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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

17 March 2021

Dear Sir/Madam

NOTICE OF REMOTE MEETING
CLWYD PENSION FUND COMMITTEE
TUESDAY, 23RD MARCH, 2021 at 9.30 AM

**This agenda is subject to restrictions on content due to the Election Period
which runs from Monday 22 March to Sunday 9 May 2021.**

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.

A recording of the meeting will be available to view on line within 48 hours of the meeting at <https://flintshire.public-i.tv/core/portal/webcasts>"

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 10th February 2021

4 **GENERAL FUND UPDATE** (Pages 11 - 28)

Purpose: To provide Committee Members with an update on various developments in relation to the Fund since the last Committee meeting.

5 **FUNDING STRATEGY STATEMENT - POLICY UPDATES** (Pages 29 - 50)

Purpose: To provide Committee Members with an update to policies within the Funding Strategy Statement as a result of new employer flexibility provisions and approve the draft policies for inclusion in the FSS and consultation with employers.

6 **ADMINISTRATION STRATEGY** (Pages 51 - 86)

Purpose: To provide Committee Members with an updated draft Administration Strategy for consultation with employers.

7 **BUSINESS CONTINUITY AND CYBERCRIME** (Pages 87 - 98)

Purpose: To provide Committee Members with the Fund's Business Continuity Policy for approval and an update on progress in relation to managing cybercrime risk.

8 **WALES PENSION PARTNERSHIP BUSINESS PLAN 2021/22 TO 2023/24** (Pages 99 - 120)

Purpose: To provide Committee Members with the Wales Pension Partnership Business Plan, including WPP budget for 2021/22, for approval, subject to approval by the JGC on 24th March 2021.

9 **CLWYD PENSION FUND BUSINESS PLAN 2021/22 TO 2023/24** (Pages 121 - 168)

Purpose: To provide Committee Members with the Clwyd Pension Fund Business Plan, including the budget for 2021/22, for approval.

CLWYD PENSION FUND COMMITTEE

10 February 2021

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely at 9.30am on Wednesday, 10 February 2021.

PRESENT: Councillor Ted Palmer (Chairman)

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

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

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

APOLOGIES: None

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).

The Chairman introduced Cllr Thompson-Hill to the Committee who had already had some previous involvement with the Fund as a substitute Member. He looked forward to his positive contribution to the Committee.

The Chairman also recognised the contribution to the Committee of Cllr Kevin Hughes who had sadly passed away in January. The Chairman added that Kevin was a very recent member of the Committee and carried out his duties with passion and commitment. He made a significant contribution throughout his time on the Committee and was extremely well respected by everyone. The Committee observed a minute's silence to remember Kevin.

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

Cllr Thompson-Hill mentioned that he was due to return his conflict of interest form and would do so in due course.

There were no new declarations of interest.

126. **MINUTES 25 NOVEMBER 2020**

Cllr Bateman queried whether the WPP emerging market equity sub-fund had been launched yet. Mr Latham confirmed there were further delays therefore the launch date was now expected to be September 2021. This would be covered later on the agenda.

Mr Hibbert made the point that not having regard to factors such as climate change in investing the Fund's assets, could be detrimental as ESG issues can negatively impact the performance of investments. Therefore in his view, for the Committee to carry out their fiduciary duty, it is important that such factors are considered when investing the Fund's assets.

RESOLVED:

The minutes of 25 November 2020 were received, approved and signed by the Chairman.

127. GOVERNANCE UPDATE

Mr Latham updated the Committee on the latest Governance issues for the Fund including a slight change to some timescales in the business plan. He noted that the Fund carried out a compliance check against The Pensions Regulator's requirements, which Mrs Fielder and Mrs Williams had recently reviewed with oversight from the Board. Where the Fund were not compliant, there were actions where appropriate.

In terms of governance related risks, those that were within the direct control of the Fund were relatively low. There were some high-risk areas for the Fund, associated with external factors such as regulatory changes and the impact of the COVID-19 outbreak.

Mr Latham wished to gauge the view of the Committee in respect of the timing of future training days for the Committee. The Committee agreed to the arranging of the training days to commence as soon as possible and therefore Mrs McWilliam confirmed she would be in touch with some potential dates for these sessions.

Cllr Bateman asked whether the Fund have made any progress on recruiting a web specialist. Mrs Williams confirmed that a specialist had been appointed internally from another Council department where they had been part of the Graduate Trainee programme. She emphasised the positive appointment and looked forward to the experience they would bring to the team.

RESOLVED:

- (a) The Committee noted the update.
- (b) The Committee approved the changes to the timelines for governance tasks in the business plan as outlined in paragraph 1.01.
- (c) The Committee agreed the next training sessions should be arranged relating to specific subject matters as referred to in paragraph 1.08.

128. PENSIONS ADMINISTRATION / COMMUNICATIONS UPDATE

Mrs Williams noted the following key points from her report:

- The team had successfully completed most areas of work against the business plan.
- Some items on the business plan remained incomplete given the delays in guidance and regulation, and therefore these had been delayed.

- The team had begun progressing the 2021/2022 business plan.
- The GMP reconciliation exercise was due to finish at the end of February 2021.
- Progress had been made with the McCloud employer engagement sessions.
- With regards to the key performance indicators, there was a decrease in outstanding cases to 5,000 and then had been over 10,000 about 2 years ago). This was extremely positive for the Fund and reflected the hard work and commitment from the team as well as the support from the Committee acknowledging the need for resource requirements to facilitate this.
- Following the approval of the business case for a Lead Website and Officer and a Lead Payroll Officer appointments have been made to both positions.
- The team has been affected by non-COVID related illness and family bereavements recently. However morale still remains high and they have continued to work well and there has not been an impact on work rates.

Mr Everett complimented the team for their resilience during these challenging times and for remaining positive and engaged in spite of this.

RESOLVED:

- (a) The Committee noted the update.
- (b) The Committee approved the extension of the timescales in relation to a number of actions within the Business Plan as outlined in paragraph 1.01.

129. **INVESTMENT AND FUNDING UPDATE**

Mrs Fielder emphasised the strong position that the Fund was currently in and noted the following key points:

- The ongoing work surrounding Responsible Investment (“RI”) had taken a significant amount of time from Mrs Fielder on top of her usual duties.
- Following on from the presentation provided to the Committee in November, it is intended that the team will report to Committee in June with a road map outlining the Fund’s intentions in tackling climate risk.
- Mrs Fielder recommended that the Fund become an affiliate member of Pensions for Purpose, which was a collaborative initiative of impact managers, pension funds, social enterprises and others involved or interested in impact investment. In addition to the work the Fund is developing to tackle climate risk, this would aid the Fund’s intention to investing, where possible, in line with the sustainable development goals. The Good Economy is a social advisory firm, specialising in impact measurement and management and Mrs Fielder also been involved in some of their working groups.
- Mrs Fielder has also been involved in several meetings with members of the Welsh Government Energy Services and has involved external managers of the Fund who may be able to give guidance and assistance on some of the individual projects.
- The Scheme Advisory Board (“SAB”) has created a new responsible investment advisor group consisting of a selection of Fund Managers, Consultants and representatives from Pools and key LGPS administering authority groups. Mrs Fielder

was appointed as the representative for the Wales LGPS funds. Mr Buckland has also been appointed on behalf of Mercer.

- The Fund has been involved with the Impact Institute which was launched in 2019 with a mission to accelerate the growth and improve the effectiveness of the impact investing market in the UK and internationally. They have developed four guiding principles for pension schemes and it is recommended that the Fund adopt these principles as they are aligned to the Fund's RI Policy.
- In relation to Delegated Responsibilities, the Fund remains cash flow positive. Mercer and the Fund have worked together and £15 million was committed to a Private Equity manager, Livingbridge.

Mr Latham added that he had been invited to a meeting with Wrexham County Borough Council regarding a resolution on divesting from fossil fuels and investing in local investments. Cllr Williams was aware of this.

In regards to the Welsh Government Energy Services, Mr Everett asked what the Fund could expect in terms of timeframes. Mrs Fielder commented that she was uncertain at this stage. She noted that the Fund is not equipped nor has the expertise to analyse these individual projects themselves given that work is usually completed through an investment manager. Mrs Fielder commented that some of the Fund's existing managers could facilitate this but the Fund would also need to work with the WPP in this regard.

Cllr Bateman queried whether there was any mention of nuclear power on Anglesey in the discussions. Mrs Fielder responded that she cannot discuss any details of individual projects.

The Chairman noted the excellent involvement of the Fund at a national level on the various RI initiatives, which is clearly going to benefit the Fund being at the forefront of the latest thinking.

RESOLVED:

- (a) The Committee considered and noted the update for delegated responsibilities.
- (b) The Committee approved the updated cash management wording for inclusion in the Investment Strategy Statement as outlined in paragraph 1.01.
- (c) The Committee approved becoming an affiliate member of Pensions for Purpose as outlined in paragraph 1.05 and adopted the Impact Institute objectives as outlined in paragraph 1.06.

130. **POOLING INVESTMENTS IN WALES**

Mr Latham gave the Committee an update on the work undertaken by the Wales Pension Partnership ("WPP") with pooling investments in Wales and made the following key points:

- He confirmed that the JGC had now agreed to have a co-opted Scheme Member Representative on the Committee.
- The WPP have progressed and reviewed new policies including a training policy and the adoption of the Robeco voting policy.

- A new risk sub-group had been created and is now embedded into the governance of the WPP.
- Work is continuing on the WPP private markets, risk and RI sub groups. These are complex areas and have been more time consuming than originally anticipated for Mrs Fielder and Mr Latham who are involved with both these groups.
- In terms of investments for the WPP, Global Equity Investments and Multi-Asset Credit investments were now managed by the WPP and performing as expected, although both portfolios are relatively new.
- There were delays in the launch of the Emerging Markets sub-fund and a September 2021 launch date is now expected. This was mainly due to the desire to include the carbon reduction overlay, which required greater clarity. Mr Latham emphasised the benefits of the emerging markets sub fund is carbon reduction, lower fees and a better risk adjusted return outcome.

Mr Hibbert asked whether the JGC required an interview in the selection process of the Scheme Member Representative. Mr Latham said that the process surrounding how the appointment should be decided would be discussed at the next JGC meeting. Mr Hibbert believed that it should be the member representatives that decide who the representative should be. Cllr Rutherford supported Mr Hibbert's view. Mr Everett also supported this given there would have already been appointment interviews at fund level for Board members

The Committee agreed that the Chairman should raise this matter with the JGC at the next meeting.

On page 127, Cllr Bateman highlighted that the WPP risk register gave the impression that there was more thumbs down than thumbs up. Mr Latham highlighted to the Committee that there were a lot of thumbs across which meant that WPP were happy but there are still some areas for improvement. Any thumbs down from the chart were around risks with external suppliers.

RESOLVED:

- (a) The Committee noted and discussed the report.
- (b) The Committee approved the 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 and requesting the Chairman to raise the wish for a Pension Board led appointment process at the next JGC.

131. **ECONOMIC AND MARKET UPDATE AND INVESTMENT STRATEGY AND MANAGER SUMMARY**

Mr Harkin provided an economic and market update to 31 December 2020 to the Committee and summarised the following points:

- The risk-on sentiment continued to drive positive asset returns.
- Central Banks had stimulated the economy because of the fluctuating impact of the COVID-19 outbreak.

Mr Buckland confirmed that at 31 December 2020 the market value of the Fund had increased by c£120 million in the year to a total of £2.1 billion, which was an all-time high. This increase was due to the impact of asset price inflation that Mr Harkin had discussed. The Fund's performance over 3 months, 12 months and 3 years was +6.2%, +6.4% and +5.4% p.a. respectively.

Mr Buckland highlighted the three different targets/benchmarks from paragraph 1.04 on page 147. The actuarial target was the target level of long-term return assumed by the Actuary. The strategic target was the potential return for the Fund's investment strategy, and the total benchmark was the composite of the targets of each of the underlying fund managers. The Fund has outperformed the actuarial target and the strategic target over Q4 2020 and 1 year. There was a slight underperformance on the total benchmark.

From an asset class perspective, the Fund were now broadly in line with all strategic targets. However, private market asset performance lagged listed markets and were below the benchmark. Mr Buckland reassured the Committee that he had no concerns on this matter.

Cllr Bateman thanked the team for their work and the comprehensive report for this item of the agenda.

Mrs McWilliam asked whether the target of +5.4% over the quarter was the benchmark or strategic target. Mr Buckland confirmed it was the benchmark.

Feedback was welcomed and encouraged by Mr Buckland on the monitoring report as it was in a new reporting style.

Mr Everett asked what the advice and sense of confidence was on the short-term forecast for Q1 2021 and Q2 2021. Mr Harkin confirmed that the assumptions for the upcoming year were relatively positive for risk assets. Equities were expected to return relatively strongly given the global COVID-19 vaccine roll out. Investors were continually trying to look ahead in terms of the COVID-19 position. However, he cautioned that the market remained extremely volatile and as seen in recent events nervousness can affect the markets.

Cllr Bateman questioned how negative interest rates would affect the Fund. Mr Harkin replied that the UK is in a new economic position. He said that currently global bond yields are very low given the unemployment figures, inflation rate and the post Brexit impact.

RESOLVED:

The Committee noted the performance of the Fund over periods to the end of December 2020 along with the Economic and Market update.

132. **FUNDING, FLIGHT-PATH AND RISK MANAGEMENT FRAMEWORK**

Mr Middleman briefed the Committee on the following points:

- At 31 December 2020, the Fund had a funding level of 96%, which was 4% ahead of what was expected at the last actuarial valuation.
- He raised the issue regarding uncertainty in the market as per the previous agenda item, which could affect whether the Fund would meet the long-term expected returns in the funding plan. For example, a 0.25% p.a. reduction in the expected long-term return would reduce the funding level by 4% back to 92%. This emphasised the sensitivity to returns and the potential impact on the employer contributions.
- The Fund was in a good position given the relevant risk controls within the flightpath to give more predictability of outcome. Whilst this does not remove all risks, it provides a good level of protection.

Mrs McWilliam asked whether anything would happen if the Fund reached a funding level of 100%. Mr Middleman said that in that scenario the Fund would need to review their strategy and consider “banking” some of the gains by reducing risk further through the investment strategy e.g. a reduction in growth assets. This will depend on a number of factors, which will be discussed at the Funding and Risk Management Group and implemented as per the delegations. The outcome of that discussion could be different if the funding level improved to 110% when compared to, say, a funding level of 101%.

Mr Latham stated that the Fund managed to achieve targets at a relatively low risk and asked Mr Middleman whether this was a fair comment to make. Mr Middleman confirmed and said that the Fund’s strategy is more risk aware than many LGPS funds. The crucial element to the flightpath framework was to monitor the risk in a more structured way and to stabilise and achieve the Fund’s target. Running the Fund at a lower risk had proven successful, however, to protect against downside there will be some potential upside given up but in Mr Middleman’s view, the Fund’s approach is the correct one in the long term.

Mr Everett asked for the latest funding level figures. Mr Middleman explained that the funding level was very similar to 31 December 2020 i.e. 96% funded. This will be reviewed on a monthly basis as normal.

RESOLVED:

The Committee noted the estimated funding position for the Fund along with the progress made on the various elements of the Risk Management Framework.

The Chairman thanked everyone for their attendance and updates at the Committee meeting. The next formal Committee meeting was on 23 March 2021. The meeting finished at 11am.

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Chairman

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 23 rd March 2021
Report Subject	General Fund Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

At each regular Pension Fund Committee meeting, update reports are provided for consideration covering a range of areas. At this meeting the focus is on considering a number of strategic matters including updates to policies and strategies, and the business plan for 2021/22 to 2023/24.

However, since the last meeting in February, there have been several developments in relation to the Fund and this report provides the Committee with an update on those areas. The matters covered by the report are:

- local developments on climate change matters affecting the Fund
- the outcome of the latest pensions investment management and accounting audit
- the £95k exit cap reform
- the LGPS Scheme Advisory Board (SAB) good governance project.

RECOMMENDATIONS

1	The Committee consider the update and note its contents.
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REPORT DETAILS

1.00	UPDATE ON VARIOUS FUND MATTERS
1.01	<p>Climate Change Developments</p> <p><i>Friends of the Earth Publication</i></p> <p>The Friends of the Earth have published a report on the investments in fossil fuel companies by LGPS funds. The report makes a number of recommendations including that LGPS funds should divest from fossil fuel companies and invest in renewable energy. The value of the investments quoted in the report have subsequently been questioned by many LGPS funds including the Clwyd Fund. The reports states that the Clwyd Fund has about 4% of all assets invested in fossil fuel companies when our records show this normally to be less than 1% depending on the exact definition of the stocks in scope. Also the percentage could change daily with market movements and fund manager tactical decisions with stock selection. The organisation who collated the data for Friends of the Earth have been advised of the difference however this is more a matter of policy than value.</p>
1.02	<p><i>Wrexham climate change motion</i></p> <p>On 24th February 2021 Wrexham County Borough Council agreed with a motion to support the Clwyd Fund with implementation of its Responsible Investment Policy. This followed a presentation by the Head of the Clwyd Pension Fund which is attached for information. However views were expressed during the debate in support of divestment from fossil fuels and it is expected that this debate will continue both locally and across all LGPS funds.</p> <p>The Fund's Responsible Investment Policy explains the current approach on the management of climate risk. A further training session is planned ahead of the June Committee where the Fund's Roadmap for the implementation of the policy will be recommended.</p>
1.03	<p>Pensions Investment Management and Accounting Audit</p> <p>The annual audit of Pensions Investment Management and Accounting for 2020/21 has now concluded and the report is attached in Appendix 1. The overall assurance was substantial (the highest category) clarifying that strong controls are in place in relation to investment and accounting matters.</p> <p>There are actions included in the report which both relate to enhancements to the risk registers (the investment/funding register and the McCloud register). The suggestions are now being worked through by officers.</p>

1.04	<p>£95k Exit Cap Reform</p> <p>As reported at previous meetings, MHCLG consulted on changes to introduce the cap on exit payments (£95k cap) as well as wider reform to the LGPS and some employers participating in the LGPS. However, HMT then introduced overriding legislation to introduce the exit cap from an earlier date. This resulted in conflicting legislation leaving uncertainty around whether scheme members should be paid immediate unreduced pension benefits (under the LGPS regulations) or not (due to the HMT's overriding legislation). The Welsh Government introduced a temporary process to allow individual cases affected by the change to be potentially granted a waiver, however there were many cases particularly in England that were affected by the change.</p> <p>The change was unwelcome to a number of stakeholders and several requests for Judicial review of HMT's regulations were granted permission to be heard and these were scheduled for the latter part of March 2021. There have been a number of recent developments:</p> <ul style="list-style-type: none"> • on 12 February 2021, HMT issued the Exit Payment Cap Directions 2021 disapplying the exit cap in England, due to a number of “unintended consequences” • on 25 February, regulations were made and laid, to be effective from 19 March, confirming the disapplication of the exit cap • on 4 March Welsh Government confirmed that the restrictions had also been relaxed in Wales • on 4 March MHCLG confirmed that previous advice to Councils and LGPS administering authorities on implementing the HMT regulations was disapplied, and further the MHCLG consultation on reforming local government exit pay is now closed. <p>Unfortunately this is unlikely to be the end of the matter. HMT has confirmed it will bring forward proposals to tackle unjustified exit payments in the near future. MHCLG will also be carrying out a separate consultation on the impact on the LGPS. It is unclear at this stage whether this may also include wider reform on exit payments and conditions around how LGPS benefits are paid.</p> <p>The Fund did not have any scheme members impacted by the introduction of the cap on exit payments so there is no further action to be taken.</p>
1.05	<p>SAB Good Governance Project</p> <p>The Scheme Advisory Board (SAB) commenced a project in early 2019 to consider the future governance structure of the LGPS. SAB met on the 08 February to consider the final report from the review which is available here: https://lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf</p> <p>The SAB Chair has now made formal requests on behalf of the SAB to MHCLG and other bodies to implement the recommendations from the project. MHCLG would need to implement some of the changes identified either by amending regulations or via statutory guidance. In addition SAB will be identifying and promoting best practice in the LGPS to assist in taking forward the recommendations made. The recommendations from</p>

the review are provided at Appendix 2.

On the face of it, the Fund is likely to already be compliant with most of the recommendations. However work is likely to be required in considering who the LGPS senior officer is (recommendation A2) and ensuring that person's responsibilities meet the requirements of any guidance. In addition, it is expected that work will be required:

- documenting aspects such as roles and responsibilities, and representation
- updating our governance compliance statement to meet the new requirements
- providing further evidence as part of independent governance reviews (assuming our existing approach to this does not meet the new requirements).

The next key steps for the Fund in relation to this project, other than taking part in SAB surveys, are likely to be responding to MHCLG's consultation or reviewing guidance from SAB to understand its impact on the Fund. However it may be some months before there are further developments due to other national priorities. At that point, we will update the Committee and hope to be able to provide further information around any changes required for the Fund.

2.00	RESOURCE IMPLICATIONS
2.01	It is likely work associated with climate change, the exit cap and the good governance review will be resource intensive on officers. These areas are likely to be key areas of focus for some time.

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

4.00	RISK MANAGEMENT
4.01	The updates in this report are mainly driven by external factors and demonstrate why that is one of the highest ranking risks within the Fund's risk register i.e. there is a risk that the Fund's objectives/legal responsibilities are not met or are compromised due to external factors.

5.00	APPENDICES
5.01	Appendix 1 – Audit Report Appendix 2 – SAB Good Governance recommendations

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Friends of the Earth LGPS report can be accessed here:</p> <p>https://www.divest.org.uk/wp-content/uploads/2021/03/UKDivest_Report.pdf</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, the Pensions Regulator requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, of which Clwyd Pension Fund is part.</p> <p>(f) SAB – Scheme Advisory Board – the national LGPS Scheme Advisory Board is established under primary legislation. Its purpose is to make recommendations for policy and legislative change to the Secretary of State and to provide guidance and advice to LGPS administering authorities.</p> <p>(g) MHCLG – Ministry of Housing, Communities and Local Government – the government department responsible for the LGPS legislation.</p> <p>(h) JGC – Joint Governance Committee – the joint committee established for the Wales Pension Partnership asset pooling arrangement.</p>

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| | <p>(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.</p> <p>(j) HMT – Her Majesty's Treasury – from an LGPS perspective, this government department has a role in approving any LGPS secondary legislation being proposed by MHCLG. It may also make other legislation that impacts all pension schemes or sub-sets (such as public sector schemes) e.g. relating to the taxation treatment of pension contributions and benefits.</p> |
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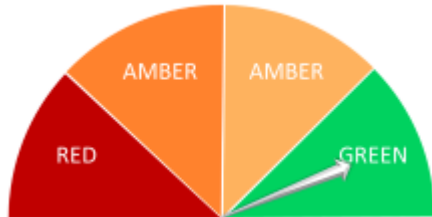
Flintshire Internal Audit

Audit Report

Title: 20/21 Pensions Investment, Management & Accounting
Portfolio: External
Issued Dated: March 2021
Report No: 33-2020/21
Report Status: Final

Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

Audit Opinion



1 Executive Summary:

Introduction and Scope:

An audit of Pensions Investment Management and Accounting was undertaken as part of the approved Internal Audit Annual Plan for 2020/21. The review focused on the governance and management of strategic and operational risks associated with Pensions' Funding and Investments.

The Clwyd Pension Fund is a £2.1bn Local Government Pension Fund which provides death and retirement benefits for local government employees (excluding teachers, police and fire-fighters) in North East Wales and employees of other qualifying bodies which provide similar services. The Fund has circa 49,600 members of which circa 17,429 are active contributors across 49 contributing employers and about 32,137 are retired members, widows and deferred members.

The key decision making and management of the Fund has been delegated by Flintshire County Council as the administering authority to a formal Pension Fund Committee. The Pension Fund Committee is supported by a Pensions Advisory Panel. The Fund takes advice from a regulated investment consultant, Mercer, prior to making any strategic investment decisions. Mercer also support the Fund in providing risk management advice.

The Clwyd Pension Fund Risk Policy has been devised to provide guidance on the risk management strategy for the Fund, including philosophy and risk appetite, risk management responsibilities as well as procedures to be followed as part of the risk management process. A policy review must take place at least every 3 years or if regulatory changes are required. The Policy was recently reviewed and approved in October 2020 in line with agreed review dates.

The Independent Governance Adviser, AON, provides an annual report on the governance of the Fund. A number of key areas of focus were

Audit Opinion:

In each report we provide management with an overall assurance opinion on how effectively risks are being managed within the area reviewed. Appendix A of the report details our assurance levels:

Assurance:	Explanation
Green - Substantial	<p>Substantial Assurance - Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> •Key controls exists and are applied consistently and effectively •Objectives achieved in a pragmatic and cost effective manner •Compliance with relevant regulations and procedures •Assets safeguarded •Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objective of the system, process, function or service.</p>

The table below highlights the number and priority of agreed actions to be implemented.

Priority	High (Red)	Medium (Amber)	Low (Green)	Total
No.	0	1	0	1

highlighted in the most recent independent report which included the following:

- The delivery of the McCloud Remedy Programme;
- Implementation of the Fund's Investment Strategy statement with the agreed Responsible Investment Priorities;
- Transition of assets to the Wales Pension Partnership (WPP) and development of governance policies and processes; and
- Consideration of risks and controls in place to provide adequate assurance in relation to Cybercrime.

Significant action has been taken to address the risks associated with the areas identified. Specific reports have been drafted and presented at Committee to provide a background into required changes and obtain agreement on the actions to be taken to address the required changes.

