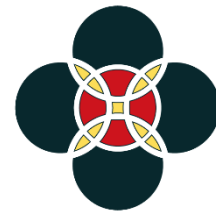


lgps

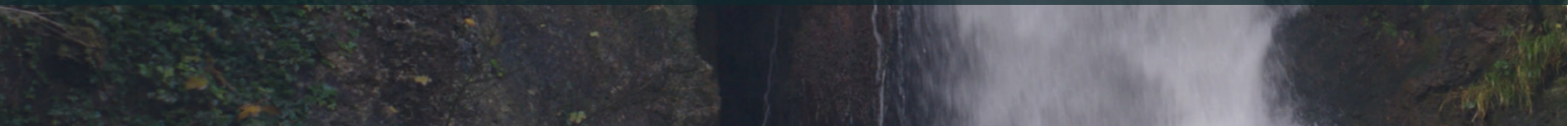
Local Government  
Pension Scheme



Cronfa Bensiynau  
**CLWYD**  
Pension Fund



# Clwyd Pension Fund Annual Report 2022/2023



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For best practice documents, please go to:

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

- Business Plan
- Administration Strategy
- Breaches Policy
- Risk Policy
- Conflicts of Interest Policy
- Knowledge and Skills Policy
- Anti-Fraud and Corruption Policy

## Section 1: Introduction to the Clwyd Pension Fund Annual Report 2022/23

Welcome to the Clwyd Pension Fund (the Fund) Annual Report for 2022/23.

The report covers in detail the activities of the Fund during 2022/23. This year saw the introduction of hybrid working for the team and it has been good to return to some “normality” after the period of remote working during/following the pandemic. The Fund has continued to operate in a secure and efficient way, and we have continued to meet the needs and expectations of our members and employers.

In the markets, it has been another challenging year with ongoing financial market instability arising from continued high levels of inflation, rising interest rates emerging from the fall-out from the mini-budget in September 2022 and the ongoing conflict in Ukraine. Against the backdrop of the market turmoil, the Actuary has undertaken their triennial valuation assessment to set contribution outcomes for employers for 2023/2026. I am pleased to confirm that the valuation showed a fully funded position and despite the market turmoil over the year, the risk management and governance frameworks established by the Fund have ensured the Fund has remained resilient to these external factors and therefore the fully funded position has been maintained.

We will continue to seek to consolidate and build on this position and work is already underway in this regard with a new Strategic Asset Allocation having been agreed towards the end of 2022/23 and implemented after the year end.

I would like to thank all those involved in the governance and management of the Fund for their continuing hard work and dedication.

I do hope that you find the report interesting and informative.

Cllr Ted Palmer

Chair of the Clwyd Pension Fund Committee

## Section 2: Summary by the Head of Clwyd Pension Fund

This section of the report highlights some of the main elements of this year's Annual Report, and explains how to use the report to find more information about the activities and performance of the Fund during the year, along with some of the challenges and risks which the Fund faces moving forward.

### Governance, Training and Risk Management

Flintshire County Council is the Administering Authority for the Fund and delegates responsibility for running the Fund to the Pension Fund Committee. The work of the Committee is supported by a Pensions Advisory Panel. In addition, a Pension Board, chaired by the Fund's Independent Advisor, assists the Committee in ensuring compliance with legislation and the Pension Regulator's requirements, in addition to ensuring efficient governance and administration of the Fund. The Committee, Advisory Panel and Pension Board have again continued to function effectively during 2022/23 through virtual meetings and a move to hybrid meetings has begun.

The Fund is required to produce an Annual Governance Statement and this is found in Section 3 of this report.

The Fund's Knowledge and Skills Policy ensures that those charged with governance including senior officers of the Fund have the appropriate knowledge and skills to ensure the Fund is appropriately managed. Attendance at training is recorded and monitored to ensure that the training is fully effective.

The risk landscape within which the Fund operates is complex and the risks that the Fund face are often a result of events outside the Fund's control. This was evident in the risks arising from the "mini-budget" in September 2022 (and prior to this, the Covid-19 pandemic). The Fund has a well-established and effective approach to risk management, including maintaining a risk register, which is regularly monitored and reported to those charged with governance.

The Governance, Training and Risk Management Report, the Independent Advisor Report and the Pension Board Annual Report are found in Appendices 1-3 respectively in this report.

### Funding

Over the year, the Actuary undertook their triennial valuation assessment with an effective date of 31 March 2022. The results of the valuation showed a material improvement in funding level, relative to that as at 31 March 2019, from 91% to 105%. This improvement enabled employer contribution requirements, on average, to be reduced following a consultation exercise with employers on the new Funding Strategy Statement and valuation outcomes. New contribution rates for employers covering the period 1 April 2023 to 31

March 2026 were certified by the Actuary in March 2023. The outcome was well received by all stakeholders as it allowed for some budgetary pressures to be eased.

A key part of the Funding Strategy Statement is the Fund's Flightpath Strategy, which is designed to provide stability of funding and stability to employer contribution rates in the long term. Whilst the extreme market events seen during the year following the "mini budget" in September 2022 posed many challenges for the Fund, the governance structure in place behind the Flightpath Strategy enabled quick decisions to be taken to increase the certainty of the Fund's risk/return profile at acceptable levels of cost.

This Flightpath Strategy will continue to be monitored and revised during the year ahead to ensure its continuing effectiveness.

Future challenges in respect of funding include:

- maintaining the strong funding level position and managing the sustainability/affordability of contributions for employers,
- continuing to manage the impact of a challenging global economic outlook, in particular high UK inflation and rising interest rates, through the Flightpath Strategy and wider portfolio,
- considering the impact of climate change on the long-term funding, building on the initial analyses undertaken as part of the 2022 valuation and the changes implemented under the Fund's Responsible Investment policies.

Overall, despite the volatility during the year the funding position was estimated to be 104% as at 31 March 2023. The funding position will continue to be monitored as part of the governance and oversight policies in place.

More details can be found in the Funding and Flightpath Review from the Actuary, which is Appendix 5 to this report.

## Investment

Investment activity operates within the objectives defined by the Investment Strategy Statement which was reviewed and updated during 2022/23. The Fund's investment objectives reflect the Fund's desire to incorporate sustainability and act as a Responsible Investor.

During 2022/23 there were periods of extreme market volatility, in particular following the "mini-budget" in September 2022. With bond yields increasing in order to combat rising inflation, the "mini-budget" saw yields increase further and had a significant impact in the valuation of the Fund's Cash and Risk Management Framework. Overall, as a result market conditions over the year, the Fund's investments returned -6.4%.

Key to the Fund's investment performance over the year was the negative return (-34.8%) from the Cash and Risk Management Framework as referred to above. The impact of such returns was limited by the diversification provided by the investment strategy, including Private Markets (+10.1%) and Hedge Funds (+0.8%). The Fund's total equity mandates

returned -2.2%, helped by the Fund's equity protection mandate. There were further negative returns from Multi-Asset Credit (-7.1%) and the Best Ideas Portfolio (-3.9%).

Given the volatility experienced in recent years, it's important to view performance in the context of the longer-term. Overall, the investments returned 9.5% per annum over the three years to 31 March 2023, compared to a benchmark of 7.5% per annum. The performance is also well ahead of the discount rate assumptions built into the Funding Strategy.

The Fund continues to support the pooling of LGPS assets, and has committed to using the WPP private markets sub-funds from April 2023. The Fund submitted its first Stewardship Report and in February 2023 achieved signatory status to the Financial Reporting Council's UK Stewardship Code.

The Fund has continued to progress significantly on work relating to the Responsible Investment Priorities in the Investment Strategy Statement (updated in 2023). In particular, the Fund continues to work towards its strategy (agreed in 2022) to achieve net-zero carbon emissions from its portfolio by 2045, with an interim target of carbon reduction of 50% by 2030. The Fund continues to deploy capital into sustainable and local investments.

Over the course of 2023/24, the Fund will be working towards establishing a framework specifically related to Responsible Investment, focusing on specific areas of exclusion, initially targeting listed equities.

Against the backdrop of continued market volatility and a changing economic outlook, the investment strategy was reviewed in 2022/23 with changes to the Strategic Asset Allocation being agreed in February 2023 and implemented post year-end. Key changes to the allocation revolved around a reduction in Emerging Market Equities and increase in Global Sustainable Equity. Also, in relation to Private Markets, the Local/Impact allocation was increased which was funded by a reduction in the allocation to Hedge Funds.

Further details of the investment activity may be found in the Investment Policy and Performance Report which is Appendix 6 to this report. The current Investment Strategy Statement can be found in Appendix 11.

## Administration

The Administration and Communication Strategies frame the work of the Fund's Administration Team. The Administration Strategy was updated in March 2021, consolidating information previously held in employer Service Level Agreements. The Communications Strategy was updated in 2021/22 (approved June 2022) and reflects advances in technology to aid communications with stakeholders.

On a day-to-day basis, the Administration Team provides a service covering the calculation and payment of benefits, transfers in and out of the Fund, the maintenance of individual members' records and communications and advice to members and employers. During the year, around 31,000 cases involving all activities across the team were completed.

In addition to this work, the team has been working on a number of projects designed to improve the quality of the service provided to members and employers:

- continuing to develop and implement a data improvement plan. Data Quality is improving and progress against the plan will continue to be monitored,
- continuing the roll out of the i-Connect system, allowing employers to directly enter and update information to the Fund's database. At 31 March 2023, 99% of member information was being updated by employers using the i-Connect system,
- improving accessibility to the Fund's website, and the quality of the website generally, including the introduction of editable forms (that can be completed by members online), the creation and uploading of explanatory videos, and also updates in early 2023 to reflect the Fund's rebranding,
- working closely with employers on compliance statements and McCloud data requirements through the Employer Liaison Team.
- collection, verification and updates to the pension system of historical data from employers as part of the McCloud Programme. The team expects to move onto benefit rectification once the underlying LGPS regulations are amended in autumn 2023.

The Fund continues to monitor performance using KPIs with six new KPIs being introduced during 2022/23. There was minimal impact on administration performance despite the significant resourcing challenges and unexpected additional work due to Government changes such as bringing forward the CARE revaluation date, ongoing McCloud requirements and employer decisions, such as backdated pay awards.

In addition to those mentioned above, the Administration Team faces a number of challenges going forward. Key amongst these are:

- continued involvement in the development of a new National Pensions Dashboard,
- responding to possible changes resulting from the Cost Management Process and the proposed increase in minimum retirement age from April 2028.

Further details of the administration of the Fund may be found in the Administration Report which is Appendix 4 to this report.

## Finance

The total net assets of the Fund (excluding cash) at 31 March 2023 were £2,200m. Total contributions for the year from members and employees together with transfers into the Fund were £98m, with benefits and other payments to members £94m. Total management expenses paid by the Fund were £29m. Investment income was £34m and the market value of the investments fell by £198m. Overall, the total net assets of the Fund reduced over 2022/23. The Fund is committed to continuing to support the Wales Pension Partnership with the intention of saving costs and improving returns on investments, and this will continue in 2023/24.

Over 2022/23, excluding fund manager fees, the Fund operated under its budget over the year. Given that fund manager fees are based on asset values and can include performance fees, the expected budget for 2022/23 was lower than actual costs. Key variances against the budget during the year were underspends on consultant fees, IT, and employee costs due to vacant positions remaining unfilled.

Further details of the Fund's finances can be found in the Fund's Statement of Accounts which is Appendix 7 to this report, and the Financial Report which is Appendix 8.

## Other information

Four key strategy statements also form part of this report. They are the Governance and Compliance Statement (Appendix 9), the Funding Strategy Statement (Appendix 10), the Investment Strategy Statement (Appendix 11) and the Communication Strategy Statement (Appendix 12).

The following documents may also be found on the Fund's website at:

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

- Business Plan
- Administration Strategy
- Breaches Policy
- Conflicts of Interest Policy
- Knowledge and Skills Policy

Overall, despite another challenging year, whilst the value of the Fund has fallen, the funding position and the service provided to our members and employers have been maintained. We will seek to continue to both consolidate and improve in 2023/24 in line with the Fund's Mission Statement.

Philip Latham

Head of Clwyd Pension Fund



## Clwyd Pension Fund Mission Statement

We will be known as forward thinking, responsive, pro-active and professional providing excellent customer focused, reputable and credible service to all our customers.

We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.

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

# Appendix 1: Governance, Training and Risk Management

## Introduction

This report covers the way in which Clwyd Pension Fund (the Fund) is governed, which includes how the knowledge and skills requirements of those charged with the governance and operations of the Fund have been met. It also details the key partners of the Fund and how the Fund approaches risk management.

The Fund has a number of governance related policies and strategies which outline the strategic governance objectives in these areas and how they will be managed and delivered. These are:

- Governance Policy and Compliance Statement
- Risk Policy
- Conflicts of Interest Policy
- Knowledge and Skills Policy
- Procedure for Recording and Reporting Breaches of the Law.
- Anti-Fraud and Corruption Policy
- Cyber Strategy
- Communication Strategy Statement

Another key document is the Fund's three-year Business Plan. The version relating to 2022/2023 to 2024/2025 was approved at the Pension Fund Committee in March 2022.

The latest versions of these documents can be found in the Strategies and Policies section of the Fund's website:

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

## Governance Structure

### Background

To carry out the responsibilities relating to the management of Clwyd Pension Fund, Flintshire County Council, as Administering Authority to the Fund, has established a formal Pension Fund Committee (the Committee), supported by a Pensions Advisory Panel (the Panel). The Committee includes both scheme member and employer representatives who have full voting rights. In performing its role the Committee takes advice from the Panel (a group of officers and professional advisors). The Committee has a scheme of delegation to officers to ensure efficient management and timely decision making on urgent matters between meetings.

It receives monitoring reports at each quarterly Committee against the Governance, Funding, Investment, Administration and Communication Strategies and progress against

the Fund's three-year Business Plan. The agenda, reports and minutes for each Committee meeting are available on the Flintshire County Council website:

<https://www.flintshire.gov.uk/>

The membership of both the Committee and the Panel are shown below.

Flintshire County Council has also established the Clwyd Pension Board (the Board). The role of the Board as defined in regulation is to assist in:

- securing compliance with legislation and the Pensions Regulator's requirements and
- ensuring effective and efficient governance and administration of the Fund.

The minutes of the Board's meetings are included in the Committee agenda papers and Board members often attend Committee, making an important contribution to debates and discussion. The Board annual report is included within this Annual Report.

Further information about the Board can be found on the Fund's website:

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/local-pension-board>

## Clwyd Pension Fund Committee

Committee Members		
Flintshire County Council	Cllr Ted Palmer (Chair)	
Flintshire County Council	Cllr Haydn Bateman (Vice Chair)	To May 2022
Flintshire County Council	Cllr Dave Hughes (Vice Chair)	Appointed Vice Chair May 2022
Flintshire County Council	Cllr Jason Shallcross	Appointed May 2022
	Cllr Ralph Small	To May 2022
Flintshire County Council	Cllr Antony Wren	Appointed May 2022
	Cllr Tim Roberts	To May 2022
Flintshire County Council	Cllr Sam Swash	Appointed May 2022
Denbighshire County Council	Cllr Julian Thompson Hill	To May 2022
Denbighshire County Council	Cllr Gwyneth Ellis	Appointed May 2022
Wrexham County Borough Council	Cllr Nigel Williams	To May 2022
Wrexham County Borough Council	Cllr Anthony Wedlake	Appointed May 2022
Scheduled Body Representative	Cllr Andrew Rutherford	
Member Representative	Mr Steve Hibbert	

## Advisory Panel

Panel Members	
Corporate Finance Manager/ S151 Officer (FCC)	Gary Ferguson
Corporate Manager, People and Organisational Development (FCC)	Sharon Carney
Head of Clwyd Pension Fund (FCC)	Philip Latham
Investment Consultant (Mercer) (to March 2023)	Kieran Harkin
Investment Consultant (Mercer) (from March 2023)	Steve Turner
Fund Actuary (Mercer)	Paul Middleman
Independent Advisor (Aon)	Karen McWilliam

## Clwyd Pension Fund Board

Local Board Members		Voting Rights
Independent Chair	Karen McWilliam	X
Employer Representative	Steve Gadd (to July 2023)	√
Employer Representative	Steve Jackson	√
Scheme Member Representative	Phil Pumford	√
Scheme Member Representative	Elaine Williams	√

## Investment Managers

The Fund has mandates with three investment managers as well the WPP Investment Solutions Provider, Russell Investments, as shown in the table below.

Investment Managers	Address
BlackRock (to October 2022)	12 Throgmorton Avenue, London
Insight Investment	160 Queen Victoria Street, London
Man Group	Riverbank House, 2 Swan Lane, London
Russell Investments (WPP)	Rex House, 10 Regent Street, London

The Fund has a number of investments with managers investing in Property, Private Equity, Private Debt, Infrastructure, Timber & Agriculture which are listed in the Investment Policy & Performance section of this report.

## Other Key Partners

Service	Address
Custodian: Bank of New York Mellon	160 Queen Victoria Street, London
Actuary and Benefit Consultants: Mercer Ltd	4 St Paul's Square, Old Hall Street, Liverpool
Investment Consultant: Mercer Ltd	1 Tower Place West, Tower Place, London

Service	Address
Independent Advisor: Aon Solutions UK Ltd	122 Leadenhall Street, London
External Auditors: Audit Wales	24 Cathedral Road, Cardiff
Bank: National Westminster Bank plc	48 High Street, Mold
AVC Provider: Prudential	121 King's Road, Reading
AVC Provider: Utmost Life & Pensions	Utmost House, 6 Vale Avenue, Tunbridge Wells
Legal Advisors: This varies depending on the issue and can include the Flintshire County Council in-house legal team as well as organisations listed on the LGPS National Legal Services Framework.	

## Clwyd Pension Fund Contact Details

Name	Post	Contact details
Philip Latham	Head of Clwyd Pension Fund	(01352) 702264
Debbie Fielder	Deputy Head of Clwyd Pension Fund	(01352) 702259
Karen Williams	Pensions Administration Manager	(01352) 702963
Pensions Administration	<a href="mailto:pensions@flintshire.gov.uk">pensions@flintshire.gov.uk</a>	(01352) 702980
Pensions Finance	<a href="mailto:pensionsinvestments@flintshire.gov.uk">pensionsinvestments@flintshire.gov.uk</a>	(01352) 702812

## Knowledge and Skills

### Clwyd Pension Fund Knowledge and Skills Policy

There is a growing need for LGPS Pension Committee members, Pension Board members and officers to have the knowledge and skills to ensure LGPS funds are appropriately managed, and decisions around their management are robust and well based. This need is being emphasised in codes of practice and guidance including by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Pensions Regulator (TPR) as well as various elements of legislation.

The Fund has a well-developed Knowledge and Skills Policy which was updated in September 2021 to reflect the latest CIPFA Code of Practice and guidance. It details the knowledge, skills and training strategy for members of the Committee, the Board and senior officers responsible for the management of the Fund. It has been created to provide a formal framework and greater transparency on how the relevant knowledge and skills are acquired and retained in accordance with the Fund's aspirations and national requirements. It aids existing and future Committee members, Board members and senior officers in their personal development and performance in their individual roles, providing a structure which

will ensure that the Fund is managed by individuals who have the appropriate levels of knowledge and skills. Details of how to access the Knowledge and Skills Policy are included in the contents page of this Annual Report.

## Training Performance 2022/23

The Fund has a Training Plan which is provided to both Committee and Board Members and details all the training to be covered during the year. Training continued to be provided to Members by virtual platforms, with plans to offer face-to-face training sessions in 2023/24. Some external conferences were held face-to-face or in hybrid format, and many providers continued to offer webinar training events which some of the Committee and Board chose to attend.

In order to monitor the knowledge and skills and identify whether we are meeting the objectives of the Fund's Knowledge and Skills Policy, we monitor and report on attendance at training events based on the following:

- Individual Training Needs: ensuring a training needs analysis is carried out at least once every two years which drives the content of the Fund's Training Plan.
- Hot Topic Training: targeting attendance by at least 75% of the required Pension Fund Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focused at a particular group of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.
- General Awareness: each Pension Fund Committee member, Pension Board member or senior officer attending at least one day each year of general awareness training or events.
- Induction training: ensuring areas of identified individual training are completed within six months of appointment.

Actual performance in 2022/23 was as follows:

- a) Individual Training Needs: The last training needs analysis was completed in the Spring of 2020, which drove the training completed over 2020/21 and 2021/22. This biennial analysis is due to take place again in autumn of 2023 to assess training needs over the next two years. Although this is outside of the two year target, it was deferred due to the Welsh local authority elections in May 2022 which impacted the membership of the Pension Fund Committee.
- b) Hot Topic Training: Of the designated hot topic training sessions, attendance has been as follows:

Course	Committee		Board		Senior Officers	
	No	% attendance	No	% attendance	No	% attendance
Communications Strategy Review	6	100%*	4	80%	4	80%
Funding Considerations: the valuation	7	78%	5	100%	5	100%
Investment Considerations: investment strategy review including asset classes	7	78%	4	80%	4	80%
Investment Considerations: Private Markets (Mercer)	7	78%	5	100%	5	100%
TCFD Reporting (Mercer)	7	78%	2	40%	3	60%

\*Reflects only six members in post at the time of the training session.

In the majority of cases the target audience was achieved and attendance generally has been more consistent than in 2021/22, though there were fewer Hot Topic sessions in 2022/23 (5 compared to 7 in 2022/23).

- c) General Awareness: Out of the combined 14 Committee and Board members, 10 attended at least one general awareness session, and 8 (57%) completed at least one day in accordance with the policy, a slight decline on 2021/22 when 10 (71%) attended at least one day. This may be in part due to time constraints on the new Committee members who were undertaking induction training and some of whom did not begin attending meetings until the later quarters of the year. Of the five senior officers, 4 (80%) completed at least one general awareness training session with two (40%) completing at least one day.
- d) Induction Training: Induction sessions were delivered for the 5 new Committee members within six months of appointment, and recordings of the sessions were made available for those not able to attend. Induction training has now been completed.

The following table details all the training provided to members of the Committee during 2022/23 to satisfy the requirements of the Knowledge and Skills Policy. This includes Committee meetings attended and relevant training sessions, conferences and seminars. Board Members also received and completed relevant training in line with the Policy, details of which are included in the Pension Board Annual Report.



Date	Event	Committee Members								Senior Officers				
		Clr T Palmer	Clr A Wren	Clr A Wedlake	Clr G Ellis	Clr J Shallcross	Clr S Swash	Clr D Hughes	Clr A Rutherford	S Hibbert	Gary Ferguson	Sharon Carney	Phil Latham	Deb Fielder
	<b>Meeting</b>													
08 June 2022	Board Meeting June 2022											✓	✓	✓
15 June 2022	Committee Meeting June 2022	✓	✓			✓		✓	✓	✓	✓	✓	✓	✓
31 August 2022	Committee Meeting August 2022	✓	✓			✓	✓	✓	✓	✓		✓	✓	✓
30 September 2022	Board Meeting September 2022											✓	✓	✓
23 November 2022	Committee Meeting November 2022	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓
13 December 2022	AJCM								✓	✓		✓	✓	✓
15 February 2023	Committee Meeting February 2023	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
01 March 2023	Board Meeting March 2023											✓	✓	✓
29 March 2023	Committee Meeting March 2023		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
	<b>Hot Topic</b>													
08 June 2022	Communications Strategy Review	✓	✓			✓		✓	✓	✓		✓	✓	✓
24 August 2022	Funding Considerations: the valuation	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓
05 October 2022	Investment considerations: investment strategy review including asset classes	✓	✓	✓		✓		✓	✓	✓		✓	✓	✓
18 January 2023	Investment considerations: Private markets (Mercer)	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓
01 February 2023	TCFD Reporting (Mercer)	✓	✓		✓	✓	✓		✓	✓		✓	✓	✓
	<b>General Awareness</b>													
20 April 2022	Unison Forum									✓				
26 May 2022	Room 151 (Property / Sustainability / Levelling up)									✓				
13 June 2022	PLSA Conference June 2022												✓	

26 July 2022	Room 151(Housing: Income Strategies / Inflation / Build to Rent / Impact)										✓						
31 August 2022	National Pensions Dashboard	✓	✓			✓	✓	✓	✓	✓	✓		✓	✓	✓		
08 September 2022	LGC Conference September 2022	✓						✓						✓			
01 October 2022	BlackRock Investment Forum									✓							
18 October 2022	LGA Fundamentals Training Programme 2022									✓			✓	✓			
01 November 2022	Mercer: Remember the 23rd Sept									✓							
01 November 2022	BlackRock Evolving Portfolios									✓							
01 November 2022	BrightTALK / Triodos: Outlook									✓							
06 December 2022	LGC: Net Zero Infrastructure									✓							
08 December 2022	LAPFF: S in ESG									✓							
08 December 2022	LAPFF: Levelling Up Panel									✓							
09 December 2022	LAPFF: Making Transition Just									✓							
19 January 2023	LGA Annual LGPS Governance conference									✓			✓	✓			
01 March 2023	Cashflow management												✓			✓	
30 March 2023	LGC Investment Conference	✓	✓			✓							✓	✓			
	<b>Induction</b>																
24 June 2022	Governance Training		✓	✓	✓	✓	✓										
20 July 2022	Investments & Flightpath training		✓	✓	✓	✓											
10 August 2022	Administration and communications		✓	✓	✓	✓	✓										
23 September 2022	Responsible Investment / Climate Training		✓	✓	✓	✓	✓										
28 September 2022	Actuarial/Funding, Accounting, Audit & Procurement		✓	✓	✓	✓											
28 October 2022	Pension Fund Cyber Security		✓	✓	✓	✓							✓			✓	
	<b>Other Wales Pension Partnership Training</b>																
22 September 2022	WPP Private Market Allocators/ Active Sustainable Equities	✓	✓					✓		✓			✓	✓			
19 October 2022	WPP Governance & Administration / Roles & Responsibilities	✓	✓		✓	✓								✓			
05 December 2022	RI for WPP / Stewardship Code / TCFD Reporting	✓											✓				

13 February 2023	WPP Stock Lending	✓											✓	✓	
27 February 2023	WPP LGPS Pools and Collaboration	✓	✓					✓	✓				✓	✓	

For the first time, Senior Officer statistics have been included in the training performance statistics above, given the Policy only came into force during 2021/22. Not all of the above events have been made available to all Members and Senior Officers.

# Risk Management

## Background

Risk management is embedded in the governance of the Fund. The Committee has approved a Risk Management Policy and a risk register is maintained. Changes to the level of risk are reported at each Committee.

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

## Significant Risks

The next few years will continue to 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, as at March 2023, were identified as amber i.e. with moderate consequences that are considered a possible occurrence, or higher, and where we were not 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)	Risk Status at March 2023	Target Risk Status	Further Action
<p>Governance (particularly at PFC) is poor including due to:</p> <ul style="list-style-type: none"> <li>a: short appointments</li> <li>b: poor knowledge and advice</li> <li>c: poor engagement /preparation / commitment</li> <li>d: poor oversight</li> </ul>	<p>Inappropriate or no decisions are made</p>	<p>Amber</p>	<p>Green</p>	<p>1: Carry out training needs analysis after induction training</p>
<p>Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers</p>	<p>Our legal fiduciary responsibilities are not met</p>	<p>Amber</p>	<p>Green</p>	<p>1: Ensure WPP due diligence process is being following in all cases for investments with potential conflict (e.g. local / Welsh)</p> <p>2: Ongoing monitoring of FCC Climate Committee motion situation</p>
<p>Externally led influence and change such as scheme change (e.g. McCloud, potential exit cap, Pensions dashboard, national reorganisation, cybercrime, asset</p>	<p>The Fund's objectives/legal responsibilities are not met or are</p>	<p>Red</p>	<p>Amber</p>	<p>1: Deliver final aspects of cybercrime risk mitigations into BAU</p> <p>2: Refresh and document business continuity assessments / procedures</p> <p>3: Establish formal project for Pensions Dashboard</p>

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
pooling, levelling up and boycotts / divestments / sanctions, Climate lobbying, Operator contract with WPP)	compromised - external factors			4: Ongoing engagement with WPP in relation to the WPP Operator 5: Ongoing consideration of resource requirements to meet external demands
Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile / FCC pay grades versus other LAs, asset pools, private sector / cost of living.	Services are not being delivered to meet legal and policy objectives	Red	Green	1: Recruit to vacant administration roles. 2: Ongoing consideration of business continuity including succession planning 3: Action plan being developed for recruitment, retention, succession planning including consideration of future work levels

## Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
<p>a: Markets perform below actuarial assumptions</p> <p>b: Fund managers and / or in-house investments don't meet their targets</p> <p>c: Market opportunities are not identified and / or implemented.</p> <p>d: Black swan event e.g. global pandemic such as Covid-19</p> <p>e: Wales Pension Partnership (WPP) does not provide CPF with portfolios to deliver the Investment Strategy</p> <p>f: Internal team do not have sufficient knowledge in order to challenge the investment managers on the advice given or understand the implications of all investment choices issues on the fund</p>	<p>Investment targets are not achieved therefore materially reducing solvency / increasing contributions</p>	<p>Red</p>	<p>Amber</p>	<p>1: Continue to monitor market conditions, underlying asset classes and investment managers either directly or via WPP</p> <p>2: Ongoing consideration of officer succession planning, including maintaining local investment knowledge</p>

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	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	Amber	Yellow	1: Continue to monitor market conditions and respond through the trigger framework 2: In conjunction with Risks 3 and 5; overall market conditions are monitored continuously
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 2. WPP does not provide CPF with the tools to enable implementation of RI policies	The Fund's long-term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.	Red	Amber	1: Implement the responsible investment plan as outlined in the business plan including a review of the current carbon reduction targets, and initial training on nature related financial disclosures. 2: Work with WPP to ensure the Fund is able to implement the Fund's RI Policy and ambitions effectively via WPP 3: Developed an RI framework to assist the Committee in its assessment of implementing the Fund's overall RI objectives



## Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
That there are poorly trained staff and / or we can't recruit / retain sufficient quality of staff, including potentially due to pay grades.	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	Red	Yellow	1: Ongoing recruitment of vacant posts 2: Action plan being developed for recruitment, retention, succession planning including consideration of future work levels and review of team structure 3: Ongoing training of recent recruits
Employers: a: don't understand or meet their responsibilities b: don't have access to efficient data transmission c: 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	Amber	Green	1: Implement new process for employers relating to service standards
Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation)	Unable to meet legal and performance	Red	Amber	1: Ongoing consideration of the impact on resources of backdated pay awards, likely national changes and Pensions Dashboards

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
changes including McCloud, Pensions Dashboards and potential exit cap, backdated pay awards)	expectations due to external factors			2: Implement and move non Business As Usual to temporary project team
Communications are inaccurate, poorly drafted, insufficient or not received (including McCloud and potential exit cap)	Scheme members do not understand or appreciate their benefits	Yellow	Green	1: Implement new communications strategy in line with 2022/23+ business plan
Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and potential exit cap)	High administration costs and/or errors	Yellow	Green	1: Appoint pension dashboard ISP in line with new national dashboard timetable
System failure or unavailability, including as a result of cybercrime or resourcing constraints	Service provision is interrupted	Amber	Green	1: Develop updated business continuity plan for CPF 2: Implement remaining elements of cyber strategy

## Appendix 2: Independent Adviser's Report

### Annual Report of Karen McWilliam



#### At a glance...

The Fund faced many challenges during 2022/23, from changes to the Committee and virtual meetings to:

- turmoil in financial markets,
- increased external interest in investments made by the Fund,
- the need to agree new employer contributions at a time of extreme pressure on budgets,
- the effect of delays in various national initiatives and associated uncertainty, and
- recruitment and retention challenges at a time of increased workflow.

