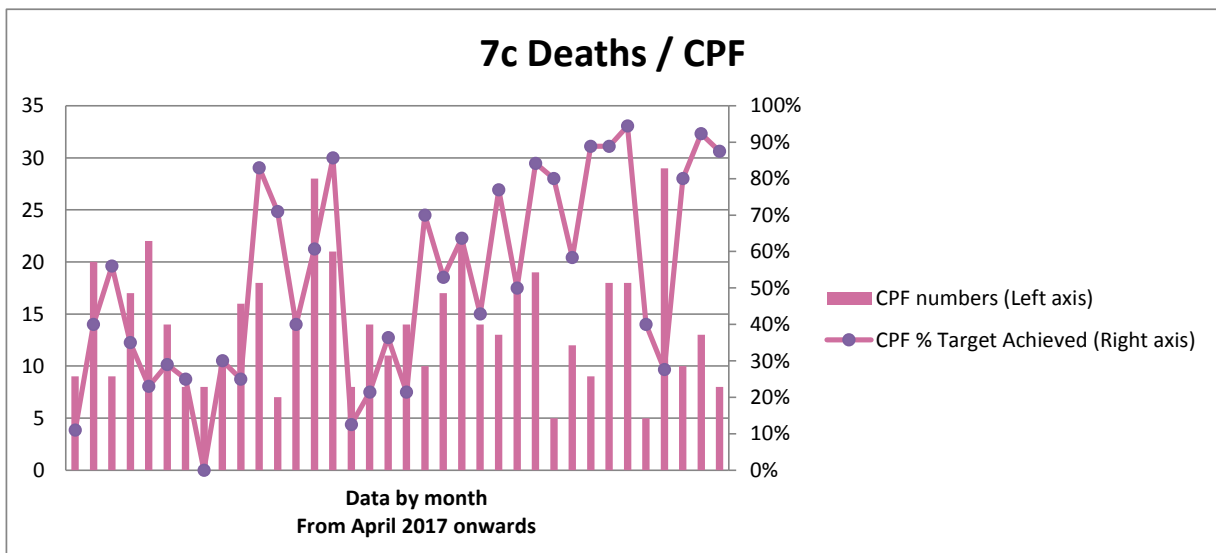
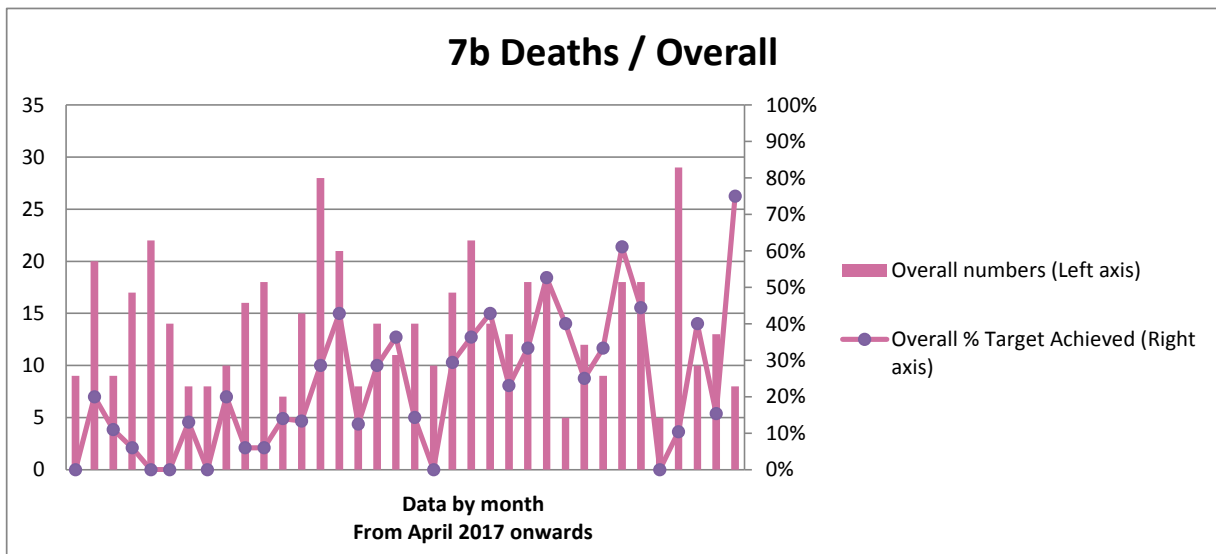
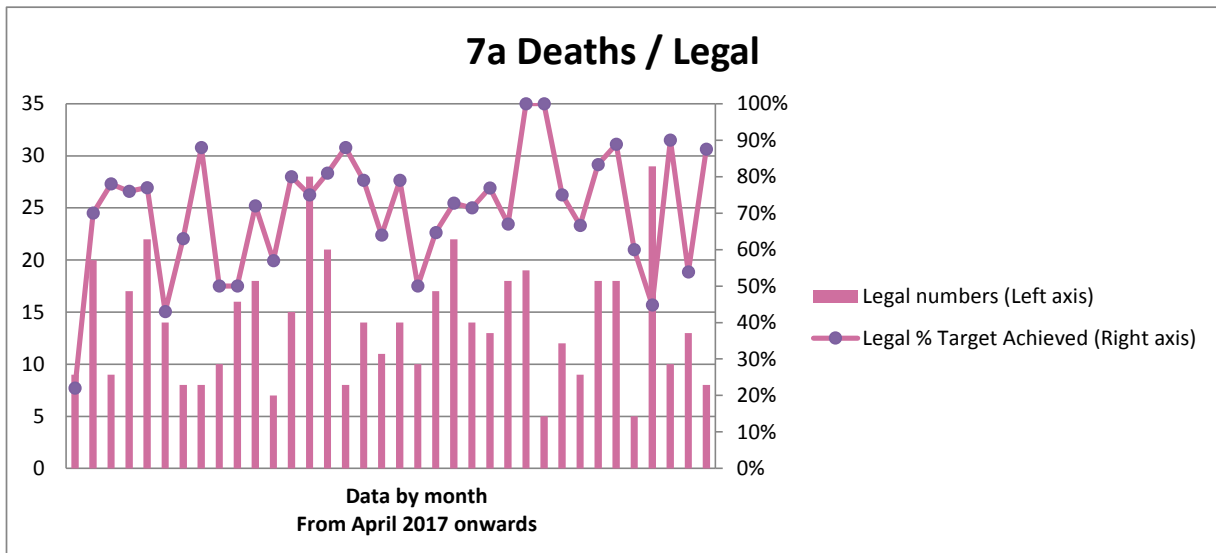
## Key Performance Indicators - relating to 31 December 2020



## Key Performance Indicators - relating to 31 December 2020

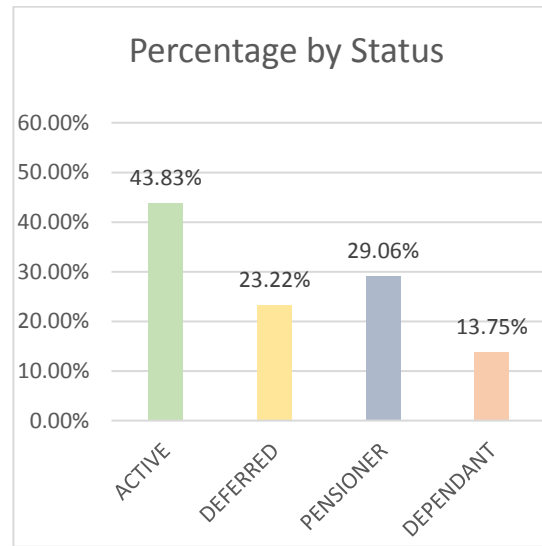
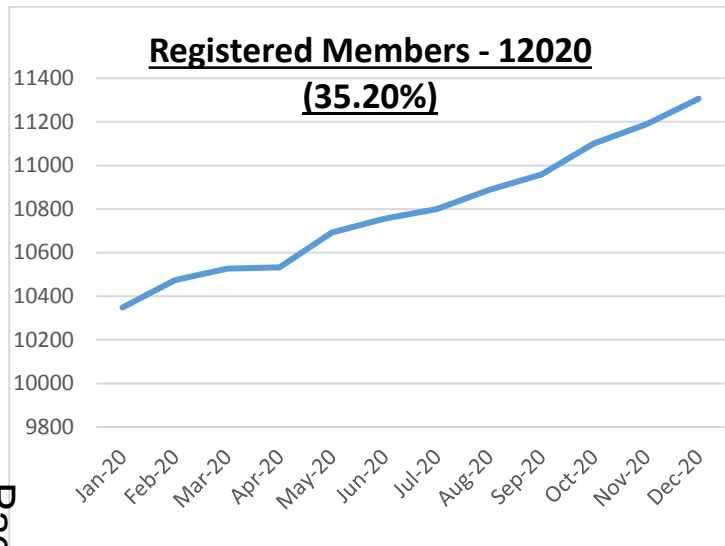


## Key Performance Indicators - relating to 31 December 2020



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# MEMBER SELF SERVICE: 01/10/2020 - 31/12/2020



**Statistics between**  
01/10/2020 to 31/12/2020 (92 days)

## CONTACT US TASKS

- 477** **MSSKEY** Key requests
- 226 SSFCASE (pay deferred)
- 37 MSSENQ Enquiry tasks
- 12 MSSEST Estimate tasks
- 62 MSSRET Retirement tasks
- 10 MSSTVT Transfer tasks
- 347** **Contact Us 3.77p/day)**
- 170** **MSSADD** Address update
- 11** **Bank details updated**

## BENEFIT PROJECTIONS

6,821 BENEFIT PROJECTIONS CALCULATED

**Avg 74.14 per day**

## EXPRESSION OF WISH

305 CHANGES OF EXPRESSION OF WISH

**3.32 per day**

## ELECTED FOR POSTAL CORRESPONDANCE

**2030 – 5.94% of overall members**  
Members now have to choose between paper post or MSS

- 372 ACTIVE
- 103 DEFERRED
- 1,372 PENSIONER
- 183 DEPENDANTS

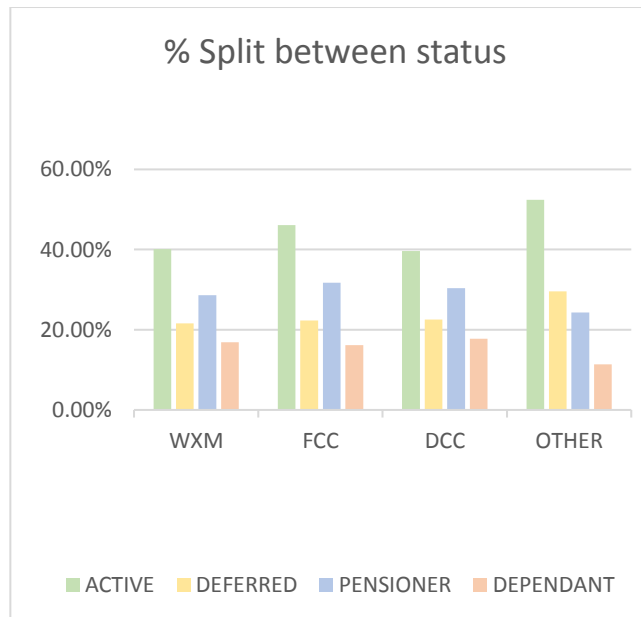
## Update from 01/10/2020 to 31/12/2020

As at 31/12/2020, 35.20% of Clwyd Pension Fund's membership has registered for MSS.

In the previous update, you were informed of new statistics being provided in this report for cases called SSFCASE. The use of this new case has continued to increase since members have had this facility. During this 92 day period, 226 members have used the SSFCASE to request retirement packs from us for their deferred benefits. This equates to an average request of 2.46 per day.

The annual 1-2-1s are now well under way. Between September and December 2020, 195 members had made appointments to speak to a member of the Communications Team via video chat or phone (due to social distancing rules). Of these 195 appointments, 176 members kept their appointment and 19 did not.

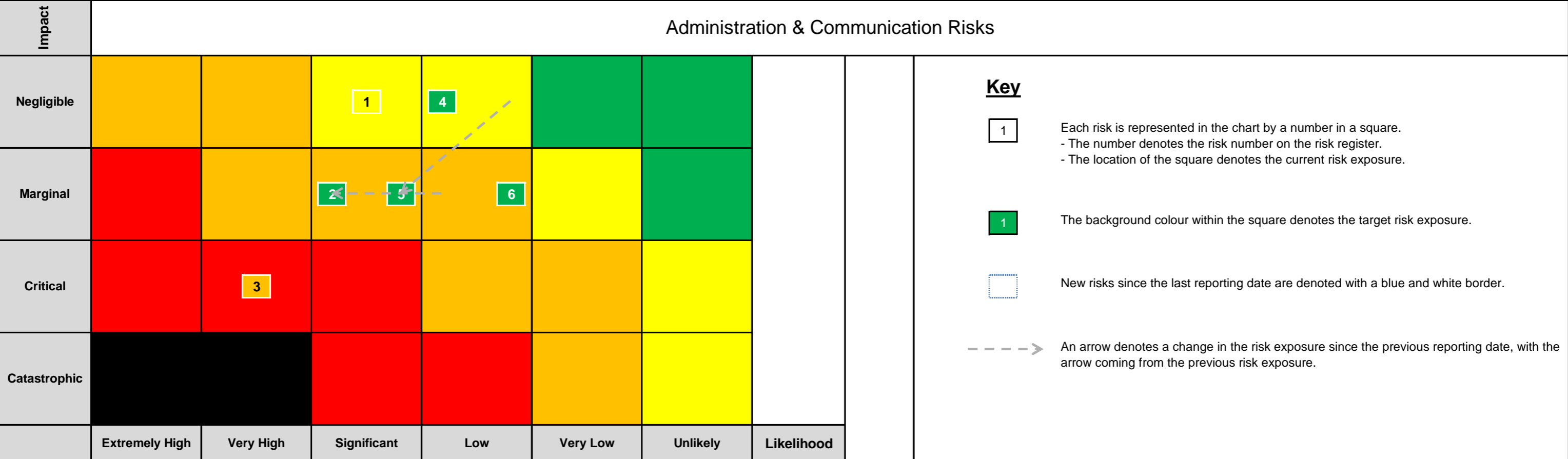
The 1-2-1 appointments are being promoted to continue until the end of February 2021, if there is member demand for them.



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Administration and Communication Risks Heat Map and Summary



Clwyd Pension Fund - Control Risk Register

Administration & Communication Risks

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

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

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades (including due to Covid-19)	All	Negligible	Significant	High	1 - Training Policy, Plan and monitoring in place 2 - Benefit consultants available to assist if required 3 - Ongoing task/SLA reporting to management/AP/PC/LPB to quickly identify issues 4 - Data protection training, policies and processes in place 5 - System security and independent review/sign off requirements 6 - ELT established 7 - Temporary staff changed to permanent, and further resource increase/recruitment to new posts 8 - Ongoing monitoring of ELT and Ops resource/workload for backlogs 9 - Establishment of aggregation team 10 - Ongoing training within the team 11 - Impact of potential Covid absences being discussed at weekly Covid catch ups and plans in place for ensuring priority work continues unaffected/training of new Lead PO has been undertaken.	Negligible	Low	High	☹️ Current likelihood 1 too high	12/05/2020	Oct 2021	1 - Ongoing consideration of resource levels post recruitment of new posts (KW)	Pensions Administration Manager	30/04/2021	25/01/2021
2	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters (including due to Covid-19)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Significant	High	1 - Administration strategy updated 2 - Employer steering group established 3 - Greater engagement through Pension Board 4 - Backlog project in place 5 - Establishment of ELT 6 - Increased data checks/analysis (actuary and TPR) 7 - Implemented further APP data checks to identify issues 8 - Updated Admin Strategy to include a compliance declaration 9 - Increased engagement with employers as to how they are managing due to Covid, and ongoing CPF requirements, and also increased monitoring of employer data coming into CPF	Negligible	Very Low	High	☹️ Current impact 1 too high Current likelihood 2 too high	01/07/2016	Oct 2021	1 - Ongoing roll out i-connect (AH) 2 - Develop and roll out APP training - in house and employers (KM) 3 - Identify other employer data issues (incl McCloud) and engage directly with employers on these (KW/AH) 4 - Developing monthly KPI reporting for employers (KW/AH) 5 - Reviewing annual SLA communications with employers (KM/KW)	Pensions Administration Manager	30/04/2021	25/01/2021
3	Unable to meet legal and performance expectations due to external factors	Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes including McCloud and £95k cap)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Critical	Very High	High	1 - Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues 2 - Benefit consultants available to assist if required 3 - Recruitment to new posts 4 - McCloud planning being undertaken, including governance structure with Steering Group and PMG	Marginal	Low	High	☹️ Current impact 1 too high Current likelihood 2 too high	27/08/2018	Oct 2021	1 - Ongoing consideration of resource levels post recruitment of new posts (KW) 2 - Ongoing consideration of likely national changes and impact on resource (KW) 3 - Ongoing consideration of £95k cap on processes etc (KW/KM)	Pensions Administration Manager	30/04/2021	24/01/2021
4	Scheme members do not understand or appreciate their benefits	Communications are inaccurate, poorly drafted or insufficient (including McCloud and £95k cap)	C1/ C2 / C3	Negligible	Low	High	1 - Communications Strategy in place 2 - Annual communications survey for employees and employers 3 - Specialist communication officer employed 4 - Website reviewed and relaunched (2017) 5 - Member self service launched (2017) 6 - Comms Officer recruited	Negligible	Very Low	High	☹️ Current likelihood 1 too high	01/07/2016	Oct 2021	1 - Ongoing promotion of member self service (KM) 2 - Ongoing identification of data issues and data improvement plan (All) 3 - Review of and update website during 2020/21 (KM) 4 - Review of success of new website/iConnect/member self-service planned for 2021/22 (KM)	Pensions Administration Manager	30/04/2021	25/01/2021
5	High administration costs and/or errors	Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and £95k)	A2 / A4 / C4	Marginal	Significant	High	1 - Business plan has number of improvements (i-connect/MSS etc) 2 - Review of ad-hoc processes (e.g. deaths and aggregation) 3 - Participated as a founding authority on national framework for admin systems and this is now launched 4 - Procurement of Altair on business plan 5 - Joined latest Heywood Testing Party 6 - Implementation of other Altair modules including in-house lump sum payment facility 7 - Increased engagement with Heywood about change in their business model 8 - Increased engagement with Heywood re McCloud software enhancements	Negligible	Very Low	High	☹️ Current impact 1 too high Current likelihood 2 too high	01/07/2016	Oct 2021	1 - Ongoing roll out of iConnect (AH) 2 - Ongoing identification of data issues and data improvement plan (All) 3 - Review of and update website during 2020/21 (KM) 4 - Review of success of new website/iConnect/member self-service planned for 2021/22 (KM) 5 - Carry out CPF tender for pension admin system (KW) 6 - If delays in system upgrades, look for alternative solutions to administer regulatory changes (KW)	Pensions Administration Manager	30/04/2021	25/01/2021
6	Service provision is interrupted	System failure or unavailability, including as a result of cybercrime and Covid-19	A1 / A4 / C2	Marginal	Low	High	1 - Disaster recover plan in place and regularly checked 2 - Hosting implemented 3 - Implement lump sum payments via pensioner payroll facility 4 - Regular communications with Heywood re how dealing with Covid & early communications with FCC re how to ensure payments are made as a back up	Negligible	Unlikely	High	☹️ Current impact 1 too high Current likelihood 2 too high	08/11/2019	Oct 2021	1 - Ongoing checks relating to interface of recovery plan with non-pensions functions (KW) 2 - Develop business continuity policy for CPF (KW) 3 - Review of cybercrime risk controls (KW/PL)	Pensions Administration Manager	30/04/2021	25/01/2021



## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 10 February 2021
<b>Report Subject</b>	Investment and Funding Update
<b>Report Author</b>	Deputy Head, Clwyd Pension Fund

### EXECUTIVE SUMMARY

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

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

- an amendment to the Investment Strategy Statement to incorporate a revised cash flow management procedure.
- becoming an affiliate member of Pensions for Purpose.
- adopting the Impact Institute objectives.

This report also provides updates on the following items:

- The Business Plan 2020/21 – this is mainly on track.
- Risk register - there have been no changes to the scoring of the current risks
- Update on work undertaken with responsible investments.
- Delegated responsibilities – this details the delegated responsibilities which have been completed by officers since the last Committee meeting.

