

Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

BUSINESS PLAN 2017/18 TO 2019/20

March 2017

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 2017/18, 2018/19 and 2019/20. This business plan was approved at the Clwyd Pension Fund Committee meeting on 21st March 2017. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored and the Pension Fund Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

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

In addition, this business plan includes a budget for expected payments to and from the Clwyd Pension Fund during 2017/18 including the resources required to manage the Fund.

Further Information

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 £1.6bn¹ 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 about 45,000 with about 16,000 active contributors from 39 contributing employers and about 29,000 retired, survivor, deferred and other members.

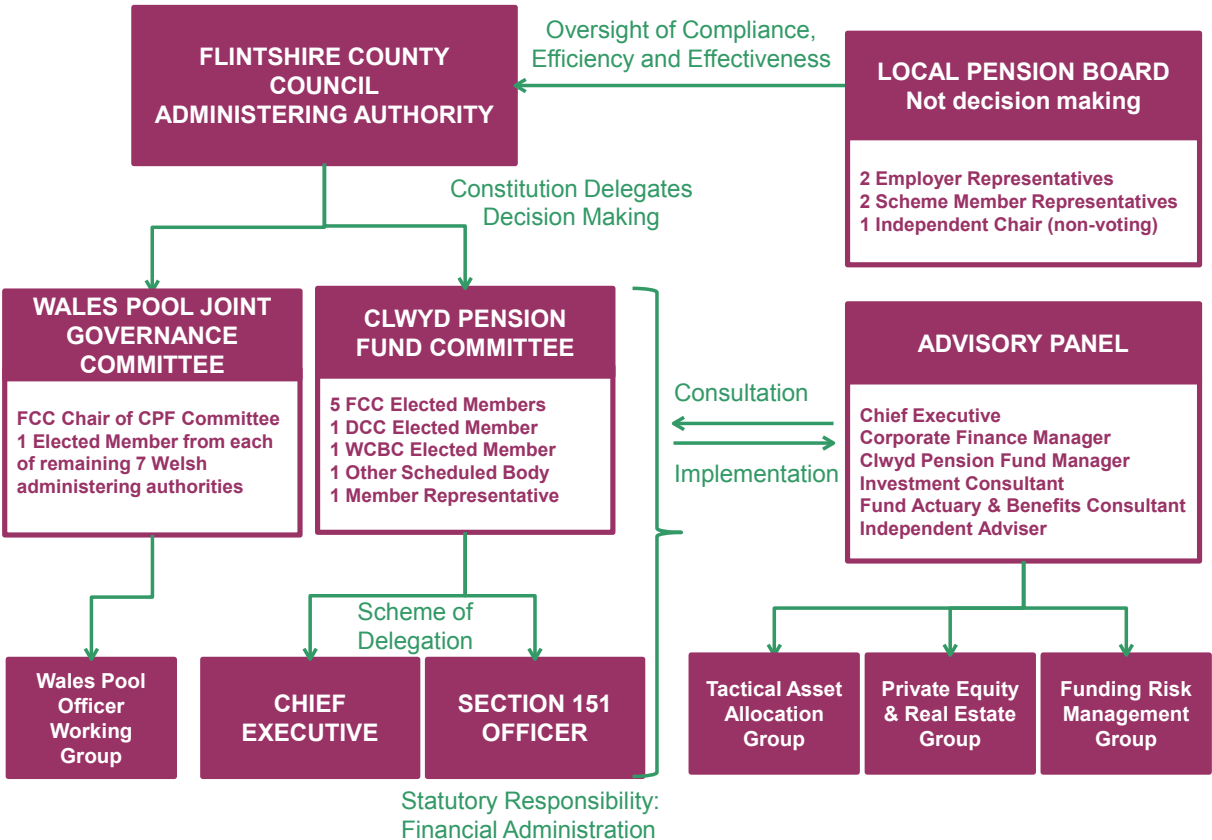
Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council ("the Council") to a formal Pension Fund Committee ("PFC"), supported by a Pensions Advisory Panel ("AP"). the 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. In addition, the Council has delegated specific responsibilities to the Chief Executive.

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 December 2016.

The Joint Governance Committee (JGC) for the Wales Pool is a joint committee of the eight participating administering authorities. An inter-authority agreement has been agreed which delegates certain investment decisions to the JGC. The JGC will be advised by an Officer Working Group on which each of the administering authorities will be represented.

