

## **FLINTSHIRE COUNTY COUNCIL (As Lead Authority for the Clwyd Pension Fund)**

### **CLWYD PENSION FUND BOARD**

Minutes of the meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Administering Authority for the Clwyd Pension Fund), held virtually by WebEx on Wednesday, 30 September at 9.30 am.

#### **THE BOARD:**

##### **Present:**

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams, Mr Phil Pumford

Employer Representatives: Mr Steve Jackson

##### **Apologies:**

Employer Representatives: Mr Steve Gadd

#### **IN ATTENDANCE**

Mr Phil Latham (Head of Clwyd Pension Fund and Secretary to the Board)

Mrs Karen Williams (Pension Administration Manager)

Mrs Debbie Fielder (Deputy Head of Clwyd Pension Fund)

Mr Chris Emmerson (Aon)

#### **Actions**

##### **1. APOLOGIES/ WELCOME**

Apologies were received from Steve Gadd prior to the meeting.

The Chair proposed that considering the ongoing financial market turbulence, the board would defer the discussion on cashflow management and instead use the time to discuss how the Fund is managing the current situation.

## **2. DECLARATIONS OF INTEREST**

No new declarations were made or recorded other than noting that the Chair and Mr Emmerson would be leaving the meeting for the final item relating to the Chair's position.

## **3. MINUTES AND MATTERS ARISING**

The Chair asked for comments on the minutes of which there were none and the draft minutes of the meeting held on 8 June 2022 were confirmed as a correct record by all Board members.

## **4. ACTION TRACKER**

The contents of the Action Tracker were discussed. As previously agreed, completed actions are now removed from the Action Tracker once reported as completed to the Board.

The following comments were made on the Action Tracker:

- 70<sup>th</sup> action: Due to the complexity of the situation updates are being received periodically from WPP but it is expected that this action will continue for some time.
- 77<sup>th</sup> action: Due to the workload of the Deputy Head of Fund there has been a conscious decision to delay this action until after the production of the 2022 accounts.
- 107<sup>th</sup> action: This was discussed within the agenda item below (Item 13).
- 109<sup>th</sup> action: This was discussed within the agenda item below (Item 7).
- 110<sup>th</sup> action: The changes to the constitution have gone to the Democracy & Constitution committee for approval.

## **5. COMMITTEE INDUCTION TRAINING**

There are five new Committee members, who have been completing their induction training. Committee members have been provided with slides and reading material prior to the induction training sessions which are 90 minutes to two hours. They have now completed four sessions. The final session is on cyber resilience is likely to be in October.

All induction sessions have had at least half the new Committee members in attendance, with the recording having been provided

to those committee members who were unable to attend. Officers will follow up with members who have received the recordings to check that the sessions have completed.

The Committee and Board will need to complete a training needs analysis after induction training so that future training can be planned.

A key part of the training is ensuring committee members understand their role and in particular the fiduciary responsibility to scheme members and employers.

## **6. WORKFORCE UPDATE**

The Pensions team has completed their move to the fourth floor of County Hall. Staff are on a rota to encourage them to come back into the office. There are 28 desks, which covers about half the team per day. The Board Secretary noted that the office has a “buzz” again and the impromptu feedback was that people were positive about the new space.

Currently the accommodation at County Hall is likely to only be available for a limited number of years. The Fund will need to be clear on long term accommodation requirements to ensure that this can be built into the Council’s plans.

The Flintshire County Council hybrid working policy has not yet been issued.

The Board Secretary discussed the national picture on recruitment and noted that there are a large number of recruitment and retention issues across both the private and public sectors. At the national LGPS level, DLUHC has recognised that this area is an issue.

The Good Governance review is due to be released early next year, and DLUHC are planning to accept most of the recommendations. An additional requirement they are considering is for each Fund to issue a workforce policy. The Chair noted that it would be helpful if both SAB and DLUHC issued guidance on how to manage the challenges relating to LGPS funds being tied to local authority pay levels and evaluation policies.