### RECOMMENDATIONS

1	That the Committee consider and note the update for delegated responsibilities and provide any comments.
2	That the Committee approve the updated cash management wording for inclusion in the Investment Strategy Statement as outlined in paragraph 1.01.
3	That the Committee approve becoming an affiliate member of Pensions for Purpose as outlined in paragraph 1.05 and adopt the Impact Institute objectives as outlined in paragraph 1.06

## **REPORT DETAILS**

<b>1.00</b>	<b>INVESTMENT AND FUNDING RELATED MATTERS</b>
1.01	<p><b>Business Plan Update</b></p> <p>Appendix 1 provides a summary of progress against the Investment and Funding section of the Business Plans for 2020/21 and the key points are summarised below:</p> <ul style="list-style-type: none"><li>• The cashflow management and liquidity process (F1) has now been documented to be included in the Investment Strategy Statement. (Appendix 4). Members are asked to approve the updated wording for the cash management and liquidity process for inclusion in the Investment Strategy Statement.</li><li>• Work on the implementation of our Responsible Investment Policy (F3) continues and an update is provided in 1.09.</li><li>• Within asset pooling (F4), work is still underway on an appropriate structure for Private Markets which will extend into 2021/22. The transition of Emerging Market equity is currently scheduled for September 2021.</li></ul>
1.02	<p><b>Current Development and News</b></p> <p><i>SAB Responsible Investment Advisory Group</i></p> <p>The Scheme Advisory Board (SAB) are creating a Responsible Investment Advisory Group consisting of a selection of Fund Managers, Consultants and representatives from Pools and key Administering Authority groups. SAB asked for nominations from the various groups of which Wales was separately identified. The final membership of the group has now been confirmed and includes the Deputy Head of the Clwyd Pension Fund who was nominated for Wales by the Wales Pension Partnership.</p>
1.03	<p><i>Review of Employer Contributions and Flexibility on Exit Payments</i></p> <p>An update on the review of employer contributions and exit payment flexibility was provided at the October 2020 Committee. Statutory guidance and guidance from SAB is expected to be published in February after which the draft Fund policies will be brought to the Committee in March ahead of the consultation with employers.</p>
1.04	<p><i>Local and Impact Investments</i></p> <p>The interest in “local” investments is becoming wider across the LGPS, albeit the interpretation of the definitions of Local and Impact investments can be inconsistent. The Fund has been an investor in both these areas for many years now and as such has been approached by several external organisations for discussions.</p>

	<p>The Deputy Head of the Fund has had several meetings in the last few months with members of the Welsh Government Energy Service who may be looking for additional funding for energy projects across Wales. This is early days and the Fund will need to ensure robust due diligence before proceeding with any such requests but is keeping the dialogue open and introduced the Energy Service to external Fund Managers that we invest in to offer any advice or assistance.</p> <p>In a similar vein, Fund officers and Flintshire County Council officers along with officers from Gwynedd County Council and Pension Fund have also had an initial meeting with the Economic Advisory Board who may also be looking at funding for specific growth projects in North Wales.</p>
1.05	<p><i>Pensions For Purpose</i></p> <p>Pensions for Purpose is a collaborative initiative of impact managers, pension funds, social enterprises and others involved or interested in impact investment.</p> <p>Their aim is to promote understanding of impact investment by effectively sharing news stories, blogs, case studies, academic research and thought leadership papers and acting as a first port of call for journalists seeking comment on impact investment-related issues.</p> <p>The Fund has been a strong supporter of the organisation and regularly attends and contributes to their roundtable discussions. Officers are recommending that the Fund becomes an affiliate member, which will benefit the Fund by providing access to valuable information and like-minded organisations, which will assist in implementing the Fund's Responsible Investment Policy.</p>
1.06	<p><i>Impact Institute</i></p> <p>The Impact Investing Institute was launched in 2019 with a simple mission: to accelerate the growth and improve the effectiveness of the impact investing market in the UK and internationally. They want to see more capital contributing to the well-being of people and the planet – as set out in the United Nation's Sustainable Development Goals.</p> <p>They developed four guiding principles for pension schemes that give an accessible, practical insight into the opportunity presented by impact investing and the concrete steps trustees can take to pursue an impact investing strategy.</p> <p>The principles were designed and tested through consultation with people across the pensions industry, in partnership with Pensions for Purpose. They offer a good governance framework which tackles the investment process at every stage in the investment chain – from how pension schemes can put in place objectives and set an implementation framework, to how to hold investment consultants and managers to account, and how to report on what is being achieved through a balanced measurement framework.</p>

	<p>The Deputy Head of the Clwyd Pension Fund was involved in the consultation process for the principles which were published in November 2020.</p> <p>The four principles are:</p> <ul style="list-style-type: none"> <li>• Set impactful objectives</li> <li>• Appoint investment managers and consultants with impact integrity</li> <li>• Use your voice to make change</li> <li>• Manage and review your Impact.</li> </ul> <p>The Fund is known to the Impact Institute and approached to discuss if we would consider being an early adopter of the principles given the work we already do in this area. The Committee are asked to agree that the Fund adopts these principles given they are aligned with the Fund's Responsible Investment Policy.</p>
1.07	<p><i>The Good Economy</i></p> <p>The Good Economy is a leading social advisory firm, specialising in impact measurement and management. They have joined forces with the Impact Investing Institute and Pensions for Purpose on a collaborative project designed to mobilise greater flows of institutional investment to more inclusive and sustainable development across the UK (Place Based Impact Investing).</p> <p>The aim of the project is to build market knowledge and influence pension and other institutional investors to consider the opportunities to invest in asset classes that deliver long-term financial returns, as well as tangible place-based environmental, economic and social impacts. This could include investments in affordable housing, clean energy, infrastructure and SMEs among others.</p> <p>They have created a working group with a small selection of Managers and like-minded LGPS to discuss this in more detail. The Deputy Head of the Fund represents the Clwyd Fund on this group.</p>
1.08	<p><b>Policy and Strategy Implementation and Monitoring</b></p> <p>The Advisory Panel receive a detailed investment report from the Fund's Investment Consultants, Mercer, which shows compliance with the approved Investment Strategy Statement and reports on fund manager performance. A summary of this performance is shown in the Mercer report included in agenda item 8.</p> <p>The Advisory Panel also receive reports from the following groups:</p> <ul style="list-style-type: none"> <li>• Tactical Asset Allocation Group (TAAG)</li> <li>• Cash and Risk Management Group (CRMG)</li> <li>• Private Equity and Real Assets Group (PERAG)</li> </ul> <p>Any delegations arising from these meetings are detailed in Appendix 2.</p>
1.09	<p><i>Implementation of Responsible Investment Strategic Priorities</i></p>

	At a meeting of the Committee in 2020, the Fund's revised Investment Strategy Statement was agreed. As part of this a new Responsible Investment policy was also agreed, and this included the Fund's approach to Climate Change. Officers are working closely with advisers to develop a "roadmap" that sets out the Fund's current position and its aims for the future. It is intended to bring the draft roadmap to the Committee in June 2021 together with a work plan considering RI and Climate Change for discussion.
1.10	<p><b>Delegated Responsibilities</b></p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 updates the Committee on the areas of delegation used since the last meeting. To summarise:</p> <ul style="list-style-type: none"> <li>• Cash-flow forecasting continues to be monitored through the Cash and Risk Management Strategy going forward.</li> <li>• Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG).</li> <li>• A £15m investment with a Private Equity manager, Livingbridge 7 has been agreed.</li> <li>• Due diligence is currently in progress on two existing managers within the Impact portfolio.</li> </ul>

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

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Appendix 3 provides the dashboard and risk register highlighting the current risks relating to Investments and Funding matters.
4.02	<p>There have been no additional risks added to the register since the last Committee and all nine risks have remained the same as reported to the October 2020 Committee. Of the nine, most remain on target and the remainder are one step away from the target impact or likelihood, which is mainly due to the uncertainty around markets.</p> <p>The most significant risk (but still just one step away from target) is risk nine which is that the Fund's long-term Investment Strategy fails to deliver appropriate returns due to either responsible investment not being properly considered or WPP does not provide the Fund with the tools to enable implementation of its RI policies.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - 2020/21 Business plan update Appendix 2 – Delegated Responsibilities Appendix 3 – Risk dashboard and register – Investments and Funding Appendix 4 – Cash Management wording for ISS

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.  <b>Contact Officer:</b> Debbie Fielder, Deputy Head, Clwyd Pension Fund <b>Telephone:</b> 01352 702259 <b>E-mail:</b> Debbie.a.fielder@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>The Fund - Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>The Committee - Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) <b>TAAG – Tactical Asset Allocation Group</b> – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from JLT Employee Benefits, the Fund Consultant.</p> <p>(e) <b>AP – Advisory Panel</b> – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.</p> <p>(f) <b>PERAG – Private Equity and Real Asset Group</b> – a group chaired by the Clwyd Pension Fund Manager with members being the Pensions Finance Managers, who take specialist advice when required. Recommendations are agreed with the Fund's Investment Consultant and monitored by AP.</p> <p>(g) <b>In House Investments</b> – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments. The due diligence, selection and monitoring of these investments is undertaken by the PERAG.</p>



- (h) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (i) **ISS – Investment Strategy Statement** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
- (j) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (k) **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- (l) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- (m) **Actuary** - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.
- (n) A full glossary of Investments terms can be accessed via the following link.  
<https://www.schroders.com/en/uk/adviser/tools/glossary/>

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# Business Plan 2020/21 to 2022/23 – Q3 Update

## Funding and Investments

### Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
*	Original item where the period has been moved or task deleted since original business plan

Ref	Key Action –Task	2020/21 Period				Later Years	
		Q1	Q2	Q3	Q4	2021/22	2022/ 23
F1	Cash Flow and Liquidity Policy	x	xM	xM			
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 and FSS Policy Update		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.

## 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 LAPFF<sup>1</sup> 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.

## 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 policies as per WPP business plan	2020/21 to 2022/23
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<sup>1</sup> 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.

Feed into review of governance of WPP	2021/22 2022/23	and
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.

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## **DELEGATED RESPONSIBILITIES**

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

### **Rebalancing Asset Allocation**

#### **Background**

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

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

#### **Action Taken**

In the period October to December 2020 there were no movements in assets.

### **Cash Management**

#### **Background**

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

#### **Action Taken**

The cash balance as at 31<sup>st</sup> December 2020 was £22.9m (£18.2m at 30<sup>th</sup> September). The cash flow is monitored to ensure there is sufficient monies to pay benefits and capital calls for investments. Work is continuing with the Consultant and Actuary to monitor the cash-flow situation and be aware of any unforeseen issues. As a result of the COVID pandemic, the Fund reviewed the levels of distributions and drawdowns it originally expected. Whilst, as suspected, distributions are lower than expected, drawdowns are also lower and the effect to end of December has been a surplus of £6.1ml. As part of the Investment Strategy Review, the new Cash Management and Risk Strategy can be utilised if this situation reverses. Monthly cash flows for the financial year to 2020/21 are shown graphically at the end of the delegations appendix.

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

## **Background**

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

## **Action Taken**

Since the previous report to Committee in October 2020 the transactions agreed within the portfolio were:

- Partial redemption LGIM Global Corporate Bond Fund - £10m (crystallised +3.1%)
- Partial redemption LGIM Liquidity Fund - £10m
- Invest £20m IN Nighty One Global Natural Resources Fund
- Partial redemption LGIM Global Corporate Bond Fund -£18m (crystallised +2.5%)
- Partial redemption LGIM Infrastructure Fund -£16m (crystallised +25.5%)
- Partial redemption LGIM Liquidity Fund -£8m
- Invest £21m in LGIM North America Equity
- Invest £21m in BlackRock Emerging Market Equity

The current allocations within the portfolio following the transactions are:

- US Equities (2.8%)
- Commodities (2.3%)
- Infrastructure (1.7%)
- Global Bonds (1.0%)
- High Yield Bonds (0.6%)
- UK Equity (0.5%)
- EM Equity (1.1%)
- Liquidity Fund (1.0%)

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

As at the end of November 2020, the Best Ideas portfolio 1 year performance was +1.4% against a target of +3.6% and the 3 year performance was +3.9% against a target of +4.5%.

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

## **Background**

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

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

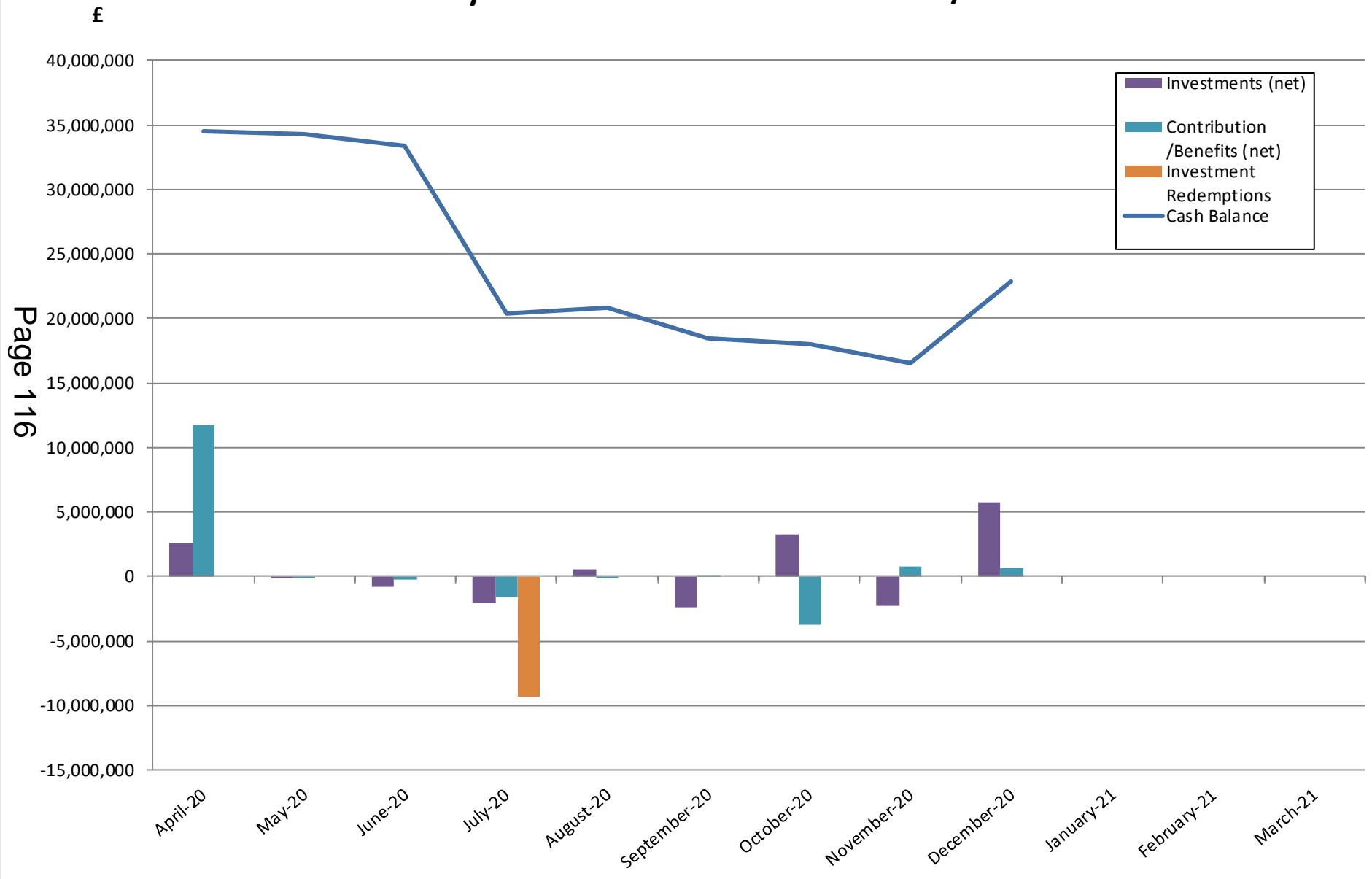
A review is currently being undertaken of the existing portfolio and future cash flows by the Consultants and the results will determine the forward work plan. It is anticipated that when the Wales Pension Partnership (WPP) are able to accommodate commitments in these alternative areas, the Fund will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

## **Action Taken**

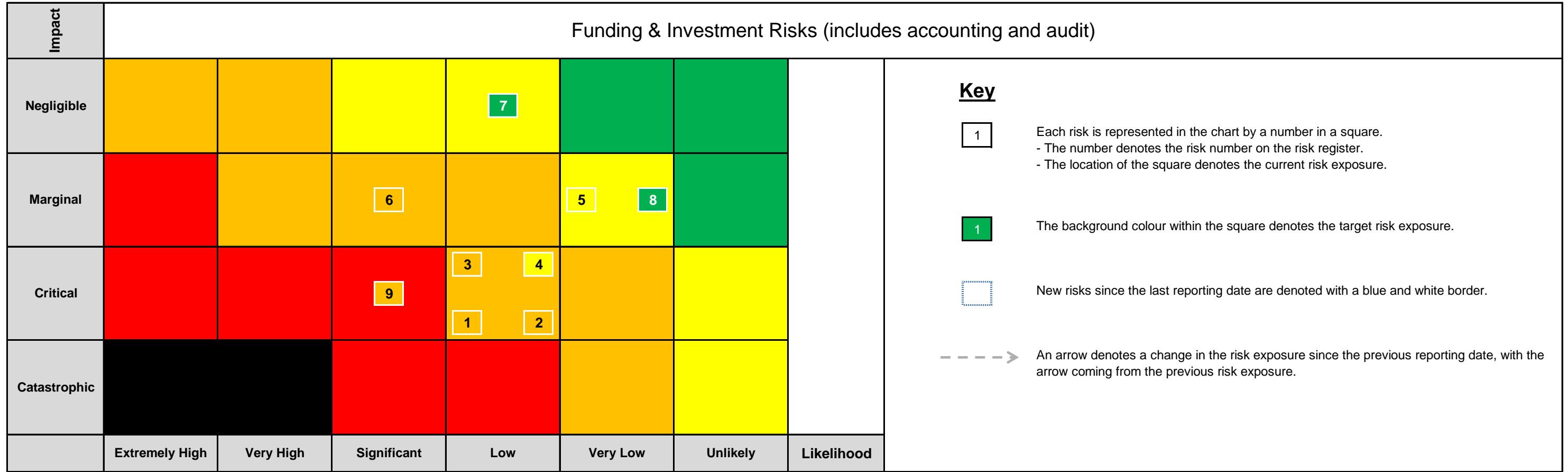
Due diligence is currently being undertaken on 2 existing managers for possible investments in the Impact portfolio, which will be reported to the next Committee if successful.

One appointment with a new Private Equity manager, Livingbridge in their Fund 7 has been recommended by the Fund's consultant. Fund legal documentation and subscriptions are being completed for the investment of £15m.

# Clwyd Pension Fund - Cash-flow 2020/21



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



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

Objectives extracted from Funding Strategy Statement (3/2017) and Statement of Investment Principles (3/2017):

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

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

**Wording to replace wording within existing "Cash Strategy" section on page 18 of the Clwyd Pension Fund Investment Strategy Statement**

**Wording to be deleted:**

As part of the 2019/20 review the Fund is developing its Cash Management Strategy and when this has been agreed this document will be updated to reflect this.

The Deputy Head of the Clwyd Pension Fund will arrange for the implementation of the cash strategy.

**New wording to be added:**

As part of the improved funding position at the 2019 valuation, the Fund will receive less cash from employer contributions. Further, the Fund invests a proportion of assets in private markets, which reduces the amount of liquid assets available to the Fund for meeting benefit payments. Whilst these investments do distribute cashflow, it can be sporadic and drawdowns on commitments do not always neatly align with distributions.

In the past, the Fund has relied upon sourcing cash from the Risk Management Framework. The Risk Management Framework is implemented via a QIAIF (Qualified Investor Alternative Investments Fund) managed by Insight. The QIAIF is monthly dealing with an 8 day settlement period, meaning the process for raising cash quickly can be somewhat problematic.

The Fund has therefore designed this cashflow procedural, which defines a clear process and provides more certainty regarding the management of the Fund's cashflow requirements.

*Cashflow procedure*

Should there be insufficient cash holdings within the Fund's bank account, the QIAIF will be used as the vehicle for managing the Fund's cashflow needs.

To remove the practical limitations of sourcing cash quickly, the Fund has opened a daily dealing low risk liquidity fund that sits outside of the QIAIF, the Insight Liquidity Plus ("ILF Plus") fund.

Should the Fund require additional cash to meet benefit payments or fund private markets drawdowns, then this is to be sourced from the ILF Plus Fund. Excess private market distributions or cash holdings within the Fund's bank account should be transferred to the ILF Plus fund from time to time where appropriate.

The ILF Plus fund balance is monitored as part of the monthly monitoring process as well as the QIAIF's collateral requirements on a quarterly basis.

Should the value of the ILF Plus fund balance fall below £15m, a decision will be made by the Head of Clwyd Pension Fund, having regard to the Fund's Investment Consultant, whether to top it back up from the QIAIF to £30m at the next available monthly dealing date subject to the QIAIF's collateral requirements and prevailing market conditions.

If the balance of the ILF Plus fund is greater than £40m, then the excess above £30m should be moved back into the QIAIF at the next monthly dealing date subject to a decision by the Head of Clwyd Pension Fund, having regard to the Fund's Investment Consultant.

### *Extenuating circumstances*

Should the Clwyd Pension Fund officers have foresight that upcoming benefit payments or a private market drawdown will deplete the ILF Plus fund balance materially, they should inform the Fund's Investment Consultant in advance such that a decision can be made as to whether the ILF Plus fund balance needs recapitalising from the QIAIF before the £15m threshold is breached.

Should unexpected benefit payments amass to more than the ILF Plus fund balance, the Clwyd Pension Fund officers should inform the Investment Consultant immediately in order for them to liaise with Insight and arrange an emergency ad-hoc dealing date to source additional cash from the QIAIF.

Should it be deemed that the ILF Plus fund cannot be recapitalised by sourcing additional funds from the QIAIF for any reason, the appropriate Clwyd Pension Fund officers and the Investment Consultant will convene a meeting to determine the most appropriate source of capital to fund the cashflow needs.





## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 10 February 2021
<b>Report Subject</b>	Asset Pooling in Wales
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

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

There was a WPP Joint Governance Committee (JGC) on 10 December 2020 and the draft minutes and key policy documents approved are appended for information. As previously discussed each Constituent Authority is now asked to confirm the inclusion of a co-opted Scheme Member Representative on the JGC.

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

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

The next WPP JGC is planned for 24<sup>th</sup> March 2021 which will consider the WPP Business Plan for 2021/22 and the following two years.

### RECOMMENDATIONS

1.	That the Committee note and discuss the report and agree any comments or questions for WPP.
2.	That the Committee approve changes to the Inter-Authority Agreement (IAA) to allow for the inclusion of a Scheme Member Representative on the JGC, subject to agreement of the proposed changes to the IAA wording by the Head of Clwyd Pension Fund.