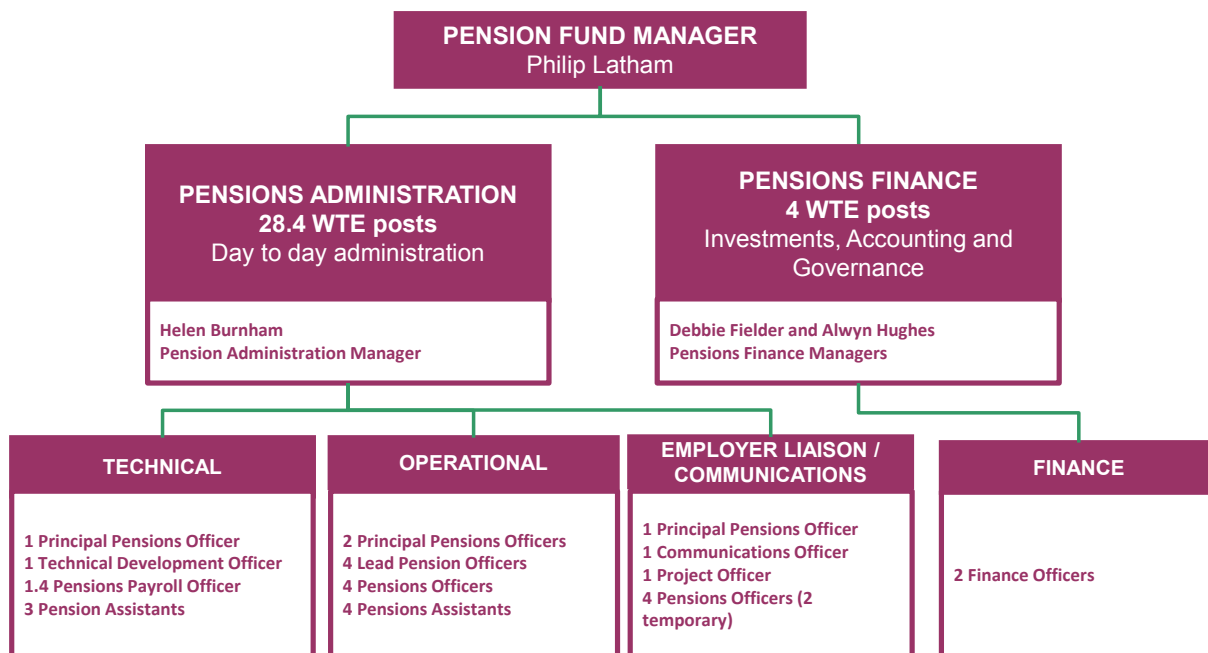
The Pension Fund Management Team

The day to day operations of the Fund are managed by the Clwyd Pension Fund Manager. He is supported by two sections:

- The Pensions Administration Section which is responsible for the day to day administration of pension benefits and is headed by Pension Administration Manager. The section is split between an Operational Team and a Technical Team. The Operational Team delivers a pensions service for approximately 45,000 scheme members and 39 employing bodies. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team implements and maintains the pension software systems, reconciles employer records, and a pensioner payroll service for 13,700 pensioners, survivors and dependents.
- Additionally within the Pensions Administration Section there is an Employer Liaison Team that will be undertaking employer responsibilities which will be recharged to the employer through their employer contribution rate. This team was created in late 2016/17 and will be developed depending on the number of employers which take up the option of using the service. Two of the unitary authorities have currently agreed to use this service. The communication service is also included as part of this team but is provided to all employers and members as it is a Pension Fund responsibility.
- The Pensions Finance Section which is responsible for accounting, investment and governance matters, is headed by two Pension Finance Managers. The section is responsible for the day to day accounting and closure of the accounts. Additionally, the section is responsible for the monitoring of 6 core external fund managers as well as 47 non-core external fund managers responsible for around 110 separate funds². The Pension Finance Managers are involved with the appointment of new fund managers and are also responsible for sourcing and recommending new in-house investments.

The structure as at March 2017 is illustrated below.

² Information correct as at March 2017



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 and Compliance Statement
- Funding Strategy Statement
- Administration Strategy
- Communications Strategy
- Employer Service Level Agreements including Employer Liaison and Communications Team agreements

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the areas of governance, funding, investments, and administration,

communications and employer liaison team to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

Governance

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

Funding and Investments

- Achieve and maintain assets equal to 100% of liabilities within the 15 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.

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 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.

Communications

- Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- Communicate in a clear, concise manner
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders
- Look for efficiencies in delivering communications including 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, 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.

Managing this 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 pension fund is large, complex and highly regulated. As such, these processes and

procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as illustrated below.

Governance

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

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 Department ("GAD")
- Monitoring the employer's covenant including their ability to pay contributions and managing any employers who wish to join or leave the Fund.

Investments

- Carrying out a fundamental review of the investment strategy every three years
- Appointing, monitoring and dismissing of fund managers including within a pooling environment
- Quarterly monitoring and reporting on investment performance
- Monthly monitoring and reporting on the Fund's funding position and implementation of our funding risk management strategy ('Flight-path') with annual 'health checks'
- Monthly monitoring and implementation of the tactical asset allocation decisions
- Procurement and monitoring of over 100 investments in private equity, property, infrastructure, agriculture and timber funds

- Working with other LGPS funds in Wales and nationally to pool investments through our role within the Joint Governance Committee and Officer Working Group.

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 P60's
- 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
- 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 reps.

Technical

- Maintaining and updating the pensions software system
- 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 in order 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 queries.

The plan for the next three years

Key Challenges and Influences

This decade has seen and continues to see an unprecedented amount of external factors that impact 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 in 2014/15/16
- 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 was refreshed in 2016/17
- The implementation of the new Local Government Pension Scheme from April 2014 and each year introducing innovative ways of working within the Administration Section
- Contributing towards the development of the governance arrangements for the Wales Pool during 2016/17.

This puts us in a strong position to meet the challenges ahead. The following are just some of the areas which will need to be managed or responded to, some of which may even necessitate a review of the aims, objectives and governance of the Fund:

- Implementing the Government's requirements on the pooling of pension fund assets with the other LGPS pension funds in Wales.
- Responding to the requirements of the second Markets in Financial Instruments Directive (MIFID II).
- Implementing any required changes as a result of the national LGPS cost control mechanism.
- Achieving the objectives of the Fund's aspirational administration and communications strategy including how we work with employers.