The governance and risk management structure of the Fund has proved very effective in the face of these challenges, and I am delighted at the resilience the Fund has shown.

Areas of positive progress over the year include:

- new Committee members completing comprehensive induction training as they get up-to-speed on their roles,
- successful completion of the actuarial valuation,
- approving a new Communications Strategy to enhance members' and employers' experience,
- excellent progress in the area of Responsible Investment, including drafting of the Fund's first TCFD report which led to a review of the Fund's approach to climate change within its investment strategy and becoming a signatory to the Stewardship Code,
- maintaining administration performance, despite continuing increases in case numbers, and ongoing recruitment and retention challenges alongside key projects relating to regulatory changes.

So much has been achieved despite the difficulties faced, particularly with virtual Committee meetings, which are now being addressed. In my view the overall management and governance of the Fund continues to be in a very strong position.

Going forward my biggest concerns relate to the number of major projects and developments that need to be delivered in the next few years, many driven by national changes; against a backdrop of difficulties in recruiting and retaining staff (and potential retirements within the pensions team). Recent recruitment and the proposed review of the organisational structure are both extremely positive, as is the commitment and dedication of those involved, but training and retention of new staff and monitoring vacancies will be needed to ensure service standards can be maintained.

## My role

I provide independent advice to the Clwyd Pension Fund (the Fund), predominantly on governance and administration matters. This includes reporting annually to stakeholders on whether the Administering Authority (Flintshire County Council) is managing all risks.

These risks relate to governance, investments, funding, administration and communication but I am not required to be, nor indeed am I, an expert in all of these areas. In particular, the Fund has an appointed Actuary to advise on funding matters and an appointed Investment Consultant to advise on investment matters. I use my working knowledge in these areas (and close working relationship with the appointed advisers) to specifically advise on governance and risk management of funding and investments rather than on these areas themselves.

## Effective Governance

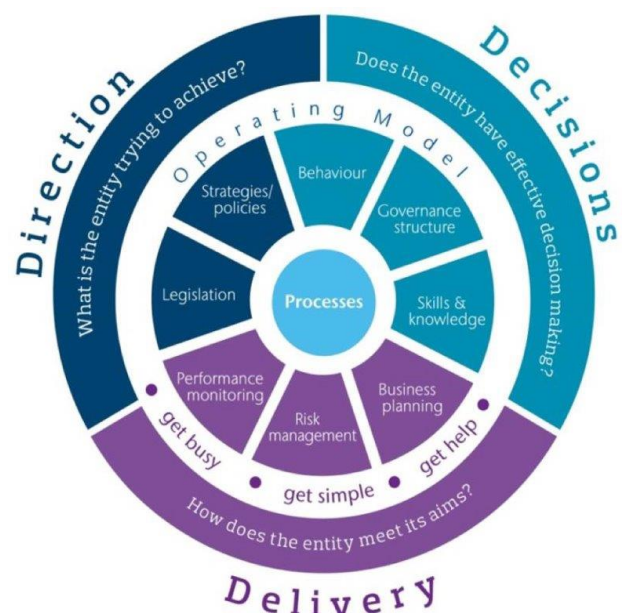
### Key Benefits

Key benefits from having effective governance in place, include:

- Robust risk management that can assist in avoiding issues arising or at least reducing their impact
- Ensuring resources and time are appropriately focused
- Timely decision making and implementation of change
- A clear view of how the Fund is being operated for the Pension Fund Committee.

The approach I take in advising the Fund is to consider its approach to governance against the Aon governance framework:

- **Direction:** having clear strategies and policies that also meet legislative requirements are fundamental
- **Delivery:** having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management, to ensure effective and efficient delivery
- **Decisions:** having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is critical.



I consider the key responsibilities for the management of the Fund in relation to each of these areas. In particular:

- the overall **governance** (i.e. management and decision making) of the Fund
- having an appropriate approach to **funding** the liabilities
- the safeguarding and **investment** of assets
- the **administration** of the scheme members' benefits and
- **communications** with the Fund's stakeholders.

This annual report sets out my views on the management and administration of the Fund and, in particular, how it has evolved during 2022/23 (April to March). It also touches on some developments that have taken place after March 2023 and highlights some of the ongoing challenges the Fund faces.

## Overall views

- The current **governance structure is well established and is working as intended**. It allows decisions to be made urgently where required and minimises the risk of inadequate governance during challenging times, such as the market turbulence experienced in the gilt market in late 2022.
- **Attendance at Committee, Board and Advisory Panel** meetings during the year has been very good. Some members expressed concern that virtual meetings and training sessions were less effective overall and more face to face meetings would be preferred. The Fund has been working with the Council to ensure Committee meetings can be held in hybrid format in future, to enable those who wish to join face to face to do so, whilst not requiring members to attend in person in line with Welsh Government requirements. Training sessions have been in person events where possible.
- The **Pension Board** continues to play an important role in the governance of the Fund. The Board report (which can be found elsewhere in the Fund's annual report and accounts) summarises the work undertaken over the year, and demonstrates both the excellent partnership between the Board, Committee and Fund officers, and the benefits the Board brings to the overall management of the Fund.
- Those involved in the management of the Fund continue to demonstrate a strong understanding of potential **conflicts of interest**, and adherence to the Fund's Conflict of Interest Policy. I am not aware of any potential conflict situations that were not notified in accordance with the Fund's Policy.
- The **risk management framework** is embedded in the day-to-day management of the Fund. Risk management across all areas is considered regularly and forms a standard part of all Committee reports. I believe those involved with the governance of the Fund have a good appreciation of the key risks and work hard to continuously develop robust internal controls where feasible.

- A wide range of **performance measures** is in place covering governance, administration, communications, investments and funding. During the year, further improvements were made to performance measures in relation to communications and responsible investing (e.g. carbon emissions). These provide assurance that issues can and will be identified in a timely manner, as well as enabling the Fund to evidence strong or improving performance in many areas. In addition, the annual review of Objective Measures for Governance Related Policies/Strategies was mainly very positive.
- The 2022/23 to 2024/25 **business plan** was approved in March 2022 and monitored throughout the year. The plan continues to be comprehensive and robust. Fund officers have done a tremendous job to deliver many of the projects and tasks in the plan, despite the uncertainties due to delays in many national initiatives.
- **Resourcing** continues to be an area of focus. I am delighted that the Governance Administration Assistant post was filled in late 2022 and the Principal Accountant role has also been filled (albeit after year-end). The Administration Team had an extremely successful recruitment drive at the end of 2022. Despite this, there continue to be vacancies throughout the team, and the high proportion of new recruits with little LGPS experience means reduced efficiency whilst training takes place. This meant there was an ongoing need to make greater use of consultants during 2022/23 to ensure the Fund’s objectives and legal responsibilities continued to be met. Work is ongoing in relation to recruitment, noting the challenges of the constraints of local authority pay structures and the limited number of people with the necessary knowledge.

Finally, I was delighted that Debbie Fielder, the Deputy Head of Clwyd Pension Fund and Karen Williams, the Pensions Administration Manager, were recognised at the 2022 Professional Pensions’ Women in Pensions awards.

In the sections which follow I set out below observations on specific developments during 2022/23 under each of the key areas.

## Governance

### Key Achievements

- Exceeding the Fund’s policy objectives in relation to knowledge and skills
- Formalising the role of the Head of Clwyd Pension Fund within the governance structure and Council’s constitution
- Continuing to implement the Fund’s Cyber Strategy working collaboratively with Flintshire County Council
- Delivery of comprehensive induction training to new Committee members

## New Committee members

Following local elections in May 2022 the Fund welcomed 5 new members to the Pension Fund Committee. My impression is that they are already contributing positively to the governance of the Fund.

## Constitution and Scheme of Delegation changes

Flintshire County Council's Constitution was updated to:

- formalise the role of the Head of Clwyd Pension Fund within the governance structure, including taking responsibility for most of the Pension Fund areas previously undertaken by the Chief Executive and,
- reflect the replacement of the Chief Executive by the Corporate Manager, People and Organisational Development on the Advisory Panel.

In my view, these changes have worked very well, and the Panel continues to play an important role in the management of the Fund.

## Progress against other key areas in the Business Plan

### Knowledge and skills

The majority of the new Committee members completed a comprehensive suite of induction courses designed around the CIPFA Knowledge and Skills framework.

More generally, Committee members have continued to enhance their knowledge and understanding through attendance at internal and external training events. I am pleased to report that the Knowledge and Skills Policy objectives for attendance were met by members at both essential and desirable (or optional) training sessions. This represents a material time commitment but is fundamental to the good governance of the Fund.

### Business continuity and managing cyber risk

The Fund has continued to implement its **Cyber Strategy**, working collaboratively with Flintshire County Council. External events over 2022/23 and since the year-end have reinforced the importance of having an effective approach to managing cyber risk in place and the Fund continues to ensure this is a key area of focus.

Work has also been ongoing to implement the key elements of the Fund's **Business Continuity** Policy and develop the Fund's business continuity plan.

### Review of appointment of Board members

I was delighted that the appointments of Phil Pumford and Elaine Williams, the two scheme member representatives on the Board, were extended up to five years. Continuity is important

for the smooth running of the Fund and their commitment to their roles has been, and continues to be, exemplary.

## Effectiveness survey of the Pension Fund Board

A survey into the effectiveness of the Pension Fund Board was completed in 2022/23. There was an overwhelmingly positive response from Board members across areas such as information provided, knowledge, skills and understanding, administration of meetings and the governance structure. In response to feedback that virtual meetings were less effective overall, the format of Board meetings is now agreed on an ongoing basis, and the March 2023 meeting was held in person.

## Review of Investment Consultant and Independent Adviser Contracts

The break point for these contracts was 31 March 2023. For both contracts the Committee considered the options and agreed to extend the contracts for two years.

## Review of governance related policies

The Governance Policy and Compliance Statement were reviewed in February 2023 and a new Fraud and Anti-Corruption Policy was approved by the Committee in March 2023.

There were a number of items which were not completed due to delays nationally, including TPR's new General Code of Practice and the SAB good governance review. These have been carried forward into the 2023/24 business plan and I believe the Fund is already well placed in these areas.

## Looking to the future

Key governance-related tasks the Fund expects to address during 2023/24 include:

- A **Training Needs Analysis** to ensure training for the Pension Fund Committee and Board is appropriately customised to their needs and any skills gaps are identified.
- Reviewing the **two scheme employer appointments to the Pensions Board**. I am delighted Steve Jackson has been reappointed for a further two years. Unfortunately, Steve Gadd is stepping down from the Board so the Fund will be seeking a replacement. Steve has been a very valuable member of the Board since his appointment and I would like to thank him for his contribution and wish him well for the future.
- A review against **the Pension Regulator's (TPR's) New General Code**. Publication of the new Code, which will replace TPR's Public Service Code of Practice, was delayed from last year and is now expected to come into force in the autumn of 2023.
- Ongoing developments in **business continuity arrangements** and **managing cyber risk**. A lot of good work has already been done and the expectation is that these will both be fully integrated into business as usual by the end of 2023/24.



- Continuing work to ensure the sustainability of resourcing key areas for the Fund. This encompasses **succession planning** in light of planned retirements and **ongoing resource monitoring** given expected national changes/initiatives the Fund will need to address, alongside increasing business as usual workloads. The Fund has to work within Flintshire County Council’s policies and changes to the team structure may be needed. Appropriate **training** will be required to ensure new recruits can fully contribute to the Fund’s activities as soon as possible as well as to enhance retention. Training new staff is itself resource-intensive so also needs to be managed.
- Implementing the recommendations from the Scheme Advisory Board’s **Good Governance review**. The Department for Levelling Up, Housing and Communities (DLUHC) is expected to publish a consultation in late 2023. The recommendations propose to extend the knowledge and skills and conflicts of interest requirements which currently apply to board members to committee members. They are also expected to require wider governance compliance reporting and perhaps an independent audit. Whilst it will be important to assess the Fund’s approach against any new requirements, I expect the Fund to be well-placed given the work which has been done in recent years.
- The Fund’s **Risk Policy** and **Business Continuity Policy** are both due for review during 2023/24. The Fund is also planning to develop a policy on Equality, Diversity and Inclusion following the publication of guidance by the Pensions Regulator in March 2023.

## Funding and Investments (including accounting and financial management)

### Key Achievements

- Review of the Funding Strategy Statement and completion of the Triennial Actuarial Valuation within the statutory timeframe, with excellent engagement with scheme employers
- Continued progress in relation to the Fund’s Responsible Investment strategy including drafting of a report in line with the principles of the Task Force for Climate-Related Financial Disclosures (TCFD)
- Acceptance as a signatory to the UK Stewardship Code and winning the Pension fund of the year award at the Environmental Finance’s Impact Awards 2022
- Effective operation of the Funding and Flightpath framework during the turbulence in gilt markets and knock-on effect on Liability Driven Investments

The Actuary and the Investment Consultant to the Fund will each produce their own report, so this area of my report focuses on *how* things are done, rather than *what* is done.

Key areas in relation to investment and funding this year have included:

- **Review of the Funding Strategy Statement and Triennial Actuarial Valuation**

The Committee approved a draft Funding Strategy Statement (FSS) in November 2022 and employers responded positively to the proposed strategy and flexibility offered in managing the sustainability of their contributions. The Triennial Valuation (including confirmation of employer contributions from 1 April 2023 to 31 March 2026) was signed off within the statutory timeframe of 12 months from the valuation date of 31 March 2022. I was really pleased to see such positive engagement from employers on what is an important exercise for the Fund and fundamental to its long-term financial security and financial risk management.

- **Review of Investment Strategy**

Minor changes to the asset allocation were approved in February 2023 following completion of the actuarial valuation and advice from the Actuary and Investment Consultant.

- **Responsible investment**

The Fund drafted its first report in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in February 2023. Reporting is not yet a requirement for LGPS funds but the discussions the draft provoked led to a review of the Fund's approach to climate change within its investment strategy. This demonstrates the governance challenge of changes to Committee membership (where new members bring in a change in view) but in my view the Fund's governance framework has successfully enabled these new views to be considered and where appropriate acted on.

The Fund successfully applied to become a signatory of the UK Stewardship Code. The Code comprises a set of 12 'apply and explain' principles for asset owners and there is a significant amount of work both in meeting the Code's requirements and completing the application to become a signatory.

The Fund was also further recognised at the Environmental Finance's Impact Awards 2022, winning the Pension fund of the year award. My congratulations to everyone involved in all of these achievements.

- **Funding and Flightpath Framework**

The Fund is unusual, in terms of its LGPS peers, in having Liability Driven Investments (LDI), which means investing in assets which generate cash to meet (or "match") some or all of the benefit payments from the scheme. There were well-reported issues with LDI investments during the year due to turbulence in gilt markets and the material spike in gilt yields following the Mini Budget in late 2022, which adversely affected the financial position of some private sector schemes. I understand from the Actuary and Investment Adviser that the Fund's Funding and Flightpath Framework worked as expected during the year and

provided the resilience needed to reduce the impact of the market turmoil, demonstrating the benefit of strong governance.

- **Pooling (WPP)**

Asset pooling in Wales, through Wales Pensions Partnership (WPP) is now well established and assets from the Clwyd Pension Fund have continued to be transitioned to WPP. I believe the Fund carries out appropriate due diligence on each transition, seeking advice from the Investment Consultant and Advisory Panel as required.

Fund officers (specifically the Head of Clwyd Pension Fund, Phil Latham, and the Deputy Head of the Fund, Debbie Fielder) and the Chair of the Committee (Councillor Ted Palmer) continue to do a great job representing the Fund at meetings of the Officer Working Group and subgroups, and Joint Governance Committee respectively. Particular areas of focus in 2022/23 included working with WPP on engagement with companies on environmental, social and governance matters, development of the sustainable equity sub-fund, and reporting on stock lending and voting. My impression is that the Fund continues to play a key part in the evolution of WPP due to the active contributions Fund representatives make and the time they commit.

During the year the Fund has monitored developments relating to the sale of the Pool's Operator, Link Fund Solutions and engaged with WPP to ensure the Committee and Board are appropriately briefed. This monitoring will need to continue, to understand the implications of the transition to Waystone Group as the expected new owner (assuming the required regulatory approvals are granted).

## Looking to the future

- From an investment perspective, refining and implementing the Fund's Responsible Investment priorities will remain the most critical element of work over 2023/24. It is a complex area and I am mindful of the demands from Welsh Government, pressure groups, employers and others to align the Fund's investment strategy with their views or to invest in particular initiatives. I am pleased at the progress which has been made in development of a framework for implementing investment decisions in relation to climate change and the engagement and constructive discussions at recent training sessions at which this has been discussed. I look forward to the conclusion of these discussions and approval of the revised Investment Strategy Statement.
- A consultation on proposals for updated pooling guidance and other changes to investments for LGPS was published by DHLUC on 11 July 2023. These include proposals to speed up the transition of assets to pools and associated reporting; a requirement to publish a plan to invest 5% of assets in local investments aligned to the Government's levelling up agenda; and a requirement to have an ambition for a 10% allocation to private equity. Whilst these are still proposals, the Fund will need to consider carefully

how to implement any new requirements in due course, taking advice from its Investment Consultant and the Advisory Panel.

- The WPP's Operator contract with Link Fund Solutions (LFS) is due to expire in December 2024. WPP has already commenced the procurement process, and the appointment criteria are expected to be shared with the Welsh funds including Clwyd Pension Fund during 2023/24. I will provide governance advice and support to the Fund during the process as required as well as monitoring developments surrounding the sale of LFS.

## Administration and Communications

### Key Achievements

- Approval and implementation of a refreshed communication strategy to enhance member and employer experience
- Minimal impact on administration performance despite the significant resourcing challenges and unexpected additional work due to Government changes such as bringing forward the CARE revaluation date, ongoing McCloud requirements and employer decisions, such as backdated pay awards
- A smooth transition to a new enhanced payroll system in time for the April 2023 pension increase

2022/23 has seen a lot of work undertaken on **workload planning and recruitment**. A number of additional posts were approved due to the volume of work, including from external developments, such as McCloud, and internal developments such as backdated pay awards. A very positive response to the recruitment drive in late 2022 led to more suitable candidates than there were vacancies. I was particularly pleased that the Fund was able to make use of an urgent delegation to avoid missing the recruitment opportunity, resulting in an influx of diverse work experience within the team in January 2023. However there continues to be a small number of vacant positions (some due to recent resignations).

The **McCloud remedy programme** team has continued its work although continued delays in DLUHC's consultation response and draft LGPS regulations meant progress during 2022/23 fell short of what had been planned. A material amount of data to allow recalculation of benefits for the remedy period has been received due to excellent communication with employers and their engagement in the process. Fund members have been kept informed and I have been pleased to see ongoing regular reporting of the progress on this programme to the Committee, Board and Advisory Panel.

In relation to **day to day workloads**, there was no let up for the pensions administration team with nearly 35,900 administration cases in 2022/23 compared to 35,150 in 2021/22. Despite the continuing resourcing challenges, the team managed to broadly maintain performance over

the year, with only a small increase in the number of outstanding cases. This is a remarkable achievement and testament to the commitment and hard work of the team.

**Key performance indicators** are monitored for the vast majority of day-to-day administration processes. Three different periods are measured and the results for 2022/23 are as follows:

- internal timescales for the administration team: 91% (increase of over 6% compared to 2021/22)
- legal timescales: 90% (no change compared to 2021/22)
- overall process time: 74% (increase of 4% on 2021/22)

It is really pleasing to see all areas either improving or staying the same, particularly given the recruitment challenges during the year.

The Fund recently ran a **communications satisfaction survey**. The results of this survey show that over 80% of members are happy with the communications they receive from the Fund with around 60% of the members rating their satisfaction either Good or Great. Employers were overwhelmingly positive about the format, wording and amount of detail included within the communications received.

## Progress against other areas in the Business Plan

Good progress has been made in key areas of the Fund's business plan, where possible.

- **Preparation of Member Data for Valuation and Funding Reviews**  
The Administration team met all timescales for submitting data to the Fund's Actuary for the Triennial Valuation. Feedback from the Actuary highlighted major improvements in the quality of the data compared to previous valuations, reflecting the benefits of employers submitting their data on a monthly basis via the i-Connect facility.
- **National Pensions Dashboard**  
The main focus for the year was on data verification in advance of LGPS information being made available to members through dashboards. Karen Williams, the Pensions Administration Manager is also part of the national Pension and Lifetime Savings Pensions Dashboard Project Team.
- **Review of Communications Strategy**  
The Fund carried out a fundamental review of its Communications Strategy. The new Strategy was approved by the Committee in June 2022 and aims to increase digital communications whilst ensuring communications are more inclusive by allowing for the diverse needs of stakeholders. It focuses on improving member experience and enhancing self-service, simplifying language and communicating more concisely, broadening delivery channels and developing a segmented approach to engagement. The Fund also launched its new logo and branding in April 2023, designed by the Fund's in-house Communications Team. I am really excited about the new Strategy and I am sure members and employers will notice improvements as it is implemented.

- **Review pensioner existence checking**  
Improvements were made to how the Fund verifies the authenticity of overseas pensioners and dependants. Given the increase in cybercrime and other fraud, continually improving processes such as this is important.
- **Conduct appropriate procurement for administration system**  
Following a market review, Heywood, the Fund's administration system provider, was reappointed until February 2028, subject to annual monitoring. This continuity is essential given the challenges of implementing the McCloud remedy and the national Pensions dashboard.

## Looking to the future

- Implementing the **McCloud remedy** remains a major programme of work, the majority of which will fall to the Pensions Administration Team. It will need to be well managed and resourced, with robust quality checks and efficiencies through bulk processing where possible. Unfortunately, the operational cost of the work including the additional resources, will be significant (and unavoidable), despite being likely to benefit only a small proportion of scheme members.
- The final connection deadline of the **National Pensions Dashboard** for all pension schemes has now been moved to 31 October 2026. It is still not clear whether the public sector scheme staging date of 30 September 2024 will remain, but in any case implementing the Dashboard will be another major project requiring significant resource from Clwyd Pension Fund in the coming years.
- I look forward to increased engagement from members as the Fund continues to implement its new **Communication Strategy**. Plans include **establishment of focus groups** and new videos, with an excellent video on how to register for member self-service already available to view on the Fund's website.
- Given these projects, the other area of key focus for the Administration Team is ensuring **day to day business as usual tasks** are not impacted. Recruitment and retention will be critical to this, including the review of the Administration Team's structure which will be carried out during the summer of 2023.

## Final Thoughts

I want to say a huge thank you to the Pension Fund Committee, Pension Board, officers and other stakeholders of the Fund for continuing to make me extremely welcome, and for being so open and receptive to my many suggestions. I remain extremely impressed and inspired by the hard work and dedication of the Fund's officers, and the commitment and engagement I see from the Pension Fund Committee and Pension Board members who continue to dedicate many hours to Committee / Board business.

DRAFT

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## Appendix 3: Pension Board Annual Report

### Introduction

- This is the annual report of the Clwyd Pension Fund Board covering the financial year from 1 April 2022 to 31 March 2023.

### Role and Membership of the Clwyd Pension Fund Board

- The Public Service Pensions Act (PSPA) 2013 requires each LGPS Administering Authority to have a local Pension Board consisting of employer and scheme member representatives. Some Pension Boards also have an Independent Chair, which is the case with the Clwyd Pension Fund Board. The Chair is a non-voting role.
- Legislation states that the role of the Pension Board is to assist the Administering Authority in securing compliance with regulations and the requirements imposed by the Pensions Regulator, as well as assisting in ensuring effective and efficient governance and administration of the Scheme. This has generally been interpreted as the Pension Board having an oversight rather than decision-making role. The Clwyd Pension Fund Board considers our role to be about partnership. We work closely with the Pension Fund Committee (the decision-making committee for the Fund) and Fund officers in the hope that the questions we ask, and the challenge and advice we sometimes provide, will assist in ensuring that the Fund is managed in the best interests of its scheme members and employers.
- Board members undertake their roles for a period of between three and five years, and may be reappointed for future terms if selected again through the recruitment process.

### Membership, meetings, training and attendance

Our Board membership during 2022/23 is shown in the table below. During the year we held three Pension Board meetings (in June 2022, September 2022 and March 2023). The March 2023 meeting was in person and the other two were virtual. Attendance was as follows:

		June 2022	September 2022	March 2023
Mr Phil Pumford	Member Representative	✓	✓	
Mrs Elaine Williams	Member Representative	✓	✓	✓
Mr Steve Jackson	Employer Representative	✓	✓	✓
Mr Steve Gadd	Employer Representative	✓		
Mrs Karen McWilliam	Independent Chair	✓	✓	✓

The meetings were also attended by the Board Secretary (the Head of Clwyd Pension Fund) and Pension Fund Officers who support the Pension Board.



As members of the Pension Board, we have all committed to meeting the requirements of the Fund's Knowledge and Skills Policy, which also ensures we meet the legal requirement to have the right level of knowledge and skills to carry out our Pension Board roles. We attended a range of events and training in 2022/23 to complement induction training undertaken on appointment. We are also invited to attend the Pension Fund Committee meetings and their training events along with training events arranged by Wales Pension Partnership.

The Fund specifies the number of Board members who are required to attend essential training sessions. The Knowledge and Skills policy currently states that 75% of Board members must attend each Hot Topic training session, as these are classed as essential training. We are pleased to report that we have exceeded that number at all but one essential training sessions since the policy was formally agreed by the Pension Fund Committee in September 2021.

Our full record of attendance at meetings, hot topic training and other events is shown below:

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Karen McWilliam
<b>Committee Meetings</b>					
June 2022		✓	✓		✓
August 2022			✓		✓
November 2022			✓		✓
February 2023		✓	✓		
March 2023		✓			✓
<b>Other Meetings</b>					
Annual Joint Consultative Meeting	✓	✓			✓
<b>Hot Topic (essential training)</b>					
Communications Strategy Review	✓	✓	✓		✓
Funding considerations	✓	✓	✓	✓	✓
Investment Strategy	✓	✓	✓		✓
Private Markets	✓	✓	✓	✓	✓
TCFD Reporting			✓		✓
<b>General Awareness</b>					
Barnet Waddingham Pension Board Event			✓		

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Karen McWilliam
LGC Conference March 2023	✓				
National Pensions Dashboard			✓		
<b>Other Wales Pension Partnership Training</b>					
WPP Private Market Allocators/ Active Sustainable Equities			✓	✓	✓
WPP Governance & Administration / Roles & Responsibilities	✓		✓		
RI for WPP / Stewardship Code / TCFD Reporting			✓		
WPP LGPS pools and collaboration			✓		
WPP stock lending					

## What has the Pension Board done during 2022/23?

Our meetings include several **standing items**, including:

- latest Pension Fund Committee papers,
- reviewing the administration of the Fund including performance against Key Performance Indicators (KPIs), including for employers, and data improvement activity,
- management of cyber security, business continuity and pension scams,
- reviewing the Fund's risk register and breaches log,
- receiving updates on all compliments and complaints, and
- monitoring of our allocated budget.

**Key governance matters** that we discussed during the year included:

- **Committee and Board membership.** We were delighted that Phil Pumford and Elaine Williams were re-appointed as member representatives, ensuring continuity at a time where there were material changes in the membership of the Pension Fund Committee following local elections. Karen McWilliam was also reappointed as the Independent Chair. The Board were also kept informed of the impact of the changes to the Committee membership following the May local authority elections (with over 50%

change in membership) and the induction training that had been provided to the new members. Unfortunately, Steve Gadd is stepping down from the Board so the Fund will be seeking a replacement. Steve has been a very valuable member of the Board since his appointment and I would like to thank him for his contribution and wish him well for the future.