Risk assessments are carried out quarterly to identify and manage the main risks associated with the achievement of the scheme objectives, functions and activities. Risk registers and the Business Plan are reviewed and updated by the Advisory Panel and areas for concern are presented at Committee. Changes in risk appetite are highlighted in the individual Committee Reports for the respective risk area. The review has demonstrated that risks are being adequately assessed and accurately presented for decision by the Committee where required. In addition, emerging risks (ie. COVID) have been considered and assessed and the respective risk registers and risk profile updated accordingly.

Due to changes in legislation, amendments have been made to the Investment Strategy Statement (ISS) to include the newly formulated Responsible Investment Policy. The revision was presented at Committee and new ISS approved in February 2020.

A number of key actions have been identified in order to achieve the agreed funding and investment objectives and these have been included in the Fund's Business Plan. These actions are aligned with the key aims and objectives of the investment strategy statement. Regular fund reviews

are undertaken quarterly. Quarterly reports are presented at Committee on fund performance. The information contained within the Committee packs is comprehensive, with the appropriate level of information to assist Committee members in fulfilling their roles and responsibilities.

Lastly, the Clwyd Pension Fund accounts and Annual Report were completed within statutory timescales. Audit Wales did not have any review recommendations and no new risks have been identified for consideration as part of this internal audit review.

The review has identified that key controls have been adequately designed and are operating effectively to oversee and mitigate operational and strategic risks associated with CPF funding and investments. A finding has been raised relating to enhancements to be made to the Investment and Funding Risk register as well as the McCloud Remedy Programme risk register. Due to the strong control environment, a Substantial assurance rating has been awarded.

2 Summary Findings:

Areas Managed Well	Areas for Further Improvement
<ul style="list-style-type: none"> • The Clwyd Pension Fund Risk Policy was reviewed and approved in October 2020. • An Independent Governance Adviser is commissioned yearly to provide an annual report on the governance of the Fund. Action has been taken to address all key areas of focus highlighted by the independent governance advisor in the most recent annual report relating to the delivery of the McCloud Remedy Programme, implementation of the Fund's Investment Strategy statement with the agreed Responsible Investment Priorities, transition of assets to the WPP and development of governance policies and processes, and consideration of risks and controls in place to provide adequate assurance in relation to Cybercrime. • Risk assessments are carried out regularly to identify and manage the main risk associated with the achievement of the schemes objectives, functions and activities. Risk registers are updated accordingly and presented at the Clwyd Pension Fund Committee. • The Investment Strategy Statement has been revised and approved to incorporate legislative changes which came into effect in 2020. • Regular fund reviews are undertaken quarterly by Mercer. Outcome of the reviews are updated at Clwyd Pension Fund Committee. • The information packs presented at Committee are comprehensive, with the appropriate level of information to assist Committee members in their awareness and decision making responsibilities. 	<ul style="list-style-type: none"> • The mitigating actions captured as part of the McCloud Remedy Programme risk register are not specific to be able to assess whether the risk will be mitigated. Risk owners and timescales for delivery should also be added to the Programme risk register. Additionally, enhancements should be made to the Funding and Investment Risk register to clearly identify what action is being taken and how the specific action will mitigate the identified risk.

3 Action Plan:

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Findings and Implications	Agreed Action	Who	When
1 (A)	<p>Future service changes made to Public Service pension schemes (including the LGPS) in 2014 and 2015 were found to be discriminatory against younger members by the Court of Appeal. As such, the Government has committed to making changes to all Public Service pension schemes to remove discrimination.</p> <p>In order to implement the required regulatory changes to remove the discrimination against younger members of the LGPS for the Clwyd Pension Fund, the McCloud Programme has been established. Additional resources and budget have been approved by the Committee to support this. A review of the programme risks has identified that currently eight of the nine programme risks are red. Although this may be expected for a project in its infancy, it is unclear how some of the control actions within the programme risk register will bring the risk back into the desired state as some of the actions are not specific or time sensitive. Control action dates should be added to the risk register to ensure members know what actions can be expected by what date. Control action owners should also be added to the register. This will follow the same format as the FCC approach to risk and all other risk registers used in the function.</p> <p>Failure to deliver on the control actions by the agreed timescales may impact programme delivery and the Fund may not meet its regulatory requirements.</p>	<p>The McCloud Programme risk register to be revised to include specific actions taken to address the identified risks, action delivery dates and action owners. URN 03091</p> <p>The Funding and Investment Risk register to be reviewed and enhancements to be made to the internal control wording to clearly identify what action is being taken and how this action will mitigate the identified risk. This will follow the FCC risk management approach and be consistent with all other risk registers presented at Committee. URN 03097</p>	<p>Karen Williams</p> <p>Debbie Fielder</p>	<p>30 April 2021</p> <p>30 April 2021</p>

No.	Findings and Implications	Agreed Action	Who	When
	<p>Additionally, enhancements should be made to some of the internal controls listed in the Funding and Investment Risk Register to make it clear how the internal control action will mitigate the identified risk.</p>			

4 Distribution List:

Name	Title
Phil Latham	Accountable Officer Responsible for the Implementation of Agreed Actions
Colin Everett	Chief Executive
Phil Latham	Head of Clwyd Pension Fund
Debbie Fielder	Deputy Head of Clwyd Pension Fund
Paul Vaughan	Pension Fund Accountant
Karen Williams	Pensions Administration Manager

Appendix A – Audit Opinion:

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Some** or **Limited** assurance audits will be reported to the Audit Committee.

Assurance	Explanation
Green - Substantial	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> • Key controls exist and are applied consistently and effectively • Objectives achieved in a pragmatic and cost effective manner • Compliance with relevant regulations and procedures • Assets safeguarded • Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p>
Amber Green – Reasonable	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p>
Amber Red – Some	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively • Evidence of (or the potential for) financial / other loss • Key management information exists but is unreliable • System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Conclusion: key controls are generally inadequate or ineffective.</p>
Red – Limited	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls are absent or rarely applied • Evidence of (or the potential for) significant financial / other losses • Key management information does not exist • System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Conclusion: a lack of adequate or effective controls.</p>

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Good Governance Project Recommendations

General

- A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below (“the Guidance”).
- A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund (“the LGPS senior officer”).
- A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151.

Conflicts of interest

- B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.
- B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.

Representation

- C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.

Knowledge and understanding

- D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
- D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
- D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.

Service Delivery for the LGPS Function

- E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority’s scheme of delegation and constitution and be consistent with role descriptions and business processes.
- E.2 Each administering authority must publish an administration strategy.
- E.3 Each administering authority must report the fund’s performance against an agreed set of indicators designed to measure standards of service.
- E.4 Each administering authority must ensure their committee is included in

the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

Compliance and improvement

- F.1 Each administering authority must undergo a biennial Independent Governance Review (IGR) and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
- F.2 LGA to consider establishing a peer review process for LGPS Funds.



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 23 rd March 2021
Report Subject	Funding Strategy Statement – Policy Updates
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

Regulations have come into force which provide more flexibility in relation to employer exit payments when an employer leaves the Fund and also the ability to review contributions between valuations in certain circumstances. To adopt this flexibility, Funds are required to set out their policy in their Funding Strategy Statement (FSS). Statutory guidance from MHCLG and a guide from the Scheme Advisory Board were published on 2 March 2021 and the principles in these documents have been taken into account when producing the draft policies.

A summary of the new policy areas are as follows:

- **Employer exit payments** – An exit payment can be recovered over an agreed period as opposed to being collected immediately or an employer can defer payment of the debt and enter into a Deferred Debt Arrangement (DDA) allowing the employer to remain in the Fund with no contributing members.
- **Reviewing employer contributions** - The new Regulations also permit contribution rates to be adjusted between valuations in certain circumstances.

For the Clwyd Pension Fund, we would expect these policies would be used infrequently given the type of employers and their strength of covenant. In particular, there are very few employers who can exit the Fund.

Following advice from the Fund Actuary, the proposed policies are attached as Appendix 1 (exit payments) and 2 (review of contributions) for agreement by the Committee. As required by the Regulations and guidance, a consultation with employers will then commence.

The policies will be implemented to, as far as possible, ensure employers meet their financial obligations to the Fund in terms of contributions on an ongoing and exit basis.

RECOMMENDATIONS

1	The Committee approves the draft policies for inclusion in the FSS and consultation with employers.
2	The Committee delegate any final minor changes, following consultation, to be made by the Head of Clwyd Pension Fund and Deputy Head of Clwyd Pension Fund, with any more substantive changes being brought back to Committee for consideration.
3	The Committee agree to the updates to the Delegation of Functions which is attached at Appendix 3.

REPORT DETAILS

1.00	Funding Strategy Statement – Policy Updates
1.01	Background and proposed governance of new arrangements A number of regulatory changes have come into force (LGPS (Amendment No.2) Regulations 2020). These allow for more flexibilities in relation to employer exit payments when leaving the Fund via recovery of the exit payments over a period of time or allowing employers to remain in the Fund with no active members via a Deferred Debt Agreement (DDA). The Regulations also allow for employer contribution reviews between actuarial valuations in certain circumstances.
1.02	The Fund is required to include policies within its Funding Strategy Statement (FSS) setting out how the flexibilities will apply in practice to employers. The Fund will therefore update its policies to incorporate the new Regulations. These policies provide flexibilities to manage employer risk and allow the Fund to do that in a managed way.
1.03	To assist with drafting the policies and applying the Regulations, the Scheme Advisory Board (SAB) has produced a practical guide for Funds and the MHCLG has produced statutory guidance on the amendments to the FSS. These documents were published on 2 March 2021 and the principles have been taken into account when drafting the policies, following advice from the Fund Actuary.
1.04	As required by the Regulations and guidance and once the draft policies have been finalised, a short consultation with Fund employers will take place, with employer views being invited on the changes. It will also be shared with the Fund's Pension Board. Assuming any changes following this consultation is minor, the Committee are asked to delegate the finalising of the FSS to the Head of Clwyd Pension Fund Manager and Deputy Head of Clwyd Pension Fund. If there are more substantive changes then it will be brought back to Committee for consideration.
1.05	In relation to the ongoing management of these new policies, it is proposed that any initial decisions on how to treat employers are dealt with by officers of the Fund using delegated authority. Officers are already

	<p>carrying out the management of employer exit payments through the Fund's delegated functions, and so this would be extending that authority to:</p> <ul style="list-style-type: none"> • allow spreading of an employer exit payment or entering a Deferred Debt Arrangement (under the Flexibility for Exit Payments and Deferred Debt Agreements Policy) • agree a change in employer contribution outside of the formal actuarial valuation process (under the Review of Employer Contributions Between Valuations Policy) <p>However the guidance also advises funds to agree and consult on an appeals process. As initial decisions are to be made by officers, the intention is for any appeal to be the responsibility of the Pension Fund Committee as part of their overall responsibilities in ensuring appropriate funding plans are in place for all employers in the Fund, and working with the actuary in determining the appropriate level of employer contributions for each employer. Information on the appeals process will be included in consultation with employers.</p> <p>Further information regarding the changes made to the policies is set out below.</p>
1.06	<p>Exit Payments Flexibility</p> <p>The default position for exit payments is that they are paid in full at the point of exit and this will continue under the new policy. The previous regulations generally required the exit debt to be paid in full on exit. This restricted the ability of employers to leave the Fund in an ordered and affordable manner and put the Fund (and therefore the taxpayer) at higher risk of unrecoverable debts. This is especially the case for those employers in a weak financial situation. As a consequence, employers tended to remain in the Fund building up further, often unaffordable, liabilities. The Regulations provide greater flexibility to manage this debt in conjunction with the employer and allow the employer to limit the further accrual of liabilities.</p>
1.07	<p>The Regulations permit LGPS funds to develop policies that provide alternative options to employers when the last active member leaves the employer (subject to a covenant assessment and consideration of security):</p> <ul style="list-style-type: none"> • Spreading payments - Allow the Fund and the employer to enter into agreement which instead spreads the payment of the final exit debt calculated by the Actuary over an agreed period of time (the amounts and frequency of the payments in the payment plan will be agreed at the outset along with any early payment terms), or • Deferred Debt Arrangement (DDA) - The employer may enter into a DDA with a scheme employer. This allows the employer to defer its obligation to make an exit payment and continue to make 'deficit' (secondary rate) contributions to the Fund. Contribution requirements will continue to be reviewed as part of each actuarial valuation under this option, which is essentially an employer continuing ongoing participation, but with no contributing members. The Fund or employer can terminate the DDA and settle a revised (potentially more affordable) exit debt.

1.08	The Fund can only enter into one of the above arrangements if the FSS includes a policy setting out how the employer will be treated consistently. The Fund are also required to consult with the exiting employer, following advice from the Fund Actuary as well as any other specialists as appropriate as part of the process.
1.09	<p>There are key draft policy decision points for consideration:</p> <ul style="list-style-type: none"> • Spreading of exit payments or a DDA will only be entered into if the termination debt is unaffordable and; • Where the deficit is spread, the maximum spreading period is 5 years, except in exceptional circumstances. • A requirement for employers to provide ongoing covenant information and enter into a notifiable events framework. <p>For the Clwyd Pension Fund, we would expect these policies would be used infrequently given the type of employers and their strength of covenant. In particular, there are very few employers are able to exit the Fund at this stage (e.g. Councils, Town Councils, further & higher education bodies are all required to remain in the Fund under the Regulations).</p>
1.10	Appendix 1 sets out the draft policies for these flexibilities for the Committee to consider. The policies have been designed to strengthen the Fund's ability to manage employer liabilities, ensuring there is no detriment to the solvency of the Fund. Historically the CPF has had very few employers exiting the Fund but it is important to have a policy in place in the event this changes. In particular in relation to the new DDA option which could be in the interest of both the employer and Fund in terms of protecting taxpayers.
1.11	<p>Reviewing Contributions Between Triennial Valuations</p> <p>The Regulations also permit contribution rates to be adjusted between valuations. Previously the contribution rates set out in the valuation report would stay in place until the next valuation except in limited circumstances or where an employer exits the Fund. These Regulations allow changes to contributions to be made before the next valuation if they meet the criteria.</p>
1.12	<p>Such a revision to contribution rates is only permitted if the Fund's policy is set out in the FSS and one of the following apply:</p> <ul style="list-style-type: none"> • it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation • it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or • a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review (and point a) or b) also applies).
1.13	There are key draft policy decision points for consideration:

	<ul style="list-style-type: none"> • We have set the maximum number of requests to review contributions between actuarial valuation dates to two. • A contribution review due to a change in membership profile would not be undertaken in the 6 months leading up to the commencement of the next valuation Rates and Adjustments Certificate. • In addition, a review will only be considered if the change in liabilities is expected to be more than 5% of the total liabilities.
1.14	Appendix 2 sets out the draft policy for the Committee to consider. The policy ensures that any contribution changes will only be due to significant liability or covenant changes which would create additional risk to the Fund or employer.

2.00	RESOURCE IMPLICATIONS
2.01	The new policies are likely to mean increased monitoring of employers (covenant and funding) and also greater resource requirements where employers seek to enter into a Deferred Debt Agreement, which will result in increased costs (for example, through actuarial or other fees). Where employers request under either option, the costs will be met by the employer in full. In the case of a Deferred Debt Agreement, all costs would be passed onto the employer.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	A consultation with employers and the Pension Board will take place following agreement by Committee.

4.00	RISK MANAGEMENT
4.01	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): <ul style="list-style-type: none"> • Governance risk: G2 • Funding and Investment risks: F1 - F6
4.02	The funding strategy (along with the investment strategy) is a key determinant of the overall financial risk levels in the CPF. The FSS is a crucial document setting out the overall governance and controls in place to manage these risks on a whole Fund and individual employer level.

5.00	APPENDICES
5.01	Appendix 1 – Exit Payments Policy Appendix 2 – Review of Contributions Policy Appendix 3 - Delegation of Functions to Officers and Members by Pension Fund Committee

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ol style="list-style-type: none"> 1. Current FSS. 2. Committee reports on the funding strategy statements from February 2020. 3. MHCLG Statutory Guidance 4. SAB Guidance <p> Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk </p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) Deferred Debt Agreement (DDA) – A written agreement between the Administering Authority and an exiting Fund employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the assessed Secondary rate until the termination of the DDA.</p> <p>(d) Deferred Employer – An employer that has entered into a DDA with the Fund.</p> <p>(e) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(f) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(g) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(h) Funding Strategy Statement (FSS) – the main document that outlines how we will manage employers contributions to the Fund</p> <p>(i) Triennial Actuarial Valuation - The formal valuation assessment of</p>

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.

(j) **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.

(k) **CPI** – Acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

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**ADDITIONAL WORDING TO BE INCLUDED IN APPENDIX C OF
THE FUNDING STRATEGY STATEMENT FOR CONSULTATION
WITH EMPLOYERS.**

APPENDIX C - ADMISSION AND TERMINATION POLICY, FLEXIBILITY FOR EXIT PAYMENTS AND DEFERRED DEBT AGREEMENTS

POLICY IN RELATION TO THE FLEXIBILITY FOR EXIT DEBT PAYMENTS AND DEFERRED DEBT AGREEMENTS (DDA)

The Fund's policy for termination payment plans is as follows:

1. The default position is for exit payments to be paid immediately in full unless there is a risk sharing arrangement in place with a guaranteeing Scheme employer in the Fund whereby the exiting employer is not responsible for any exit payment. In the case of an exit credit the determination process set out above will be followed.
2. At the discretion of the administering authority, instalment plans over an agreed period or a Deferred Debt Agreement will only be agreed subject to the policy in relation to any flexibility in recovering exit payments.

As set out above, the default position for exit payments is that they are paid in full at the point of exit (adjusted for interest where appropriate). If an employer requests that an exit debt payment is recovered over a fixed period of time or that they wish to enter into a Deferred Debt arrangement with the Fund, they must make a request in writing covering the reasons for such a request. Any deviation from this position will be based on the Administering Authority's assessment of whether the full exit debt is affordable and whether it is in the interests of taxpayers to adopt either of the approaches. In making this assessment the Administering Authority will consider the covenant of the employer and also whether any security is required and available to back the arrangements.

Any costs (including necessary actuarial, legal and covenant advice) associated with assessing this will be borne by the employer and, depending on the employer's circumstances, will either be required as an upfront payment or included in the contribution plan or exit debt payment.

The following policy and processes will be followed in line with the principles set out in the statutory guidance published 2 March 2021.

POLICY FOR SPREADING EXIT PAYMENTS

The following process will determine whether an employer is eligible to spread their exit payment over a defined period.

1. The Administering Authority will request updated financial information from the employer including management accounts showing expected financial progression of the organisation and any other relevant information to use as part of their covenant review. If this information is not provided then the default policy of immediate payment will be adopted.
2. Once this information has been provided, the Administering Authority (in conjunction with the Fund Actuary, covenant and legal advisors where necessary) will review the covenant of the employer to determine whether it is in the interests of the Fund to allow them to spread the exit debt over a period of time. Depending on the length of the period and also the size of the outstanding debt, the Fund may request security to support the payment plan before entering into an agreement to spread the exit payments.
3. This could include non-uniform payments e.g. a lump sum up front followed by a series of payments over the agreed period. The payments required will include allowance for interest on late payment.
4. The initial process to determine whether an exit debt should be spread may take up to [3] months from receipt of data so it is important that employers who request to spread exit debt payments notify the Fund in good time
5. If it is agreed that the exit payments can be spread then the Administering Authority will engage with the employer regarding the following:
 - a. The spreading period that will be adopted (this will be subject to a maximum of [5] years).
 - b. The initial and annual payments due and how these will change over the period
 - c. The interest rates applicable and the costs associated with the payment plan devised
 - d. The level of security required to support the payment plan (if any) and the form of that security e.g. bond, escrow account etc.
 - e. The responsibilities of the employer during the exit spreading period including the supply of updated information and events which would trigger a review of the situation
 - f. The views of the Actuary, covenant, legal and any other specialists necessary
 - g. The covenant information that will be required on a regular basis to allow the payment plan to continue.
 - h. Under what circumstances the payment plan may be reviewed or immediate payment requested (e.g. where there has been a significant change in covenant or circumstances)

6. Once the Administering Authority has reached its decision, the arrangement will be documented and any supporting agreements will be included.
7. Subject to the employer's circumstances, any costs will either be required as an upfront payment or included in the contribution plan.

EMPLOYERS PARTICIPATING WITH NO CONTRIBUTING MEMBERS

As opposed to paying the exit debt an employer may participate in the Fund with no contributing members and utilise the "Deferred Debt Agreements" (DDA) at the sole discretion of the Administering Authority. This would be at the request of the employer in writing to the Administering Authority.

The following process will determine whether the Fund and employer will enter into such an arrangement:

1. The Administering Authority will request updated financial information from the employer including management accounts showing expected financial progression of the organisation. If this information is not provided then a DDA will not be entered into by the Administering Authority
2. Once this information has been provided, the Administering Authority will firstly consider whether it would be in the best interests of the Fund and employers to enter into such an arrangement with the employer. This decision will be based on a covenant review of the employer to determine whether the exit debt that would be required if the arrangement was not entered into is affordable at that time (based on advice from the Actuary, covenant and legal advisor where necessary).
3. The initial process to determine whether a Deferred Debt Agreement should apply may take up to [3] months from receipt of the required information so an employer who wishes to request that the Administering Authority enters into such an arrangement needs to make the request in advance of the potential exit date.
4. If the Administering Authority's assessment confirms that the potential exit debt is not affordable, the Administering Authority will engage in discussions with the employer about the potential format of a Deferred Debt Agreement using the template Fund agreement which will be based on the principles set out in the Scheme Advisory Board's separate guide. As part of this, the following will be considered and agreed:
 - What security the employer can offer whilst the employer remains in the Fund. In general the Administering Authority won't enter into such an arrangement unless they are confident that the employer can support the arrangement on an ongoing basis. Provision of security may also result in a review of the recovery period and other funding arrangements.
 - Whether an upfront cash payment should be made to the Fund initially to reduce the potential debt.

- What the updated secondary rate of contributions would be required up to the next valuation.
- The financial information that will be required on a regular basis to allow the employer to remain in the Fund and any other monitoring that will be required.
- The advice of the Actuary, covenant, legal and any other specialists necessary.
- The responsibilities that would apply to the employer while they remain in the Fund.
- What conditions would trigger the implementation of a revised deficit recovery plan and subsequent revision to the secondary contributions (e.g. provision of security).
- The circumstances that would trigger a variation in the length of the deferred debt agreement (if appropriate), including a cessation of the arrangement (e.g. where the ability to pay contributions has weakened materially or is likely to weaken in the next 12 months). Where an agreement ceases an exit payment (or credit) could become payable. Potential triggers may be the removal of any security or a significant change in covenant assessed as part of the regular monitoring.
- Under what circumstances the employer may be able to vary the arrangement e.g. a further cash payment or change in security underpinning the agreement.

The Administering Authority will then make a final decision on whether it is in the best interests of the Fund to enter into a Deferred Debt Agreement with the employer and confirm the terms that are required.

5. For employers that are successful in entering into a Deferred Debt Arrangement, contribution requirements will continue to be reviewed as part of each actuarial valuation or in line with the Deferred Debt Agreement in the interim if any of the agreed triggers are met.
6. The costs associated with the advice sought and drafting of the Deferred Debt Agreement will be passed onto the employer as part of the arrangements and contribution requirements. Subject to the employer's circumstances, any costs will either be required as an upfront payment or included in the contribution plan.

REVIEW OF EMPLOYER CONTRIBUTIONS BETWEEN VALUATIONS

In line with the Regulations that came into force on 23rd September 2020, the Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers now have the following flexibilities:

1. The Administering Authority may review the contributions of an employer where there has been a significant change to the liabilities of an employer.
2. The Administering Authority may review the contributions of an employer where there has been a significant change in the employer's covenant.
3. An employer may request a review of contributions from the Administering Authority if they feel that either point 1 or point 2 applies to them. The employer would be required to pay the costs of any review following completion of the calculations and is only permitted to make a maximum of [two] requests between actuarial valuation dates (except in exceptional circumstances and at the sole discretion of the Administering Authority).

Where the funding position for an employer significantly changes solely due to a change in assets (and changes in actuarial assumptions), the overarching Government policy is that contribution reviews are not permitted outside of a full valuation cycle. However changes in assets would be taken into account when considering if an employer can support its obligations to the Fund after a significant covenant change (see 2. above).

The Administering Authority will consult with the employer prior to undertaking a review of their contributions including setting out the reason for triggering the review.

For the avoidance of doubt, any review of contributions may result in no change and a continuation of contributions as per the latest actuarial valuation assessment. In the normal course of events, a rate review would not be undertaken close to the next actuarial valuation date, unless in exceptional circumstances. For example:

- A contribution review due to a change in membership profile would not be undertaken in the [6] months leading up to the valuation Rates and Adjustments Certificate.
- However, where there has been a material change in covenant, a review will

be considered on a case by case basis which will determine if it should take place and when any contribution change would be implemented. This will take into account the proximity of the actuarial valuation and the implementation of the contributions from that valuation.

SITUATIONS WHERE CONTRIBUTIONS MAY BE REVIEWED

Contributions may be reviewed if the Administering Authority becomes aware of any of the following scenarios. Employers will be notified if this is the case.

Consideration will also be given to the impact that any employer changes may have on the other employers and on the Fund as a whole, when deciding whether to proceed with a contribution review.

1) Significant changes in the employer's liabilities

This includes but is not limited to the following scenarios:

- a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
 - i. Restructuring of an employer
 - ii. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)
 - iii. A bulk transfer into or out of the employer
 - iv. Other significant changes to the membership for example due to redundancies, significant salary awards, ill health retirements (for employers not included in the captive arrangement) or large number of withdrawals
- b) Two or more employers merging including insourcing and transferring of services
- c) The separation of an employer into two or more individual employers

In terms of assessing the triggers under a) above, the Administering Authority will only consider a review if the change in liabilities is expected to be more than [5%] of the total liabilities. In some cases this may mean there is also a change in the covenant of the employer.