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

Budget

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

Cash flow projection for 2017/18

	Estimated	Budget	Budget	Budget
	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s
Opening Cash	(13,640)	(9,684)	(26,114)	(16,660)
Payments				
Pensions	55,500	55,860	57,720	60,040
Lump Sums & Death Grants	17,000	15,000	15,000	15,000
Transfers Out	4,100	3,200	3,200	3,200
Expenses (excluding investments)	3,650	3,400	3,400	3,400
Support Services	250	120	120	120
Total Payments	80,500	77,580	79,440	81,760
Income				
Employer Contributions	(34,300)	(34,100)	(35,200)	(36,000)
Employee Contributions	(11,800)	(14,000)	(14,000)	(14,000)
Employer Deficit Payments	(28,500)	(51,784)	(18,123)	(18,247)
Transfers In	(2,000)	(2,000)	(2,000)	(2,000)
Pension Strain	(1,200)	(1,200)	(1,200)	(1,200)
Income	(170)	(100)	(100)	(100)
Total Income	(77,970)	(103,184)	(70,623)	(71,547)
Cash-flow Net of Investment Income	2,530	(25,604)	8,817	10,213
Investment Income	(3,300)	(3,000)	(3,000)	(3,000)
Investment expenses	3,200	3,000	3,000	3,000
Total Net of In House Investments	2,430	(25,604)	8,817	10,213
In House Investments				
Draw downs	49,112	47,008	39,607	38,100
Distributions	(61,170)	(77,834)	(68,970)	(59,699)
Net Expenditure /(Income)	(12,058)	(30,826)	(29,363)	(21,599)
Total Net Cash-Flow	(9,628)	(56,430)	(20,546)	(11,386)
Rebalancing Portfolio	13,584	40,000	30,000	15,000
Total Cash Flow	3,956	(16,430)	9,454	3,614
Closing Cash	(9,684)	(26,114)	(16,660)	(13,046)

Operating Cost Budget 2017/18

	Budget	Estimate	Budget
	2016/17	2016/17	2017/18
	£000s	£000s	£000s
Governance Expenses			
Employee Costs (Direct)	229	236	238
Support & Services Costs (Internal Recharges)	19	8	8
Premises	17	7	7
IT (Support & Services)	10	9	9
Other Supplies & Services	56	48	50
Audit Fees	40	40	40
Actuarial Fees	304	350	202
Consultant Fees	389	404	399
Advisor Fees	188	150	187
Legal Fees	30	50	40
Pooling (Additional Costs) * ²	n/k	138	n/k
Total Governance Expenses	1,282	1,440	1,180
Investment Management Expenses			
Fund Manager Fees* ¹	11,028	11,028	11,878
Custody Fees	34	28	34
Performance Monitoring Fees	25	54	58
Pooling (Additional Costs) * ²	n/k	n/k	n/k
Total Investment Management Expenses	11,087	11,110	11,970
Administration Expenses			
Employee Costs (Direct)	711	632	762
Support & Services Costs (Internal Recharges)	90	42	42
Outsourcing	1,240	165	900
Premises	75	39	33
IT (Support & Services)	250	210	250
Member Self Service	107	32	75
Other Supplies & Services)	70	60	70
Total Administration Expenses	2,543	1,180	2,132
Employer Liaison Team			
Employee Costs (Direct)	N/A	N/A	144
Total Employer Liaison Team	0	0	144
Total Costs	14,912	13,730	15,426

*¹ following changes by CIPFA for 2016/17 underlying management fees are not disclosed in the accounts.

*² additional costs resulting from Pooling, including governance and operator costs, are not yet known.

*³ Costs incurred by the Employer Liaison Team will be recovered from the participating employers making use of the service through their employer contribution rate.

Delivering the Business Plan

Monitoring and Reporting

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

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

Key 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.

The purpose of this statement is to summarise the main risks managed by the Fund and illustrate the level of risk expected, compared with the current position. Where the risk is both higher than expected, and is controllable, the Fund's Business Plan will include an action on how to mitigate that risk.

On the whole 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 be updated at each Committee next year as circumstances change. The Fund's Business Plan has been completed to ensure that all our known risks are being managed and resourced.

Key:

This is where there could be catastrophic consequences that are considered almost certain to happen
This is where there could be major consequences that are considered likely to happen
This is where there could be moderate consequences that are considered a possible occurrence
This is where there could be minor consequences that are considered unlikely to happen
This is where there could be insignificant consequences that are considered very unlikely to happen

Governance

▪ Main Risks

The Fund could make decisions or take actions which do not result in us achieving our aims and objectives; or are not transparent; or not legal; or do not follow best practice.

▪ What Could Increase Risk?

The risk of these outcomes would be increased by an inappropriate governance structure; poor training; poor attendance or engagement; insufficient resources; conflicts of interest; absence of governance policies; absence of performance measurement, scrutiny and challenge; absence of risk management; poor advice (all of which could be at PFC, PB or officer level) or the impact of externally led changes outside of our control.

▪ Our Target Risk

Managing governance risks are, in the main, within the control of the Fund, hence risks should be low. Albeit there will always be some external events outside the Fund's direct control.



▪ The Current Risk

The current governance structure of the Fund is working well as explained in the Fund's Independent Advisors Annual report for during 2017. There are some new risks that will need attention next year:

- The local elections which may result in a change of Committee membership and a loss of knowledge and experience.
- The delegation of some investment decisions relating to pooling, as outlined in the Inter-Authority Agreement, to the new Joint Governance Committee.

There are also some key risks around succession planning for officers which require consideration.



Funding & Investment

▪ Main Risks

Pension costs for employers could significantly increase and possibly become unaffordable; in the longer term there could be insufficient assets to pay for accrued pension liabilities.

