



Clwyd Pension Fund Annual Report 2022/2023



Contents

Section 1: Introduction to the Clwyd Pension Fund Annual Report 2022/23	3
Section 2: Summary by the Head of Clwyd Pension Fund	4
Appendix 1: Governance, Training and Risk Management.....	10
Appendix 2: Independent Adviser's Report	27
Appendix 3: Pension Board Annual Report.....	40
Appendix 4: Administration Report	47
Appendix 5: Funding and Flightpath Review	75
Appendix 6: Investment Policy and Performance Report.....	79
Appendix 7: Clwyd Pension Fund Accounts for the year ended 31 March 2023.....	97
Appendix 8: Financial Report	136
Section 3: Annual Governance Statement	157
Section 4: Glossary	162
Section 5: Regulatory Documents.....	166
Appendix 9: Governance Policy and Compliance Statement (November 2022)	167
Appendix 10: Funding Strategy Statement (March 2023)	191
Appendix 11: Investment Strategy Statement (November 2023)	250
Appendix 12: Communications Strategy (June 2022)	276

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	1 Capital Quarter, Tyndall Street, 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	pensions@flintshire.gov.uk	(01352) 702980
Pensions Finance	pensionsinvestments@flintshire.gov.uk	(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				
		Cllr T Palmer	Cllr A Wren	Cllr A Wedlake	Cllr G Ellis	Cllr J Shallcross	Cllr S Swash	Cllr D Hughes	Cllr A Rutherford	S Hibbert	Gary Ferguson	Sharon Carney	Phil Latham	Deb Fielder	Karen Williams
	Meeting														
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		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
	Hot Topic														
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)	✓	✓		✓	✓	✓		✓	✓			✓	✓	✓
	General Awareness														
20 April 2022	Unison Forum									✓					
26 May 2022	Room 151 (Property / Sustainability / Levelling up)									✓					
	PLSA Conference June 2022														
13 June 2022														✓	

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	Karen Williams
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	✓	✓			✓							✓	✓	
	Induction														
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		✓	✓	✓	✓									

Date	Event	Committee Members									Senior Officers				
		Cllr T Palmer	Cllr A Wren	Cllr A Wedlake	Cllr G Ellis	Cllr J Shallcross	Cllr S Swash	Cllr D Hughes	Cllr A Rutherford	S Hibbert	Gary Ferguson	Sharon Carney	Phil Latham	Deb Fielder	Karen Williams
28 October 2022	Pension Fund Cyber Security		✓	✓	✓	✓							✓		✓
	Other Wales Pension Partnership Training														
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
Governance (particularly at PFC) is poor including due to: a: short appointments b: poor knowledge and advice c: poor engagement /preparation / commitment d: poor oversight	Inappropriate or no decisions are made	Amber	Green	1: Carry out training needs analysis after induction training
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	Our legal fiduciary responsibilities are not met	Amber	Green	1: Ensure WPP due diligence process is being following in all cases for investments with potential conflict (e.g. local / Welsh) 2: Ongoing monitoring of FCC Climate Committee motion situation
Externally led influence and change such as scheme change (e.g. McCloud, potential exit cap, Pensions dashboard, national reorganisation, cybercrime, asset	The Fund's objectives/legal responsibilities are not met or are	Red	Amber	1: Deliver final aspects of cybercrime risk mitigations into BAU 2: Refresh and document business continuity assessments / procedures 3: Establish formal project for Pensions Dashboard

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

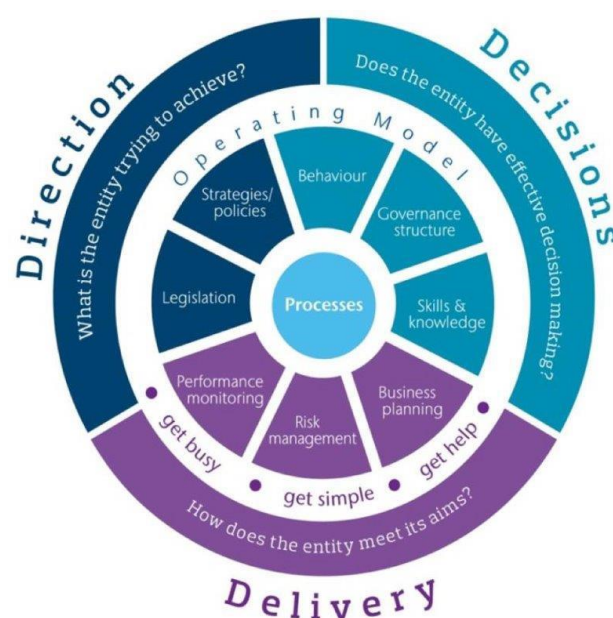
Key Benefits

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.

[Aon plc](#) (NYSE:AON) exists to shape decisions for the better - to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries and sovereignties with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

Follow Aon on [LinkedIn](#), [Twitter](#), [Facebook](#) and [Instagram](#). Stay up-to-date by visiting the [Aon Newsroom](#) and sign up for News Alerts [here](#).

Copyright © 2023 Aon Solutions UK Limited and Aon Investments Limited. All rights reserved. aon.com. Aon Wealth Solutions' business in the UK is provided by Aon Solutions UK Limited - registration number 4396810, or Aon Investments Limited – registration number 5913159, both of which are registered in England and Wales have their registered office at The Aon Centre, The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AN. Tel: 020 7623 5500. Aon Investments Limited is authorised and regulated by the Financial Conduct Authority. This document and any enclosures or attachments are prepared on the understanding that they are solely for the benefit of the addressee(s). Unless we provide express prior written consent no part of this document should be reproduced, distributed or communicated to anyone else and, in providing this document, we do not accept or assume any responsibility for any other purpose or to anyone other than the addressee(s) of this document. In this context, "we" includes any Aon Scheme Actuary appointed by you. To protect the confidential and proprietary information included in this document, it may not be disclosed or provided to any third parties without Aon's prior written consent.

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
Committee Meetings					
June 2022		✓	✓		✓
August 2022			✓		✓
November 2022			✓		✓
February 2023		✓	✓		
March 2023		✓			✓
Other Meetings					
Annual Joint Consultative Meeting	✓	✓			✓
Hot Topic (essential training)					
Communications Strategy Review	✓	✓	✓		✓
Funding considerations	✓	✓	✓	✓	✓
Investment Strategy	✓	✓	✓		✓
Private Markets	✓	✓	✓	✓	✓
TCFD Reporting			✓		✓
General Awareness					
Barnet Waddingham Pension Board Event			✓		

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Karen McWilliam
LGC Conference March 2023	✓				
National Pensions Dashboard			✓		
Other Wales Pension Partnership Training					
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)
Total	112,779	96,480	(16,299)

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
Total	110,780

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

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:

No of 1-2-1 appointments booked (active members)	57
No of 1-2-1 appointments booked (deferred members)	2
No of 1-2-1 appointments booked (member was both active and deferred)	11
No of 1-2-1 appointments booked (TOTAL)	70
Members attending their scheduled appointment	67
Members not attending their scheduled appointment	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 30th 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

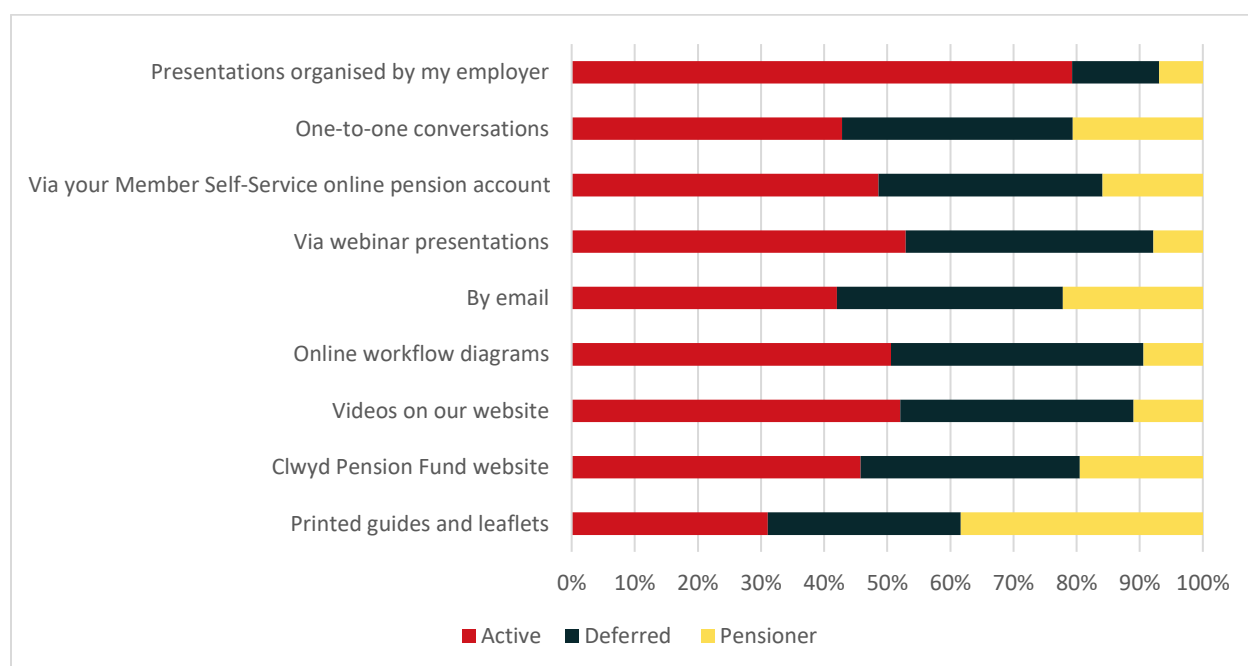
Member and employer feedback 2022/2023

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.

