

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 at the offices of Flintshire County Council, Mold, on Wednesday 1 March at 10.00 am.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams

Employer Representatives: Mr Steve Jackson

Apologies:

Member Representatives: Mr Phil Pumford

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)

Ms Morgan Nancarrow (Governance Administration Assistant)

Mr Chris Emmerson (Aon)

Actions

1. APOLOGIES/ WELCOME

Apologies were received from Steve Gadd and Phil Pumford prior to the meeting.

The Chair welcomed Morgan Nancarrow as the Fund's new Governance Administration Assistant who will be taking minutes & supporting the Fund from a governance perspective.

2. DECLARATIONS OF INTEREST

There were no new declarations made or recorded, and it was noted that all Board declarations had been recently updated.

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 the 30th September 2022 were confirmed as a correct record by all Board members.

4. ACTION TRACKER

The contents of the Action Tracker were discussed and it was noted that all the outstanding items (70, 77 and 124) were to be discussed as part of separate agenda items.

5. WORKFORCE UPDATE

Mrs K Williams has recruited the Communications Officer who has been in the role for six months. The Fund received approval for five additional pensions officers to support business as usual, and recruited 2.4 of these posts across six people with a range of ages and backgrounds and varied work experience. The new recruits have all started, with training underway.

The remaining 2.6 approved posts remain vacant, however as these were additional posts, the main structure is full. These vacancies will be picked up in a few months once the newest recruits have settled in. Additionally, a maternity leave in the team is expected in June, and this role will be backfilled temporarily by existing staff before external recruitment is opened.

The rewording of advertisements to remove the word “Pensions” and focus instead on “Administration Officer” appeared to have had a positive impact on interest in the roles and the Fund will continue with this approach.

All of the temporary contracts end on 31 March 2024 and consideration will be given to making some of these permanent as part of a structure review ahead of the 2024-25 budget.

Some of Flintshire CC’s officers from HR, IT, and Payroll who work directly with the CPF administration team are leaving the workforce which will have an impact.

Mrs Fielder has recruited to the Governance Administration Assistant role. The vacant accountant role had been advertised before Christmas at the original post grade but there were no suitable applicants. It is shortly being readvertised with a market supplement but Mrs Fielder is concerned that the pay will still be too low compared to similar roles in the private sector and other Councils.

Ideally, once this role is recruited, the vacancy for a trainee accountant would be advertised and the new trainee would shadow the qualified accountant. The Fund has requested a Graduate Trainee Accountant through the Flintshire County Council trainee scheme, however without a qualified accountant, Mrs Fielder would need to train this trainee herself.

Mr Jackson asked how the Finance team was coping with the vacancies and Mrs Fielder explained that she will be closing the Fund's accounts with support from Mercer, as they did in 2022. The roles are not expected to be filled before June 2023, and the Chair noted that the Board may wish to highlight their concerns to Committee if recruitment to the accountant role continues to be unsuccessful. Alternatives such as agency workers are not a viable option.

A discussion was had around alternative ways to draw in prospective applicants such as promoting the value of the pension scheme and enhancing the job advertisement. Mr Jackson noted that a person's interest in pension benefit typically increases with age. Mrs E Williams agreed, noting the additional impact of the cost of living crisis where for many people the immediate focus will be on having sufficient income rather than securing a retirement benefit.

Mr Latham noted a 'positive vibe' in the team which had been missed during remote working.

Mrs K Williams has been working on some succession planning and retention work for the Operations Team. Unfortunately, the qualification the Fund has always required for Team Leader roles in order to secure the appropriate pay grade is no longer available, as the course has been discontinued, and there is no alternative LGPS qualification which could cause a retention issue. 20% of the team who hold this qualification fall into the category of potentially retiring in the next five years.

Mrs Williams is looking to create a new project team (subject to Committee's approval) to protect the Administration Team's business as usual work, by supporting influx of work such as

backdated pay awards and the Pensions Dashboard. The temporary Team Leader for the proposed project team would be a job-share between two officers who, once trained, could move into other full-time Team Leader roles if the roles become available.