Any review of the rate will only take into account the impact of the change in liabilities (including, if relevant, any underfunding in relation to pension strain costs) both in terms of the Primary and Secondary rate of contributions.

2) Significant changes in the employer's covenant

This includes but is not limited to the following scenarios:

- a) Provision of, or removal of, or impairment of, security, bond, guarantee or some other form of indemnity by an employer against their obligations in the Fund. For the avoidance of doubt, this includes provision of security to any other pension arrangement which may impair the security provided to the Fund.
- b) Material change in an employer's immediate financial strength or longer-term

financial outlook (evidence should be available to justify this) including where an employer ceases to operate or becomes insolvent.

- c) Where an employer exhibits behaviour that suggests a change in their ability and/or willingness to pay contributions to the Fund.

In some instances, a change in the liabilities will also result in a change in an employer's ability to meet its obligations.

Whilst in most cases the regular covenant updates requested by the Administering Authority will identify some of these changes, in some circumstances employers will be required to agree to notify the Administering Authority of any material changes. Where this applies, employers will be notified separately and the Administering Authority will set out the requirements.

Additional information will be sought from the employer in order to determine whether a contribution review is necessary. This may include annual accounts, budgets, forecasts and any specific details of restructure plans. As part of this, the Administering Authority will take advice from the Fund Actuary, covenant, legal and any other specialist adviser.

In this instance, any review of the contribution rate would include consideration of the updated funding position (both on an ongoing and termination basis) and would usually allow for changes in asset values when considering if the employer can meet its obligations on both an ongoing and termination basis (if applicable). This could then lead to the following actions:

- the contributions changing or staying the same depending on the conclusion and/or;
- security to improve the covenant to the Fund and/or;

PROCESS AND POTENTIAL OUTCOMES OF A CONTRIBUTION REVIEW

Where one of the listed events occurs, the Administering Authority will enter into discussion with the employer to clarify details of the event and any intent of the Administering Authority to review contributions. Ultimately, the decision to review contributions as a result of the above events rests with the Administering Authority after, if necessary, taking advice from their Actuary, legal or a covenant specialist advisors.

This also applies where an employer notifies the Administering Authority of the event and requests a review of the contributions. The employer will be required to agree to meet any professional and administration costs associated with the review. The employer will be required to outline the rationale and case for the review through a suitable exchange of information prior to consideration by the Administering Authority.

The Administering Authority will consider whether it is appropriate to use updated membership data within the review (e.g. where the change in data is expected to have a material effect on the outcome) and whether any supporting information is required from

the employer.

As well as revisiting the employer's contribution plan, as part of the review it is possible that other parts of the funding strategy will also be reviewed where the covenant of the employer has changed, for example the Fund will consider:

- Whether the Primary contribution rate should be adjusted to allow for any profile change
- Whether the Secondary contribution rate should be adjusted including whether the length of the recovery period adopted at the previous valuation remains appropriate. At the absolute discretion of the Administering Authority this may result in an increase to the recovery period where the evidence gathered demonstrates that the existing time horizon is no longer achievable and the extension is in the best interests of the tax payer, taking into account any security that may be available

The review of contributions may take up to [3] months from the date of confirmation to the employer that the review is taking place, in order to collate the necessary data.

Any change to an employer's contributions will be implemented at a date agreed between the employer and the Fund. The Schedule to the Rates and Adjustment Certificate at the last valuation will be updated for any contribution changes. As part of the process the Administering Authority will consider whether it is appropriate to consult any other Fund employers prior to implementing the revised contributions. Circumstances where the Administering Authority may consider it appropriate to do so include where there is another employer acting as guarantor in the Fund, then the guarantor would be consulted on as part of the contribution review process.

The Administering Authority will agree a proportionate process for periodical ongoing monitoring and review following the implementation of the revised contribution plan. The Employer will be required to provide information to the Fund to support this, which will depend in part of the reasons for triggering the contribution review.

Delegation of Functions to Officers by Pension Fund Committee – March 2021

Key:

PFC – Pension Fund Committee

CFM – Corporate Finance Manager

FA – Fund Actuary

PAP - Pension Advisory Panel

CE - Chief Executive

IA – Independent Advisor

HCPF – Head of Clwyd Pension Fund

IC – Investment Consultant

DHCPF – Deputy Head of Clwyd Pension Fund

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Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
<p>Investment strategy - approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.</p> <p>Monitoring the implementation of these policies and strategies on an ongoing basis.</p>	<p>Rebalancing and cash management</p> <p>Implementation of strategic allocation including use of both rebalancing and conditional ranges</p> <p>Short term tactical decisions relating to the 'best ideas' portfolio</p> <p>Risk Management Framework - Implementation of the agreed market Flightpath triggers and deciding action(s) to be taken when Flightpath funding triggers are reached within the existing constraints of the Investment Strategy.</p>	<p>HCPF (having regard to ongoing advice of the IC and PAP)</p>	<p>High level monitoring at PFC with more detailed monitoring by PAP</p>
	<p>Investment into new mandates / emerging opportunities</p>	<p>HCPF and either the CFM or CE (having regard to ongoing advice of the IC)</p>	<p>High level monitoring at PFC with more detailed monitoring by PAP</p>

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
In relation to Wales Pooling Collaboration arrangements: <ul style="list-style-type: none"> Nominating Flintshire County Council's officers to the Officer Working Group. 	Members of the Officer Working Group	HCPF and DHCPF	High level monitoring at PFC with more detailed monitoring by PAP
In relation to Wales Pooling Collaboration arrangements: <ul style="list-style-type: none"> Delegating powers to Flintshire County Council's own officers and the Host Council where required. 	All matters included in the Inter Authority Agreement as being responsibilities of officers and the Host Council	Officers – HCPF who may delegate to DHCPF subject to ongoing advice from CFM Host Council – Carmarthenshire County Council	High level monitoring at PFC with more detailed monitoring by PAP
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.	Ongoing monitoring of Fund Managers	HCPF, CFM and CE (having regard to ongoing advice of the IC) and subject to ratification by PFC	High level monitoring at PFC with more detailed monitoring by PAP
	Selection, appointment and dismissal of Fund Managers	HCPF, CFM and CE (having regard to ongoing advice of the IC) and subject to ratification by PFC	Notified to PFC via ratification process.
	Setting of objectives for investment related consultancy contracts in line with CMA requirements ¹ , and monitoring against those objectives.	HCPF and DHCPF	High level information provided to PFC following annual review.

¹ In accordance with Investment Consultancy and Fiduciary Management Market Investigation Order 2019

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
<p>Agreeing the terms and payment of bulk transfers into and out of the Fund.</p>	<p>Agreeing the terms and payment of bulk transfers into and out of the Fund where there is a bulk transfer of staff from the Fund. Exceptions to this would be where there is a dispute over the transfer amount or it relates to significant assets transfers relating to one employer or the Fund as a whole</p>	<p>HCPF and either the CFM or CE after taking appropriate advice from the FA.</p>	<p>Ongoing reporting to PFC for noting</p>
<p>Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.</p>	<p>Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund including flexibility of exit payments and deferred debt arrangements².</p>	<p>HCPF and either the CFM or CE after taking appropriate advice from the FA.</p>	<p>Ongoing reporting to PFC for noting</p>

² Note that any employer appeals to decisions made by officers relating to flexibility of exit payments and deferred debt arrangements are to be decided by the Pension Fund Committee.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
<p>Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.</p>	<p>Working with the actuary in determining the appropriate level of employer contributions for each employer between formal actuarial valuations³</p>	<p>HCPF and either the CFM or CE after taking appropriate advice from the FA.</p>	<p>Ongoing reporting to PFC for noting</p>
<p>Discretions – determining how the various administering authority discretions are operated for the Fund.</p>	<p>Approving administering authority discretions policy (including the Voluntary Scheme Pays Policy and Over/underpayments Policy) other than in relation to:</p> <ul style="list-style-type: none"> • any key strategy/policies and • matters relating to admission bodies and bulk transfers as included in the preceding two rows. 	<p>CFM and CE (having regard to the advice of the rest of the PAP)</p>	<p>Copy of policies to be circulated to PFC members once approved.</p>

³ Note that any employer appeals to decisions made by officers relating to the rate of contributions between valuations are to be decided by the Pension Fund Committee.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PFC.	HCPF and either the CFM or CE, subject to agreement with Chair and Vice Chair (or either, if only one available in timescale)	PFC advised of consultation via e-mail (if not already raised previously at PFC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PFC for noting.
Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the CIPFA Code of Practice ⁴	CE	Regular reports provided to PFC and included in Annual Report and Accounts.
Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund	Making minor changes to existing strategies, statutory compliance statements, policies and procedures. These will still be required to be considered by the PFC in line with the period stated in that document.	HCPF and either the CFM or CE	Ongoing reporting to PFC for noting

⁴ CIPFA Code of Practice recommends each administering authority delegates responsibility for implementation to a senior officer.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee.	Other urgent matters as they arise	HCPF and either CFM or CE, subject to agreement with Chair and Vice Chair (or either, if only one is available in timescale)	PFC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PFC.
	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PFC and subject to monitoring agreed at that time.

Updates since last version are shown in ***highlighted bold and italics***.



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 23 rd March 2021
Report Subject	Administration Strategy
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

As part of the 2020/21 to 2022/23 business plan, it was agreed to review the existing Administration Strategy for the Fund. This report brings the Strategy to the Committee for consideration.

The Administration Strategy was originally agreed in 2016 and minor updates have been made since then. Since it was last reviewed, the ways of working within the Fund have evolved and the Strategy has now been updated to reflect this. The main changes are to reflect that the default requirement for employers to provide data by using i-Connect and to more clearly define the responsibilities and local performance standards expected for employers and the Administration Team. It is a legal requirement, as well as good practice, to consult with employers when reviewing the Administration Strategy and therefore it is intended that the Strategy will be shared with the Fund's employers after the Committee consider the proposed changes.

RECOMMENDATIONS

1	The Committee consider and approve the updated Administration Strategy which is attached in Appendix 1, subject to consultation with stakeholders.
2	The Committee delegate any final minor changes, following consultation, to be made by the Head of Clwyd Pension Fund and Pensions Administration Manager, with any more substantive changes being brought back to Committee for consideration.

REPORT DETAILS

1.00	ADMINISTRATION STRATEGY FOR CONSIDERATION
1.01	<p><i>Background</i></p> <p>The Fund's existing Administration Strategy was agreed by the Committee in March 2016 and has been subject to minor amendments since then. Prior to March 2016, the Fund did not have an Administration Strategy. Although the LGPS Regulations define the minimum requirements to include within an Administration Strategy, it is not currently compulsory to have one, albeit it is considered good practice. This is, however, likely to change in the future as the LGPS Scheme Advisory Board has formally requested that the MHCLG update the LGPS regulations to require each administering authority to have an Administration Strategy.</p>
1.02	<p>The aim of the Administration Strategy is to ensure both the Pension Fund team and the employers are fully aware of their responsibilities under the Scheme, and to outline the performance standards they are expected to meet to ensure the delivery of a high-quality, timely and professional administration service. Its focus is on working in partnership with employers and the Strategy clearly outlines how the Clwyd Pension Fund Administration Team will assist employers in understanding their responsibilities and delivering those responsibilities. It sets out a formal process to be followed where an employer is not carrying out their responsibilities with the aim of working in partnership to rectify the situation but with flexibility to escalate to a more formal approach if required.</p>
1.03	<p>There are several other Fund policies and strategies that either complement or supplement the Administration Strategy including but not limited to:</p> <ul style="list-style-type: none"> • the Communications Strategy, • the Procedure for Recording and Reporting Breaches of • the Personal Data Retention Policy • the Voluntary Schemes Pays Policy.
1.04	<p><i>Proposed amendments</i></p> <p>It is considered that much of the existing Administration Strategy remains to be appropriate overall. The main changes are driven by the transition to i-Connect as the system that must be used by all CPF employers to communicate the majority of scheme member information to the administration team.</p>
1.05	<p>The other main changes are driven from the fact that Strategy is now incorporating areas that were previously held in a separate Service Level Agreement with employers. It is considered to be more efficient and clearer if as much information as possible is held in one place, and so separate Service Level Agreements will only continue for ad-hoc services (such as those provided by the Employer Liaison Team).</p>
1.06	<p>Appendix 1 includes the proposed updated Administration Strategy. Due to the number of changes, they are not highlighted but a version with all the proposed changes highlighted is available on request to the Pensions Administration Manager. The key changes are as follows:</p>

	<ul style="list-style-type: none"> • Including a new section on employer duties and responsibilities (which in the main came from the existing Service Level Agreement). This includes: <ul style="list-style-type: none"> ○ the requirement for each employer to appoint a Nominated Representative that assumes responsibility for all pension matters for that organisation. ○ the requirement for each employer to submit a list of authorised officers to the Administration Team, which will enable a secure transfer of information and decisions between the administration team and the employer. ○ how year-end information must be provided by the employer, including provision of an annual compliance statement, which provides confirmation that the data received is accurate and correct. ○ data protection requirements including highlighting the need for the employer to notify the Administration Team if any data that has been shared with them is found to be inaccurate. ○ detailing responsibilities in respect of key administration processes for both employers and the Administration Team, and, defining the local performance standards that CPF have adopted. By including this information into the strategy, it eliminates the requirement for an annual service level agreement exercise to be undertaken. • A clearer emphasis that employers are to submit data via i-Connect throughout the strategy but where supplementary information (such as forms) is already required, then that information must be sent securely to the Administration Team. • Expanding the administration processes that are deemed to be Key Performance Indicators in assessing performance; in the main this relates to the Fund's performance, but given some of the indicators relate to legal and the complete process, they are also useful indicators of delays with employers and other parties. • Introducing monthly updates that will be sent to employers outlining the employers' performance against key performance standards. • Setting out more clearly how the Administration Team will support employers including availability of guidance available to and also making clearer the potential for recharging costs to employers where there is no clear improvement in poor performance or where employers are unwilling to engage with the Administration Team.
1.07	<p><i>Consultation and completion</i></p> <p>The LGPS regulations require that the Administration Strategy changes should be consulted on with Scheme employers and such other persons as we consider appropriate. Accordingly, it is intended to share the proposed amendments to the Administration Strategy with all employers and the Fund's Pension Board.</p>
1.08	<p>The Committee is asked to consider the proposed changes to the strategy, approve it, and delegate any minor changes following consultation with employers and the Board to be made by the Head of Clwyd Pension Fund and Pension Administration Manager. Where more significant changes are suggested because of the consultation exercise, a further proposed strategy will be taken back for consideration to the next Committee meeting.</p>

2.00	RESOURCE IMPLICATIONS
2.01	There are no resource implications as a result of this report at this time. However, the use of i-Connect for receiving information from employers will assist in delivering ongoing efficiencies within the team.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The Administration Strategy will be subject to consultation with both employers and the Pension Board.

4.00	RISK MANAGEMENT
4.01	<p>The Fund's risk register includes the following key risk:</p> <ul style="list-style-type: none"> • That the Fund is unable to meet legal and performance expectations due to employer issues, such as employers not understanding their responsibilities or not having access to efficient data transmission. <p>This is currently an amber risk and the majority of the proposed actions to bring this risk back on target are as contained within this Administration Strategy.</p>

5.00	APPENDICES
5.01	Appendix 1 – draft Administration Strategy

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Report to Pension Fund Committee – Administration Strategy Statement (March 2016) and (September 2019)</p> <p>Contact Officer: Karen Williams, Pensions Administration Manager Telephone: 01352 702963 E-mail: karen.williams@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority, administration team or scheme manager – Flintshire County Council is the administering authority and scheme</p>

manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.

- (c) **PFC – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund
- (d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of.
- (f) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.
- (g) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
- (h) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation.
- (i) **MSS – Member Self-Service** – an on-line portal where scheme members can log in and view certain information on their CPF pension record including scheme history and annual benefit statements. It also provides the facility for members to update information, such as their address and to carry out projections of their benefits. The system can also be used to send electronic notifications to scheme members, either individually, or on bulk such as alerting members to an update on the website or annual benefit statements being uploaded.
- (j) **I-Connect** – a system which allows employers to upload data that is then validated and downloaded onto the CPF administration system (Altair). This is generally carried out monthly and provides greater assurance in the accuracy of scheme member records as well as ensuring they are updated in a more-timely manner.

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Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

ADMINISTRATION STRATEGY

[Month] 2021

ADMINISTRATION STRATEGY

Introduction and Background

This is the Statement outlining our Pension Administration Strategy for the Clwyd Pension Fund (“the Fund”) and has been developed following consultation with employers in the Fund, Pension Board members and other interested stakeholders.

The aim of the administration strategy is to ensure both the administering authority and the employers are fully aware of their responsibilities under the Scheme, and to outline the performance standards they are expected to meet to ensure the delivery of a high-quality, timely and professional administration service. These performance standards are explained further in the appendices to this Strategy.

Flintshire County Council (the “administering authority” or otherwise referred to as “CPF Team” in this document) is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme (“the LGPS”). The Fund comprises around 48 employers with active members, and approximately 49,000 scheme members (including active members, deferred and pensioner members).

Delivery of a high standard of administration service is not the responsibility of one person or organisation, but rather of a number of different parties, who between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership.

This Strategy applies to all employers in the Fund and it sets out the expected levels of administration performance of both the administering authority and the employers within the Fund, the expected communication methods for transferring data and information between the employer and the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

This updated Strategy will be effective from 1 [month] 2021 and the performance indicators mentioned herein will demonstrate ongoing progress towards the Strategy’s aims and objectives.

Regulatory Basis

The LGPS is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013 provide the conditions and regulatory guidance surrounding the production and implementation of Administration Strategies.

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the Fund and employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Acts 2004, 2011 and 2021 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation

- Freedom of Information Act 2000
- Equality Act 2010
- Finance Act 2013
- Relevant Health and Safety legislation and
- General Data Protection Regulations 2018 ("GDPR").

As a result of the Public Service Pensions Act 2013, the Pensions Regulator has responsibility for oversight of a number of elements of the governance and administration of Public Sector pension schemes including the LGPS. The Regulator has the power to issue sanctions and fines in respect of failings caused by the administering authority and also where employers in the Fund fail to provide correct or timely information to the administering authority. Should this happen, the administering authority would recharge any costs back to employers as set out later in this strategy.

More information relating to requirements of the Local Government Pension Scheme Regulations is included in Appendix A. This statement has been developed to include the information required by those provisions and to describe our approach in relation to meeting these requirements in the delivery of administration.

Our Aims and Objectives

Mission Statement

The Clwyd Pension Fund Mission Statement is:

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

In addition, we have specific aims and objectives in relation to our administration responsibilities as set out below.

Administration Aims and Objectives

The purpose of this Strategy is to set out the quality and performance standards expected of Flintshire County Council in its role of administering authority and employer, as well as all other employers within the Fund.

The Administration Strategy has a number of specific objectives, as follows;

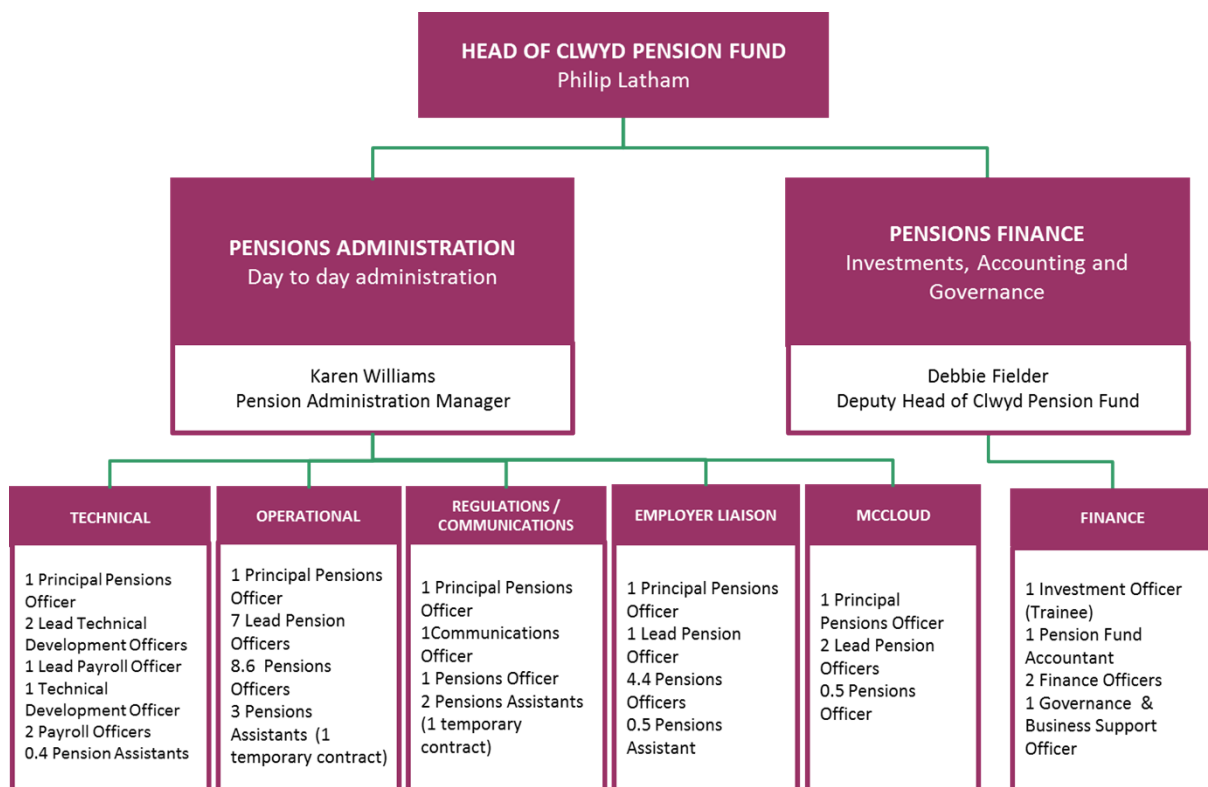
- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money.

- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

Delivery of Administration

Flintshire County Council has delegated responsibility for the management of the Pension Fund to the Clwyd Pension Fund Committee, taking into consideration advice from the Pensions Advisory Panel and the Pensions Board. The Committee will monitor the adherence to the Strategy on a regular basis as outlined later in this document.

Operationally, the administration of the Fund is undertaken 'in-house' within the Fund. The operational structure of the Pension Fund is illustrated in the schematic diagram below:



Most LGPS administering authorities provide the administration service from internal teams, although some have outsourced (or partially outsourced) their administration, and some utilise shared service administration arrangements across more than one Fund. Other LGPS administering authorities only outsource specific projects. The Fund may, in exceptional circumstances, consider outsourcing some of its administration services.

In addition, the CPF Team will look for opportunities to work collaboratively with other administering authorities so as to reduce development costs and enhance the quality of information. This might include:

- working with other administering authorities through the Pensions Officer Group networks or the All Wales network to produce communications, which can then be customised further where necessary to the needs of the Fund
- participating in joint training sessions with other administering authorities.

Employer Duties and Responsibilities

Nominated Representative

The Clwyd Pension Fund requires all employers to appoint a Nominated Representative who will be ultimately responsible for pension matters, and that person will act as the employer's primary contact with the Fund.

Authorised Officers

The Nominated Representative noted above will automatically be an Authorised Officer which means the Fund will accept information and instructions sent from that individual. In addition, only Authorised Officers whose names, contact details and specimen signatures are held by the Fund may sign or send documents and/or instructions from the employer to the Fund. Documents or instructions which have either not been signed, or that do not have clear oversight from an Authorised Officer, or are not sent by an Authorised Officer, will not be accepted.

Employers will periodically be required to confirm their named Authorised Officers and must ensure the Fund is advised of changes on an ongoing basis.

Information to be submitted and other responsibilities

Appendix B sets out the responsibilities of both the employer and the Fund in relation to various Fund matters such as employees joining or leaving the scheme and the payment of contributions. The Nominated Representative must ensure that these processes are understood and carried out in accordance with the requirements of this Strategy. These processes involve a range of actions such as the monthly upload of electronic files with scheme member data (i-Connect) and the completion and issue of standard forms to the Fund. It is critical that these processes are completed in an accurate and timely manner to ensure the objectives of this Strategy are met, not least ensuring that the correct benefits are paid to scheme members at the right time.

Year End Procedure

Various pieces of legislation include strict deadlines for the receipt of year-end information, the distribution of Annual Benefit Statements and the distribution of Pension Saving Statements (relevant to disclosing Annual Allowance information). To achieve these deadlines, the employer must provide the Fund with year-end information to 31st March (over and above that already included in the i-Connect

uploads) each year by 30th April (or the next working day) in an approved format required by the Fund, accompanied by a completed Employer Compliance Statement which employers will be required to sign by 30th April. The Fund will notify the employer of the required information each February, and it is recognised that there will be scenarios where further information is required from employers in addition to the March i-Connect upload (such as pensionable remunerations). Any changes to the format of year-end information must be agreed between both parties by no later than 10 working days after the Fund has issued the instructions.

Data Protection

There is no requirement under GDPR for data controllers to enter into formal contractual relationships with other data controllers with whom they share and from whom they receive personal data.

In order to comply with the Data Protection Law, including the General Data Protection Regulation (2016/679) (“GDPR”), the Employer and the Fund will separately inform the members of the respective purposes for which they will each process their personal data and provide all required information to ensure that the members understand how their personal data will be processed in each case by the Fund or the Employer (as applicable). The Employer’s privacy notice to members will inform them that their personal data will be provided to the Fund and a copy of that notice will be provided to the Fund on request.