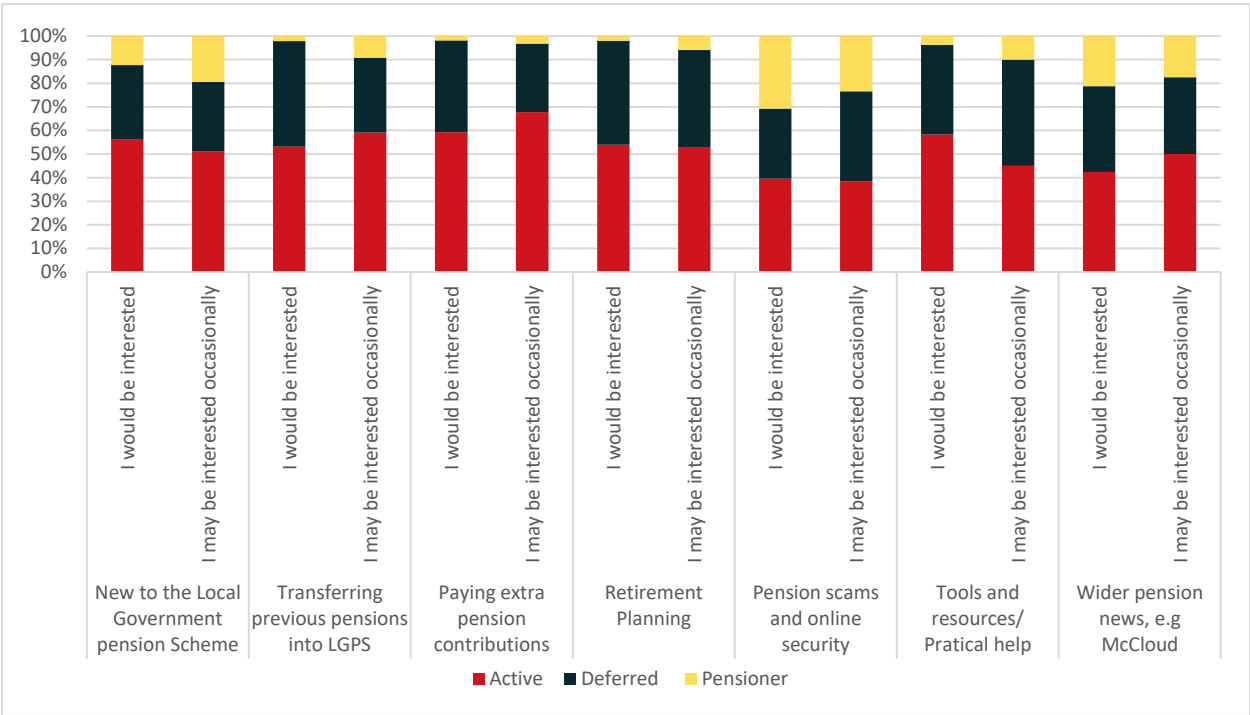
Results of member survey

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.

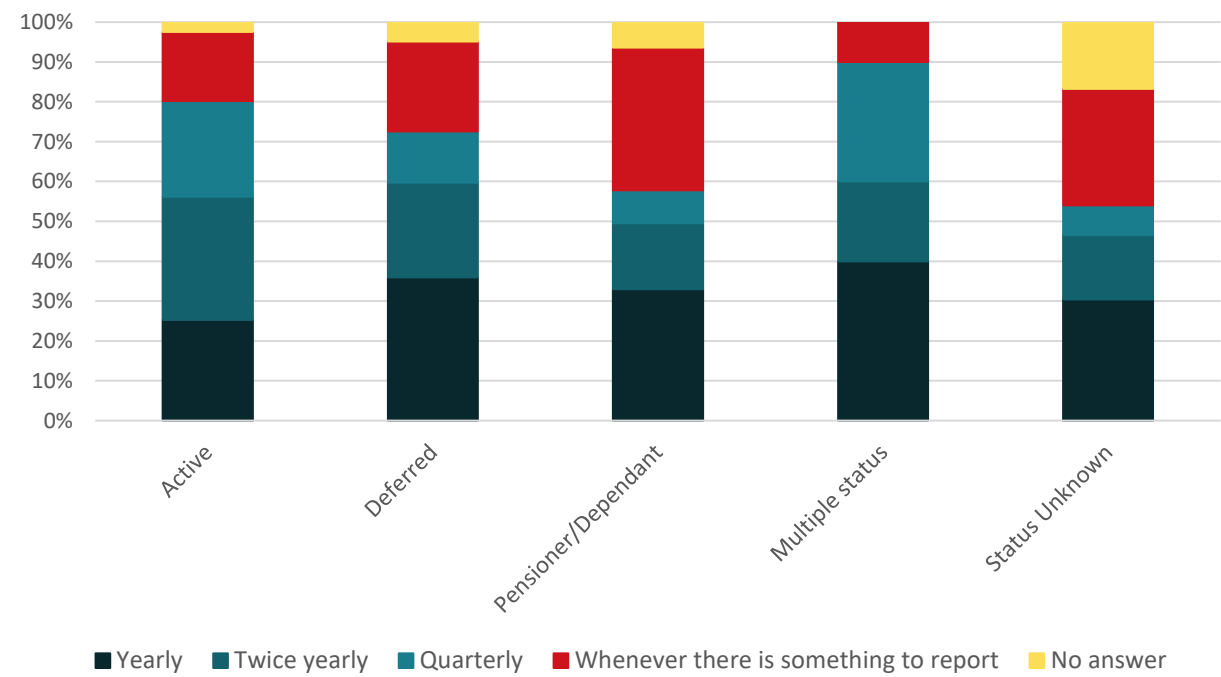
How would you like to receive information about your pension?



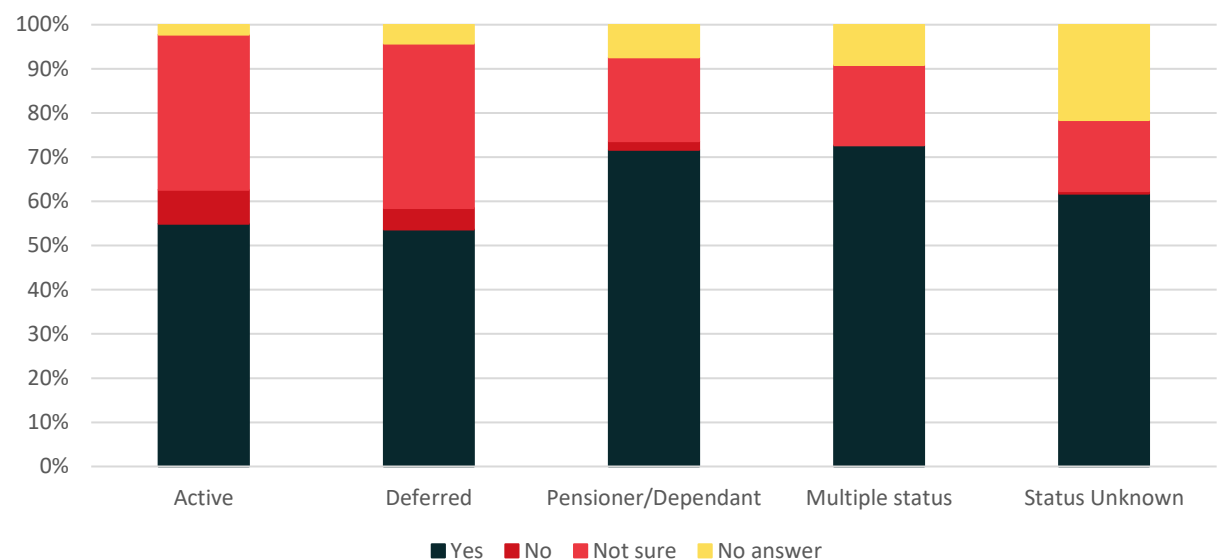
What topics are you interested in receiving information about?