## REPORT DETAILS

1.00	<b>Pooling Investment in Wales</b>
1.01	<p data-bbox="288 255 1431 293"><b>Joint Governance Committee (JGC) Agenda</b></p> <p data-bbox="288 315 1431 510">There was a WPP JGC on the 10<sup>th</sup> December where the Clwyd Pension Fund Chair was welcomed to his first meeting and the success of the WPP at the LAPF awards was recognised. The draft minutes and other reports referred to here are available here - <a href="#">Agenda for Wales Pension Partnership Joint Governance Committee on Thursday, 10th December, 2020, 10.00 am.</a></p> <p data-bbox="288 533 1431 571">The JGC considered or approved the following:</p> <ul data-bbox="336 593 1431 1400" style="list-style-type: none"><li data-bbox="336 593 1431 676">• An update from the host authority including that the timeline for the review of the operator will be brought to the next JGC.</li><li data-bbox="336 698 1431 817">• The results of the WPP risk register update which this quarter considered investment risks. The WPP risk register is attached as Appendix 1.</li><li data-bbox="336 840 1431 1400">• A number of policies:<ul data-bbox="432 907 1431 1400" style="list-style-type: none"><li data-bbox="432 907 1431 1025">○ The WPP Beliefs Statement was reviewed and changed to reference climate risk and changes made to the Governance Matrix. The Beliefs Statement is attached as Appendix 2.</li><li data-bbox="432 1048 1431 1131">○ The WPP Responsible Investment Policy was updated and approved to reflect progress made over the last 12 months.</li><li data-bbox="432 1153 1431 1236">○ A new WPP Training Policy was approved and attached as Appendix 3.</li><li data-bbox="432 1258 1431 1400">○ It was agreed to adopt the Voting Policy of Robeco who are WPP's Voting and Engagement Service whilst intending to develop and tailor specifically to the requirements of the WPP and its Constituent Authorities over the next 12 months.</li></ul></li></ul> <p data-bbox="384 1422 1431 1541">Officers have been involved in the development of these areas and believe they continue to align with the Clwyd Pension Fund's own strategies and policies.</p> <ul data-bbox="336 1563 1431 2080" style="list-style-type: none"><li data-bbox="336 1563 1431 1848">• The inclusion of a non-voting scheme member representative on the JGC with the appointment process to be recommended to the next JGC and approval to be sought for changing the Inter-Authority Agreement from all Constituent Authorities. Hence the recommendation in this report on to allow for the Inter–Authority Agreement (IAA) to be changed, subject to the Head of Clwyd Pension Fund being comfortable with the proposed changes to the (IAA) wording.</li><li data-bbox="336 1870 1431 2080">• An update from the operator including the expected deferral from May to July 2021 of the emerging equity markets launch due to the climate reduction model being used. Although the issue is now resolved, the launch date is now estimated to be September 2021. This delay is not optimal for the Clwyd Fund but not a significant problem either.</li></ul>

	<ul style="list-style-type: none"> <li>• An update on investment performance as at September 2020. From a Clwyd Fund point of view, this is for the Global Opportunities Equity Fund and Multi Asset Credit Fund. Although both have relatively short track records they were ahead of benchmark. Officers will receive a quarterly presentation in February from the fund manager on performance ending December 2020 and the performance figures are included in the Fund's quarterly Manager Summary report in agenda item 8.</li> <li>• There were agenda items for which the public were excluded; following a tender process Burges Salmon have been re-appointed as WPP legal advisor, a presentation was received on the fixed income transition and an update on the income generated from the Stock Lending programme.</li> </ul>
1.02	<p><b>Officer Working Group &amp; Sub Groups</b></p> <p>The Deputy Head of Clwyd Pension Fund attends the private market sub group and Responsible Investment sub-group. These are both complex areas and important for the Clwyd Pension Fund because 27% of our assets are in private markets and the ambitions within our Responsible Investment and Climate Risk policy. These groups are meeting regularly and report progress to the Officer Working Group.</p>
1.03	<p><b>Future Work Plan</b></p> <p>The Officer Working Group will be recommending the WPP Business Plan for the next three years to the next JGC which will then need approval by the Constituent Authorities. This will be brought to the Clwyd Pension Fund March Committee meeting for approval.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There has been considerable time allocated by the Head and Deputy Head of Clwyd Pension Fund on WPP matters which has affected time available for other Fund matters. This is expected to continue for the foreseeable future and may result in greater reliance on external advisers for other matters than would otherwise be the case.

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

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

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 – WPP risk register  Appendix 2 – WPP Beliefs Statement  Appendix 3 – WPP Training Policy.</p>

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

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

(d) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of

(e) **Inter-Authority Agreement (IAA)** – the governance agreement between the eight Wales pension funds for purposes of pooling

(f) **Wales Pension Partnership (WPP)** – the name agreed by the eight Wales pension funds for the Wales Pool of investments

(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.

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Investment & Performance Risk




Risk Detail				Current Situation	Scoring			Management and Monitoring				
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments	
I.1	The WPP Sub-funds failure to achieve their targeted investment returns.	<ul style="list-style-type: none"> <li>Underperformance of the WPP's Investment Managers.</li> <li>Adverse and unforeseen economic conditions and market events.</li> <li>Inappropriate strategic and regional asset allocations.</li> </ul>	A significant strain on the WPP's key stakeholders, the Constituent Authorities. This may result in a requirement for greater employer contributions or a fall in funding level.	JGC	<ul style="list-style-type: none"> <li>Ongoing monitoring of investment performance, market developments and economic outlook reported by the Investment Manager and the Operator and discussed at OWG meetings</li> <li>The Operator/ the Investment Manager engagement with Investment Managers and ongoing reviews of their process</li> <li>Manager days hosted by the Operator/ the Investment Manager for OWG/Constituent Authorities Pension Fund Committees</li> </ul>	Current			👍	The probability of Investment Manager underperformance needs to be reduced, this can be achieved-improved monitoring of investment performance & market developments and economic outlook.	OWG	The OWG is continuing to work with the Operator and the Investment Manager to improve the WPP's investment reporting mechanisms. The Risk Sub-Group recommends that a market benchmarking exercise of the WPP's Sub-funds and Investment Managers is undertaken every two years. The WPP has undertaken significant work during the course of the quarter to improve the WPP's engagement mechanisms with Investment Managers, this includes the finalisation of the WPP Manager Engagement Schedule and putting in place notification mechanisms to identify when and why rebalancing within Russell managed WPP Sub-funds has taken place.
	Financial					Long Term	4	3				
I.2	One of the WPP's Investment Managers fails/ exits the market, leading to a financial loss to WPP assets.	<ul style="list-style-type: none"> <li>Investment Manager's business model, internal controls and/ or the external oversight of the Investment Manager fails.</li> </ul>	Financial loss to assets held within the WPP.	The Operator/ The Investment Manager	<ul style="list-style-type: none"> <li>The Operator/The Investment Manager facilitate:</li> <li>Ongoing monitoring of investment managers</li> <li>Questioning managers on their internal controls, external regulation, succession/retention policies</li> <li>Engagement with Investment Managers and the Investment Manager industry</li> <li>Maintaining a shortlist of suitable replacement Managers</li> </ul>	Current			👍	The WPP needs to ensure that suitable procedures are in place for the oversight of Sub-Fund Managers and for the replace/ appointment or rebalancing of Sub-Funds. The WPP undertake the following workstreams: <ul style="list-style-type: none"> <li>Formulate a Sub-fund Manager Appointment, Replacement and Rebalancing Policy</li> <li>Codify the means by which the Sub-fund Investment Manager oversees, monitors and challenges underlying Investment Managers. It was noted that these workstream are particularly relevant for non-Russell managed Sub-funds</li> </ul>	OWG	The WPP RI Sub-Group will take responsibility for assessing how Sub-fund Managers oversee, monitors and challenges underlying managers on RI matters, this will be completed in Q1 2021. The OWG will be responsible for establishing a protocol for overseeing sub funds, in particular non Russell managed Sub-funds.
	Financial					Short Term	5	2				
I.3	Failure of appointed Custodian may lead to assets not being properly managed resulting in financial and/or information loss in relation to investment assets.	<ul style="list-style-type: none"> <li>Inaccurate recording of asset valuations and transactions.</li> <li>Unsatisfactory safeguarding of assets.</li> <li>External and internal controls fail to prevent fraud or misappropriation.</li> <li>Custodian fails and exists the market, potentially leading to stranded assets.</li> </ul>	Financial loss to assets held within the WPP.	The Operator/ OWG	<ul style="list-style-type: none"> <li>Robust procurement process overseen by The Operator</li> <li>Annual review of custodian prepared by The Operator and presented to OWG</li> <li>Analysis of Investment Manager Records vs Custodian Records</li> <li>Monitor custodian performance on annual basis</li> <li>Custodian regulated by FCA</li> <li>Receipt of annual controls reports from Custodian's External Auditors</li> </ul>	Current			👍	The OWG will work with the Operator and Oversight advisor to agree the procedure for formulating and the content of the WPP Annual Custodian Review.	OWG/ Oversight Advisor	This work will be undertaken in Q1 2021, with the expectation that the Operator will produce its Annual Custodian Review as at the 31 March 2021.
	Financial					Short Term	5	2				

Risk Detail				Current Situation	Scoring			Management and Monitoring			
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
1.4	The WPP does not receive or seek expert investment advice when required.	Inappropriate decisions are implemented which may harm investment performance.	OWG/ JGC	<ul style="list-style-type: none"> <li>Robust procurement processes</li> <li>Ongoing training for JGC and OWG members</li> <li>Oversight Advisor in place to oversee Investment Advise &amp; decision-making process</li> <li>Engagement with other LGPS Pools and Funds to cross verify suitability of advice</li> </ul>	Current			👍	The WPP believe that the objectivity and range of investment solutions recommendations is the biggest area of concern in relation to this risk. In particular, the WPP needs to ensure that it is fully aware of the limitations, from an objectivity point of view, of the proposal put forward by the Investment Management Solutions Provider. The WPP will ask its Oversight Advisor to codify and formalise the process by which he WPP should go about considering investment solutions. Local level advisors have a important role in considering the suitability of WPP investment solution for their Constituent Authority. The Oversight advisor will identify which aspects of an investment solution it will advise the OWG on and which will continue to be carried by local level advisors.	OWG/ Oversight Advisor	This workstream will be undertaken in the fist half of 2021.
	Financial				Long Term	4	2				
1.5	The WPP fails to challenge Manager fees, value for money and mandated objectives.	Inability to deliver value for money to the WPP's stakeholders.	OWG	<ul style="list-style-type: none"> <li>Ongoing monitoring of investment managers fees</li> <li>Question The Operator, the Investment Manager and Investment Managers on their fees</li> <li>Demand Transparency from Investment Mangers, the Investment Manager and The Operator on fees</li> </ul>	Current			👍	The WPP has identified two new means of controlling this risk. As noted in risk I.1, the WPP will undertake bi-annual benchmarking exercises, this will allow the WPP to assess the value for money that they are obtaining relative to market comparators. Furthermore, the WPP recognises that cost transparency exercises are invaluable in identifying value for money, this will be the second means by which the WPP will assess value for money.	OWG/ Oversight Advisor	The WPP will consider the findings of the SAB Cost Transparency exercise, following this the OWG will consider what additional action are required and whether there is a need for further cost transparency exercises.
	Financial				Medium Term	2	2				
1.6	The WPP is subjected to counterparty risk	Financial loss to assets held within the WPP, potential legal costs, reputation risk.	OWG/ The Operator/ The Investment Manager/ The Custodian	<ul style="list-style-type: none"> <li>Ongoing monitoring of counterparty exposure</li> <li>Question The Operator, The Investment Manager, Investment Managers and Custodian on the WPP's level of counterparty exposure</li> </ul>	Current			👍	The OWG will ask the Operator to formulate an initial counterparty risk report by Q3 2021.	OWG	The OWG, with assistance from their Oversight Advisor, will review the Operators initial report on counterparty risk.
	Financial				Short Term	4	2				
1.7	The WPP puts in place sub-optimal sub-funds.	The WPP provides sub-funds that do not deliver value for money/ cost saving and or the investment requirements of the Constituent Authorities	OWG/ The Operator/ The Investment Manager	<ul style="list-style-type: none"> <li>Numerous advisors used in the formulation of sub-funds</li> <li>Oversight advisor in place to oversee investment strategy and sub-fund design</li> <li>Numerous checks and balances on the decision-making process and approval of invest strategy and sub-funds</li> <li>Cost benefit analysis is carried out prior to each sub-fund launch</li> <li>Use of the Investment Manager's scale and the WPP's scale to negotiate the best Manager fees possible</li> <li>Frequent consultation with Constituent Authorities on their requirements</li> <li>Asset held outside of sub-fund if their inclusion in the sub-fund is cost inefficient</li> </ul>	Current			👍	<ul style="list-style-type: none"> <li>The formulation of the following two documents, as outlined in Risk 1.2, will need to be carried out to further mitigate this risk:</li> <li>Formulate a Sub-fund Manager Appointment, Replacement and Rebalancing Policy</li> <li>Codify the means by which the Sub-fund Investment Manager oversees, monitors and challenges underlying Investment Managers.</li> </ul>	The Operator/ Investment Manager / Oversight Advisor	The formulation of the WPP Annual Constituent Authority Questionnaire has significantly mitigated the risk that Constituent Authorities needs and requirements are not identified and accounted for in the formulation and alteration of WPP Sub-funds.
	Financial				Long Term	4	2				
					4	1	4		These mechanism will focus on ensuring that existing sub-funds continue to be optimal for the Constituent Authorities.	Q4 2021	





Risk Detail				Current Situation	Scoring			Management and Monitoring			
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
1.8	The WPP fails to adequately account for climate change, climate risk and ESG factors.	<ul style="list-style-type: none"> <li>Lack of knowledge on the impacts of Climate Change, Risk and ESG Factors.</li> <li>Lack of knowledge on how the impacts of Climate Change, Risk and ESG Factors can be managed.</li> <li>Poor attendance at training events.</li> </ul>	Financial loss to assets held within the WPP and potential for stranded assets.	<ul style="list-style-type: none"> <li>Development of suitable Climate Change, Climate Risk and ESG reporting metrics</li> <li>Appointment of a proxy voting and engagement provider, who engages with managers and companies on how they manage Climate Change, Climate Risk and ESG factors</li> <li>Publication of a Responsible Investment policy and Climate Risk Policy</li> <li>Constant engagement and challenging of Managers on how they account for Climate Risk/ Change and ESG factors</li> <li>Development of Sub-funds that will allow Constituent Authorities to manage their Climate risk Exposure</li> <li>Annual Climate Change, Climate Risk or ESG related training event on the WPP Training Plan</li> </ul>	Current			👍	The WPP RI Sub-Group is working with the Oversight Advisor to enhance the WPP's reporting on Responsible Investment and Climate Risk. The WPP also received training on ESG and Climate Risk reporting in Q4 2020, this training should help maximise the understanding and thus effectiveness of the WPP ESG and Reporting. The WPP RI Sub-Group was also established in Q3 2020, this group will take ownership of monitoring, challenging and reporting of how the WPP's Investment Managers account of RI matters within WPP sub-funds.	OWG/ Oversight Advisor	The WPP RI Sub-Group will consider a further draft of the WPP ESG and Climate Risk reporting in January 2021, the current plan is to deliver the finalised report as at the 31 March 2021 in Q2 2021. Additionally, the RI Sub-group will meet with the Investment Managers of the WPP's Sub-funds to understand, challenge and review how they account of RI matter in the formulation of WPP sub-funds.
	Financial				Long Term	4	2				
1.9	The WPP fails to facilitate investment solutions that enable the Constituent Authorities to meet their investment strategy and objectives.	<ul style="list-style-type: none"> <li>Insufficient time and resources are allocated to engaging with and understanding Constituent Authority needs and requirements.</li> <li>Constituent Authorities do not effectively articulate their requirements and/ or the WPP fails to account for Constituent Authority requirements.</li> <li>Sub-funds are not designed to Constituent Authority requirements.</li> <li>Sub-funds are not flexible enough or able to change to better meet Constituent Authority requirements</li> </ul>	The Constituent Authorities refuse to make use of the investment solution provided by the WPP. Consequently, the WPP fails to Pool assets, which may lead to government intervention and or the collapse of the WPP.	<ul style="list-style-type: none"> <li>The development of further sub-funds is a prioritised item within the WPP's business plan.</li> <li>Frequent consultation with Constituent Authorities on their requirements</li> <li>Consultation with the Constituent Authorities on the ongoing suitability of existing sub-funds.</li> <li>Numerous advisors used in the formulation of sub-funds</li> <li>Oversight advisor in place to oversee investment strategy and sub-fund design</li> <li>Numerous checks and balances on the decision-making process and approval of invest strategy and sub-funds</li> </ul>	Current			👍	The WPP needs to ensure that the feedback to the Constituent Authority questionnaire is effectively implemented into the WPP's workplan.	Oversight Advisor	An annual consultation questionnaire has been developed and issued to Constituent Authorities. The questionnaire seeks to determine Constituent Authorities' individual investment requirements and longer-term aspirations. It is anticipated that this questionnaire will mitigate the risk that WPP investment solutions fail to meet the needs of the Constituent Authorities. However, the Risk Sub-fund has decided to retain the current risk score until they have reviewed how effectively the feedback from the questionnaire has filtered through into the WPP workplan for 2021/2022 and beyond.
	Operational/ Reputational				Long Term	5	2				

## Governance & Regulation Risk

Risk Detail				Current Situation	Scoring			Management and Monitoring			
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
G.1	WPP fails to comply with relevant regulation and LGPS guidance.	<ul style="list-style-type: none"> <li>WPP is unaware and/ or ignores relevant regulation, guidance and recent updates.</li> <li>No means of monitoring regulatory compliance.</li> <li>Mis-interpretation of how regulation and guidance applies to WPP.</li> <li>Insufficient resources to meet guidance and regulatory requirements, this includes Pooling Guidance.</li> </ul>	Potential Fines, loss of sovereignty and a negative impact on the WPP's reputation.	<ul style="list-style-type: none"> <li>Ensure sufficient training takes place</li> <li>Maintain a mechanism for monitoring recent regulations changes and progression toward meeting the new requirements</li> <li>Engagement with relevant regulatory bodies (such as Scheme Advisory Board, Pension Regulator and MHCLG)</li> <li>Appointment of an expert legal advisor</li> </ul>	Current				The HA will include 'Regulation and Governance Updates' as a regular OWG agenda item (under the Host Authority Update). The HA will consult with either the MHCLG or other LGPS pools on a quarterly basis to ensure they are aware or ongoing legislation and regulation developments/ changes. The WPP will continue to await further Pooling guidance.	OWG	Further monitoring checks will be put in place if required.
	Operational / Reputational				HA/ OWG/ Oversight Advisor/ Legal Advisor	Medium Term	5				
G.2	The WPP becomes overly dependant on a single or limited decisions maker or decision making body.	<ul style="list-style-type: none"> <li>A number of decision makers or a decision-making body has a knowledge gap which limits their ability to contribute/ influence the decision-making process.</li> <li>Resources and other commitments limit the availability and input of relevant decision makers and decision-making bodies.</li> <li>A number of decision makers or a decision-making body is given or gains excessive decision-making power.</li> <li>Unjustifiable levels of decision-making power concentration</li> </ul>	The WPP is inefficiently managed. Unsuitable decisions are made due to a lack of challenge / debate/ input and variety of views.	<ul style="list-style-type: none"> <li>Ensure sufficient training takes place</li> <li>Appointment of an Oversight Advisor to advise on the WPP's governance structure</li> <li>Procurement and use of external advisors and suppliers that add inform/ provide guidance and bring a diversity of views to the decision-making process</li> <li>Use of a governance structure that ensure sufficient scrutiny prior to decisions being approved</li> <li>Adoption of a governance structure that does not allow high levels of decision-making concentration</li> <li>Annual review of WPP's resource requirements</li> <li>Bi-Annual meeting with Pension Boards held, which provide an invaluable source of knowledge and variety of views</li> </ul>	Current				N/A	Oversight Advisor	N/A
	Operational				WPP Personnel/ Oversight Advisor	Long Term	3				
G.3	The WPP fails to adhere to its pre-agreed budget.	<ul style="list-style-type: none"> <li>Inappropriate estimation of required budget.</li> <li>Failure to effectively manage costs of WPP activities and external provider fees.</li> <li>Failure to maintain a means of monitoring expenditure and remaining budget.</li> </ul>	The WPP fails to meet its pre-agreed budget and/or has insufficient budget to pay suppliers and or to fund activates.	<ul style="list-style-type: none"> <li>Monitoring of current expenditure and remaining budget</li> <li>Engagement with relevant suppliers to ascertain whether fees are due to change and/or in line with expectation</li> </ul>	Current				The WPP will increase the frequency of its actual vs expected budget reviews from annually to quarterly. The WPP is also developing a mechanism for the efficient monitoring of Manager fees.	HA	The HA will provide an update to the OWG.
	Financial / Reputational				HA/ JGC	Short Term	4				
					Target						
					4	1	4			Q1 2021	

Risk Detail				Current Situation	Scoring			Management and Monitoring				
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments	
G.4	The WPP fails to maintain suitable records, documentation is not filed in a suitable manner and personnel data is not stored securely.	<ul style="list-style-type: none"> <li>Lack of adequate procedures.</li> <li>Insufficient knowledge of best practice in regards to how to store personal data, documentation and records.</li> <li>A lack of suitable systems and IT solutions to facilitate and assist in the storing and maintenance of personal data, documentation and records.</li> </ul>	The WPP loses valuable data and intellectual property. The WPP's reputation is negatively impacted. The WPP is subject to financial penalties or fines.	HA	<ul style="list-style-type: none"> <li>Ongoing training on best practice</li> <li>Relevant WPP personnel are expected to complete GDPR training</li> <li>Adoption of a secure documents portal to hold relevant records and documentations</li> <li>Legal Advisor appointed to provide guidance on relevant regulation and interpretation of this regulation</li> <li>External audit carried out</li> <li>Suitable internal controls in place at the Host Authority</li> </ul>	Current			👍	N/A	HA	N/A
	Financial / Reputational					2	2	4				
G.5	The WPP fails to provide suitable and accurate accounts by the statutory deadline.	<ul style="list-style-type: none"> <li>Lack of adequate planning for closure of accounts.</li> <li>Lack of resources leads to late or inadequate accounts.</li> <li>Lack of sufficient knowledge/ expertise.</li> <li>JGC approval cannot be provided due to certain circumstances.</li> </ul>	The WPP's reputation is negatively impacted. Potential referral to the Scheme Advisory Board and the MHCLG.	HA/ JGC	<ul style="list-style-type: none"> <li>Ongoing training</li> <li>Timetabled audit process</li> <li>Qualified Audit opinion sought</li> <li>Engagement with external audit to discuss deadlines and forward planning</li> <li>Appropriate level of expertise in place at Host Authority</li> </ul>	Current			👍	N/A	HA	N/A
	Reputational					4	2	8				
G.6	The WPP does not manage conflicts of interests.	<ul style="list-style-type: none"> <li>Failure of WPP Personnel to state any potential conflicts.</li> <li>No policy in place which outlines how conflicts of interests should be managed.</li> <li>Inability of WPP personnel to disassociate personnel interest from the interests of the WPP's stakeholders.</li> </ul>	Inappropriate decisions are made that are not in the best interest of the WPP's stakeholders. The WPP's reputation is negatively impacted. Potential referral to the Scheme Advisory Board and the MHCLG.	WPP Personnel/ Suppliers and Advisors	<ul style="list-style-type: none"> <li>Declaration of conflict is an ongoing agenda item at the Joint Governance Committee</li> <li>Conflict of interest policy in development</li> <li>Training of how conflict of interests can be managed</li> <li>Engagement with relevant bodies such as the Scheme Advisory Board on best practice and relevant guidance</li> </ul>	Current			👍	Managing Conflict of Interest will be covered as part of the WPP's 2020/2021 training plan. Additionally, the WPP Conflict of Interest Policy will be finalised, approved and implemented by the end of the 2020/2021 financial year.	HA/ Oversight Advisor	The implementation of the WPP Conflict of Interest Policy should commence by the start of Q3 2020.
	Operational / Reputational					3	2	6				
G.7	The WPP is unable to operate efficiently or carry out its duties due to uncontrollable events.	<ul style="list-style-type: none"> <li>WPP Personnel and/or key suppliers are unable to carry out work due to fire, extreme weather, epidemics.</li> <li>Key system, IT systems, communication methods and portals fail.</li> </ul>	The WPP is unable to work efficiently, required work is not completed, key decisions are unable to be made. Potential financial loss to assets held within the WPP. Alongside, potential reputational risk or referral to Scheme Advisory Board, Pension Regulator or the MHCLG	WPP Personnel/ Suppliers and Advisors	<ul style="list-style-type: none"> <li>Host Authority has business continuity/ disaster recovery plan in place.</li> <li>Majority of Personnel and Advisors are able to work remotely</li> <li>Numerous communications mechanisms in place</li> <li>WPP Personnel are located across several geographical locations</li> </ul>	Current			👍	N/A	HA	The WPP has continued to work effectively despite COVID-19. JGC meeting can now be held virtually.
	Financial / Reputational					4	2	8				
						Target						
						2	2	4				
						Target						
						4	2	8				
						Target						
						3	1	3				
						Target						
						4	2	8				
						Target						
						4	2	8				