- Regular updates on **recruitment and retention** within the teams. The recruitment to the Governance Administration Assistant, Communications Officer and various vacancies was very positive but ongoing vacancies within both the Finance and Operations teams continued to be of concern. The Board put a request to the Advisory Panel to work with Flintshire County Council to ensure that the Fund remained able to recruit the staff they need. We were pleased with the initial progress made in succession and workforce planning, including initial work on perceived increases in certain workloads and hearing plans to create a new project team within Operations, but retain a watching brief.
- **Management of cashflows.** We received training from the Deputy Head of the Fund on how the Fund manages its cashflows and the risk mitigation measures in place. This is an increasingly important area as benefit payments exceed contribution income and there is the risk of loss of assets via fraud or other criminal activity. This session further emphasised the need for the vacant Fund Accountant post to be filled.
- The Fund's response to **climate change.** Climate change continues to be a key area of interest for the Fund, particularly in relation to its investments. We were pleased to hear of the Fund's achievements in this area, including drafting of the Fund's first Task Force on Climate-Related Financial Disclosures (TCFD) report and acceptance as a signatory to the Financial Reporting Council's UK Stewardship Code. We have also been pleased to have the opportunity to join training sessions to oversee how the Committee, officers and advisers are considering the options around divestment and engagement as the Committee develops a framework in this area, and monitor the governance arrangements in this area.
- An **effectiveness survey** was completed by members of the Board during the year. The results were extremely positive although a small number of concerns were raised in relation to the format and timing of Board meetings, and the feasibility of reporting information on an exception-only basis due to the volume of papers. In response we ensured the structure of Board meeting agendas focussed on spending more time discussing key areas and less on items for information only. Changes to the timing of future meetings to better space them out during the year are also being taken forward and we also agreed to keep the format of future meetings (face-to-face, virtual or hybrid) under review.
- The progress of **asset pooling** through the Wales Pensions Partnership (WPP). Our focus remains on the governance of WPP. During the year we focused on the development of key policies and the WPP's Business Plan, and activity relating to the sale of the

Operator and redress payments due following the FCA investigation of the Operator. The Chair of the Board continues to attend regular asset pooling engagement meetings with the other Welsh Pension Board Chairs and officers and suppliers responsible for WPP, which allows for the views of the Fund and concerns over the WPP strategy to be expressed directly to WPP.

- The Fund's new **Communications Strategy** which was approved by the Committee in June. As a Board we remain committed to working with Fund officers to ensure the Fund has effective communications with both scheme members and employers across a range of media and we received updates on the implementation of the strategy during the year, and were pleased to be able to provide views to officers from both a Fund member and Fund Employer point of view.
- The Fund's response to **market turbulence** following the fiscal event in autumn 2022. Although our remit does not extend to investments, we were keen to understand how the Fund's governance and risk management arrangements performed when bond yields rose materially and there were strains on Liability Driven Investment (LDI) positions across private sector schemes. We received presentations from the Board Secretary which were very helpful in ensuring we were kept up-to-date and were reassured that the Fund's risk management approach, and supporting governance arrangements around robust advice and agile decision making, was working as expected.

**Key administration matters** that we discussed during the year included:

- Updates on the Fund's programme of work to implement the **McCloud judgement** at each meeting. All Board members are part of the McCloud Steering Group which has oversight of all areas relating to McCloud. We provided advice on communications for members and employers, and supported the Fund to put in place the resource required to progress this project. We have been pleased with the progress the Fund has made on the McCloud remedy programme, including receipt of and processing of data from employers, although delays to the regulations and central guidance will put pressure on funds (including Clwyd Pension Fund) to implement the remedy with effect from 1 October 2023.
- **2022 actuarial valuation.** We received updates on the progress with the valuation during the year, noting this is a key project and relies on the accuracy of the data provided. We were pleased that the project was completed in a timely fashion and there was good engagement with employers, with the valuation result itself also very positive.
- **Member cases received, completed and outstanding,** the updates on which enabled us to monitor the effect of recruitment and retention challenges within the administration teams, alongside increasing workloads. Performance overall was good given the circumstances, reflecting the hard work and commitment of the administration teams,

but there were some **key performance indicator** areas where targets were not being met on a consistent basis. We will continue to challenge the Fund on improving these areas whilst recognising that the general performance of the Fund has been very good. The process for monitoring **employer service level standards** introduced last year has also been very useful in ensuring the Fund meets legal deadlines for delivering to scheme members and we have received regular updates on this, including how the Fund is introducing a more formal process around engaging with employers who are not meeting the agreed timescales.

We continued to monitor how the Fund approaches **regulatory and other topical developments**, such as the change to the date of CARE revaluation and changes to pensions tax. We have also taken a close interest in developments relating to the National Pensions Dashboard, the good governance project and the Pensions Regulators' new General Code of Practice.

The Pension Board's budget and final spend for 2022/23 are summarised below:

Item	Budget 2022/23	Actual 2022/23	Variance
	£	£	£
Allowances and Expenses	2,363	970	(1,393)
Training	33,403	23,947	(9,456)
Advisor Fees	72,313	67,235	(5,078)
Other Costs	4,700	4,328	(372)
<b>Total</b>	<b>112,779</b>	<b>96,480</b>	<b>(16,299)</b>

## What will the Pension Board do in the future (in particular in 2023/24)?

We have a number of items on our forward plan for 2023/24, although the exact agenda and timescales will necessarily remain flexible to consider any further matters that may arise. The following are already on our work plan for the forthcoming year:

- Ensuring that the Fund is compliant with TPR's Single Code of Practice and the Government's Good Governance regulations and guidance that that are expected to come into force during the year.
- Analysis of cases numbers, to feed into the review of the Administration Team structure and resource numbers.
- Considering the Fund's TCFD report for the year to 31 March 2023, particularly in relation to how understandable it is for all stakeholders of the Clwyd Pension Fund
- Further consideration of ongoing areas, including:
  - The McCloud remedy programme
  - Engagement with employers failing to meet service standards
  - The National Pensions Dashboard
  - Business continuity

- Cyber security and the resilience of the Fund's systems
- The governance of asset pooling and the sale of the WPP Operator
- Monitoring of both the administration team and finance team resources.

A budget for 2023/24 has been agreed as follows:

Item	Budget 2023/2024
	£
Allowances and Expenses	2,130
Training	28,575
Advisor Fees	75,375
Other Costs	4,700
<b>Total</b>	<b>110,780</b>

## Conclusion and final comments

In our view 2022/23 has been a successful and productive year for the Board, and we are pleased with the work we have completed, which has covered a wide range of Fund management areas. We continue to have an excellent working relationship with the Pension Fund Committee and the Fund's officers and are grateful for the way they have all embraced our involvement and for their openness in their interaction with us. We would like to thank the Committee for welcoming us to their meetings, which helps us put the challenges and successes of the Fund much more easily into context. We look forward to continuing that relationship.

Phil Pumford, Member Representative

Elaine Williams, Member Representative

Steve Jackson, Employer Representative

Steve Gadd, Employer Representative

Karen McWilliam, Independent Chair

**Clwyd Pension Fund Board**

**E-mail address:** [PensionBoard@flintshire.gov.uk](mailto:PensionBoard@flintshire.gov.uk)

## Appendix 4: Administration Report

### Introduction

This section of the report describes the way in which the Fund delivers its administration related services to members and employers. It identifies current and potential future challenges and explains the way in which the Administration Team is meeting them. The report also includes Key Performance Indicator information, satisfaction survey results and some information on the membership of the Scheme.

The work of the Administration Team is driven by the Fund's Administration and Communications Strategies.

Our Pensions Administration Strategy ensures that both the Fund and the employers are fully aware of their responsibilities under the Scheme and outlines the performance standards they are expected to adhere to, to ensure the delivery of a high-quality, timely and professional administration service.

Our Communication Strategy was approved in June 2022. The Strategy outlines how we communicate with scheme members and prospective members, scheme employers, the Clwyd Pension Fund Committee, the Clwyd Pension Fund Board, Clwyd Pension Fund staff and other interested organisations.

The chosen methods of communication are monitored and reviewed to ensure they are effective. The main means of communication with the above stakeholders are outlined in the Communications Strategy focusing on ensuring communications are more relevant to the audience and the use of technology to provide quicker and more effective communication. The Communication Strategy and Pensions Administration Strategy are available to view on the Fund's website.

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

### How our service is delivered

The Clwyd Pension Fund has transitioned from fully home working during the Covid-19 Pandemic to a hybrid combination of both home and office working. The day-to-day administration service is provided by the Pension Administration Team which consists of a total of 49.7 Full Time Equivalent (FTEs) members of staff including a Pension Administration Manager.

It is split between:

- an Operational Team
- a Technical and Payroll Team

- a Regulations and Communications Team
- an Employer Liaison Team (ELT)
- a McCloud Team (temporary project team)

It is separate from the Finance Team which manages the Fund's investment portfolio, collects pension contributions from employers and maintains the Fund's accounts.

The Operational Team delivers a pensions service for over 50,000 scheme members. This includes the calculation of various benefits, transfers in and out with other pension arrangements, refunds of contributions and maintenance of individual scheme member records. The Team not only calculate pensions for members but also survivor benefits to spouses, civil and cohabiting partners and children.

The Technical and Payroll Team implements and maintains the pension software systems (including the on-line facilities of Member Self-Service, and I-Connect for employer data uploads), collects and reconciles member data from all Fund employers and provides a pensioner payroll service for over 15,000 pensioners and dependents paying more than £6 million per month.

The ELT provides assistance to Fund employers in providing accurate and complete notifications to the Fund ensuring business as usual responsibilities are met in addition to ad hoc project work. The Regulations and Communications Team provides guidance on regulatory matters to all stakeholders and a communication service for Scheme members and employers.

## Summary of Activity

In addition to this day-to-day work during 2022/2023 the Pension Administration Team has been managing other major pieces of work and projects as described below.

### Data Quality

Data quality requirements are embedded in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations in 2014 and The Pensions Regulator (TPR) has oversight of this area within the LGPS. The Administration Team collectively work to the data improvement plan in readiness for the annual review of common and scheme specific data, the results of which are reported to TPR. The effect of the time and effort that is dedicated to ensuring good data quality has led to improved common and scheme specific data scores over recent years (see table overleaf).



	Common Data %*	Scheme Specific Data %*
2022 / 2023	98	98
2021 / 2022	98	98
2020 / 2021	97.7	97.3
2019 / 2020	97.4	97.2
2018 / 2019	96.8	92.7

\*The score is the % of data that has met specific targets set by TPR in relation to Common Data (NINO, Name, Address etc.) and Scheme Specific Data (Member benefits, Member details, His Majesty's Revenue and Customs (HMRC) details etc.). The score is reported back to TPR and a data improvement plan is put in place to improve scores where it is relevant to do so.

### Key Performance Indicator Monitoring

The Fund measures and reports monthly performance to ensure timescales are being met, as set out in the Fund's Administration Strategy. The Fund currently measures 13 categories of workflow, separately considering timescales in relation to legal requirements (where appropriate), the overall member experience and the Fund's internal target.

Monthly employer reports are produced to assist with identifying employers who have or have not met their Service Level Agreement timescales. This measure has helped the Fund and employers understand what is being achieved and where improvements are required. A review of these reports is currently underway along with the escalation process in place if timescales are not being met. The review will provide reassurance to the Fund and employers that the reports correctly reflect the monthly activity and will help to identify any issues.

### i-Connect

In 2022/23 the Fund continued to roll-out, to its employers, the electronic data system i-Connect. i-Connect ensures timely and more accurate data is provided to the Fund and replaces the requirement for employers to submit a year end return. The functionality includes the notification of new starters, leavers, name changes, address changes and job changes. The system allows member details extracted from their employer's payroll systems to be directly uploaded to the Funds administration system on a monthly basis. Currently 54 out of 55 employers submit data relating to active members via i-Connect. The last remaining employer is transitioning to a new payroll provider and part of that process includes on-boarding to i-Connect. Training is provided to all new employers to the Fund as they are required to submit data via i-Connect as detailed in the Administration Strategy.

### Clwyd Pension Fund Website

The Clwyd Pension Fund website contains information about the Fund and the Scheme for both current and prospective members along with information for Fund Employers. The website

address is <https://mss.clwydpensionfund.org.uk/> All the Fund's policies and strategies as well as information on the investments of the Fund are available on our website.

Within the website (which includes access to the Member Self Service portal) there are multiple sections to help users navigate their way around and to find the information which they are looking for. Users can download Scheme literature and forms from the website. All forms, guides and factsheets were rebranded in early 2023 in preparation for our rebrand date of 1 April 2023. The suite of member forms that require completion within a process are being made editable to allow members to complete them on-line if they wish. This enhanced functionality has improved the efficiency and timeliness of processes and members have responded positively to the changes.

Through Google Analytics, the Fund can monitor and generate quarterly reports to establish how many visits our website has had and what information members are interested in by identifying the pages members visit. The Fund has recently started to create and upload explanatory videos to our website: <https://mss.clwydpensionfund.org.uk/home/help/guidance-videos/> The number of views that the videos achieve along with the analytical data mentioned above are included in the report pack provided to Pension Board.

In line with the website accessibility regulations, public sector websites are required to meet national accessibility standards and to publish an accessibility statement on their websites. To meet the government's requirements, websites must achieve level A of the Web Content Accessibility Guidelines (WCAG 2.1). This means that websites should be accessible to people with impairments to their vision, hearing, mobility and thinking and understanding. Accessibility should also be considered for those visiting websites via a tablet, mobile phone or other devices. WCAG 2.2 was due to be released in September 2022 but this was delayed. It is thought that the new regulations may come into force by the end of 2023.

To ensure our compliance with WCAG, the Fund continues to work with a company who provides reporting software which allows each page on the Fund's website to be automatically analysed on a weekly basis. This weekly report shows our scores in relation to certain areas within website accessibility:

- Digital Certainty Index
- Quality Assurance
- Accessibility
- Search Engine Optimisation

The reports allow us to see where our scores can be improved and where areas of the website need to be amended or fixed in order to be compliant.

The table below shows 31 March 2023 scores compared to 31 March 2022 scores. As you can see the scores are slightly lower than 2022. This is due to website maintenance being

undertaken as part of the rebranding exercise. The scores have improved since then and continue to be monitored.

	31/03/2022	31/03/2023
Digital Certainty Index	93.18%	90.63%
Quality Assurance	98.88%	98.87%
Accessibility	95.67%	90.84%
Search Engine Optimisation	84.98%	82.24%

## Member 1-2-1 Sessions

The member 1-2-1 sessions are no longer held as a one-off annual event. Instead, they are available all year round as and when members ask for one. They can take place either:

- By phone
- Face to face
- Virtually via Microsoft Teams

For 2022/2023, the Communications Team met with both active and deferred members. Below are the statistics for 2022/2023:

<b>No of 1-2-1 appointments booked (active members)</b>	57
<b>No of 1-2-1 appointments booked (deferred members)</b>	2
<b>No of 1-2-1 appointments booked (member was both active and deferred)</b>	11
<b>No of 1-2-1 appointments booked (TOTAL)</b>	<b>70</b>
<b>Members attending their scheduled appointment</b>	67
<b>Members not attending their scheduled appointment</b>	3

## Employer Liaison Team (ELT) Services

The ELT continues to work closely with those employers that require its assistance to best achieve the Key Performance Indicators (KPIs) within the Administration Strategy. This includes reviewing processes, providing, and receiving feedback on areas for improvement.

During 2022/23 the ELT has seen a small increase in staff in order to manage the day-to-day workflow alongside the additional project work involved for the successful completion of the McCloud Programme. The team are also required to provide member data in preparation for the Annual Allowance tax calculations, year-end anomalies, and Assumed Pensionable Pay calculations for each of its employers.

The team has become proficient in navigating, understanding, and extracting data from multiple payroll systems, and as such has been involved in the build and design of additional

functionality and reporting capabilities within existing payroll systems. This has included updating current reports to collate accurate information required for the McCloud Programme and i-Connect files going forward.

## Scheme changes and national developments affecting administration and communications

### McCloud Remedy Case

The Court of Appeal ruling in the McCloud court case determined that the protections given to older members on the introduction of the new CARE schemes for Firefighters and Judges in April 2015 were unlawful age discrimination. The case impacts other public service pension schemes including the LGPS where the new CARE scheme from April 2014 included a statutory underpin for older members. The Ministry for Housing Communities and Local Government (MHCLG) (now DLUHC) issued a consultation in July 2020 setting out its proposals for implementing the McCloud judgement in the LGPS. The remedy proposals of the 2020 consultation focused on the removal of any direct age discrimination from the onset of the 2014 scheme. An additional consultation was issued in June 2023, which in the main, seeks feedback on proposals about combining and transferring pensions in order to qualify for the underpin adjustment. It is hoped that these additional proposals will help to alleviate some of the administrative complexities in this area. This consultation ended on the 30<sup>th</sup> June 2023, and the final changes to the scheme rules are still expected to come into effect on 1 October 2023.

From an administrative perspective, the impact of the court case is expected to result in a change to how benefits are calculated for many scheme members. A comparison will be made between old and new schemes, ensuring that benefits paid in the new scheme are equal to or better than those of the old. The change to the scheme rules will mean that younger members will receive benefit protection equal to the underpin protection already given to older members. It is unlikely that there will be a significant number of members who will see an increase to their pension. The retrospective remedy will, however, extend to a large proportion of Fund members, and will involve changing administrative processes, updates to systems and require effective member communication.

The Fund has established a McCloud Programme team to implement the remedy for the Clwyd Pension Fund. In 2022/2023 data collection, verification and updates to the pension system of historical data from employers has continued. Some software updates have been made to accommodate the additional information required to allow bulk benefit comparisons to take place. The McCloud team are expected to be able to move on to individual benefit rectification when the new regulations become available in Autumn 2023. A tentative end date for the McCloud project is proposed as March 2024, when retrospective adjustments are hoped to have been completed, and the new scheme rules have been embedded to become “business as usual”.

## National Pensions Dashboard

The National Pensions Dashboard is being implemented to allow all pension savers in the UK access to view the values of all their pension pots, including state pension, through one central platform. All pension schemes must connect to the dashboard infrastructure by their “staging date” as determined by the Department for Work and Pensions (DWP) with the dashboards made publicly available shortly after schemes have onboarded. The staging date for all public sector pension schemes including the LGPS was 30 September 2024. However, in March 2023, the Pensions Minister announced delays to the delivery of Pensions Dashboards. On 8 June the Minister issued a statement setting out further details of the delay. Details are set out below.

- Legislation will be updated to set an overall connection deadline for all schemes, which will be 31 October 2026.
- The individual connection deadlines for schemes will be set out in guidance and will be before the final deadline of 31 October 2026. DWP is planning to collaborate with the industry this year before publishing this guidance.
- The date that Dashboards will go live to the public (Dashboards Available Point) has not been announced yet, but the Minister has said that this could be earlier than 31 October 2026. This indicates that Public Sector Schemes will have an earlier staging date than 31 October 2026.

The Pensions Regulator has set out guidance on what schemes need to do to prepare and this was updated on 8 June. There is an expectation that schemes should continue with their Dashboard preparations despite the potential changes to staging dates. In response to this the Administration Team is looking to create a Project Team which will undertake the work required for the Fund to be prepared to onboard when the staging date is confirmed. The Pensions Administration Manager continues to attend regular meetings with both Heywood (the administration software provider) and the Pension and Lifetime Savings Association (PLSA) as part of a PLSA project team.

## Budget and Tax Implications

The Budget on 15 March 2023 announced the removal of the lifetime allowance which will be abolished completely from April 2024, albeit lifetime allowance charges were removed from April 2023. The annual allowance has also been increased from £40,000 to £60,000 from April 2023. As well as being welcome by scheme members who would be impacted by these allowances, these are helpful for the Fund’s administration team as it is likely they will have a small reduction to workloads in this area. As with all changes, there will need to be some updates to the Fund’s administration processes to implement the changes.

DLUHC consulted on draft regulations which will make changes to try to avoid members of the LGPS being exposed to an Annual Allowance charge due to a mismatch between the Consumer Prices Index (CPI) figure to be used for scheme revaluation (which for 2022/23 is 10.1%) and the

CPI figure by which a pension can grow without contributing to an individual's Pension Input Amount (PIA) for the 2022/23 tax year (3.1%). The consultation closed on the 24 February 2023 and DLUHC have confirmed that the change will now proceed with amendment regulations being made shortly.

## 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 changes that are detailed below. These explanations are based on the situation in June 2023.

### Cost Management

Public Sector Pension Schemes (including the LGPS) were designed to ensure sustainability for 25 years. The design included a cost management mechanism and at the 2016 valuations the lower threshold within that mechanism (i.e. the cost floor) was deemed to be breached which suggested member benefits would need to increase or their contributions reduce. Following the McCloud judgement, Government announced that any additional McCloud costs would fall to be deemed “member costs” within the cost management mechanism. In June 2022 they confirmed that there will be no changes to member benefits or contributions on account of the 2016 exercise. However the Trades Unions have been granted permission for a Judicial Review of the decision to allocate McCloud costs to members and the results of the Judicial Review could change the outcome of the 2016 cost management process.

In relation to the 2020 cost management process, on 24 June 2021 the Chief Secretary to the Treasury published a Written Ministerial Statement announcing publication of a consultation on proposed reforms to the cost control mechanism for Public Service Pension Schemes following the publication of the Government Actuary’s review of the mechanism. On 4 October 2021, HM Treasury released their response to the consultation confirming that there will be changes to the mechanism from the 2020 scheme valuations. On 30 January 2023 DLUHC published a consultation to amend the LGPS SAB cost management process which operates in addition to the Treasury process. The consultation closed on 24 March 2023. Whilst the Government Actuary’s Department has begun collecting data for the 2020 cost management valuations it is not yet known if any changes to member benefit or contributions flowing from the 2020 exercise will be required. The widening of the corridor in the HMT process is intended to reduce the likelihood that changes will be required, and the proposals for the LGPS SAB process include introducing greater flexibility for the SAB in determining its recommendations on cost (the current Regulations require that recommendations to bring the cost back to the target must be made under the SAB process if costs have changed by 2% of pay or more).

From an administrative perspective, should there be changes to member benefits and/or contributions as a result of the 2016 or 2020 cost management process, this could have a

significant impact on administration processes and systems as well as requiring a robust communication exercise with employers and scheme members.

## Exit Payment Reform

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 2021. In August 2022, HMT issued their consultation on Public Sector Exit Payments which closed on 17 October 2022 seeking views on a new administrative control process for public sector exit payments over £95,000, and amendments to the process for special severance payments. The outcome of the consultation response is not yet known but whilst the consultation related to staff working in central government some LGPS employers could be affected. It is unclear at this stage when we may hear more on wider reform of exit payments and conditions around how LGPS benefits are paid. Bodies under the devolved administrations were not covered by HMT's most recent consultation and Welsh Government might implement a different approach to meeting any exit cap requirements for public sector employers in the Fund.

## Increase in minimum retirement age

In February 2022 the Finance Act 2022 received Royal Assent. The Act implements previous proposals to increase the normal minimum pension age from 55 to 57 in April 2028. This change is designed to maintain a 10 year gap between minimum retirement age and state pension age, as confirmed as part of Government policy in 2014. The Finance Act does provide for protected pension ages for members meeting certain conditions, but for this protection to apply the LGPS regulations must be amended accordingly and currently there has been no indication from DLUHC whether they intend to make these changes.

In the meantime, the Fund needs to keep a note of any protected pension ages to which new members may be entitled, which will generally be due to existing scheme membership or a transfer-in from another pension arrangement.

## Harpur Trust Vs Brazel Supreme Court Judgement

On 20 July 2022 a Supreme Court Judgement case Harpur Vs Brazel was published. This case relates to the calculation of holiday pay for part-year employees and employees who work irregular work patterns, with the final judgement meaning that employers should now consider revising how pay is calculated for part-year employees. Part-year employees are expected to include employees on term-time only and zero hours contracts.

While this is primarily an issue for employers, there will be some implications for the LGPS. Firstly, it seems likely that part-year only employees will see an increase in their pay and it would appear this increase will fall within the definition of pensionable pay. This could have

knock-on implications for the calculation of employer and employee pension contributions, particularly for education-based employers who are likely to have large numbers of term-time employees, increasing CARE pay. Secondly, increases in pay could also increase the amounts of final salary benefits for those employees affected. Thirdly, there's the possibility that affected employees will be able to submit claims in relation to previous years, which could lead to pension benefits (including career average benefits) having to be further recalculated.

There are potential resource implications for administration teams (and employers in collecting historical contributions and providing historical information to the administering authorities).

## Strategy Measures

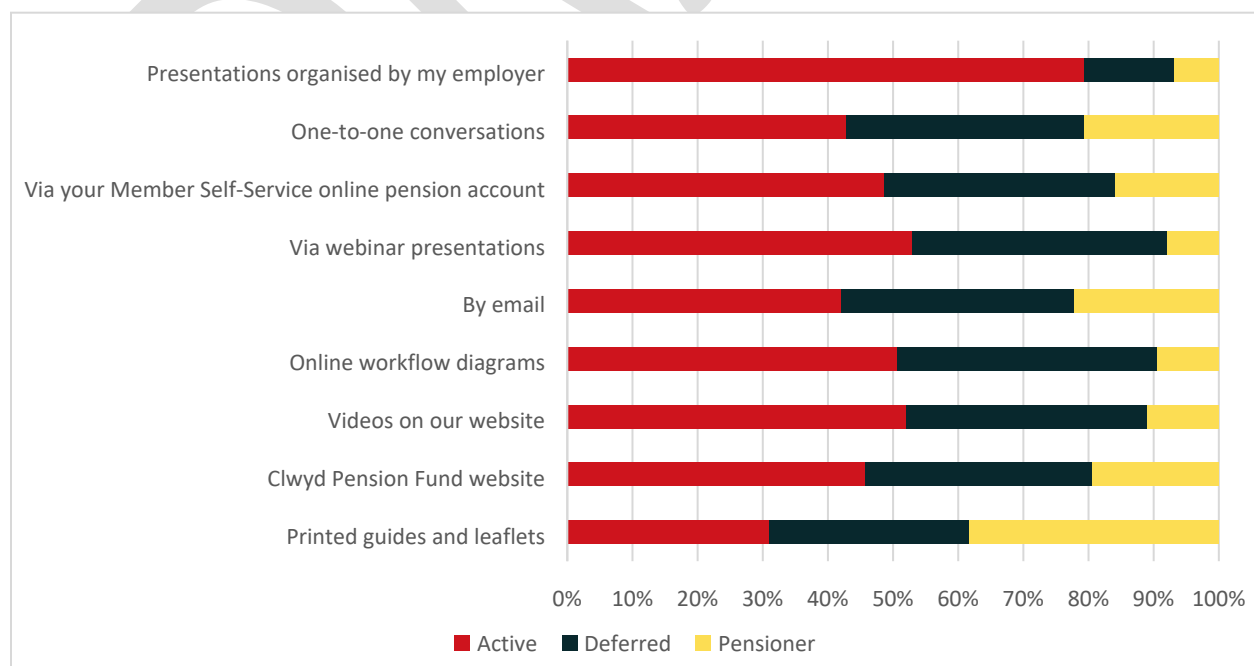
### Member and employer feedback 2022/2023

The Fund carries out satisfaction surveys with members and employers to receive feedback on whether we are achieving our aims and objectives as set out within the Fund's Administration and Communication Strategies.

### Results of member survey

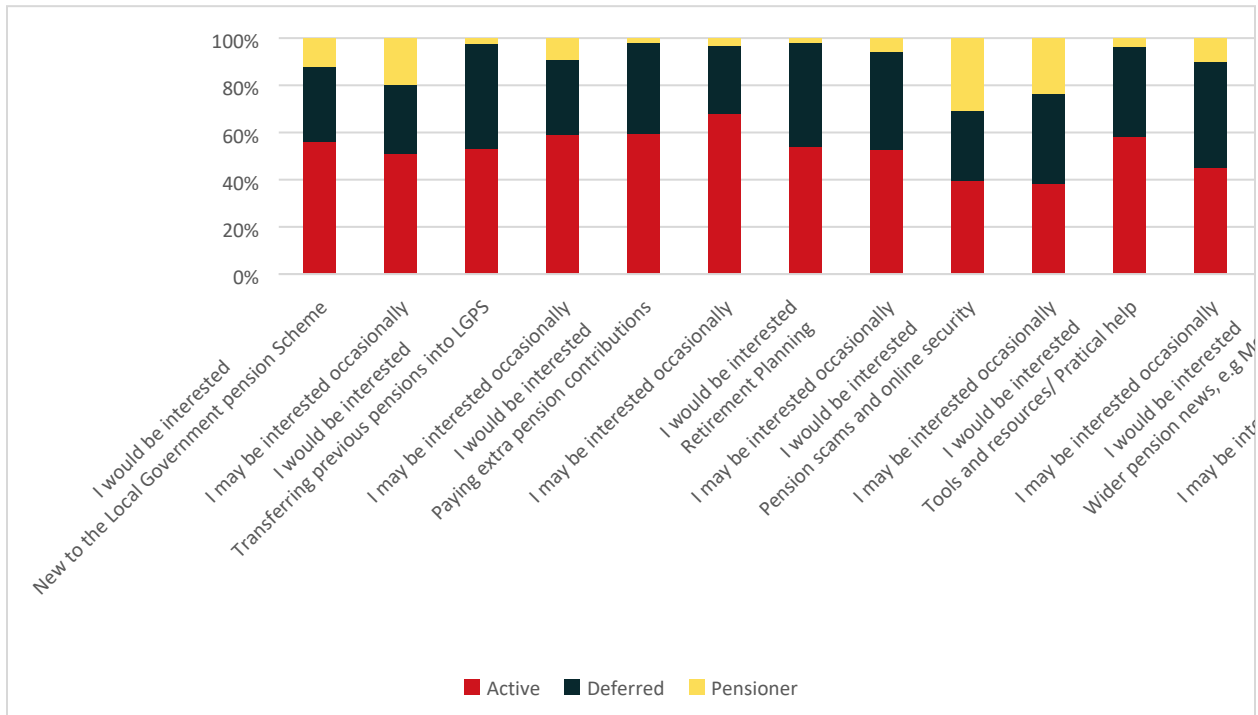
The graphs below represent the results from the surveys and show how we are performing from a member perspective with regards to increasing awareness and understanding of how both the Scheme and Fund works. The results are also a good tool for us to monitor how we are maintaining and building positive experiences for both members and employers.