The Employer undertakes to notify the Fund as soon as practicable if an error is discovered in the members’ personal data of which it is a data controller and which was received from or a copy of which has been provided to the Fund, to ensure that the Fund is then able to correct its own records.

If either the Fund or the Employer appoints professional advisers, third party administrators or another entity which provides other services involving the transfer of members’ personal data those third parties will be data processors or data controllers in their own right. The Fund or the Employer (as applicable) will comply with its own obligations in accordance with Data Protection Law (in particular, by ensuring that any entity to which it transfers members’ personal data also complies with Data Protection Law) and shall ensure that nothing in the terms of engagement between the Fund or the Employer (as applicable) and such third party would contradict Data Protection Law.

The Employer and the Fund confirms that it understands its respective obligations under Data Protection Law in the event of any personal data breach, unauthorised or unlawful processing of, loss or destruction of or damage to any of the members’ personal data, including (where necessary) an obligation to notify the Information Commissioner’s Office and/or the member(s).

Performance Standards – Quality

Local Standards

The legislative and regulatory requirements are set out previously and in Appendix A. On top of these, the Fund and employers ensure that all administration functions and

tasks are carried out to agreed local quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in this Administration Strategy
- information to be provided in the required format and/or on the appropriate forms as provided by the Fund
- Annual agreement with the Compliance Statement which certifies the data that the employer supplies to the Fund
- information to be legible and accurate
- communications to be in a plain language style
- information provided or actions carried out to be checked for accuracy* by an appropriately trained member of staff
- information provided or actions carried out by an employer to be authorised by an Authorised Officer and
- actions carried out, or information provided, within the timescales set out in this strategy

* accuracy is defined as when we have received information, for example, from an employer, with **all** required areas completed **and** with no contradictory information which needs to be queried.

Providing data to the Fund - Secure Data Transfers and i-Connect

The Fund follows Flintshire County Council's data security guidelines when sending any personal data. Flintshire County Council uses Egress Switch to securely send data when required, which offers a combination of policy based gateway and desktop email encryption software to secure and control information sent to third parties. Egress Switch also uses;

- an authentication process
- password protection, and
- confirmation of receipt

to prevent any sensitive information from being accidentally sent to unauthorised recipients.

All employers are expected to ensure that information containing personal data that is sent to the Fund is sent securely.

A key method of data transfer relating to the Fund's administration, is the receipt of information from employers in relation to scheme members. In order to meet the requirements set out in this document in a secure and efficient way (for both employers and the administering authority), Clwyd Pension Fund uses a secure data system known as i-Connect for its employers. i-Connect automates a number of procedures, which reduces the administration time for both the Fund and the employer. Information is uploaded monthly. It is widely recognised that regular transmission of data dramatically improves data quality which is why the Fund has invested in this tool. All employers are provided with access to i-Connect and should upload information on a monthly basis.

Any employers not submitting data via i-Connect, once it is made available to them, may risk compromising data security and quality. Consequently, use of this system is compulsory to all employers in the Fund and any employers who do not engage with this may be charged administration costs.

The Fund recognises that there will be occasions where employers will need to send information to the Fund outside of i-Connect (e.g. prior to the employer being onboarded as an i-Connect user or where supplementary information is required). In these instances, the Fund expects this information to be sent electronically with appropriate encryption and from an Authorised Officer as approved by the employer. Information sent to the Fund without encryption or not from an Authorised Officer will not be accepted.

Oversight of Compliance and Quality

Ensuring compliance is the responsibility of the Fund and the employers in the Fund. The Fund has a range of internal controls in place to assist with ensuring compliance and which are articulated in the Fund's risk register. However, there are ways in which they are subject to elements of scrutiny or oversight:

Audit

The Fund is subject to a regular annual audit of its processes and internal controls. The Fund and the employers are expected to fully comply with any reasonable requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by the Pension Fund Committee, and where appropriate duly implemented (following discussions with employers where necessary).

Local Pension Board (LPB), the national Scheme Advisory Board (SAB) or the Pensions Regulator

The LPB of the Clwyd Pension Fund assists the Fund in a number of ways including oversight of the implementation of this Strategy. The Pensions Regulator and the national Scheme Advisory Board provide guidance that the Fund must have regard to. The Fund and the employers are expected to fully comply with any such guidance produced by the SAB and the Pensions Regulator. Any recommendations made from these entities will be considered by Flintshire County Council, in its role as administering authority, and where appropriate, duly implemented following discussions with employers where necessary.

Performance Standards – Timeliness and Accuracy

Overriding legislation, including The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. Further, the LGPS itself sets out a number of requirements for the administering authority or employers to provide information to each other, to scheme members and to prospective scheme members,

dependants, other pension arrangements or other regulatory bodies. In addition to these legal requirements, local performance standards have been agreed which cover all aspects of the administration of the Clwyd Pension Fund. In many cases these go beyond the overriding legislative requirements.

The locally agreed performance standards for the Fund are set out in Appendix B. These standards are not an exhaustive list of the Fund's and employers' responsibilities.

The locally agreed performance standards will be monitored on an ongoing basis by the administering authority, the key standards which will be publicly reported on are extracted and shown in the table below.

These elements are measured against:

1. any legal timescale that should be met ("Legal requirement")
2. the overall locally agreed target time ("Overall case target")
3. the locally agreed target time for the administering authority to complete that task ("CPF Administration element target")

Generally the CPF Administration element target will be a shorter procedure within the overall case which is being measured by the Legal requirement and Overall case targets. This is because the Legal requirements and Overall case targets will generally include periods of time when the Fund is waiting for information to be provided by an employer or scheme member. The CPF Administration element target then measures the period of time it takes the Fund to carry out their element of work once the accurate* information has been received.

* accurate is defined as when we have received information, for example, from an employer, with **all** required areas completed **and** with no contradictory information which needs to be queried.

Key Performance Indicators (KPIs)

Process	Legal requirement	Overall case target	CPF Administration element target
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 ¹	46 working days from date of joining (i.e. 2 months)	30 working days from receipt of all information
To inform members who leave the scheme before retirement age 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) ²	46 working days from date of leaving	15 working days from receipt of all information
Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request ¹	46 working days from date of request	20 working days from receipt of all information
Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate) ³ or within a reasonable period (cash transfer sum) ⁴	46 working days from date of request	20 working days from receipt of all information
Notification of amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age ¹ 2 months from date of retirement if before Normal Pension Age ¹	23 working days from date of retirement	10 working days from receipt of all information
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 ¹	46 working days from date of request	15 working days from receipt of all information
Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months to beneficiary from date of becoming aware of death, or from a date of request by a third party (e.g. personal representative) ¹	25 working days from date of death	10 working days from receipt of all information
Calculate and Notify member of CETV for Divorce/Dissolution Quote	3 months from the date of request	46 working days from date of request	20 working days from receipt of all information

Process	Legal requirement	Overall case target	CPF Administration element target
Calculate and Notify members of Actual Divorce Share	4 months from the date of the pension sharing order, or the date where all sufficient information is received to implement the order ⁵	46 working days from date of request	15 working days from receipt of all information
Calculate and pay a Refund of contributions	Not applicable	13 working days from receipt of request	10 working days from receipt of all information
Calculate and Pay retirement lump sum	Not applicable	Not applicable	15 working days from receipt of all information
Calculate and Notify member of Deferred Benefits	Not applicable	76 working days from date of leaving	30 working days from receipt of all information
Initial letter acknowledging death of member	Not applicable	Not applicable	3 working days from receipt of all information

1 - The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended

2 - The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991

3 – Occupational Pension Schemes (Transfer Value) Regulations 1996

4 – Pension Schemes Act 1993

5 - Welfare Reform and Pensions Act 1999

Improving Employer Performance (where necessary)

This Strategy is focussed on good partnership working between the administering authority and the Fund's employers. The Fund is committed to enhancing the educational tools and guidance available to employers to ensure they are supported in their role of administering the LGPS. The primary supporting materials available include:

- Clwyd Pension Fund employer training guide
- LGA HR and Payroll guides for Employers found at: <https://www.lgpsregs.org/resources/guidesetc.php>
- i-Connect user guide
- training provided on request for new and existing employers
- various information and guides available for scheme members from the CPF website and the LGPS national website
- regular Fund meetings with employers being invited to submit agenda items
- attending employer induction courses
- the Fund annual meeting
- monthly updates to employers confirming performance against key performance standards.

However, it is recognised there may be circumstances where employers are unable to meet the required standards, and monthly employer reporting on key performance standards will help identify these areas so they may be addressed before they become a larger issue.

The Principal Pensions Officer (either in the Technical or the Operations Team as appropriate) will seek, at the earliest opportunity, to work closely with an employer's Nominated Representative in identifying any areas of poor performance or misunderstanding, provide opportunities for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.

It is expected that it will be extremely rare for there to be ongoing problems but, where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and/or unwillingness is shown by the employer to resolve the identified issue, we set out below the steps we will take in dealing with the situation in the first instance:

- The designated Principal Pensions Officer will issue a formal written notice to the employer's Nominated Representative setting out the area(s) of poor performance.
- The Principal Pensions Officer will meet with the employer's Nominated Representative to discuss the area(s) of poor performance, how they can be addressed, the timescales in which they will be addressed and how this improvement plan will be monitored.
- The designated Principal Pensions Officer will issue a formal written notice to the employer's Nominated Representative setting out what was agreed at that meeting in relation to how the area(s) of poor performance will be addressed and the timescales in which they will be addressed.

- A copy of this communication will be sent to:
 - The Pension Administration Manager
 - The Director of Finance or other senior officer at that employer.
- The Principal Pensions Officer will monitor whether the improvement plan is being adhered to and provide written updates at agreed periods to the employer's Nominated Representative, with copies being provided to the Pension Administration Manager and the Director of Finance (or alternative senior officer) at that employer.
- Where the improvement plan is not being delivered to the standards and/or timescales agreed, the Principal Pensions Officer will escalate the matter to the Pension Administration Manager who will determine the next steps that should be taken. This may include (but is not limited to):
 - Meetings with more senior officers at the employer and Pensions Administration Manager and/or Head of the Clwyd Pension Fund
 - Escalating to the Clwyd Pension Fund Advisory Board, Pension Fund Committee and/or Pension Board, including as part of the Fund's Procedure for Recording and Reporting Breaches of the Law
 - Reporting to The Pensions Regulator or Scheme Advisory Board, as part of the Fund's Procedure for Recording and Reporting Breaches of the Law.

Circumstances where the administering authority may levy costs associated with the Employers poor performance

The Fund will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy. The Fund will work with each employer to ensure that overall quality and timeliness is continually improved.

The 2013 LGPS Regulations provide that an administering authority may recover from an employer, any additional costs associated with the administration of the scheme, incurred as a result of the unsatisfactory level of performance of that employer.

Where an administering authority wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the employer's level of performance contributed to the additional cost.
- The amount the administering authority has determined the employer should pay.
- The basis on which this amount was calculated.
- The provisions of the Administration Strategy relevant to the decision to give notice.

The Fund's philosophy is to provide a framework which enables employers to be equipped with the tools to meet these requirements through further training, where required, and provides them with the opportunity to improve where performance is not satisfactory.

However,

- in instances where the performance of the employer results in fines being levied against the administering authority by the Pensions Regulator, Pensions Ombudsman or other regulatory body, an amount no greater than the amount of that fine will be recharged to that employer.
- where the improvement plan as outlined in the Improving Employer's Performance section of this Strategy is not being adhered to, or, where the employer is unwilling to engage with the administering authority, the administering authority will not hesitate to recharge any employer where it is deemed necessary. In these circumstances, the Pension Fund Committee will determine whether there is to be a recharge, the amount to be recharged and how this is to be calculated. The employer in question will be provided with a copy of that report and will be entitled to attend the Pension Fund Committee when this matter is being considered.

Whether or not interest will be charged on late contributions will be stated within the administering authority's separate policy on discretionary provisions.

Employer Liaison Team

Understanding the continuing pressure on resources and budgets for employers and the administering authority, Flintshire County Council has established an Employer Liaison team which can provide assistance to employers by carrying out a number of the employer responsibilities on the employers' behalf. The Employer Liaison Agreement has a number of specific objectives which are aligned with this Clwyd Pension Fund Administration Strategy and which are as follows;

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

Subject to having access to the necessary systems and information, the Employer Liaison Team can carry out a number of responsibilities on behalf of an employer including:

- notification of new starters, changes in circumstances and leavers, including by uploading i-Connect submissions

- carrying out estimates of benefits (for example, for redundancy exercises)
- responding on behalf of the employer to queries from the Clwyd Pension Fund Operations and Technical teams, for example relating to year end submissions
- assisting with specific projects, such as data cleansing exercises.

Any employer wishing to make use of this service will be expected to enter into a signed agreement which will include information relating to how the service is paid for by the employer. There may be opportunities to spread these costs, recognising the budgetary pressures that employers are currently subject to.

Measuring the Fund against the Administration Objectives

The administering authority will monitor the performance of the Fund in carrying out its responsibilities in relation to the scheme and will regularly monitor performance by benchmarking against other Funds, using benchmarking clubs and other comparators available. How well the Fund performs will be reported in the Fund's Annual Report based on the statistics available at that time.

In addition, the Fund will monitor success against the administration objectives in the following ways:

Objectives	Measurement
Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders.	Key Performance Indicators achieved in 90% of cases* (100% for legal requirements). Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.
Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money.	Cost per member is not in upper or lower quartiles when benchmarked against all LGPS Funds using national data (either SF3 or SAB)
Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund.	Annual data checks (including ongoing reconciliations) resulting in few issues that are resolved within 2 months. Key Performance Indicators achieved in 90% of cases* (100% for legal requirements). Issues included in formal improvement notices issued to employers resolved in accordance with plan. Annual satisfaction surveys with employers achieving 90% of scores in positive responses in these areas. All employers receive monthly updates of performance against key service standards

Objectives	Measurement
<p>Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.</p>	<p>Positive results in audit and other means of oversight/scrutiny.</p> <p>Key Performance Indicators achieved in 90% of cases* (100% for legal requirements).</p> <p>Minimal issues against the Fund identified by Internal Dispute Resolution Procedures and complaints.</p> <p>No breaches relating to incorrect benefit calculations as a result of errors that occurred purely within the Fund's Administration Team (e.g. not as a result of incorrect information from an employer).</p>
<p>Maintain accurate records and ensure data is protected and has authorised use only.</p>	<p>Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months.</p> <p>Data improvement plan in place with ongoing evidence of delivered agreed improvements.</p> <p>No breaches of data security protocols.</p> <p>Positive results in audit and other means of oversight/scrutiny.</p>

An overview of the Fund's performance against these objectives, in particular, the target standards for turnaround times, will be reported within the Fund's annual report and accounts. It will be reported, on an ongoing basis, to the Pension Fund Committee and Pension Board. In addition, these will be reported to The Pensions Regulator (if deemed appropriate) under the Procedure for Recording and Reporting Breaches of the Law (Breaches Procedure Policy).

If performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period of time) the administering authority will formulate an improvement plan. This will be reported to the Pension Fund Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Pensions Administration Manager and other officers will work with the Pensions Advisory Panel, Pension Fund Committee and Pension Board in monitoring these and other key risks and consider how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness

- Significant increase in the number of employing bodies causes strain on day to day delivery
- Significant external factors, such as national change, impacting on workload
- Incorrect calculation of members' benefits, resulting in inaccurate costs
- Employer's failure to provide accurate and timely information or in the correct format resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payments
- Failure to administer the scheme in line with regulations as listed under 'Regulatory Basis' in this Strategy. This may relate to delays in enhancement to software or regulation guidance
- Failure to maintain records adequately resulting in inaccurate data
- Use of external printers/distributors resulting in possible data mismatch errors
- Unable to deliver an efficient service to pension members due to system unavailability or failure
- Failure to maintain employer contact database leading to information being sent to incorrect person

Approval, Review and Consultation

This Strategy was originally approved in March 2016 and updated in March 2017 and June 2019 by the Clwyd Pension Fund Committee. It has subsequently been reviewed in March 2021 and this version is effective from 1 [Month] 2021.

It will be formally reviewed and updated at least every three years or sooner if the administration management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

In preparing and updating the Strategy, we have consulted with the relevant employers, the scheme member and employer representatives on the Clwyd Pension Board, and other persons considered appropriate.

This Strategy will be included within the Fund's Annual Report and Accounts and available on our website at: www.mss.clwydpensionfund.org.uk.

Costs

All additional costs relating to this Strategy are met directly by the Fund unless mentioned otherwise. However, this does not apply to costs incurred by employers in meeting the requirements of this Strategy.

Further Information

Any enquiries in relation to the day to day administration of the Fund or the principles or content of this Strategy should be sent to:

Karen Williams, Pensions Administration Manager
 Flintshire County Council
 County Hall
 Mold
 Flintshire

CH7 6NA
E-mail – karen.williams@flintshire.gov.uk
Telephone - 01352 702963

Any enquiries in relation to the services provided by the Employer Liaison Team should be sent to:

Kerry Robinson, Principal Pensions Officer – Employer Liaison Team
Flintshire County Council
County Hall
Mold
Flintshire
CH7 6NA
E-mail – kerry.robinson@flintshire.gov.uk
Telephone - 01352 702814

Administration Legal Requirements within the LGPS

This section of the Strategy details some of the key legal requirements that are prescribed in the LGPS Regulations for employers and the administering authority. This is not an exhaustive list of requirements and it does not detail any other requirements that are outlined in other pieces of legislation as referred to in the Regulatory Basis section of this Strategy.

Regulations 72, 73, 74 and 80 of Local Government Pension Scheme Regulations 2013 require the following:

Employer Responsibilities:

- To decide any rights or liabilities of any person under the LGPS (for example, what rate of contributions a person pays and whether or not a person is **entitled** to any benefit under the scheme) as soon as is reasonably practicable*
- To formally notify that person of the decision in relation to their rights or liabilities in writing as soon as is reasonably practicable (including a decision where a person is not entitled to a benefit and why not), including information about their internal dispute resolution procedure
- To inform the administering authority of all such decisions made
- To provide the administering authority with such information it requires so it can carry out its functions including, within three months of the end of each Scheme year**, the following information in relation to any person who has been an active member of the scheme in the previous year:
 - name and gender
 - date of birth and national insurance number
 - a unique reference number relating to each employment in which the employee has been an active member
 - in respect of each individual employment during that year:
 - the dates during which they were a member of the scheme
 - the normal pensionable pay received and employee contributions paid
 - the pensionable pay received and employee contributions paid whilst there was any temporary reduction in contributions
 - the normal employer contributions paid
 - any additional employee or employer contributions paid
 - any Additional Voluntary Contributions paid by the employee or employer
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to employer decisions (or a lack of a decision)***

**And at the latest within 1 month of the need for a decision*

***Note that, in practice, the administering authority will require this information by a specific date as outlined in Appendix B in order to meet statutory deadlines on benefit statements*

****Note that, in practice, employers in the Clwyd Pension Fund may use the same person to consider stage 1 IDRPs complaints as used by the administering authority*

Administering Authority Responsibilities:

- To decide the **amount** of benefits that should be paid, including whether the person is entitled to have any previous service counting towards this for LGPS purposes, as soon as is reasonably practicable
- To formally notify that person of the decision in relation to the amount of their benefits in writing as soon as is reasonably practicable, including a statement showing how they are calculated and information about their internal dispute resolution procedure
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to administering authority decisions (or a lack of a decision)
- To appoint a person to consider complaints under stage 2 of the internal dispute resolution procedure (which covers both employer and administering authority decisions or lack of decisions)
- To provide on request any information to an employer about a complaint under the internal dispute resolution procedure that may be required by an employer

Regulation 59(1) enables an LGPS administering authority to prepare a written statement ("the pension administration strategy") to assist in delivering a high-quality administration service to its scheme members and other interested parties. It sets out local standards which often go beyond the minimum requirements in overriding legislation as outlined above, and which the administering authority and employers should comply with.

The statement may contain matters mentioned below, as considered appropriate:

- Procedures for liaison and communication with the relevant employers in their Fund.
- The establishment of levels of performance which the administering authority and the employers are expected to achieve in carrying out their functions under the LGPS by:
 - i. the setting of performance targets;
 - ii. the making of agreements about levels of performance and associated matters; or
 - iii. such other means as the administering authority consider appropriate;
- Procedures which aim to secure that the administering authority and the employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication of information, relating to those functions, between the administering authority and the employers.

- The circumstances in which the administering authority may consider giving written notice to an employer on account of poor performance in carrying out its functions under the LGPS Regulations when measured against the agreed performance levels.
- The publication of annual reports, by the administering authority, dealing with:
 - i. the measurement of the administering authority and the employers achievements against the agreed performance levels, and
 - ii. such other matters arising from its pension administration strategy as it considers appropriate
- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

Regulation 59(2)e allows an administering authority to recover additional costs from an employer, where the costs are directly related to the poor performance of that employer. Where this situation arises, the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

In addition, regulation 59(6) also requires that, where a pension administration strategy is produced, a copy is issued to each of their relevant employers as well as to the Secretary of State. The administering authority must review this statement and make such revisions as are appropriate. It is a requirement that, in preparing or revising any pension administration strategy, that the administering authority must consult its relevant employers and such other persons as it considers appropriate.

Both the administering authority and employers must have regard to the current version of the pension administration strategy when carrying out their functions under the LGPS Regulations.

Responsibilities and Performance Standards

This section of the Strategy sets out the responsibilities and performance standards for participating employers and the administering authority ("CPF Team") in a number of key processes. Adherence to the standards will help employers and the CPF Team meet the legal disclosure requirements imposed by the relevant pieces of legislation set out in the Regulatory Basis section of the Strategy.

i-Connect monthly uploads	
Employer's responsibility	Target Service Standard
To ensure monthly information is uploaded to the CPF i-Connect system.	Employer specific - no later than the 'submission day' agreed between the Fund and Employer during the i-Connect on-boarding process Employers can find their agreed date within the 'Payroll Details' section of the i-Connect portal

New Appointments	
Employer's responsibility	Target Service Standard
To ensure that pensions information is included as part of the notification of appointment process	Within 6 weeks of the employment start date
To provide each new employee with basic scheme information ¹	Within one month of joining

New Scheme Members	
Employer's responsibility	Target Service Standard
Determine if an employee should be entered into the LGPS, and decide and ensure the correct employee contribution rate is applied	Immediately on joining, with contribution rate in line with employer's policy
Provide new starter information to the CPF Team for each new employee joining the LGPS via i-Connect:	Employer specific i-Connect deadline: <ul style="list-style-type: none"> • Where the joining date is on or before 10 working days before a pay date, the due date is the first i-Connect employer submission day immediately after that pay date. • Otherwise, the due date is the following i-Connect

¹ <https://www.lgpsmember.org/thinking-joining.php>
[https://mss.clwydpensionfund.org.uk/error/A%20Short%20Guide%20to%20LGPS%202020.2021%20\(v2\).pdf](https://mss.clwydpensionfund.org.uk/error/A%20Short%20Guide%20to%20LGPS%202020.2021%20(v2).pdf)

	employer submission day (i.e. after the next pay date).
CPF Team's Responsibility	
To accurately record and update member records on the pension administration system	Now processed automatically on upload of i-Connect submission
To send a Notification of Joining the LGPS to a scheme member including personal details and transfer forms	Within 30 working days of receipt of all information
To apply for any transfer value details from a previous fund or scheme	Within 5 working days from receiving all information

Changes in circumstances	
Employer's responsibility	Target Service Standard
Arrange for reassessment of employee contribution rate in line with employer's policy	As per employer's policy (generally at least annually)
Notify the CPF Team of any eligible employees who opt out of the scheme within three months of appointment via i-Connect and securely send a copy of the opt out form to the CPF Team	<p>Employer specific i-Connect deadline:</p> <ul style="list-style-type: none"> • Where the opt out date is on or before 10 working days before a pay date, the due date is the first i-Connect employer submission day immediately after that pay date. • Otherwise, the due date is the following i-Connect employer submission day (i.e. after the next pay date). <p>Opt out form – within 5 working days from i-Connect upload due date.</p>

<p>Notify the CPF Team of all other relevant personal or contractual changes in the circumstances of employees via i-Connect:</p> <ul style="list-style-type: none"> - Change of name, address, and/or marital status - Increase/decrease in number of hours or weeks worked - Job changes e.g. job titles and payroll references - Job transfers e.g. leaving one post and starting another (also submit contractual amendments form) - Absences (also submit notification of paid/unpaid leave form) <ul style="list-style-type: none"> o Authorised absence o Child-related leave o Strike o Sickness absence that results in a reduction in pay o Unauthorised absence o Education / career break o Reserved forces leave o Jury service 	<p>Employer specific i-Connect deadline:</p> <ul style="list-style-type: none"> • Where the date of change is on or before 10 working days before a pay date, the due date is the first i-Connect employer submission day immediately after that pay date. • Otherwise, the due date is the following i-Connect employer submission day (i.e. after the next pay date). <p>Contractual amendments form – within 5 working days from i-Connect upload due date.</p> <p>Notification of paid/unpaid leave form – within 5 working days from i-Connect upload due date.</p>
CPF Team's Responsibility	
To accurately record and update member records on the pension administration system	Now processed automatically on upload of i-Connect submission
To send a Notification of Change (or equivalent) if legally required	Within 30 working days from receiving information

Retirement Estimates (including ill-health)	
Employer's responsibility	Target Service Standard
Provide pay (and other information as requested) details to the CPF Team when a member requests an early retirement estimate	Within 5 working days from request by CPF Team
CPF Team's Responsibility	
Providing quotations on request for retirements (including deferred members)	Within 15 working days from receipt of all information
Providing provisional statement of retirement benefits for deferred members approaching age 60 and NRD	Before 1 month before age 60 or NRD, as appropriate