Risk Detail				Current Situation	Scoring			Management and Monitoring			
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
G.8	The WPP's governance arrangements result in inefficient management and decision making.	<ul style="list-style-type: none"> <li>Failure to account for relevant guidance in relation to good governance/ best practice.</li> <li>Inability to follow existing governance structure and protocols.</li> <li>Inefficient delegation of duties and resources.</li> <li>Governance structure does not allow for sufficient time/ resources and debate on key decisions and matters.</li> </ul>	The WPP is unable to work efficiently, required work is not completed, key decisions are unable to be made. Potential financial loss to assets held within the WPP. Alongside, potential reputational risk or referral to Scheme Advisory Board, Pension Regulator or the MHCLG.	<ul style="list-style-type: none"> <li>Governance Structure in place and codified in the Inter Authority Agreement</li> <li>Use of tiered governance structure to assist in the prioritisation of key decisions</li> <li>Oversight Advisor in place to provide advise on governance structure</li> <li>Engagement with relevant bodies on good governance guidance and best practice</li> <li>Annual resource assessment to ensure governance structure can be adhered to</li> <li>Ongoing review of governance structure</li> </ul>	Current			👍	The Oversight Advisor will consider the suitability of the WPP's governance arrangements while formulating the WPP Governance Manual. The IAA is also due to be reviewed in 2021/2022. The Oversight Advisor will review how the diversity and volume of input and opinions from the WPP's internal stakeholders can be increased, the findings will be discussed with the OWG. The WPP will develop a 'decision, owner and deadline' matrix for inclusion in all of its meeting packs. The WPP is reviewing the possibility of Scheme member representation on the JGC.	Oversight Advisor	The Oversight Advisor will report back to the OWG.
	Operational / Reputational / Financial				OWG/JGC/ Oversight Advisor	Long Term	4				
G.9	Difference of opinion/ or views within the WPP can be reconciled.	<ul style="list-style-type: none"> <li>Different decision-making bodies are unable to come to an agreement. Conflicting interests and priorities of Constituent Authorities.</li> <li>Governance structure does not provide a mechanism or forum by which opinions and differences can be reconciled.</li> <li>Sub-optimal number of decisions makers/ opinion</li> </ul>	The WPP is unable to agree on key decisions leading to delays, inefficiencies and alienation or breakup of stakeholders. Potential financial loss to assets held within the WPP and/ or reputational risk.	<ul style="list-style-type: none"> <li>Strong mean of communication between decision makers (and Constituent Authorities)</li> <li>Codified set of unanimously agreed/ united objectives and beliefs</li> <li>Regular scheduled meetings, and ad hoc meetings if required, to facilitate the sharing and reconciliation of views</li> <li>Oversight Advisor in place to provide advice on governance structure</li> <li>Engagement with relevant bodies on good governance guidance and best practice</li> <li>Ongoing review of governance structure</li> <li>Democratic decision-making process in place</li> <li>Clear escalation process in place for obtain consent if mutual agreement cannot be reached</li> </ul>	Current			👍	N/A	OWG	N/A
	Operational / Reputational / Financial				WPP Personnel/ Suppliers and Advisors	Medium Term	5				
G.10	WPP suppliers fail to deliver on their contractual commitments.	<ul style="list-style-type: none"> <li>Lack of a suitable supplier monitoring framework.</li> <li>Insufficient competition amongst suppliers.</li> <li>Unsuitable/ undeliverable contractual terms agreed.</li> <li>Poor communication with suppliers on the WPP's requirements and expectations.</li> </ul>	The WPP work in progress goes uncompleted or is delayed. The requirements of the WPP's stakeholders are not met. The WPP makes inappropriate decisions which could result in financial loss, inefficiencies, reputational risk.	<ul style="list-style-type: none"> <li>Legal Advisor in place to review contractual terms and commitments</li> <li>Regular service delivery meetings held</li> <li>Regular procurement and reappointment exercises carried out to ensure competition</li> <li>The WPP has formulated contracts that have natural break or exit points and minimal exit fees.</li> </ul>	Current			👎	The OWG will seek to formulate a shortlist of 'potential replacement suppliers' that could be appointed if required. This will reduce the impact of this risk by accelerating the timeframe for the appointment of a replacement supplier.	OWG	Where appropriate Advisors will assist the OWG in the formulation of these lists.
	Operational / Reputational / Financial				Oversight Advisor/ OWG	Medium Term	4				
					4	2	8				

Risk Detail				Current Situation	Scoring			Management and Monitoring			
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
G.11	WPP suppliers fail to enact the WPP's decisions in a timely and effective manner.	The WPP work in progress goes uncompleted or is delayed, which could result in financial loss or inefficiencies. The requirements of the WPP's stakeholders are not met.	Oversight Advisor/ OWG	<ul style="list-style-type: none"> <li>Regular service delivery meetings held</li> <li>Regular procurement and reappointment exercises carried out to ensure competition</li> <li>Designated Oversight Advisor in place</li> <li>Intensive engagement protocols with relevant suppliers</li> </ul>	Current				The OWG will consider this risk while undertaking its annual review of the WPP's Communication Policy. The Oversight Advisor will review how the communication of timescales and the importance of actions, projects and activities can be more effectively conveyed to relevant suppliers. The WPP will develop a 'decision, owner and deadline' matrix for inclusion in all of its meeting packs.	OWG & Oversight Advisor	The Oversight Advisor will draft a 'decision, owner and deadline' matrix for the OWG's consideration.
	Operational / Financial				Medium Term	4	3				
G.12	The WPP's Operator fails to deliver on its contractual obligations or stops providing Operator services due to existing the market or regulatory restrictions.	The WPP assets held within the Operator ACS are put at risk. A number of the WPP's contracts are broken, as these are currently mandated via the Operator. The WPP is unable to work efficiently, required work is not completed, sub-funds are unable to be managed or launched.	Oversight Advisor/HA/ OWG/ Legal Advisor	<ul style="list-style-type: none"> <li>Designated Operator Oversight Advisor in place</li> <li>Intensive engagement protocols with Operator</li> <li>Operator Oversight Framework currently in development</li> <li>Engagement with the wider Operator market (and other suitable suppliers) is built into the WPP business plan</li> <li>The WPP has formulated contracts that have natural break or exit points and minimal exit fees</li> </ul>	Current				The OWG will develop an 'impact limitation procedure' which could be enacted if the Operator were to exit the market or if an immediate replacement needed to be appointed. The OWG is continuing to monitor any developments resulting from the FCA's review of the ACD Operator market. The OWG recognises the resource strain this review places on the Operator.	OWG	The OWG will ask the Operator for an update on the progress of the takeover bid that their parent company has received.
	Financial / Operational				Short Term	5	3				
					Target						
					4	2	8			Q2 2021	
					5	2	10			Q2 2021	

## Training & Resources Risk

Risk Detail				Current Situation	Scoring			Management and Monitoring			
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
T.1	The WPP fails to maintain and foster appropriate expertise and knowledge amongst relevant personnel	<ul style="list-style-type: none"> <li>Knowledge gap of new or existing personnel.</li> <li>Unsatisfactory Training program.</li> <li>Poor attendance at training events.</li> </ul> Knowledge gaps result in ineffective action, inability to deliver on responsibilities and inappropriate decision making.	WPP Personnel	<ul style="list-style-type: none"> <li>Ensure sufficient training takes place</li> <li>Maintain a mechanism for accessing training requirements</li> <li>Ensure that new personnel receive appropriate training at the outset of their duties</li> <li>Publication of WPP Annual Training Plan</li> <li>Outsourcing training requirements to specialists when required</li> <li>Outsourcing tasks to expert advisors when required level of expertise cannot be met internally</li> </ul>	Current			👍	The WPP will reduce the probability of this risk by putting in place an induction process for new WPP personnel. The WPP will also commit to delivering at least 4 training events each year.	OWG	The HA is considering how training events can be facilitate given the COVID-19 outbreak. A WPP induction procedure is also being formulated.
	Operational / Reputational / Financial		Medium Term		3	2	6				
T.2	The WPP makes inappropriate or untimely decisions.	<ul style="list-style-type: none"> <li>Lack of resources.</li> <li>Relevant WPP personnel have overwhelming and/or conflicting priorities.</li> <li>Lack of engagement or attendance from relevant personnel.</li> <li>Decision made are not picked up internally in a timely manner.</li> </ul> The WPP makes inappropriate decisions. Delays in decision making reduces the effectiveness of decisions and/ or leads to a negative impact or investment returns.	WPP Personnel	<ul style="list-style-type: none"> <li>Decisions made are noted and assigned to relevant personnel</li> <li>Meeting attendance and absentees are noted at the commencement of each meeting</li> <li>Annual review of resource requirements</li> <li>Use of external suppliers when additional resources are required</li> <li>Business Plan and Work Plan in place to prioritise key decisions and activities</li> </ul>	Current			👍	N/A	OWG & Oversight Advisor	N/A
	Operational / Reputational / Financial		Medium Term		4	1	4				
T.3	The WPP fails to attract, appoint and retain personnel, suppliers and providers.	<ul style="list-style-type: none"> <li>Inappropriate decisions are made due to a lack of input and opinions from relevant personnel, adviser and/ or suppliers.</li> <li>The WPP makes inappropriate decisions due to a lack of information/ knowledge/ advise.</li> <li>The WPP has insufficient resources to carry out its work and deliver on its duty to stakeholders.</li> </ul> The WPP is unable to meet the requirements of its key stakeholders. The WPP makes inappropriate decisions which could result in financial loss, inefficiencies, reputational risk.	WPP Personnel	<ul style="list-style-type: none"> <li>Timely identification of the WPP's requirements</li> <li>If a resource requirement is identified, then the relevant resourcing/ procurement exercises are carried out</li> <li>Use of the National Framework</li> <li>Regular market engagement to ensure that WPP remains a competitive and attractive employer/ client</li> </ul>	Current			👍	N/A	OWG	N/A
	Operational / Reputational / Financial		Medium Term		4	1	4				
T.4	Key Personnel Risk at Host Authority	<ul style="list-style-type: none"> <li>Certain people leave the HA.</li> <li>HA fails to put in place effective succession plans.</li> <li>Roles and responsibilities of the HA are too heavily concentrated amongst a limited body of individuals.</li> </ul> HA is unable to provide support to the WPP. No Action or ineffective action is taken leading to financial loss or inefficiencies. Key knowledge and existing relationships are lost.	OWG	<ul style="list-style-type: none"> <li>Ensure sufficient training and succession planning takes place</li> <li>Maintain a mechanism for accessing training requirements amongst existing HA Personnel</li> <li>Ensure that new personnel receive appropriate training at the outset of their duties</li> </ul>	Current			👎	OWG to consider what action would be taken if key personnel at the HA left and consider what additional control could be put in place to reduce the probability to key personnel risk and its impact on business continuity.	OWG	This risk will be raised at the next OWG so that additional controls can be put in place ahead of the next review of this risk in Q3 2021.
	Operational		Short Term		5	2	10				
					Target						
					3	1	3			Q3 2021	
					4	1	4			Q3 2021	
					4	1	4			Q3 2021	
					5	1	5			Q3 2021	

Communication Risk

Risk Detail				Current Situation	Scoring			Management and Monitoring			
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
C.1	The WPP fails to effectively communicate and engage with internal stakeholders.	<ul style="list-style-type: none"> <li>The WPP internal communication strategies are ineffective or not adhered to.</li> </ul> Inappropriate decisions are made due to a lack of input and opinions from key stakeholders (e.g. views and requirements of Constituent Authorities). The WPP makes inappropriate decisions which could result in financial loss, inefficiencies, reputational risk, alienation and a loss of engagement from key stakeholders.	WPP Personnel	<ul style="list-style-type: none"> <li>Formulation of a WPP communication policy that covers internal communication</li> <li>Use of a documents portal for internal uses</li> <li>Use of multiple communication channels</li> <li>Regular engagement with internal stakeholders (e.g. meetings, bi-weekly calls and emails)</li> </ul>	Current				The OWG will review how the diversity and volume of input and opinions from the WPP's internal stakeholders can be increased, the findings will be discussed. This includes the consideration of Scheme Member representation on the JGC.	OWG	The OWG will consider this risk alongside its annual review of the WPP's Communication Policy.
	Reputational / Operational		Medium Term		Target						
C.2	The WPP fails to effectively communicate and engage with external stakeholders.	<ul style="list-style-type: none"> <li>The WPP fails to articulate its beliefs and objectives to external parties.</li> <li>The WPP is not forthcoming or active in seeking engagement with relevant external parties.</li> <li>The WPP Communication Policy is not effective or far reaching enough.</li> <li>The WPP doesn't have sufficient resources to carry out the required communication and engagement activities.</li> </ul> The WPP fails to incorporate guidance and advise for relevant external parties. External Parties perception of the WPP is unreflective and harmful. The WPP's reputation is negatively impacted.	WPP Personnel	<ul style="list-style-type: none"> <li>Formulation of a WPP communication policy that covers external communication</li> <li>Development of a WPP website</li> <li>Use of external communication channels and press releases</li> <li>Regular engagement with external stakeholders (e.g. The MHCLG, SAB, Pension Regulator Conference attendance)</li> <li>Annual WPP update published</li> </ul>	Current				N/A	OWG	The OWG will consider this risk alongside its annual review of the WPP's Communication Policy.
	Reputational / Operational		Medium Term		Target						
C.3	Advice and relevant information is not presented in a way that aids decisions making.	<ul style="list-style-type: none"> <li>Advice and information is not adequately targeted to the relevant audience.</li> <li>The format and presentation of advice and information is not well designed to the audience.</li> <li>The intended audience and/ or scope of advice &amp; information is unclear.</li> <li>Insufficient time or resources is given to the formulation and/ or consideration of advice/ information.</li> </ul> The WPP makes inappropriate decisions due to a lack of information and/ or advice. Inappropriate decisions result in inefficiencies/ financial risk and reputational risk	WPP Personnel/ The Operator/ Investment Manager/ Oversight Advisor/ Other Advisors and Suppliers	<ul style="list-style-type: none"> <li>WPP personnel, in particular decision makers, are actively encouraged to provide feedback on the relevance and presentation of advice and information</li> <li>Advice &amp; information is normally presented in at least two formats (verbal and written)</li> <li>Solely verbal updates are kept to a minimum</li> <li>Sufficient time and opportunity is given to the asking of clarification questions</li> <li>Draft advice or information is normal shared with the HA, for a sensibility check, prior to being shared or presented</li> <li>The WPP's governance structure allows for multiple checks and balance prior to decisions being made</li> </ul>	Current				N/A	Oversight Advisor	The Oversight Advisor will review this risk ahead of the end of the 2020/2021 financial year.
	Operational / Reputational / Financial		Long Term		Target						

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## Wales Pension Partnership Beliefs Statement

The Wales Pension Partnership's ('WPP') primary objective is 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. In addition, the WPP will endeavour to achieve value for money and cost savings for its stakeholders.

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 and effective Climate Risk mitigation strategies, alongside consideration and evidential management of broader 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.

Version 2.0

December 2020

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## WPP Training Policy

### Introduction

- 1 This policy sets out the Wales Pension Partnership (“WPP”) approach to training and development. The policy outlines the strategy that WPP has put in place to ensure that its Personnel and decision makers have the required knowledge base to fulfil their roles and make decisions that will deliver the best possible outcomes for the WPP’s stakeholders.
- 2 This policy applies to WPP Personnel which includes the Host Authority, Members of the WPP Joint Governance Committee (‘JGC’) and Officer Working Group (‘OWG’). WPP recognises that Constituent Authority Pension Committee Members, as well as Pension Board Representatives, may be invited to attend WPP training events and may therefore be indirectly subjected to the content of this policy.
- 3 The WPP’s training policy and plan is designed to supplement existing Constituent Authority training documentation, it is not intended to replace or override the need for and importance of local level training policies and plans. Local level training needs will continue to be addressed by the Constituent Authorities while the WPP will offer training that is relevant to the WPP’s pooling activities.
- 4 This policy will be formally reviewed by the OWG on an annual basis and, if necessary, changes to the policy will be taken to the JGC for approval. In maintaining and acting on this policy, WPP will have an ongoing dialogue with the Constituent Authorities and the Host Authority. WPP will also seek input from third parties where appropriate and will take account of the evolving training needs of the Constituent Authorities and developments in the facilitation of training.
- 5 This policy will have regard to guidance from the Chartered Institute of Public Finance and Accountancy (“CIPFA”) and The Pension Regulator and any relevant guidance provided by the Scheme Advisory Board (“SAB”) and the Ministry of Housing Communities and Local Government (“MHCLG”). The policy incorporates, where applicable, any relevant guidance from the Public Services Ombudsman for Wales or Welsh Government.

### Beliefs

- 6 WPP has established a set of beliefs, which underpin and guide its decision making, policies and business plans. The two beliefs outlined below are of particular relevance to the WPP’s Training Policy:
  - Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve.
  - Good governance should lead to superior outcomes for the WPP’s stakeholders.
- 7 WPP recognises that having a detailed training policy is critical in ensuring that WPP’s actions are aligned to its beliefs. This policy has been formulated with the aim of putting in place measures that will enable WPP to be an institution that is continuously learning, innovating and developing.
- 8 WPP believes that a critical element of good governance is enacting procedures and structures that will promote well informed decision making. The WPP’s Training Policy has been put in place to seek to ensure that WPP’s knowledge and ability to make well informed decisions is maximised.

### Objectives

- 9 WPP’s objective in preparing and implementing this policy is to:
  - Demonstrate that WPP has put in place procedures that will seek to ensure that it has the skills and knowledge to carry out the roles and activities that it undertakes on behalf of stakeholders;

- Ensure that WPP Personnel are fully informed of all relevant matters prior to make decisions on behalf of WPP stakeholders; and
  - Ensure that WPP, as a collective, has sufficient knowledge to challenge and critique the advice that it receives from its external providers.
- 10 In maintaining a training plan and policy, WPP's objective is to progressively reduce the likelihood that stakeholder outcomes are negatively impacted due to a lack of expertise or the presence of knowledge gaps amongst WPP Personnel. The WPP Risk Register highlights that failing to maintain and foster appropriate expertise and knowledge amongst relevant personnel is a material risk to the WPP which, if left unmanaged, could result in the WPP taking ineffective action, making inappropriate decisions or being unable to deliver on its responsibilities. To manage this potential risk, WPP has put in place the following measures and controls:
- Ensure sufficient training takes place;
  - Maintain a mechanism for accessing training requirements;
  - Ensure that new personnel receive appropriate training at the outset of their duties;
  - Publication of the WPP Annual Training Plan;
  - Outsourcing training requirements to specialists when required; and
  - Outsourcing tasks to expert advisors where appropriate.

### Guidance & Regulation

- 11 In formulating this policy WPP has consider and incorporated CIPFA's 'Investment Pooling Governance Principles for LGPS Administering Authorities' guidance, which notes the importance of "Members and Officers having a detailed knowledge of the pooling of investment arrangements. The WPP Training Policy and the associated WPP Training Plan have been developed with the aim of providing Members and Officers with the knowledge of investment pooling that they require to carry out their WPP roles and responsibilities. Local level training policies and plans will continue to address the knowledge of pooling that Members and Officer require to carry out their roles at Constituent Authority Level.
- 12 WPP recognises that there is a significant amount of training related guidance and regulation which is targeted at LGPS Funds and Private Sector Pension Schemes, this includes but is not limited to:
- The Pensions Act 2004
  - The Public Service Pensions Act 2013
  - CIPFA's Code of Practice & Knowledge and Skills Frameworks

WPP is supportive of these sources of guidance and regulation. WPP has sought to incorporate the sentiment and nature of these sources into its own training policy and plans. WPP expects and encourages the Constituent Authorities to formulate and maintain their own training policies and plans. WPP anticipates that Constituent Authorities will put in place policies that will uphold the guidance and regulation that the sources outlined above place on LGPS Funds.

### Strategy

- 13 WPP recognises that training is critical to achieving good outcomes for its stakeholders and will allocate resources to ensure that it undertakes regular training. WPP has committed to hosting at least four formal training events during the course of the year. Training events will be facilitated by the Host

Authority. The Host Authority will maintain a training log which will keep a record of all the training WPP personnel have completed to date and the training that is due to take place in the foreseeable future.