### How would you like to receive information about your pension?

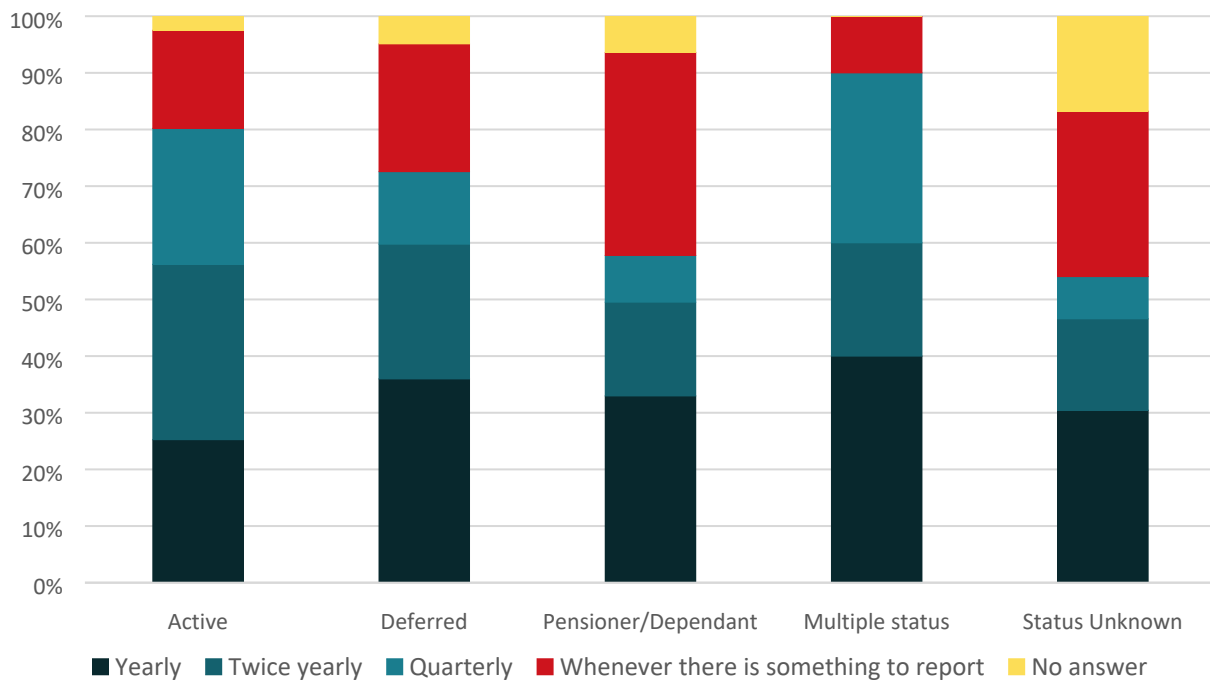




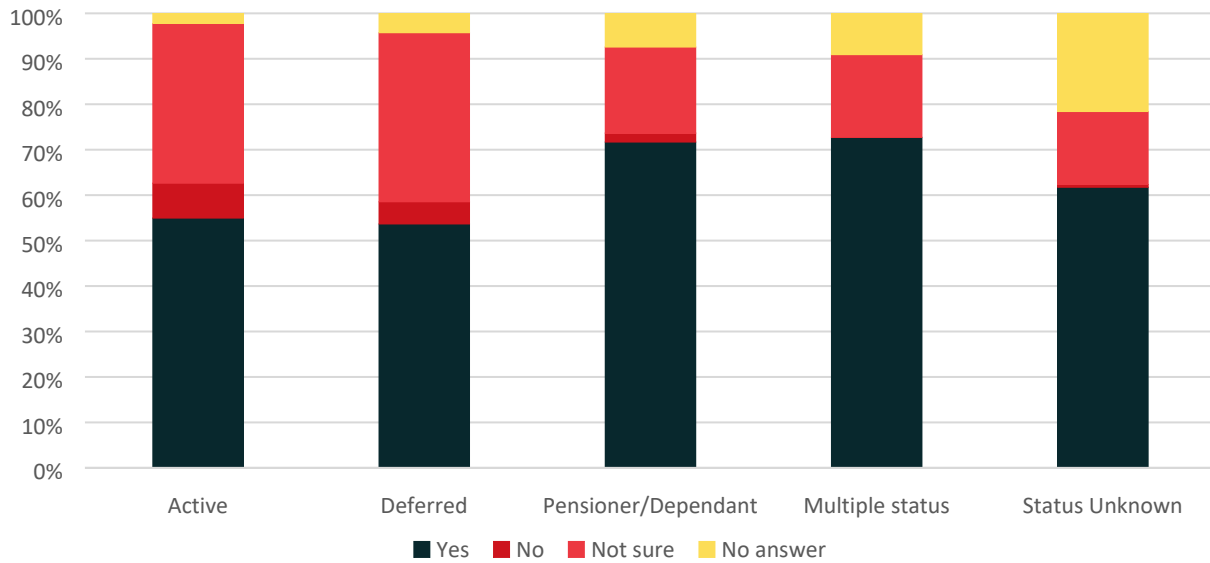
## What topics are you interested in receiving information about?



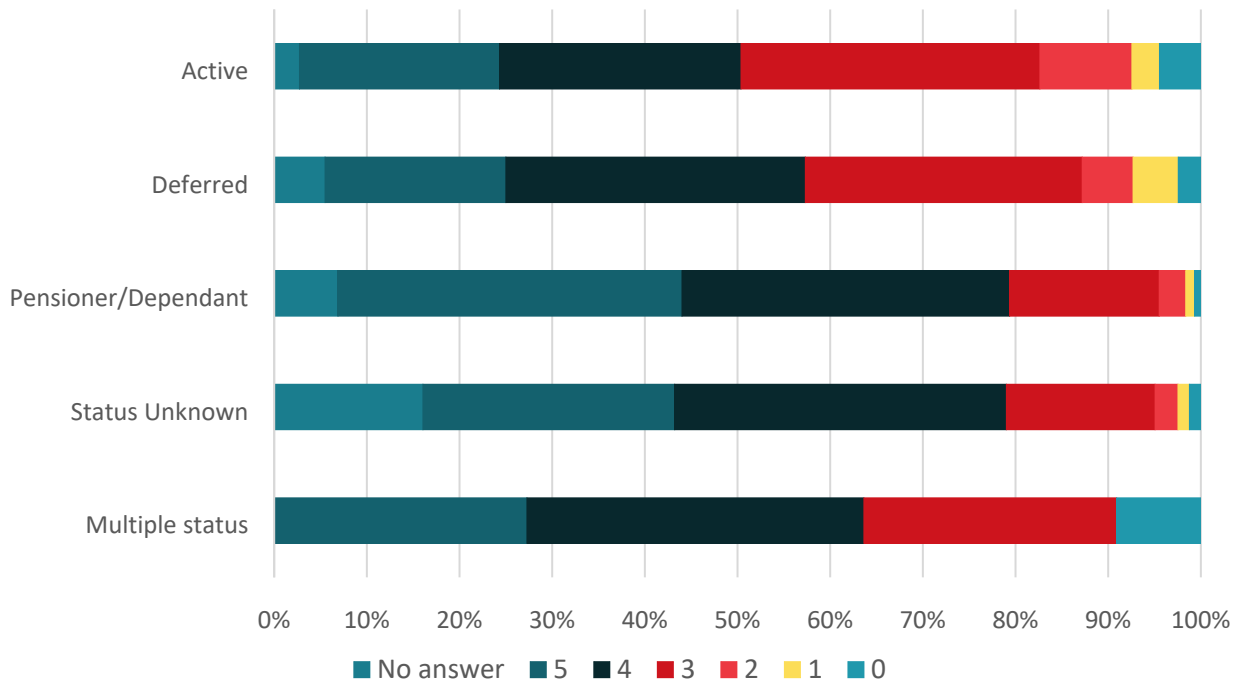
## How often would you like to receive news about your LGPS benefits?



If you had a question about your LGPS benefits, are you confident that the Clwyd Pension Fund would assist you to find your answer?



On a scale of 0 to 5, where 0 is poor and 5 is great, how would you rate your overall experience with Clwyd Pension Fund communications?



Note: 2 pensioner members responded “4 or 5” and a further 2 responded “3 or 4”. Their responses have been included within 4 and 3 respectively.

## Comments from member survey

When I retired some years ago, I was very apprehensive about my retirement and had many questions about my pension. They were answered with great understanding. They helped my transition from a working life to run smoothly

Find I am passed from different staff member until someone can answer the question

Very pleased with being able to have a face to face appointment with regards to my new pension plan

The reason I have rated it this low is because I would like to talk to someone face to face when I am talking about something so important like my pension.

The staff are available to speak to on the telephone. It is really helpful to know that they can advise and give information to clarify

Lack of answer on the phone. Rings with no answer or a suitable person is not available. Lack of Welsh response makes difficulties

Easy access via website to all the plans and information regarding my pension.

Website difficult to navigate and resets are also difficult.

Information sharing is understandable and clear and precise.

I think you have previously said you are committed to plain English. The items you have listed on first page "Webinar" "Workflow Diagrams" "Infographics"

Very happy with the communication. Like the new logo

Would be interested to know how much this rebranding cost. This information should be included in a future newsletter. Changing colours and logos is completely pointless!!!

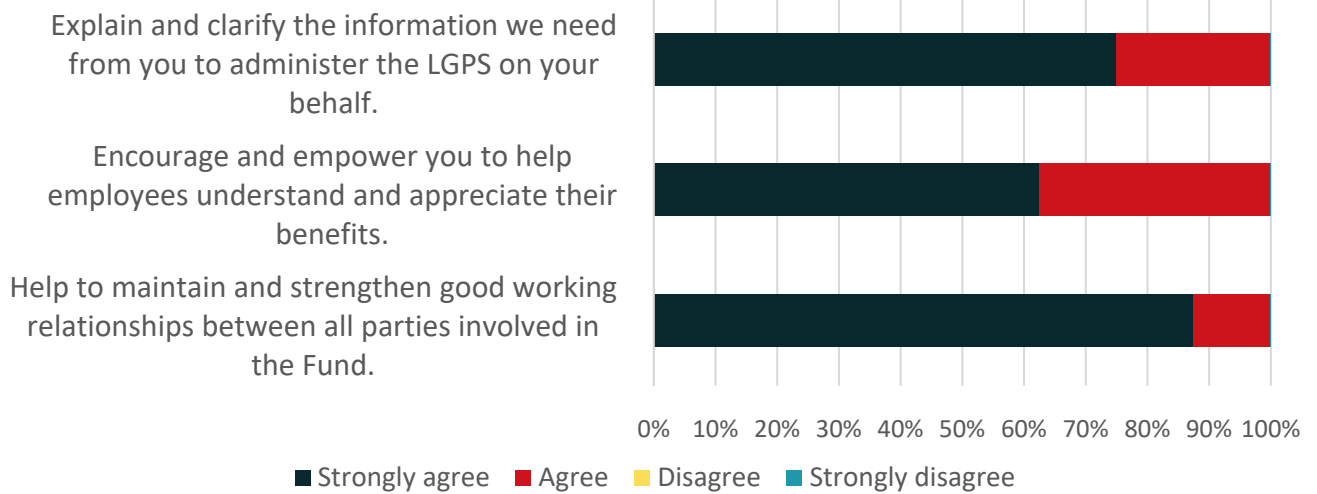
For 2023 we are also in the process of setting up member Focus Groups. These groups will be a small number of Clwyd Pension Fund members who would give their feedback and opinions on future communications. This will ensure that the Clwyd Pension Fund is delivering communications that members want and can understand. It is the intention that the Focus Groups will cover all member types so that we appreciate varied opinions depending on:

- Member status
- Age
- Gender
- Job type

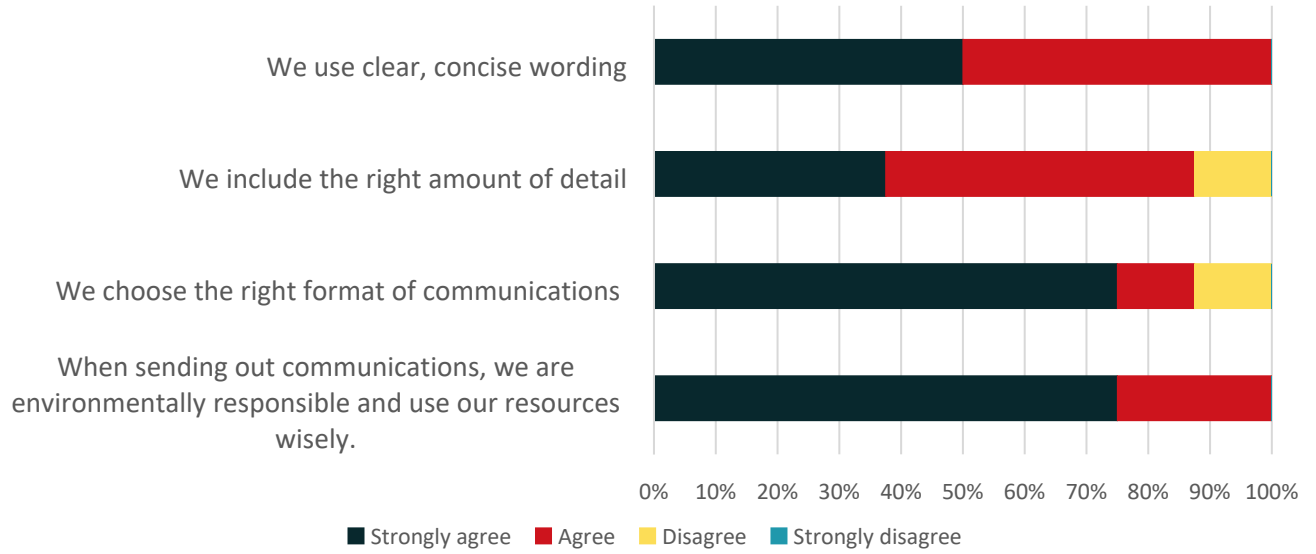
### Results of employer survey

We collated the following results from our employers who were asked the following questions:

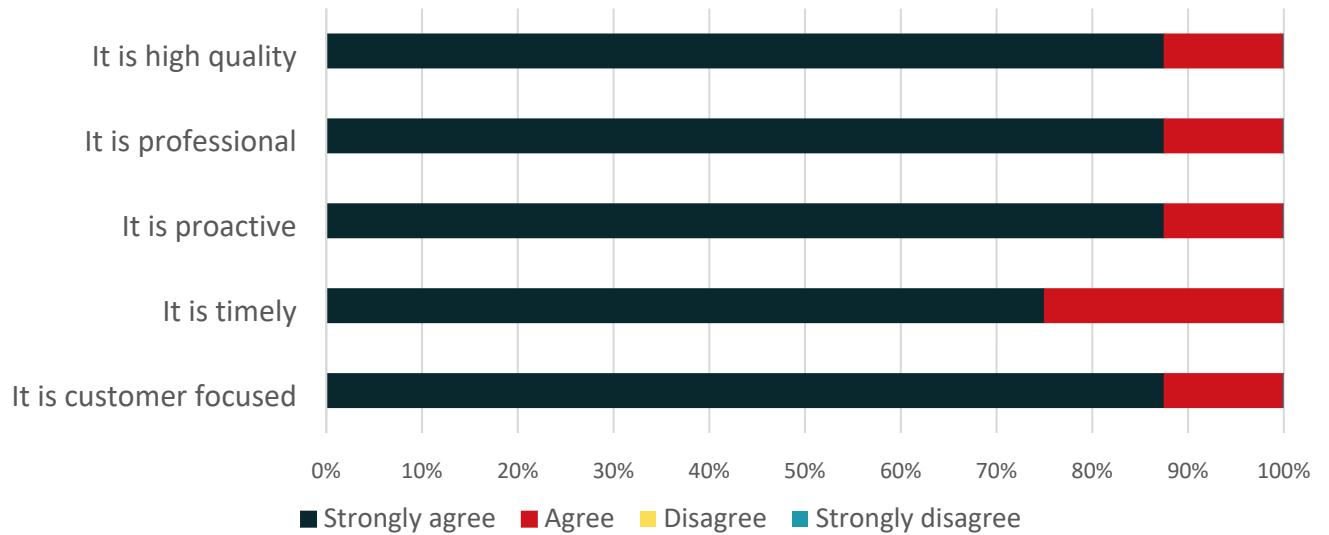
#### The materials we send you...



## What do you think of the way we communicate?



## What do you think of our administration service?



## Member Self-Service (MSS)

MSS allows scheme members to log into a secure web area to view the information which is held on their pension account.

MSS enables our members to:

- update their personal details
- run estimates for retirement using their chosen retirement dates
- run estimates for cash equivalent transfer values (only available for deferred members to transfer their pension benefits to a new pension provider)
- amend their death grant beneficiaries
- request retirement packs for deferred members who want to start receiving their pension
- view all member specific documents (e.g. annual benefit statements) and
- upload completed forms for Clwyd Pension Fund to process

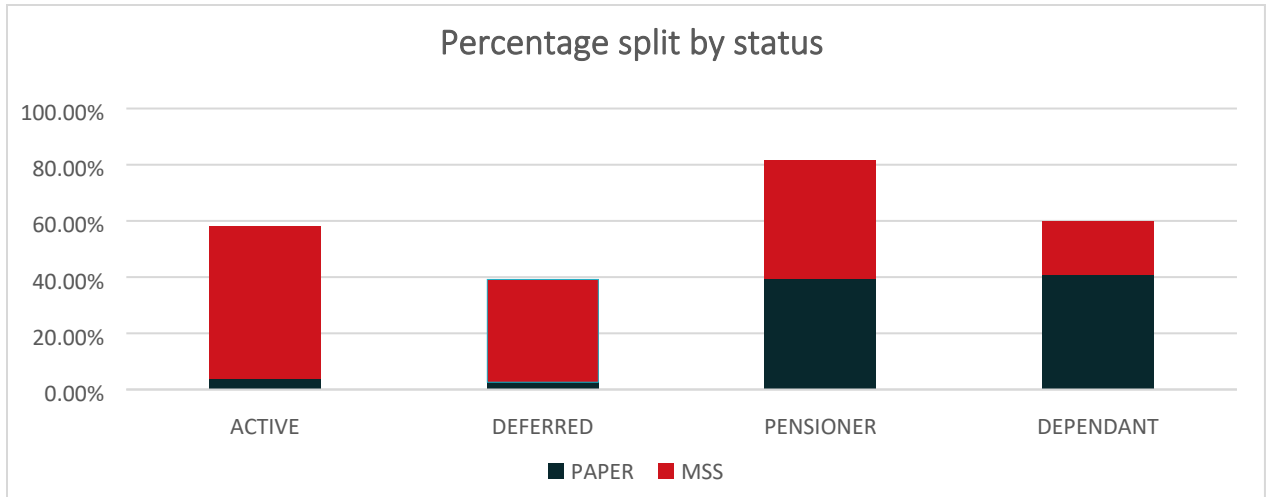
Members who use MSS receive their correspondence electronically, automatically uploaded to their account. They are notified by email each time information is uploaded.

As of 31 March 2023, 52% of Clwyd Pension Fund's membership had registered for MSS. To compare, as of 31 March 2022, 48% of Clwyd Pension Fund's membership had registered, meaning an increase in registration of 4% during this period.

As of 31 March 2023, 17% of Clwyd Pension Fund's membership had registered for paper post. To compare, as of 31 March 2022, 12% of Clwyd Pension Fund's membership had registered, meaning an increase in reference for paper communication of 5% during this period.

In summary, 70% of our membership are engaged and have chosen either MSS or paper post for communication purposes. The Clwyd Pension Fund endeavours to engage with members who have not chosen a communications preference to ensure they do not lose contact with us.

The ratio of paper versus MSS communication preference can be broken down into the different membership status types as seen in the following graph.



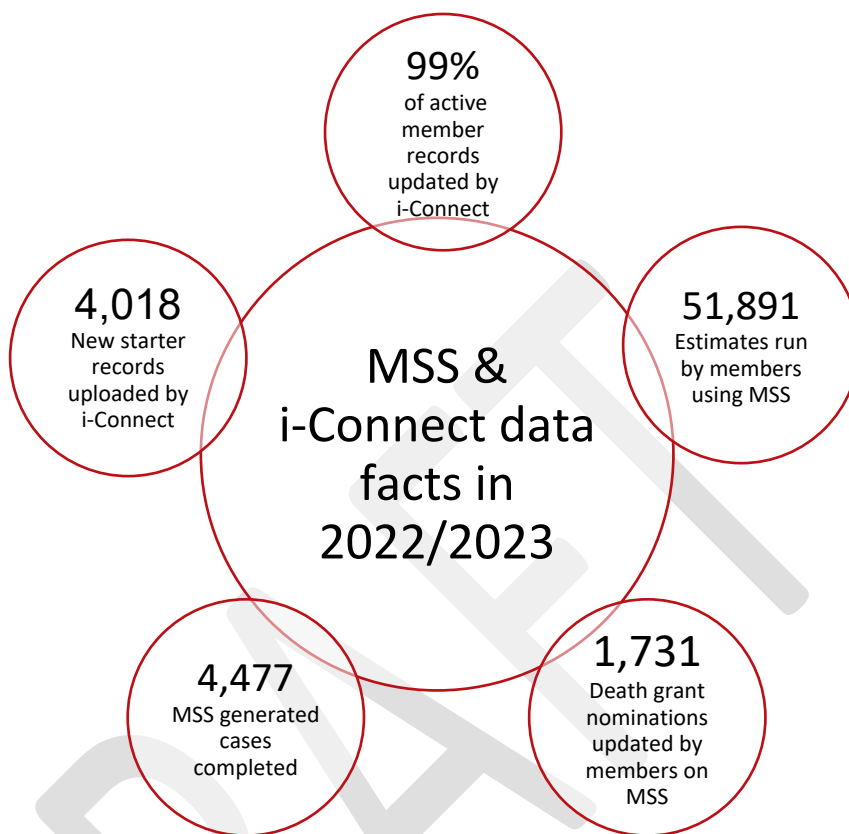
MSS continues to be an effective method of communication, allowing Clwyd Pension Fund to upload documents such as retirement packs and estimates to members' MSS accounts. This means that members receive their correspondence from us more quickly and securely compared to having it posted to them.

Members are also able to upload completed forms to their MSS accounts for the Fund to then progress payment of their benefits quicker.

On-going improvements to the functionality and promotion of MSS will continue during the next 12 months.



## MSS and i-Connect Statistics



## Scheme Membership details

This section includes a range of information relating to the numbers of staff, employers and scheme members during 2022/2023.

Full time equivalent staff in the Pension Administration Team 34.6	Total Fund members 51,246	Ratio of staff to members of Fund 1:1,481	Average cases completed per member of staff 883
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## Summary of Employers as at 31 March 2023

Employers	Active	Ceased	Total
Scheduled bodies	35	20	55
Admitted bodies	17	21	38
<b>Total</b>	52*	41	93

\*excluding Councillors

## 2022/2023 New Pensioners

Retirement Type	Number of Retirements
Ill Health	31
Early	550
Normal Retirement Age (NRA)	58
Late	172
Redundancy / Efficiency	16
Flexible	20
Trivial Commutation	72
<b>Total</b>	<b>919</b>

## Member Trends

Year	Contributors	Deferred (including undecided & frozen refunds)	Pensioners	Dependant Pensioners	No. of Redundancy & Efficiency enhanced benefits	No. of Ill Health enhanced benefits: Tier 1 only
2019/20	17,211	17,745	12,751	1,988	54	18
2020/21	17,542	17,275	12,996	2,041	43	21
2021/22	17,073	17,888	12,613	1,921	25	34
2022/23	17,671	18,424	13,161	1,990	16	20

## Analysis of Pension Overpayments and Write Offs

	2022/23		2021/22		2020/21		2019/20	
	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases
<b>Amounts under £100</b>	£5,906	162	£6,516	166	£6,348	151	£4,435	129
<b>Overpayments Recovered</b>	£46,954	103	£38,056	92	£26,716	92	£29,277	76
<b>Overpayments Written Off</b>	£0	0	£0	0	£498	2	£0	0

The Fund has a policy in which it does not seek to recover any overpayments of pensioner payroll payments which are under £100. Details of those are shown above. Every effort is made to recover any payroll overpayments above £100. In some circumstances these may be written off with agreement from the Section 151 Officer.

## Key Performance Indicators (KPI)

The Fund measures several administration tasks against agreed service standards. These KPIs help ensure we are providing information to our scheme members in a timely manner. Previously the fund reported on seven measures, however, the Fund has developed further measurements of service provision to increase the transparency of performance and are now reporting on 13 measures. The KPI requirements can be found in the Fund's Administration Strategy and include targets of 90% of the agreed service standard for the Clwyd Pension Fund administration element and 100% for the legal requirement element.

The new measures in the table below are marked with a \*, please note not all of these measures have a legal requirement and therefore will have 'N/A' in the legal requirement fields.

Process	No. of cases completed cases	Legal Requirement	% of cases completed within target (Legal)	CPF Administration element target	% of cases completed within target (CPF)
To send a Notification of Joining the LGPS to a scheme member	4,299	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled	86%	30 working days from receipt of all information	99%
To inform members who leave the scheme of their leaver rights and options	2,222	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member)	99%	15 working days from receipt of all information	89%
Obtain transfer details for transfer in, and calculate and provide quotation to member	386	2 months from the date of request	85%	20 working days from receipt of all information	78%
Provide details of transfer value for transfer out, on request	549	3 months from date of request (CETV estimate)	99%	20 working days from receipt of all information	85%

Process	No. of cases completed cases	Legal Requirement	% of cases completed within target (Legal)	CPF Administration element target	% of cases completed within target (CPF)
Notification of amount of retirement benefits	1,632	1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age <sup>4</sup>	83%	10 working days from receipt of all information	94%
Providing quotations on request for retirements	802	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	99%	15 working days from receipt of all information	88%
Calculate and notify dependant(s) of amount of death benefits	190	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative)	74%	10 working days from receipt of all information	65%
*Calculate and Notify member of CETV for Divorce/Dissolution Quote	110	3 months from the date of request	100%	20 working days from receipt of all information	100%

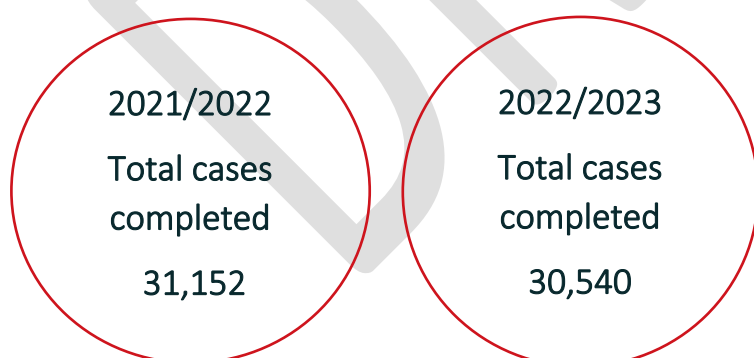
Process	No. of cases completed cases	Legal Requirement	% of cases completed within target (Legal)	CPF Administration element target	% of cases completed within target (CPF)
*Calculate and Notify members of Actual Divorce Share	3	4 months from the date of the pension sharing order, or the date where all sufficient information is received to implement the order	100%	15 working days from receipt of all information	100%
*Calculate and pay a Refund of contributions	444	N/A		10 working days from receipt of all information	89%
*Calculate and Pay retirement lump sum	993	N/A		15 working days from receipt of all information	95%
*Calculate and Notify member of Deferred Benefits	1,244	N/A		30 working days from receipt of all information	73%
*Initial letter acknowledging death of member	417	N/A		3 working days from receipt of all information	82%

## Other performance information

The total number of cases completed in 2022/2023 has reduced slightly compared to 2021/2022. This is due to staff retention and the impact of training new staff members. Despite this, there has still been a positive effect on the performance levels achieved across all areas. Additional resource and developments in technology have contributed towards this success and will continue to be monitored to ensure service standards do not decrease. In order to satisfy legal requirements the KPIs noted above are measured at a specific point within the case. These numbers will, therefore, not match the completed cases shown below which also include other areas of work.

### Completed Cases 2022/2023

Case Type	Cases
New Starters	3,712
Address changes (including via MSS)	2,162
Defers	1,453
Refunds	1,038
Retirements (all types)	1,575
Estimates (all types)	799
Deaths (deferred, active and pensioners)	524
Transfers In	349
Transfers Out	495
Divorce Quote	110
Divorce Share	3
Aggregation	1,348



## Case Movement

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Start Total	4909	4993	4816	5285	5274	5382	5418	5868	5425	5041	4871	5874
Completed	3726	2910	2459	2764	2587	2843	3122	3250	2235	2997	2769	3071
Received	3905	2753	2939	2769	2706	2883	3582	2823	1902	2849	3770	3000
Deleted	0	0	0	0	0	0	0	0	0	0	0	0
Remaining	5088	4836	5296	5290	5393	5422	5878	5441	5092	4893	5872	5803

## Value for Money Statement

The Fund measures Value for Money by achieving its objectives set out in both the Administration Strategy and the Communication Strategy and particularly the following objectives:

- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records
- 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

To successfully deliver these objectives there is a robust Business Plan and Data Improvement Plan in place, risk management is integrated into our day-to-day business and we continually measure success against these objectives in various ways such as through our KPIs, satisfaction surveys and our Breaches Register. Progress updates on each of these are regularly reported to the Committee and the Board.

Some of the key measures to demonstrate Value for Money are as follows:

- The quality of data is fundamental to both the valuation of the Fund's liabilities and how this is subsequently reported in the Fund's accounts. As mentioned earlier, our common and scheme specific data quality scores are 98% and 98% respectively, evidencing that data is now of a high quality.
- We aim for 5% per year increases in the proportion of scheme members registered on Member Self-Service, which directly results in greater efficiencies. For the period April 2022 to March 2023 we achieved an increase of 4% for MSS registrations and 5% for paper preference.
- We strive to use digital communications as a default in all situations unless there are valid reasons not to do so for efficiency or effectiveness reasons.
- We regularly review our progress against a wide range of KPIs (including legal timescales, overall process timescales and internal Fund turnaround times),



workload case numbers (received, completed and outstanding) and our business plan requirements to ensure our resources are appropriate to meet our objectives.