The Board Secretary noted that the Council is looking at what options there are to assist with recruitment to Council vacancies. It was confirmed to the Board that workforce issues will be on the agenda at the Advisory Panel and this will be picked up directly with Sharon Carney (FCC’s Corporate Manager, People and Organisational Development who is also on the Advisory Panel).

Within the finance team, there are three ongoing vacancies. Two of those posts are new posts designed as part of the restructuring of this team that was completed a few years ago but they have been unsuccessful in recruiting to them. Currently Mercer are assisting with more of the finance work to allow the Mrs Fielder to focus on closing the Fund accounts for the year.

The key focus within the finance team now is to appoint a qualified accountant for the Fund. However, one concern is that the Council have found difficulty with recruiting qualified accountants. Separately, the job description for the governance officer vacancy has been reviewed to ensure that it is suitable and also more appealing. Mrs Fielder noted that her current plans are to retire in Summer 2024, and so that there are around 2 years to perform the training for the new accountant and ensure that team is fully resourced and able to carry out their responsibilities.

Mr Jackson noted that the Board were very grateful for Mrs Fielder providing the Fund with two years' notice of her intention to retire. He also noted that the recruitment challenge should be discussed with the Council, to ensure that the Council understands what the salary level needs to be to ensure suitable talent can be recruited to ensure continuity of the high performance of the Fund.

The Board Secretary also noted that the Council is likely to require business cases for new officer roles, as the Council moves into budgetary controls. This was a concern to the Board. They felt that the Fund should be exempt from such measures and agreed that this should be highlighted at the Advisory Panel.

***Action - The Chair put a request to the Advisory Panel that the Fund is exempt from putting in business cases for the Fund to recruit.***

*[Post meeting note – following this escalation, Sharon Carney agreed with the FCC Chief Executive that the Fund would be exempt if any such measures were put in place].*

Mrs K Williams has been reworking the administration team's job titles to attract more people, and they went to the local college to try and raise awareness with potential recruits. The Board Secretary noted that pay is an issue for some roles on the administration side too relative to the private sector.

Mrs K Williams also noted that there are 9 members of the team who are or will be in the 55 to 60 age bracket over the next few years and so there is a significant succession risk.

Chair

She also highlighted that work loads are increasing in some areas. For example, there are potentially over 10,000 members who may need further information about retirement over the next 2 years, which is a very large increase in this area. There are about 4,000 deferred members who may seek to access their benefits early. Recent experience suggests many of those eligible will take their benefits early. The positive news is that the administration team is aware of this issue thanks to the better data they now receive. The Board Secretary also noted that he was extremely pleased that the historical backlogs no longer exist which will help with the ongoing challenges.

Mrs E Williams questioned why the Council policies have to apply to the Fund given that staff are paid out of Fund assets. The Chair noted that as the Fund officers are employed by the Council, the Council's pay rates and employment policies are directly applicable.

## **7. COMMUNICATIONS STRATEGY IMPLEMENTATION**

Mrs K Williams ran through the implementation of the new Communications Strategy. She noted that the Fund had managed to recruit the new Communications Officer which had been extremely positive.

The Fund is now planning satisfaction surveys and focus groups to feed in the communications strategy implementation so that the Fund can better understand what the members want in relation to communications.

The Fund is also looking to develop short videos including one to explain the annual benefit statements which is intended to help reduce the number of queries that the Fund receives.

At this point the Fund is just asking for people to volunteer to take part in these focus groups as part of the satisfaction survey. However, if required a more direct approach to enrol participants will be taken. Mrs K Williams confirmed that there would be no payment for taking part in the focus groups.

## **8. 2022 ACTUARIAL VALUATION**

Mrs Fielder updated the Board on the progress with the actuarial valuation. There was a steering group meeting on 29 September and overall the timetable remained on track.

Valuation results have been shared with the three Councils, and there is a plan to discuss these with the college and university shortly.

The draft Funding Strategy Statement will go to the next committee after which it will be sent to the employers for consultation.

The results currently being shared are contingent on the Committee approving the Funding Strategy Statement at the next meeting. The most interesting element proposed at this point is that surpluses are being passed back to employers in a managed fashion.