- 14 The WPP Training Policy has six key elements;
- Understanding of the WPP's remit and environment
  - Identification of training needs
  - Facilitation of training
  - Training methods
  - Duties and expectations
  - Review and monitoring
- 15 WPP, in formulating this policy, has considered the nature of the work that it carries out on behalf of its stakeholders and the environment in which it operates. WPP recognise that training requirements, alongside the WPP's knowledge base, will need to be fluid due to the changing and variable nature of the WPP's work. The environment in which WPP operates is also subject to constant change, it is vital that the WPP's Training Policy is able to address any training or knowledge requirements that may stem from these changes, this is particularly relevant for regulatory changes.
- 16 Prior to identifying training needs it is important to consider the sources and drivers of these needs. WPP has identified four main sources from which training needs can stem:
- Regular Role & Responsibilities – the day to day roles and responsibilities of WPP Personnel will require them to have a certain knowledge base and skill set.
  - Target Areas of Focus and Project Work – new workstreams or projects may require WPP Personnel to develop skill or knowledge which they had not previously needed or required.
  - Market Developments & Current Issues – the introduction of hot topics within the market that WPP operates within may result in WPP's existing workplan or practices being subject to change and its natural to assume that new training requirements may result from these changes.
  - Regulatory Changes – amendments or changes to existing regulation will need to be swiftly actioned by the WPP. Any WPP action will include an assessment and facilitation of any training needs that stem from the regulatory changes.
- 17 WPP will identify training need requirements by issuing a WPP Annual Training Requirement Questionnaire. The Questionnaire will be issued to JGC and OWG Members, the responses to the questionnaire will be used to inform the WPP Annual Training Plan – this will identify the topics that WPP will receive training on over the course of the subsequent twelve months. The topics identified will not only take account of the questionnaire responses but will also be formulated with a consideration to the WPP's Annual Business Plan and the nature of the work that WPP will be undertaking during the course of the year.
- 18 The means and methods of undertaking training are constantly evolving and WPP is keen to embrace any new developments that will enhance the effectiveness of its training. WPP currently makes use of the following training methods, this list is by no means exhaustive and is likely to change in line with relevant developments and innovations:

- Formal Training Events
- Virtual Training Sessions
- Online Training Portals
- Workshops
- Briefing Notes, Guidance Papers or any other relevant reading materials
- Relevant Seminars, Webinars and Conferences
- In-Meeting Training Sessions

19 WPP Personnel have a duty to play an active role in the development of their own knowledge base and skill set. It is best practice for individuals to review their own knowledge and understanding at least annually and undertake further training for any areas that are identified as requiring further attention or development. Individuals should record any training activity undertaken which is relevant to their WPP role and where appropriate inform the Host Authority of the details. WPP Personnel are asked to use the completion of the WPP Training Requirement Questionnaire as an opportunity to evaluate their knowledge and skills.

20 New WPP Personnel are required to undertake introductory training to reach the level of knowledge that will enable them to carry out their new duties and roles. Upon joining the WPP, new Personnel will be provided with an introduction pack from the Host Authority. New WPP Personnel are expected to review the information provided to them in the introduction pack, which will include detail on their WPP role and the WPP's Governance Framework and Policies. The Host Authority will reach out to new WPP Personnel within one month of sending the introduction pack to ensure that they have a good understanding of their new role and responsibilities and the WPP's structures and procedures. If required, the Host Authority and Oversight Advisor will make themselves available for a meeting to address any outstanding questions or points of clarification that the new Personnel Member may have.

21 Following any introductory training, Personnel are expected to maintain their understanding by completing any additional training that is required. All Personnel should be aware of the WPP's framework, beliefs, policies, governance matrix, the decision-making process and decision logging process.

22 WPP recognises the importance of monitoring the effectiveness and ongoing suitability of this Policy. The following sources of data will be used to assess the extent to which this Policy has delivered on its objectives - any findings or insight will be considered and actioned during the annual review of the WPP's Training Policy;

- The attendance levels at WPP Training Events
- The responses to the WPP Annual Training Requirement Questionnaire
- Where applicable, knowledge benchmarking exercises will be carried out

### Transparency

23 The WPP Training Policy will be made publicly available on the WPP website. On an annual basis, WPP will prepare and publish an Annual Training Plan on its website, the Plan will outline the training topics that the WPP will receive training on over the next twelve months.

- 24 The WPP Annual Report will outline what training the WPP completed during the past year, where it was held and the attendees.

**Further Information**

- 25 If you require any further details on the WPP Training Policy, please contact [walespensionpartnership@cararthenshire.gov.uk](mailto:walespensionpartnership@cararthenshire.gov.uk) and refer to the WPP website.

Version 1.0

December 2020

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## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday 10 February 2021
<b>Report Subject</b>	Economic and Market update and Performance Monitoring report
<b>Report Author</b>	Head of Clwyd Pension Fund

### **EXECUTIVE SUMMARY**

The purpose of this report is to update the Committee on the Economy and Markets, and the Performance of the Fund's investments.

The reports cover periods ending 31 December 2020, and are attached as appendices to this report.

Key points to note:

#### **Economy and Markets**

- The quarter saw positive returns across all equity markets, building on the strong performance seen in the two previous quarters
- Positive developments in COVID vaccines, results in the US election, and a conclusion in the Brexit negotiations all seen as positive by markets
- Investors anticipate global economic recovery later in 2021, as the World anticipates the lifting of COVID related restrictions

#### **Performance Monitoring Report**

- Over the three months to 31 December, the Fund's total market value increased by £118.8m to £2,121.8m
- Fund Performance over 3 months, 12 months and 3 years; +6.2%, +6.4% and +5.4% p.a. respectively
- Fund Performance ahead of Actuarial target, Strategic target and Composite benchmark over 3 months.
- Fund Performance ahead of Actuarial and Strategic target, but behind Composite benchmark over 1 year
- All asset classes broadly in line with strategic target weight

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

## RECOMMENDATIONS

1.	That the performance of the Fund over periods to the end of December 2020 are noted along with the Economic and Market update which effectively sets the scene.
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## REPORT DETAILS

<b>1.00</b>	<b>INVESTMENT AND FUNDING RELATED MATTERS</b>
1.01	<p><b>Economic and Market Update</b></p> <p>The economic and market update for the quarter from the Fund's Investment Consultant is attached at Appendix 1. The report contains the following key sections:</p> <ul style="list-style-type: none"><li>• <b>Economic and Market Background</b> – an overview of markets in the quarter, including commentary on key economic indicators</li><li>• <b>Equity Market Review</b> – information on the performance of equity markets during the quarter and key drivers of markets</li><li>• <b>Bond Market Review</b> – provides an update on bond yield movements and interest rates for the period</li></ul>
1.02	<p>The global economy started to slow again during the quarter after seeing a rebound in the summer of 2020, as restrictions were again implemented in all major regions. However, positive news around the roll-out of vaccines, and the US election result and a conclusion to the Brexit negotiations led to investors looking beyond the current setbacks, and taking a positive view of a recovery in 2021. This led to a quarter of strong returns from "risk" assets such as equities.</p> <p>Asia Pacific (ex-Japan) equities and Emerging Market equities were amongst the strongest performers in the quarter, returning 19.0% and 15.1% in local currencies respectively.</p> <p>Commodities also had strong performance in the quarter, with expectations of a strong economic recovery during 2021 driving demand for cyclical commodities such as Agriculture and Energy.</p> <p>Sterling strengthened against all major currencies in the quarter. The Brexit agreement in late December strengthened sentiment toward sterling as early signs of anticipated trade disruption did not generally materialise.</p>
1.03	<p><b>Performance Monitoring report</b></p> <p>Over the 3 months to 31 December 2020, the Fund's total market value increased by £118.8m to £2,121.8m, giving an overall increase of circa £348m since the end of March 2020.</p> <p>The Total Fund has also increased in value by £121.8m in the year to 31 December 2020.</p>

1.04

It is appropriate to measure performance at a Total Fund level by comparing to a number of different targets:

- The first of these is the assumed return that the Actuary includes within the triennial valuation - **Actuarial Target**. This is the most crucial target as actual performance needs to be ahead of this to ensure that the Fund maintains, or improves its funding level. This currently set at Consumer Price Index (CPI +2.0% p.a.)
- The second performance measure is the overall assessment of potential return when the Fund reviews and sets its investment strategy – **Strategic Target**. (This is currently CPI +4.1% p.a.)
- The final target is the composite benchmark – **Total Benchmark**. This is a composite of each of the individual manager benchmarks, weighted by strategic target allocation. For most investment managers the benchmark does not include an expectation of outperformance, with the exception of Wellington Emerging Market equities and WPP Global Opportunities equity.

The performance against each of these targets/benchmarks is shown on Page 6 of the report, and repeated below:

	2020 Q4 (%)	1 Yr (%)	3 Yrs (%)
<b>Total Clwyd Pension Fund</b>	<b>6.2</b>	<b>6.4</b>	<b>5.4</b>
Total Benchmark	5.4	9.0	6.6
Strategic Target (CPI +4.1% p.a.)	1.6	6.2	6.2
Actuarial Target (CPI +2.0% p.a.)	1.0	4.1	4.1

This shows that the Total Fund has beaten the Actuarial target over all three periods shown (3 months, 1 year and 3 years). The Fund has also beaten the Strategic target over 3 month and 1 year, but is behind over three years.

Performance against the composite benchmark has been less strong, with outperformance over 3 months, but underperformance over 1 year and 3 months.

1.05

The strongest absolute returns over the quarter came from the Cash and Risk Management Framework (CRMF) and the Equity portfolio. CRMF returned 11.2%, and Total Equity returned 10.8%. Within the Equity Portfolio, the Wellington Emerging Markets (Core) portfolio was the strongest performer returning 15.1% in the quarter.

In the 12 months to 31 December the picture was similar to the quarter, with the best returns coming from Cash and Risk Management Framework (CRMF) and the Equity portfolio, with returns of 13.2% and 12.6% respectively.

The performance of individual managers is shown in the report and is regularly reviewed by officers and advisers, and at this stage there are no concerns that need addressing, however all positions are being monitored closely.

1.06	The transition of assets in the summer of 2020 has brought most asset classes in line with the target strategic weights. Due to strong performance of listed equities in the quarter Global and Emerging Market equity are now marginally overweight. As a result the In-house Private Markets assets are now around 2% under target weight. All asset classes are well within the agreed benchmark ranges.
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.

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

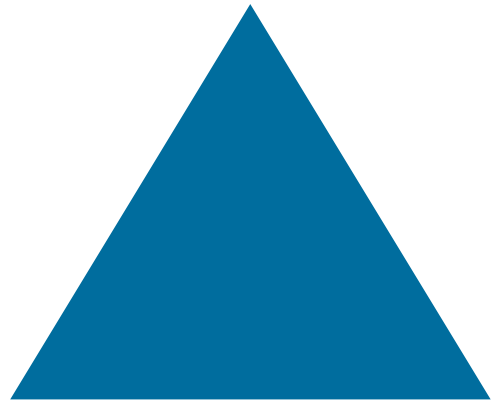
<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The Fund's investment strategy has been designed to provide an appropriate trade-off between risk and return. The Fund faces three key investment risks: Equity risk, Interest Rate Risk and Inflation Risk.</p> <p>Diversification of the Fund's growth assets away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

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 - Economic and Market Update – 31 December 2020</p> <p>Appendix 2 – Performance Monitoring Report – 31 December 2020</p>

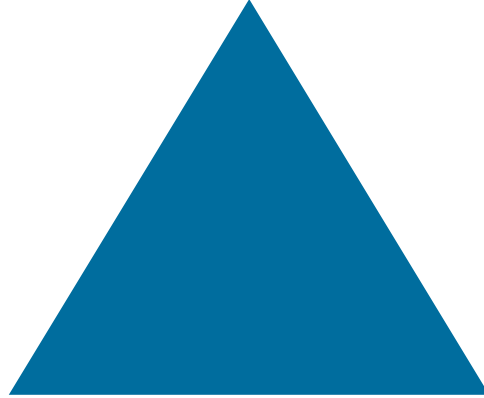
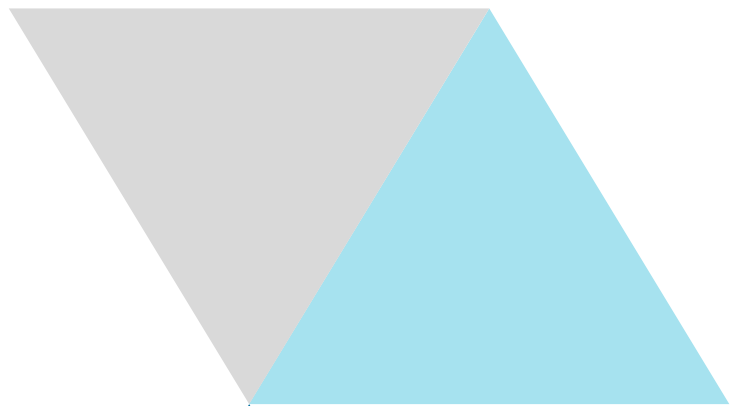
<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Economic and Market Update and Investment Strategy and Manager Summary 30 September 2020.</p> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>A list of commonly used terms are as follows:</p> <p>(a) <b>Absolute Return</b> – The actual return, as opposed to the return relative to a benchmark.</p> <p>(b) <b>Annualised</b> – Figures expressed as applying to 1 year.</p> <p>(c) <b>Duration</b> – The weighted average time to payment of cash flows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.</p> <p>(d) <b>Market Volatility</b> – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.</p> <p>(e) <b>Money-Weighted Rate of Return</b> – The rate of return on an investment including the amount and timing of cash flows.</p> <p>(f) <b>Relative Return</b> – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark.</p> <p>(g) <b>Three-Year Return</b> – The total return on the fund over a three year period expressed in percent per annum.</p> <p>(h) <b>Time-Weighted Rate of Return</b> – The rate of return on an investment removing the effect of the amount and timing of cash flows.</p> <p>(i) <b>Yield (Gross Redemption Yield)</b> – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cash flows.</p> <p><b>A comprehensive list of investment terms can be found via the following link:</b></p> <p><a href="https://www.schroders.com/en/uk/adviser/tools/glossary/">https://www.schroders.com/en/uk/adviser/tools/glossary/</a></p>

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**CLWYD PENSION FUND**  
**ECONOMIC AND MARKET UPDATE**  
**PERIOD ENDING 31 DECEMBER 2020**



## ECONOMIC AND MARKET BACKGROUND

### Quarter ending 31 December 2020

Following the strong economic rebound during the summer, the global economy started to slow again during the fourth quarter as restrictions gradually returned to all major regions. Nevertheless, the economic impact was not nearly as bad as in early 2020 as businesses were much better prepared this time. Good news regarding vaccine roll-out and positive developments on several political fronts led investors to look beyond these setbacks and expectations were set towards a major recovery in 2021. This drove a risk-on rally, leading to another quarter of strong returns for risk assets and weaker performance for defensive assets.

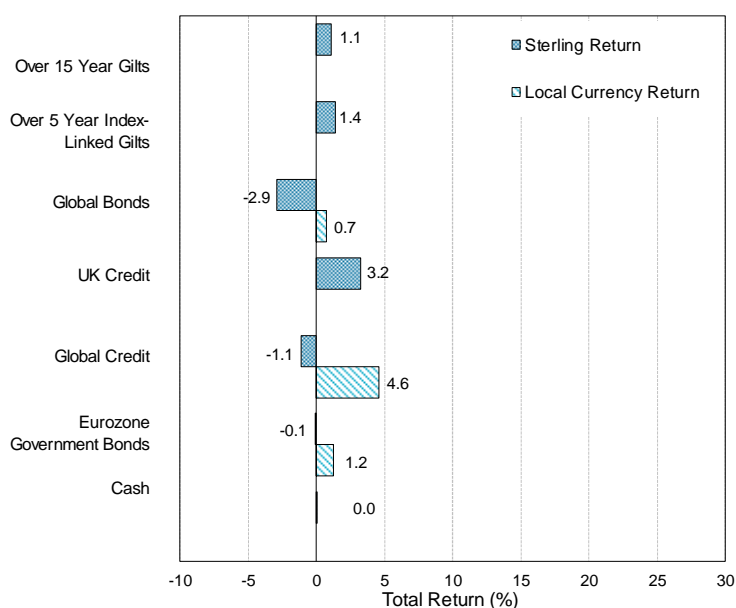
The US economy rebounded by 33.4% quarter-on-quarter (annualised) to the end of September 2020 which is the biggest expansion ever. Early estimates for the fourth quarter of 2020 indicate low single digit growth at best after restrictions returned to many US states. Monetary and fiscal policy remained very loose, with the Federal Reserve committing to keeping asset purchases at current levels for the coming months at least and a \$900bn fiscal stimulus package was approved. Investors were relieved after the November election yielded what was perceived to be a centrist and fairly market friendly US government.

China is still the furthest ahead in terms of economic recovery after its GDP rebounded over the last two quarters with lost output in early 2020 already fully recovered. Emerging markets outside East Asia remain more severely affected by COVID-19 and except for India, case growth is still at peak levels even if a weaker US Dollar and a recovery in natural resources prices has helped the many commodity exporting countries in this region.

Quarter-on-quarter GDP also saw record rebounds over the third quarter for the Eurozone and Japan of 12.5% and 5.3% respectively (non-annualised). Whilst Japan is expected to see low growth over the fourth quarter, renewed lockdowns in Europe that started early in the quarter are expected to result in negative GDP growth in low single digits for the Eurozone for the fourth quarter.

In the UK, quarter-on-quarter GDP rebounded by 16% to the end of June (non-annualised). Headline CPI inflation marginally fell to 0.3% at the end of November from 0.5% at the end of September. The Brexit deal at year end was major good news but this was tempered by large swathes of the country entering Christmas in full lockdown after a more contagious strain of COVID-19 started to spread across London and the South East.

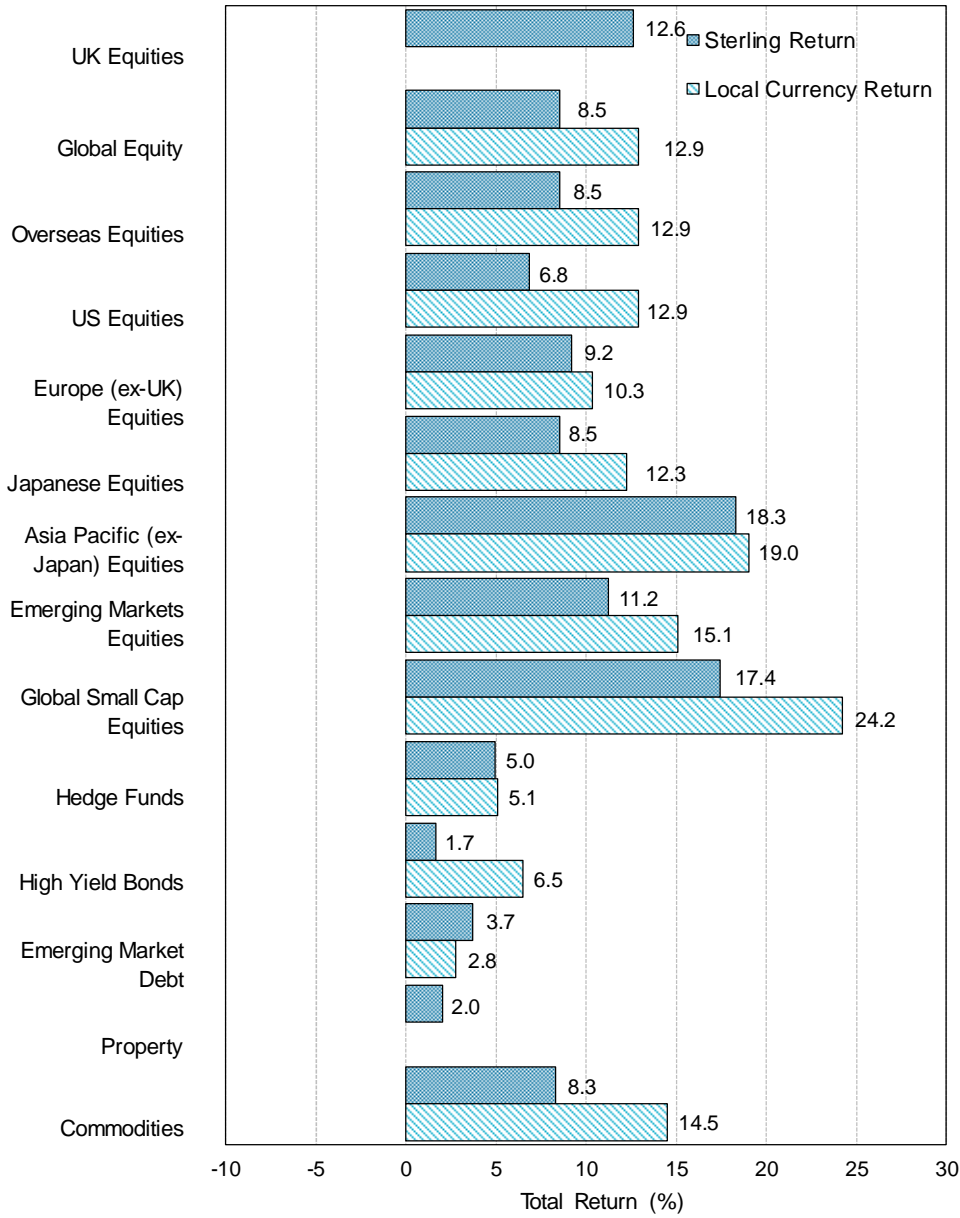
#### Defensive Assets - Index Performance



Source: Thomson Reuters Datastream.



Growth Assets - Index Performance



Source: Thomson Reuters Datastream.

## Equity Market Review

Global equity markets rallied over the quarter, returning 8.5% in sterling terms and 12.9% in local currency terms – the third positive quarter in a row. Many major indices, including the S&P500, showed mid to high double digit returns for the year. Volatility was higher over the third quarter as markets reacted to a return of pandemic-related restrictions and to major political events including the US election and the final Brexit negotiations.