Actual Retirements (including ill-health) - includes all leavers aged 55 or over	
Employer's responsibility	Target Service Standard
Notify the CPF Team via i-Connect when members retire and reason for retirement	<p>Employer specific i-Connect deadline:</p> <ul style="list-style-type: none"> • Where the leave date is on or before 10 working days before a pay date, the due

	<p>date is the first i-Connect employer submission day immediately after that pay date.</p> <ul style="list-style-type: none"> • Otherwise, the due date is the following i-Connect employer submission day (i.e. after the next pay date).
Provide a completed Notification of Termination form (and authorisation where appropriate) to the CPF Team when a member leaves employment	Within 10 working days of date of retirement
CPF Team's Responsibility	
To accurately record and update member records on the pension administration system	Now processed automatically on upload of i-Connect submission
Notify expected amounts of retirement benefits (including deferred members)	Within 10 working days from receipt of all information
Notification of amount of <u>final</u> retirement benefits and payment of tax free cash sum	Within 15 working days from receipt of all information

III-Health Retirements (responsibilities in addition to retirement responsibilities in previous section)

Employer's responsibility	Target Service Standard
Appoint a qualified independent medical practitioner (from the approved list provided by the CPF Team) in order to consider all ill health retirement applications, and agree this appointment with the Fund.	Within one month of becoming an employer within the Fund
To keep a record of all Tier 3 ill-health cases and to review these cases after 18 months	
Notify the CPF Team of the results of any review of Tier 3 ill-health cases with appropriate information to allow the CPF Team to recalculate benefits if necessary	Within 5 working days of results of review
Send a Notification of Entitlement to Benefit (or change in benefit) to a scheme member following the review of his/her Tier 3 ill-health benefits	Within 5 working days of results of review
CPF Team's Responsibility	
To notify employers and members prior to scheduled discontinuation of benefit payments, and before updating the member records to "pensioner with deferred benefits".	Before 3 months prior to scheduled discontinuation date

Members leaving before retirement (defined as all leavers under age 55 including opt outs beyond 3 months)

Employer's responsibility	Target Service Standard
Notify the CPF Team of the member's date of (and reason for) cessation of membership via i-Connect, and provide a completed Notification of Termination form and, where relevant, copy of the completed Opt-Out form	<p>Employer specific i-Connect deadline:</p> <ul style="list-style-type: none"> Where the leave date is on or before 10 working days before a pay date, the due date is the first i-Connect employer submission day immediately after that pay date. Otherwise, the due date is the following i-Connect employer submission day (i.e. after the next pay date). <p>Notification of termination form and copy of completed Opt-Out form to be sent within 5 working days of the i-Connect due date.</p>
CPF Team's Responsibility	
To accurately record and update member records on the pension administration system	Now processed automatically on upload of i-Connect submission
To inform members who leave the scheme before retirement age of their leaver rights and options	Within 15 working days from receipt of all information
To inform members who leave the scheme of their deferred benefit entitlement amounts	Within 30 working days from receipt of all information
Provide a refund of contributions where requested	Within 10 working days from receipt of all information
Provide a statement of current value of deferred benefits on request	Within 15 working days from date of request

Death Benefits

Employer's responsibility	Target Service Standard
Notify the CPF Team of the death of a member and provide details of next of kin where available	Within 2 working days of becoming aware
Notify the CPF Team of the death of an active member and provide details of next of kin where available by providing a completed Notification of Termination form	<p>Employer specific i-Connect deadline:</p> <ul style="list-style-type: none"> Where the date of death is on or before 10 working days before a pay date, the due date is the first i-Connect employer

	<p>submission day immediately after that pay date.</p> <ul style="list-style-type: none"> • Otherwise, the due date is the following i-Connect employer submission day (i.e. after the next pay date). <p>Notification of Termination form to be sent within 2 working days of the i-Connect due date</p>
CPF Team's Responsibility	
Write to next of kin or other contact requesting information following the death of a scheme member	Within 35 working days from notification
Calculate and notify dependant(s) of amount of death benefits	Within 10 working days from receipt of all information
Decide who should be recipient(s) of death grant and pay death benefits appropriately as directed	Within 7 working days from receipt of all information

Transfers	
CPF Team's Responsibility	
Transfers in	
Obtain transfer details for transfer in, and calculate and provide quotation to member	Within 20 working days from receipt of all information
Request transfer value upon acceptance of transfer in	Within 5 working days from request
Notify scheme member of benefits purchased by transfer in on receipt of payment (statutory notification)	Within 15 working days from date of notification of payment or payment receipt, whichever is later
Transfers out	
Provide details of transfer value for transfer out, on request	Within 20 working days from receipt of all information
Provide payment of transfer value to appropriate recipient	Within 15 working days from receipt of request

Additional Benefits (APCs and AVCs)	
Employer's responsibility	Target Service Standard
Commence, cease or amend (as appropriate) deduction of APCs and AVCs	In month following election
Notify the CPF Team of APCs being paid by providing copy of "Buying Lost Pension – APCs" ²	Provide Buying Lost Pension Form within 5 working days from i-Connect upload including APCs
CPF Team's Responsibility	

²Form generated once member has obtained a quote from:
<https://www.lgpsmember.org/more/apc/index.php>

To provide information on APCs / AVCs on request to members and employers	Within 10 working days receipt of all information
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Various Financial Obligations	
Employer's responsibility	Target Service Standard
Pay all employee contributions deducted from payroll and all employer contributions to the Fund. ³	Immediately when deducted from pay but at the latest by the 19 th day of the following month.
Pay all Additional Voluntary Contributions (AVCs) deducted from payroll to the AVC provider	Within 1 week of contributions being deducted but at the latest by the 19 th day of the following month.
For all contribution payments (including AVCs) an LGPS1 remittance advice form must be completed, certified correct by an Authorised Officer and forwarded to the CPF Team.	Within 3 working days of the 19 th of the following month to which the contributions relate.
Pay all rechargeable items to the CPF Team, including additional payments in relation to early payment of benefits.	Within 20 working days from receiving invoice (within standard invoicing terms of 28 calendar days)
Pay all additional costs to the CPF Team associated with the unsatisfactory performance of the employer	Within 20 working days from receiving invoice (within standard invoicing terms of 28 calendar days)
CPF Team's Responsibility	
To allocate the received contributions to each employer's cost centre	Prior to closing month end
Issue invoice in relation to payments in respect of early payment of benefits	Within 10 working days of employer costs being confirmed
Inform the employers of any new contribution banding	At least 1 month prior to the new contribution bands being introduced
Provide updated LGPS1 remittance advice forms for payment of contributions	Within 10 working days of the new contribution bands being introduced

³ **Contributions**

The Employer will ensure that both employee and employer contributions are deducted at the correct rate, including:

- any contributions that are due on leave of absence with reduced or no pay and
- any additional contributions that the CPF Team request the Employer to collect

Annual Return, Valuation, Annual Benefit Statements and Pension Savings Statements	
Employer's responsibility	Target Service Standard
Provide the CPF Team with any outstanding year end information to 31 March each year, and any other information that may be required for the production of Annual Benefit Statements	By 30 April annually
Complete the Employer Compliance Statement	By 30 April annually
CPF Team's Responsibility	
Produce annual benefit statements for all active, deferred, pension credit and 3 rd tier ill-health members.	In line with LGPS regulations timescales – currently 31 st August each year
Produce pension saving statements for all members whose pension input amount exceeds the annual allowance	In line with statutory timescales – currently 6 th October each year
Provide information to the Actuary (or GAD as appropriate) for both the triennial valuation and for accounting purposes.	As agreed between the CPF Team and the Actuary.
Provide an electronic copy of the valuation report and associated certificate to each employer, and to answer any questions arising.	Within 10 working days from publication of report

General	
Employer's responsibility	Target Service Standard
Confirm a nominated representative to receive information from the CPF Team, and to take responsibility for disseminating it within the organisation.	By effective date of admission or within 5 working days of previous representative leaving
Formulate and publish policies regarding all discretions that the employer may exercise and provide a copy to the CPF Team.	Within 2 months of joining the Fund and also provided to the CPF Team every 3 years or whenever amended
Respond to enquiries from the CPF Team where not covered by other requirements in this schedule	Within 10 working days from request
Notify the CPF Team if the employer intends to outsource services that will involve TUPE transfers of staff, and work with the CPF Team to ensure an admission agreement is put in place and complied with or a bulk transfer arranged.	Initial notification immediately upon becoming aware of potential outsourcing, and at least 3 months prior to the start of the contract
Distribute any information provided by the CPF Team to members / potential members	Within 5 working days from receipt of information

Put in place a Stage 1 Internal Dispute Resolution Procedure	Within 1 month of joining and before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Ensure the employer prepares, publishes and keeps under review a written statement of policy on discretionary items (mandatory discretionary items as a minimum) ⁴	Within 1 month of joining the Fund or within an item becoming a mandatory discretion. Review policies at least annually
CPF Team's Responsibility	
Arrange for the setting up of an admission agreement where required	Within 2 months of all information being provided
Publish the Fund's annual report and accounts and any report from the auditor	In line with CIPFA and legal requirements
Provision of other responses to general enquiries from scheme members and employers (not covered by other requirements in this schedule)	Within 10 working days to provide initial response
Put in place a Stage 1 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Put in place a Stage 2 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Ensure the CPF Team prepares, publishes and keeps under review a written statement of policy on discretionary items-(mandatory discretionary items as a minimum)	Within 1 month of an item becoming a mandatory discretion. Review policies at least annually
Providing surgeries and/or presentations for members upon request from employers or member representatives	As soon as practically possible depending on the CPF Team's resources

Pension Payments	
CPF Team's Responsibility	Target Service Standard
Issue pension payments to designated bank accounts	To arrive on pay date
Issue payslips for those pensions where net pay has changed by £5 or more	Issued so as to arrive on or prior to pay date
Issue P60s	Issued by legal deadline
Respond to pensioner queries	Within 10 working days from receipt of query
Implement a change to pension in payment	By next payroll period where change occurs more than 5 days prior to the pay-date
Notify calculation and new value of pension following annual pensions increase	Issued so as to arrive on or prior to pay

⁴ A list of the required discretions can be found at:
<https://mss.clwydpensionfund.org.uk/home/employers/discretions/index.html>



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 23 rd March 2021
Report Subject	Business Continuity Policy
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

Business Continuity

A robust approach to business continuity management is an important component of the Clwyd Pension Fund's risk management framework. The success of the existing business continuity arrangements was evidenced by the smooth move to remote working at the beginning of the COVID-19 pandemic. However, given the pandemic and the likely changes to working methods going forward, a review of the Fund's business continuity approach is taking place.

As part of that review a Business Continuity Policy has been developed which establishes the purpose, context, scope and governance of the Fund's approach to business continuity. The Committee are being asked to approve this Policy.

Further work is underway as part of this review of business continuity including:

- Carrying out a Business Impact Analysis
- Developing a Business Continuity Plan
- Identifying gaps and ongoing training needs
- Developing a Testing Schedule.

Cyber Security

The Fund has been carrying out some work in considering its resilience to cyber-attacks. This includes mapping of assets and data as well as asking two of its suppliers to provide further information on how they manage their cyber risk. This report provides a brief update on the work being carried out.

RECOMMENDATIONS

1	The Committee review and approve the Business Continuity Policy for the Fund.
2	The Committee consider and provide comment on ongoing work in relation to business continuity and cyber security for the Fund.

REPORT DETAILS

1.00	BUSINESS CONTINUITY AND CYBER-SECURITY DEVELOPMENTS
1.01	<p>Business Continuity</p> <p>Flintshire County Council, as Administering Authority for the Fund recognise that effective business continuity management is an essential element of good governance and risk management in the Local Government Pension Scheme (LGPS). It aims to ensure the Fund can continue to meet its legal and regulatory requirements and reduce operational (continuity-related) disruption risk to acceptable levels if the Fund were to experience a business continuity incident.</p>
1.02	<p>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. The success of the existing arrangements was evidenced by the smooth move to remote working at the beginning of the COVID-19 pandemic. Given the pandemic and the likely changes to working methods going forward, a review of the Fund's business continuity plans and processes is taking place.</p>
1.03	<p>The review of business continuity includes a number of key activities as set out in the roadmap in appendix 2. These include:</p> <ul style="list-style-type: none"> • Business Continuity Management Policy (see appendix 1) • Strategic Business Impact Analysis (SBIA) – identifying the Fund's critical business processes (i.e. the fund services), the dependencies in place (in the areas of environment, supply, equipment and people) and associated recovery timeframes. It supports the development of appropriate business continuity solutions. • Recovery Time Objectives – identifying the period of time following an incident within which a service must be resumed, or resources must be recovered. • Risk Identification – this focusses on operational resources (dependencies) used principally, but not exclusively, to carry out business activities identified in the SBIA and any event incident or situation that could disable them. This will include identifying gaps where processes need documented or further training is required. • Recovery Strategies – determining the business continuity solutions that should be implemented and how they should be implemented in the event of an incident. • Business Continuity Plan – setting out details of what happens if there is an incident. This includes defining roles and responsibilities, the process to activate the Fund's response, how to manage the immediate consequences of an incident, prevent further loss, what the communications approach is, who are the key interested parties and emergency contacts, and how the Fund will continue or recover key activities within a predetermined timeframe. • Validation and Testing – Developing testing exercises to help identify issues and validate assumptions.

	<p>A key requirement alongside all of this will be ensuring ongoing training is provided so all relevant parties understand the Fund's approach to business continuity. This work is included in the Fund's 2021/22 to 2023/24 Business Plan. Further updates on the progress in these areas will be brought to future Pension Fund Committee meetings.</p>
1.04	<p>The Business Continuity Policy (see appendix 1) is an integral part of this work that establishes the purpose, context, scope and governance of the Fund's business continuity management approach. The aim of the Policy is to:</p> <ul style="list-style-type: none"> • provide strategic direction for the Fund's approach to business continuity management • define how the business continuity work of the Fund is structured, • set out the Fund's strategic objectives in this area • set out the role of the Pension Fund Committee and Pension Board to oversee this area, and • set out who the officer responsible for this area is and the officer(s) responsible for keeping the information up to date. <p>The Committee are asked to consider and approve the draft Policy.</p>
1.05	<p>Cyber Security</p> <p>Another area that is very much aligned to business continuity is cyber risk. Cyber risk is considered a key risk to the Fund, as it is to most organisations nowadays. From a pension scheme perspective, cyber risk can be broadly defined as the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes. It includes risks to information (data security) as well as assets, and both internal risks (e.g. from staff) and external risks (e.g. hacking).</p>
	<p>The Pensions Regulator (TPR) has issued guidance in this area for pension schemes. It highlights that pension schemes:</p> <ul style="list-style-type: none"> • hold large amounts of personal data and assets which can make them a target for fraudsters and criminals and scheme managers need to take steps to protect scheme members and assets accordingly, which includes protecting them against the 'cyber risk'. • should take steps to build cyber resilience – the ability to assess and minimise the risk of a cyber incident occurring, but also to recover when an incident takes place. • should work with all relevant parties (including in-house functions, third party service providers and employers) to define the approach to managing this risk.
	<p>Officers commenced work in this area last year and this continues to be included in the Fund's 2021/22 to 2023/24 Business Plan. Progress made to date includes engagement with two of the Fund's key suppliers to gather information relating to their cyber security controls so that the level of risk to the Fund can be assessed. Information is now being assessed and further clarifications obtained, and an overview of this will be provided as an exempt item to a future meeting.</p>

	<p>Fund officers have also been carrying out a mapping exercise to document and categorise the various interactions relating to data and assets. This in turn will help identify the key areas of risk that need investigation to ensure appropriate cyber resilience exists.</p> <p>Further updates will be provided to both the Committee and the Board on an ongoing basis, and training will also be provided in this area in due course.</p>
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2.00	RESOURCE IMPLICATIONS
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2.01	Expert advice may be required in assessing the technical aspects of cyber risk on an ongoing basis but it is expected that this can be covered by the existing Fund budget.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	None directly as a result of this report.
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4.00	RISK MANAGEMENT
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4.01	Business continuity management is a core aspect of the Fund's risk management approach. The Business Continuity Policy and overall approach must align with the Fund's existing risk management processes.
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4.02	Cyber risk is included as one of the key areas of risk within the Fund's risk register (risk 5 relating to the Fund's objectives/legal responsibilities are not met or are compromised due to external factors). The work outlined in this report is key in bringing this risk closer to target.
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5.00	APPENDICES
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5.01	Appendix 1 – Draft Business Continuity Policy Appendix 2 – Business Continuity Roadmap
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	<p>No relevant background documents.</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>
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FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

Business Continuity Policy

March 2021

BUSINESS CONTINUITY POLICY

Introduction

This is the Business Continuity Policy ("the Policy") of the Clwyd Pension Fund ("the Fund"), which is managed and administered by Flintshire County Council. The Policy details the Fund's business continuity arrangements.

This Policy establishes the purpose, context, scope and governance of the Fund's approach to business continuity. The aim of the Policy is to reduce the effects of any incident or event that could disrupt activities of the Fund and ensure either the continuation of or smooth return to business as usual.

Flintshire County Council, as Administering Authority for the Fund recognise that effective business continuity management is an essential element of good governance and risk management in the Local Government Pension Scheme ("the LGPS"). It aims to ensure the Fund can continue to meet its legal and regulatory requirements and reduce operational (continuity-related) disruption risk to acceptable levels if the Fund were to experience a business continuity incident.

This Policy sets out the various aspects of business continuity management including how the Fund:

- integrates business continuity management (i.e. through this Policy and the overall governance and framework in place to embed the approach)
- assesses key business processes, what are the Fund's priorities and what are the recovery times and risks in place
- aligns business continuity management with existing risk management processes
- identifies appropriate recovery strategies in the event of an incident
- documents a plan to support recovery of critical business processes and
- undertakes appropriate and regular testing to identify issues and validate assumptions made.

Aims and Objectives

We recognise the significance of our role as Administering Authority to the Fund on behalf of its stakeholders which include:

- around 48,800 current and former members of the Fund, and their dependants
- around 48 employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas.

Our Fund's Mission Statement is:

- We will be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all our customers.
- We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.

- We will work effectively with partners, being solution focused with a 'can do' approach.

This Policy is integral to ensuring that the Fund's mission statement and the Fund's key strategic objectives continue to be achieved. In relation to business continuity, our objectives are to:

- Maintain and adapt recovery strategies and testing to be able to deliver business continuity solutions to agreed levels within agreed timescales as set out in the Business Continuity Plan
- Ensure the Fund's business continuity approach encompasses key processes and addresses any continuity issues that may arise allowing the Fund to maintain key services and minimise any negative impact
- Ensure normal operations can be restored as efficiently and effectively as possible following an incident
- Ensure all Pension Fund staff, the Pension Fund Committee, Pension Board, Pension Fund Advisory Panel and other relevant stakeholders (such as advisers and suppliers) understand the Fund's business continuity management approach and their responsibilities in relation to it
- Integrate business continuity management into business as usual activities and the culture of the Fund and regularly review its effectiveness.

Business Continuity Management Approach

In addition to the governance of business continuity as set out in this Business Continuity Policy, the Fund's Business Continuity Management approach is made up of a further four key elements as follows:

Strategic Business Impact Assessment

The Fund's Strategic Business Impact Analysis (SBIA) and risk assessment identify how continuity-related risks are controlled. The SBIA identifies the Fund's critical business processes (i.e. services), dependencies and associated recovery timeframes, leading to the development of appropriate business continuity management solutions.

The SBIA will be reviewed every three years, or on the change of any key dependency (including suppliers) of the Fund or key delivery timescales in line with recovery time objectives, to ensure all relevant continuity-based risks are captured.

Recovery strategies

Recovery strategies are used to identify and select appropriate solutions to determine how continuity can be achieved in the event of an incident. Details of the Fund's agreed recovery strategies will be included in the Business Continuity Plan.

Business Continuity Plan

The aim of the Business Continuity Plan is to identify and document the recovery priorities, procedures, responsibilities, and resources that will implement and support the Fund's management of an incident.

The business continuity plan is a separate document which will be formally reviewed and updated at least annually or whenever there is a significant change in Fund resources or practices.

Testing

Testing is an important aspect of business continuity planning. The Fund will undertake realistic testing exercises in order to ensure the Fund's business continuity objectives can be met, and that the plans and procedures in place for business continuity are appropriate and effective. Testing should help identify issues and validate assumptions made as part of the Fund's business continuity plan. It will also assist in ensuring there is continual improvement in the overall level of resilience. The outcomes from testing should feed into the other elements of the business continuity management system, such as the business continuity plan.

The Fund is committed to the continual, systematic review and improvement of its Business Continuity Management approach.

Responsibility for Business Continuity Management

The Head of Clwyd Pension Fund is the designated individual for ensuring the business continuity management approach outlined in this Policy is carried out subject to the oversight of the Pension Fund Committee and Pension Board. The Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager are responsible for updating this Policy and relevant business continuity documentation.

However, it is the responsibility of all Fund's staff to comply with this Policy and the business continuity management approach of the Fund. Fund advisers and third-party providers will be made aware of this Policy and are expected to be integral in the delivery of the Fund's business continuity management systems.

Monitoring of this Policy

To assist in identifying whether we are meeting the objectives of this policy, regular updates on business continuity matters will be provided to the Pensions Fund Committee. In addition, the Pension Board will consider reports (as required) on testing results and high level findings from exercises undertaken.

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee members and Pension Board members, with the assistance of the Clwyd Pension Fund Advisory Panel, will monitor these and other key risks and consider how to respond to them.

- Changes in any or all of the Pension Fund Committee, Pension Fund Advisory Panel, Pension Board membership, or senior officers mean areas of business continuity management are not identified due to lack of knowledge
- Insufficient resources being available to satisfactorily assess or take appropriate action in relation to business continuity management

- Lack of engagement or awareness of external factors means key risks relating to business continuity are not identified or addressed in a timely manner.

Costs

All costs related to the operation and implementation this Business Continuity Policy are met directly by Clwyd Pension Fund, except where otherwise covered by an agreement with the host authority or one or more external stakeholders.

Approval, Review and Consultation

This Business Continuity Policy was initially approved at the Clwyd Pension Fund Committee meeting on 23 March 2021. It will be formally reviewed and updated at least every three years or sooner if the business continuity management arrangements or other matters included within it merit reconsideration.

Further Information

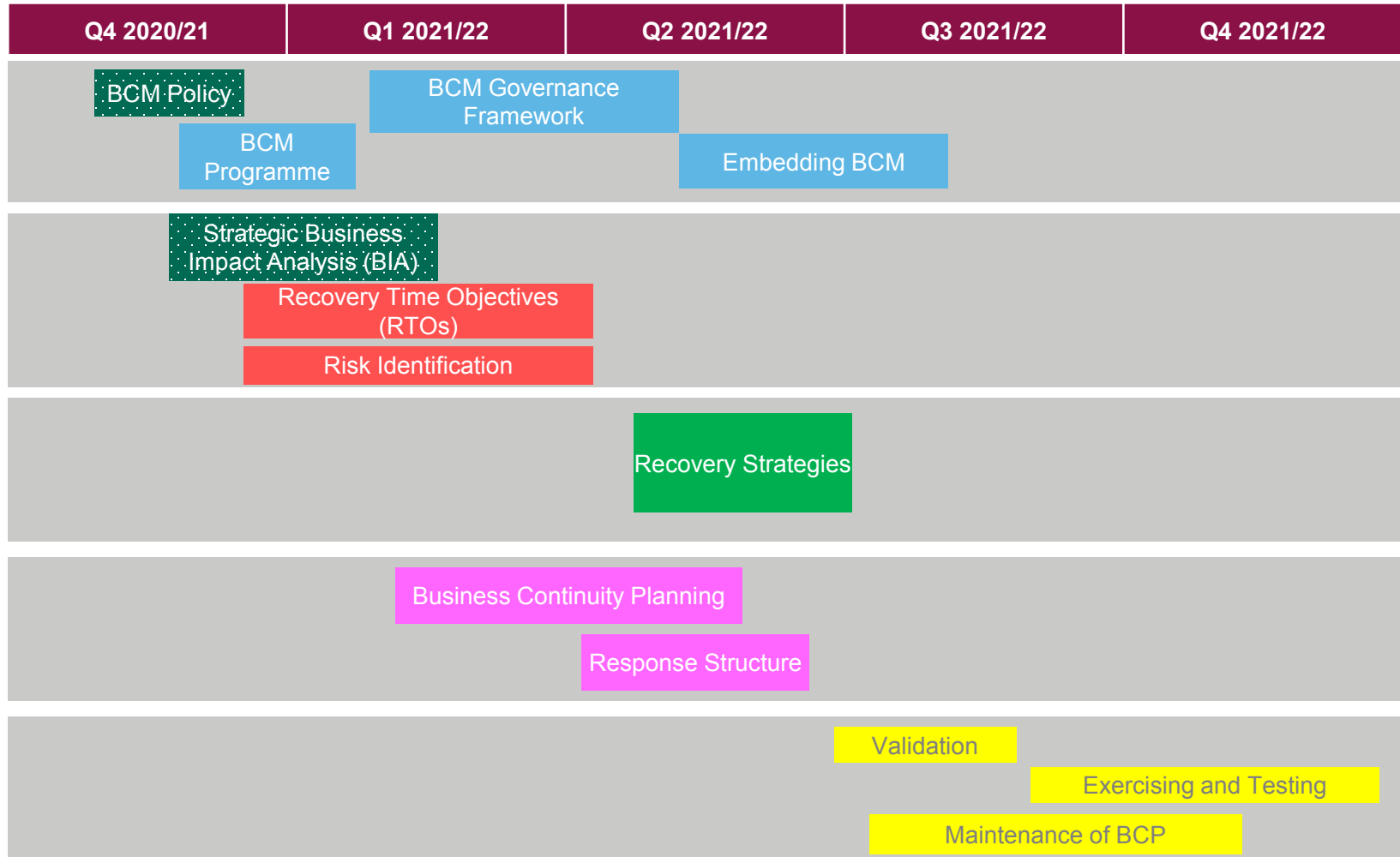
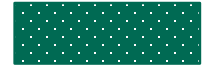
If you require further information about anything in or related to this Business Continuity Policy, please contact:

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

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Business Continuity Planning Roadmap

Work already in progress



Integration

Assessment

Business Recovery

Planning

Testing

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 23 rd March 2021
Report Subject	WPP Business Plan 2021/22 to 2023/24
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The next meeting of the Wales Pension Partnership (WPP) Joint Governance Committee (JGC) will be held on 24th March 2021 where there will be an agenda item to consider the WPP three-year Business Plan.