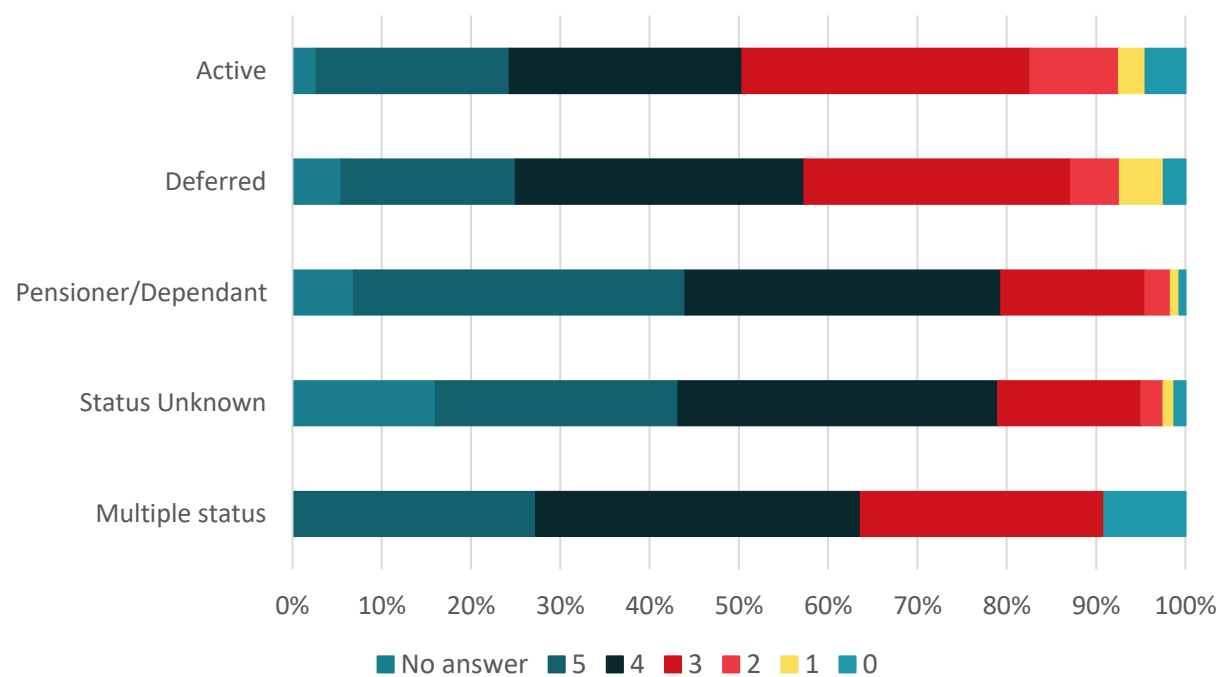
How often would you like to receive news about your LGPS benefits?



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!!!

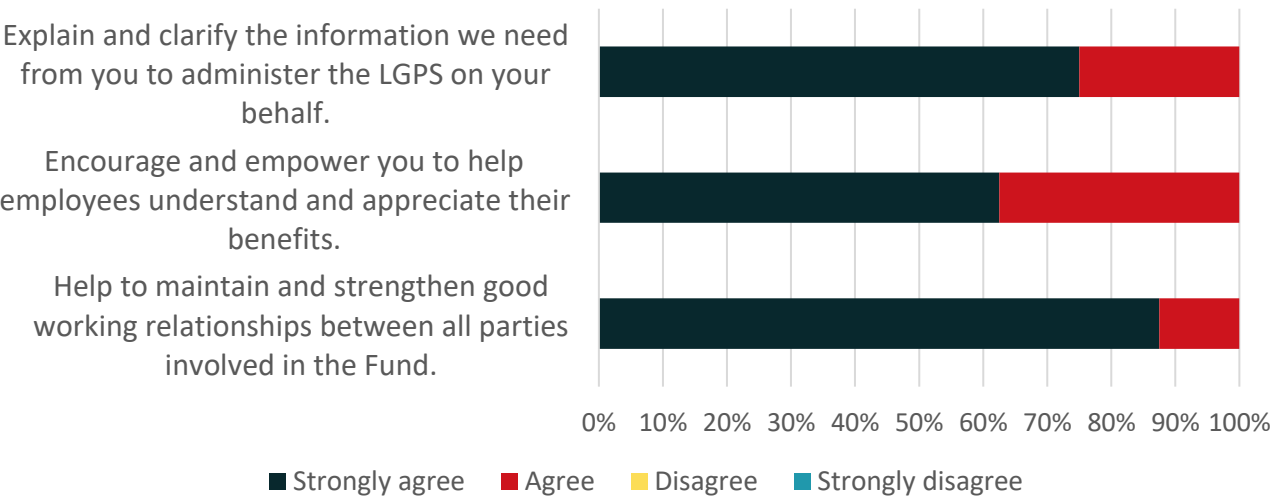
For 2023 we are also in the process of setting up member Focus Groups. These groups will be a small number of Clwyd Pension Fund members who would give their feedback and opinions on future communications. This will ensure that the Clwyd Pension Fund is delivering communications that members want and 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