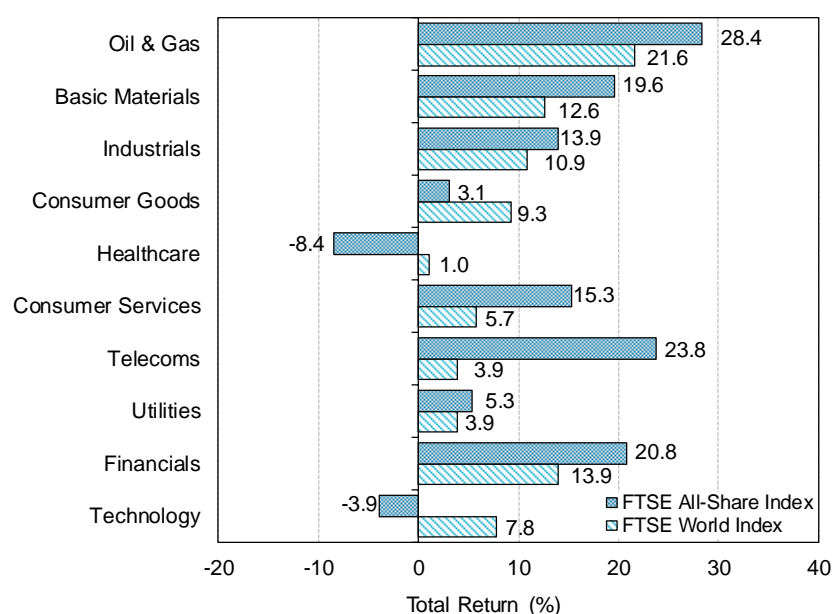
US equities returned 6.8% in sterling terms, compared to 12.9% in local currency terms over the quarter, as markets focused on the prospect for vaccine roll-outs. European (ex UK) equities returned 9.2% in sterling terms (10.3% local) driven by similar dynamics as well as a cyclical recovery in value stocks that are expected to benefit most from a full reopening and have a heavier weight in many European indices.

Emerging markets equities returned 11.2% in sterling terms, (15.1% local), driven by China's advanced recovery as well as a rebound in some other EM countries, especially commodity producers, that had been lagging for much of the year.

Global small cap stocks returned 17.4% in sterling terms (24.2% in local currency). Small caps outperformed global equities by a wide margin in local currency terms, as investors saw room for small caps to expand in a full reopening.

### Percentage Performance by Industry Tier -

Three Months to 31 December 2020

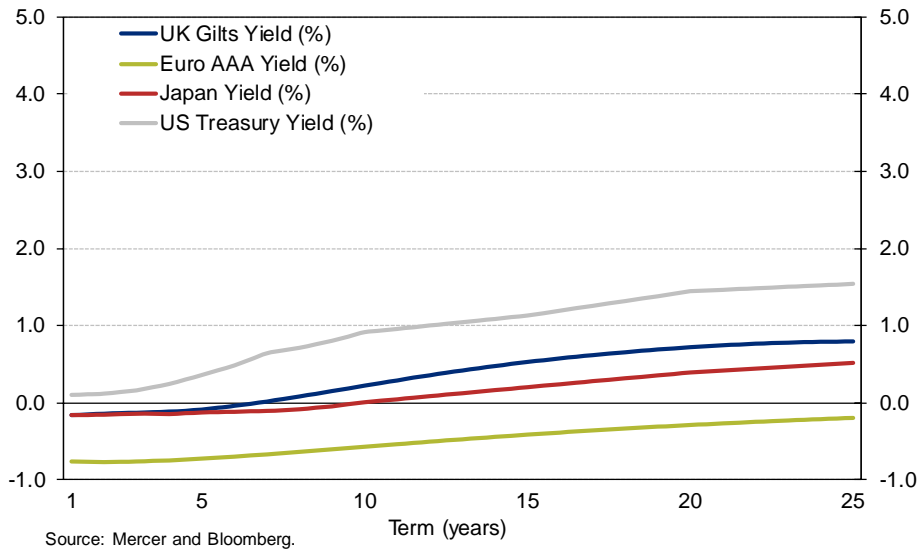


Source: Thomson Reuters DataStream.

The FTSE All Share rose by 12.6% over the quarter and was amongst the strongest developed market index performers. The large exposure to financials, oil & gas, and basic materials helped as these sectors were generally priced to benefit disproportionately from a reopening. The orderly resolution of Brexit also boosted sentiment, especially for smaller domestic stocks that outperformed UK large caps by wide margins.

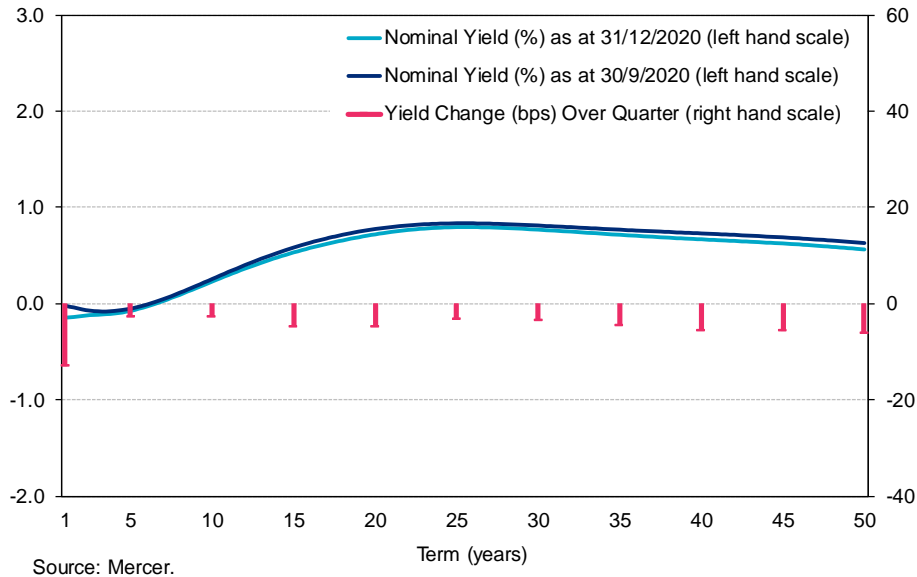
## Bond Market Review

### Government Bond Yield Curves



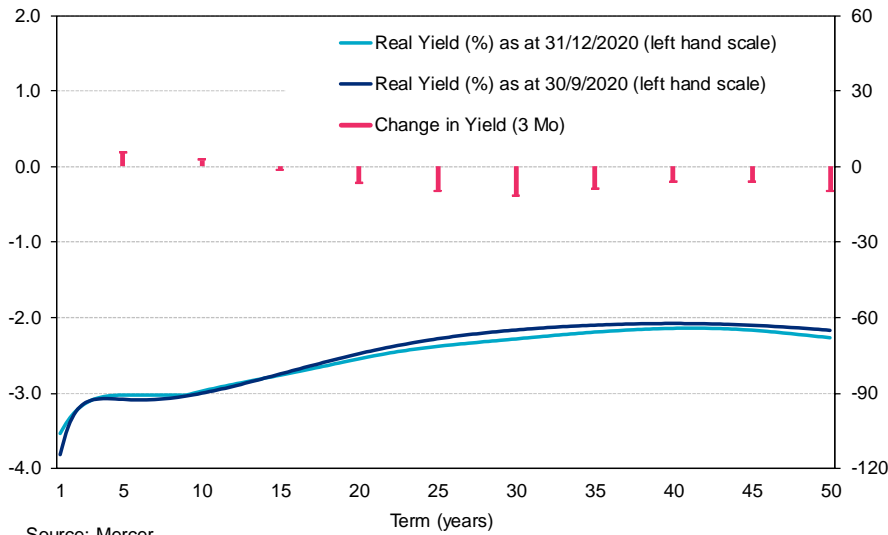
The 10 year government bond benchmark yield rose by over 20 basis points for the US over the quarter reflecting increased confidence in a recovery in US growth and higher medium-term inflation expectations as well as additional stimulus. For the UK, Eurozone and Japan, yields were either largely unchanged or slightly lower, reflecting more modest growth expectations in these three regions.

### Changes in the UK Bond Yield Curve over the Quarter



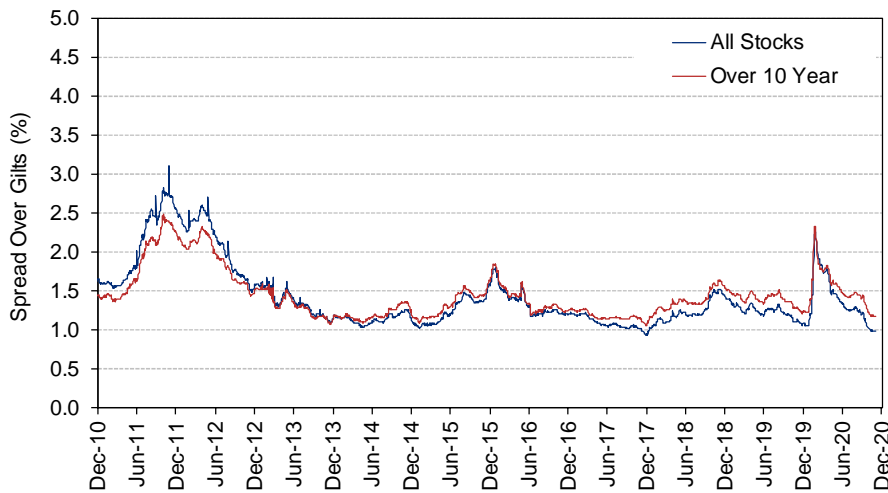
The UK yield curve shifted down marginally over the quarter as inflation expectations changed little and additional fiscal stimulus as well as monetary accommodation was announced in the UK over the quarter.

### Changes in the UK Index-Linked Gilt Yield Curve over the Quarter



UK real yields shifted down marginally over the quarter, in line with the small decrease in nominal yields. The UK Treasury announced the outcome of the RPI consultation confirming that RPI will increase in line with CPIH from 2030.

### ICE BofAML Sterling Non-Gilts Indices Credit Spreads

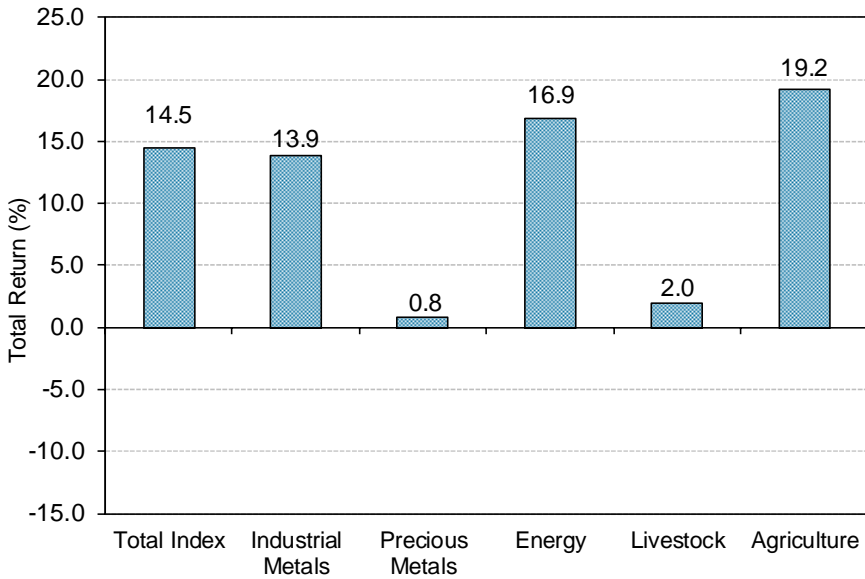


UK investment grade credit spreads narrowed over the quarter as risk-on sentiment continued. Investment grade spreads have now retraced all of the widening experienced earlier in the year and ended the year below their late 2019 level.

# Commodities

## S&P GSCI Index in US Dollars - Commodities

### Three Month Sector Performance to 31 December 2020

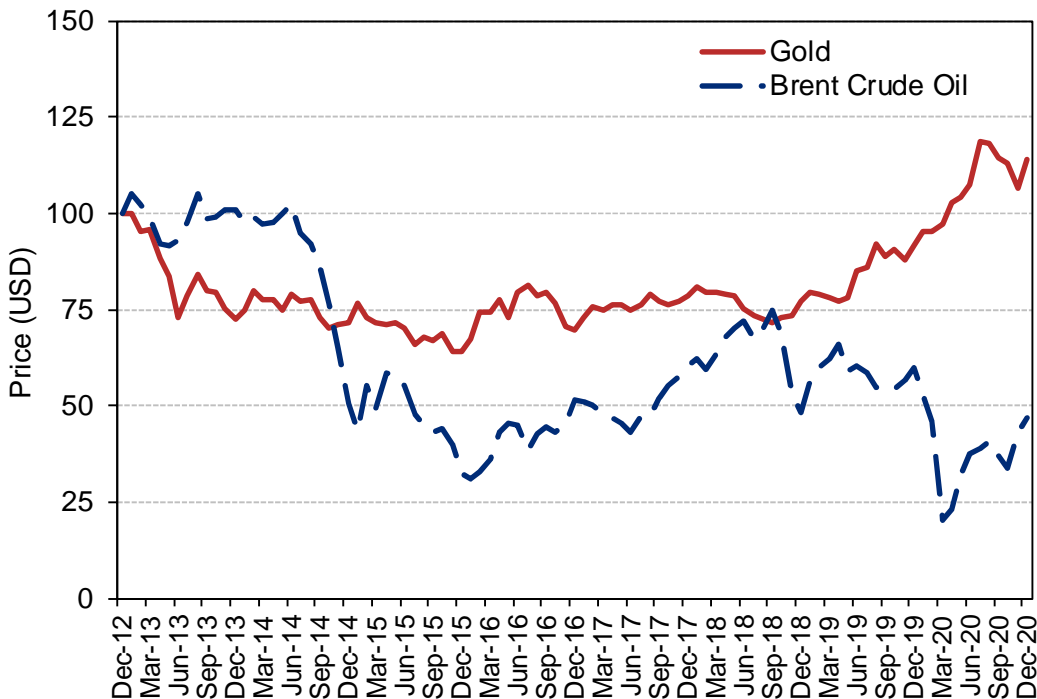


Source: Thomson Reuters Datastream.

Commodity markets continued their rebound over the quarter. Expectations of a strong economic recovery gaining pace in the coming year drove demand for cyclical commodities across the board as markets looked beyond the return of COVID-19 restrictions in many countries over the fourth quarter towards the prospect of a strong economic recovery once vaccination roll-outs begin, coupled with potentially less political uncertainty. Gold was flat over the quarter as markets were driven by risk-on sentiment that favoured cyclical commodities and energy.

### Change in US Dollar Price to 31 December 2020

(Gold and Brent Crude Oil - Rebased to \$100 on 31 December 2012)

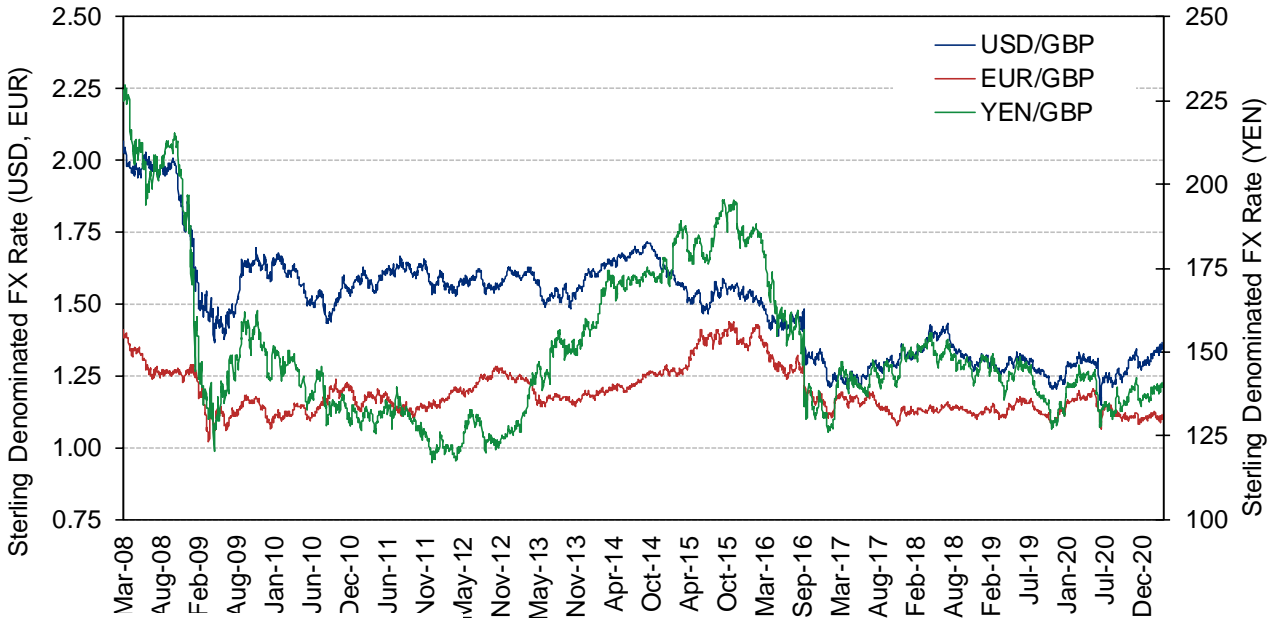


Source: Thomson Reuters Datastream.

## Currency Market Review

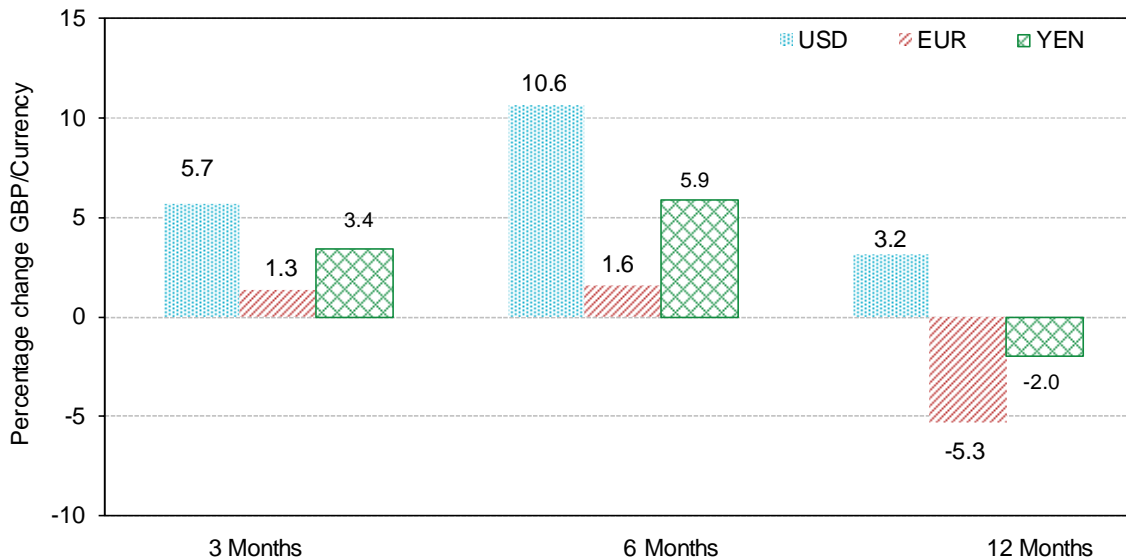
Sterling strengthened against all major developed currencies over the quarter but only rose against the US dollar for the year as a whole. The Brexit agreement in late December boosted sentiment for sterling at year end as the feared disruptions in trade did not generally materialise.

### Sterling Denominated FX Rates



Source: Thomson Reuters Datastream.

### Change in Sterling against Foreign Currencies



Source: Thomson Reuters Datastream.

## Other Assets

UK property as measured by the MSCI Index increased by 2.0% over the quarter to 31 December 2020.