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

The draft WPP Business Plan to be presented to the JGC is attached and any changes requested by the JGC will be considered as part of the Fund's urgency delegation procedure.

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

RECOMMENDATIONS

- | | |
|---|--|
| 1 | That the Committee approve the attached draft WPP Business Plan, including the objectives of the pool on page 7 and the budget on page 14, relating to the period 2021/22 to 2023/24 before agreement by the JGC on 24 th March 2021. |
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REPORT DETAILS

1.00	Review of the WPP Business Plan
1.01	<p>The draft WPP Business Plan for the three years commencing 2021/22 is attached as Appendix 1. This is the WPP’s second business plan and the draft will be discussed at the WPP JGC on 24th March 2021. Any changes agreed by the JGC to this draft will then need to be approved by the Clwyd Pension Fund Committee, but this can be done using the existing urgency delegation procedure. Any material updates will be shared with the Committee.</p>
1.02	<p>The format of the Business Plan has evolved since 2020/21 and follows a similar format to the other WPP documents and policies. The Business Plan includes WPP:</p> <ul style="list-style-type: none"> • objectives, beliefs and an overview of the policies • risk management • work plan • training plan • financial budget • investments and performance.
1.03	<p>Approval of the WPP Business Plan, including the strategic objectives and budget within it, is a reserved matter and requires approval by all eight of the Constituent Authorities. The draft Business Plan was developed in consultation with officers from the eight Constituent Authorities and the WPP Oversight Advisor.</p>
1.04	<p>Excellent progress continues to be made by the WPP in terms of pooling investments, with £14.7bn pooled with WPP and BlackRock, and the Business Plan outlines how further assets will be transitioned to WPP.</p> <p>The plan includes a separate investment and reporting section which identifies all the areas to be covered in relation to Responsible Investing. This is an area highlighted to be of utmost importance to the WPP and is a positive step in helping the Clwyd Pension Fund achieve its own objectives in our Responsible Investment Policy.</p> <p>The plan also builds on the excellent progress made last year on governance aspects, including the development of various WPP policies. For example, it includes an ongoing training plan.</p>
1.05	<p>The budget on page 14 of the Business Plan has increased from 2020/21. This is due to the appointment of the WPP Voting and Engagement provider and the increased work anticipated by the Legal Advisors to the WPP. The total fees will be shared equally between the eight Pension Funds. Fees due to the operator will increase as more assets are transferred into WPP in line with the operator agreement and will be allocated between the Pension Funds dependant on the individual assets under management. Furthermore, should it transpire that additional expenditure exceeding 30% of the agreed 2021/22 WPP budget is required, then this is also a reserved matter that will be brought back to the Constituent Authorities.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>The costs of resources required for delivering the WPP Business Plan is included in the budget section of the WPP Business Plan.</p> <p>A proportion of the costs from the WPP budget are included in the Clwyd Pension Fund budget (within the Business Plan which is a separate agenda item at this Committee).</p> <p>There is considerable time allocated by the Head & Deputy of the Clwyd Pension Fund in delivering and monitoring the WPP Business Plan which is not recognised in the budget, however it does result in greater reliance on external advisors on local matters than would otherwise be the case.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>Some elements of the Business Plan, such as the training plan, have been informed by questionnaires completed by all Constituent Authorities. The WPP Inter Authority Agreement requires all eight Constituent Authorities to approve the WPP Business Plan.</p>

4.00	RISK MANAGEMENT
4.01	<p>The key risks are considered as part of the business planning process and articulated within the draft WPP Business Plan.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – WPP Business Plan 2021/22 to 2023/24</p>

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

7.00	GLOSSARY OF TERMS
7.01	<p>(a) The Fund – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region</p>

and employees of other employers with links to local government in the region

- (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
- (c) **The Committee – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund
- (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



Wales Pension Partnership Business Plan 2021 -2024

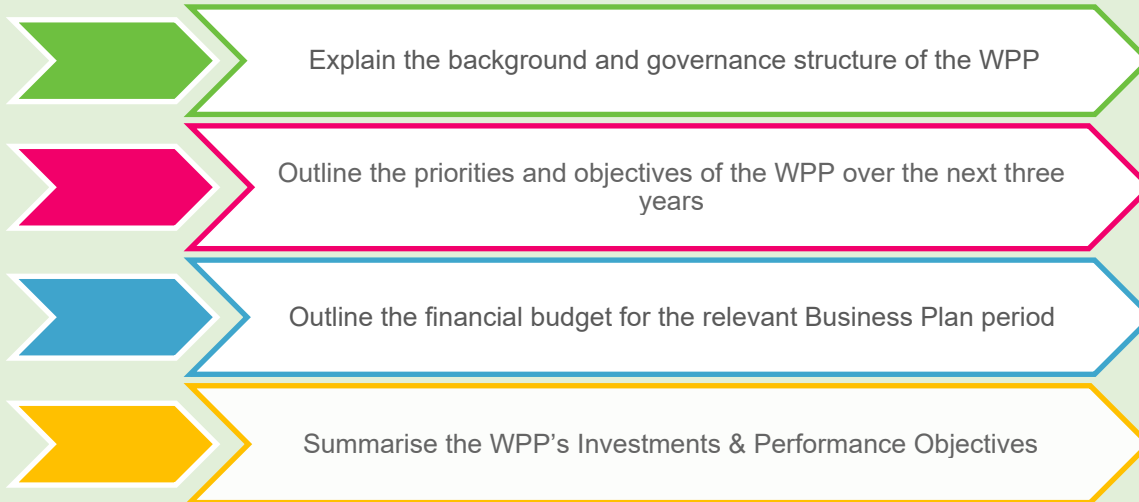


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Introduction

This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2021/22, 2022/23 and 2023/24. The business plan is constantly monitored and will be formally reviewed and agreed every year. The purpose of the business plan is to:



About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions with the aim of achieving strong net of fee performance for all the Constituent Authorities. We have a shared vision and agreement on the means and pace at which this vision will be achieved. The eight LGPS Funds (Constituent Authorities) of the Wales Pension Partnership are:



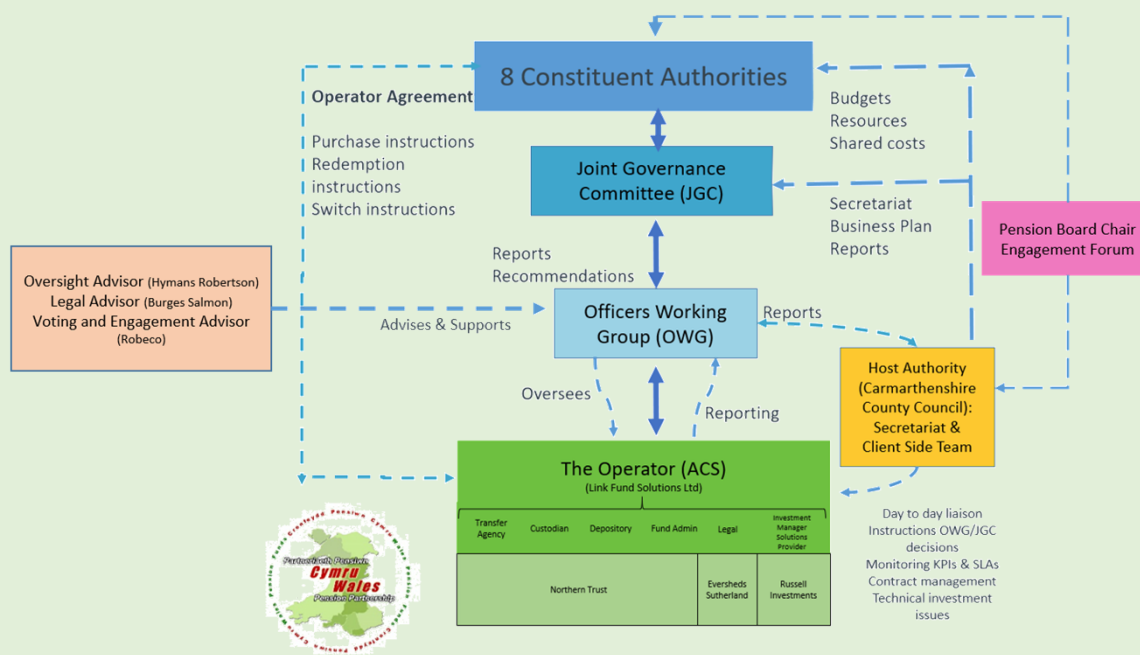
Governance

The WPP is responsible for ensuring that its business is conducted in accordance with regulation and guidance. We must also ensure that: public money is safeguarded and properly accounted for, used economically, efficiently and effectively to ensure value for money. We also strive for continuous improvement and to conform with industry best practice.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure, which has been designed to:



The diagram below shows WPP's governance structure:



The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving this Business Plan, which outlines the WPP's budget and workplan, as well as its beliefs and objectives. The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised respectively of elected councillor and officer representatives from the Constituent Authorities.

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP ensures the meetings of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers are also made publicly available. Local Pension Board engagement days are also held regularly as a means of fostering stakeholder engagement. The WPP recognises the importance of all of its stakeholders to reflect this the WPP has put in place an Engagement Protocol Framework, this is carried out via the following engagement mechanisms:

Engagement mechanisms	Frequency
Strategic Relationship Review meeting	Bi-Annual
JGC Engagement	Quarterly
Manager Performance Meetings/ Calls	Quarterly
Training Events	Quarterly
OWG Engagement	Every 2/3 Months
Bi-Weekly Meetings	Every 2 Weeks
Annual Shareholder Day	Annual
Pension Fund Committees	Annual
Manager Engagement Days	Annual
Member Communications	Annual
Pension Board Engagement	Every 6 Months
Engagement via the website & LinkedIn	Continuous
Constituent Authority Annual Requirements & Ambitions Questionnaire	Annual

Risk Management

The Wales Pension Partnership ('WPP') recognises that it faces numerous risks which, if left unmanaged, can limit the WPP's ability to meet its objectives and to act in the best interest of its stakeholders and beneficiaries. However, the WPP also understands that some risks cannot be fully mitigated and that in these instances' risks need to be embraced through active and effective management.

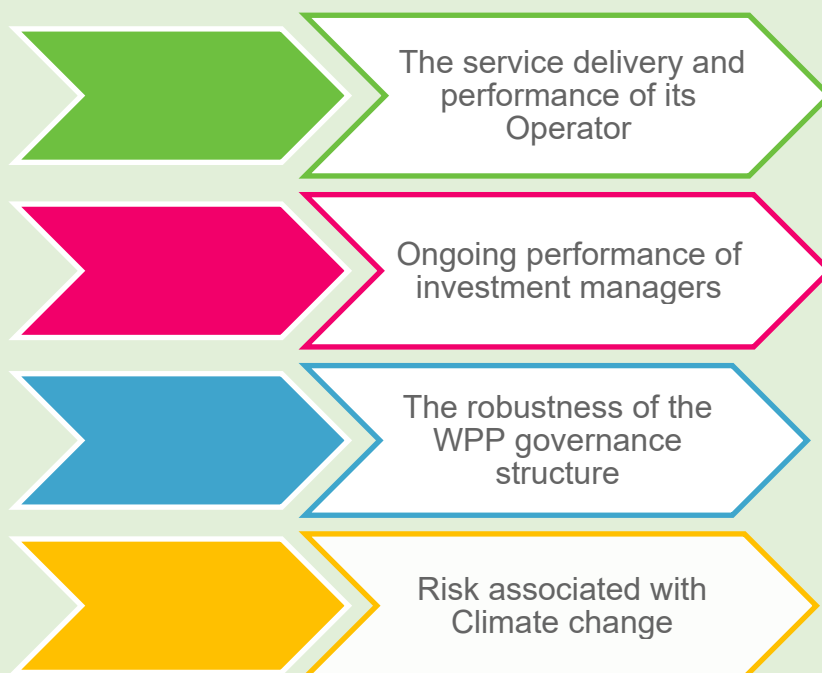
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without warning. To reflect this belief, the WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to risk. The extent to which the WPP is able to effectively balance risk and return will depend on the success of its Risk Policy. It is critical that prior to making decisions the WPP understands the associated risks and considers the means by which these risks could be managed.

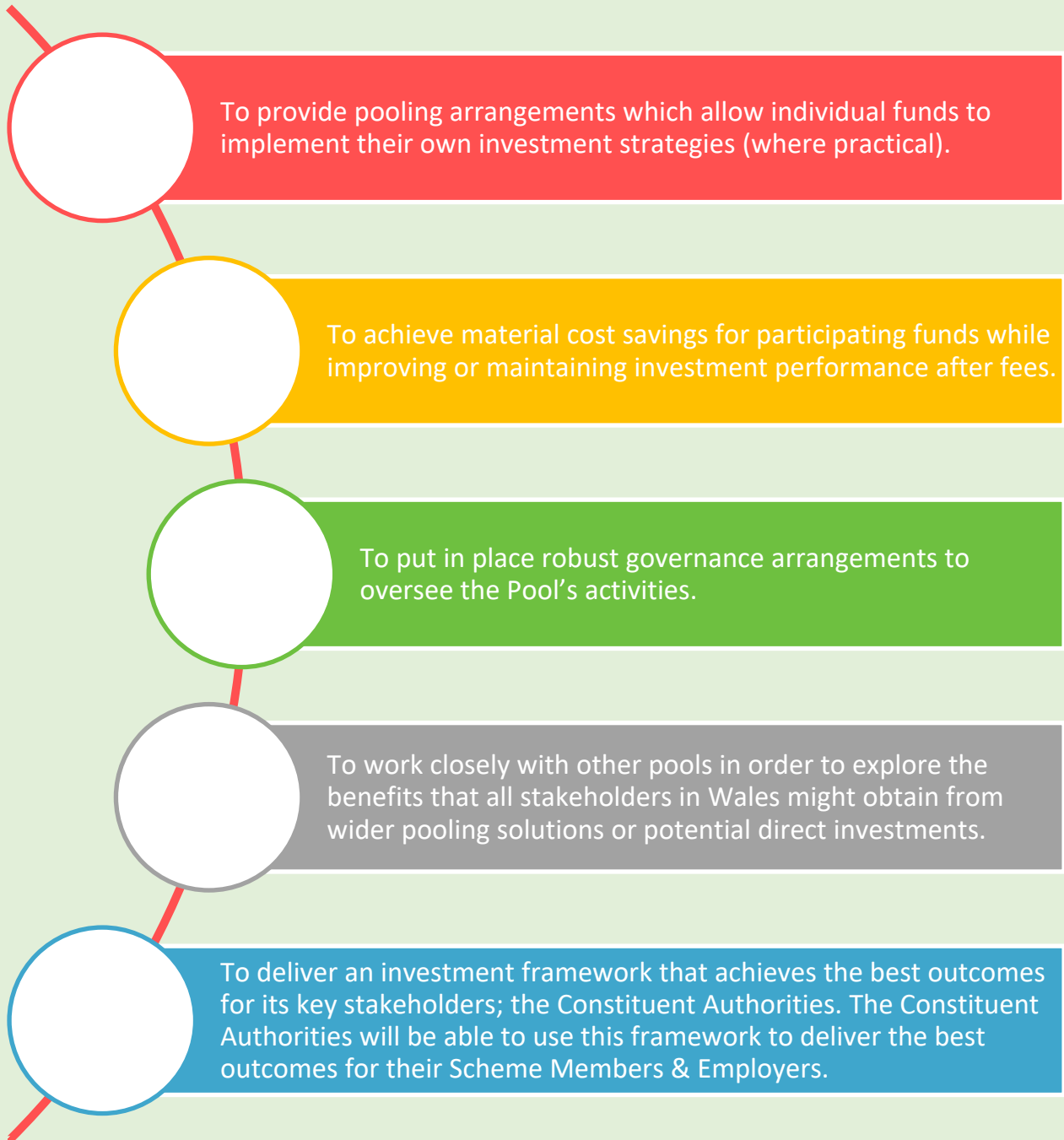
The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives. The WPP's Business Plan is an additional means through which the WPP will give special recognition to risks that pose a material threat to the delivery of its objectives and the actions required to manage these risks.

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



Objectives

The WPP is proud to represent the eight Constituent Authorities and recognises its duty to ensure the needs and requirements of all stakeholders are met. The WPP, through consultation with all eight Constituent Authorities, has formulated a list of primary objectives these can be summarised as follows:



The eight Constituent Authorities recognise that their strength derives from their shared beliefs and their ability to work together to deliver on their unified objectives for the benefit of all WPP stakeholders.

Beliefs

The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

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.

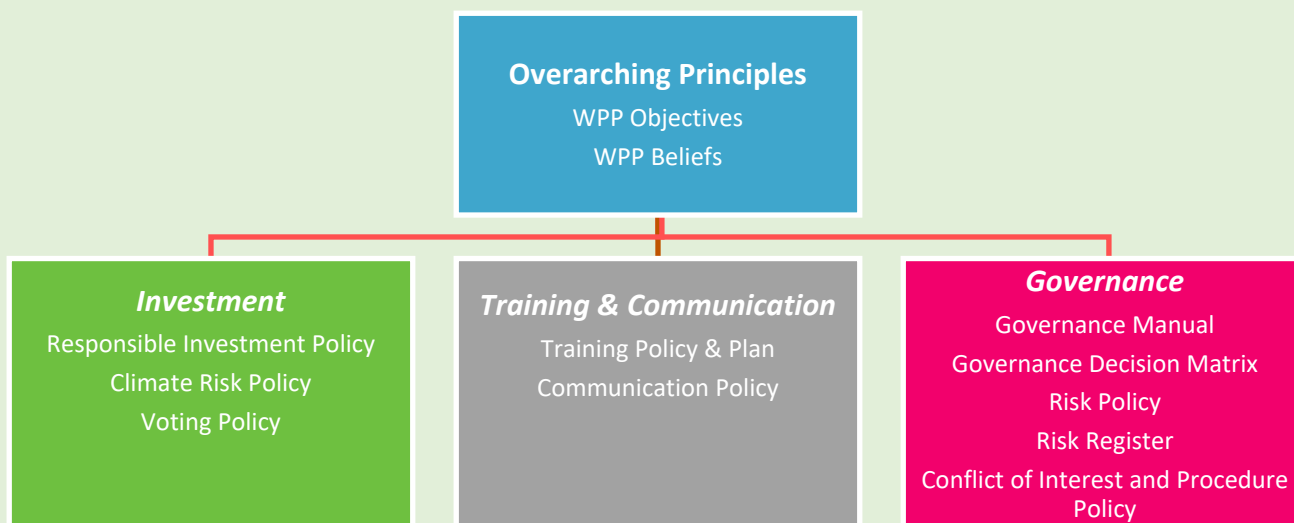
The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

Policies

The WPP believes that good governance should lead to superior outcomes for the WPP’s stakeholders. In recognition of this belief, the WPP, in consultation with the Constituent Authorities, has developed a robust governance structure and framework and a set of governing policies. In all instances the WPP’s policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP, and the Constituent Authorities, to:



The WPP’s key policies, registers and plans are listed below and can be found on the WPP website.



The WPP’s policies are reviewed on at least an annual basis and the WPP will continually assess whether any additional policies, registers or plans are required. The WPP workplan includes a number of additional governance documents that will be developed, these will be made available on the WPP website once completed. The policies play a vital role in the WPP’s governance arrangements and have been formulated with the sole purpose of providing a codified framework which will ensure that the WPP achieves its objectives in an effective and transparent means.

Work Plan

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

Governance

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

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
Appoint a Scheme Member Representative to the Joint Governance Committee	✓		
Development of a WPP Rebalancing & Alteration Policy	✓		
Formulate a Responsibilities Matrix for WPP Sub-Funds	✓		
Development of a WPP Complaints Policy		✓	
Development of a WPP Breach and Errors Policy		✓	
Develop 'Pre-sign-off Checklist Reports' for WPP Sub Funds	✓	✓	
Development of a WPP Business Continuity Plan	✓	✓	
Review of Inter Authority Agreement	✓	✓	✓
Annual review of WPP's policies and plans	✓	✓	✓
Quarterly reviews of the Risk Register	✓	✓	✓

Ongoing Establishment

The WPP is proud of its progress to date in regard to the pooling of assets and will continue to allocate resources to ensure that all suitable assets are pooled. To date the WPP has pooled 62% of its assets and by the end of March 2022 the WPP plans to have pooled c70% of its assets.

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
Launch of Emerging Markets Sub-Fund	✓		
Launch of Private Debt & Infrastructure Sub-Funds	✓		
Formulate the WPP's Property requirements and optimal means of implementation	✓	✓	
Review and develop a mechanism to pool any suitable non-pooled assets		✓	✓
Launch of Private Equity Sub-Fund		✓	✓
Launch of other Private Market sub-funds (TBC)			✓
Consultation with CAs on need for further sub-funds	✓	✓	✓

Operator Services

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

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
WPP Operator Oversight Framework	✓		
Review of Operator's contract	✓		
Review of Operator KPI reporting	✓		
Market Review of developments within the Operator market	✓		
Setting up and implementing a framework for monitoring the performance of Russell as investment advisors to Link	✓	✓	

Communication and Training

The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and will publish numerous report and updates to ensure that it proactively communicates its progress to stakeholders. The WPP is very proud of the work it carries out on behalf of its stakeholders and will provide a summary and detailed report on its endeavours over the past 12 months in the form of the WPP Annual Update and Report. The WPP will also formulate its first WPP's Annual Responsible Investment Progress Report during the course of this year to articulate and provide detail on how the WPP is positioned from a Responsible Investment perspective and what work it has completed over the past year to further the WPP's Responsible Investment credentials.

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
Formulation of the WPP's Annual Responsible Investment Progress Report	✓	✓	✓
Formulation of the WPP's Annual Training Plan	✓	✓	✓
Formulation of the WPP's Annual Update	✓	✓	✓
Formulation of the WPP's Annual Report	✓	✓	✓

Investments and Reporting

The WPP focus is primarily focused on providing investment solutions that are aligned to the requirements of the Constituent Authorities. The WPP will continue to formulate innovative and optimal WPP Sub Funds for Constituent Authority use. The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities.

Responsible Investment continues to be of the utmost important to the WPP and its Constituent Authorities. During this workplan the WPP will allocate resources to ensure that it has market leading level of stewardship. The WPP wishes to demonstrate its stewardship credentials by becoming a signatory to the UK Stewardship Code this year. The WPP will continue to consult with the Constituent Authorities and is hoping that its consultation activities will allow it to put in place minimum Climate Risk and ESG standards within its WPP Sub-Funds within the next year. The WPP will also enhance its ESG and Climate Risk reporting and its oversight and reporting of investment managers.

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
Development of Investment Manager performance reporting, including ESG metrics and climate change risk	✓		
Finalise Voting & Engagement Reporting Requirements	✓		
Become a signatory to the UK Stewardship Code	✓		
Formulate WPP Engagement Priorities and Implementation Framework	✓	✓	
Review the compatibility of WPP Sub-Fund Benchmarks with WPP's Responsible Investment and Climate Risk Beliefs	✓	✓	
Consider additional reporting that demonstrates WPP's commitment to Responsible Investment (e.g. TCFD Reporting)		✓	✓
Annual review of WPP's Cost Transparency Requirements	✓	✓	✓
Annual market benchmarking exercise of WPP Sub-Fund Investment Performance	✓	✓	✓
Consult with Constituent Authorities regarding minimum ESG/ RI standards and their climate ambitions	✓	✓	✓

Resources, budget and fees

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

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
Annual review of resources and capacity	✓	✓	✓
Formulation of Annual WPP Budget	✓	✓	✓
Review and Monitoring of Fees (including Link & Russell)	✓	✓	✓

Training Plan

It is best practice for WPP personnel to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions;
- the pooling of Local Authority Pension Schemes; and
- relevant investment opportunities.

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

WPP personnel should obtain a degree of knowledge and understanding that ensures they are able to carry out their duties associated with the WPP. WPP personnel should also be aware of the WPP's framework, beliefs, policies, governance matrix, the decision-making process and decision logging process.

To aid WPP personnel, the Host Authority will arrange quarterly training sessions which will cover major areas such as investments, administration, regulation requirements, government guidance and market developments. The WPP's training events will primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

We have set out below a list of training topics which the Host Authority will arrange training for during the 2021/2022 financial year. The topics outlined below are based on the responses received from the 2020/21 WPP training requirements questionnaire/ assessment, which is issued to the Joint Governance Committee ('JGC') and Officers Working Group ('OWG') on an annual basis.