▪ What Could Increase Risk?

A sustained fall in global markets; low interest rates; high inflation; inappropriate investment and funding strategy; failure of fund managers to meet investment targets; on-going austerity reducing employers budgets; employers changing their delivery models; the impact of externally led changes outside of our control.


▪ Target Risk

There will always be economic, funding and investment risks that cannot be controlled by the Fund. However the aim is to mitigate these risks, as much as possible, through a diversified investment strategy and a prudent funding strategy.



- **Current Risk**

The Actuarial Valuation has been completed and employers agreed contribution payments. There was a light touch review of the investment strategy and a review of the Fund's flight-path with changes currently being implemented. The new Funding Risk Management Group, Tactical Asset Allocation Group and Private Equity and Real Asset Group are actively managing investment and funding risks. At the time of writing the funding level, albeit still in deficit, is at its highest point since Flintshire County Council has been administering the Fund, with some equity markets reaching record levels and currently riding political and economic uncertainty. It is likely that lower interest rates will persist into the next economic cycle albeit with increased inflation rates. Overall these risks seem to have marginally reduced since last year but there are some new risks as well as the on-going market risks:

- MIFID II has the potential to have a significant impact on the Funds ability to achieve its funding and investment objectives.
 - Despite all the investment risk mitigation the Fund has in place, a major and fundamental market event with longer term implications will impact the funding position but this risk will only materialise on employer affordability at the 2019 Valuation.
 - The investment risks from pooling are relatively small next year but may increase in future years if the pool does not deliver asset classes required by the Fund or the Operator does not deliver the services to the quality and/or timescales required.
 - The impact on small finance team of additional work relating to pooling and representation on the new Officer Working Group and potentially implementing changes resulting from MIFID II.
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Administration & Communication

- **Main Risks**


The service delivery might not meet legal requirements; or agreed local performance standards; or is seen by stakeholders as not being cost effective.

- **What Could Increase Risk?**

A lack of a trained workforce; an inappropriate organizational size, structure and culture; poor IT systems and reporting; poor communications; inefficient or inadequate procedures; poor engagement with employers or employers with insufficient resources to carry out their responsibilities; unexpected changes in scheme membership or numbers of employers; increasingly complex pension and taxation laws and regulations.

- **Target Risk**

The majority of these risks can be managed locally by the Fund, hence the risks should be well managed and low. However, there will always be some external factors, such as the complexity and number of regulatory changes, which are less controllable.



- Current Risk

The Fund has reviewed both its Administration and Communication Strategies which have ambitious targets. Currently, performance targets are not being achieved but there is a clear plan for on-going improvements, albeit there is a high reliance on appropriate engagement from employers. The establishment of an Employer Liaison team, better use of technology and talent management should provide an environment for improved outcomes for employers and members over the next few years. However, in the short term risks of not achieving objectives are higher than ideal despite best efforts. Further external pressures and complexities, which would increase risks, workloads and costs, are not welcome but unfortunately are likely. The new risks are:

- Additional tasks to be undertaken for GMP equalisation and employee exit payment changes which will increase workload and potentially delay payments.
- Additional communication burden of a national 'pension dashboard'.
- In the longer term, potential scheme changes due to cost management which may add to the communication and operational burden.



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 ultimate 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 2017/18 to assist in meeting that aim.

Title of session	Training Content	Timescale	Audience
PLSA Local Authority Conference, Gloucestershire	tbc	15-17/05/2017	Committee, Pensions Board and Officers
Induction/ Refresher training	DAY 1: Governance including Freedom of Information, and Administration	08/06/2017	Committee, Pensions Board and Officers
Induction/ Refresher training	DAY 2: Actuarial and Funding Matters	June/July 2017 (TBC)	Committee, Pensions Board and Officers
Induction/ Refresher training	DAY 3: Investments, Asset Pooling and Accounting Principles	June/July 2017 (TBC)	Committee, Pensions Board and Officers
CIPFA and Barnett Waddingham: Local Pension Boards - Two Years On...	Update by key players together with a focus on the Scheme's financial viability and the problem of managing data.	28/06/2017	Pensions Board
LGPS Trustees Conference, Bournemouth	Various topical presentations including pooling, cost control and the potential impact of European legislation.	29-30/6/2017	Committee, Pensions Board and Officers
LGC Investment Summit, Newport	Various topical presentations. Agenda not yet available.	6-8/09/2017	Committee, Pensions Board and Officers
Employer Risk Management	Employer Risk Management including the monitoring framework (employer covenant, funding and protections)	20/09/2017 (TBC)	Committee, Pensions Board and Officers
LAPFF, Bournemouth	Various topical presentations around the work of the LAPFF	6-8/12/2017	Committee, Officer
Alternative Delivery Models	Overview of Alternative Delivery Models including impact on the Clwyd pension Fund	14/12/2017 (TBC)	Committee, Pensions Board and Officers
LGC Investment Seminar, Carden Park	tbc	1-2/3/2018	Committee, Pensions Board and Officers

Appendix - BUSINESS PLAN 2017/18 - 2019/20 – Key Tasks

Governance

Ref	Key Action –Task	2017/18 Period				Later Years	
		Q1	Q2	Q3	Q4	18/19	19/20
G1	Induction and refresher training for PFC	x	x				
G2	Review of governance related policies, including for asset pooling requirements			x			
G3	Consider key person risk			x	x		
G4	Review/ tender actuarial contract			x	x		
G5	Understanding implications of and actions required as a result of forthcoming legislation including Wales Act and Wellbeing Act				x	x	
G6	Review/Tender Investment Consultancy and Independent Adviser Contracts					x	
G7	Review/Tender Custodian Contract (if required)					x	
G8	Review appointment of Pension Fund Committee Representatives and Local Board Members					x	x
G9	Commence preparation for tender of administration system contract						x

G1 – Induction Training for PC

What is it?