Mrs Williams also noted there appears to have been an increase in workloads and work is being undertaken to forecast whether this is likely to continue, to help determine if the staffing structure needs to be increased, which would allow some or all temporary posts to be made permanent.

6. MANAGEMENT OF CASHFLOWS

The Board Secretary introduced this item. Cashflow Management goes on in the background, but is a key area of risk management ensuring that the Fund has enough money to pay the pensioner payroll as well as other expenditure. Typically, this should be managed by the Fund's accountant, however Mrs Fielder is currently managing this work. With pension payments increasing 10% due to inflation, and with employer contributions decreasing due to the funding position, the Fund faces new and more complex challenges and the possibility of a negative cashflow.

Mrs Fielder explained how she prefers to err on the side of caution particularly with the Fund's heavy investments in the Private Markets asset class which has a more volatile cashflow.

Mrs Fielder presented how the Fund manages its cashflow positions and explained the components of the cashflow including a breakdown of income and expenditure. As part of the Business Plan the Fund presents a three year rolling cashflow, which is updated annually to ensure the Fund's expenses, benefit payments and external commitments to private market managers can be met.

The Private Market commitments the Fund pays can vary from under £100k to £6m. Typically the Fund is given ten days' notice when a payment is due, however this is not always the case and payments can be called in at shorter notice. Last year the Fund made £200m in new commitments, and these can be drawn down at two days' notice. This income is unpredictable, so the Fund splits commitments over an even basis across 3 to 5 years, and expects some underspends and overspends each year. Meeting with investment managers to discuss their expectations for commitments helps the Fund to plan and adjust the cashflow accordingly and this is something the Fund's Trainee Graduate Investment Officer, Ieuan Hughes, will be doing going forward.

Mrs Fielder explained how the Fund's cashflow is monitored and updated using bank reconciliation data. The Fund has two bank

accounts – a current account and a Special Interest Bearing Account (SIBA). The majority of the Fund's cash is held in the SIBA, and a daily automatic sweep clears the current account balance to £20k, keeping the SIBA at optimum balance for interest.

There are four officers with access to the Fund's bank account, and the processes involved are currently being documented with help from Mercer. On a daily basis, Finance Officers access the account to monitor, report and make payments. All payments are authorised by Senior Officers. Bank statements are received at least weekly and processed into the general ledger which is authorised by a Senior Officer.

The bank reconciliation takes place monthly and can take three to four days. The reconciliation is signed off by the Fund Accountant. Any anticipated cashflow problems are escalated.

Mr Latham noted that money is currently transferred between the Fund's account and Flintshire County Council's, and there is a long-term goal of separating some of these systems for the Fund to develop a more optimal model.

Mr Jackson noted the important role for the Fund Accountant in managing the cashflows and therefore the risk with that position still being vacant. The cashflows being negative make this even more critical. Board members all agreed the training had been extremely useful and thanked Mrs Fielder.

Action – The Board agreed that Mrs Fielder's presentation on cashflow management should be recorded in the training log and shared with the absent Board members.

**Ms
Nancarrow**

7. CLIMATE CHANGE UPDATE

The Chair noted that climate change issues are one of the biggest risks facing the Fund at the moment, and explained for context that Cllr Swash had proposed an additional climate target and the Committee voted to delay the approval of the Investment Strategy Statement for further advice to be received on his proposal. The Chair also noted that from a governance perspective the Committee challenging recommendations is an important aspect of their role, and their request for further advice before making any decisions was positive.

The Board Secretary discussed climate change as addressed in the Fund's strategies, explaining that a target for net zero by 2045 had been set along with interim targets. The Fund has begun voluntarily reporting into the public domain ahead of the TCFD requirements legally being implemented in the LGPS. This

coincides with the Committee's stronger interest in climate change issues.

There is increasing pressure from external groups. In addition Flintshire County Council have a Climate Change Committee, which has motioned for an inquiry into the Pension Fund climate performance and targets.