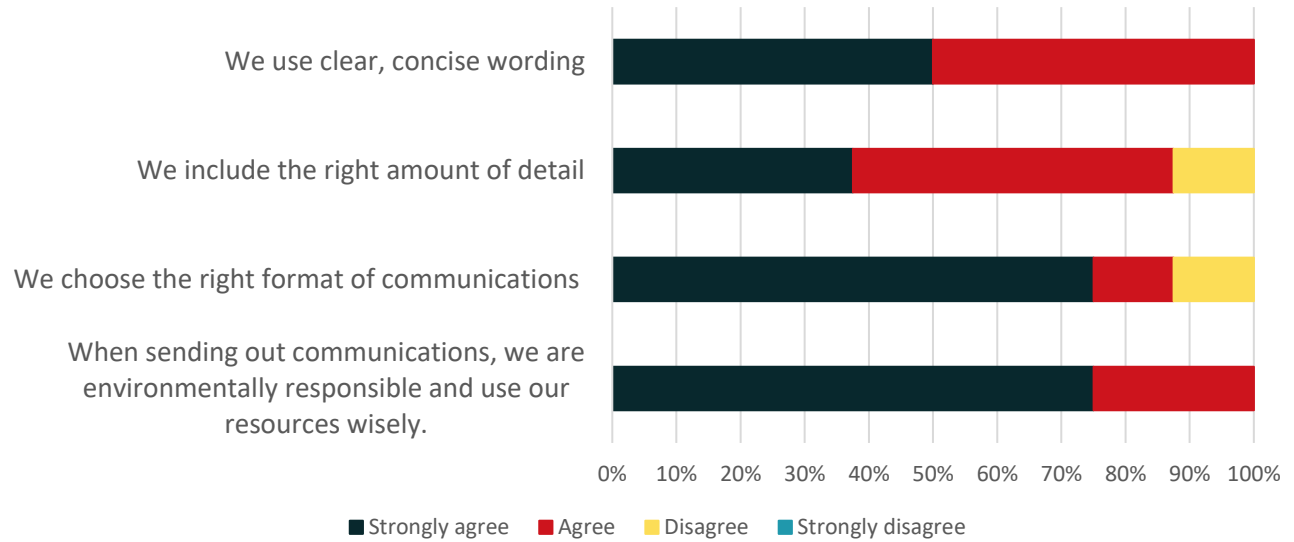
Results of employer survey

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

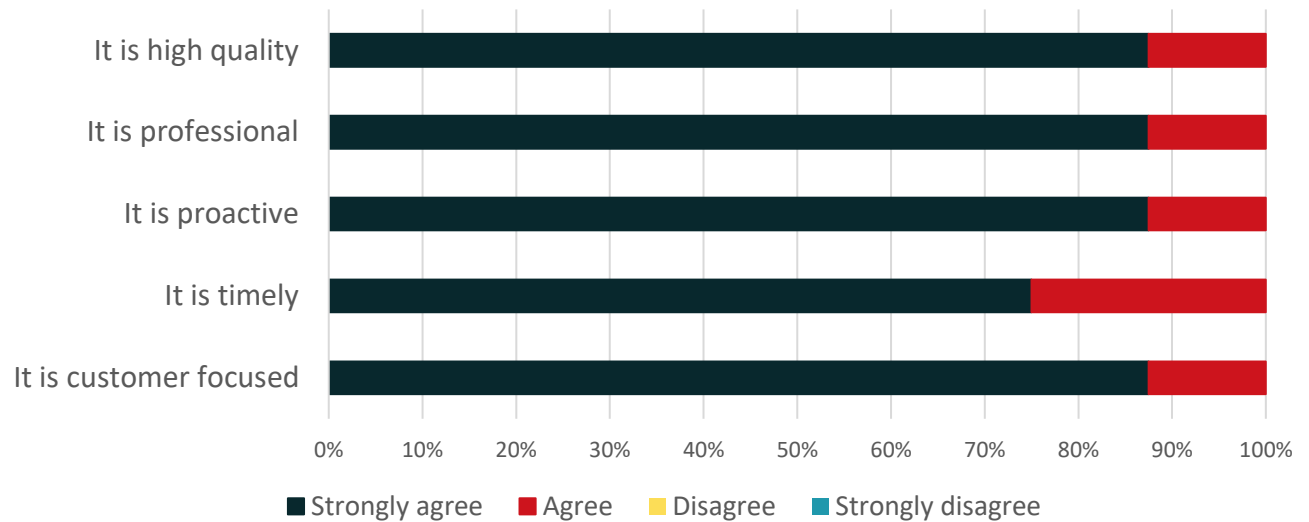
The materials we send you...



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

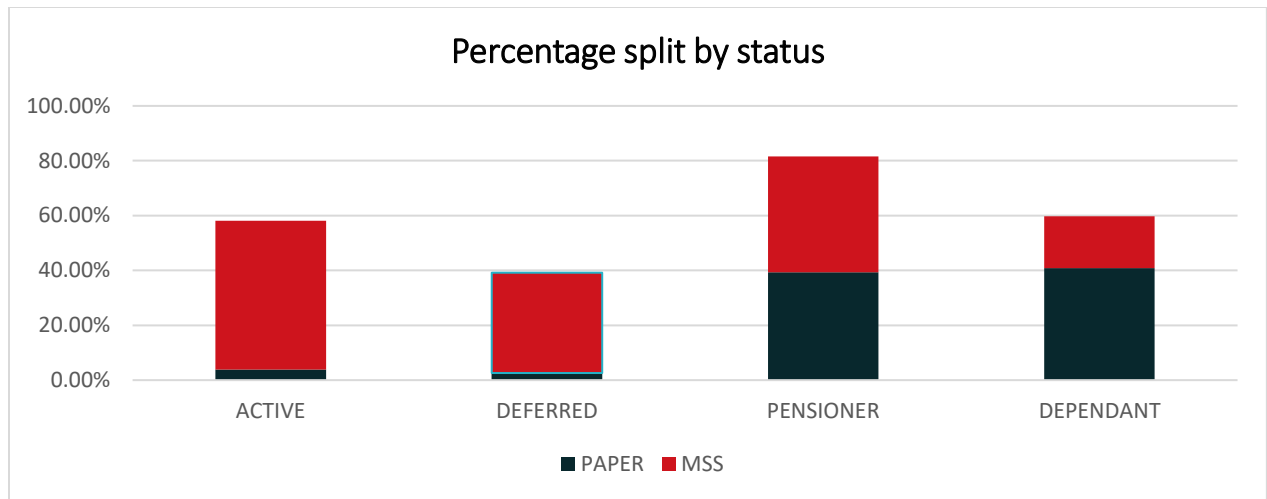
Members who use MSS receive their correspondence electronically, automatically uploaded to their account. They are notified by email each time information is uploaded.

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.

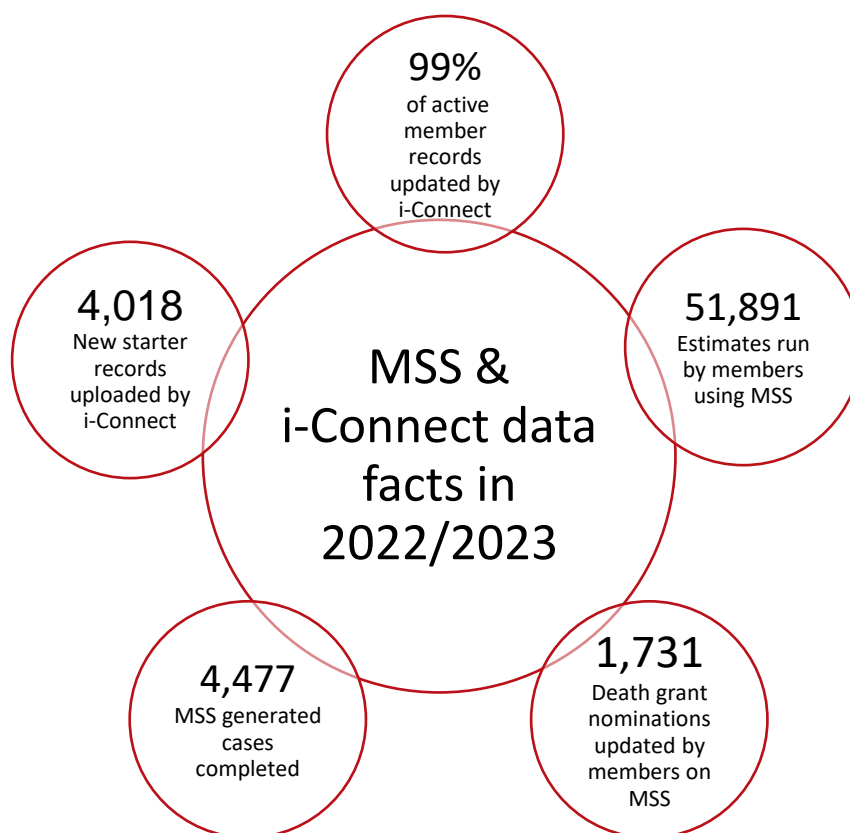


MSS continues to be an effective method of communication, allowing Clwyd Pension Fund to upload documents such as retirement packs and estimates to members' MSS accounts. This means that members receive their correspondence from us more quickly and securely compared to having it posted to them.

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
---	------------------------------	--	--

Summary of Employers as at 31 March 2023

Employers	Active	Ceased	Total
Scheduled bodies	35	20	55
Admitted bodies	17	21	38
Total	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
Total	919

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
Amounts under £100	£5,906	162	£6,516	166	£6,348	151	£4,435	129
Overpayments Recovered	£46,954	103	£38,056	92	£26,716	92	£29,277	76
Overpayments Written Off	£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 ⁴	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%

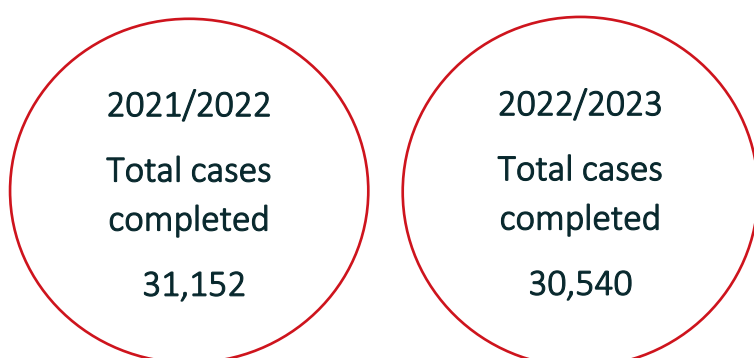
Process	No. of cases completed cases	Legal Requirement	% of cases completed within target (Legal)	CPF Administration element target	% of cases completed within target (CPF)
*Calculate and Notify members of Actual Divorce Share	3	4 months from the date of the pension sharing order, or the date where all 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

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
Private Markets			
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 (%)
Developed Global Equity				15.0
WPP	Global Equity	5.3	5.7	15.0
BlackRock	Global Equity	5.4	0.0	
Emerging Market Equity				5.0
WPP	Emerging Equity	9.0	5.1	5.0
Hedge Funds				5.0
ManFRM	Hedge Funds	6.4	7.0	5.0
TAA / Best Ideas				11.0
In-house	Best Ideas Portfolio	11.1	11.5	11.0
Multi-Asset Credit				12.0
WPP	Multi-Asset Credit	10.0	10.1	12.0
Cash and Risk Management Framework				23.0
Insight	CRMF	25.5	29.0	23.0
Private Markets				29.0
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
Cash		3.2	4.3	0.0