- We aim for the cost per member to not be in upper or lower quartiles when benchmarked against all LGPS Funds using national data. The latest measure confirms our administration cost per member (CIPFA measure) to be £37.44 and this represents a position within the middle quartiles of the Funds included in the comparison. With regard to overall costs per member across administration, oversight and governance, the latest measure confirmed this to be £96.79 per member. This represents a position within the upper quartile of the Funds included in the comparison.

Furthermore, in 2022/23 the administration of the Fund was achieved within the agreed budget.

## Complaints Procedure

The Fund's complaints procedure is officially known as the Internal Dispute Resolution Procedure (IDRP).

Usually, before IDRP is instigated, an 'informal' complaint is raised by a member and the Pensions Administration Manager or Principal Pensions Officers will attempt to resolve the complaint and confirm this in writing where possible. If the complaint is against an employer decision, it is the employer's responsibility to attempt to resolve this complaint. If the member is dissatisfied with the response, they may appeal. IDRP has a two-stage process under LGPS regulations.

Written appeal applications must be made using the Fund's official IDRP forms and must be returned to the Fund within six months of the date of the decision that the member is appealing against.

Stage One of the appeal's process requires the Fund's 'nominated person' to investigate the complaint. For Stage One, this nominated person is the Business Development Manager for West Yorkshire Pension Fund. He reviews the dispute and makes a determination as to whether the decision reached was made in line with the Scheme regulations. Should the member remain dissatisfied with the outcome they can make an application under Stage Two which can be forwarded to the Fund. Stage Two appeals are heard by the Monitoring Officer of Flintshire County Council.

If still dissatisfied, members may take their dispute to the new MoneyHelper service and then onto the Pensions Ombudsman. The table below summarises the IDRP requests the Fund received in 2022/2023 and their outcomes:

2022/2023	Received	Upheld	Rejected	Ongoing
Stage 1: Against Employers	9	1	4	4
Stage 1: Against Administering Authority	0	0	0	0
Stage 2: Against Employers	1	0	1	0
Stage 2: Against Administering Authority	0	0	0	0

**Appeal Contact details:**

Mrs Karen Williams  
Pensions Administration Manager, Clwyd Pension Fund,  
County Hall, Mold, Flintshire, CH7 6NA

More information about the appeal process can be found in our Internal Dispute Resolution Procedure Pack at:

<https://mss.clwydpensionfund.org.uk/home/lgps-scheme/forms-and-resources/index.html>

## Contact Details

For further information on this section of the Annual Report please contact:

Mrs Karen Williams, Pensions Administration Manager

Clwyd Pension Fund, County Hall, Mold, Flintshire, CH7 6NA

Email: [Karen.williams@flintshire.gov.uk](mailto:Karen.williams@flintshire.gov.uk)

Tel: 01352 702963

## Appendix 5: Funding and Flightpath Review

### An update from the Actuary

I am once again delighted to provide my annual update from an actuarial perspective on the activities of the Clwyd Pension Fund (the Fund) during 2022/23. This was a particularly busy period given the 2022 actuarial valuation took place over this period, the impact of persistently high inflation and rising interest rates, and the ongoing challenges in major economies.

As well as the market turmoil following the 'mini' budget in September 2022, we have seen continued increases in UK interest rates in an attempt to control the inflationary environment.

The combined effect of these factors over the year has meant the Fund Officers, Committee and advisers have had to respond to the challenges. It was pleasing to see that the Fund has remained resilient and in good financial health due to the Risk Management Framework in place, supported by the strong Governance Framework which allows decisions to be made quickly and effectively. This was robustly tested by the turmoil caused by the mini-Budget.

It is pleasing to see that the estimated funding position at the most recent May 2023 update showing a funding level of 107%.

The ongoing challenge in light of the inflationary and economic environment is to consider how we can maintain the health of the investment strategy and employer contributions, in order to provide continued sustainability of funding and contributions for the employers (emerging from the 2022 valuation), recognising other material risks such as climate change impacts. This is a delicate balance which requires careful planning and monitoring.

### 2022 Actuarial Valuation

The Fund's triennial actuarial valuation took place with an effective date of 31 March 2022. This gave us the opportunity to review the financial health of the Fund and refresh the objectives. These objectives are set out in the Funding Strategy Statement. The outcome of the valuation is to set employer contribution levels for the period 1 April 2023 to 31 March 2026 and these contributions are set out in my formal actuarial valuation report (which can be accessed at):

<https://mss.clwydpensionfund.org.uk/documents/Actuarial%20Valuation%20Report.pdf>

Some employers are intending to pay more than the minimum contributions required to support future sustainability of their contributions, which was a positive outcome as it demonstrates the collaborative approach between all stakeholders in the process. Overall the feedback on the process from employers was very positive.

In assessing these contribution levels, I considered the experience of the Fund since the previous valuation (including demographic factors such as changes in life expectancy and changes in the membership profile). I also took into account an employer's ability to support their obligations to the Pension Fund by assessing their financial covenant. The results of the

valuation showed a material improvement in the funding position from 91% to 105% as at 31 March 2022. This improvement allowed us to reduce the overall average employer contributions required, mainly due to the surplus being utilised over a period of 12 years to offset the ongoing contribution costs for employers in relation to their contributing members.

An important part of the risk analysis underpinning the funding strategy is for the Actuary to identify the impact of climate change transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. In terms of the current valuation, an analysis of different climate change scenarios at the Whole Fund level has been undertaken relative to the baseline position assuming that the funding assumptions are played out on a best estimate basis. The projections are meant to illustrate the different elements of risk under three climate change scenarios based on the current strategic allocation. A summary of this analysis is included in my actuarial valuation report.

Following the completion of the valuation process, the Government Actuary's Department ('GAD') will carry out a review of the actuarial valuations of LGPS funds as at 31 March 2022 pursuant to Section 13 of the Public Service Pensions Act 2013. The GAD will compare a number of key factors, including the assumptions and recovery periods adopted, and funding levels and contribution rates reported. The results will be published once the review is complete.

## Risk Management Framework

### Flightpath Strategy




A critical aspect of managing risk relates to the Flightpath Strategy, which is central to providing stability of funding and employer contribution rates in the long term. This strategy has been in operation from 2014 and the original objective was to reach a 100% funding level by 2026. This objective has been exceeded as demonstrated by the outcome of the 2022 valuation.

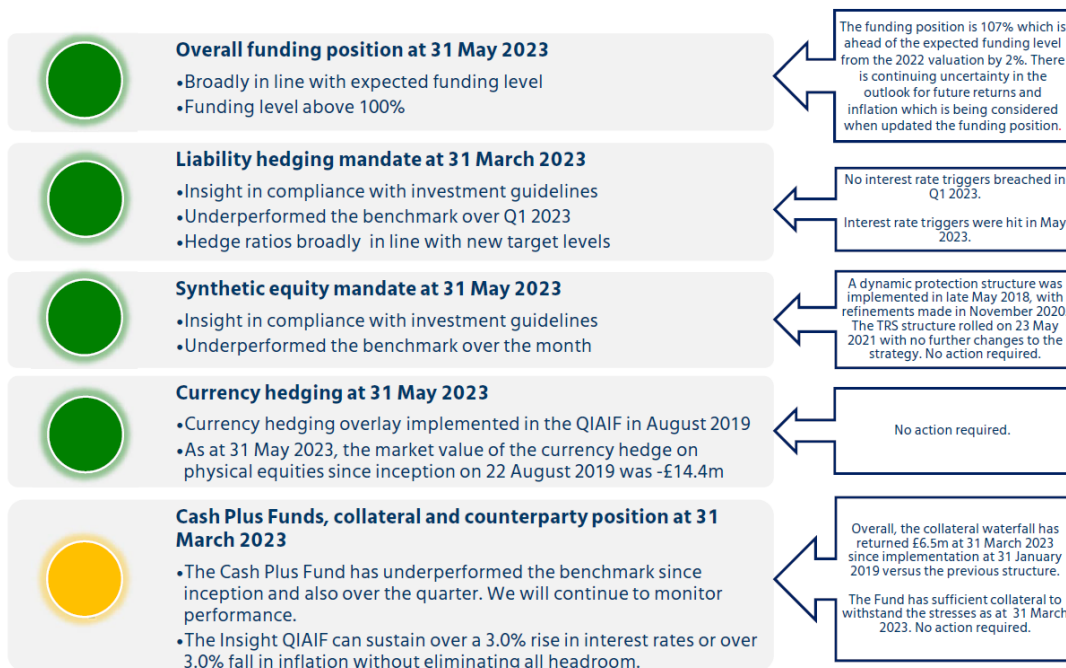
Over the year, the level of government bond (gilt) exposure within the framework increased significantly as market triggers were hit and the Fund locked into these assets at attractive prices. This gilt exposure provides the Fund with a low risk yield above inflation, providing increased certainty of returns in an uncertain economic environment.

The funding level is expected to fall over time as employers are making use of the funding surplus to offset contribution requirements. Overall, the funding position was estimated to be 104% as at 31 March 2023 (the date of the accounts) based on an approximate funding update from the 2022 actuarial valuation, which was marginally behind expectations but we have seen an improvement in the funding level since then to 107%, which illustrates that the position remains volatile due to the current market and inflationary outlook. A funding level trigger of 110% is in place to prompt future de-risking discussions in line with the formal protocol agreed with Committee. The aim is to consider if any changes to the overall investment strategy should be made to provide increased sustainability of contributions for employers without inadvertently putting upwards pressure on contributions in the future.

Whilst monitoring the funding position is central to my role, it is also important that we ensure other operational aspects of the Flightpath run by Insight Investment Management (Insight) are working correctly, as this is vital to the success of the strategy. Therefore, we monitor on a monthly basis using a red/amber/green (“RAG”) rating system and the summary at May 2023 is shown below.

## Executive summary

 = as per or above expectations  = to be kept under review  = action required



It can be seen that all aspects were in line with expectations apart from the Cash Plus Funds, which is rated “amber” due to underperformance since inception. This amber rating also reflects the challenging market conditions and the need to monitor the collateral position closely. This is because there is potential for more market triggers to be hit due to further increasing interest rates (i.e. making gilt prices more attractive) and the need to ensure there is sufficient resiliency in the framework to withstand any future market shocks such as what was experienced due to the “mini-Budget” announcement in September 2022.

### How has the Risk Management Framework evolved over the year?

Whilst the market environment posed many challenges it also allowed the Fund to capture a number of opportunities to increase the certainty of its risk/return profile at acceptable levels of cost.

Due to the significant interest rate increases and the expected strain this would put on available collateral, the Fund pro-actively took the decision to suspend the interest rate and inflation trigger framework in place in early September. The governance structure in place enabled quick decisions to be taken by the Officers, which worked well and prevented a

situation where collateral was depleted and the gilt exposure, which adds to the return of the Fund's assets, would have needed to be reduced.

Following the mini-budget and subsequent market volatility, regulatory bodies including The Pensions Regulator ("TPR") have introduced minimum levels of collateral far in excess of those previously in place across the industry. The Fund sold some of its physical equities and restructured its collateral position in October and November 2022 in advance of these regulations coming into force in a capital efficient way that preserved the Fund's strategic asset allocation and expected return.

This additional collateral allowed the Fund to reinstate the interest rate and inflation trigger framework in late 2022, with further interest rate triggers being hit in May, June and July 2023, capturing further market opportunities. The Fund continues to hold collateral well in excess of that required under TPR regulation.

The Flightpath framework will continue to be monitored as part of the regular Funding and Risk Management Group (FRMG) meetings between Officers and advisers in line with the delegations from the Committee.

In summary the year has been one of the most challenging to navigate but the Fund has been resilient and remains in a very good position. Whilst the economic and market environment remains uncertain, I remain confident that the Fund is in the best place possible to navigate the challenging economic environment over the next few years and beyond given the strong financial and governance frameworks in place.

**Paul Middleman FIA**

**Fund Actuary and Pensions Advisory Panel member**

## Appendix 6: Investment Policy and Performance Report

The following report provides an update from an investment perspective on the activities of the Clwyd Pension Fund (the “Fund”) during 2022/23.

### Investment Strategy Statement (ISS)

When considering the Fund’s investments it is appropriate to start with the overall investment objectives, which are set out in the ISS. The ISS is appended to this report and sets out the funding and investment objectives for the Fund. The specific investment objectives are:

- Achieve and maintain assets equal to 100% of liabilities within a 12-year average timeframe, whilst remaining within reasonable risk parameters.
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenants, 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 an 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 and 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 considerations.
- Ensure that the Fund’s investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission’s target by 2045.
- Promote acceptance of sustainability principles and work together with other parties (as deemed appropriate) 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.

Each of these specific objectives have embedded within them the Fund’s desire to incorporate sustainability in its long-term approach and to demonstrate that it is acting effectively as a responsible investor.

As at the reporting date, the Fund's ISS was under review following the triennial investment strategy review.

## Investment Strategy

The Fund's Investment Strategy is shown in the table below:

Strategic Asset Class	Strategic Allocation (%)	Strategic Range (%)	Conditional Range (%)
Developed Global Equity	15.0	10.0 – 20.0	0 – 30
Emerging Market Equity	5.0	2.5 – 7.5	0 – 15
Hedge Funds	5.0	2.5 – 7.5	0 – 15
TAA/Best Ideas	11.0	9.0 – 13.0	0 – 20
Multi-Asset Credit	12.0	10.0 – 14.0	0 – 20
Cash and Risk Management Framework	23.0	10.0 – 35.0	0 – 40
<b>Private Markets</b>			
Property	4.0	2.0 – 6.0	0 – 8
Private Equity	8.0	6.0 – 10.0	0 – 15
Local/Impact	6.0	4.0 – 8.0	0 – 15
Infrastructure	8.0	6.0 – 10.0	0 – 15
Private Credit	3.0	1.0 – 5.0	0 – 6

The Fund's Investment Strategy is highly diversified and incorporates a Risk Management Framework. The aim of the Fund's strategy remains to reduce the volatility of returns, in line with the objective of stabilising employer contribution rates. The Cash and Risk Management Framework is a key feature of the Fund's Investment Strategy and looks to manage a number of the key risks. This portfolio is explained in more detail in the Risk Management section of the Actuary's report.



## Strategic Allocation vs Actual Allocations

Manager	Mandate	Actual 31/03/2022 (%)	Actual 31/03/2023 (%)	Strategic Allocation 22/23 (%)
<b>Developed Global Equity</b>				<b>15.0</b>
WPP	Global Equity	5.3	5.7	15.0
BlackRock	Global Equity	5.4	0.0	
<b>Emerging Market Equity</b>				<b>5.0</b>
WPP	Emerging Equity	9.0	5.1	5.0
<b>Hedge Funds</b>				<b>5.0</b>
ManFRM	Hedge Funds	6.4	7.0	5.0
<b>TAA / Best Ideas</b>				<b>11.0</b>
In-house	Best Ideas Portfolio	11.1	11.5	11.0
<b>Multi-Asset Credit</b>				<b>12.0</b>
WPP	Multi-Asset Credit	10.0	10.1	12.0
<b>Cash and Risk Management Framework</b>				<b>23.0</b>
Insight	CRMF	25.5	29.0	23.0
<b>Private Markets</b>				<b>29.0</b>
Various	Property	6.0	5.9	4.0
Various	Private Equity	7.9	8.8	8.0
Various	Local/Impact	2.7	3.9	6.0
Various	Infrastructure	4.8	5.6	8.0
Various	Private Credit	2.1	2.6	3.0
Various	Timber/Agriculture	0.5	0.5	0.0
<b>Cash</b>		3.2	4.3	<b>0.0</b>

Note: Total may not sum due to rounding.

The table above reflects the new strategic allocation, which was agreed in March 2023. The implementation of the new strategy was in progress at the time of writing. Furthermore, in Q2 2023, all of the WPP Global Equity assets were switched to a sustainable equity strategy.

During the 2022/2023 period, the Fund disinvested in full from the BlackRock World ESG Equity Fund and transferred all proceeds to the Cash and Risk Management Framework to meet collateral requirements within the mandate. These proceeds also serve to enable the Fund to take action to increase interest rate and inflation hedging if market-based yield triggers are hit via the trigger framework.

## Market Background

The 12-month period to 31 March 2023, was an extremely challenging market environment for investors. Equities sold off in all markets with the exception of the UK market, which was the only equity market to generate a positive return over the period (+2.9%). Global equities detracted -5.0% in sterling terms, whilst emerging market equities also detracted -6.2% in sterling terms.

Volatility spiked in UK markets at the end of Q3 2022, as the UK Chancellor of the Exchequer delivered a statement entitled “The Growth Plan”, which was widely referred to as the “mini-budget”. The statement contained a set of economic policies and tax cuts, which were seen as unfunded. The gilt market came under severe pressure in the following weeks of the statement release, with nominal and real yields rising by over 1% within a few working days, before sharply reversing after intervention from the Bank of England.

Inflation and central bank policy were key drivers in markets over the period, as inflation remained high in most major regions. Central banks therefore continued to tighten monetary policy and maintain a hawkish outlook, resulting in elevated market volatility. Further to this, markets were pricing in the increased risk of a recession resulting from the monetary tightening.

The conflict in Ukraine added to negative sentiment as Russia stepped up its anti-west rhetoric and further restricted natural gas supplies to Europe, which exacerbated pressure on energy prices.

## Investment Performance 2022/23

The market value of the Fund has increased from approximately £1,175.1m in March 2013 to £2,289.2m in March 2023. The table below shows a summary of the annualised investment performance over the last 10 years compared with the Fund’s benchmark and local government pension funds.

Period (Years)	Clwyd Pension Fund (% p.a.)	Clwyd Benchmark (% p.a.)	Average Local Authority (% p.a.)
1	-6.4	-4.6	-1.7
3	+9.5	+7.5	+9.5
5	+5.5	+5.4	+5.9
10	+6.7	+6.7	+7.3

Source: Mercer, PIRC.

The Fund posted a negative investment return of -6.4% for the 12 months to 31 March 2023, against a composite benchmark of -4.6%. Whilst a negative return is, of course, not the desired outcome, this is expected to happen from time to time as markets naturally evolve over time. Officers and the Committee have reviewed in detail how the portfolio performed, and the background to the performance is clearly understood.

The bigger picture that should be focused on is the overall funding position and financial status of the Fund, which is covered in more detail in the Actuary's report section. Pleasingly, the funding remained resilient during a challenging environment for investment markets; the funding level was estimated to be 104% as at 31 March 2023, in comparison to 105% as at 31 March 2022.

It is also important to consider performance in context of a longer-term horizon. Over three years to the 31 March 2023, the Fund achieved a return of +9.5% p.a., compared with a benchmark of +7.5% p.a. This performance is also ahead of the future service target of CPI +2.25% p.a. (8.2% p.a.).

## Performance and Historic Strategy Positioning

The first table below demonstrates the performance of the existing underlying funds against their retrospective targets over the 10 year period to 31 March 2023.

The table below the 10 year historic performance table documents the changes in the Fund's Investment Strategy since 2001. As can be seen the asset allocation is very different from that of the average local government pension fund. The Fund has been particularly active and very early in its commitments to alternative assets through a broad range of specialist managers.

## Performance to 31 March 2023

Fund	Investment Manager	Q1 2023 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yr (%)	B'mark (%)	5 Yr (%)	B'mark (%)	10 Yr (%)	B'mark (%)
<b>Total</b>		<b>3.7</b>	<b>4.5</b>	<b>-6.4</b>	<b>-4.6</b>	<b>9.5</b>	<b>7.5</b>	<b>5.5</b>	<b>5.4</b>	<b>6.7</b>	<b>6.7</b>
<b>Total Equity</b>		<b>4.5</b>	<b>3.2</b>	<b>-2.2</b>	<b>-1.9</b>	<b>12.4</b>	<b>13.4</b>	<b>5.3</b>	<b>7.2</b>	<b>8.1</b>	<b>9.6</b>
WPP Global Opportunities	Russell	3.4	4.9	0.2	0.5	16.4	17.8	--	--	--	--
WPP Emerging Markets Equity	Russell	5.7	1.5	-1.6	-3.5	--	--	--	--	--	--
<b>Total Credit</b>		<b>1.9</b>	<b>1.9</b>	<b>-7.1</b>	<b>6.3</b>	<b>3.1</b>	<b>4.3</b>	<b>-0.3</b>	<b>3.4</b>	<b>0.5</b>	<b>2.0</b>
WPP Multi-Asset Credit	Russell	1.9	1.9	-7.1	6.3	--	--	--	--	--	--
<b>Total Hedge Funds</b>		<b>-0.6</b>	<b>1.8</b>	<b>0.8</b>	<b>5.8</b>	<b>4.2</b>	<b>4.4</b>	<b>1.1</b>	<b>4.4</b>	<b>--</b>	<b>--</b>
Hedge Funds	Man	-0.6	1.8	0.8	5.8	4.2	4.4	1.1	4.4	--	--
<b>Total Tactical Allocation</b>		<b>0.4</b>	<b>2.1</b>	<b>-3.9</b>	<b>13.3</b>	<b>12.0</b>	<b>8.7</b>	<b>6.6</b>	<b>7.1</b>	<b>3.5</b>	<b>5.7</b>
Best Ideas	Various	0.4	2.1	-3.8	13.3	12.2	8.2	7.3	6.8	2.7	5.6
<b>Total Private Markets</b>		<b>-0.4</b>	<b>1.8</b>	<b>10.1</b>	<b>3.9</b>	<b>13.3</b>	<b>5.5</b>	<b>11.4</b>	<b>5.4</b>	<b>--</b>	<b>--</b>
Property	Various	-4.6	0.2	-9.2	-14.7	2.4	2.7	4.1	2.8	6.4	7.2
Private Equity	Various	-0.4	2.2	13.7	7.4	19.8	5.9	16.4	5.9	13.7	5.7
Local / Impact	Various	3.3	2.2	22.9	7.4	--	--	--	--	--	--
Infrastructure	Various	1.8	2.2	19.6	7.4	12.2	5.9	11.5	5.9	12.6	5.7

Fund	Investment Manager	Q1 2023 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yr (%)	B'mark (%)	5 Yr (%)	B'mark (%)	10 Yr (%)	B'mark (%)
Private Credit	Various	-1.8	1.8	9.5	7.5	7.4	7.5	6.0	7.5	--	--
Timber/ Agriculture	Various	6.0	2.2	29.2	7.4	10.3	5.9	6.6	5.9	4.3	5.7
<b>Total CRMF</b>		<b>11.6</b>	<b>11.6</b>	<b>-34.8</b>	<b>-34.8</b>	<b>5.4</b>	<b>5.4</b>	<b>2.0</b>	<b>2.0</b>	--	--
Cash and Risk Management Framework (CRMF)	Insight	11.6	11.6	-34.8	-34.8	5.4	5.4	2.0	2.0	--	--

Source: Investment Managers.

Note: Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv. For periods over one year, the figures in the table above have been annualised.

### Historic Strategy Positioning

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
<b>Equities</b>									
Global Unconstrained	-	-	5.0	5.0	8.0	4.0	5.0	-	
Global Developed (Smart Beta)	-	-	-	-	-	4.0	-	-	
Global Developed (ESG)	-	-	-	-	-	-	5.0	15.0	
Global High Alpha/ Absolute	-	-	-	5.0	-	-	-	-	

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
UK Active (Traditional)	35.0	29.0	15.0	-	-	-	-	-	
UK Active (Portable Alpha)	10.0	10.0	12.0	-	-	-	-	-	
US Active	7.0	8.0	5.0	-	-	-	-	-	
Europe (ex UK) Active	11.0	9.0	6.0	-	-	-	-	-	
Japan Active	4.0	4.0	4.0	-	-	-	-	-	
Far East (ex UK) Active	2.5	3.0	4.0	7.0	-	-	-	-	
Emerging Markets Active	2.5	3.0	4.0	7.0	6.5	6.0	10.0	5.0	
Frontier Markets Active	-	-	-	-	2.5	-	-	-	
Developed Passive	-	-	-	19.0	-	-	-	-	
	<b>72.0</b>	<b>66.0</b>	<b>55.0</b>	<b>43.0</b>	<b>17.0</b>	<b>14.0</b>	<b>20.0</b>	<b>20.0</b>	<b>51.0</b>
<b>Fixed Interest</b>									
Traditional Bonds	10.0	9.5	-	-	-	-	-	-	
High Yield/ Emerging	1.5	2.0	-	-	-	-	-	-	
Unconstrained	-	-	13.0	15.0	15.0	12.0	12.0	12.0	
Private Credit (illiquid)	-	-	-	-	-	3.0	3.0	3.0	

<b>Asset Class</b>	<b>2001</b>	<b>2004</b>	<b>2007</b>	<b>2011</b>	<b>2015</b>	<b>2017</b>	<b>2020</b>	<b>2023</b>	<b>LGPS Average</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Cash/ Other	2.5	0.5	-	-	-	-	-	-	
	<b>14.0</b>	<b>12.0</b>	<b>13.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>19.0</b>
<b>Liability Driven Investment</b>									
	-	-	-	-	<b>19.0</b>	<b>19.0</b>	<b>23.0</b>	<b>23.0</b>	
<b>Alternative Investments</b>									
Property	5.0	7.0	6.5	7.0	7.0	4.0	4.0	4.0	
Infrastructure	0.5	5.0	1.5	2.0	2.0	6.0	8.0	8.0	
Timber/ Alternatives	-	-	1.5	2.0	2.0	2.0	-	-	
Commodities	-	-	2.0	4.0	-	-	-	-	
Private Equity & Opportunistic	4.5	4.5	6.5	10.0	10.0	10.0	8.0	8.0	
Local/ Impact	-	-	-	-	-	-	4.0	6.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	-	-	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	9.0	7.0	5.0	
Currency Fund	-	4.0	4.0	-	-	-	-	-	

<b>Asset Class</b>	<b>2001</b>	<b>2004</b>	<b>2007</b>	<b>2011</b>	<b>2015</b>	<b>2017</b>	<b>2020</b>	<b>2023</b>	<b>LGPS Average</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Tactical Asset Allocation (TAA)	-	2.0	5.0	12.0	-	-	-	-	
Tactical Allocation (Diversified Growth)	-	-	-	-	10.0	10.0	-	-	
Tactical Allocation (Best Ideas)	-	-	-	-	9.0	11.0	11.0	11.0	
	<b>14.0</b>	<b>22.0</b>	<b>32.0</b>	<b>42.0</b>	<b>49.0</b>	<b>52.0</b>	<b>42.0</b>	<b>42.0</b>	<b>30.0</b>



## Responsible Investment

The Fund's ISS includes the full Responsible Investment Policy and includes the approach to Investment Pooling, Stewardship and Engagement and Reporting and disclosure. The Policy includes the Fund's Responsible Investment beliefs, and a set of Principles. It also sets five key Strategic Responsible Investment Priorities for the work in this area over the next three years.

The Fund has continued to progress significantly in the work undertaken over the past year. Progress has been made across all of the strategic Responsible Investment Priorities as detailed in the ISS.

The Committee agreed an ambitious target for the investments in Clwyd Pension Fund, as a whole, to have net zero carbon emissions by 2045, with an interim target of carbon reduction of 50% by 2030. The Fund has also continued to deploy allocations into sustainable private market investments, many of which have direct impact focus, with some allocations designed to directly benefit the Fund in the local area.

The Committee have received a series of dedicated training sessions across a range of Responsible Investment areas and the Fund continues to take actions that place it at the forefront of the Responsible Investment landscape.

During the period, the Fund was successful in submitting its first Stewardship Report and achieved signatory status in February 2023 to the Financial Reporting Councils UK Stewardship Code.

At the time of writing, the Fund's Officers with support of their investment consultant, Mercer, are in the process of setting up a framework specifically related to responsible investment, focusing on specific areas of exclusion with focus on listed equities. Further update on the progress of this framework and implementation will be provided in next year's report.

## Engagement and Voting

The Fund requires that its managers report how they voted on the shares held within their portfolios. A summary of the voting activities of the managers for 2022/23 is shown in the following table.

Manager/Fund	Annual / Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted / Refer / Withheld
<b>Russell</b> WPP Global Opportunities	539	6,903	5,970	800	58	75
<b>Russell</b> WPP Emerging Market	561	6,128	5,119	915	40	54

Manager/Fund	Annual / Special Meetings		Proposals	Votes For	Votes Against	Votes Abstained	Not Voted / Refer / Withheld
<b>Best Ideas Portfolio</b>							
<b>BlackRock</b> US Opportunities	96	1,270	1,180		79	1	5
<b>Ninety One</b> Global Natural Resources	53	732	675		40	17	0
<b>LGIM</b> Listed Infrastructure	86	1,073	817		256	0	0
<b>LGIM</b> North America Equity Index	676	8,543	5,587		2,952	5	0
<b>LGIM</b> Future World Europe (ex-UK) Equity	431	7,617	6,265		1,319	33	0
<b>LGIM</b> High Yield Bonds	3	14	12		2	0	0

Source: Investment Managers.

Note: LGIM Sterling Liquidity Fund and LGIM Commodity Index do not have voting data. Figures may not sum due to rounding.

## United Nations Principles for Responsible Investment

The Fund engages with all of its asset managers to ensure that they are fully aware of their responsibilities with regard to sustainability, and one of the ways in which the fund management industry can demonstrate that it takes its responsibilities seriously is to become a signatory to the UN Principles for Responsible Investment (UN PRI). Firms that are signatories to the UN PRI are required to commit to a set of six principles promoting and incorporating Environmental Social and Governance (ESG) principles into all aspects of its work. The Fund's major asset managers are all UN PRI signatories. For sake of completeness, Russell are not considered a direct manager of

assets as they manage a portfolio of underlying investment managers. These underlying investment managers are being encouraged to become signatories to the UN PRI.

## Private Market Holdings

A summary of each of the private market holdings within each mandate is provided later on.