The Fund's Training Policy details how the Fund will ensure that training is delivered, and how the required training is identified for each member of both the Clwyd Pension Committee and the Pension Board. Ongoing training to meet the requirements of this policy will take place. Although there is expected change at a minimal level with the PFC, Pension Board and officers, the Council elections in May 2017 could result in significant changes to membership, in which case intensive induction training will be required.

Timescales and Stages

Source and ensure delivery of induction training

2017/18 Q1/2

Resource and Budget Implications

Training requirements to be determined by Pension Fund Manager with assistance from the Independent Adviser. Other advisers and external sources may be used for delivering training. There will be external adviser costs associated with this exercise which are incorporated into the 2017/18 budget.

G2 – Review of Governance Related Policies, including as a result of asset pooling requirements

What is it?

The CPF has a number of policies focussing on the good governance of the Fund, as follows:

- Conflicts of Interest Policy - March 2015
- Procedure for Recording and Reporting Breaches of the Law - Nov 2015
- Training Policy – Nov 2015 (but original Nov 2014)
- Risk Policy – May 2015
- Governance Policy and Compliance Statement – March 2017

All of these policies are subject to a fundamental review at least every three years. However, due to the Wales Pool it is necessary to undertake an early review of all policies to ensure that the changes to governance of the Fund are reflected.

Timescales and Stages

Review of governance related policies

2017/18 Q3

Resource and Budget Implications

It is expected this will mainly involve the Pension Fund Manager taking advice from the Independent Adviser.

G3 – Consider Key Person Risk

What is it?

The Council needs to review any key person risk within the Pensions Finance team due to its small size and age profile, as well as the potential changes in responsibilities due to asset pooling.

Timescales and Stages

Review risk and staffing levels

2017/18 Q3/4

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget albeit any necessary changes to staffing levels or numbers may impact on the budget.

G4 – Review/Tender Actuarial Contract

What is it?

The Council needs to review its current actuarial contract to ensure it is getting all the services it wants at the appropriate price and at what it considers to be value for money. This review should include Funding Risk Management and Benefit Consultancy Services. Following this review, and discussions with procurement, the Council needs to put the actuarial contract out to tender. Due to the triennial actuarial valuation of the Fund during 2016/17 this has been deferred to 2017/18.

Timescales and Stages

Review current actuarial contract and identify tender process	2017/18 Q2
Conduct tender for actuarial services	2017/18 Q3/4

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget.

G5 – Implications of legislation in Wales

What is it?

The Wales Act 2017 received Royal Assent on the 31st January 2017 and moved Wales from a conferred matters model to a reserved matters model as used in Scotland. The Well-being of Future Generations (Wales) Act 2015 is about improving the social, economic, environmental and cultural well-being of Wales. The implications of these, if any, on the Fund need to be considered.

Timescales and Stages

Review of potential implications	2017/18 Q3/4 2018/19
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Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget.

G6 – Review/Tender Investment Consultancy and Independent Adviser Contracts

What is it?

The Fund's investment consultancy and independent Adviser contracts reached their initial break point on 31 March 2017 albeit, due to Government changes to investment regulations, including pooling, and also the implications of MIFID II, they were extended for 2 years to provide stability and consistency of approach. For these reasons the contracts will be retendered during 2018/19.

Timescales and Stages

Review and tender the contracts	2018/19
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Resource and Budget Implications

To be led by Pension Fund Manager within existing budget.

G7 – Review/Tender Custodian Contract

What is it?

The Council needs to review its current custodian contract to ensure it is getting all the services it wants at the appropriate price and at what it considers to be value for money. The introduction of asset pooling could also impact on the type and scope of service to be provided by the Fund's custodian. Following this review, and discussions with procurement, the Council will need to put the custodian contract out to tender.

Timescales and Stages

Review current custodian contract and identify tender process	2018/19
Conduct tender for custodian services	2018/19

Resource and Budget Implications

To be led by Pension Finance Manager(s). All internal costs are being met from the existing budget.

G8 - Review appointment of Pension Fund Committee Representatives and Local Board Members

What is it?

The employer and scheme member representatives on the Local Board were appointed in July 2015 for a period of three years. This period may be extended to up to five years. The existing appointments will therefore need to be reviewed by July 2018 but they may be extended at that point.

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

Timescales and Stages

Review current Pension Board membership (potential extension)	2018/19
Commence process for appointment of Pension Board representatives	2019/20

Resource and Budget Implications

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

G9 - Review administration system contract

What is it?

The CPF has a rolling one year contract with Aquila Heywood in relation to their Altair administration system. It has not been subject to a full review through tender for a number of years and it would be good practice to carry this out in the near future. However, due to significant projects involving the administration system (e.g. 2016 actuarial valuation, implementing I-Connect and scheme/GMP reconciliation) and to

tie in with end dates of existing add-on modules within Altair, it is better to defer this until 2019/20.

Timescales and Stages

Conduct tender for administration system

2019/20

Resource and Budget Implications

To be led by Pension Administration Manager. All internal costs are being met from the existing budget.