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 (%)
Total		3.7	4.5	-6.4	-4.6	9.5	7.5	5.5	5.4	6.7	6.7
Total Equity		4.5	3.2	-2.2	-1.9	12.4	13.4	5.3	7.2	8.1	9.6
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	--	--	--	--	--	--
Total Credit		1.9	1.9	-7.1	6.3	3.1	4.3	-0.3	3.4	0.5	2.0
WPP Multi-Asset Credit	Russell	1.9	1.9	-7.1	6.3	--	--	--	--	--	--
Total Hedge Funds		-0.6	1.8	0.8	5.8	4.2	4.4	1.1	4.4	--	--
Hedge Funds	Man	-0.6	1.8	0.8	5.8	4.2	4.4	1.1	4.4	--	--
Total Tactical Allocation		0.4	2.1	-3.9	13.3	12.0	8.7	6.6	7.1	3.5	5.7
Best Ideas	Various	0.4	2.1	-3.8	13.3	12.2	8.2	7.3	6.8	2.7	5.6
Total Private Markets		-0.4	1.8	10.1	3.9	13.3	5.5	11.4	5.4	--	--
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
Total CRMF		11.6	11.6	-34.8	-34.8	5.4	5.4	2.0	2.0	--	--
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 (%)
Equities									
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	-	-	-	-	
	72.0	66.0	55.0	43.0	17.0	14.0	20.0	20.0	51.0
Fixed Interest									
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	

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
Cash/ Other	2.5	0.5	-	-	-	-	-	-	
	14.0	12.0	13.0	15.0	15.0	15.0	15.0	15.0	19.0
Liability Driven Investment									
	-	-	-	-	19.0	19.0	23.0	23.0	
Alternative Investments									
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	-	-	-	-	-	

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
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	
	14.0	22.0	32.0	42.0	49.0	52.0	42.0	42.0	30.0

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
Russell WPP Global Opportunities	539	6,903	5,970	800	58	75
Russell 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
Best Ideas Portfolio							
BlackRock US Opportunities	96	1,270	1,180		79	1	5
Ninety One Global Natural Resources	53	732	675		40	17	0
LGIM Listed Infrastructure	86	1,073	817		256	0	0
LGIM North America Equity Index	676	8,543	5,587		2,952	5	0
LGIM Future World Europe (ex-UK) Equity	431	7,617	6,265		1,319	33	0
LGIM 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
Capital Dynamics	Clwyd Clean Energy Wales	50	A Separately Managed Account that invest directly into projects in Wales, providing clean energy capacity and offsetting carbon emissions.
Copenhagen Infrastructure	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 electrolyzers, ammonia plants, as well as first-generation renewable power generation such as wind and solar to generate green hydrogen, ammonia and eMethanol.
Activate Capital Partners	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.
ECI Partners	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
Newcore	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.
Sandbrook Capital	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 will be available on the [Fund website](#).

Asset Class	Number of Funds
Property Open Ended Holdings	5
Schroders	1
Hermes	1
LAMIT	1
Legal & General	1
BlackRock	1
Property Closed Ended Holdings	21
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
Timber	4
BGT Pactual Timberland	1
Stafford Timberland	3
Agriculture	2
Insight Global Farmland	1
GMO	1

Asset Class	Number of Funds
Infrastructure	21
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
Private Equity Direct Funds	29
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
Private Equity Fund of Funds	31
Access Capital	4
Capital Dynamics	7
HarbourVest	5
JP Morgan Secondary's	1
Partners Group	10
Standard Life	2
Unigestion	2

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

Net Assets Statement

2021/22 £000 Restated		Note	2022/23 £000
2,406,125	Investment Assets	13	2,199,900
2,406,125	Net Investment Assets		2,199,900
294	Long-term debtors	19	378
6,962	Debtors due within 12 months	19	6,624
(2,231)	Creditors	20	(2,585)
79,645	Cash at Bank		98,281
2,490,795	Net assets of the fund available to fund benefits at the end of the reporting period		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.
52	Number of employers with active members	52
	Number of employees in scheme	
5,552	Flintshire County Council	5,440
11,521	Other employers	12,231
17,073	Total	17,671
	Number of pensioners	
4,234	Flintshire County Council	4,473
10,300	Other employers	10,678
14,534	Total	15,151
	Deferred pensioners	
5,525	Flintshire County Council	5,703
12,363	Other employers	12,721
17,888	Total	18,424
49,495	Total employees	51,246

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

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
Actuarial present value of promised retirement benefits	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%.
Value of investments at level 3	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)
(85,253)	Total	(92,123)

By type

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

Note 8: Transfers in From Other Pension Funds

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

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
83,698		87,898

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
83,698		87,898

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
4,456	Total	5,972

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
25,766	Total	28,701

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
Investment Assets				
Pooled Funds	3,177	0	1,003	4,180
Other investments				
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
	15,939	4,425	1,864	22,228
Custody Fees				158
Total				22,386

2021/22	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
Investment Assets				
Pooled Funds	2,946	0	1,285	4,231
Other investments				
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	1,504	160	3,718
	14,185	4,399	1,905	20,489
Custody Fees				106
Total				20,595

Note 11B: Wales Pension Partnership Management Expenses

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

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		2022/23
£000		£000
Pooled Funds		
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
Other investments		
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
23,589		34,269

Note 13: Investments

2021/22 Restated £000		2022/23 £000
Investment Assets		
Pooled Funds		
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
Other investments		
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
Investment Assets					
Pooled Funds					
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
Other investments					
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
Total investment assets	<u>2,375,910</u>	<u>490,335</u>	<u>(468,392)</u>	<u>(198,262)</u>	<u>2,199,591</u>
Cash deposits	<u>30,215</u>				<u>309</u>
Total assets	<u>2,406,125</u>			<u>(198,262)</u>	<u>2,199,900</u>

	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
Investment Assets					
Pooled Funds					
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
Other investments					
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
Total investment assets	<u>2,152,698</u>	<u>315,740</u>	<u>(355,302)</u>	<u>262,776</u>	<u>2,375,910</u>
Cash deposits	30,205				30,215
Currency Loss	0			(67)	
Amount receivable for sales	<u>2,812</u>			<u>0</u>	
Total assets	<u><u>2,182,903</u></u>			<u>262,709</u>	<u><u>2,406,125</u></u>

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%
730,116	30.3%		476,427	21.7%
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%
1,676,009	69.8%		1,723,473	78.3%
2,406,125	100%		2,199,900	100%

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	LDI Active 22 Fund	664,205	30

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Other unquoted and private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by changes to 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
Other investments				
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
		615,976	734,378	497,572

2021/22	Potential variation in fair value %	Value at 31st March £000	Potential value on increase £000	Potential value on decrease £000
Other investments				
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
Investment Assets				
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
Other investments				
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
Total investment assets	9,594	1,574,330	615,976	2,199,900
Cash deposits	98,281			98,281
Total assets	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
Investment Assets				
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
Other investments				
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
Total investment assets	40,383	1,771,386	594,356	2,406,125
Cash deposits	79,645			79,645
Total assets	120,028	1,771,386	594,356	2,485,770

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
Other Investments						
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
Other Investments						
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
			Financial Assets			
			Pooled Funds			
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		
			Other investments			
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
			Financial liabilities			
		(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 ($1\% \times 2$) 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 £1,584m representing 72% 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)
915	Total	100

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

Note 20: Current Liabilities

2021/22 £000		2022/23 £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)
(2,231)	Total	(2,585)

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

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 £000		2022/23 £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
7,020	Total	6,814

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)
25	Total	(130)

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 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:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.60% per annum	5.10% per annum
Rate of pay increases (long term)*	4.35% per annum	4.35% per annum
Rate of increases in pensions in payment (in excess of GMP)	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
Rate of return on investments (discount rate)	2.8% per annum	4.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	3.3% per annum	2.7% per annum
Rate of pay increases	4.55% per annum*	3.95% per annum**
Increases on pensions (in excess of GMP) / Deferred revaluation	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:

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

*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 report of the Auditor General for Wales to the members of Flintshire County Council as administering authority for Clwyd Pension Fund

Opinion on financial statements

I have audited the financial statements of Clwyd Pension Fund for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004. Clwyd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. My staff and I are independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit, the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and

- assessing the Clwyd Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by Clwyd Pension Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the pension fund's Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Clwyd Pension Fund's policies and procedures concerned with:
 - i. identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - ii. detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - iii. the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: management override of controls.
- Obtaining an understanding of Clwyd Pension fund's framework of authority as well as other legal and regulatory frameworks that Clwyd Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Clwyd Pension Fund.
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Pension Fund Committee and legal advisors about actual and potential litigation and claims;

- reading minutes of meetings of those charged with governance and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Clwyd Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Clwyd Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.



Adrian Crompton
Auditor General for Wales
30 November 2023

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

The maintenance and integrity of the Clwyd Pension Fund / Flintshire County Council's websites are the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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.

