

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:

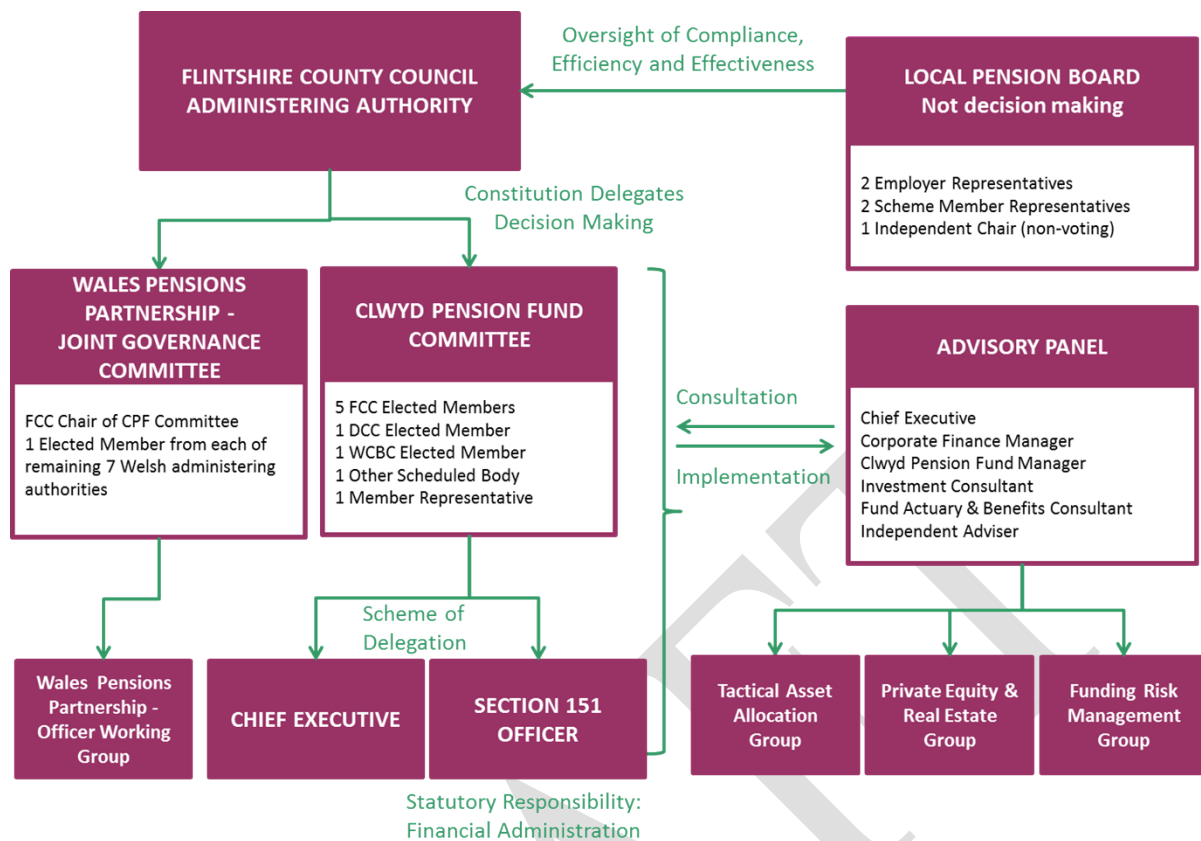
- securing compliance of Fund matters and
- ensuring the efficient and effective governance and administration of the Fund.

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

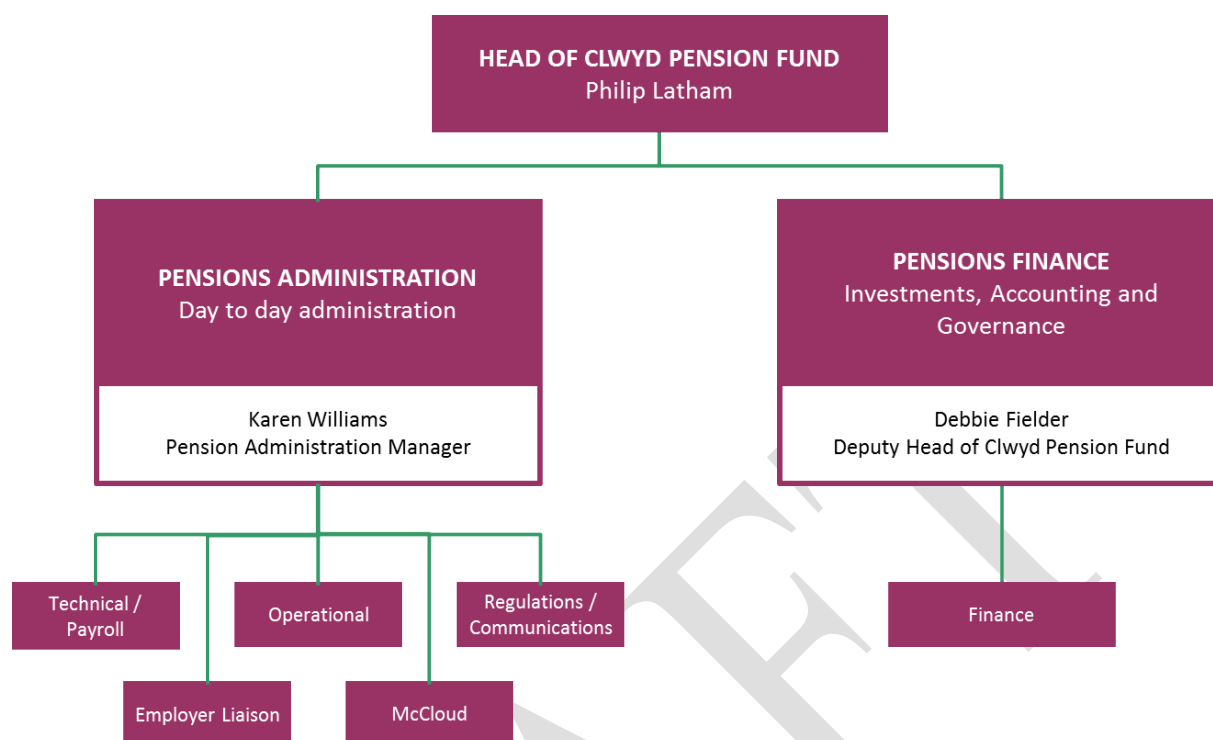
The day to day operations of the Fund are managed by the Head of Clwyd Pension Fund supported by the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager. There are two sections within the team:

- 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.
-

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.

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			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			1 - Recruit to vacant governance and business role 2 - Ongoing consideration of succession planning 3 - Continue training of new and newly promoted staff

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions			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 disinvestment 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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