During the year, the following commitments were made to local/ impact or sustainable funds:

Private Market Manager	Fund Name	Capital Committed (£m)	Description of Investment
<b>Capital Dynamics</b>	Clwyd Clean Energy Wales	50	A Separately Managed Account that invest directly into projects in Wales, providing clean energy capacity and offsetting carbon emissions.
<b>Copenhagen Infrastructure</b>	Energy Transition Fund I	17	An Energy Transition Fund that will be an Article 9 Fund under the Sustainable Finance Disclosure Regulation. The Fund invests into electrolysers, ammonia plants, as well as first-generation renewable power generation such as wind and solar to generate green hydrogen, ammonia and eMethanol.
<b>Activate Capital Partners</b>	Activate Capital II	11	The Fund will make venture capital and growth equity investments in companies that provide technology products, services and solutions that enable energy development, smart mobility and industrial digitization.
<b>ECI Partners</b>	ECI 12	20	Will be an Article 8 Fund under the Sustainable Finance Disclosure Regulation. The Fund will invest in subsectors where the Firm has strong experience, including; Insurance, Data & Analytics, Compliance, Travel, SME services, Internet of Things, Digital Platforms, HCM, Cloud & Digital Services and Digital Healthcare.

Private Market Manager	Fund Name	Capital Committed (£m)	Description of Investment
<b>Newcore</b>	Strategic Situations Fund V	15	The Fund is a small, independent, UK-based real estate specialist, focused on social infrastructure investments. It is classified as a Sustainable Investor, meaning it has a strong sustainable focus.
<b>Sandbrook Capital</b>	Climate Infrastructure Fund I	17	The Fund focuses on both greenfield and brownfield opportunities across five core sectors: clean power generation, transmission and storage, energy use and efficiency, low carbon supply chains and low carbon services.

Note: Where appropriate, Euro (€) and US Dollar (\$) denominated commitment amounts have been converted into Sterling (£) commitment amounts using the exchange rates at the time the commitment was made.

The Fund also engaged 'The Good Economy' (TGE) to assess the social impact of the Fund's private market investments. Using TGE's Place-Based Impact Reporting Framework, TGE has mapped and classified the local, regional and national contributions to inclusive economic development that the Fund's portfolio of investments is making. This will allow the Fund to communicate its social impact clearly and effectively to stakeholders of the Fund.

A summary of some of the key highlights from the report are noted below:

- 19.7% of the Fund's Impact and Place-Based portfolio has been invested in Wales
- 86 SME businesses have been supported through equity or debt finance since 2013, 20 of these are located in Wales.
- Over 13,400 people are employed and at least 1,800 jobs have been created in these businesses during the period of the Fund's investment (11% jobs and 12% jobs created in Wales).
- 3,369 new homes have been developed in areas where lower-cost homes are needed, 27% of these are affordable housing.
- 34 educational facilities have been acquired, with 2700 additional child spaces created (85% nursery spaces, 10% SEN, 5% independent school places)
- £50 million committed to the development of clean energy in Wales to begin being deployed in 2023.

Further information as well as further examples of how investment is supporting Wales and the UK is detailed in full within the report which can be accessed on the Fund website.

<b>Asset Class</b>	<b>Number of Funds</b>
<b>Property Open Ended Holdings</b>	<b>5</b>
Schroders	1
Hermes	1
LAMIT	1
Legal & General	1
BlackRock	1
<b>Property Closed Ended Holdings</b>	<b>21</b>
Aberdeen Property Asia Select	1
Basecamp	1
BlackRock European Feeder	2
BlackRock US Residential	1
Darwin Leisure Property	2
Franklin Templeton	1
InfraRed Active Property	3
Newcore	2
North Haven Global Real Estate	3
Paloma Real Estate	2
Partners Group Global Real Estate	2
Threadneedle	1
<b>Timber</b>	<b>4</b>
BGT Pactual Timberland	1
Stafford Timberland	3
<b>Agriculture</b>	<b>2</b>
Insight Global Farmland	1
GMO	1

Asset Class	Number of Funds
<b>Infrastructure</b>	<b>21</b>
Access Capital Infrastructure	1
Arcus European Infrastructure	1
Brookfield	1
Carlyle Global Infrastructure	1
Copenhagen Infrastructure Partners	1
GSAM West Street Infrastructure	1
HarbourVest Real Assets	1
Hermes Infrastructure	1
InfraRed	3
Infravia	1
Innisfree	1
JP Morgan Infrastructure	1
Marine Capital	1
North Haven Global Infrastructure	3
Pantheon	1
Partners Group Direct Infrastructure	1

Asset Class	Number of Funds
<b>Private Equity Direct Funds</b>	<b>29</b>
Access Capital	1
Activate	1
Apax	5
Astorg	1
August Equity	3
Capital Dynamics	3
Carlyle Group	1
Charterhouse	2
Dyal Capital Partners	1
ECI	2
FSN	1
Livingbridge	1
Marquee	1
North Haven	1
Oakley	1
Partners Direct	2
Permira	1
Unigestion	1
<b>Private Equity Fund of Funds</b>	<b>31</b>
Access Capital	4
Capital Dynamics	7
HarbourVest	5
JP Morgan Secondary's	1
Partners Group	10
Standard Life	2
Unigestion	2

<b>Asset Class</b>	<b>Number of Funds</b>
<b>Local / Impact</b>	<b>22</b>
Aviva	1
Bridges	6
Circularity	1
Development Bank of Wales	1
Environmental Technologies	3
Fairfax	1
Foresight	2
Generation	1
Harbour Vest	1
Hermes	1
Impax	2
Infrared	1
Partners Group	1
<b>Private Debt</b>	<b>9</b>
BlackRock	1
Bridgepoint	1
Carlyle Group	3
Neuberger Berman	2
Permira	1
Pinebridge	1



## Appendix 7: Clwyd Pension Fund Accounts for the year ended 31 March 2023

### Fund Accounts

2021/22 £000		Note	2022/23 £000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(85,253)	Contributions	7	(92,123)
(6,956)	Transfers in	8	(6,244)
<b>(92,209)</b>			<b>(98,367)</b>
	Benefits payable :		
66,875	Pensions	9	70,631
14,572	Lump sums (retirement)		14,354
2,251	Lump sums (death grants)		2,913
<b>83,698</b>			<b>87,898</b>
4,456	Payments to and on account of leavers	10	5,972
<b>88,154</b>			<b>93,870</b>
<b>(4,055)</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>(4,497)</b>
25,766	Management expenses	11	28,701
<b>21,711</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>24,204</b>
	<b>Returns on Investments</b>		
(23,589)	Investment income	12	(34,269)
(262,709)	Change in market value of investments	13A	198,262
<b>(286,298)</b>	<b>Net return on investments</b>		<b>163,993</b>
<b>(264,587)</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>188,197</b>
(2,226,208)	<b>Opening net assets of the scheme</b>		(2,490,795)
<b>(2,490,795)</b>	<b>Closing net assets of the scheme</b>		<b>(2,302,598)</b>

## Net Assets Statement

2021/22 £000 Restated		Note	2022/23 £000
2,406,125	<b>Investment Assets</b>	<b>13</b>	2,199,900
2,406,125	<b>Net Investment Assets</b>		2,199,900
294	<b>Long-term debtors</b>	<b>19</b>	378
6,962	<b>Debtors due within 12 months</b>	<b>19</b>	6,624
(2,231)	<b>Creditors</b>	<b>20</b>	(2,585)
79,645	<b>Cash at Bank</b>		98,281
2,490,795	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		2,302,598

**Restatements have been made to correct the classification of the balances held at the Pension Fund current account.**

**Note:** The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the actuary's report (Note 25).

# Notes To The Clwyd Pension Fund Accounts For The Year Ended 31 March 2023

## Note 1: Description Of The Fund

### General

Clwyd Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Flintshire County Council. The County Council is the reporting entity for the Fund.

The LGPS is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013, as amended;
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, as amended; and
- The LGPS (Management and Investment of Funds) Regulations 2016

The LGPS is a contributory defined scheme, which provides pensions and other benefits to employees and former employees of Flintshire County Council and scheduled and admitted bodies in North East Wales. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Clwyd Pension Fund Committee which is a committee of Flintshire County Council.

The accounts have been prepared in accordance with the 2022/23 Code of Practice (the Code) on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangement outside the scheme. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below in more detail:

2021/22		2022/23
No.		No.
<b>52</b>	<b>Number of employers with active members</b>	<b>52</b>
	<b>Number of employees in scheme</b>	
5,552	Flintshire County Council	5,440
11,521	Other employers	12,231
<b>17,073</b>	<b>Total</b>	<b>17,671</b>
	<b>Number of pensioners</b>	
4,234	Flintshire County Council	4,473
10,300	Other employers	10,678
<b>14,534</b>	<b>Total</b>	<b>15,151</b>
	<b>Deferred pensioners</b>	
5,525	Flintshire County Council	5,703
12,363	Other employers	12,721
<b>17,888</b>	<b>Total</b>	<b>18,424</b>
<b>49,495</b>	<b>Total employees</b>	<b>51,246</b>

## Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013, as amended, and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2023. Employers also pay contributions to the Fund based on triennial funding valuations. The last valuation was at 31st March 2022, the findings of which became effective on 1st April 2023. Employer contribution rates towards the future accrual of benefits for the year to March 2023 ranged from 11.5% to 29.4% of pensionable pay. From April 2023 the rates range from 10.5% to 33.1% of pensionable pay.

## Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of service. From 1 April 2014, the LGPS became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is increased annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits as explained on the LGPS website, see [www.lgpsmember.org](http://www.lgpsmember.org)

In addition the Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from the Fund. The Fund uses Prudential and Utmost

(previously Equitable Life) as its AVC providers. AVCs are paid to the AVC providers by employers and provide additional benefits for individual contributors.

## Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 25.

The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. The Code has introduced the following changes, amendments and interpretations to existing standards:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- IFRS 16 Leases – will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to April 2024

These changes were mandatory for the Fund's accounting periods beginning on or after 1 April 2022 or later periods and may require changes to accounting policies in future year's accounts. They are not expected to have a material impact on the Fund's financial statements.

## Note 3: Summary Of Significant Accounting Policies

In summary, accounting policies adopted are detailed as follows:

### Fund Account: Revenue recognition

#### Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund's actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund's actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

## Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

## Investment income

- Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

## Fund Account: expense items

### Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

### Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*. All items of expenditure are charged to the Fund on an accruals basis.

All staff costs in relation to administration expenses are charged direct to the Fund and management, accommodation and other support service costs are apportioned to the Fund in accordance with Council policy.

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses include the fees paid and due to the fund managers and custodian, actuarial, performance measurement and investment consultant fees. Where fees are netted off quarterly valuations by investment managers, these expenses are included in note 11A and grossed up to increase the change in the value of investments.

Where the Fund has invested in Fund of Funds arrangements and underlying fees are incurred these are not recognised in the Funds accounts, in accordance with guidance from CIPFA. Details of underlying fees may be found in the Fund's Annual Report.

## Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

As Flintshire County Council is the administering authority for the Fund, VAT input tax is recoverable from all Fund activities including expenditure on investment expenses.

## Net Assets Statement

### Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13A. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

### Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market

values of overseas investments and purchases and sales outstanding at the end of the reporting period.

## Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

## Financial liabilities

Financial liabilities are recognised at fair value on the date the Fund becomes legally responsible for the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund as part of the change in value of investments.

## Actuarial present value of promised future retirement benefits

The actuarial value of promised future retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of the Code and IAS 26. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a report from the actuary (note 25).

## Additional Voluntary Contributions (AVCs)

The Fund provides an AVC scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds Regulations 2016), but are disclosed as a note only (see Note 21).

## Note 4: Critical Judgements In Applying Accounting Policies

### Pension fund liability

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and set out in the actuary's report shown at the end of these accounts. These actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

## Note 5: Assumptions Made About The Future And Other Major Sources Of Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take into account historical experience, current trends and future expectations. However, actual outcomes could



differ from the assumptions and estimates. The items in the Net Assets Statement at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in asset values and individual assumptions can be measured. For instance, a 10% decrease in asset values would have reduced the 2022 valuation funding level of 105% to 95% as at 31 March 2022. A 0.25% p.a. reduction in the discount rate would in isolation have reduced the funding level to 101% (a 0.25% p.a. increase in assumed inflation, in isolation, would have a similar impact). A combination of the asset and discount rate changes would reduce the funding level to 91%.
<b>Value of investments at level 3</b>	The Fund contains investments in private equity, hedge funds and pooled funds including property, infrastructure, timber and agriculture, that are classified within the financial statements as level 3 investments in note 15 to these accounts. The fair value of these investments is estimated using a variety of techniques which involve some degree of tolerance around the values reported in the Net Assets Statement.	Note 15 summarises the techniques used, the key sensitivities underpinning the valuations and the sensitivity or tolerance around the values reported.

## Note 6: Post Balance Sheet Events

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31 March 2023. Performance of global financial markets since this date may have affected the financial value of pension fund investments as reported in the Net Asset Statement, but do not affect the ability of the Fund to pay its pensioners.

## Note 7: Analysis Of Contributions Receivable

### By employer

2021/22 £000		2022/23 £000
(28,080)	Administering Authority - Flintshire County Council	(30,101)
(52,973)	Scheduled bodies	(57,964)
(4,200)	Admitted bodies	(4,058)
<b>(85,253)</b>	<b>Total</b>	<b>(92,123)</b>

### By type

2021/22 £000		2022/23 £000
(18,250)	<b>Employees contributions</b>	(20,006)
	<b>Employers' contributions:</b>	
(51,918)	Normal contributions	(56,795)
(14,378)	Deficit recovery contributions	(14,770)
(707)	Augmentation contributions	(552)
<b>(67,003)</b>	<b>Total employers' contributions</b>	<b>(72,117)</b>
<b>(85,253)</b>	<b>Total contributions</b>	<b>(92,123)</b>

## Note 8: Transfers in From Other Pension Funds

2021/22 £000		2022/23 £000
(6,956)	Individual transfers	(6,244)
<b>(6,956)</b>	<b>Total</b>	<b>(6,244)</b>

## Note 9: Benefits Payable

### By Authority

2021/22 £000		2022/23 £000
29,132	Administering Authority: Flintshire County Council	29,631
52,662	Scheduled bodies	56,439
1,904	Admitted bodies	1,828
<b>83,698</b>		<b>87,898</b>

### By Type

2021/22 £000		2022/23 £000
66,875	Pensions	70,631
14,572	Commutation and lump sum retirement benefits	14,354
2,251	Lump sum death benefits	2,913
<b>83,698</b>		<b>87,898</b>

## Note 10: Payments To And On Account Of Leavers

2021/22 £000		2022/23 £000
4,054	Individual transfers	5,543
220	Refunds to members leaving service	328
182	Other	101
<b>4,456</b>	<b>Total</b>	<b>5,972</b>

## Note 11: Management Expenses

2021/22 £000		2022/23 £000
2,242	Administration costs	2,467
20,595	Investment management expenses	22,386
2,929	Oversight and governance costs	3,848
<b>25,766</b>	<b>Total</b>	<b>28,701</b>

The Oversight and Governance costs include the fees payable to Audit Wales for the external audit of the Fund of £47k for 2022/23 (£41k in 2021/22).

## Note 11A: Investment Management Expenses

2022/23	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
<b>Investment Assets</b>				
<b>Pooled Funds</b>	3,177	0	1,003	4,180
<b>Other investments</b>				
Pooled property investments	2,015	792	196	3,003
Private equity and joint venture funds	4,489	1,854	106	6,449
Infrastructure funds	3,055	631	81	3,767
Timber and Agriculture	148	0	0	148
Private Debt	1,111	160	100	1,371
Impact / Local	1,944	988	378	3,310
	<b>15,939</b>	<b>4,425</b>	<b>1,864</b>	<b>22,228</b>
Custody Fees				158
Total				<b>22,386</b>

2021/22	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
<b>Investment Assets</b>				
<b>Pooled Funds</b>	2,946	0	1,285	4,231
<b>Other investments</b>				
Pooled property investments	2,103	61	260	2,424
Private equity and joint venture funds	4,618	1,990	99	6,707
Infrastructure funds	1,699	579	101	2,379
Timber and Agriculture	158	0	0	158
Private Debt	607	265	0	872
Impact / Local	2,054	1504	160	3,718
	<b>14,185</b>	<b>4,399</b>	<b>1,905</b>	<b>20,489</b>
Custody Fees				106
Total				<b>20,595</b>

## Note 11B: Wales Pension Partnership Management Expenses

2021/22 £000		2022/23 £000
135	Oversight and Governance	158
622	Transaction Costs	524
376	Fund Management Fees	406
67	Custody Fees	123
<b>1,200</b>	<b>Total</b>	<b>1,211</b>

Included in Management Expenses in the first table of this note is the cost of the Fund's involvement in the Wales Pension Partnership (WPP) collective investment pooling arrangement. These are further analysed in the table above. The Oversight and Governance costs are the annual running costs of the pool which includes the host authority costs and other external advisor costs. These costs are funded equally by all eight of the local authority pension funds in Wales. Fund Management Fees are payable to Link Fund Solutions (the WPP operator) and include the operator fee and other associated costs. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from Investment Income. Underlying manager fees are not included in this table, but are disclosed in the Finance Report elsewhere in the Annual Report. Further details on the WPP can also be found in the Finance Report.

## Note 12: Investment Income

2021/22 £000		2022/23 £000
	<b>Pooled Funds</b>	
6,043	Income from multi asset credit	8,392
2,254	Income from global equity	3,045
1,486	Income from emerging market equity	7,086
	<b>Other investments</b>	
3,529	Income from pooled property investments	4,083
1,225	Income from private equity and joint venture funds	363
5,169	Income from infrastructure funds	4,292
60	Income from timber & agriculture funds	0
3,088	Income from private debt	3,091
677	Income from impact / local funds	3,230
17	Interest on cash deposits	556
41	Other income	131
<b>23,589</b>		<b>34,269</b>

## Note 13: Investments

2021/22 Restated £000		2022/23 £000
<b>Investment Assets</b>		
<b>Pooled Funds</b>		
246,032	Multi asset credit	230,688
273,120	Diversified growth funds	262,537
596,076	Liability Driven Investment	663,896
157,982	Hedge Fund of Funds	159,281
263,295	Global equity	130,027
220,789	Emerging Market Equity	115,712
<b>Other investments</b>		
146,325	Pooled property investments	133,422
201,521	Private equity and joint venture funds	205,945
124,721	Infrastructure funds	130,888
14,125	Timber and Agriculture	12,074
52,592	Private Debt	61,769
79,332	Impact/ Local	93,352
2,375,910		2,199,591
30,215	Cash	309
2,406,125	Total investment assets	2,199,900

During the year the Fund transitioned £215.5m of Global Equities from BlackRock and Emerging Market Equities from Russell (WPP) to Insight Liability Driven Investment and Cash. The breakdown is shown below.

Manager / Mandate	Redemptions £000s	Subscriptions £000s
Russell (WPP) Emerging Market Equity	(90,000)	
BlackRock Global Equity	(125,471)	
Insight Liability Driven Investment		210,000
Cash		5,471
	(215,471)	215,471

## Note 13A: Reconciliation of Movements in Investments And Derivatives

	Market value 1st April 2022 Restated	Purchases during the year	Sales during the year	Change in market value	Market value 31st March 2023
	£000	£000	£000	£000	£000
<b>Investment Assets</b>					
<b>Pooled Funds</b>					
Multi asset credit	246,032	8,181	0	(23,525)	230,688
Diversified growth funds	273,120	0	(153)	(10,430)	262,537
Liability Driven Investment	596,076	390,000	(152,725)	(169,455)	663,896
Hedge Fund of Funds	157,982	0	(130)	1,429	159,281
Global equity	263,295	2,833	(125,497)	(10,604)	130,027
Emerging Market Equity	220,789	6,456	(90,000)	(21,533)	115,712
<b>Other investments</b>					
Pooled property investments	146,325	10,225	(5,805)	(17,323)	133,422
Private equity and joint venture funds	201,521	29,123	(50,454)	25,755	205,945
Infrastructure funds	124,721	13,591	(23,320)	15,896	130,888
Timber and Agriculture	14,125	0	(3,939)	1,888	12,074
Private Debt	52,592	12,572	(6,854)	3,459	61,769
Impact / Local	79,332	17,354	(9,515)	6,181	93,352
<b>Total investment assets</b>	<b>2,375,910</b>	<b>490,335</b>	<b>(468,392)</b>	<b>(198,262)</b>	<b>2,199,591</b>
Cash deposits	30,215				309
<b>Total assets</b>	<b>2,406,125</b>			<b>(198,262)</b>	<b>2,199,900</b>

	Market value 1st April 2021 Restated	Purchases during the year	Sales during the year	Change in market value	Market value 31st March 2022 Restated
	£000	£000	£000	£000	£000
<b>Investment Assets</b>					
<b>Pooled Funds</b>					
Multi asset credit	250,378	5,842	0	(10,188)	246,032
Diversified growth funds	231,022	0	(143)	42,241	273,120
Liability Driven Investment	500,832	0	(1,624)	96,868	596,076
Hedge Fund of Funds	145,594	0	(185)	12,573	157,982
Global equity	231,367	2,031	(14)	29,911	263,295
Emerging Market Equity	231,836	240,924	(230,949)	(21,021)	220,789
<b>Other investments</b>					
Pooled property investments	132,870	4,582	(9,195)	18,068	146,325
Private equity and joint venture funds	193,497	24,639	(59,574)	42,960	201,521
Infrastructure funds	106,609	13,133	(16,254)	21,233	124,721
Timber and Agriculture	17,555	0	(5,544)	2,114	14,125
Private Debt	52,967	8,077	(12,588)	4,136	52,592
Impact / Local	58,170	16,513	(19,232)	23,881	79,332
<b>Total investment assets</b>	<b>2,152,698</b>	<b>315,740</b>	<b>(355,302)</b>	<b>262,776</b>	<b>2,375,910</b>
Cash deposits	30,205				30,215
Currency Loss	0			(67)	
Amount receivable for sales	2,812			0	
<b>Total assets</b>	<b>2,182,903</b>			<b>262,709</b>	<b>2,406,125</b>



## Note 13B: Analysis By Fund Manager

2021/22			2022/23		
£000	%		£000	%	
Wales Pension Partnership Investments					
596,583	24.8%	Russell Investments	476,427	21.7%	
133,533	5.5%	Blackrock (Passive)	0	0.0%	
<b>730,116</b>	<b>30.3%</b>		<b>476,427</b>	<b>21.7%</b>	
Investments managed outside Wales Pension Partnership					
626,291	26.0%	Insight	664,205	30.2%	
273,120	11.4%	Mobius	262,537	11.9%	
157,982	6.7%	MAN Group	159,281	7.2%	
618,616	25.7%	Private Markets	637,450	29.0%	
<b>1,676,009</b>	<b>69.8%</b>		<b>1,723,473</b>	<b>78.3%</b>	
<b>2,406,125</b>	<b>100%</b>		<b>2,199,900</b>	<b>100%</b>	

The following investments represent more than 5% of the net assets of the scheme. All of these companies are registered in the UK. Where the table above shows a holding of greater than 5% but the manager does not appear in the list below this is because investments are held in more than one fund.

2021/22		Manager	Holding	2022/23	
£000	%			£000	%
626,291	26	Insight	664,205	30	LDI Active 22 Fund

## Note 13C: Stock Lending

The Fund's Investment Strategy sets the parameters for its stock lending programme. The Fund participates in stock lending through its investments with WPP. At 31 March 2023 the total value of all WPP stock on loan was £454,055,992. Total net revenue during 2022/23 was £1,129,506 of which the Clwyd Pension Fund received £55,787.

## Note 14: Derivatives

No derivative instruments were held by Clwyd Pension Fund at 31 March 2023 or 31 March 2022.

## Note 15: Fair Value of Investments

### Fair Value: Basis of valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Investments and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1:** where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2:** where quoted market prices are not available, valuation techniques are used to determine fair value based on observable data.

**Level 3:** where at least one input that could have a significant effect on the investment's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted Pooled Investment Vehicles	Level 1	Quoted market bid price on the relevant exchange	Not required	Not required
Infrastructure	Level 1	Published bid price ruling on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Amounts receivable from investment sales	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of	Not required	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		these financial instruments		
Unquoted equity investments	Level 2	Average of broker prices	Evaluated price feeds	Not required
Unquoted fixed income bonds and unit trusts	Level 2	Average of broker prices	Evaluated price fees	Not required
Unquoted pooled fund investments	Level 2	Average of broker prices	Valued net of unrealised gains/losses on hedging	Internal rate of return
Pooled property funds and hedge funds where regular trading takes place	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Hedge Fund	Level 2	Valued monthly using closing bid price where bid and offer prices are published or closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled Property Funds and hedge funds where regular trading does not take place	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against
Other unquoted and private equities	Level 3	Comparable valuation of similar companies in accordance with International Private	EBITDA multiple Revenue multiple	Valuations could be affected by changes to

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	Discount for lack of marketability Control premium	expected cashflows or by differences between audited and unaudited accounts

### Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023 and 31 March 2022.

2022/23	Potential variation in fair value %	Value at 31st March £000	Potential value on increase £000	Potential value on decrease £000
<b>Other investments</b>				
Pooled property investments	15.3	121,233	139,781	102,684
Private equity and joint venture funds	24.4	205,945	256,195	155,694
Infrastructure funds	15.8	121,603	140,816	102,390
Timber and Agriculture	5.5	12,074	12,738	11,410
Private Debt	11.1	61,769	68,625	54,913
Impact/ Local	24.5	93,352	116,223	70,481
		<u>615,976</u>	<u>734,378</u>	<u>497,572</u>

2021/22	Potential variation in fair value %	Value at 31st March £000	Potential value on increase £000	Potential value on decrease £000
<b>Other investments</b>				
Pooled property investments	14.1	132,233	150,878	113,588
Private equity and joint venture funds	25.0	201,521	251,901	151,140
Infrastructure funds	15.0	114,553	131,736	97,370
Timber and Agriculture	8.7	14,125	15,354	12,896
Private Debt	10.6	52,592	58,167	47,017
Impact/ Local	25.0	79,332	99,165	59,499
		594,356	707,201	481,510

## Note 15A: Fair Value of Hierarchy

The following table shows the position of the Fund's assets at 31 March 2023 based on the Fair Value hierarchy:

Values at 31st March 2023	Quoted market price £000	Using observable inputs £000	Significant unobservable inputs £000	Total £000
<b>Investment Assets</b>				
Multi Asset Credit		230,688		230,688
Diversified growth funds		262,537		262,537
Liability Driven Investment		663,896		663,896
Hedge Fund of Funds		159,281		159,281
Global equity		130,027		130,027
Emerging Market Equity		115,712		115,712
<b>Other investments</b>				
Pooled property investments		12,189	121,233	133,422
Private equity and joint venture funds			205,945	205,945
Infrastructure funds	9,285		121,603	130,888
Timber and Agriculture			12,074	12,074
Private Debt			61,769	61,769
Impact/Local			93,352	93,352
Cash deposits	309			309
<b>Total investment assets</b>	9,594	1,574,330	615,976	2,199,900
Cash deposits	98,281			98,281
<b>Total assets</b>	107,875	1,574,330	615,976	2,298,181

Values as at 31st March 2022	Quoted market price	Using observable inputs	Significant unobservable inputs	Total
	£000	£000	£000	£000
<b>Investment Assets</b>				
Multi Asset Credit		246,032		246,032
Diversified growth funds		273,120		273,120
Liability Driven Investment		596,076		596,076
Hedge Fund of Funds		157,982		157,982
Global equity		263,295		263,295
Emerging Market Equity		220,789		220,789
<b>Other investments</b>				
Pooled property investments		14,092	132,233	146,325
Private equity and joint venture funds			201,521	201,521
Infrastructure funds	10,168		114,553	124,721
Timber and Agriculture			14,125	14,125
Private Debt			52,592	52,592
Impact/Local			79,332	79,332
Cash deposits	30,215			30,215
<b>Total investment assets</b>	<b>40,383</b>	<b>1,771,386</b>	<b>594,356</b>	<b>2,406,125</b>
Cash deposits	79,645			79,645
<b>Total assets</b>	<b>120,028</b>	<b>1,771,386</b>	<b>594,356</b>	<b>2,485,770</b>

## Note 15B: Reconciliation of Fair Value Measurements Within Level 3

	Value at 31st March 2022 £000	Purchases £000	Sales £000	Unrealised gains and losses £000	Realised gains and losses £000	Value at 31st March 2023 £000
<b>Other Investments</b>						
Pooled property investments	132,233	10,225	(5,798)	(18,009)	2,582	121,233
Private equity and joint venture funds	201,521	29,123	(50,454)	6,262	19,493	205,945
Infrastructure funds	114,553	13,112	(23,320)	14,939	2,319	121,603
Timber and Agriculture	14,125	0	(3,939)	261	1,627	12,074
Private Debt	52,592	12,572	(6,854)	3,459	0	61,769
Impact/Local	79,332	17,354	(9,515)	2,205	3,976	93,352
	594,356	82,386	(99,880)	9,117	29,997	615,976
	Value at 31st March 2021 £000	Purchases £000	Sales £000	Unrealised gains and losses £000	Realised gains and losses £000	Value at 31st March 2022 £000
<b>Other Investments</b>						
Pooled property investments	121,401	4,582	(7,796)	11,314	2,731	132,233
Private equity and joint venture funds	193,496	24,639	(56,121)	16,221	23,286	201,521
Infrastructure funds	91,550	12,678	(15,501)	19,578	6,248	114,553
Timber and Agriculture	17,555	0	(5,412)	648	1,334	14,125
Private Debt	52,968	8,077	(12,413)	3,960	0	52,592
Impact/Local	58,171	16,513	(17,064)	15,470	6,242	79,332
	535,140	66,489	(114,307)	67,191	39,841	594,356

## Note 16: Classification Of Financial Instruments

2021/22				2022/23		
Fair Value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000		Fair Value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
<b>Financial Assets</b>						
<b>Pooled Funds</b>						
246,032			Multi asset credit	230,688		
273,120			Diversified growth funds	262,537		
596,076			Liability Driven Investment	663,896		
157,982			Hedge Fund of Funds	159,281		
263,295			Global equity	130,027		
220,789			Emerging Market Equity	115,712		
<b>Other investments</b>						
146,325			Pooled property investments	133,422		
201,521			Private equity and joint venture funds	205,945		
124,721			Infrastructure funds	130,888		
14,125			Timber and Agriculture	12,074		
52,592			Private Debt	61,769		
79,332			Impact/ Local	93,352		
30,215	79,645		Cash	309	98,281	
	0		Other investment balances		0	
	392		Debtors		431	
2,406,125	80,037	0		2,199,900	98,712	0
<b>Financial liabilities</b>						
		(543)	Creditors			(744)
2,406,125	80,037	(543)		2,199,900	98,712	(744)



The table above analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

## Note 17: Nature and Extent of Risks Arising From Financial Instruments

### Procedures for Managing Risk

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cashflows. The fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Clwyd Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations, then reviewed regularly to reflect changes in activity and market conditions.

### Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risk in two ways:

- The exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels.
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

## Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

### Other Price Risk: Sensitivity Analysis

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Assets exposed to price risk	Value £000s	3 year volatility range %	Value on increase £000s	Value on decrease £000s
As at 31 March 2022	2,485,821	8.30%	2,692,134	2,279,508
As at 31 March 2023	2,298,181	8.26%	2,487,962	2,108,401

## Interest Rate Risk

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

However, in the past 12 months, markets experienced a black swan event in light of the September gilt market crisis on the back of the mini-budget announcement. The announcement sent markets into crisis as investor confidence in UK Government issued debt spiralled downwards. As a result, yields on government bonds increased significantly, which ultimately led to the Bank of England stepping in to prevent further turmoil in markets and try to regain stability within markets.

Over the 12 months to 31 March 2023, long dated fixed interest gilt yields rose over 2%.

### Interest Rate Risk: Sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not

affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Interest rate risk is the risk that the fair value of the Fund's assets will be effected by changes in interest rates. The amount by which the fair value of the Fund's assets is effected by interest rates is not only determined by the size of the movement in interest rates but also by the duration of the assets. Duration is the measure of the how sensitive an asset is to changes in interest rates, therefore the higher the duration the greater the change in the fair value of assets when interest rates move. An example of the relationship between interest rates and duration is as follows: if interest rates increase by 1% and asset who has a duration of 2, would experience a 2% decrease (1%\*2) in the fair value of its asset.

Assets exposed to interest rate risk	Value £000s	Value on 1% increase £000s	Value on 1% decrease £000s
As at 31 March 2022	951,968	877,556	1,047,329
As at 31 March 2023	993,175	902,484	1,105,862

## Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the fund investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements to be not more than 15%. A 15% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

### Currency risk: Sensitivity analysis

Assets exposed to currency risk	Value £000s	% change %	Value on increase £000s	Value on decrease £000s
As at 31 March 2022	1,011,606	16.29%	1,176,427	846,785
As at 31 March 2023	891,012	15.00%	1,024,663	757,360

The table above shows the unhedged FX exposures within the portfolio, note the Fund has FX exposures elsewhere within the portfolio but these are hedged back to sterling to remove the FX risk.

## Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality

counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years. All contributions due at 31 March 2023 were received in the first months of the financial year.

## Liquidity Risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they fall due. The Committee monitors cashflows regularly during the year, and as part of the triennial funding review, and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2023, liquid assets were £1,571m representing 71% of total fund assets (£1,782m at 31 March 2022 representing 75% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

## Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

## Note 18: Actuarial Present Value Of Promised Retirement Benefits

In addition to the triennial funding valuation, the fund's actuary undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. The valuation is not carried out on the same basis as that used for setting fund contributions and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes.

2021/22		2022/23
£000		£000
3,401	Present value of promised retirement benefits	2,398
(2,486)	Fair value of scheme assets	(2,298)
<b>915</b>	<b>Total</b>	<b>100</b>

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

2021/22		2022/23
%		%
3.30	Inflation/pension increase rate assumption	2.70
4.55	Salary increase rate	3.95
2.80	Discount rate	4.80

## Note 19: Current Assets

2021/22		2022/23
£000		£000
294	<b>Long-term debtors</b>	378
	<b>Short-term debtors</b>	
1,642	Contributions due - Employees	1,588
4,882	Contributions due - Employers	4,583
389	Prepayments	431
49	Sundry debtors	22
<b>6,962</b>	<b>Total Short-term debtors</b>	<b>6,624</b>
<b>7,256</b>	<b>Total</b>	<b>7,002</b>

## Note 20: Current Liabilities

2021/22		2022/23
£000		£000
(170)	Contributions received in advance	(166)
(1,234)	Benefits payable	(1,319)
(7)	Administering authority	(14)
(17)	HMRC	(16)
(803)	Sundry creditors	(1,070)
<b>(2,231)</b>	<b>Total</b>	<b>(2,585)</b>

## Note 21: Additional Voluntary Contributions (AVCs)

Clwyd Pension Fund has engaged two additional voluntary contribution (AVC) providers: Prudential Assurance Company Ltd and Utmost Life and Pensions Limited. The value of the funds invested with both AVC providers are shown below. AVCs paid directly to the Prudential are shown overleaf.

In accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

2021/22		2022/23
£000		£000
<b>1,089</b>	Contributions in the year	<b>1,101</b>
<b>Value of AVC funds at 31st March:</b>		
6,551	Prudential	5,585
300	Utmost (formerly Equitable Life)	289
<b>6,851</b>	<b>Total</b>	<b>5,874</b>

## Note 22: Agency Services

Clwyd Pension Fund pays discretionary awards to former employees of the current unitary authorities, Coleg Cambria and some other employers. Amounts paid are fully reclaimed from the employer bodies.

2021/22		2022/23
£000		£000
453	Conwy County Borough Council	430
1,579	Denbighshire County Council	1,524
2,916	Flintshire County Council	2,849
18	Powys County Council	17
1,954	Wrexham County Borough Council	1,896
51	Coleg Cambria	47
49	Other employers	51
<b>7,020</b>	<b>Total</b>	<b>6,814</b>

## Note 23: Related Party Transactions

### Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31 March 2023, four Members of the Clwyd Pension Fund Committee had taken this option, with one being in receipt of a pension.

Two of the four Co-opted Members of the Pension Fund Committee are eligible to receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council. Allowances amounted to £4,107 for 2022/23 (£7,611 in 2021/22).

## Flintshire County Council

During the year Flintshire County Council incurred costs of £2.3m (£2.1m in 2021/22) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The costs have been included within Oversight & Governance costs and administration expenses at Note 11.

## Key Management Personnel

The key management personnel of the Fund during 2022/23 were the Chair of the Pension Fund Committee, the Flintshire Chief Executive (to October 2022), the Head of the Clwyd Pension Fund (from October 2022) and the Flintshire S.151 officer. Total benefits attributable to key management personnel are set out below:

2021/22		2022/23
£000		£000
20	Short-term benefits	46
5	Post-employment benefits	(176)
<b>25</b>	<b>Total</b>	<b>(130)</b>

## Note 24: Contingent Liabilities And Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2023 were £277m (31 March 2022: £188m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the impact, private debt, private equity, property and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing and will depend on the investment period of each individual Fund.

## Note 25: Clwyd Pension Fund Accounts For The Year Ended 31 March 2023 (Statement By The Consulting Actuary)

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £2,491 million represented 105% of the Fund's past service liabilities of £2,366 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £125 million.

The valuation also showed that a Primary contribution rate of 18.8% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the last actuarial valuation the average recovery period adopted was 12 years. The total recovery payment (the “Secondary rate” for 2023/26) was, on average, a surplus offset of approximately £10.0m per annum (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

In practice, each individual employer’s position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	<b>For past service liabilities (Solvency Funding Target)</b>	<b>For future service liabilities (Primary rate of contribution)</b>
<b>Rate of return on investments (discount rate)</b>	4.60% per annum	5.10% per annum
<b>Rate of pay increases (long term)*</b>	4.35% per annum	4.35% per annum
<b>Rate of increases in pensions in payment (in excess of GMP)</b>	3.10% per annum	3.10% per annum

\* for some employers allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.



The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

## Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
<b>Rate of return on investments (discount rate)</b>	2.8% per annum	4.8% per annum
<b>Rate of CPI Inflation / CARE benefit revaluation</b>	3.3% per annum	2.7% per annum
<b>Rate of pay increases</b>	4.55% per annum*	3.95% per annum**
<b>Increases on pensions (in excess of GMP) / Deferred revaluation</b>	3.4% per annum	2.8% per annum

\* This is the long-term assumption. An allowance in line with that made at the 2019 actuarial valuation for short-term public sector pay restraint was also included.

\*\* This is the long-term assumption. An allowance in line with that made at the 2022 actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumption adopted for the 2022 actuarial valuation, with a long-term rate of life expectancy improvement of 1.5% p.a.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

<b>Start of period liabilities</b>	<b>£3,401m</b>
<b>Interest on liabilities</b>	£94m
<b>Net benefits accrued/paid over the period*</b>	£57m
<b>Actuarial (gains)/losses (see below)</b>	(£1,154m)
<b>End of period liabilities</b>	<b>£2,398m</b>

\*This includes any increase in liabilities arising as a result of early retirements

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.3% p.a. In combination, these factors lead to a significant reduction in liabilities.
- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions, with a lower rate of long-term improvement of 1.5%. This acts to reduce the liabilities.
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long-term assumption, this increases the liabilities.
- **2022 actuarial valuation:** The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

**Paul Middleman**  
**Fellow of the Institute and**  
**Faculty of Actuaries**

**Mark Wilson**  
**Fellow of the Institute and**  
**Faculty of Actuaries**

**Mercer Limited**  
**August 2023**

# Statement of Responsibilities for the Statements of Accounts

## The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, this is the Corporate Finance Manager as Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

CLlr Ted Palmer

Chair of the Pension Committee

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities

The statement of accounts presents a true and fair view of the financial position of the Council at 31st March 2023, and its income and expenditure for the year then ended.

Gary Ferguson CPFA

Corporate Finance Manager (Chief Finance Officer)

## Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Flintshire County Council as administering authority for Clwyd Pension Fund

## Appendix 8: Financial Report

### Introduction

This report includes financial monitoring reports for the year 2022/23 showing both cash flow and income and expenditure compared to budget. It also details the contributions from employers and employees, and shows further information on contributions, assets, investment income and management fees.

The Fund's financial processes and activities are scrutinised by both Internal and External Audit which helps reduce the risk of errors and fraud. The Fund receives reports from Flintshire County Council Internal Audit Team and Audit Wales and acts appropriately in respect of any recommendations.

### Cash Flow 2022/2023

The Fund operates a rolling three year cash flow which is estimated and monitored on a quarterly basis. There are several unknowns within the cash flow such as transfers in and out of the fund and also drawdowns and distributions across the Fund's Private Market portfolio for which the current strategic allocation was 29% of the Fund. Cash flow predictions for the drawdowns and distributions are reassessed annually to incorporate the actuals for the year and any further commitments agreed during the period. The following table shows a summarised final cash flow for 2022/23. This is purely on a cash basis and does not take into account any movements in asset values or management investment fees which are included in the pooled vehicles and accounted for at the year end, nor any year end accruals.

<b>2022/23</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>Opening Cash</b>	<b>(75,898)</b>	<b>(79,645)</b>	
<b>Payments</b>			
Pensions	68,400	70,660	2,260
Lump Sums & Death Grants	16,000	17,183	1,183
Transfers Out	6,000	5,974	(26)
Expenses (excluding investments)	6,800	6,128	(672)
Tax Paid	100	111	11
Support Services	200	131	(69)
<b>Total Payments</b>	<b>97,500</b>	<b>100,187</b>	<b>2,687</b>
<b>Income</b>			
Employer Contributions	(49,000)	(56,977)	(7,977)
Employee Contributions	(17,200)	(20,070)	(2,870)
Employer Deficit Payments	(15,000)	(14,889)	111
Transfers In	(6,000)	(6,245)	(245)
Pension Strain	(1,200)	(670)	530
Income	(40)	(479)	(439)
<b>Total Income</b>	<b>(88,440)</b>	<b>(99,330)</b>	<b>(10,890)</b>
<b>Cash-flow Net of Investment Income</b>	<b>9,060</b>	<b>857</b>	<b>(8,203)</b>
Investment Income	(8,000)	(12,130)	(4,130)
Investment expenses	4,000	6,999	2,999
<b>Total Net of In House Investments</b>	<b>5,060</b>	<b>(4,274)</b>	<b>(9,334)</b>
<b>In House Investments</b>			
Draw downs	103,661	82,865	(20,796)
Distributions	(98,146)	(91,626)	6,520
<b>Net Expenditure /(Income)</b>	<b>5,515</b>	<b>(8,761)</b>	<b>(14,276)</b>
<b>Total Net Cash-Flow</b>	<b>10,575</b>	<b>(13,035)</b>	<b>(23,610)</b>
<b>Movement to/from Managers</b>	<b>0</b>	<b>(5,602)</b>	<b>(5,602)</b>
<b>Closing Cash</b>	<b>(65,323)</b>	<b>(98,282)</b>	

### 3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2026.

	2023/24 £000	2024/25 £000	2025/26 £000
<b>Opening Cash</b>	<b>(96,470)</b>	<b>(27,227)</b>	<b>(121)</b>
<b>Payments</b>			
Pensions	76,800	80,800	85,140
Lump Sums & Death Grants	16,000	16,000	16,000
Transfers Out	6,000	6,000	6,000
Expenses (excluding investments)	5,900	5,900	5,900
Tax Paid	100	100	100
Support Services	135	135	135
<b>Total Payments</b>	<b>104,935</b>	<b>108,935</b>	<b>113,275</b>
<b>Income</b>			
Employer Contributions	(60,000)	(62,800)	(65,200)
Employee Contributions	(20,200)	(21,000)	(21,800)
Employer (Deficit Payments)/Surplus Offset	9,200	11,600	12,000
Transfers In	(6,000)	(6,000)	(6,000)
Pension Strain	(1,200)	(1,200)	(1,200)
Income	(200)	(80)	(80)
<b>Total Income</b>	<b>(78,400)</b>	<b>(79,480)</b>	<b>(82,280)</b>
<b>Cash-flow Net of Investment Income</b>	<b>26,535</b>	<b>29,455</b>	<b>30,995</b>
Investment Income	(12,000)	(12,000)	(12,000)
Investment expenses	6,000	6,000	6,000
<b>Total Net of In House Investments</b>	<b>20,535</b>	<b>23,455</b>	<b>24,995</b>
<b>In House Investments</b>			
Draw downs	131,210	147,151	171,795
Distributions	(82,502)	(73,500)	(73,300)
<b>Net Expenditure /(Income)</b>	<b>48,708</b>	<b>73,651</b>	<b>98,495</b>
<b>Total Net Cash-Flow</b>	<b>69,243</b>	<b>97,106</b>	<b>123,490</b>
<b>Rebalancing Portfolio</b>	<b>0</b>	<b>(70,000)</b>	<b>(131,000)</b>
<b>Closing Cash</b>	<b>(27,227)</b>	<b>(121)</b>	<b>(7,631)</b>

## Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2022/23 compared to 2021/22. Management fees overall have increased primarily due to the increase in private market fees from additional commitments made during the year. Other significant changes were due to costs associated with the actuarial valuation process, and investment consultant costs in relation to the private markets portfolio and responsible investment reporting.

	Actual 2021/22 £000	Actual 2022/23 £000	Variance 2021/22 to 2022/23 £000
<b>Governance Expenses</b>			
Employee Costs	299	281	(18)
Support & Services Costs (Internal Recharges) including IT	23	18	(5)
Other (Transport, Supplies & Services)	65	64	(1)
Audit Fees	41	47	6
Actuarial Fees	493	926	433
Consultant Fees	1,066	1,548	482
Pooling (Consultants and Host)	144	163	19
Advisor Fees	533	586	53
Legal Fees	113	74	(39)
Pension Board	101	96	(5)
<b>Total Governance Expenses</b>	<b>2,878</b>	<b>3,803</b>	<b>925</b>
<b>Investment Management Expenses</b>			
Fund Manager Fees	19,490	21,298	1,808
Custody Fees	106	158	52
Performance Monitoring Fees	53	46	(7)
Pooling (Operator and FM costs)	998	930	(68)
<b>Total Investment Management Expenses</b>	<b>20,647</b>	<b>22,432</b>	<b>1,785</b>
<b>Administration Expenses</b>			
Employee Costs	1,242	1,391	149
Support Services Costs (FCC Recharges)	150	114	(36)
Premises	0	0	0
IT (Direct or External charged Services)	488	515	27
Other (Supplies & Services etc)	102	125	23
Outsourcing	41	0	(41)
<b>Total Administration Expenses</b>	<b>2,023</b>	<b>2,146</b>	<b>123</b>
<b>Employer Liaison Team</b>			
Direct Costs	218	320	102
<b>Total Employer Liaison Team</b>	<b>218</b>	<b>320</b>	<b>102</b>
<b>Total Costs</b>	<b>25,766</b>	<b>28,701</b>	<b>2,935</b>



The following table shows actual costs for 2022/23 compared to the budgeted costs along with the budget for 2023/24. Over 2022/23, excluding fund manager fees, the Fund operated under its budget over the year. Given that fund manager fees are based on asset values and can include performance fees, the expected budget for 2022/23 was lower than actual costs. Key variances against the budget during the year were underspends on consultant fees, IT, and employee costs due to vacant positions remaining unfilled.

	Actual 2022/23 £000	Budget 2022/23 £000	Variance 2022/23 £000	Budget 2023/24 £000
<b>Governance Expenses</b>				
Employee Costs	281	397	(116)	413
Support & Services Costs (Internal Recharges) including IT	18	29	(11)	17
Other (Transport, Supplies & Services)	64	95	(31)	95
Audit Fees	47	45	2	45
Actuarial Fees	926	879	47	722
Consultant Fees	1,548	1,627	(79)	1,087
Pooling (Consultants and Host)	163	197	(34)	215
Advisor Fees	586	517	69	598
Legal Fees	74	100	(26)	30
Pension Board	96	113	(17)	111
<b>Total Governance Expenses</b>	<b>3,803</b>	<b>3,999</b>	<b>(196)</b>	<b>3,333</b>
<b>Investment Management Expenses</b>				
Fund Manager Fees	21,298	16,275	5,023	19,755
Custody Fees	158	112	46	192
Performance Monitoring Fees	46	53	(7)	46
Pooling (Operator and FM costs)	930	500	430	885
<b>Total Investment Management Expenses</b>	<b>22,432</b>	<b>16,940</b>	<b>5,492</b>	<b>20,878</b>
<b>Administration Expenses</b>				
Employee Costs	1,391	1,433	(42)	1,636
Support Services Costs (FCC Recharges)	114	158	(44)	114
Premises	0	0	0	0
IT (Direct or External charged Services)	515	715	(200)	718
Other (Supplies & Services etc)	125	146	(21)	146
Outsourcing	0	0	0	0
<b>Total Administration Expenses</b>	<b>2,146</b>	<b>2,452</b>	<b>(306)</b>	<b>2,614</b>
<b>Employer Liaison Team</b>				
Direct Costs	320	363	(43)	396
<b>Total Employer Liaison Team</b>	<b>320</b>	<b>363</b>	<b>(43)</b>	<b>396</b>
<b>Total Costs</b>	<b>28,701</b>	<b>23,754</b>	<b>4,947</b>	<b>27,221</b>

## Employers participating in the Fund at 31 March 2023

### Contributions

52 bodies contributed to the Fund during 2022/23, 33 scheduled and 19 admitted. Contributions are paid to the Fund by the 19th of the month following the month they relate to. Employer and employee contributions, (including deficit payments) received during 2022/23 are shown in the following table, as is the rate of contribution as a percentage of pensionable pay.

No new bodies have joined the Fund during 2022/23 and 2 bodies ceased participation in the year (which was an admitted body) i.e. at 31 March 2023. 50 participating employers remain. No bonds or any other secured funding arrangements have been facilitated.

Scheduled bodies	Employer Contributions £	%	Employee contributions £	Avg %*
Flintshire County Council	23,422,485	22.7	6,388,073	6.2
Wrexham County Borough Council	21,023,807	22.6	5,731,735	6.2
Denbighshire County Council	17,458,075	23.4	4,645,468	6.2
Coleg Cambria	3,505,058	21.0	1,075,855	6.5
North Wales Fire Service	894,589	15.3	373,611	6.4
Glyndwr University	1,914,499	21.0	619,355	6.8
North Wales Valuation Tribunal	50,684	32.1	12,693	8.0
Rhyl Town Council	44,157	34.8	9,413	7.4
Hawarden Community Council	41,938	19.6	15,063	7.0
Prestatyn Town Council	28,796	18.0	11,228	7.0
Mold Town Council	20,732	16.9	7,990	6.5
Coedpoeth Community Council	14,073	16.8	5,025	6.0
Rhos Community Council	22,688	22.4	6,012	5.9
Holywell Town Council	16,719	20.1	5,232	6.3
Buckley Town Council	9,091	13.4	5,569	6.1
Caia Park Community Council	14,918	12.1	7,379	6.0
Denbigh Town Council	7,714	18.5	2,608	6.3
Offa Community Council	8,950	16.0	3,400	6.1
Shotton Town Council	5,071	20.0	1,163	4.6
Cefn Mawr Community Council	7,554	11.7	3,288	5.1
Acton Community Council	7,188	23.6	1,754	5.7
Flint Town Council	8,169	17.5	2,986	6.4
Gresford Community Council	5,610	22.3	1,440	5.7
Ruthin	6,843	16.0	2,704	6.3
Marchweil Community Council	3,618	29.8	887	7.3
Penyffordd Community Council	5,322	16.1	1,873	5.7
Hope Community Council	2,478	17.1	797	5.5

Broughton & Bretton	3,942	21.9	1,044	5.8
Bagillt Community Council	2,105	18.1	641	5.5
Northop Town Council	2,072	21.9	527	5.6
Gwernymynydd Community Council	1,945	31.3	371	6.0
Argoed Community Council	895	6.9	717	5.5
Connah's Quay Town Council	0	0.0	5,938	6.0
<b>Total Scheduled Bodies</b>	<b>68,561,785</b>		<b>18,950,376</b>	

<b>Admitted bodies</b>	<b>Employer Contributions £</b>	<b>%</b>	<b>Employee contributions £</b>	<b>Avg %*</b>
Newydd Catering & Cleaning Ltd	518,670	21.8	135,340	5.7
Denbighshire Leisure	956,252	16.8	347,490	6.1
Aura Leisure & Libraries Ltd	514,906	17.2	188,074	6.3
Careers Wales	260,469	15.9	104,823	6.4
Civica UK	82,348	15.5	34,918	6.6
Home Farm trust Ltd	79,942	17.5	27,336	6.0
Freedom Leisure	100,598	16.0	40,049	6.4
Holywell Leisure Ltd	35,026	14.7	12,823	5.4
Glyndwr Student's Union	19,474	12.1	9,953	6.2
Aramark Ltd	16,846	16.8	5,613	5.6
Cartref NI	13,545	21.0	3,863	6.0
Hafan Deg (KL Care)	4,875	23.0	1,206	5.7
Churchills	5,891	19.6	1,653	5.5
Dolce	7,298	21.7	1,850	5.5
Denbigh Youth Project	3,950	14.2	7,810	28.0
Cartref Y Dyffryn Ceiriog	0	0.0	4,385	6.0
Theatre Clwyd Music Trust	92,857	19.5	28,665	6.0
Theatre Clwyd Trust	251,410	18.4	90,380	6.6
Aramark Ltd B	38,460	26.6	9,148	6.3
<b>Total Admitted Bodies</b>	<b>3,002,817</b>		<b>1,055,379</b>	
<b>Total Contributions</b>	<b>71,564,602</b>		<b>20,005,755</b>	

\* For some employers, the employee contribution figures include contributions towards Additional Pension Contracts (APCs) in addition to the regular % contributions payable. In some instances, the payment of APCs can distort the average implied employee rate given the relative size of the contributions paid.

We are able to charge interest on overdue contributions during the financial year. The analysis below shows the number of late contributions made to the Fund, along with the amounts and occasions concerned. Employer D in the following table changed its payroll provider during the year leading to late payments on two occasions. Employer F has now exited the Fund.

The Fund did not exercise its option to charge interest to any of the employers during the year but the occurrences were registered in the Fund's breaches register and reported to the Pension Fund Committee. The total of all last payments was £248,478 (0.35% of the total employer contributions).

Employer	Late Occasions	Contributions (£)
A	3	2,419
B	1	3,535
C	1	427
D	2	224,475
E	1	500
F	7	3,635
G	1	4,745
H	1	8,742

## Fund Assets

The table below provides an analysis of the Fund's assets as at 31 March 2023.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	115,712	130,027	245,739
Alternatives	251,476	385,974	421,818	1,059,268
Bonds & LDI	663,896	0	230,688	894,584
Property (Direct)	0	0	0	0
Cash	98,590			98,590
<b>Total</b>	<b>1,013,962</b>	<b>501,686</b>	<b>782,533</b>	<b>2,298,181</b>

The alternatives portfolio comprises pooled investments in the following asset classes:

Hedge Fund Managed Account, Diversified Growth Funds and Private Markets which includes, Property, Private Debt, Private Equity & Impact/Local, Infrastructure, Timber and Agriculture.

## Investment Income

The table below provides an analysis of the Fund's investment income received as at 31 March 2023.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	7,086	3,044	10,130
Alternatives	10,274	4,785	0	15,059
Bonds & LDI	0	0	8,392	8,392
Property (Direct)	0	0	0	0
Cash	688	0	0	688
<b>Total</b>	<b>10,962</b>	<b>11,871</b>	<b>11,436</b>	<b>34,269</b>

## Fund Manager Expenses (including underlying fees)

The fees which are disclosed in the statement of accounts within the Annual Report have been disclosed in accordance with the CIPFA guidance which states that fees and expenses should only be included where the Fund has a direct relationship with the investment manager. These fees include the annual management charge as well as additional costs such as operational, administrative and legal expenses. In addition any costs for performance and transaction fees are also disclosed. These are disclosed in Note 11 in the Fund's accounts.

Fees relating to underlying managers are not required to be disclosed in the accounting regulations, however the Fund believes we should provide our stakeholders with information on all fees relating to our investments.

The Fund has exposures to underlying managers through investments in alternative mandates including Hedge Funds, the Tactical Asset Portfolio and Private Markets.

The table below shows the fees and expenses which would have been disclosed if underlying fees and their performance fees were included.

The table also shows an average of the basis points charged for each category of fee for the valuation of core assets, non-core assets and total fund.

<b>Fund Management Fees</b>	<b>Avg bps</b>	<b>22/23 £000</b>	<b>Avg bps</b>	<b>21/22 £000</b>
<b>CORE (71% of Fund)</b>	<b>63</b>	<b>9,765</b>	<b>54</b>	<b>9,526</b>
Total expenses including AMC	20	3,177	17	2,946
Underlying Fees (includes performance and transaction fees)	36	5,585	30	5,295
Performance Fees	0	0	0	0
Transaction Fees	7	1,003	7	1,285
<b>NON CORE (29% of Fund)</b>	<b>311</b>	<b>19,848</b>	<b>302</b>	<b>18,643</b>
Total expenses including AMC	200	12,762	182	11,239
Underlying Fees (includes performance and transaction fees)	28	1,800	39	2,386
Performance Fees	69	4,425	71	4,399
Transaction Fees	14	861	10	619
Total underlying fees	34	7,385	32	7,681
Total direct fees	101	22,228	86	20,488
<b>Total fees</b>	<b>135</b>	<b>29,613</b>	<b>118</b>	<b>28,169</b>
Net Assets (Core)		1,562,141		1,757,294
Net Assets (Non-Core)		637,450		618,616
<b>Total Net Assets (excluding cash)</b>		<b>2,199,591</b>		<b>2,375,910</b>

Assets within the “Core” disclosure include: Active Equities, Unconstrained Fixed Income, Liability Driven Investment, Hedge Fund Managed Account Platform, Diversified Growth Funds and the Tactical Asset Portfolio. These account for 71% (74% in 2021/22) of the Fund assets but only 33% (34% in 2021/22) of the total fees. Assets within the “Non-Core” disclosure include: Private Debt, Private Equity (Direct and Fund of Funds), Property (Open and Closed ended), Infrastructure, Timber and Agriculture. Whilst these account for 29% (26% in 2021/22) of the Fund assets the proportion of fees amounts to 67% (66% in 2021/22). These figures include the underlying fees. In comparison, excluding underlying fees, the proportion of fees for core assets is 19% (21% in 2021/22) and non-core, 81% (79% in 2021/22). Many of the Fund’s managers are now signed up to the Cost Transparency Initiative (CTI) and are providing fees through the CTI template.

## Movement in Current Assets and Current Liabilities

There was a decrease in current assets of £254k in 2022/23. Current liabilities increased by £354k primarily as a result of an increase of an increase in the amounts due to Sundry Creditors.

## Wales Pension Partnership (WPP)

The WPP was established in 2017 with the objective to deliver:

- economies of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

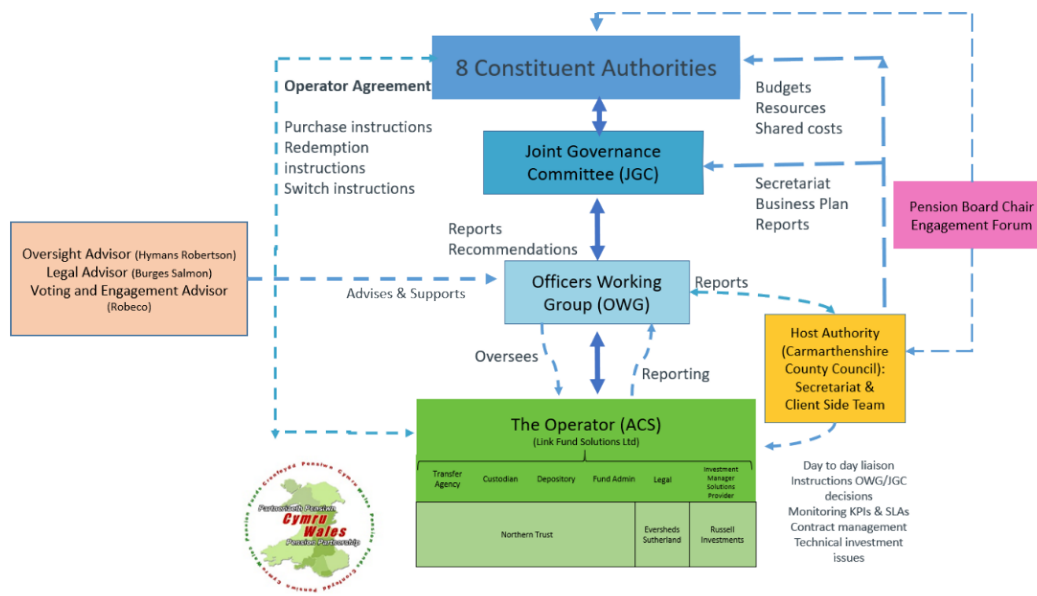
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government's pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP's operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

### Governance

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:



The eight Constituent Authorities (CAs) of the WPP are:

- Carmarthenshire County Council (Host)
- City and County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd County Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

The Constituent Authorities sit at the top of the WPP’s governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP’s Business Plan, which outlines the WPP’s budget and workplan, as well as its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities and a co-opted (non-voting) scheme member representative.