As part of their inquiry, the Climate Change Committee may invite Officers and Committee members to give evidence. The Board noted that the list of people to be invited to provide evidence does not appear balanced and it excludes professional experts.

The Board Secretary explained the difficulty due to Welsh Government having clear climate targets but LGPS is not devolved and therefore the responsibility of DLUHC. While the Fund's approach has been focused on decarbonising, much of the focus is on divestment from fossil fuel extractors, as opposed to divesting from companies that use those fossil fuels. There is a concern within the UK Government that if responsible investors sell shares in carbon extraction, the states that buy them could take ownership of those companies and may not continue to push them in a renewable direction. This means there is a concern that the impact of divestment may be setting transition back rather than solving the wider climate change problem.

The Chair highlighted the need for the Committee to have complete and accurate information available to back up decisions. Mrs E Williams highlighted that fiduciary duty should ultimately take precedence over all other issues and education is vital.

The Secretary to the Board highlighted the Fund has relatively little invested in extraction companies so it is reasonable to assume this would not impact the fiduciary duty as divestment is unlikely to be of great financial consequence to the Fund. However, there are practical issues around deciding which companies to divest from and defining extractors versus renewable companies when many companies do both. With the Fund moving further into the pooled position, there is also a question of how to implement divestment, unless the whole of WPP agrees to it.

A training session is planned to be held on Wednesday 3 May to improve the Committee's understanding of the Tactical Asset Allocation, how it is managed and how the Fund can make it greener, as well as the implications and practicalities of doing so. The Board agreed that it would be beneficial to hold this training face-to-face, as this would encourage active participation in finding a middle ground between viewpoints to ultimately protect the Fund.

The Board was pleased to hear positive news of the Fund's achievements in responsible investing, including the recent

success of the Stewardship Code submission, as well as being recognised in its capacity as an impact investor.

8. CARE REVALUATION CONSULTATION

Mrs K Williams delivered this item to the Board.

A consultation was published by DLUHC on 10 February 2023 to change the revaluation of CARE benefits from 1 April to 6 April. This aims to realign the revaluation date in accordance with tax calculations to limit the number of people hitting the annual allowance trigger.

This closed on 24 February leaving software providers with little time to make changes. Heywood are proposing a solution to be implemented in two phases, firstly to implement the changes and then a second phase for rectification.

The main issue relating to the CARE Revaluation Consultation is communicating this to members and the Fund will need to consider how best to deliver this. The Fund did not respond to the consultation as there was only a small time window to respond in, and the changes generally made sense. The LGA response highlighted some good practical points in their response.

9. ASSET POOLING

The Board Secretary discussed the recent announcement from Link Fund Solutions:

- Waystone Group is a company in same area of business as Link, and appears to be purchasing Link to add to their business portfolio, and while some risks persist, it does seem to be a positive development.
- There has been no explanatory note or update from the Host Authority and the actual impact on WPP.

Separately it was noted that the procurement process for the WPP Operator is ongoing, and officers will be attending an event to meet interested parties. WPP have also requested the Fund's involvement in meeting property managers.

The previous communications from WPP suggested any takeover would be a like-for-like change with no disruption to the Link Business. The Chair suggested that it would be unlikely for there to be absolutely no disruption during the transitional period, for example, whether they are sure the WPP and CPF business plan timescales will not be impacted. It was noted that WPP need to

provide more information for the Funds to answer various operational questions including:

- Will there be any changes to fees payable to Link?
- Will the new provider continue the relationship with Russell?

Action – The Board requested that officers ask the Host Authority to provide a statement on the impact and implications of the sale on the Fund and the WPP’s Business Plans.

**Secretary to
the Board**

There is some uncertainty around the timing of commitments for Private Equities and Mercer are continuing to advise on this in the meantime. Eventually, Private Credit and Infrastructure will be available through the WPP, at which point Mercer’s involvement with these investments will end.

10. BUSINESS PLAN 2023/24

The Officers gave an update on the 2023/4 to 2025/6 Business Plan.