Funding and Investments (including accounting and audit)

Ref	Key Action –Task	2017/18 Period				Later Years	
		Q1	Q2	Q3	Q4	18/19	19/20
F1	Asset Pooling	x	x	x	x	x	x
F2	Implications of MIFIDII		x	x	x		
F3	Flight-path “Health Check” Review				x	x	x
F4	Review of Investment Strategy						x
F5	Triennial Actuarial Valuation and associated tasks						x

F1 –Asset Pooling

What is it?

To enable the Wales funds to pool assets an operator will be appointed to provide the investment infrastructure and advice. Once the Operator has been appointed and registers the appropriate vehicles with the Financial Conduct Authority then asset transfers can begin.

Timescales and Stages

Appointment of Operator and registration	2017/18
Asset transition	2018/19 & 2019/20

Resource and Budget Implications

The Clwyd Pension Fund Manager and Pension Finance Manager will be involved in the procurement of the operator and agreeing asset transitions. Initially this this be within existing budget although the implications on internal resources will be kept under review.

F2 – MiFID II

What is it?

MiFID II is a proposal by the European Commission to amend and expand on the original MiFID directive which came into force on 1st November 2007. The directive has two core aims; to improve transparency in financial markets, and to further strengthen investor protection. The most significant impact for LGPS Funds will be that they are classified by default as “retail clients”, which has potential implications for ongoing dealings in matters of institutional investment, though there will be an option to “opt up” from retail status and retain existing professional classification. However, while the current focus is on investment management, there could be wider implications as it is understood that this will also impact on whether certain investment consultants can advise retail investors.

Timescales and Stages

From an initial deadline of January 2017, the European Commission has extended the deadline for the new rules to come into force until 3 January 2018.

Resource and Budget Implications

The majority of work will be carried out by the Pension Fund Manager and Finance Manager(s) (working in response to what is likely to be national LGPS policy direction guidance) and JLT as Investment Adviser.

F3 – Flight-path Health-check Review

What is it?

The Administering Authority implemented a “Flightpath” risk management investment strategy with effect from 1 April 2014, with the aim of more effectively controlling and limiting interest and inflation risks (as these factors can lead to significant changes to liability values and therefore the deficit). The overall funding Flightpath strategy is to consider and structure the investment strategy to determine a balance between return-seeking and risk-hedging assets. Further details are in the Fund’s Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS).

Ongoing monitoring includes a “traffic light” analysis of whether the Flightpath and hedging mandate are operating in line with expectations or if any actions are required. However annually the strategy will require a “health-check” to ensure its aims remain appropriate and it is still fit for purpose.

Timescales and Stages

An annual health-check is undertaken 2017/18 Q4, 2018/19, 2019/20

Resource and Budget Implications

To be resourced through the Funding Risk Management Group.

F4 – 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

Triennial review 2019/20

Resource and Budget Implications

The majority of work will be carried out by JLT as Investment Adviser together with the CPF Manager and Finance Manager(s) prior to final submission of proposals to Advisory Panel and Pension Fund Committee.

F5 – Triennial Actuarial Valuation

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.

Timescales and Stages

Effective date	31 March 2019
Initial whole Fund results (expected)	Q1 2019/20
Individual Employer results (expected)	Q2&3 2019/20
Deadline for agreement of all contributions and sign-off	31 March 2020

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and it will determine contribution requirements for all participating employers from 1 April 2020. It is a major exercise for the Fund and will take a lot of input from the Administration and Finance teams. Employers will be formally consulted on the funding strategy as part of the process. The Fund Actuary's costs in relation to this exercise will be included in the 2019/20 budget.

Administration (including Communications)

Ref	Key Action -Task	2017/18 Period				Later Years	
		Q1	Q2	Q3	Q4	2018/19	2019/20
A1	Development of Workflow Management including Data improvements	x					
A2	Website Launch	x					
A3	Member Self Service	x	x				
A4	Workforce Planning	x					
A5	Backlog to 31 March 2013(Mercers)	x					
A6	Electronic and Centralised internal procedures	x	x	x	x		
A7	Move to Electronic Annual Benefit Statements	x		x		x	
A8	GMP Reconciliation	x	x	x	x	x	x
A9	iConnect		x	x	x	x	x
A10	Data Protection Changes			x	x	x	
A11	National Pensions Dashboard			x	x	x	x
A12	Review Administration & Communications Strategy Statements					x	
A13	Trivial Commutation					x	x
A14	Other Expected National Changes					x	x

A1 – Development of Workflow Management including Data Improvements

What is it?

Following the requirement to provide Key Performance Indicators, to improve the quality of data and to identify/record Breaches, a full review is being undertaken of our workflow systems and data quality to enable identification of issues and plans to resolve these issues.

Timescales and Stages

Develop workflow management
Identify data improvement requirements

2017/18 Q1
2017/18 Q1

Resource and Budget Implications

To be completed by the Pensions Administration Team. Internal costs are being met from the existing budget.

A2 – Website Launch

What is it?

Following a review of the Pension Fund Website in 2016/17, a new look website on the Member Self Service platform is to be launched.

Timescales and Stages

Launch alongside Member Self Service 2017/18 Q1

Resource and Budget Implications

All internal costs to be met from the existing budget.

A3 – Member Self Service

What is it?

Member Self-Service (MSS) will provide members with an easy-to-use interface which will enable them to access information, undertake data amendments, view their documents and carry out benefit projections online without taking up valuable administration staff time.