## **9. TCFD CONSULTATION**

The consultation has come out earlier than expected and the officers are working on the response with help from Mercer. The consultation is focused on how the LGPS will manage TCFD and how this might differ from the private sector implementation.

The timing is relatively good for the Fund as the deadline is after the next Committee, allowing this to be discussed and approved at the next meeting.

## **10. RECENT MARKET TURBULANCE**

The Chair noted that the Board's remit does not cover what the Fund invests in and how these investments are managed. However, the Board's remit does cover effective and efficient governance of the Fund's investments.

The Board Secretary gave an overview of the governance in place for the investments of the Fund including the following points:

- The key document is the Investment Strategy Statement which is approved by the Committee.
- The ISS contains ranges for the level of investment in various assets which allows the Fund to respond, and still meet the Fund's strategy requirements, where atypical market movements mean changes in investments are necessary. The Fund also has an effective Scheme of Delegation to officers, and this is supported by professional advice from the investment advisors, who at the moment are Mercer. The Advisory Panel are also kept up to date with developments.
- The Funding Risk Management Group (FRMG) meets to discuss how to manage the situation as frequently as is needed, but at the moment that group has been meeting daily to allow the Fund to take urgent action if needed.
- There is also another group - the Tactical Allocation Group (TAG) - which meets to determine any changes to the

asset allocations with the Best Ideas portfolio. This group saw risks emerging and so held slightly more assets in cash to retain a lower risk position.

- There are also delegations from the Fund to Insight Asset Management, to manage the effect of changing interest rates. The Board Secretary takes great comfort that Insight Asset Management can close down the process in the interest of the Fund without the Fund having to take direct action.
- The Fund also has a collateral waterfall which has prevented the Fund from becoming a forced seller of assets. This collateral waterfall has worked as intended, which bought the officers' time to determine which assets should be moved into the collateral waterfall to top it back up.

The Board Secretary noted that there will be some losses to the Fund's assets because this is an unusual situation, however due to the way the structure is set up these losses won't be completely locked in, which also protects the Fund.

The officers are now starting discussions with the Fund's investment consultants, Mercer, on the review of the overall investment strategy, to determine what opportunities there are and how they ensure that the strategy stays relevant over the long term.

Despite the assets reducing, the liabilities have also fallen which has improved the funding level for the Fund. The Actuary is spending time considering what the most appropriate discount rate to use for future valuations is.

The Board thanked the Board Secretary, Mrs Fielder and the whole team for the work they had been carried out during the recent turbulence in the markets. It was also noted that the governance arrangements provide the necessary agility to allow effective management of the assets of the Fund.

The Chair noted that the key governance elements are ensuring that the right advice has been received and the right decisions have been documented. This will feed through to the update reports provided to the Committee.

The Board Secretary also noted that there may be some external criticisms of the Fund's investment strategies, and this needs to be managed as well.

## **11. ADMINISTRATION UPDATE**

The Chair invited Mrs K Williams to provide the administration update.

Mrs K Williams covered the KPIs particularly noting that these show the number of cases being completed is increasing both over the last month and over the last 12 months. The KPI's for benefit quotations have improved slightly, but this is due to enhancements to MSS allowing members to have better control of the quotes they receive. Overall, the number of cases completed is slightly lower than previous months, and this is probably due to staff holidays. Despite this, the number of cases has increased dramatically compared to the equivalent month last year.

A key area of focus is to ensure that the team manages to stay broadly on top of the number of cases being completed, to avoid the return of a significant backlog. It was noted that this work needs to be managed in a way to ensure that other projects such as the Pensions Dashboard and late pay award can be managed without a drop in the completion of BAU cases.

Mrs K Williams noted that some additional facilities have been made available on Member Self-Service (MSS), such as on-line retirement processing. However, managing member expectations continues to be needed around the speed of services which require officer input.

Mrs K Williams noted the Fund would plateau at a Common and Scheme Specific data score of around 98% as the benefit of fixing the remaining data issues is lower than the cost of the time taken to fix the issue. However, these will be categorised and prioritised, and if they can be resolved efficiently then the officers will seek to do so.