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Clwyd Pension Fund  
**Monitoring Report**  
Quarter to  
**31 December 2020**

Page 161

Nick Buckland

February 2021



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Please also note:

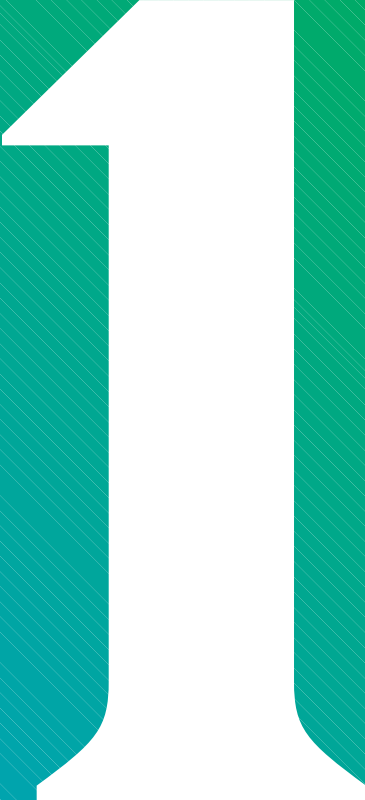
- The value of investments can go down as well as up and you may not get back the amount you have invested. In addition investments denominated in a foreign currency will fluctuate with the value of the currency.
- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

**Nick Buckland**

## Contents







	Overview	1
	Strategy Monitoring	3
	Investment Manager Summary	7
	Appendix	12

# Overview



## Executive Dashboard

Page 165

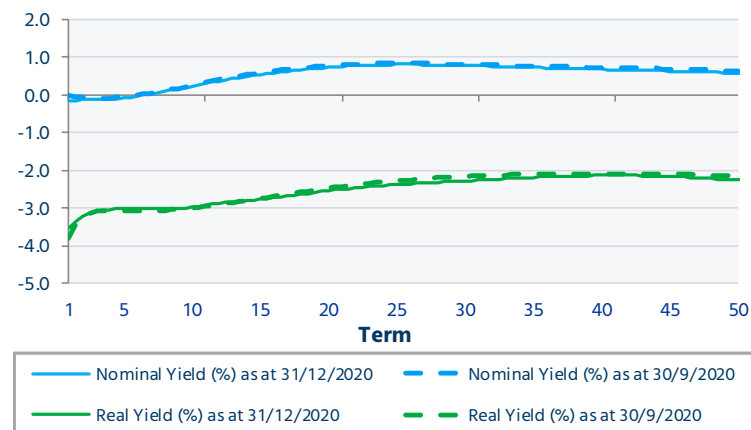
Page 8	Asset Allocation		Page 10	Investment Performance	
<p>Assets are broadly in line with their strategic target weights. Total In-House Private Markets are slightly below weight (25.1%) partly due to the nature of the asset class, and partly due to strong performance from other parts of the portfolio. All asset classes are well within their ranges, with the exception of In-house property, which is being brought back in line over time due to its illiquid nature.</p>	<p><b>Signal</b></p> <p>Previous Qtr </p> <p>Current Qtr </p>		<p>The Fund returned 6.2% over the quarter against a target of 5.4%. Over the 1 year and 3 year period to 31 December 2020, the Fund returned 6.4% and 5.4% against a target of 9.0% and 6.6%, respectively.</p>	<p><b>Signal</b></p> <p>Previous Qtr </p> <p>Current Qtr </p>	
<p><b>Asset Allocation</b></p> <p>Within acceptable ranges.</p>			<p><b>Performance vs targets</b></p> <p>One year and three year performance is ahead of the Actuarial and Strategic target over one year, and the Actuarial target over three years as well.</p>		
Page 11	Manager Research		Additional Comments		
<p>No significant news to report over the quarter.</p>	<p><b>Signal</b></p> <p>Previous Qtr </p> <p>Current Qtr </p>		<p>The Fund continues to work with the Wales Pension Partnership (WPP) with a view to transitioning Emerging Markets equity assets during 2021/22.</p> <p>No other transitions are planned at this stage</p> <p>WPP is developing its Private Markets offering and officers are working to ensure that this is suitable to deliver the Fund’s Investment Strategy.</p>		

## Market Conditions

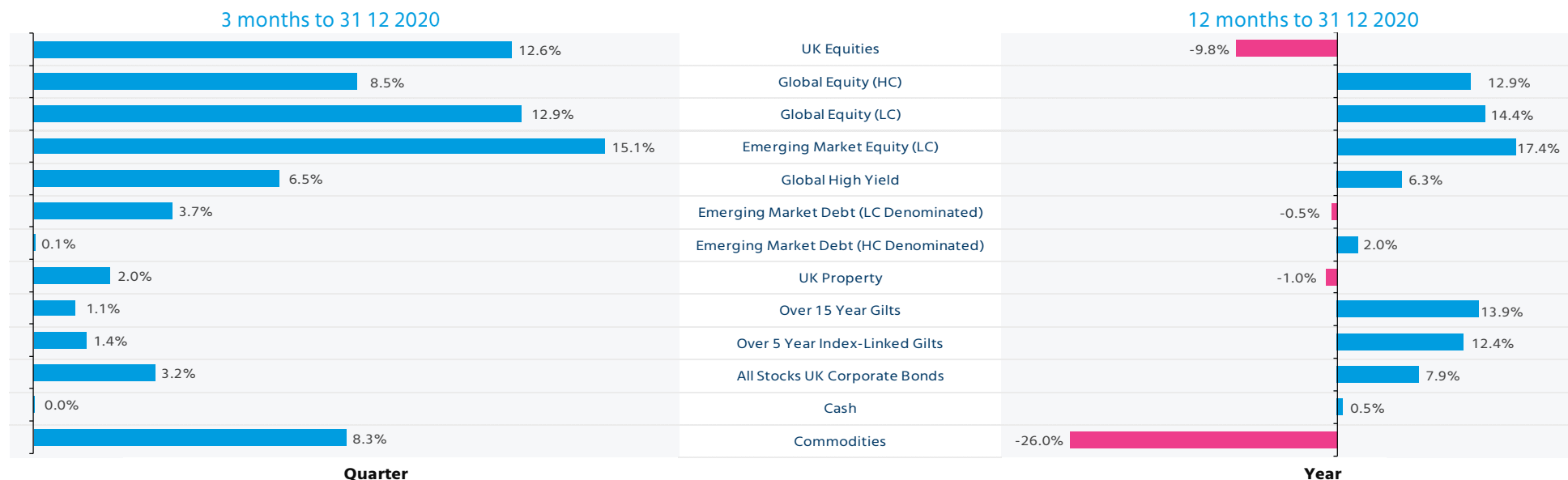
Change in Yields	Yields at (%)		Change in Yields (%)		
	31 Dec 20	30 Sep 20	3 Months	12 Months	3 Years
Over 5 Year Index-Linked Gilts	-2.38	-2.30	-0.08	-0.54	-0.72
Over 15 Year Fixed Interest Gilts	0.67	0.71	-0.04	-0.57	-0.99
Over 10 Year Non-Gilts	1.80	2.17	-0.37	-0.74	-1.02

Exchange Rates	£1 is worth		£ Appreciation		
	31 Dec 20	30 Sep 20	3 Months %	12 Months %	3 Years % p.a.
US Dollar (\$)	1.367	1.293	5.7	3.2	0.3
Euro (€)	1.117	1.102	1.3	-5.3	-0.3
100 Japanese Yen (¥)	1.411	1.364	3.4	-2.0	-2.5



Page 166



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

# Strategy Monitoring



# Asset Allocation

	30/09/2020 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/Decline (£M)	31/12/2020 Market Value (£M)	30/09/2020 Allocation (%)	31/12/2020 Allocation (%)	31/12/2020 B'mark (%)	31/12/2020 B'mark Range (%)
<b>Total</b>	<b>2,003.0</b>	<b>-6.4</b>	<b>125.2</b>	<b>2,121.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>--</b>
Total (ex CRMF)	1,552.8	-6.4	74.7	1,621.1	76.5	75.3	77.0	--
Total CRMF	450.1	--	50.5	500.6	22.5	23.6	23.0	10.0 – 35.0
Cash	20.0	2.8	0.0	22.9	1.0	1.1	0.0	0.0 – 5.0

Source: Investment Managers and Mercer.

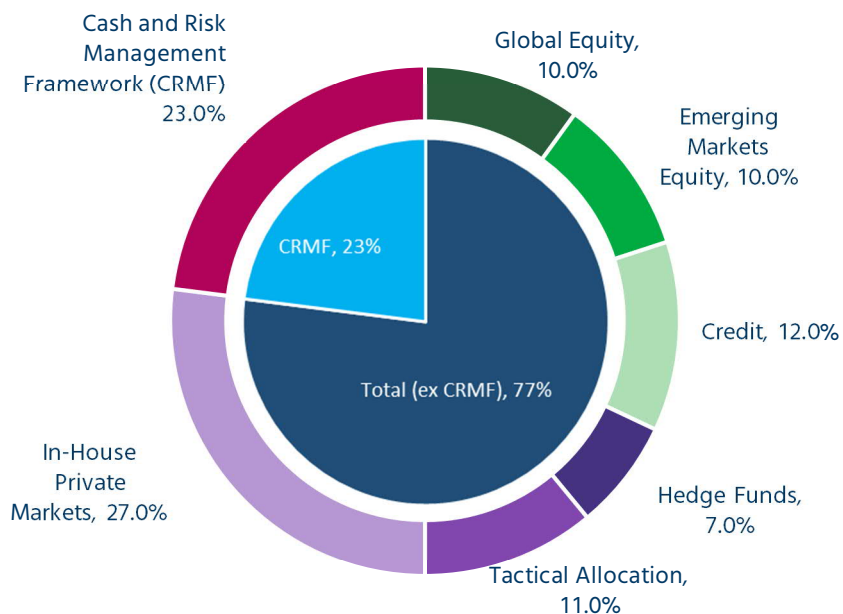
Figures may not sum to total due to rounding.

'CRMF' refers to the Cash and Risk Management Framework

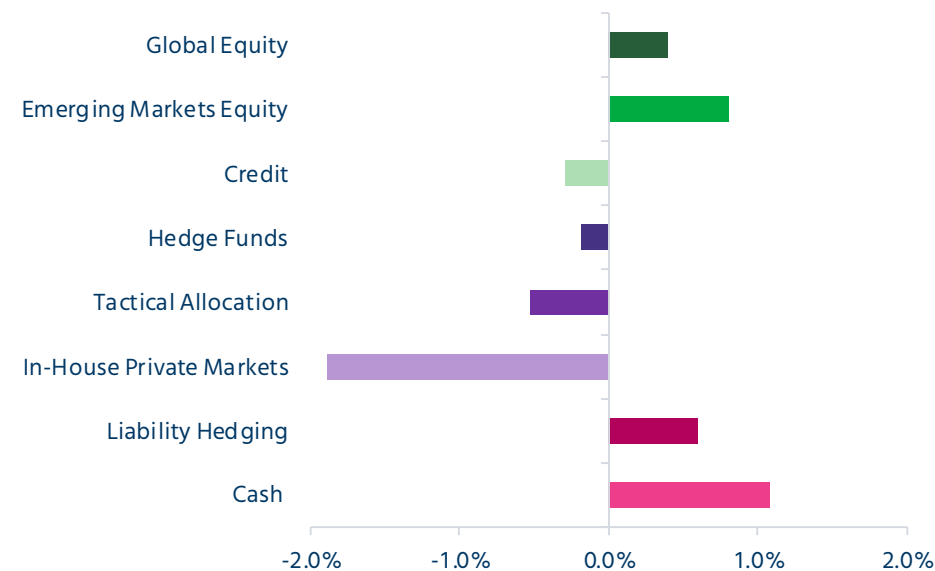
Benchmark allocation shown is the current strategic allocation.

Page 168

## Benchmark Asset Allocation as at 31 December 2020



## Deviation from Benchmark Asset Allocation



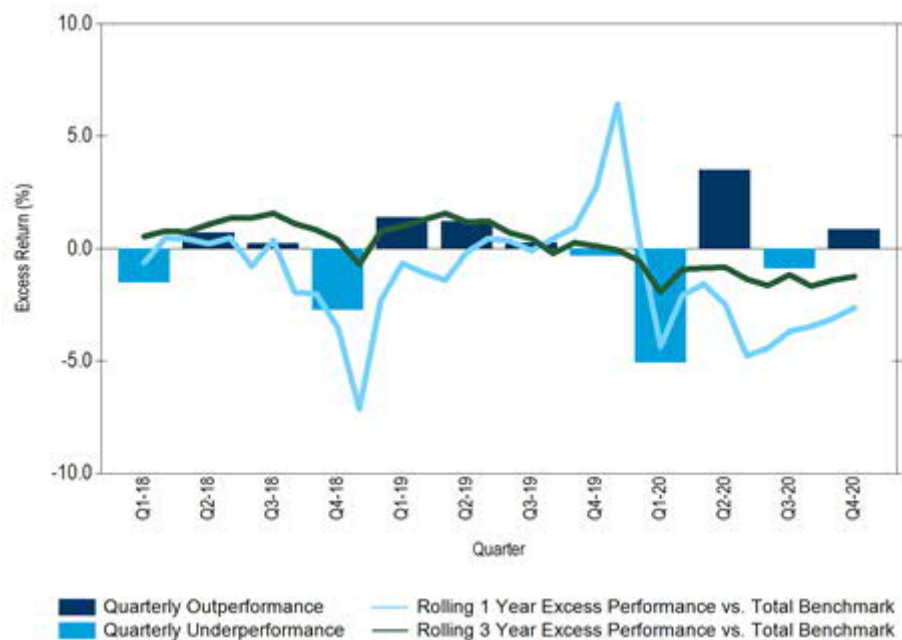


## Investment Performance

	2020 Q4 (%)	1 Yr (%)	3 Yrs (%)
<b>Total</b>	<b>6.2</b>	<b>6.4</b>	<b>5.4</b>
Total Benchmark	5.4	9.0	6.6
Strategic Target (CPI +4.1% p.a.)	1.6	6.2	6.2
Actuarial Target (CPI +2.0% p.a.)	1.0	4.1	4.1

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Thomson Reuters Datastream. Strategic and Actuarial targets are derived from Mercer’s Market Forecasting Group assumptions (based on conditions at 31 December 2019). Current 10-year CPI assumption: 2.1% p.a. For periods over one year the figures in the table above have been annualised.

### Relative Performance



# Investment Manager Summary

Page 170

5

## Manager Allocation

	Investment Manager	30/09/2020 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/Decline (£M)	31/12/2020 Market Value (£M)	30/09/2020 Allocation (%)	31/12/2020 Allocation (%)	31/12/2020 B'mark (%)	31/12/2020 B'mark Range (%)
<b>Total</b>		<b>2,003.0</b>	<b>-6.4</b>	<b>125.2</b>	<b>2,121.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>--</b>
<b>Total (ex-CRMF)</b>		<b>1,552.8</b>	<b>-6.4</b>	<b>74.7</b>	<b>1,621.1</b>	<b>76.5</b>	<b>75.3</b>	<b>77.0</b>	<b>--</b>
<b>Total Equity</b>		<b>404.9</b>	<b>--</b>	<b>44.7</b>	<b>449.7</b>	<b>20.2</b>	<b>21.2</b>	<b>20.0</b>	<b>10.0 - 30.0</b>
<b>Global Equity</b>		<b>202.7</b>	<b>--</b>	<b>17.8</b>	<b>220.5</b>	<b>10.1</b>	<b>10.4</b>	<b>10.0</b>	<b>5.0 - 15.0</b>
WPP Global Opportunities	Russell	100.9	--	9.7	110.7	5.0	5.2	5.0	--
World ESG Equity	BlackRock	101.9	--	8.0	109.9	5.1	5.2	5.0	--
<b>Emerging Markets Equity</b>		<b>202.2</b>	<b>--</b>	<b>27.0</b>	<b>229.2</b>	<b>10.1</b>	<b>10.8</b>	<b>10.0</b>	<b>5.0 - 15.0</b>
Emerging Markets (Core)	Wellington	66.1	--	10.0	76.1	3.3	3.6	3.0	--
Emerging Markets (Local)	Wellington	64.3	--	7.3	71.6	3.2	3.4	3.0	--
Emerging Markets Equity	BlackRock	71.8	--	9.7	81.6	3.6	3.8	4.0	--
<b>Total Credit</b>		<b>242.1</b>	<b>0.0</b>	<b>6.5</b>	<b>248.6</b>	<b>12.1</b>	<b>11.7</b>	<b>12.0</b>	<b>10.0 - 14.0</b>
LIBOR Multi Asset	Stone Harbor	37.0	2.0	1.7	40.7	1.8	1.9	2.0	--
Multi-Asset Credit	Stone Harbor	2.0	-2.0	0.0	--	0.1	--	--	--
WPP Multi-Asset Credit	Russell	203.1	--	4.9	207.9	10.1	9.8	10.0	--
<b>Total Hedge Funds</b>		<b>141.7</b>	<b>--</b>	<b>3.1</b>	<b>144.9</b>	<b>7.1</b>	<b>6.8</b>	<b>7.0</b>	<b>5.0 - 9.0</b>
Hedge Funds	Man	141.3	--	3.1	144.4	7.1	6.8	7.0	5.0 - 9.0
Hedge Funds (Legacy)	Man	0.4	--	0.0	0.4	0.0	0.0	--	--
<b>Total Tactical Allocation</b>		<b>208.6</b>	<b>0.0</b>	<b>13.6</b>	<b>222.1</b>	<b>10.4</b>	<b>10.5</b>	<b>11.0</b>	<b>9.0 - 13.0</b>
Best Ideas	Various	208.6	0.0	13.6	222.1	10.4	10.5	11.0	9.0 - 13.0
<b>Total Private Markets</b>		<b>535.4</b>	<b>-9.2</b>	<b>6.7</b>	<b>532.9</b>	<b>26.7</b>	<b>25.1</b>	<b>27.0</b>	<b>15.0 - 37.0</b>
Property	Various	123.7	14.0	5.2	142.8	6.2	6.7	4.0	2.0 - 6.0
Private Equity	Various	185.4	-19.2	3.5	169.7	9.3	8.0	8.0	6.0 - 10.0
Local / Impact	Various	--	46.8	5.4	52.2	--	2.5	4.0	0.0 - 6.0
Infrastructure	Various	118.9	-15.2	-4.3	99.5	5.9	4.7	8.0	6.0 - 10.0
Private Credit	Various	39.7	15.9	-4.1	51.5	2.0	2.4	3.0	1.0 - 5.0
Opportunistic	Various	49.4	-50.7	1.3	--	2.5	--	--	--

	Investment Manager	30/09/2020 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	31/12/2020 Market Value (£M)	30/09/2020 Allocation (%)	31/12/2020 Allocation (%)	31/12/2020 B'mark (%)	31/12/2020 B'mark Range (%)
Timber/ Agriculture	Various	18.3	-0.8	-0.3	17.2	0.9	0.8	--	--
<b>Total CRMF</b>		<b>450.1</b>	<b>--</b>	<b>50.5</b>	<b>500.6</b>	<b>22.5</b>	<b>23.6</b>	<b>23.0</b>	<b>10.0 - 35.0</b>
Cash and Risk Management Framework (CRMF)	Insight	450.1	--	50.5	500.6	22.5	23.6	23.0	10.0 - 35.0
<b>Cash</b>		<b>20.0</b>	<b>2.8</b>	<b>0.0</b>	<b>22.9</b>	<b>1.0</b>	<b>1.1</b>	<b>0.0</b>	<b>0.0 - 5.0</b>
Cash		20.0	2.8	0.0	22.9	1.0	1.1	0.0	0.0 - 5.0

Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding.

Benchmark allocation shown is the current strategic allocation.

Wellington Emerging Markets Core and Local valuations are converted from USD to GBP using closing price exchange rates.

Hedged Funds (Legacy) valuation includes the Liongate portfolio.

## Manager Performance

	Investment Manager	2020 Q4 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)
<b>Total</b>		<b>6.2</b>	5.4	<b>6.4</b>	9.0	<b>5.4</b>	6.6
<b>Total (ex-CRMF)</b>		<b>4.8</b>	3.6	<b>4.6</b>	7.4	<b>4.3</b>	5.8
<b>Total Equity</b>		<b>11.0</b>	10.9	<b>12.8</b>	15.5	<b>6.7</b>	9.2
WPP Global Opportunities	Russell	9.7	9.0	12.5	14.9	--	--
World ESG Equity	BlackRock	7.9	7.5	--	--	--	--
Emerging Markets (Core)	Wellington	15.1	13.5	20.7	16.2	8.9	7.3
Emerging Markets (Local)	Wellington	11.4	13.8	11.9	17.3	3.1	8.3
Emerging Markets Equity	BlackRock	13.2	13.3	--	--	--	--
<b>Total Credit</b>		<b>2.7</b>	0.9	<b>1.4</b>	1.9	<b>1.7</b>	2.0
LIBOR Multi Asset	Stone Harbor	4.3	0.3	1.4	1.3	1.1	1.5
Multi-Asset Credit	Stone Harbor	1.0	0.1	1.3	1.1	1.8	1.6
WPP Multi-Asset Credit	Russell	2.4	1.0	--	--	--	--
<b>Total Hedge Funds</b>		<b>2.2</b>	0.9	<b>0.3</b>	4.0	<b>-1.3</b>	4.2
Hedge Funds	Man	2.2	0.9	0.3	4.0	-0.5	4.2
Hedge Funds (Legacy)	Man	-5.4	0.9	-7.0	4.0	-43.7	4.2
<b>Total Tactical Allocation</b>		<b>6.5</b>	0.9	<b>2.4</b>	4.0	<b>3.1</b>	4.5
Best Ideas	Various	6.5	0.9	1.5	3.6	4.1	4.4
<b>Total Private Markets</b>		<b>1.2</b>	1.3	<b>2.7</b>	3.8	<b>7.0</b>	5.0
Property	Various	3.8	2.0	3.4	-1.0	5.8	2.8
Private Equity	Various	2.0	1.2	5.3	5.5	10.4	5.7
Local / Impact	Various	12.1	1.2	--	--	--	--
Infrastructure	Various	-4.0	1.2	-4.5	5.5	4.1	5.7
Private Credit	Various	-10.3	1.8	-7.9	7.5	1.5	7.5
Opportunistic	Various	2.6	0.2	5.7	4.4	7.7	5.7
Timber/ Agriculture	Various	-1.8	1.2	-1.9	5.5	1.4	5.7
<b>Cash and Risk Management Framework (CRMF)</b>		<b>11.2</b>	11.2	<b>13.2</b>	13.2	<b>9.2</b>	9.2
Cash and Risk Management Framework (CRMF)	Insight	11.2	11.2	13.2	13.2	9.2	9.2

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

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

Performance for hedge funds, best ideas and in-house portfolios has been calculated by Mercer. Private Credit benchmark was revised to Absolute Return 7.5% in Q4 2020 and for all preceding periods.

Local / Impact performance over the quarter is shown since inception. Inception taken as 15 October 2020 for performance measurement purposes.

Opportunistic performance is shown from 30 September 2020, 31 December 2019 and 31 December 2017, respectively, to termination on 15 October 2020.

## Manager Monitoring

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

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

# Appendix

Page 175



## Appendix A

### Benchmarks

Name	Investment Manager	Strategic Allocation (%)	Performance Benchmark
<b>Total</b>		<b>100.0</b>	--
<b>Total (ex-CRMF)</b>		<b>77.0</b>	--
<b>Total Equity</b>		<b>20.0</b>	<b>Composite Weighted Index</b>
WPP Global Opportunities	Russell	5.0	MSCI AC World (NDR) Index +2.0% p.a.
World ESG Equity	BlackRock	5.0	MSCI World ESG Focus Low Carbon Screened Midday Index
Emerging Markets (Core)	Wellington	3.0	MSCI Emerging Markets Index +1.0% p.a.
Emerging Markets (Local)	Wellington	3.0	MSCI Emerging Markets Index +2.0% p.a.
Emerging Markets Equity	BlackRock	4.0	MSCI Emerging Markets Index
<b>Total Credit</b>		<b>12.0</b>	<b>Composite Weighted Index</b>
LIBOR Multi Asset	Stone Harbor	2.0	1 Month LIBOR Index +1.0% p.a.
WPP Multi-Asset Credit	Russell	10.0	3 Month LIBOR Index +4.0% p.a.
<b>Total Hedge Funds</b>		<b>7.0</b>	<b>3 Month LIBOR Index +3.5% p.a.</b>
Hedge Funds	Man	7.0	3 Month LIBOR Index +3.5% p.a.
Hedge Funds (Legacy)	Man	--	3 Month LIBOR Index +3.5% p.a.
<b>Total Tactical Allocation</b>		<b>11.0</b>	<b>UK Consumer Price Index +3.0% p.a.</b>
Best Ideas	Various	11.0	UK Consumer Price Index +3.0% p.a.
<b>Total Private Markets</b>		<b>27.0</b>	<b>Composite Weighted Index</b>
Property	Various	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	3 Month LIBOR Index +5.0% p.a.
Local / Impact	Various	4.0	3 Month LIBOR Index +5.0% p.a.
Infrastructure	Various	8.0	3 Month LIBOR Index +5.0% p.a.
Private Credit	Various	3.0	Absolute Return 7.5% p.a.
Timber/ Agriculture	Various	--	3 Month LIBOR Index +5.0% p.a.
<b>Total Cash and Risk Management Framework (CRMF)</b>		<b>23.0</b>	<b>Composite Liabilities &amp; Synthetic Equity</b>
Cash and Risk Management Framework (CRMF)	Insight	23.0	Composite Liabilities & Synthetic Equity

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

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

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





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## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday 10 February 2021
<b>Report Subject</b>	Funding, Flightpath and Risk Management Framework Update
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

This report provides the Committee with the estimated funding position at the end of the last quarter and details to enable the monitoring of the Risk Management Framework.