The OWG provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

Carmarthenshire County Council is the Host Authority for the WPP and is responsible for providing administrative and secretarial support to the JGC and the OWG, and liaising day to day with the Operator on behalf of all of the Welsh LGPS funds.

Link Fund Solutions (Operator) carries out a broad range of services for the WPP, which include facilitating investment vehicles & sub-funds, performance reporting, transition implementation and manager monitoring and fee negotiations. There is an Operator



Agreement in place which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of Hymans Robertson, oversee the work that Link Fund Solutions carries out on behalf of the WPP. Link engages with the Constituent Authorities by:

- Direct engagement: attendance at annual committee meetings
- Indirect engagement: with CAs collectively, through the JGC and OWG

In collaboration with Link Fund Solutions, Russell Investments provide investment management solution services to the WPP and they work in consultation with WPP's eight Constituent Authorities to establish investment vehicles.

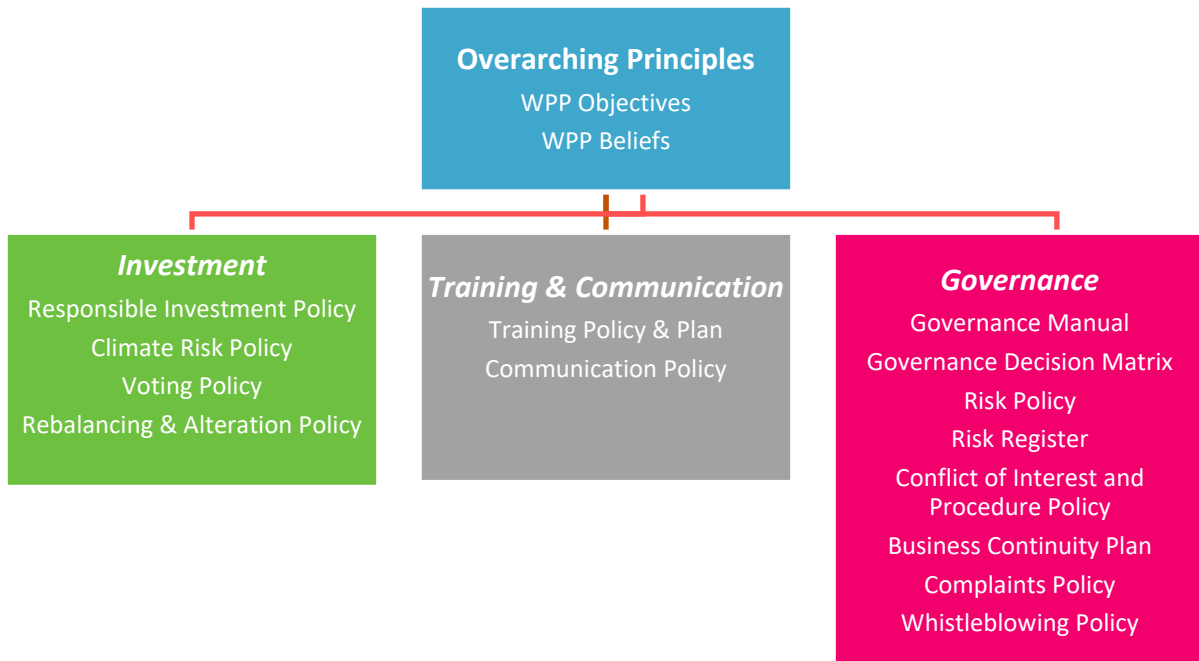
Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

Hymans Robertson are WPP's Oversight Advisor and their role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

Burges Salmon are WPP's legal advisors and they provide legal advice in relation to FCA regulated funds, tax and governance arrangements, including assisting with complex procurement processes.

Robeco UK has been appointed as WPP's Voting and Engagement provider and are responsible for implementing the Voting Policy across WPP's portfolio and undertaking engagement activity on behalf of the WPP.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies. The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP's key policies, registers and plans are listed below and can be found on the WPP website.



Responsible Investment has been a key priority for the WPP since it was established in 2017. Various activities have been undertaken to work towards WPP’s ambition of becoming a leader in Responsible Investment. Initially the focus was on formulating a Responsible Investment Policy and since then the WPP has formulated its own Climate Risk Policy and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. A WPP RI Sub-Group has been established to take ownership of RI related workstreams and actions that are required to achieve the commitments made in the WPP’s RI and Climate Risk Policies.

The WPP’s Business Plan, Governance Manual and all other policies detailed in the chart above can be found on the WPP website: <https://www.walespensionpartnership.org/>

## Risk

Risk management is a critical element of WPP’s commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP’s Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis.

## Training

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans. Local level training needs will

continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP’s pooling activities.

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

- The regulations and market relating to pensions;
- The pooling of Local Authority Pension Schemes;
- Relevant investment opportunities.

In accordance with the approved training plan, the following training was available to both Committee and Board members during 2022/23:

Topic	Product Knowledge	Date
Private Market Allocators/ Active Sustainable Equities	Sustainable Equities: Private Credit / Infrastructure Asset classes and role of Allocator	22 Sep 2022
Governance & Administration / Roles & Responsibilities	WPP Governance and Administration, and Roles and Responsibilities within the WPP	19 Oct 2022
RI for WPP / Stewardship Code / TCFD Reporting	Responsible Investments for WPP / Stewardship Code / TCFD Reporting	5 Dec 2022
Stock lending	Stock Lending	13 Feb 2023
LGPS pools and collaboration	Progress of other LGPS Pools / Collaboration Opportunities	27 Feb 2023

### Pooling progress to date

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP have made significant progress towards delivering on this objective. The launching of WPPs first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets equity sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has pooled 70% of assets.

As at 31 March 2023, WPP has total assets worth £22.5bn, £15.6bn of which sits within the pool, see breakdown overleaf:

Asset Class	Managed by	Launch Date	31 March 2023 £000	%
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Asset Class	Managed by	Launch Date	31 March 2023 £000	%
Global Growth Equity Fund	Link Fund Solutions	February 2019	3,274,153	14.6
Global Opportunities Equity Fund	Russell Investments	February 2019	3,269,124	14.6
UK Opportunities Equity Fund	Russell Investments	September 2019	760,143	3.4
Emerging Markets Equity Fund	Russell Investments	October 2021	354,601	1.6
Global Credit Fund	Russell Investments	July 2020	693,665	3.1
Global Government Bond Fund	Russell Investments	July 2020	481,417	2.1
UK Credit Fund	Link Fund Solutions	July 2020	520,721	2.3
Multi-Asset Credit Fund	Russell Investments	July 2020	655,191	2.9
Absolute Return Bond Fund	Russell Investments	September 2020	559,107	2.5
Passive Investments	BlackRock	March 2016	5,074,366	22.6
Investments not yet pooled			6,812,892	30.3
<b>Total Investments across all 8 Pension Funds</b>			<b>22,455,380</b>	<b>100</b>

The following table summarises the Clwyd Pension Fund's assets currently managed by WPP as at 31 March 2023, together with the assets that remain under the direct oversight of the Fund, excluding cash.

	31 March 2023 £000	%
Global Opportunities Equity Fund	130	5.9
Multi Asset Credit	231	10.5
Emerging Market Equity Fund	116	5.3
Investments not yet pooled	1,723	78.3
<b>Total Investment Assets excluding cash</b>	<b>2,200</b>	<b>100</b>

## Pooling costs

Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs (the running costs) are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to the Clwyd Pension Fund for the financial year ending 31 March 2023 was £158k, see table below.

In addition to the running costs, there are also transition costs associated with the transition of assets into the pool, these costs can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs include both explicit and implicit costs, such as commissions, spread and impact and opportunity costs known as Implementation Shortfall. Transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their net asset value as opposed to a direct charge to the Fund.

Details of the costs incurred by the Clwyd Pension Fund in respect of the WPP are detailed below.

2021/22 £000	WPP pooling costs	2022/23 £000
20	Host Authority Costs *	21
114	External Advisor Costs *	137
622	Transaction Costs (Direct) **	524
<b>756</b>	<b>Total</b>	<b>682</b>

\* Host Authority and External Advisor costs are recharged directly to the fund

\*\* Transaction Costs (Direct) costs are shared as a proportion of total AUM.

## Ongoing Investment Management Costs

The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP. These are split by direct costs which are disclosed in the Fund accounts as directed by CIPFA and those indirect costs for underlying managers which we disclose on page 141 of this Annual Report.

	Fees charged £000				
	Total Expenses including AMC	Performance Fees	Transaction Costs	Custody	Total
<b>Asset Pool</b>					
Direct	432	0	524	123	1,079
Indirect (Underlying)	1,302	0	0	0	1,302
<b>Total</b>	<b>1,734</b>	<b>0</b>	<b>524</b>	<b>123</b>	<b>2,381</b>
bps	0.36	0.00	0.11	0.03	0.50
<b>Non-Asset Pool</b>	15,507	4,425	1,340	35	21,307
Direct	3,209	2,487	387	0	6,083
Indirect (Underlying)	<b>18,716</b>	<b>6,912</b>	<b>1,727</b>	<b>35</b>	<b>27,390</b>
<b>Total</b>	1.09	0.40	0.10	0.00	1.59
bps	15,507	4,425	1,340	35	21,307
<b>Fund Total</b>	<b>20,450</b>	<b>6,912</b>	<b>2,251</b>	<b>158</b>	<b>29,771</b>
bps	0.93	0.31	0.10	0.01	1.35

## Asset Allocation and performance

The following table shows how each of the investment mandates has performed during the year, with opening and closing values and one year performance included net of fees where available. In addition, the table splits out investments under pooled arrangements with the WPP and those that remain under non-pooled investment arrangements with the Fund's legacy managers as at 31 March 2023.

	Opening Value £000	%	Closing Value £000	%	Net Performance %	Local Target %
<b>Pool Assets</b>						
Global Equities Passive	133,533	5.4	0	0.0	N/A	N/A
Emerging Market Equities Active	220,789	8.9	115,712	5.0	-1.6	-3.5
Global Equities Active	129,762	5.2	130,027	5.7	0.2	0.5
Bonds Active	246,032	9.9	230,688	10.0	-7.1	6.3
<b>Total Pool Assets</b>	<b>730,116</b>	<b>29.4</b>	<b>476,427</b>	<b>20.7</b>		
<b>Non-Pool Assets</b>						
Diversified Growth	273,120	11.0	262,537	11.4	-3.8	13.3
Liability Driven Investment	596,076	24.0	663,896	28.9	-34.8	-34.8
Hedge Funds	157,982	6.4	159,281	6.9	0.8	5.8
Property	146,325	5.9	133,422	5.8	-9.2	-14.7
Private Equity	201,521	8.1	205,945	9.0	13.7	7.4
Local/ Impact	79,332	3.2	93,352	4.1	22.9	7.4
Infrastructure	124,721	5.0	130,888	5.7	19.6	7.4
Private Debt	52,592	2.1	61,769	2.7	9.5	7.5
Timber & Agriculture	14,125	0.5	12,074	0.5	29.2	7.4
Cash*	109,860	4.4	98,590	4.3		
<b>Total assets not yet pooled</b>	<b>1,755,654</b>	<b>70.6</b>	<b>1,821,754</b>	<b>79.3</b>		
<b>Total assets</b>	<b>2,485,770</b>	<b>100</b>	<b>2,298,181</b>	<b>100</b>	<b>-6.4</b>	<b>-4.6</b>

Note: Performance shown for the 12 months to 31 March 2023.

\*Cash represents cash in the bank account.

## Securities Lending

Securities lending commenced in March 2020. Revenue is split on an 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. Total revenue of LF Wales Revenue during 2022/23 was £1,328,759 (gross) / £1,129,506 (net) of which the Clwyd Pension Fund received £55,787 with £454,055,992 out on loan as at 31 March 2023.

More detailed information can be found in WPP's Annual Return which is published on the WPP website: <https://www.walespensionpartnership.org/>

## Objectives 2023/24

Following the launch of a number of sub-funds to date, progress will continue to be made with significant rationalisation of the existing range of mandates. The operator / allocators will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the eight constituent funds and facilitate a significant move of the assets to be pooled.

### Private Market Sub Funds

In establishing the WPP pool, the prime focus has been on pooling the most liquid assets, namely equities and fixed income. In July 2021, the Joint Governance Committee appointed bfinance as WPP's Allocator Advisors and they have assisted the WPP with the identification of Private Markets Allocators for the Private Market Asset Classes. The Infrastructure, Private Credit and Private Equity allocators have been appointed and work is underway with Real Estate.

### New Sub Funds

WPP's Infrastructure and Private Credit investment programmes have been launched with the Private Equity investment programme due to launch in 2022/23. At the time of reporting, no funds have yet transitioned into these programmes.

A transition timetable has been provided below:

Investment Portfolio	Timeline for Launch / Implementation
Sustainable Equities	Launch due mid-2023
Private Debt / Infrastructure	Investments to commence in 2023/24
Private Equity	Investments to commence in 2023/24

### Other Objectives

During 2022/23, the WPP published its second annual Stewardship Report, remaining a signatory to the 2020 UK Stewardship Code. This year has seen an enhanced approach as a responsible investor with the establishment of an engagement framework to review its engagement themes, enhanced reporting in accordance with the requirements of the UK Stewardship Code, and continued reviews of the existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs.

2023/24 will see further enhancements, with the delivery of a WPP climate report, in preparation for the upcoming Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements. WPP is also working closely with its service providers to further its responsible-investment aims, including evolving its Voting Policy towards a more-encompassing Stewardship Policy, with plans to establish an appropriate Escalation Policy.



There will also be a focus on the review and development of additional WPP policies, as well as the provision of timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

## Section 3: Annual Governance Statement

### Roles and Responsibilities

Flintshire County Council (the Council) is responsible for administering the Clwyd Pension Fund (the Fund), on its own behalf and on behalf of 2 other local authorities (Wrexham and Denbighshire) and 47 other large and small employers in North East Wales.

The main activities involved in managing the Fund are to make and manage investments and to administer the payment of scheme benefits. This is carried out in accordance with the requirements of the Local Government Pension Scheme (LGPS) Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Public Service Pensions Act 2013.

The Council is responsible for ensuring that all its business, including that of the Fund, is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that there are proper arrangements to use money economically, effectively and efficiently. The Council is also required to ensure that the Fund is managed to deliver best value.

### Governance & Delegation

The governance framework of the Council comprises an underlying set of legislative requirements, good practice principles and management processes, which supports the philosophy of the Council's operations, the standards it sets itself, the behaviours it expects of itself and the principles it follows.

To help ensure that the governance framework is robust, the Council has developed a Local Code of Corporate Governance (the Code) which defines the principles that underpin the governance of the organisation and is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. The Code forms part of the Council's constitution and is available on the Council's website. The operation of the Fund is governed by this code. The Council produces its own Annual Governance Statement which reviews the effectiveness of its control environment.

The Fund has its own Governance Policy in place. This policy sets out the Fund's governance arrangements, including its governance structure and operational procedures for the delegation of responsibilities. It also sets out the Fund's aims and objectives relating to its governance. In accordance with the requirements of the Public Services Pensions Act 2013, the Fund has established a Local Pension Board (the Board) to act as a partner in assisting the Fund to meet its statutory and regulatory requirements and in administering the Fund effectively.

The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's

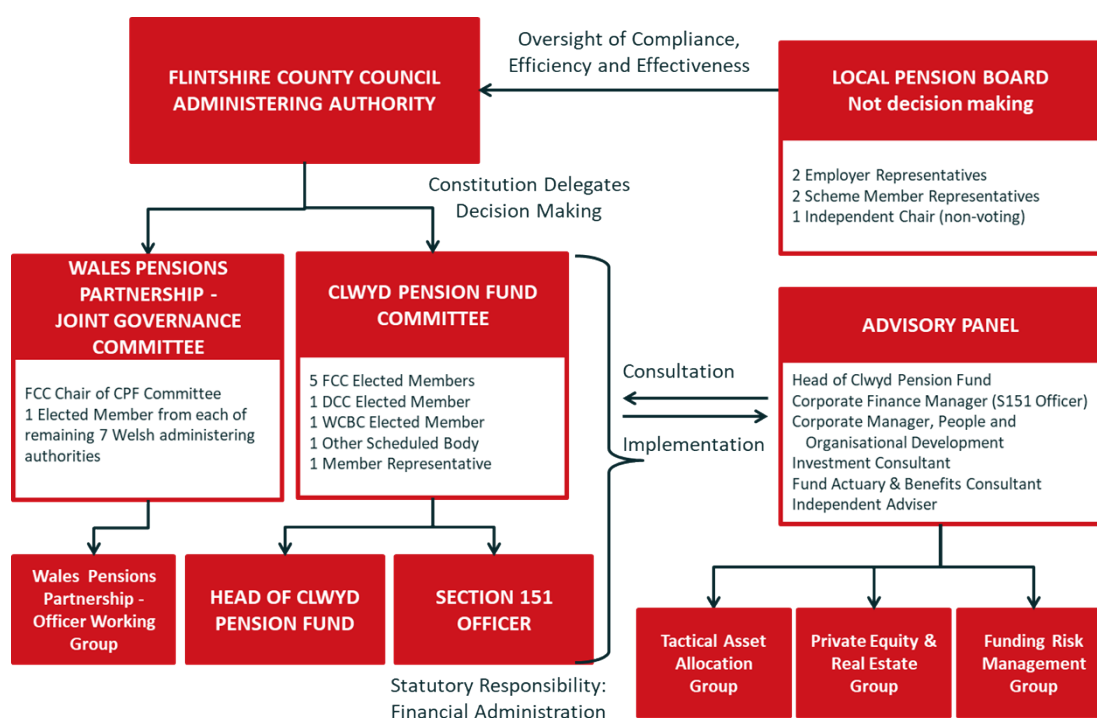
own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The Committee receives advice from the Clwyd Pension Fund Advisory Panel (the Panel) which is made up of officers of the Council and advisors to the Fund.

The Head of Clwyd Pension Fund has overall responsibility for the activities of the Fund. This includes ensuring that the arrangements for the investment of assets, the receipt of contributions and the payment of benefits are properly managed.

The Council’s Corporate Finance Manager as Section 151 Officer is responsible for arranging the proper administration of the financial affairs of the Fund. He is CIPFA qualified and is suitably experienced to lead the finance function.

In addition, under an inter-authority agreement, there is delegation to the Wales Pension Partnership Joint Governance Committee to reflect the move to the pooling of pension fund assets across the 8 Welsh LGPS pension funds.

The governance structure for the Fund is shown below. The bodies to which responsibility is formally delegated are supported by the Board, and also an Advisory Panel and a number of working groups.



## Strategy & Policy

The LGPS regulations require the Fund to maintain a number of strategy and policy documents which are available on its website. Key amongst these are the Governance Policy Statement, Funding Strategy Statement, Investment Strategy Statement, Communications Strategy, and Administration Strategy. These documents describe the Fund’s objectives together with the main risks facing the Fund and the key controls which

mitigate them. In addition, the Fund has a Business Plan, Breaches Procedure, Risk Policy, Conflicts of Interest Policy, Knowledge and Skills Policy, Cyber Strategy and Anti-Fraud and Corruption Policy which support the governance framework.

## Use of financial data

Financial data is used and managed by the Fund in a number of different ways:

- There is a triennial actuarial valuation which determines long term cash flows, fund liabilities and contributions. In addition, monthly funding projections are also produced by the actuary to help the Fund keep abreast of its funding position.
- Detailed investment records are held and maintained by external partner investment managers including the Wales Pension Partnership (WPP) and the Fund's global custodian. There is quarterly performance reporting to the Fund of the position on investments.
- Economic and market forecast data is used to inform the Fund's investment strategy, which is designed to support the requirements of the Fund's funding strategy.
- The Fund prepares an annual statement of accounts, a business plan (including a budget and cash flow) and financial monitoring reports. The Fund uses the Council's Masterpiece financial ledger system to maintain its financial information.
- The Fund uses the Altair management system to manage the payment of benefits to beneficiaries. Payments to beneficiaries are made through the Council's bank account and are transferred immediately from the Pension Fund's bank account. Annual Benefit Statements are prepared and distributed to members. The Fund has a Member Self Service system, which allows members of the Fund to access their own membership information.

Annual audit reports and statements of internal control are obtained from the investment managers by the Fund and are reviewed by officers to provide assurance that the investments are managed in an adequate control environment. Any significant issues that these reports disclose are reported to the Committee on an exception basis.

## Risk Management

The Fund recognises that effective risk management is an essential element of good governance. The Fund has an effective policy and risk management strategy which:

- Demonstrates best practice
- Improves financial management
- Minimises the effect of adverse conditions
- Identifies and maximises opportunities that might arise
- Minimises threats

Risks relating to pension funds are often outside the Fund's control. The Fund's risk management focuses on measuring the current risk against the Fund's agreed target risk

and identifying further controls and actions that can be put in place. These actions are then implemented as part of the day to day management or through the Fund's Business Plan.

The risks currently identified as key risks are shown in the section of the Fund's Annual Report which deals with Governance, Training and Risk Management (Appendix 1).

## Review of effectiveness

The Committee is responsible for ensuring the continued effectiveness of the governance framework and system of internal control within which the Fund operates. In discharging this responsibility it relies on the assurances of officers, financial monitoring and other reports, the work of internal audit and the work of the external auditors.

The Board assists the Committee in securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the scheme, and with ensuring the effective and efficient governance of the Fund.

The Fund has in place an Independent Advisor, part of whose role is to carry out an annual review which is included in the Fund's Annual Report (Appendix 2).

The Fund's Annual Report includes a governance compliance statement (Appendix 3). This measures the extent to which the Fund's governance arrangements comply with statutory guidance.

As part of his duties, the Corporate Finance Manager ensures that the Council receives an internal audit of the control environment of the Council and the Fund. The audit coverage reviews the control environment within which the Fund operates and helps to ensure that robust arrangements are in place to:

- Safeguard the contributions made by employees and employers used to fund the pension liabilities
- Ensure control is maintained over partner investment managers who are responsible for ensuring that funds are maximised in order to meet liabilities
- Ensure that accurate and timely payment is made to retired members and beneficiaries of the Fund

## Update on significant governance issues previously reported

There were no significant governance issues in 2022/23 specific to the Fund.

## Significant governance issues

The Head of Internal Audit has confirmed that there are no significant governance issues relating to the Fund which need to be reported as a result of the work undertaken by Internal Audit on the control systems of either the Council or the Fund.

## The impact of COVID-19 on governance

Whilst there was a move from remote to hybrid working in 2022/23, Committee and Pension Board meeting continued to be virtual throughout the year. A move to hybrid meetings is currently underway.

## Internal Audit Opinion

Based on the audit work undertaken for the Council and the assurances provided by the Chief Executive, the Corporate Finance Manager and the Head of Clwyd Pension Fund, it is the Head of Audit's opinion that key controls were generally operating effectively during 2022/23 but some refinement or addition of controls would enhance the control environment, and key objectives could be better achieved with some relatively minor adjustments.

## Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance which operate on the Clwyd Pension Fund. Work undertaken by Internal Audit has shown that the arrangements in place are operating as planned. We consider the governance and internal control environment operating during 2022/23 to provide reasonable and objective assurance that any significant risks impacting the Fund's ability to achieve its objectives will be identified and actions taken to avoid or mitigate their impact.

Philip Latham

Head of Clwyd Pension Fund

Cllr Ted Palmer

Chair of the Clwyd Pension Fund Committee

## Section 4: Glossary

<b>Active member</b>	A current employee who is paying contributions to the Fund.
<b>Actuary</b>	An independent professional who advises the Administering Authority on the financial position of the Fund. Every three years the Actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates - both to meet the cost of any future benefit accrual, and also rectify any difference in assets and liabilities for accrued benefits.
<b>Additional Voluntary Contributions (AVC)</b>	An option available to active members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.
<b>Administering Authority</b>	Flintshire County Council is the Administering Authority of the Clwyd Pension Fund and is responsible for managing and administering the LGPS in relation to its members. This includes maintaining and investing the Fund's assets.
<b>Admitted Body</b>	An organisation who has entered into a service agreement with a Scheme employer. Flintshire County Council, as the Administering Authority, and the relevant parties to the service agreement enter into an admission agreement to allow the staff who transferred to the new organisation to participate in the LGPS.
<b>Alternatives</b>	An alternative investment is an asset that is not one of the conventional investment types, such as stocks, bonds and cash. Alternative investments include private equity, hedge funds, managed futures, real estate, commodities and derivatives contracts.
<b>Asset Allocation</b>	The apportionment of a fund's assets between different types of investments (or asset classes). The asset allocation is monitored on a regular basis depending on the agreed tolerances set out in the Investment Strategy. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives.
<b>Benchmark</b>	A measure against which the investment policy or performance of an investment manager can be compared.
<b>Consumer prices index (CPI)</b>	CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. Pension increases in the LGPS are linked to the annual change in CPI. Currently CPI is lower than RPI (see RPI comment below).
<b>CPIH</b>	This is a broader measure of inflation based on CPI including owner occupiers' housing costs.
<b>Corporate Bonds</b>	Fixed interest securities and index-linked securities issued by companies registered either in the UK or overseas. They represent

	'loans' to the companies which are repayable on a stated future date (for definitions of "fixed interest" and "index-linked" see 'Fixed Interest Government Securities' and 'Index-linked Government Securities').
<b>Custodian</b>	This is a financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange.
<b>Deferred Members</b>	Scheme members who have left employment or ceased to be an active member of the Scheme whilst remaining in employment, but retain an entitlement to a pension from the Scheme.
<b>Direct property</b>	Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.
<b>Diversified Growth Funds (DGF)</b>	An alternative way of investing in shares, bonds, property and other asset classes.
<b>Employer Contribution Rates</b>	The percentage of the salary of members that employers pay as a contribution towards the members' pension.
<b>Equities</b>	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.
<b>Equity risk premium</b>	Also referred to as simply equity premium, this is the excess return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds. This excess return compensates investors for taking on the relatively higher risk of equity investing.
<b>Fixed Interest Securities</b>	Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.
<b>Funding Strategy Statement</b>	This is a formal document setting out how the Administering Authority will determine employers' contributions to the Fund and how it will manage its funding risks. The statement should be kept under review, at least every three years with any amendments being subject to consultation with stakeholders.
<b>Hedge Funds</b>	Also known as "absolute return funds", these funds have as their objective a performance target expressed as a margin above the return which can be achieved on cash deposits.



<b>Index</b>	A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.
<b>Indexed-Linked Government Securities</b>	Investments in government stocks (UK and overseas) where both the annual interest payment and the capital sum repayable by the Government are adjusted to allow for inflation. Investments in government stocks which are repayable on a stated future date.
<b>Investment Strategy Statement</b>	This is a formal document setting out the Administering Authority's objectives and attitude to investment risk and sets out what the long term investment strategy will be i.e. how the Fund's assets will be distributed among different asset classes. The statement should be kept under review, at least every three years with any amendments being subject to consultation with stakeholders.
<b>Liability Driven Investment (LDI)</b>	LDI is a risk management strategy that aims to mitigate the Fund's exposure to interest rate and inflation risks.
<b>Market Value</b>	The price at which an investment can be bought or sold at a given date.
<b>Multi Asset Credit</b>	The price at which an investment can be bought or sold at a given date.
<b>Passive Investing (Indexation)</b>	An investment strategy whereby the manager replicates an index in order to generate a rate of return in line with the index. The manager has no discretion over stock selection within the index. If it is a multi-asset portfolio, the asset proportions are prescribed within the mandate.
<b>Pooled Funds</b>	Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.
<b>Private equity</b>	Private equity is the ownership of companies that are not listed on a public stock exchange.
<b>Retail Price Index (RPI)</b>	A measure of the general level of inflation based on the change in the price of a fixed basket of goods and services, such as food, energy, petrol, travelling costs, mortgage interest payments and Council Tax. From 2030 onwards, the calculation of RPI will be more closely aligned with that of CPIH.
<b>Return</b>	The total gain from holding an investment over a given period, including income and any increase or decrease in market value.
<b>Risk Management Framework</b>	The Fund has established a framework with the aim of providing stability of funding and employer contribution rates in the long term.

	The framework includes the following strategies that seek to manage a variety of financial risks - Funding Level Monitoring, Liability Hedging, Synthetic Equities, Currency Hedging, Collateral Management, Realisation of Investments, Cash Management and Stock Lending.
<b>Scheduled Body</b>	An organisation that has the right to become a member of the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.
<b>Unrealised Gains/Losses</b>	The increase or decrease in the market value of investments held by the fund since the date of their purchase.
<b>Wales Pension Partnership (WPP)</b>	An investment pool comprising of the Welsh LGPS Funds. WPP is one of eight LGPS investment pools in England and Wales. LGPS investment pools aim to increase pension fund investment efficiency and make it easier to access more asset classes.

## Section 5: Regulatory Documents

### Clwyd Pension Fund Annual Report 2022/23

The attached regulatory documents form part of the Governance and Performance framework within which the Fund operates. Other best practice documents are also available on Clwyd Pension Fund website. A list of these documents and the website address is available on the contents page of the report.



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