Mrs K Williams also provided updates on the employer performance reports. She also confirmed there had been no pension scams and she shared the website analytics.

## **12. MCCLOUD REMEDY PROJECT**

Mrs K Williams provided an update on the McCloud project. The Fund has a meeting with Heywood Pension Solutions to discuss the bulk upload process and data validation. The aim is to avoid as much manual intervention in the process as possible. Flintshire and Wrexham are using the ELT which is positive but she noted that some other employers are suffering from resourcing challenges.



The next McCloud project Steering Group meeting has been deferred, and instead a covering note will be issued to the Steering Group. There is an expectation that the new regulations will not be released before Christmas 2022. If there is a major change in this, the need for a Steering Group meeting will be reconsidered.

The Board confirmed that they are happy with deferring the next McCloud Steering Group meeting.

### **13. CYBER & BUSINESS CONTINUITY**

Mrs K Williams discussed the positive progress with Flintshire County Council. The questionnaire has now been completed to allow Aon's cyber specialists to assess Flintshire's cyber security resilience in relation to the systems and infrastructure that the Fund relies on. The aim is to take the results of the review to the November committee meeting.

### **14. COMPLIMENTS AND COMPLAINTS (INCLUDING IDRP)**

Mrs K Williams +noted there had been a number of positive messages received, and pleasingly no complaints raised to the Fund.

### **15. ASSET POOLING**

The Board Secretary noted that the WPP Joint Governance Committee did not take place due to the period of national mourning following the death of the Queen. The next meeting will be held on 5 December 2022. The main impact of the cancellation of the meeting is that the Fund may not be able to use WPP for private equity allocations in 2023/24 as hoped and will instead continue to use Mercer for this work in the meantime.

There are two issues with Link Fund Solutions who are the Pool's platform provider. The first is the FCA investigation of Link Fund Solutions' management of the Woodford Fund. The second is the planned purchase of Link Group by Dye & Durham.

Following the FCA's notices about the possible redress payment of approximately £300M for Link Fund Solutions, the purchase of Link Group by Dye & Durham will no longer be proceeding.

The Board Secretary noted that he is confident that assets of the Fund remain safe based on verbal assurances from WPP and the WPP advisors. The Board Secretary had also asked for assurance from WPP and their advisors on the position of Link Fund Solutions if this situation escalated, impacting business as

usual for WPP and the Fund. Assurance was given that legal advice had been sought by WPP.

However, the Board Secretary expressed discomfort in the absence of any written confirmation to Constituent Authorities of the position from the WPP.

The Chair also noted there was a risk that WPP and the Fund may see a reduction in service from Link Fund Solutions due to the ongoing uncertainty of their trading position.

The Board highlighted their concern about the lack of formal communications with assurances from WPP.

***Action - The Board asked the Chair to escalate, through the Board Chair's group, a request for additional formal communications with assurances to be issued to the Fund.***

The WPP is continuing their progress on launching a global equity sustainable investment sub-fund.

There has been an agreement that Hymans, WPP's Oversight Advisor, will gather the information about Carbon exposure to provide to Welsh Government to assist with their questions about carbon exposure and Net Zero.

There has been some progress on the appointments of Private Market allocators. Work is now being started on Property exposures across the eight funds in the WPP.

## 16. RISK REGISTER

The Chair provided a brief overview of the changes included in the latest risk register. The Board had no further comments on this area.

The Chair noted that Flintshire County Council have reviewed how they manage their risk register. Some consideration may need to be given to the risk register reporting in the future.

## 17. BREACHES LOG

It was noted that there were several new breaches relating to an employer who is facing ongoing issues providing either payment or remittances.

***Action - The Board requested that an email is sent to this employer noting that if there are any further breaches the Fund will need to report this employer to the Pensions Regulator.***

Chair

Deputy Head  
of Clwyd  
Pension  
Fund

The Board had no further comments on this area.

## **18. UPDATES FROM RECENT EVENTS ATTENDED BY BOARD MEMBERS**

Mrs E Williams gave an update on the Barnet Waddingham Pension Board event. As part of the event, she led the discussions on the TPR Code of Practice within her subgroup, and found the discussions very helpful. It was recommended that a member of the Board take part in this event again in the future.