Product Knowledge

- Private Market – Asset Classes & Implementation
- Private Market - Fund Wrappers & Governance

Responsible Investment

- Responsible Investment Indices and Solutions
- Responsible Investment Reporting

Investment Performance and Risk Management

- Performance Reporting & Manager Benchmarking
- Roles & Responsibilities within the ACS

Guidance, Regulatory Requirements and Best Practice

- Good Governance
- Cost transparency

Budget

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

	2021-22	2022-23	2023-24
	£'000	£'000	£'000
Host Authority *	182	212	217
External Advisors *	680	680	680
TOTAL to be recharged	862	892	897
Operator Services **	28,447	34,614	37,975
TOTAL to be deducted from the NAV	28,447	34,614	37,975

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

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

Investments & Performance

The WPP's Constituent Authorities have total assets of circa £17.5bn (as at 31 March 2020). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies.

The Officers Working Group receives quarterly, six monthly and annual performance reports, the group reviews and challenges the performance of Investment Managers on behalf of the WPP. The WPP hosts annual manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee and Board Members and the WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at local level, this will include manager attendance at Pension Committees. Below we outline the WPP's existing Sub-Funds.

Equity Sub-Funds



* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Managers	Launch Date
Global Growth	MSCI ACWI ND	RCT, Dyfed, Gwynedd and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT and Clwyd	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ and Oaktree	Feb 19
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Majedie, Lazard, Baillie Gifford, Ninety-One and Liontrust	Sept 19

Fixed Income Sub-Funds



* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Managers	Launch Date
Global Credit	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Powys and Torfaen	Western, Logan Circle, Fidelity and T Rowe Price	July 20
Global Government	FTSE World Government Bond Index (GBP Hedged)	Cardiff and Torfaen	Bluebay and Colchester	July 20
Multi-Asset Credit	ICE BofA SONIA + 4% p.a.	Cardiff, Clwyd, Gwynedd, Powys, and Swansea	ICG, Man GLG, BlueBay, Barings and Voya	July 20
Absolute Return Bond Fund	ICE BofA SONIA + 2% p.a.	Gwynedd, Powys and Swansea	Wellington, Putnam, Aegon and Insight	Sept 20
UK Credit Fund	ICE BofA ML Eur-Stg plus 0.65%	RCT	Fidelity	July 20

Contact Details

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

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

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

The website can be found here:

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



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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 23 rd March 2021
Report Subject	Business Plan 2021/22 to 2023/24
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The Committee approves a three-year Business Plan in February or March of every year and receives updates each quarter on progress. The purpose of this report is to present the proposed Business Plan for 2021/22 to 2023/24. The Business Plan includes business as usual, other tasks or projects, risks and an estimate of the financial resources required.

Looking ahead, the next few years will continue to be challenging for those involved in the governance, management and operation of the Fund for a number of reasons including the remedy for the McCloud court case, implementing the Fund's Responsible Investment Policy and a new Code of Practice being launched by The Pensions Regulator. The Fund's Business Plan covering the period from 2021/22 to 2023/24, which the Committee is asked to approve, has been prepared with a view to ensuring that our legal responsibilities and strategic objectives are being met, and all our known risks are being managed and resourced appropriately.

RECOMMENDATIONS

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

1.00	Review of the Fund's Business Plan
1.01	<p>The updated Business Plan for the three years commencing 2021/22 is attached as Appendix 1. It includes business as usual, main tasks or projects with descriptions, a current risk assessment and an estimate of the financial resources required.</p>
1.02	<p>The business plan for 2020/21 was approved using delegated powers for urgent matters due to last March's Pension Fund Committee being cancelled at the start of the COVID-19 pandemic. Despite the challenges presented by the pandemic, and particularly the rather abrupt and unexpected move to remote working, much of the business plan was delivered with a number of key achievements being accomplished including:</p> <ul style="list-style-type: none"> • reviewing some of the appointments of representative members on the Board and Committee • commencing work on consideration of the Fund's cybercrime resilience • implementing the Fund's revised investment strategy involving transition to a number of Wales Pensions Partnership's (WPP's) and Blackrock sub-funds • evaluating the Fund's carbon exposure with a view to agreeing to agreeing carbon footprint targets in 2021/22 • updating the Fund's cash management policy • establishing the Fund's McCloud programme and initial engagement with all employers to commence data collection, and • a fundamental increase in the use of employer data now received monthly using the i-Connect system. <p>Perhaps of more importance is that business as usual services provided by the Clwyd Pension Fund Team continued largely with no impact due to the pandemic during 2020/21.</p>
1.03	<p>Within the 2021/22 to 2023/24 business plan key tasks include:</p> <ul style="list-style-type: none"> • implementing the remedy for the McCloud court case, and any further "cost cap" changes • implementing the Fund's Responsible Investment Policy including confirming the Fund's targets in relation to climate risk • carrying out compliance checks against The Pension Regulator's new Single Modular Code • implementing any governance changes as a result of the Scheme Advisory Board (SAB) Good Governance review • continuing to investigate any risk and developing controls relating to cybercrime and business continuity.
1.04	<p>Looking ahead, 2021/22 will no doubt continue to be challenging for those involved in the governance, management and operation of the Clwyd Pension Fund not least due to the ongoing impact of the pandemic. The Plan has been updated to ensure that all our known risks are being managed and resourced.</p>

2.00	RESOURCE IMPLICATIONS
2.01	The resources required for managing the Fund and delivering this Business Plan are included in the budget section of the Business Plan and assume no vacancies in the current staffing structure and an increase of 1.7 FTE members of staff during 2021/22.

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

4.00	RISK MANAGEMENT
4.01	The key risks are considered as part of the business planning process and articulated within the draft Business Plan.

5.00	APPENDICES
5.01	Appendix 1 – Business Plan 2021/22 to 2023/24

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Previous Business Plans including Clwyd Pension Fund Business Plan 2020/21 to 2022/23 (March 2020 PFC agenda pack).</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

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

(d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, the Pensions Regulator requirements and efficient and effective governance and administration of the Fund.

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

(f) **SAB – Scheme Advisory Board** – the national LGPS Scheme Advisory Board is established under primary legislation. Its purpose is to make recommendations for policy and legislative change to the Secretary of State and to provide guidance and advice to LGPS administering authorities.

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

Cronfa Bensiynau Clwyd
Clwyd Pension Fund



Flintshire County Council

**Administering Authority for
Clwyd Pension Fund**

Business plan 2021/22 TO 2023/24

March 2021

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Introduction

This is the business plan for the Clwyd Pension Fund, which is managed and administered by Flintshire County Council. The business plan details our priorities and areas of key focus in relation to the Clwyd Pension Fund for 2021/22, 2022/23 and 2023/24. This business plan was approved at the Clwyd Pension Fund Committee meeting on 23 March 2021. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored, and the Pension Fund Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

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

In addition, this business plan includes a budget for expected payments to and from the Clwyd Pension Fund during 2021/22 including the resources required to manage the Fund, as well as the expected cashflows over the period of this plan.

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

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Background to the Clwyd Pension Fund

The Clwyd Pension Fund ("CPF") is a £2.1bn¹ Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in North East Wales and employees of other qualifying bodies which provide similar services.

Total Fund membership is 48,900 (48,500²) with 17,700 (17,200) active contributors from 48 (49) contributing employers, 13,900 (13,600) retired and survivor members³, and 17,300 (17,700) deferred and other members.

Governance and Management of the Fund

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

A Local Pension Board is in place to assist in:

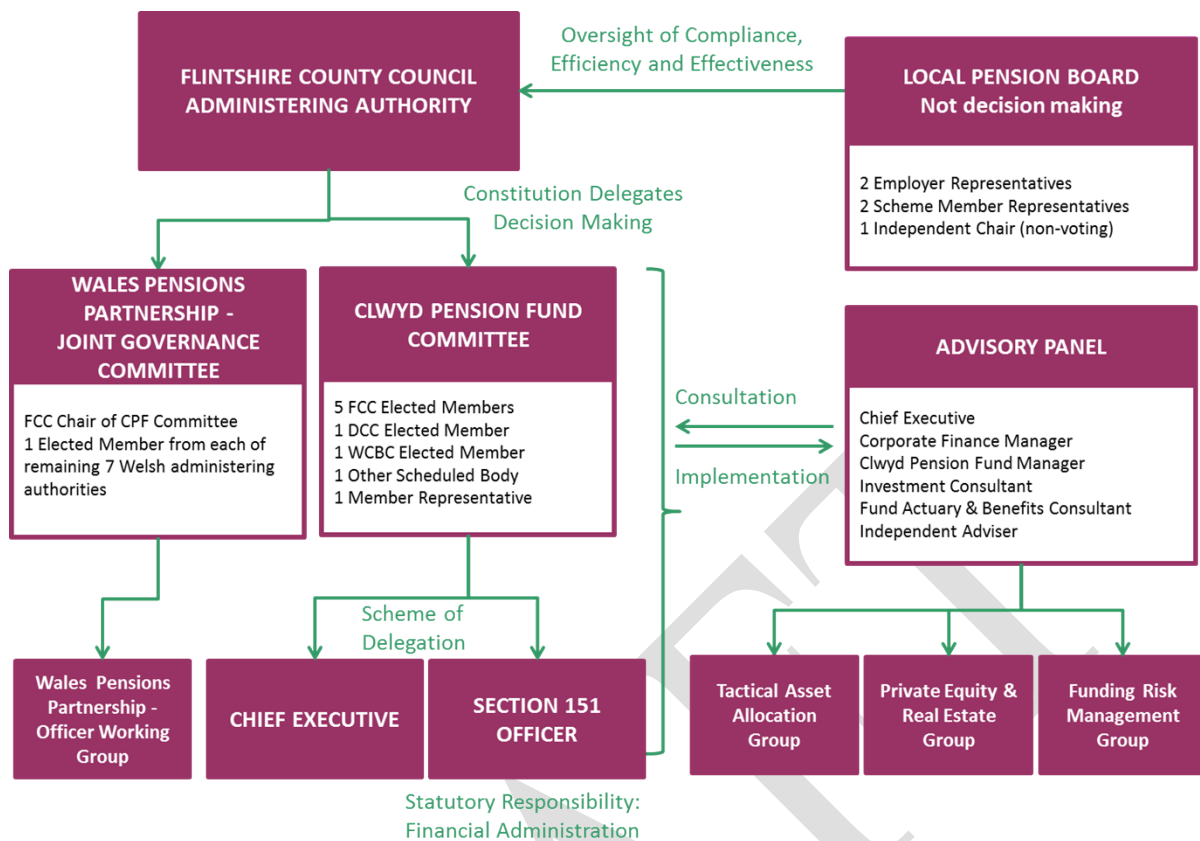
- securing compliance of Fund matters and
- ensuring the efficient and effective governance and administration of the Fund.

This structure is illustrated below.

¹ Information correct as at 31 January 2021.

² The figures shown in brackets in this paragraph were as at March 2020.

³ In addition approximately 1,150 teachers' compensation pensions are paid by the CPF team.



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

The Pension Fund Management Team

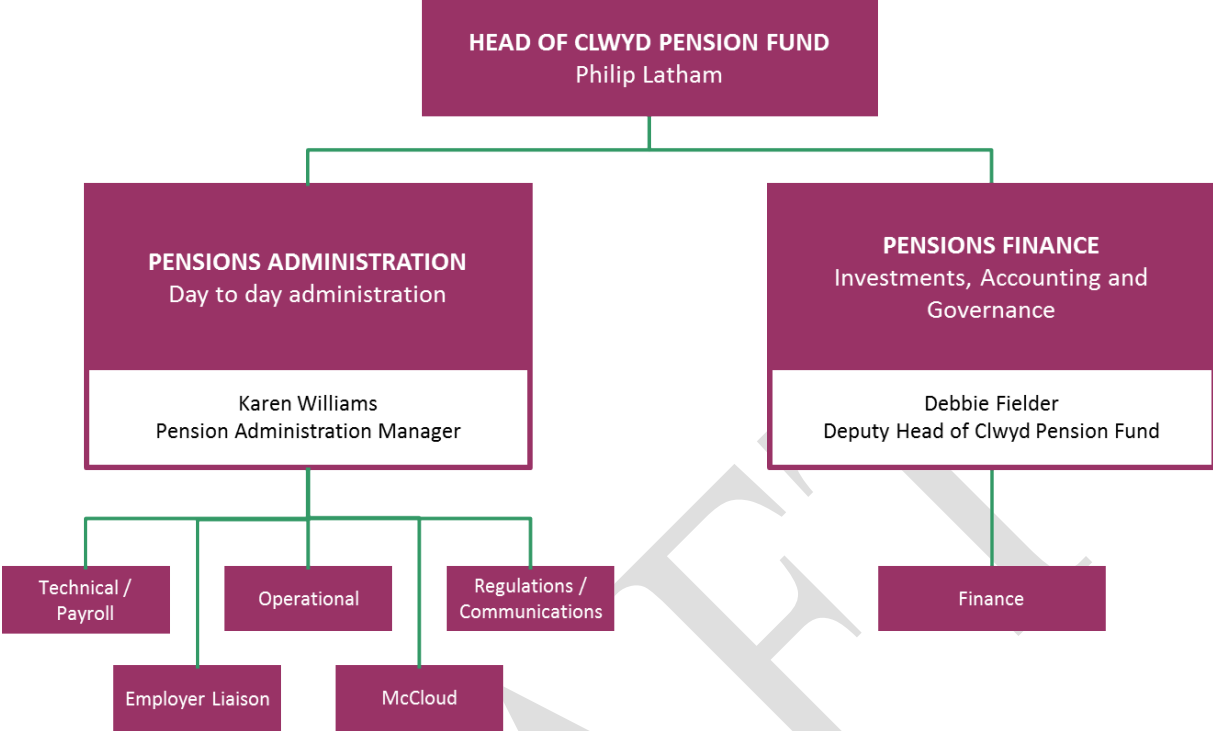
The day to day operations of the Fund are managed by the Head of Clwyd Pension Fund supported by the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager. There are two sections within the team:

- The Pensions Administration Section which is responsible for delivering the Fund's Administration and Communications Strategies. It is headed by the Pension Administration Manager and has 42.1 full time equivalent members of staff.
- Within the Pensions Administration Section there is an Employer Liaison Team that undertakes employer responsibilities which are recharged to the employer through their employer contribution rate. A number of the Fund's employers use this service.

The Pensions Finance Section is responsible for delivering the Fund's Investment and Funding Strategies, as well as accounting matters. It also has overall responsibility for ensuring all governance matters are delivered. It is headed by the Deputy Head of the Clwyd Pension Fund and has 6 full time equivalent members of staff.

More information about their day to day responsibilities later in this Plan in the "Business as Usual".

The structure as at March 2021 is illustrated below.



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

Aims and Objectives for the Management of the Fund

Our Mission Statement is:

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

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

- Governance Policy and Compliance Statement
- Training Policy, Conflicts of Interest Policy, Risk Management Policy and Reporting and Recording Breaches of the Law Procedure
- Investment Strategy Statement including Responsible Investment Policy
- Funding Strategy Statement
- Administration Strategy
- Communications Strategy.
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The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the areas of governance, funding and investments, administration, communications and employer liaison team to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

Governance

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

Funding and Investments

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

Administration

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

Communications

- Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits

⁴ Local Government Pension Scheme.

- Communicate in a clear, concise manner
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so
- Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

Employer Liaison Team

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

Business as usual

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

- Paying pension benefits to all our beneficiaries, as prescribed by the LGPS regulations
- Communicating with our scheme members about their membership of the Fund
- Ensuring we receive all the pension contributions paid by active members of the Fund, again as prescribed by the LGPS regulations
- Ensuring all the employers in the Fund pay their pension contributions
- Safeguarding the money in the Fund (the Fund’s assets)
- Investing any Fund assets that are not currently needed to pay benefits
- Working with the actuary so, every three years, he determines how much employers need to pay into the Fund to ensure we have enough money to pay pension benefits in the future.

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

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

Governance

- Ensuring decisions relating to the management of the Fund are made in accordance with agreed delegated responsibilities
- Setting the agenda, reporting and presenting to the Pension Fund Committee, Local Pension Board and Advisory Panel, and ensuring those bodies carry out their delegated responsibilities
- Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk management policy, breaches of law procedure and The Pension Regulator’s Code of Practice
- Ensuring the Fund's business plan is regularly updated, agreed and delivered
- Ensuring we adhere to Council and legal requirements for procurement, health and safety and data protection
- Procurement of and payment for, advisers and other services
- Assisting internal and external audit in their role

- Replying to Freedom of Information requests
- Participation at the Joint Governance Committee and Officer Working Group of the WPP
- Ensuring business continuity arrangements are in place and regularly tested
- Managing the risk of cybercrime and ensuring our data and systems are safeguarded.

Accountancy

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

Funding

- Agreeing the funding strategy with the actuary every three years, consulting with employers and monitoring continued appropriateness annually
- Assisting the actuary with the triennial Actuarial Valuation by providing membership data and presenting results and explanations to employers of future employer contributions and deficit payments
- Arranging through the Actuary data required by the Government Actuary's Department ("GAD")
- Monitoring the employers' funding positions and covenants including their ability to pay contributions and managing any employers who wish to join or leave the Fund
- Reviewing the inflation assumption used for funding and flightpath decisions in light of the Government reform of RPI to CPIH
- Review Additional Voluntary Contribution provision on a regular basis to ensure it continues to remain appropriate.

Investments

- Carrying out a fundamental review of the investment strategy every three years
- Appointing, monitoring and dismissing of fund managers including within a pooling environment
- Quarterly monitoring and reporting on investment performance
- Monthly monitoring and reporting on the Fund's funding position and implementation of our cash and risk management strategy ("Flight-path") with annual 'health checks'
- Working with other LGPS funds in Wales and nationally to pool investments through our role within the Joint Governance Committee and Officer Working Group

- Monthly monitoring and implementation of the tactical asset allocation decisions
- Procurement and monitoring of over 100 investments in private markets
- Ensuring costs are fully disclosed in line with the Cost Transparency
- Developing and monitoring the Fund's approach to Responsible Investment.

Administration

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

Payroll

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

Communication

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

Technical

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

- Processing bulk updates to data such as annual pensions increases and year end employer returns.

Employer Liaison Team

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

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The plan for the next three years

Key Challenges and Influences

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

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

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

- Implementing the remedy for the McCloud court case, and any further "cost cap" changes
- Implementing the Fund's Responsible Investment Policy including confirming the Fund's targets in relation to climate risk
- Carrying out compliance checks against The Pension Regulator's new Single Modular Code
- Implementing any governance changes as a result of the Scheme Advisory Board Good Governance review

Continuing to investigate any risk and developing controls relating to cybercrime and business continuity.

These, and other priorities for the next three years, are articulated in more detail in the appendix to this business plan, split into three sections;

- governance
- funding and investments
- administration, communications and employer liaison team.

Budget

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

Cash flow projection for 2021/22 to 2023/24

	Estimated	Budget	Budget	Budget
	2020/21	2021/22	2022/23	2023/24
	£000s	£000s	£000s	£000s
Opening Cash	(20,237)	(29,760)	(30,668)	(28,080)
Payments				
Pensions	64,868	66,600	68,000	68,000
Lump Sums & Death Grants	12,874	16,000	16,000	16,000
Transfers Out	5,889	6,000	6,000	6,000
Expenses (excluding investments)	5,174	5,480	5,480	5,480
Tax Paid	174	100	100	100
Support Services	180	180	180	180
Total Payments	89,159	94,360	95,760	95,760
Income				
Employer Contributions	(47,778)	(49,000)	(49,000)	(49,000)
Employee Contributions	(16,874)	(17,000)	(17,200)	(17,200)
Employer Deficit Payments	(14,979)	(15,000)	(15,000)	(15,000)
Transfers In	(3,337)	(6,000)	(6,000)	(6,000)
Pension Strain	(308)	(1,200)	(1,200)	(1,200)
Income	(30)	(40)	(40)	(40)
Total Income	(83,306)	(88,240)	(88,440)	(88,440)
Cash-flow Net of Investment Income	5,853	6,120	7,320	7,320
Investment Income	(9,634)	(8,000)	(8,000)	(8,000)
Investment expenses	4,146	4,000	4,000	4,000
Total Net of In House Investments	365	2,120	3,320	3,320
In House Investments				
Draw downs	42,619	66,175	72,061	97,061
Distributions	(60,161)	(69,203)	(72,793)	(69,613)
Net Expenditure /(Income)	(17,542)	(3,028)	(732)	27,448
Total Net Cash-Flow	(17,177)	(908)	2,588	30,768
Rebalancing Portfolio	7,654			
Total Cash Flow	(9,523)	(908)	2,588	30,768
Closing Cash	(29,760)	(30,668)	(28,080)	2,688

Operating Cost Budget 2021/22

	Actual	Budget	Estimate	Budget
	2019/20	2020/21	2020/21	2021/22
	£000s	£000s	£000s	£000s
Governance Expenses				
Employee Costs (Direct)	283	323	265	326
Support & Services Costs (Administering Authority)	20	24	24	24
IT (Support & Services)	2	5	5	5
Other Supplies & Services	102	82	82	97
Audit Fees	38	41	41	41
Actuarial Fees ¹	465	641	471	696
Investment Consultant Fees	641	859	854	942
Governance Advisor Fees ¹	220	524	504	485
Legal Fees	20	41	20	40
Pension Board ¹	53	88	86	91
Pooling (Host and Consultant Costs)	79	120	120	130
Total Governance Expenses	1,923	2,748	2,472	2,877
Investment Management Expenses				
Fund Manager Fees	20,030	24,458	20,100	19,915
Custody Fees	31	32	32	32
Performance Monitoring Fees	76	93	66	53
Wales Pension Partnership Investment Costs	292	190	400	836
Total Investment Management Expenses	20,429	24,773	20,598	20,836
Administration Expenses				
Employee Costs (Direct) ¹	935	1,247	1,091	1,366
Support & Services Costs (Administering Authority)	151	140	140	158
Outsourcing	197	300	71	30
IT (Support & Services) ¹	408	405	450	515
Other Supplies & Services) ¹	112	108	108	134
Total Administration Expenses	1,803	2,200	1,860	2,203
Employer Liaison Team				
Employee Costs (Direct) ¹	1,006	223	205	286
Total Employer Liaison Team	1,006	223	205	286
Total Costs	25,161	29,944	25,135	26,202

Notes relating to proposed budget:

- 1) These items include estimates for additional costs relating to McCloud as per the table below.

McCloud Budget 20/21	£000s
Employee Costs (Direct) ^a	270
Actuarial Fees	15
Governance Advisor Fees	229
Pension Board	21
IT (Support & Services)	100
Other Supplies & Services)	10
Total	645
^a Of the employee costs £60k is allocated to ELT	

- 2) The actuarial, consultancy and adviser costs include allowances for project work which will not be required in future years.
- 3) The costs incurred by the Employer Liaison Team will be recovered from the participating employers making use of the service through their employer contribution rate.
- 4) If any current roles become vacant, they will be filled, in line with Flintshire County Council policy, to ensure minimal impact of this delivery plan and business as usual

Delivering the Business Plan

Monitoring and Reporting

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

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

Current Significant Risks

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

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

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

Key:

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

Governance

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Externally led influence and change such scheme change (e.g. McCloud and £95k cap), national reorganisation, cybercrime, Covid-19 and asset pooling	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Red	Orange	<ul style="list-style-type: none"> 1 - Regular ongoing monitoring by AP to consider if any action is necessary around asset pooling, cost cap and McCloud judgement 2 - Ensure Board requests to JGC/OWG are responded to 3 - Identify further actions to manage Cybercrime risk 4 - Refresh and document business continuity assessments/ procedures
Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades	Services are not being delivered to meet legal and policy objectives	Orange	Green	<ul style="list-style-type: none"> 1 - Recruit to vacant governance and business role 2 - Ongoing consideration of succession planning 3 - Continue training of new and newly promoted staff

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Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Orange	Yellow	<ul style="list-style-type: none"> 1 - Consider as part of Interim Valuation review

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
<p>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</p> <p>2. WPP does not provide CPF with the tools to enable implementation of RI policies</p>	The Fund's long-term Investment Strategy could fail to deliver appropriate returns			<p>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</p> <p>2 - Work with WPP to ensure the Fund is able to implement effectively via the Pool</p>

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
<p>Employers:</p> <ul style="list-style-type: none"> - 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) 	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues			<p>1 - Ongoing roll out I-connect</p> <p>2 - Develop and roll out Assumed Pensionable Pay training - in house and employers</p> <p>3 - Identify other employer data issues and engage directly with employers on these</p> <p>4 - Developing monthly Key Performance Indicators (KPI)_reporting for employers</p> <p>5 - Reviewing approach to annual Service Level Agreement (SLA) communications with employers</p>
Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance	Unable to meet legal and performance expectations due to external factors			1 - Ongoing consideration of resource levels post recruitment of new posts

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
schemes or regulation changes including McCloud and £95k cap)				<ul style="list-style-type: none"> 2 - Ongoing consideration of likely national changes and impact on resource 3 - Ongoing consideration of £95k cap on processes etc
Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and £95k)	High administration costs and/or errors			<ul style="list-style-type: none"> 1 - Ongoing roll out of iConnect 2 - Ongoing identification of data issues and data improvement plan 3 - Review of and update website 4 - Review of success of new website/iConnect/member self-service 5 - Carry out CPF tender for pension administration system 6 - If delays in system upgrades, look for alternative solutions to administer regulatory changes
System failure or unavailability, including as a result of cybercrime and Covid-19	Service provision is interrupted			<ul style="list-style-type: none"> 1 - Ongoing checks relating to interface of recovery plan with non-pensions functions 2 - Develop business continuity policy for CPF 3 - Review of cybercrime risk controls

Training Plan

A Clwyd Pension Fund Training Policy has been established to aid Pension Fund Committee, Pension Board members and senior officers in performing and developing personally in their individual roles, with the aim of ensuring that Clwyd Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. The following training plan has been developed for 2021/22 to assist in meeting that aim.