Timescales and Stages

Implement System 2017/18 Q1
Advise all scheme members of MSS availability 2017/18 Q1
Presentations and on-going promotions 2017/18 Q1/Q2

Resource and Budget Implications

To be led by the Pensions Administration Manager and implemented by the Technical Team with assistance from the Operational Team. The cost of the MSS system is included within the budget figures.

A4 Workforce Planning

What is it?

To ensure that a plan is in place to review the Pensions Administration workforce due to the age profile of staff, to have appropriate succession planning, and to provide all training requirements.

Timescales and Stages

Develop workforce plan 2017/18 Q1

Resource and Budget Implications

All internal costs to be met from the existing budget.

A5 – Backlog to 31 March 2013 (Mercers)

What is it?

A backlog of tasks prior to 31 March 2013 amounting to approximately 2,500 member cases was identified. This has now been reduced to approximately 200 but further interpretation of data relating to those cases is taking longer to resolve than expected.

Timescales and Stages

Clear cases externally and eliminate backlog

2017/18 Q1

Resource and Budget Implications

A proportion of the budget has been transferred into 2017/18 from 2016/17.

A6 – Electronic and Centralised internal procedures

What is it?

Developing an on-line procedures manual for use by the Pensions Administration staff. This will amalgamate, expand and update current procedure documents ensure consistency, easy access and efficient working as well as providing a useful training tool.

Timescales and Stages

This is a lower priority project and will be completed as and when resource allows.

Develop, collate, update and maintain

2017/18

Resource and Budget Implications

To be carried out by the full Pensions Administration team. All internal costs to be met from the existing budget.

A7 Move to Electronic Annual Benefit Statements

What is it?

Following the implementation of Member Self Service, the move from paper based Annual Benefit Statements to Electronic is being planned for the 2018 statements. In order to comply with disclosure requirements the Clwyd Pension Fund will be writing out to the home address of all categories of membership within the Clwyd Pension Fund on at least two occasions to notify them on this change.

Timescales and Stages

First communication to all members

2017/18 Q1

Second communication to all members

2017/18 Q3

Resource and Budget Implications

All internal costs to be met from the existing budget.

A8– GMP Reconciliation

What is it?

The government's announcement that contracting out will cease and that HMRC will no longer be responsible for maintaining GMP and other contracting out member records. This means that the onus will be on individual funds to ensure that the contracting out and GMP data they hold on their systems matches up to the data held by HMRC before they cease holding these records. Unfortunately this has shown significant discrepancies between the two sets of data, and a significant amount of work will be required to determine the correct benefits, ensure all systems are updated and to process a potentially significant number of over/underpayment calculations. After the records are reconciled for former pensionable employees, the Fund must also ensure the accuracy of national insurance information held for active members. All GMP's and national insurance information must be reconciled by December 2018, the date the HMRC will cease to provide their services. The timescales below are subject to change depending on the magnitude of the work.

Timescales and Stages

GMP data reconciliation and investigation	2017/18 & 2018/19
Reconciliation of national insurance information (Active Members)	2017/18 & 2018/19
Benefit correction and system updates:	2018/19 & 2019/20

Resource and Budget Implications

Due to the magnitude of this project it is being outsourced. A tender process has resulted in this work being awarded to Equiniti and the estimated cost has been included in the budget for 2017/18.

A9 – iConnect

What is it?

On-line computer module that will allow information to be submitted by employers more directly and efficiently into the pension administration system. It involves employers uploading data directly into iConnect from their payroll systems. iConnect will be available to all employers of the Fund. The first stage will be ensuring that the correct member records are held on the administration system before entering into testing and live roll out of the system. This will be done on a phased basis by employer. Denbighshire County Council, Bodelwyddan Castle Trust and Prestatyn Town Council have been successfully implemented.

Timescales and Stages

Coleg Cambria/North Wales Fire/Glyndwr	2017/18
FCC, WCBC and all other relevant Employers	2018/19 & 2019/20

Resource and Budget Implications

There will be a time and resource commitment required from employers. All internal costs are being met from existing budget. The system cost is also incorporated into the budget.

A10 – Data Protection Changes

What is it?

The General Data Protection Regulation is an EU regulation which will come into force from 25th May 2018, building on the existing Data Protection Act. This new regulation introduces stricter compliance requirements and much higher fines for non-compliance.

The main areas affecting the LGPS include the need to keep records of processing activities; enhanced privacy notices for members; privacy impact assessments where there is a high risk to the rights and freedoms of individuals; and the need to redraft any service level agreements to take account of new mandatory provisions. Funds must also put in place a data breach handling procedure as the new rules will require reporting of a breach within 72 hours.

Further information is available from the [website](#) of the Information Commissioner's Office.

Timescales and Stages

Understand implications and update processes 2017/18 Q3 to 2018/19 Q1

Resource and Budget Implications

Cannot be determined until more detail is available.

A11 – 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 all of their pension pots through one central platform. The plan is to have a basic prototype available in March 2017 but the full launch is planned for 2019. Further points to be aware of are as follows:

- As well as the dashboard including details of occupational pensions held by individuals, it is planned for it to also include details of the state pension entitlement individuals have built up.
- No decisions have yet been made on the level of detail that individuals will be able to access about their pensions on the dashboard.
- Public service pensions are out of scope for the development of the prototype, but it is intended that public service pensions data will be included in the dashboard when it launches in 2019.
- It is planned that post-retirement data will be out of scope for the dashboard (i.e. the dashboard will only include data for pensions which are not yet in payment).
- The Government's preference is that the pensions industry participates in the dashboard on a voluntary basis, but they will reserve the right to legislate if needed.
- No decisions have yet been made on whether the Government will provide funding to public service pension schemes to cover the dashboard's implementation costs.