Mrs K Williams explained that on the administration side, there was little new business with most of the focus being on business-as-usual and existing project work. Key areas included the national Pensions Dashboard, TPR new General Code of Practice and McCloud. There is also ongoing work implementing the communications strategy, including website redesign. Along with the satisfaction survey, the new branding and logo will be communicated to members to prevent confusion or suspicion of fraud, and Mrs K Williams thanked Mrs E Williams for her feedback on the planned letter. The first employer engagement session is planned for next week, replacing the networking aspect of the AJCM and providing opportunities for employer feedback.

The Board Secretary presented the key elements of the Funding and Investment update, including:

- The Investment Strategy Review which has yet to be approved by the Committee.
- Improvements in the Stewardship Code submission and TCFD report
- Other responsible investment and climate developments
- Pooling developments including the Operator procurement.

The Chair gave an update of governance topics which included the TPR General Code of Practice, the Good Governance review outcomes, work on succession planning, a training needs analysis and workloads/resource requirements. She noted that given the busy environment particularly due to external factors, the Fund is

not looking to introduce many internal developments – the Board agreed with this sentiment.

11. ADMINISTRATION UPDATE

Mrs K Williams provided the administration update.

Due to the training of new staff recruited in January, KPIs have dropped slightly as expected but outstanding cases are down. She noted ongoing high levels of retirements recalculations and 600 leavers' forms from Denbighshire County Council due to data cleansing they had done.

The Chair was concerned with the retirements data for Wrexham Borough County Council and Mrs K Williams explained that the discrepancies were caused by resourcing issues and a missed deadline, so conversations were ongoing regarding how the Fund could support them in providing the data. It was felt that for those employers struggling to meet the legal and CPF timescales, resourcing tended to be the issue, rather than lack of engagement.

Additional data cleansing will be required in advance of the Pension Dashboard being launched. The Fund will be comparing data to other data sources such as credit rating agencies to ensure not only that the fields have been filled out, but also that the data is accurate and complete. The need to communicate well with members as part of this process was highlighted. The Board Secretary commented that the Fund appeared to be ahead of the other funds in this respect, and Mr Jackson highlighted how pleasing it was to see progress was being made.

Mrs K Williams also confirmed that there had been no pension scams, and shared the Fund's website analytics with the Board.

12. MCCLOUD REMEDY PROJECT

Mrs K Williams provided the McCloud project update. The Administration Team has received all of Flintshire's data and more recently much of Denbighshire's data with a plan in place to receive the rest although this may be affected by upcoming industrial action. The Employer Liaisons Team have started McCloud work for Flintshire, and Coleg Cambria was also looking positive. The progress with smaller employers was also positive.

The SAB is expected to issue guidance which will include information on treating data inaccuracies and inconsistencies. Mrs K Williams had no major concerns, but noted the need to continue engaging with Wrexham, who were managing McCloud themselves, to ensure all the necessary data is received.

The Board approved the wording for the McCloud article in the pensioners' newsletter, which would be issued along with the pension increase and rebranding announcement.

Action – The Chair requested that the McCloud article be sent to Mr Steve Hibbert for approval, given the rest of the McCloud Steering Group had now given their approval.

**Mrs K
Williams**

13. CYBER & BUSINESS CONTINUITY

Mrs K Williams provided an update on the Fund specific incident response plan and the next round of supplier assessments.

14. COMPLIMENTS AND COMPLAINTS (INCLUDING IDRP)

Mrs K Williams noted that the Fund had received a number of positive compliments and two complaints.

- The first complaint regarded the time taken to receive a stage 2 decision as part of an internal dispute resolution due to delays by the stage 2 appointed person (not a Fund officer). This could be escalated by the member to the Pensions Ombudsman. The Board discussed the option of compensation for distress.
- The second complaint related to a member who had retired in April but passed away before making their pension benefit elections. The LGA concluded that according to the regulations, the maximum conversion was not possible under the circumstances, and the Fund sought legal advice which came to the same conclusion that the regulations should be followed. The widower has expressed intention to raise an IDRP.

Action – It was requested that the Compliments and Complaints report be distributed to Board members as these were not circulated in advance.