2022/23	Budget £000	Actual £000	Variance £000
Opening Cash	(75,898)	(79,645)	
Payments			
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)
Total Payments	97,500	100,187	2,687
Income			
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)
Total Income	(88,440)	(99,330)	(10,890)
Cash-flow Net of Investment Income	9,060	857	(8,203)
Investment Income	(8,000)	(12,130)	(4,130)
Investment expenses	4,000	6,999	2,999
Total Net of In House Investments	5,060	(4,274)	(9,334)
In House Investments			
Draw downs	103,661	82,865	(20,796)
Distributions	(98,146)	(91,626)	6,520
Net Expenditure /(Income)	5,515	(8,761)	(14,276)
Total Net Cash-Flow	10,575	(13,035)	(23,610)
Movement to/from Managers	0	(5,602)	(5,602)
Closing Cash	(65,323)	(98,282)	

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
Opening Cash	(96,470)	(27,227)	(121)
Payments			
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
Total Payments	104,935	108,935	113,275
Income			
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)
Total Income	(78,400)	(79,480)	(82,280)
Cash-flow Net of Investment Income	26,535	29,455	30,995
Investment Income	(12,000)	(12,000)	(12,000)
Investment expenses	6,000	6,000	6,000
Total Net of In House Investments	20,535	23,455	24,995
In House Investments			
Draw downs	131,210	147,151	171,795
Distributions	(82,502)	(73,500)	(73,300)
Net Expenditure /(Income)	48,708	73,651	98,495
Total Net Cash-Flow	69,243	97,106	123,490
Rebalancing Portfolio	0	(70,000)	(131,000)
Closing Cash	(27,227)	(121)	(7,631)

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
Governance Expenses			
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)
Total Governance Expenses	2,878	3,803	925
Investment Management Expenses			
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)
Total Investment Management Expenses	20,647	22,432	1,785
Administration Expenses			
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)
Total Administration Expenses	2,023	2,146	123
Employer Liaison Team			
Direct Costs	218	320	102
Total Employer Liaison Team	218	320	102
Total Costs	25,766	28,701	2,935

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
Governance Expenses				
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
Total Governance Expenses	3,803	3,999	(196)	3,333
Investment Management Expenses				
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
Total Investment Management Expenses	22,432	16,940	5,492	20,878
Administration Expenses				
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
Total Administration Expenses	2,146	2,452	(306)	2,614
Employer Liaison Team				
Direct Costs	320	363	(43)	396
Total Employer Liaison Team	320	363	(43)	396
Total Costs	28,701	23,754	4,947	27,221

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
Total Scheduled Bodies	68,561,785		18,950,376	

Admitted bodies	Employer Contributions £	%	Employee contributions £	Avg %*
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
Total Admitted Bodies	3,002,817		1,055,379	

Total Contributions **71,564,602** **20,005,755**

* 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
Total	1,013,962	501,686	782,533	2,298,181

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
Total	10,962	11,871	11,436	34,269

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.

Fund Management Fees	Avg bps	22/23 £000	Avg bps	21/22 £000
CORE (71% of Fund)	63	9,765	54	9,526
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
NON CORE (29% of Fund)	311	19,848	302	18,643
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
Total fees	135	29,613	118	28,169
Net Assets (Core)		1,562,141		1,757,294
Net Assets (Non-Core)		637,450		618,616
Total Net Assets (excluding cash)		2,199,591		2,375,910

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

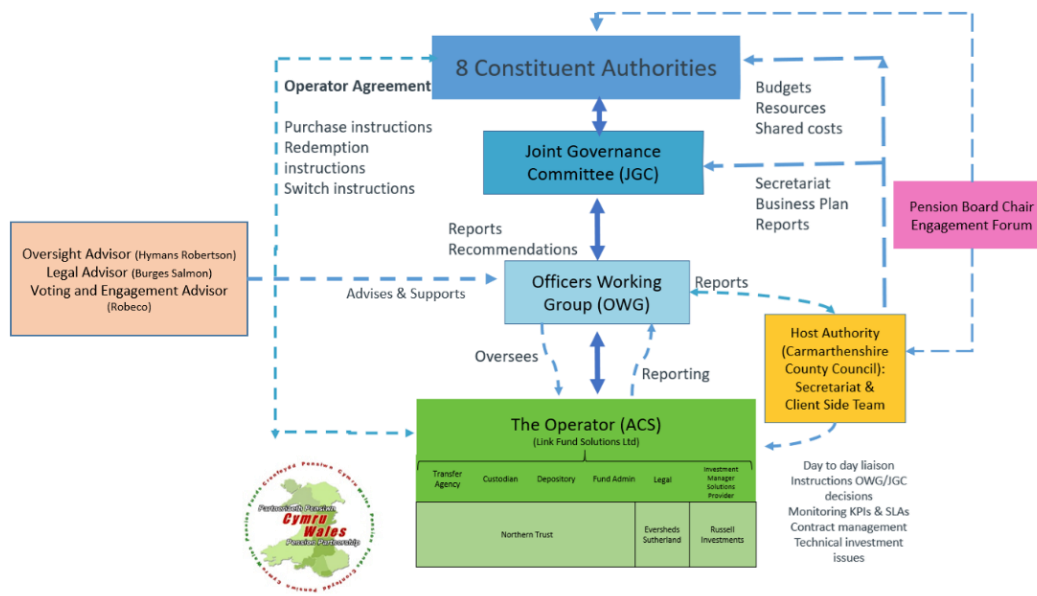
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history 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 below:

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
Total Investments across all 8 Pension Funds			22,455,380	100

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
Total Investment Assets excluding cash	2,200	100

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
756	Total	682

* 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
Asset Pool					
Direct	432	0	524	123	1,079
Indirect (Underlying)	1,302	0	0	0	1,302
Total	1,734	0	524	123	2,381
bps	0.36	0.00	0.11	0.03	0.50
Non-Asset Pool	15,507	4,425	1,340	35	21,307
Direct	3,209	2,487	387	0	6,083
Indirect (Underlying)	18,716	6,912	1,727	35	27,390
Total	1.09	0.40	0.10	0.00	1.59
bps	15,507	4,425	1,340	35	21,307
Fund Total	20,450	6,912	2,251	158	29,771
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 %
Pool Assets						
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
Total Pool Assets	730,116	29.4	476,427	20.7		
Non-Pool Assets						
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		
Total assets not yet pooled	1,755,654	70.6	1,821,754	79.3		
Total assets	2,485,770	100	2,298,181	100	-6.4	-4.6

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

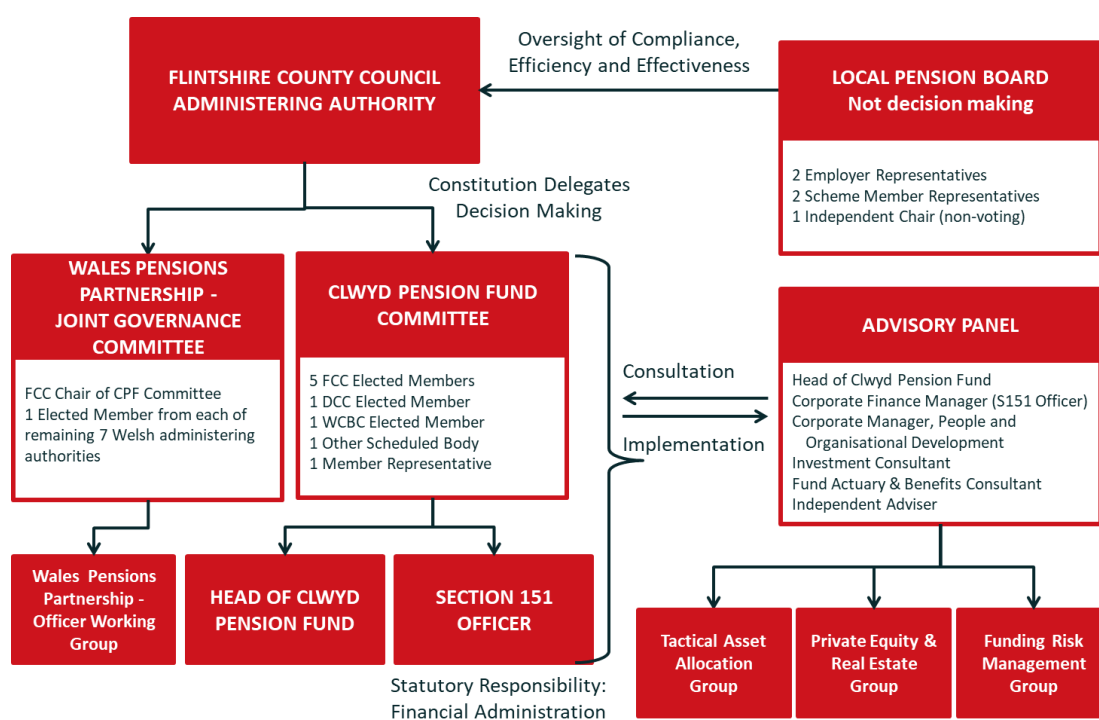
own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The Committee receives advice from the Clwyd Pension Fund Advisory Panel (the Panel) which is made up of officers of the Council and advisors to the Fund.