## **19. CONSIDERATION OF 31 AUGUST 2022 COMMITTEE PAPERS**

The Board had no comments on this area.

## **20. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE**

It was agreed to raise the following points at the next meeting of the Advisory Panel:

- a) The Board's concerns about:
  - the ongoing resourcing situation of the Fund,
  - the ongoing FCA investigation and potential sale of Link Fund Solutions; and
- b) the Fund's strong governance arrangements and how this allowed the officers to manage the recent market turbulence.

***Action - Chair to raise these points***

**Chair**

## **21. PENSION BOARD EFFECTIVENESS SURVEY**

The Chair introduced the results of the Pension Board Effectiveness Survey that was run over the summer.

There are a small number of key themes: access to Pension Board information and Pension Fund documents, the format and timing of Board meetings and the feasibility of reporting information on an exception basis. It was noted that in each area concerns were only raised by one or two members.

The Chair ran through what a document management system might include and how this would help with access to information and documents. The officers put forward a proposal to use a document management tool for the ongoing McCloud project, which would allow the McCloud Steering Group to determine if the system is suitable and useful. If this group finds the tool useful then it could be extended to the Board. The immediate feedback from the Board is that this system could add real value. The Chair ran through the considerations around exception reporting. There

was a concern raised that if the officers do not share all information with the Board, then the officers are determining what is being shown. The Board determined that as an oversight board it was helpful to see all the information. However, it was agreed it was important to ensure most time is spent on discussions on the key items and less on items only provided for information.

The Chair highlighted that a briefing note could be issued with the Board agenda, as is done for the Committee. However, the Board agreed that this was not necessary for the Board meetings.

**Action - Board members did agree that the agenda should be structured to put the items for discussions at the beginning and the items for note at the end.**

Board  
Secretary

The Chair noted that the Fund has three meetings, whilst TPR suggests four. However, generally, the Boards that have four meetings do have shorter meetings. The Board considered that three meetings left them quite well spaced, but that it was not practical to cut down the agenda as most of the items are standing items. It was therefore agreed to continue with three long meetings.

The Board agreed that hybrid meetings are very difficult to manage and should be avoided. The feeling was that there should be at least one meeting a year should be face to face and that at the end of each Board meeting, the members agree whether the next meeting should be face to face, hybrid or virtual. The Board also noted that the spacing of the meetings could be improved.

**Action - The Board agreed that the next meeting on 1 March 2022 would be face to face, and that the format of all the next meeting would be agreed as part of each meeting.**

Board  
Secretary

**Action - The Board also requested that dates for Board meetings are considered for the 2023/24 Scheme year to ensure they are better spaced.**

Board  
Secretary

## 22. FUTURE WORK PLANS

The Board noted the items on the future work plan.

The Chair noted the Good Governance consultation response is expected early next year along with the TPR Single code of practice.

**Action - Add management of Cashflows and Good Governance project to the agenda for the next meeting**

Board  
Secretary

## **23. PENSION BOARD BUDGET**

Mrs Fielder noted the Pension Board budget and asked the Board to raise any questions. No questions were raised.

## **24. FUTURE DATES**

The Board were asked to note the proposed dates relating to future meetings as follows.

- 1 March 2023
- 27 June 2023.

The Board were further asked to note other meetings and training including the essential training on 5 October covering the investment strategy review, and the WPP training on Roles and Responsibilities on 19 October. Also available is the LGA Conference in Cardiff on 19 to 20 January and the Investment conference at Carden Park later in the year.

There is also PFC on 23 November and the AJCM on 13 December.

## **25. ANY OTHER BUSINESS**

There was no other business raised by the Board.

The Chair and Mr Chris Emmerson (Aon) left the meeting due to conflict of interest with item 26.

## **26. REVIEW/TENDER INDEPENDENT ADVISOR CONTRACT**

The Board Secretary asked for views and comments from Board Members on recommending to the next Pension Fund Committee the use of the two year extension period within the Independent Advisor (and hence Board Chair) contract.