Timescales and Stages

Development expected 2017/18 Q3/4 & 2018/19
Launch 2019/20

Resource and Budget Implications

Cannot be determined until more detail is available.

A12 Review Administration and Communication Strategies

What is it?

The CPF Administration Strategy and Communications Strategy was approved at the March 2016 PFC. They must be reviewed at least once every three years to ensure they remain relevant and up to date.

Timescales and Stages

Review of Strategies 2018/19

Resource and Budget Implications

This will be led out by the Pensions Administration Team.

A13 – 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, to reduce the administrative burden on Funds 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) and total benefits (£30,000).

Timescales and Stages

This is a lower priority project and will be completed as and when resource allows.

Identify members eligible to commute under £10,000:	2018/19
Communicate with eligible members and pay lump sums:	2018/19
Identify members eligible to commute under £30,000:	2019/20
Communicate with eligible members and pay lump sums:	2019/20

Resource and Budget Implications

Led by the Technical Team with some assistance from the Operational Team. All internal costs to be met by existing budget.

A14 Other Expected National Changes

What is it?

- As a minimum we expect announcements in relation to
- Scheme Changes as a result of the Cost Management Process
 - Changes in Exit Payments
 - Indexation of GMP’s for members reaching SPA December 2018

Timescales and Stages

To be determined

Resource and Budget Implications

To be determined

Employer Liaison Team

Ref	Key Action –Task	2017/8 Period				Later Years	
		Q1	Q2	Q3	Q4	2018 /19	2019 /20
E1	Review processes	x			x		
E2	Ongoing development of workflow reporting	x			x		
E3	Design reporting information and procedures	x	x				
E4	Staff training for WCBC data extraction	x	x				
E5	Establish plan for outstanding requests		x				
E6	Liaise with new employers for potential agreements	x	x	x	x	x	
E7	Review of Agreements				x	x	x
E8	Data preparation for i-Connect				x	x	x

Understanding the continuing pressure on resources and budgets for employers and the administering authority the Clwyd Pension Fund have made provision to step in and provide 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) will mainly assist in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. It will also undertake outstanding requests for information in order to cleanse the pension records. The ELT will be monitored and progress reported on a regular basis. All costs will be met by employers through their employer contribution rate. As a new team, depending on the employer uptake, resources will need to match demand.

E1 – Review processes

What is it?

Checking reports from Employer payroll systems are comprehensive and accurate. Covering all requirements including Audit. Potentially extend current reporting and automate/streamline other processes.

Timescales and Stages

Compile query results and missing information from payroll reports.

Finalise feedback to FCC and agree improvement plan: 2017/18 Q1

Review improved procedures for further efficiencies with FCC: 2017/18 Q4

Begin feedback to WCBC and agree improvement plan: 2017/18 Q1

Review improved procedures for further efficiencies with WCBC: 2017/18 Q4

E2 – Ongoing development of workflow reporting

What is it?

Making sure processes for recording completed work, are accurate and meet the legal requirements and service standards within the ELT Agreement and provide appropriate monthly and annual reporting for employers and internal workflow management purposes.

Measuring the outstanding cases and reviewing the progress, as follows:

- Proportion of outstanding cases completed per employer against service standards
- Volume of cases completed and any recording and/or reporting of breaches of the law

Timescales and Stages

Review and recommend updates: 2017/18 Q1
Review updated procedures: 2017/18 Q4

E3 – Design financial reporting and recharge procedures

What is it?

Consider the staff time spent and tasks completed in order to break down charges to be applied to each employer.

Timescales and Stages

Formulate reporting and recharge procedures: 2017/18 Q1/2

E4 – Staff training for WCBC payroll systems

What is it?

Arrange for staff training at Wrexham to be carried out for all ELT staff in order to navigate, run reports and collate data from each of the systems used.

Timescales and Stages

Complete training and update procedures: 2017/18 Q1/2

E5 – Establish a plan for outstanding cases

What is it?

Consider and estimate how many cases can be completed per month to show how historical cases will be cleared up in addition to maintaining business as usual.

Timescales and Stages

Review cases completed and project according to staffing levels: 2017/18 Q2

E6 – Liaise with other employers for potential agreements

What is it?

Consider capacity of the Employer Liaison Team and review the service standards being recorded against other Fund employers with a view to offering the ELT service to a wider range of employers.

Timescales and Stages

Consider current and potential staffing levels: 2017/18
Review service standards and open contact with employers: 2017/18-18/19

E7 – Review of Agreements

What is it?

Periodic review of the scope of the agreements for each employer.

Timescales and Stages

Whistle-stop review to address any issues/new requirements FCC 2017/18 Q4
Fundamental review of agreement FCC 2019/20 Q4
Whistle-stop review to address any issues/new requirements WCBC. 2018/19 Q1
Fundamental review of agreement WCBC 2019/20 Q4

E8 – Data preparation for i-Connect

What is it?

The supply (manually) of significant volumes of missing data, in order to match records between the employer’s payroll system and the i-Connect software in preparation for automatic monthly uploads going forward.

Timescales and Stages

Begin reviewing inconsistencies (FCC): 2017/18 Q4
Continuous refining of mismatches going forward (FCC): 2018/19Q1/2
Begin reviewing inconsistencies (WCBC): 2018/19 Q3/4
Continuous refining of mismatches going forward (WCBC): 2019/20 Q1/2