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

Active member	A current employee who is paying contributions to the Fund.
Actuary	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.
Additional Voluntary Contributions (AVC)	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.
Administering Authority	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.
Admitted Body	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.
Alternatives	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.
Asset Allocation	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.
Benchmark	A measure against which the investment policy or performance of an investment manager can be compared.
Consumer prices index (CPI)	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).
CPIH	This is a broader measure of inflation based on CPI including owner occupiers' housing costs.
Corporate Bonds	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').
Custodian	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.
Deferred Members	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.
Direct property	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.
Diversified Growth Funds (DGF)	An alternative way of investing in shares, bonds, property and other asset classes.
Employer Contribution Rates	The percentage of the salary of members that employers pay as a contribution towards the members' pension.
Equities	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.
Equity risk premium	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.
Fixed Interest Securities	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.
Funding Strategy Statement	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.
Hedge Funds	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.

Index	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.
Indexed-Linked Government Securities	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.
Investment Strategy Statement	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.
Liability Driven Investment (LDI)	LDI is a risk management strategy that aims to mitigate the Fund's exposure to interest rate and inflation risks.
Market Value	The price at which an investment can be bought or sold at a given date.
Multi Asset Credit	The price at which an investment can be bought or sold at a given date.
Passive Investing (Indexation)	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.
Pooled Funds	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.
Private equity	Private equity is the ownership of companies that are not listed on a public stock exchange.
Retail Price Index (RPI)	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.
Return	The total gain from holding an investment over a given period, including income and any increase or decrease in market value.
Risk Management Framework	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.
Scheduled Body	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.
Unrealised Gains/Losses	The increase or decrease in the market value of investments held by the fund since the date of their purchase.
Wales Pension Partnership (WPP)	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.

Appendix 9: Governance Policy and Compliance Statement (November 2022)

Introduction and Legal Requirements

Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund on behalf of its stakeholders; the scheme members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme (LGPS) Regulations.

Flexibility is provided for each Administering Authority to determine their own governance arrangements. However, the LGPS Regulations require each Administering Authority to prepare, publish and maintain a governance policy and compliance statement setting out whether the Administering Authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority, and if so:

- a) the terms, structure and operational procedures of the delegation,
- b) the frequency of any committee or sub-committee meetings,
- c) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights
- d) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying, and
- e) details of the terms, structure and operational procedures relating to the local pension board.

The regulations require Administering Authorities to consult such persons as it considers appropriate when preparing the policy and compliance statement.

This document is the Governance Policy and Compliance Statement for Clwyd Pension Fund that has been prepared to meet the requirement of the LGPS Regulations. The compliance statement required by point (d) is included as Appendix A.

Aims and Objectives

Flintshire County Council recognises the significance of its role as Administering Authority to the Clwyd Pension Fund on behalf of its stakeholders which include:

- around 50,000 current and former members of the Fund, and their dependants
- around 54 employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas.

Our Fund's Mission Statement is:

- We will be known as forward thinking, responsive, proactive 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.

In relation to the governance of the Fund we will aim to:

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

Background to Governance Arrangements

Flintshire County Council reviewed its Governance arrangements for the Clwyd Pension Fund in 2014. Prior to this date, the responsibility for the Clwyd Pension Fund rested with the Head of Finance who reported to the Clwyd Pension Fund Panel made up of elected members from Flintshire County Council, Denbighshire County Council and Wrexham County Borough Council. In addition the panel had non-voting members including an independent adviser and a scheme member representative.

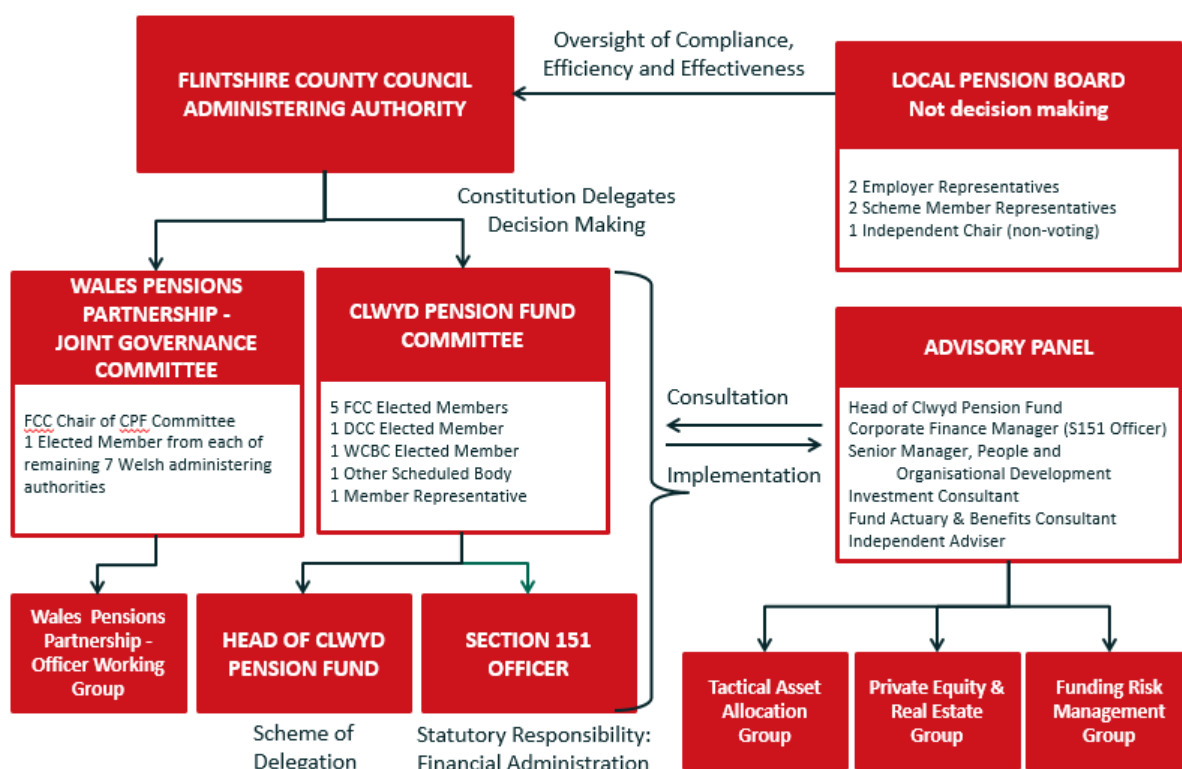
An independent review by CIPFA in 2010 found the governance of the Fund to be very good but recognised that this governance structure did not meet best practice, in particular they recommended:

- Responsibility for the management of the Clwyd Pension Fund should be transferred from the Head of Finance to a newly constituted Committee
- There should be wider representation of stakeholders on the newly constituted committee with voting rights extended to all committee members.

As a result, in May 2014, the Fund's governance arrangements were reviewed and the Council established a formal Pension Fund Committee, supported by a Pensions Advisory Panel. The Corporate Finance Manager is the Section 151 Officer and has a statutory responsibility for the proper financial affairs of Flintshire County Council which include Clwyd Pension Fund matters. In addition, the Council has delegated specific responsibilities to the Head of Clwyd Pension Fund.

This governance structure was expanded in early 2015 as a result of the requirement by the Public Service Pensions Act 2013 to introduce a local pension board to assist in compliance of pension fund matters. It was then further expanded in March 2017 to establish the Wales Pension Partnership Joint Governance Committee and Officer Working Group and facilitate the move to pooling of pension fund assets across the eight LGPS Pension Funds in Wales.

The Council's governance structure for pension fund matters is as shown below:



Clwyd Pension Fund Committee

The Pension Fund Committee's principal aim is to carry out the functions of Flintshire County Council as the Scheme Manager and Administering Authority for the Clwyd Pension Fund in accordance with LGPS legislation.

The members of the Clwyd Pension Fund Committee are not trustees of the Fund, however, they do have a duty of care which is analogous to the responsibilities of trustees in the private sector and they could be more accurately described as 'quasi trustees'. The management of the Clwyd Pension Fund is non-political.