**Mrs K
Williams**

15. RISK REGISTER

This was the standard item as presented to the Committee, noting that the risk register had a major review as part of the Business Planning process.

16. BREACHES LOG

The Breaches Log was sent to the November Committee and there were no new significant breaches since then to highlight. It was noted that a longstanding breaching employer would be re-joining Denbighshire in the coming months.

17. UPDATES FROM RECENT EVENTS ATTENDED BY BOARD MEMBERS

The Board had no comments on this area.

18. CONSIDERATION OF 23 NOVEMBER 2022 AND 15 FEBRUARY 2023 COMMITTEE PAPERS

The Board had no comments on this area.

19. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE

It was agreed to raise at the next meeting of the Advisory Panel the importance of the Fund's need to employ a Fund Accountant especially given the cashflow concerns discussed by the Board.

The Board agreed that the Business Plan paper had already identified the concerns regarding workforce.

20. FUTURE WORK PLANS

The Board noted the items on the future work plan on page 61 of the meeting pack, and agreed the additional items for the next agenda:

- The new TCFD report set to go out to Committee in September
- The TPR New General Code
- Good Governance Project
- Workflow resourcing analysis.

21. PENSION BOARD MEMBERSHIP

The Employer Representatives on the Board have been notified that their three year tenure on their membership is over, but that this can be extended for a further two years if they wish to and have the capacity to do so.

Mr S Jackson has agreed to the two year extension and the Head of the Fund approved this. The Fund has also raised this with Mr S Gadd, and await a response.

The Chair thanked Mr Jackson for his ongoing commitment to the Board and the extremely valuable contribution he has made through the years.

22. PENSION BOARD BUDGET

Mrs Fielder noted key points and invited questions from the Board. The 2022-23 budget had been updated, and a small underspend was expected by the year end. The proposed 2023-24 budget was presented to the Board for approval subject to being approved by the Committee. Mrs Fielder confirmed any further tweaks to the budget would be shared with the Board.

Mrs E Williams asked how the return to in-person events might affect the budget for events considering the addition of travel and accommodation expenses. Mrs Fielder explained that it was originally agreed not to remove travel expenses from the budget and this has instead been shown as an underspend over the past few years while virtual events were more common.

The Board approved the proposed Pension Board Budget, and the Chair will take this as recommended unless Mr Gadd or Mr Pumford have any further feedback.

23. FUTURE DATES

At the previous Pension Board, it was requested that the spacing of Board meetings be considered to allow a more even spacing throughout the year. It was suggested to move the original schedule of February, June and November to April, early September and December. This would also involve cancelling the proposed June Board meeting. The Board was happy to trial this arrangement recognising that “mini-meetings” could be requested at any point, subject to the approval of the Board Secretary.

The Board agreed the proposed meeting dates for 2023-24, which were:

- 5 September 2023 – Northop (if hybrid required) or FCC (if all face to face)
- December 2023 – TBC*
- April/early May 2024 – TBC*

*TBC once Committee Dates confirmed in May

The next Board meeting would be held face-to-face unless any objections were raised by the other Board members. Mr Jackson noted his preference for the face-to-face format, as did the Chair.

The Board were further asked to note other meetings and training including the essential training taking place on 26 April covering the TPR Single Code, and the TAA and RI training to be held in person on 3 May which was scheduled to begin from 10.00am.

The CIPFA Annual Pension Board Conference would take place in Birmingham on 18 May which Mr Jackson and Mrs E William noted that they would be unable to attend. The Chair felt that it would be ideal to have an attendee from the Board, and noted that she may be able to attend if the remaining Board Members are unavailable. Mr Jackson would be attending the LGC Investment Conference at Carden Park on 30-31 March.

24. ANY OTHER BUSINESS

There was no other business raised by the Board.

It was noted that by September, hybrid meeting facilities may be available at County Hall, and Mr Jackson suggested that he may be able to host a Board meeting with hybrid facilities at Northop Business School should the need arise.

Action – The Chair will confirm whether a hybrid meeting at an external venue would be in line with protocol.

Chair