Title of session	Training Content	Timescale	Audience
Committee and Board Induction Training	Seven sessions covering: <ul style="list-style-type: none"> ▪ Governance ▪ Actuarial ▪ Investment and funding (including flightpath) ▪ Investments in practice ▪ Administration ▪ Accounting, audit and procurement ▪ Communication 	March to June 2021	Committee and Pension Board (compulsory for new members)
LGC Investment Seminar, Carden Park	Various topical presentations.	March 2021	Committee, Pension Board and Officers
PLSA	Local Authority Conference	May 2021	Committee, Pension Board and Officers
Internal training days / as part of Committees	Specific topics including: <ul style="list-style-type: none"> ▪ Funding, Flightpath and Risk Management Framework ▪ Cyber risk to the Fund ▪ The Myners Principles, including reviewing effectiveness of the PFC ▪ Private markets ▪ The Pension Regulator's role and powers (including Codes of Practice) ▪ Pension scheme taxation system (including annual and lifetime allowance) ▪ The MIFID2 requirements ▪ Investment strategy/delivery of investment objectives ▪ Asset classes/risk return characteristics ▪ £95k exit cap and wider reform (if relevant to Wales) ▪ Overview of Goodwin court case ▪ Scheme Advisory Board good governance review project outcomes 	Dates to be confirmed	Committee, Pension Board and Officers

Appendix - BUSINESS PLAN 2021/22 - 2023/24 – Key Tasks

Governance

Ref	Key Action –Task	2021/22 Period				Later Years	
		Q1	Q2	Q3	Q4	2022/ 23	2023/ 24
G1	Review against new TPR Single Modular Code	x		x	x		
G2	Develop business continuity arrangements	x	x	x	x		
G3	Ensure appropriate cyber-security is in place	x	x	x			
G4	Review of governance related policies			x		x	x
G5	Outcome of Scheme Advisory Board good governance review		x	x	x	x	
G6	Effectiveness survey			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 Autumn 2021 (subject to consultation in Spring 2021). 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 Single Modular Code consultation	2021/22 Q1
Review and report the CPF's activity against the new Single Modular Code from TPR (estimated)	2021/22 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 – Develop business continuity arrangements

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. Given the COVID-19 pandemic and the like changes to working methods going forward, a review of the Fund's business continuity plans and processes is taking place. This will include:

- development of a high level Business Continuity Policy (to will be considered by the Committee in March 2021)
- a Business Impact Analysis - considering the key business processes, priorities, recovery times and risks
- developing appropriate business continuity plans
- creating a testing schedule
- ongoing work to minimise risks, including documenting processes where gaps were identified as part of the Business Impact Analysis and developing a plan for further staff training.

Timescales and Stages

Develop Business Continuity Policy	2020/21 Q4
Carry out Business Impact Analysis	2021/22 Q1 to Q2
Developing Business Continuity Plan	2021/22 Q2 to Q4
Document processes relating to gaps & identify ongoing training needs	2021/22 Q2 to Q4
Develop Testing Schedule	2021/22 Q3 to Q4

Resource and Budget Implications

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

G3 – 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 TPR's requirements, work will continue in this area to better understand how cyber risk is being managed in relation to the Fund's member data, assets and other procedures. The Fund has performed some initial investigations around how external suppliers intend to manage cyber risk. It is now completing the data and asset mapping to categorise risks and help the Fund plan out further work in this area focussing on the areas of key risk. Following this a process will also be put in place to ensure that ongoing checks are carried out.

Timescales and Stages

Finalise data and asset mapping	2021/22 Q1 to Q2
Establish a programme for completing ongoing work to embed this in business as usual	2021/22 Q3

Resource and Budget Implications

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

G4 – 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	October 2020	October 2023
Conflicts of Interest Policy	September 2018	September 2021
Procedure for Recording and Reporting Breaches of the Law	November 2018	November 2021
Training Policy	November 2015	Due now*

*CIPFA are due to issue an updated Code of Practice relating to LGPS Knowledge and Skills, which is currently expected in April 2021. It seems appropriate that any changes are incorporated into the review if the Training Policy, which will therefore continue to be deferred until the updated CIPFA Code is issued.

Timescales and Stages

Training Policy	2021/22 Q2 & Q3
Conflicts of Interest Policy	2021/22 Q2 & Q3
Procedure for Recording and Reporting Breaches of the Law	2021/22 Q2 & Q3
Governance Policy and Compliance Statement*	2022/23
Risk Policy	2023/24

*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.

G5 – Outcome of Scheme Advisory Board good governance review

What is it?

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

The review has now evolved to focus on the elements of good governance, rather than the structure of the organisation. A number of recommendations have been made including ensuring appropriate conflicts of interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority. The SAB has now made a number of formal recommendations to MHCLG, including the request for MHCLG to issue statutory guidance relating to the areas of best practice identified by the project. SAB will also be undertaking a number of surveys to take forward some of the work and is expected to issue guidance in due course. The actual timescales are estimated and may be delayed due to other national priorities.

Timescales and Stages

Expected period to review existing arrangements against new statutory guidance and/or guidance	2021/22 Q2 to Q4 and 2022/23
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Resource and Budget Implications

Estimated costs for this work are included within this year's budget although costs are uncertain at this time and may vary depending on the final guidance and requirements. It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser.

G6 – 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, Board 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 requirements from the SAB good governance review.

Timescales and Stages

Undertake an effectiveness survey	2021/22 Q3
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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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Funding and Investments (including accounting and audit)

Ref	Key Action –Task	2021/22 Period				Later Years	
		Q1	Q2	Q3	Q4	2022/ 23	2023/ 24
F1	Implement Responsible Investment Strategic Priorities	x	x	x	x	x	x
F2	Climate Change	x	x	x	x	x	
F3	Ongoing Asset Pooling Implementation and Transition	x	x	x	x	x	x
F4	Interim Funding Review and FSS policy update	x	x	x	x		
F5	Triennial Actuarial Valuation and associated tasks					x	
F6	Review of Investment Strategy and implementation					x	x

F1 –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 three years from 2020/1 to 2023/4:

- **Evaluate and manage carbon exposure**
 - This will include measuring the Fund’s existing exposure to carbon within its investment portfolio, and once this has concluded, set targets to reduce this over the coming five years.
- **Identify sustainable investment opportunities**
 - The Fund’s new Investment Strategy has an allocation to Social/Impact investments, or investments that aim to make a positive social or environmental impact. The Fund already has a number of investments in this area and will be looking to add to these.
- **Improve disclosure and reporting**

- The Fund will be working to improve transparency and reporting. An analysis of the impact of Climate Change on the Fund’s Investment Strategy will form part of this work.
- **Active Engagement on ESG risks**
 - To work proactively with WPP and LAPFF⁵ to actively engage with the Fund’s underlying investments.
- **FRC Stewardship Code**
 - The Fund is currently a signatory to the Code; however a new Code was launched in 2019. The aim is to assess the potential to remain a signatory.

In addition to these priorities, the Fund is aware that the Scheme Advisory Board and MHCLG will be issuing revised guidance on Responsible Investing in 2021, and it will be important to review the Fund’s policy and update if necessary to ensure it remains relevant and compliant.

Timescales and Stages

Continue to work on the Fund’s strategic priorities for Responsible Investment	2021/22 to 2022/23
Identify sustainable investment opportunities relating to social/impact	2021/22 to 2023/24
Assess potential for investing locally – consider Regional Growth Bid	2021/22
Review and revise RI Policy when national guidance is issued	2021/22
Work with WPP to develop and submit application for new Stewardship Code	2021/22
Work with WPP to develop TCFD compliant reporting	2021/22 to 2022/23

Resource and Budget Implications

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

F2 – Climate Change

What is it?

As part of the Fund’s revised Responsible Investment Policy there is a section where the Fund defines its approach to Climate Change. The Fund recognises the importance in addressing the financial risks associated with climate change through its investment strategy, and believes that:

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

- Climate change presents a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers and all of the holdings in the portfolio.
- Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund, but is also consistent with the long term nature of the Fund. The Fund's investments need to be sustainable to be in the best interests of all key stakeholders.
- Engagement is the best approach to enabling the change required to address the Climate Emergency, however selective risk-based divestment is appropriate to facilitate the move to a low carbon economy.
- As well creating risk, it also presents opportunities to make selective investments that achieve the required returns whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.

As part of its desire to address the risk around Climate Change the Fund is planning to set out a roadmap to move from the current position to a more sustainable future strategy. This plan will include Carbon footprinting analysis and Climate Change scenario analysis which the Fund has commissioned from Mercer. The Roadmap could include considering a Net Zero Carbon emissions target.

This Roadmap and work program will be delivered over the coming years, and needs to be carried out in conjunction with the WPP plans.

Assessment of Carbon footprinting and Strategic Climate Change scenario analysis results	2021/22 Q1
Consult Committee with proposed roadmap	2021/22 Q2 & Q3
Assess how to implement Committee's views, in conjunction with WPP (including TCFD reporting)	2021/22 Q3 & Q4
Ongoing implementation and monitoring	2022/23

F3 – Ongoing Asset Pooling Implementation and Transition

What is it?

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.

The Government (MHCLG) will be producing pooling guidance at some stage in 2021/22, and the Fund and WPP will need to be fully conscious of this, and ensure that it can remain compliant with its requirements.

Governance

WPP has developed a three-year business plan for 2021/2 to 2023/4 which includes the key areas of focus during that period. The Business Plan highlights a significant work program for the pool, and the Clwyd Pension Fund will be working with WPP to deliver these key milestones.

Implementation

COVID-19 related market volatility has affected WPP's transition plans. Market volatility could result in significant increased transition costs, and as such transitions were delayed in 2020/21. It is likely that future transitions may well be impacted.

The Fund will work with WPP to transition remaining assets in coming months and years.

Responsible Investment

The WPP has developed its own Responsible Investment Policy and will be working with the constituent authorities to develop this and implement it appropriately across the launched sub-funds. This will include looking at voting with Robeco as appointed engagement specialist. The Clwyd Pension Fund will look to work with WPP to ensure that WPP's Responsible Investment policies and strategies enable Clwyd's Pension Fund's Responsible Investment Policy to be implemented and enhanced.

Timescales and Stages

Governance	
Consider and implement MHCLG asset pooling guidance	2021/22 to 2022/23
To work with WPP to deliver all aspects of its Business Plan ensure that it remains on track	2021/22 to 2023/24
Provide views to host on WPP operator arrangements and oversight	2021/22
Provide input to preparation for operator market review and re-tender	2021/22 to 2022/23
Ongoing Establishment	
Transition of assets to newly launched sub-funds:	
▪ Emerging Markets	2021/22 Q2
▪ Private Markets	2021/22 to 2022/23
▪ Review and develop a mechanism to pool any suitable non-pooled asset e.g. Flight Path	2022/23 to 2023/24
Responsible Investment	
Work with WPP to ensure that it can support CPF in delivering its own Responsible Investment and Climate Change beliefs and requirements	2021/22 to 2023/24
Feed into development of WPP reporting including ESG and climate change	2021/22 to 2023/24

Resource and Budget Implications

2021/22 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 2021/22 the estimated cost of governance for CPF in relation to WPP is £130k, which includes an estimated share of the Host

Authority costs (£23k), consultant and legal advice direct from WPP (£85k) and the estimated costs CPF expects to bear directly from its own consultants for advice in relation to the WPP (£22k). Any other costs relating to the WPP will be met from within existing budgets.

F4 – Interim Funding Review

What is it?

In advance of the 2022 actuarial valuation, the Actuary will assess the funding position as at 31 March 2021 in order to prepare the Fund and employers for the potential contribution outcomes from the 2022 valuation.

Due to the impact of COVID-19, a number of the Fund's employers will likely suffer impacts on budgets and therefore affordability of contributions in the short and long term. It will therefore be appropriate to consider the key funding metrics which will involve analysing the outlook for returns, the likelihood that average contributions would need to increase at the next valuation and the potential impact of Brexit. This will be crucial in quantifying the financial risk and market changes since the previous valuation. This analysis will assist the Fund to understand employer contribution affordability so that plans can be made considering the current funding position and the future outlook for returns. This is likely to mean earlier engagement than previously expected for some employers.

As part of the interim review, we will also consider the potential impact that COVID-19 has had on the life expectancy of the membership. This will then be built into the assessment.

Timescales and Stages

Monitoring of funding metrics and risk levels	2021/22 Q1 & Q2
Engagement with employers to assess impact of COVID-19	2021/22 Q3 & Q4
Carry out interim funding review	2021/22 Q3 & Q4
Results and discussion with employers via steering groups	2021/22 Q3 & Q4

Resource and Budget Implications

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

F5 – Triennial Actuarial Valuation and associated tasks

What is it?

It is the formal actuarial valuation of the Fund detailing the solvency position and other financial metrics. It is a legal requirement of the LGPS Regulations. It determines the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement. This is considered in conjunction with the employer risk management framework implemented by the Fund. Employers will be required to provide financial statements and evidence of affordability and

security before contributions can be agreed. The exercise will include cash flow projections to input into the Cash and Risk Management policy framework.

Timescales and Stages

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

Resource and Budget Implications

The exercise will be performed by the Fund Actuary. It is a major exercise for the Fund and will take considerable resource from the Administration and Finance teams over 2022/23. The Fund Actuary's costs in relation to this exercise will be included in the 2022/23 budget. This may also impact on employer budgets (as the exercise establishes the ongoing employer contribution rates).

F6 – Review of Investment Strategy

What is it?

This relates to the triennial review of the Investment Strategy once the actuarial valuation has been finalised and the Funding Strategy agreed. If required, there may be a need to undertake a light touch review (asset modelling scenarios) of the Fund's strategy and asset allocation position to feed into the actuarial valuation process.

Timescales and Stages

This is expected to take place in 2022/23 following completion of the 31 March 2022 actuarial valuation.

Should there be a requirement for an initial light touch review during the actuarial valuation process this will take place as and when the preliminary actuarial valuation data is available (anticipated to be Q3 2022/23).

Timescales and Stages

Review and of Investment Strategy	2022/23
Implementation of any changes	2022/23 and 2023/24

Resource and Budget Implications

The majority of work will be carried out by Mercer as Investment Adviser together with the Head of Clwyd Pension Fund and Deputy Head of Clwyd Pension Fund. The Investment Adviser's estimated costs in relation to this exercise will be included in the 2022/23 budget.

Administration, Communications and Employer Liaison Team

Ref	Key Action -Task	2021/22 Period				Later Years	
		Q1	Q2	Q3	Q4	2022/ 23	2023/ 24
Essential Regulatory Driven Areas							
A1	Implement Survivor Benefits Changes	x	x	x	x	x	
A2	McCloud Judgement	x	x	x	x	x	x
A3	National Pensions Dashboard					x	x
A4	Preparation of Member Data for Valuation and Funding Reviews					x	
A5	Other Expected National Changes (dates unknown)						
Priority Fund Driven Projects							
A6	i-Connect	x					
A7	Review Administration & Communications Related Policies and Strategies	x				x	
A8	Review administration system contract					x	x
Lower Priority Fund Driven Projects							
A9	Review of Scheme Member Communications and Processes	x	x	x	x	x	
A10	Trivial Commutation					x	x
Employer Liaison Team (ELT) Projects							
E1	Expand ELT to more employers	x	x	x	x		
E2	McCloud ELT Services	x	x	x	x		

Essential Regulatory Driven Areas

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. Guidance is awaited from LGA to finalise the work on these changes.

Further a June 2020 Employment Tribunal ruling (the "Goodwin ruling") relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The Chief Secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements. It is expected that MHCLG will consult on the changes required to the LGPS in relation to the Goodwin ruling during the summer of 2021. It is expected that it will be necessary to contact any female dependant members who were previously in a Civil Partnership to recalculate their benefits.

The work in relation to these changes commenced during 2019/20 and is expected to continue into 2021/22 and 2022/23.

Timescales and Stages

Tracing, contacting, verifying entitlement and recalculating affected surviving partners	2021/22 Q1 to Q4 and 2022/23
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Resource and Budget Implications

This project is being absorbed by the Operations Team within Pensions Administration to ensure all surviving partners prior to regulation changes are 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 – McCloud judgement

What is it?

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). MHCLG issued a consultation setting out its proposals for implementing the McCloud judgement in the LGPS in July 2020. This focused on remedies 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. This is likely to significantly impact on administration processes 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.

The Fund has established the McCloud programme to implement the remedy for Clwyd Pension Fund. This includes some team members who will be 100% dedicated to this work for the duration of the programme.

Timescales and Stages

Data collection from employers (commenced during 2020/21)	2021/22 Q1
Use of interface to upload data / data cleansing	2021/22 Q1 to Q3
Receipt of final regulations so benefit recalculations can commence	Estimated 2021/22
Verifying impact on members and benefit recalculations	TBC – expected to continue to 2022/23

Resource and Budget Implications

Although the work will be led and managed by a separate CPF McCloud programme team, it will impact across all of the Administration Team. An estimated allowance for additional resource has been included in the 2021/22 budget, which assumes 7.5 FTE internal posts, 2 of which are within ELT and therefore will be recharged to employers using that service. There are also additional costs relating to consultancy (including programme management which has been outsourced), incidentals such as postage and printing, and system costs. The budget for 2021/22 is £645k in total.

A3 – 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 Pension Schemes Act 2021 provides the legal framework for implementing the dashboard and further regulations outlining more detail including to participate in the Pension Dashboard for schemes (including public sector schemes) are expected to be forthcoming. Pensions Dashboard are expected to be available from 2023 but 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

Development and testing of software	2022/23 & 2023/24
Potential target launch	2023/24 & 2024/25

Resource and Budget Implications

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

A4 – Preparation of Member Data for Valuation and Funding Reviews

What is it?

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

Timescales and Stages

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

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

A5 - Other Expected National Changes

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

Cost Management

Public Sector Pension Schemes (including the LGPS) have been designed to ensure sustainability for 25 years. The 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. The cost management process was paused following the McCloud judgement, but has since been "unpaused" by HM Treasury (HMT) during 2020 (and in due course the separate LGPS cost cap process will also be unpaused).

From an administrative perspective there may be a need for benefit and/or contribution changes as a result of the cost cap mechanism, and potentially again when the cost cap is reconsidered during 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.

Fair deal

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

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

Exit Cap

With effect from 4 November 2020 a £95k cap on exit payments made by public sector employers came into effect, this included the cost of early payment of LGPS pensions. However, in the face of legal challenge, HMT issued a direction to disapply the £95k exit cap with effect from 12 February. HMT has confirmed it will bring forward proposals to tackle unjustified exit payments in the near future. MHCLG will also be carrying out a separate consultation on and the impact on the LGPS. It is unclear at this stage whether this may also include wider reform on exit payments and conditions around how LGPS benefits are paid.

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

Indexation and Equalisation of Guaranteed Minimum Pensions (GMPs)

A recent court case determined that it is necessary to revisit pension benefits for scheme members who have accrued GMPs to ensure the equal treatment between men and women. This was (in the main) pre-empted by the LGPS and a consultation on indexation and equalisation of GMPs has determined that the current position that has been used to deal with indexation up to 5 December 2018 has been extended to cover those members with a GMP who reach state pension age between 6 December 2018 and 5 April 2021. For all those members full indexation will be applied to their full pension value regardless of whether there is a GMP element to it. Alternative options of conversion, case by case, and continuation of full indexation have been considered and further guidance will be provided to LGPS Funds following the latest consultation in December 2020, which could include extending the temporary solution of full indexation beyond April 2021.

Increase in minimum retirement age

On 11 February 2021 HMT launched a consultation on implementing the increase in the normal minimum pension age from 55 to 57 in April 2028. The proposed change is designed to maintain a 10-year gap between minimum retirement age and state pension age. This is part of Government's policy that was originally confirmed back in 2014 whereby, in principle, the normal minimum pension age should be around 10 years under state pension age. This change would need to be implemented in the LGPS, but not in all public sector schemes due to the nature of the roles of many of the members in those schemes, i.e. police, firefighters and the armed services. If this is implemented in its proposed form, existing fund members would retain the right to access their pensions from age 55, and new members after the implementation date (no later than April 2028) would be subject to the higher minimum age limit.

Priority Fund Driven Projects

A6 – 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 (75% 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 10 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.

In addition, further data checks to identify issues with i-Connect data files are being developed. Initial work has highlighted some ongoing issues with the data being provided by Wrexham County Borough Council and work will continue to resolve this too.

Timescales and Stages

Onboard Glyndwr University and North Wales Fire	2021/22 Q1
Onboard other smaller employers	2021/22 Q1
Ongoing work with Wrexham County Borough Council to resolve issues with data file	2021/22 Q1
Introduction of improved checks on the monthly data supplied through i-Connect	2021/22 Q1

Resource and Budget Implications

There will be a time and resource commitment required from employers including CPF's Employer Liaison Team. All internal costs are being met from existing budget. The ongoing roll out of i-Connect will continue to involve significant internal resources which may impact on other day to day work.

A7 - Review Administration and Communication Related Policies and Strategies

What is it?

The CPF Administration Strategy and Communications Strategy were approved at the September 2019 PFC. They must be reviewed at least once every three years to ensure they remain relevant and up to date. The Administration Strategy is currently being reviewed given the move of most employers to i-Connect.

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

Timescales and Stages

Review of Administration Strategy (last approved September 2019)	2020/21 Q4 to 2021/22 Q1
Review of Communications Strategy (last approved September 2019)	2022/23
Review of Scheme Pays Policy (last approved April 2019)	2022/23
Review of Administration Discretionary Policy (last approved April 2019)	2022/23
Review of Under / Overpayment Policy (expected to be approved March 2021)	2023/24

Resource and Budget Implications

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

A8 - Review administration system contract

What is it?

The Fund has a rolling one-year contract with Aquila Heywood (acquired by Blackrock Long Term Private Capital in early 2021) 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 to defer this. Over the last two years CPF worked with other founder authorities to develop a national framework for LGPS administration systems. Now that the framework is in place it will be used for the Fund to carry out their own tender for an administration system.

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

Conduct tender for CPF administration system	2022/23
Transition to new administration system if required	2022/23 to 2023/24

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.

Lower Priority Fund Driven Projects

A9 – Review of scheme member communications and processes

What is it?

Fund members often have questions, need information or require a process to be completed by the Fund. These points of engagement are the key time to improve the experience of being a member of the Fund. They also rely on efficient processes and data coming from employers.

This project will involve:

- 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 is carrying out an ongoing review of all communications (website, forms, booklets, letters) to ensure consistency in look, feel and language used. The Fund will also be appointing a new braille supplier.
- Ensuring all standard communications are available in digital form where at all possible which is in-line with the Fund's communications objectives.

- Considering the success of new systems that have been implemented, including the new website, Member Self Service, i-Connect and TEC (the Technical Education Centre which provides on-line training), and decide if any further development or systems should be put in place.
- Developing a range of webcasts (for loading on the Fund's website) for employers and scheme members relating to various subject matters.
- Developing on-line processes including retirement processing and on-line forms - 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 and forms for other areas, such as transfer value elections, refund elections and notifying deferred benefits.
- Investigating the options for providing the member with more frequent updates as to the progress of their case, especially where these cases involve multiple steps and take a number of weeks, or sometimes months, to complete. This will include considering different media (emails, text messages, etc) and considering how this can also be automated.

Timescales and Stages

Appoint braille supplier	2021/22 Q1
Document and agree Fund's branding guidelines	2021/22 Q2 & Q3
Investigation, development and launch of first webcasts	2021/22 Q3 & Q4
On-line retirement processing and other on-line forms and processing	2021/22 Q2 & Q3 and 2022/23
Finalise review and update of website	2021/22 Q2 to Q4
Review and update of other literature (not website)	2021/22 Q2 to Q4
Review success of the new systems which have been implemented and any decided on any further development	2021/22 Q2 to Q4
Investigate options and roll-out solution to provide members with more frequent updates on the status of any pensions process which are ongoing	2021/22 Q3 to 2022/23

Resource and Budget Implications

These projects involve a mix of the various teams within the Administration Team. Internal costs are being met from the existing budget but there may be additional costs if external development work or additional systems are needed. The ability to deliver on these areas to these timescales will depend on whether specialist technical resource is instead required for other essential work (e.g. McCloud).

A10 - Trivial Commutation

What is it?

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

Timescales and Stages

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

Identify members eligible to commute under £10,000	2022/23 to 2023/24
Communicate with eligible members and pay lump sums	2022/23 to 2023/24
Identify members eligible to commute under £30,000	2022/23 to 2023/24
Communicate with eligible members and pay lump sums	2022/23 to 2023/24

Resource and Budget Implications

Some of this work may be outsourced to an external provider to assist with resourcing. The precise cost of this is as yet unknown and no contingency has been included within the 2021/22 budget to cover potential costs. It will also require input by the Technical and Payroll Team with some assistance from the Operational Team, with any such input being focussed on the later stages of the project.

Employer Liaison Team Projects

Understanding the continuing pressure on resources and budgets for employers and the administering authority, the CPF offers assistance to Fund Employers in providing accurate and complete notifications to the Fund (and other Employer duties) in a timely manner. The Employer Liaison Team (ELT) mainly assists in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. It undertakes outstanding requests for information in order to cleanse the pension records. All ELT costs are recharged to employers through their employer contribution rate. Resources continue to be reviewed to meet demand depending on ongoing employer uptake. The total budget allocated for 2021/22 is £226k which will cover all of the following unless indicated otherwise.

E1 – Expand ELT to more employers

What is it?

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

Timescales and Stages

Ongoing discussions with other employers	2021/22 Q1 to 4
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E2 – McCloud ELT Services

What is it?

Provide and continue developing ELT services in relation to data provision and other ongoing support to assist with the impact of the McCloud Judgement.

Timescales and Stages

Assisting employers with data collation for McCloud	2021/22 Q1 to 4
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