The estimated funding position at the end of December 2020 of 96% is 4% ahead of the expected position from the 2019 actuarial valuation. However, uncertainty in the outlook for returns is still high in light of the pandemic and economic factors.

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

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

Overall the framework is currently operating as expected in the current market conditions but this is regularly reviewed. There have been no changes to the level of interest rate, inflation or currency hedging. During the quarter the method of providing equity protection was refined to be more efficient, an approach which was previously too cost prohibitive to implement.

The funding position is monitored daily and officers with advisors will consider whether any further action is required if the funding level moves over 100%.

### RECOMMENDATIONS

1	That the estimated funding position for the Fund is noted along with the progress being made on the various elements of the Risk Management Framework.
---	--

## REPORT DETAILS

1.00	<b>FUNDING, FLIGHTPATH AND RISK MANAGEMENT STRUCTURE UPDATE</b>
1.01	<p><b><i>Update on funding and the flightpath framework</i></b></p> <p>The monthly summary report as at 31 December 2020 from Mercer on the funding position and an overview of the liability hedging mandate is attached in Appendix 1. It includes a “traffic light” of the key components of the Flightpath and hedging mandate with Insight. The report will be presented at the meeting including a reminder of the principle objectives of the framework.</p>
1.02	<p>The estimated funding level is 96% with a deficit of £91m at 31 December 2019 which is 4% ahead of the expected position when measured relative to the 2019 valuation expected funding plan. Uncertainty continues to be prevalent in the investment return environment due to ongoing external factors in relation to the pandemic. To illustrate the risk impact, a reduction of 0.25% p.a. in the assumed future investment return/real discount rate would reduce the funding level by c. 4% to c. 92% with a corresponding increase in deficit of £93m to £184m. For the purposes of this report the funding position has been measured on consistent actuarial assumptions with the 2019 valuation adjusted to reflect the hedging assets held.</p>
1.03	<p>No interest rate or inflation triggers were breached since the last update.</p>
1.04	<p>The level of hedging was approximately 20% for interest rates and 40% for inflation at 31 December 2020. The hedging implemented to date provides access to a lower risk investment strategy but maintaining a sufficiently high real yield expectation to achieve the funding targets.</p>
1.05	<p>Based on data from Insight, our analysis shows that the management of the Insight mandate is rated as “green” meaning it is operating in line within the tolerances set by our advisor, Mercer.</p> <p>The Cash Plus Fund is rated “amber” following underperformance since inception, primarily as a result of increasing credit spreads driven by the economic fallout of the Covid-19 pandemic.</p> <p>Collateral is within the agreed constraints and the efficiency of the collateral position has been improved following the implementation of a collateral waterfall framework with Insight last year. Overall, the collateral waterfall has generated an additional £2.6m return since implementation at 31 January 2019 to 30 September 2020 versus the previous structure. No action is required.</p>
1.06	<p><b><i>Update on Risk Management framework</i></b></p> <p><b>(i) Synthetic equity protection strategy</b></p> <p>The Fund gains exposure to equity markets via derivatives and protects this exposure against potential falls in the equity markets via the use of an equity protection strategy. This provides further stability (or even a reduction) in employer deficit contributions (all other things being equal) in</p>

	<p>the event of a significant equity market fall although it is recognised it will not protect the Fund in totality.</p> <p>It should be noted that, having an equity protection policy in place will protect from any large changes in equity markets. Importantly over the longer-term the increased security allows the Actuary to include less prudence in the Actuarial Valuation assumptions as a contingency against material market falls; this translated into lower deficit contributions at the 2019 valuation, whilst maintaining the equity exposure supports a lower cost of accrual than under traditional de-risking methods.</p> <p>On 20 November 2020, the strategy was refined by increasing the level of upside achievable from 5% each month to 5% every two weeks. This will allow the strategy to participate in more upside in a rising market and reduce the chances of being capped out if we see a fall in markets and then a swift rebound, as we experienced in 2020. Until recently, the costs for increasing the upside frequency has been prohibitively expensive, however, the refined strategy is expected to have broadly the same costs as the previous strategy but with increased upside potential and therefore should improve the efficiency of the strategy.</p> <p>As at 31 December 2020, the synthetic equity strategy had increased by c. £57.3m since inception of the strategy in May 2018. Relative to investing in passive equities (and assuming no costs to do so), the strategy has underperformed by c. £54m since inception. The underperformance is largely driven by the sharp rally in equity markets causing the value of the protection to fall and a subsequent financing drag for paying for protection that is not required.</p>
1.07	<p><b>(ii) Implementation of currency hedging</b></p> <p>A strategic currency hedging policy was implemented in March 2019. By currency hedging the market value of the synthetic equity portfolio, and leaving the physical equity portfolio unhedged from a currency perspective, this policy achieved a c.50% currency hedged position of the overall equity portfolio. The strategic hedge ratio was based on analysis that indicated such a level minimised risk over the long term.</p> <p>The uncertainty surrounding Brexit has resulted in a significant depreciation of the pound. Whilst this has resulted in gains for the Fund due to the overseas equity exposure, currency risk remains a major risk to the Fund and a strengthening pound would have a detrimental impact on the Fund's deficit as overseas assets would be worth less in sterling terms.</p> <p>Whilst Brexit uncertainty continues, sterling has remained weak resulting in a loss on the strategy's currency hedge of c. £1.8m relative to an unhedged position as at 31 December 2020.</p> <p>In addition, the Fund implemented a currency hedge of 100% of the physical developed overseas equities in order to lock-in gains from the recent sterling weakness and reduce the risk of a materially strengthening pound. This was implemented in August 2019, and relative to currency rates at this point, sterling has strengthened. Since inception to 31 December 2020, the strategy has increased in value by £10.4m.</p> <p>The currency hedge ratio on the overall equity portfolio is approximately 75%.</p>

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

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

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

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - Monthly monitoring report – December 2020

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview.</p> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> <a href="mailto:philip.latham@flintshire.gov.uk">philip.latham@flintshire.gov.uk</a></p>

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

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Risk management framework

# Monthly monitoring report: 31 December 2020

Page 185

Clwyd Pension Fund

January 2021

Nick Page FIA CERA



# Overriding objectives

Page 186



**Versus**



## Objectives are two-fold but conflicting

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

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

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

# Executive summary to 30 September 2020



= as per or above expectations



= to be kept under review



= action required

Page 187



## Overall funding position

- In line with existing recovery plan
- Funding level below the first soft trigger

In absolute terms the funding position is ahead of target. There is uncertainty in the outlook for future returns and inflation which could impact on the future contribution requirements.



## Liability hedging mandate

- Insight in compliance with investment guidelines
- Underperformed the benchmark marginally over the quarter
- Hedge ratios in line with target levels following restructure

Tactically increased inflation back up to target. No triggers breached over Q3 2020.



## Synthetic equity mandate

- Insight in compliance with investment guidelines
- Underperformed the benchmark over the quarter

No action required.



## Currency hedging

- Currency hedging overlay implemented in the QIF in August 2019.
- As at 30 September 2020, the market value of the currency hedge since inception on 22 August 2019 was £3.1m

No action required.



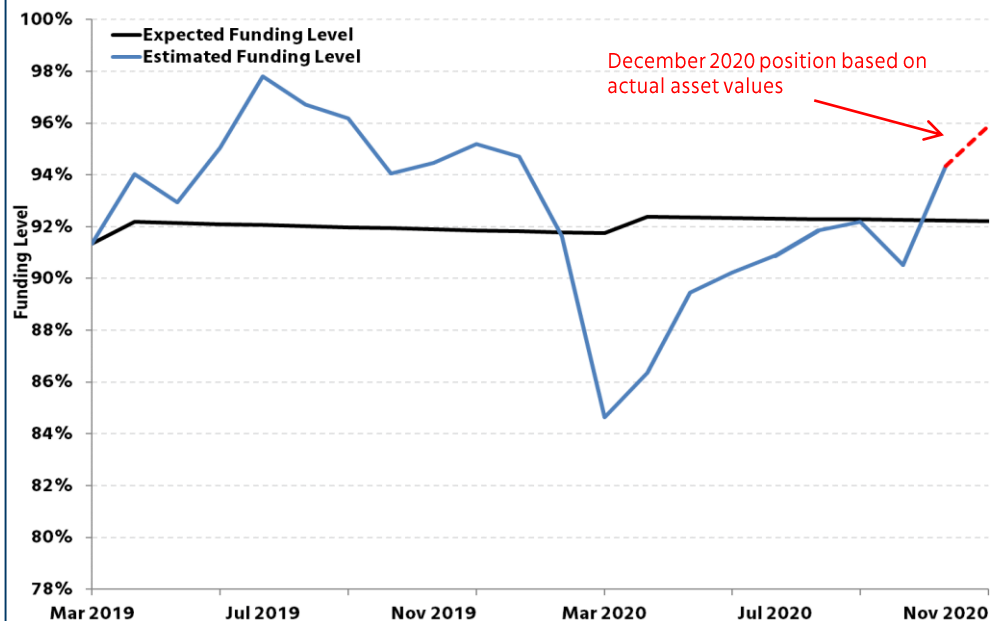
## Cash Plus Funds, collateral and counterparty position

- The Cash Plus Fund has underperformed the benchmark since inception, but the collateral waterfall outperformed over the quarter. We will continue to monitor performance.
- The Insight QIF can sustain at least a 1.4% rise in interest rates or 0.8% fall in inflation without eliminating all headroom.

Overall, the collateral waterfall has increased by £2.6m at 30 September 2020 since implementation versus the previous structure.  
The Fund has sufficient collateral to withstand this as at 30 September 2020. No action required.

# Funding level monitoring to 31 December 2020

## Estimated funding position since 31 March 2019



The positions allow for the results of the 2019 actuarial valuation.

## Comments

The **black line** shows a projection of the *expected* funding level from the 31 March 2019 valuation based on the assumptions (and contributions) outlined as part of the 2019 actuarial valuation. The expected funding level at 31 December 2020 was around 92%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2019 to 30 November 2020. The **red dashed line** shows the progression of the estimated funding level over December 2020. At 31 December 2020, we estimate the funding level and deficit to be:

**96% (£91m\*)**

This shows that the Fund's position was ahead of the expected funding level at 31 December 2020 by around 4% on the current funding basis.

Uncertainty continues to be prevalent in the investment environment due to the potential economic impact of the COVID-19 pandemic. This means that the likelihood of achieving the assumed real returns (CPI + 1.55% p.a. at this update) going forward has fallen. To illustrate the impact, a reduction of 0.25% p.a. in the assumed future investment return/real discount rate would reduce the funding level by c.4% to c.92% with a corresponding increase in deficit of £93m to £184m.

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

## Funding Level Triggers

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

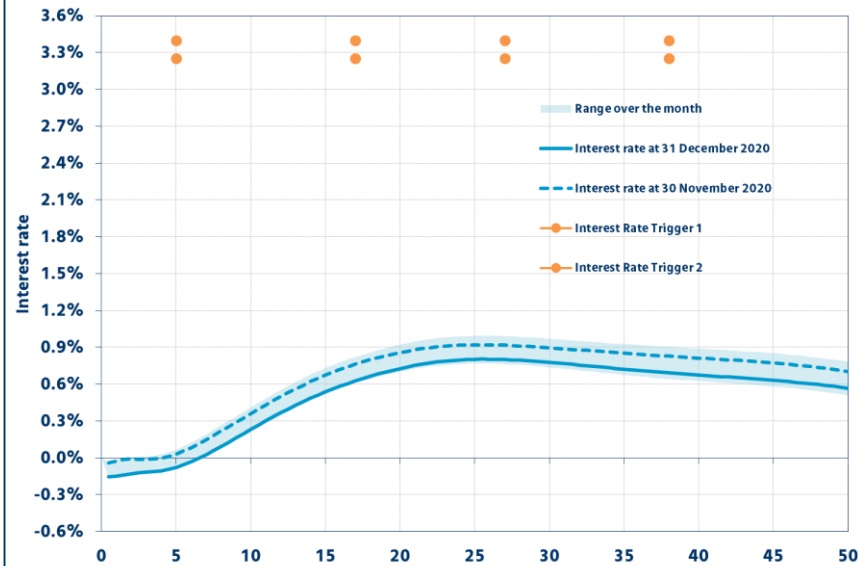
It was agreed that a "soft" trigger will be put in place to prompt FRMG discussions regarding potential actions as the funding level approaches 100% on the current funding basis. This funding level will be monitored approximately by Mercer on a daily basis.

\*Asset values based on assets provided by Mercer investment consultants as at 31 December 2020.

# Update on market conditions and triggers

Page 189

Change in interest rates



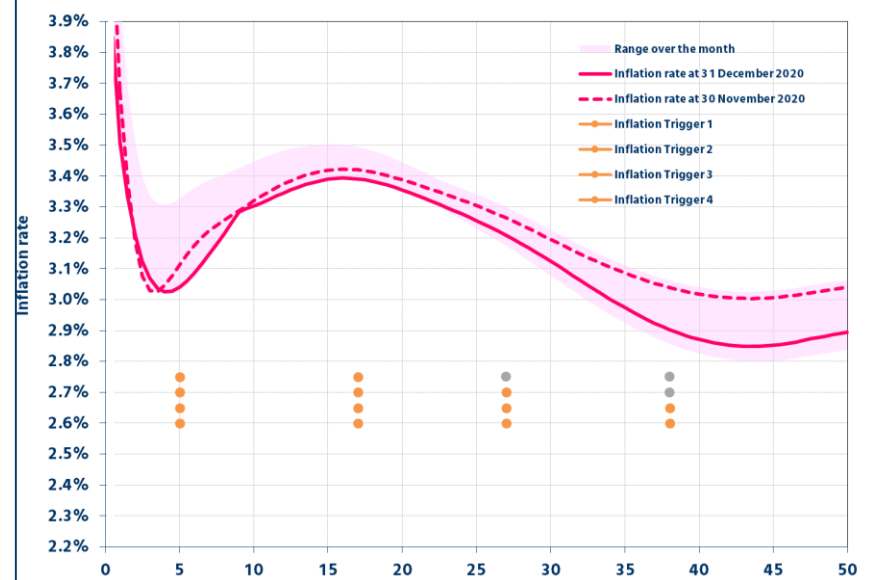
Date	Band 1	Band 2	Band 3	Band 4	Actual
30 September 2020	18.7%	18.5%	20.4%	21.7%	20.2%

## Comments

Over the month of December, interest rates fell uniformly across the curve.

Based on market conditions as at 31 December 2020, yields would need to rise by c. 2.4% p.a. before the Fund would hit any of the revised interest rate triggers implemented by Insight in Q3 2017.

Change in inflation rates (note: different scale)



Date	Band 1	Band 2	Band 3	Band 4	Actual
30 September 2020	34.5%	21.7%	30.5%	63.2%	39.8%

## Comments

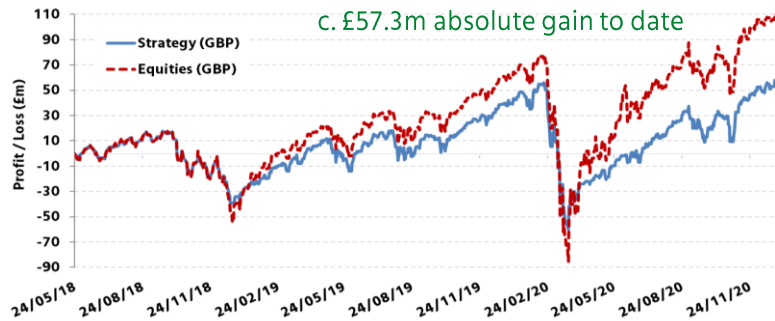
Over December, inflation expectations decreased for longer durations and at the short end of the curve, with expectations at medium durations rising slightly.

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

# Update on equity protection mandate

Page 190

## Strategy versus equity index

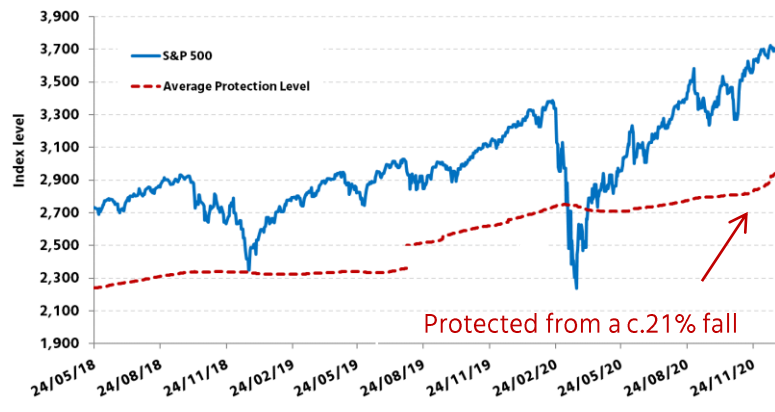


GBP returns	Equity return	Hedging return	Financing return	Costs	Overall return	Relative return
MTD	3.2%	(0.3%)	(0.1%)	(0.1%)	2.8%	(0.4%)
YTD	13.4%	(2.4%)	(5.4%)	(0.6%)	5.0%	(8.4%)
SI (per annum)	11.5%	(2.9%)	(2.8%)	(0.5%)	6.1%	(5.4%)

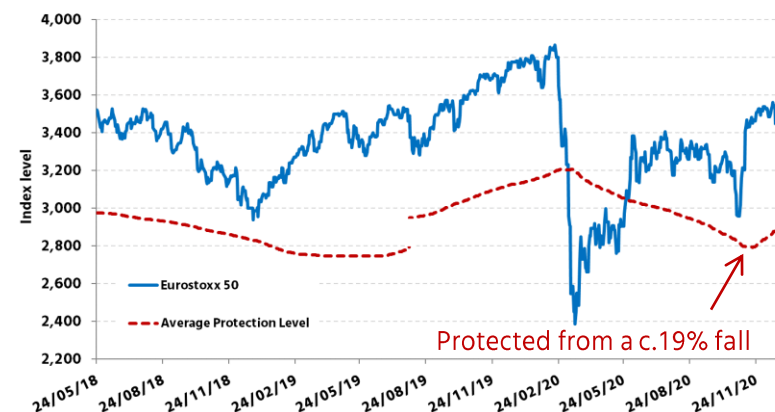
## Comments

- The Fund implemented a dynamic equity protection strategy on 24 May 2018 with exposure of £362m. The equity protection strategy was revised in Q4, increasing the call frequency to two weekly. This increase is to ensure that the Fund can participate in more upside.
- Strong positive equity returns during December meant that the strategy underperformed, with both hedging and financing legs detracting from returns.
- As at 31 December 2020, there was a gain of c. £57.3m on the strategy since inception, relative to a c. £110.9m gain had the Fund invested in passive equities (with no frictional costs).
- From inception on 8 March 2019 to 31 December 2020 the currency hedge of the market value of the synthetic equity mandate has contributed a c. £1.8m loss relative to an unhedged position given the continued weakness in sterling since inception.

## US equity exposure

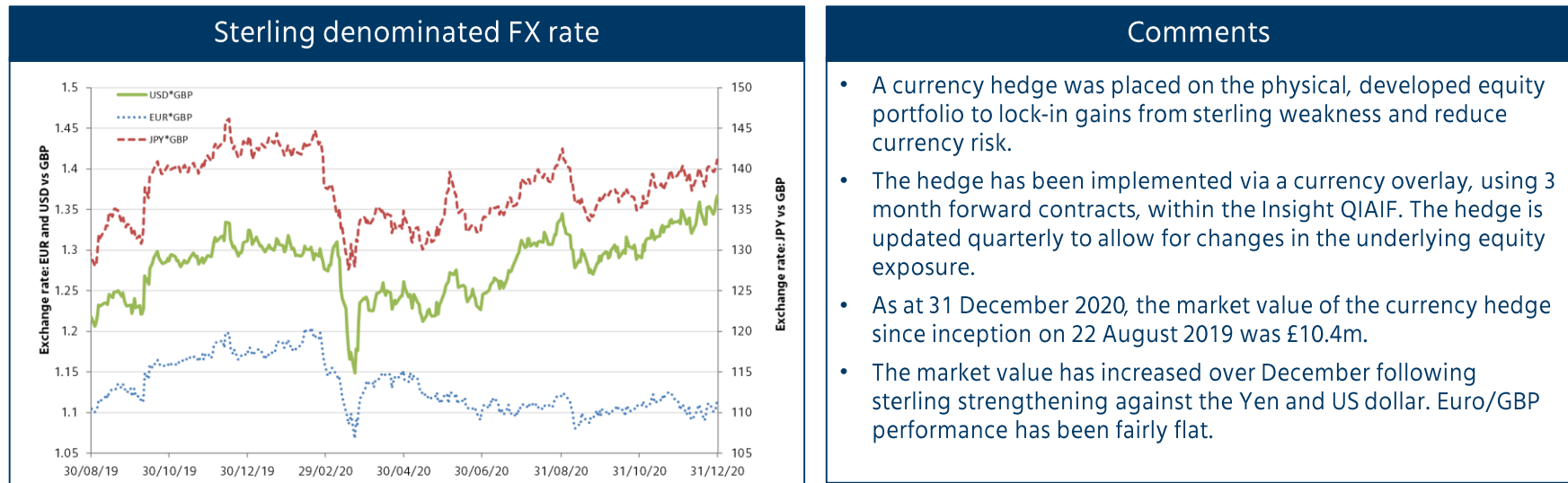


## European equity exposure



# Developed market physical equity currency hedge

Page 191



	Currency basket weight	FX performance (since inception*)	FX change in performance since 30 November 2020
EUR	12%	£0.4m	-
JPY	9%	£1.5m	£0.2m
USD	79%	£8.5m	£3.0m
	100%	£10.4m	£3.2m

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

# Glossary

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



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