The Committee's specific roles as outlined in the Council's Constitution are shown in Appendix B. The Committee may also delegate a limited range of its functions to one or more officers of Flintshire County Council.

No matters relating to Flintshire County Council's responsibilities as an employer participating within the Clwyd Pension Fund are delegated to the Pension Fund Committee.

The Pension Fund Committee meets at least quarterly and is composed of nine members as follows:

- Five Councillors of Flintshire County Council, determined by the Council.
- Four co-opted members comprising:
 - One Councillor of Wrexham County Borough Council, determined by that Council.
 - One Councillor of Denbighshire County Council, determined by that Council.
 - One Representative of the other Scheme Employers (not admission bodies) in the Clwyd Pension Fund as defined by Schedule 2 of the Local Government Pension Scheme 2013, as amended from time to time, appointed in accordance with procedures agreed by the Head of Clwyd Pension Fund in consultation with the members of the Pension Fund Advisory Panel.
 - One Representative of the scheme members of the Clwyd Pension Fund, appointed in accordance with procedures agreed by the Head of Clwyd Pension Fund.

The Council's Constitution permits named substitutes for Flintshire County Council members only, providing they satisfy the knowledge and skills policy of the pension fund. Councillors of Flintshire County Council are appointed annually. Otherwise, the terms of reference for the members range from four to six years. Members may be reappointed for further terms.

All members have equal voting rights.

Head of Clwyd Pension Fund

Under the Council's Constitution, the Head of Clwyd Pension Fund is responsible for the following matters:

- The day to day management of Clwyd Pension Fund matters including ensuring arrangements for investment of assets and administration of contributions and benefits, excluding matters delegated to the Pension Fund Committee.
- Establishing and Chairing a Clwyd Pension Fund Advisory Panel consisting of officers of the Council and advisors to the Clwyd Pension Fund, to provide advice and propose recommendations to the Pension Fund Committee, and to carry out such matters as delegated to it from time to time by the Pension Fund Committee.

Section 151 Officer: Corporate Finance Manager

Under the Council's current operating model, the Chief Finance Officer (S151) role is designated to the Corporate Finance Manager. The Corporate Finance Manager therefore has a statutory responsibility for the proper financial administration of the Clwyd Pension Fund, in addition to that of Flintshire County Council.

Clwyd Pension Fund Advisory Panel

The Clwyd Pension Fund Advisory Panel has been established to provide advice and propose recommendations to the Pension Fund Committee, and to carry out such matters as delegated to it from time to time by the Pension Fund Committee.

Its membership consists of:

- The Corporate Manager: Human resources and Organisational Development of Flintshire County Council
- The Chief Finance Officer of Flintshire County Council
- The Head of Clwyd Pension Fund
- Investment Consultant
- Fund Actuary
- Independent Adviser

Wales Pension Partnership Joint Governance Committee

To satisfy the Government's requirements to reduce investment related costs, the eight LGPS administering authorities in Wales, including Flintshire County Council, have entered into an Inter Authority Agreement to pool pension fund assets, a key part of which will be done by appointment of an Authorised Contractual Scheme Operator to make the investments on behalf of the administering authorities. This was agreed at the Flintshire County Council meeting on 1st March 2017. The report and appendices can be found [here](#).

As part of this pooling arrangement, the authorities have also established a Joint Governance Committee with a number of responsibilities including the following:

- Monitoring the performance of the Operator
- Making decisions on asset class sub-funds to be made available by the Operator to implement the individual investment strategies of the eight Funds
- Providing accountability to the participating Funds on the management of the Pool
- Reporting on the Pool to the UK Government and other stakeholders
- Having oversight of an Officer Working Group

Flintshire County Council has determined that the Clwyd Pension Fund representative on the Joint Governance Committee will be the Chair of the Pension Fund Committee. In their absence, the Vice Chair will act as the Deputy.

The Pension Fund Committee will determine which officers of Clwyd Pension Fund will represent the Fund on the Officer Working Group.

The Joint Governance Committee meets at least four times each year and is composed of one elected member from each Administering Authority responsible for maintaining an LGPS Pension Fund in Wales. These are:

- Carmarthenshire County Council

- City & County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

Each member present at the Joint Governance Committee is entitled to a vote and all members have equal voting rights.

In addition there is a non-voting co-opted scheme member representative on the Joint Governance Committee.

Carmarthenshire County Council acts as Host Council in relation to the Wales Pension Partnership Inter Authority Agreement. This role includes the following in relation to the management of the pooling arrangements:

- Acting as the main point of contact
- Providing administrative resources and facilities, and governance and administrative services
- Entering into contracts for supplies and services
- Liaising with the Operator

Wales Pension Partnership Officer Working Group

The Wales Pension Partnership Officer Working Group has been established as part of the Wales Pension Partnership Inter Authority Agreement to support and advise the Joint Governance Committee on such matters as the Joint Governance Committee may reasonably request or any matters relating to the pooling agreement which are raised by any of the authorities' Section 151 Officers or Monitoring Officers.

Each authority delegates to officers to the Officer Working Group. In relation to Clwyd Pension Fund, the Pension Fund Committee determines which of its officers sit on the Officer Working Group. Each authority's Section 151 Officer and Monitoring Officer are entitled to attend the Officer Working Group.

The full list of responsibilities and procedures relating to the Joint Governance Committee, Officer Working Group and Host Council are included in the Inter Authority Agreement.

Pension Board

Each LGPS Administering Authority is required to establish a local Pension Board to assist them with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees; as such the Constitution of Flintshire County Council does not apply to the Pension Board unless it is expressly referred to in the Board's Protocol. The Clwyd Pension Board was established by Flintshire County Council in March 2015 and the full Protocol of the Board can be found within the Council's Constitution. The key points are summarised below.

The Pension Board provides oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pension Fund Committee or otherwise remain solely the powers and responsibilities of them, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the Pension Fund Committee.

The Pension Board consists of five members as follows:

- Two Employer Representatives
- Two Scheme Member Representatives, one of whom is nominated by the joint trade unions, and one who is a member of the Clwyd Pension Fund
- One Independent Member who acts as chair of the Pension Board

All Pension Board members, excluding the Independent Member, have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only considered quorate when at least three of the five members are present, including at least one Employer Representative, one Scheme Member Representative and the Independent Member.

Members of the Pension Board are required to declare, on appointment and at each meeting, any interests that may lead to conflicts of interest in relation to Pension Fund matters or agenda items.

The Pension Board meets a minimum of twice and a maximum of four times in each calendar year in the ordinary course of business. Additional meetings may be arranged, subject to approval by the Board Secretary (who is the Head of Clwyd Pension Fund), to facilitate its work.

Training

Flintshire County Council recognises that effective management, administration and decision making can only be achieved where those involved have the requisite knowledge and skills. Accordingly, in relation to the management of the Clwyd Pension Fund, we adopt the key recommendations of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

This means we will ensure that we have formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant LGPS and related knowledge and skills for those responsible for management, administration and decision-making relating to the Fund. These policies and practices will be guided by reference to the framework of knowledge and skills defined within the CIPFA Pensions Finance Knowledge and Skills Frameworks.

The Clwyd Pension Fund's Knowledge and Skills Policy can be found on the Fund's website: <https://mss.clwydpensionfund.org.uk/>

We will report on an annual basis how well this Policy has been adhered to throughout the financial year as part of the Fund's Annual Report and Accounts.

The Council has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Head of Clwyd Pension Fund, who will act in accordance with the Fund's Policy.

In addition, in accordance with the Wales Pension Partnership Inter Authority Agreement, the Joint Governance Committee is required to prepare, maintain and adhere to a Training Policy. All members are required to undertake the training that is provided.

Conflicts of Interest

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

Clwyd Pension Fund's Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The Policy is established to guide the Pension Fund Committee members, Pension Board members, officers and advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

The Policy can be found on the Fund's website: <https://mss.clwydpensionfund.org.uk/>

In addition, in accordance with the Wales Pension Partnership Inter Authority Agreement, the Joint Governance Committee is required to prepare, maintain and adhere to a Conflicts of Interest Policy.

Risk Management

Flintshire County Council recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, we can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats

Clwyd Pension Fund's Risk Policy details the risk management strategy for the Clwyd Pension Fund, including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the risk management process

We recognise that it is not possible or even desirable, to eliminate all risks. Pension Fund risks are often driven by external factors which are totally or partially out of our control. These include national changes to the Scheme and financial market conditions. Accepting and actively managing risk is therefore a key part of our risk management strategy for Clwyd Pension Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of our risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

We also recognise that risk management is not an end in itself. However it is a sound management technique that is an essential part of how we manage the Fund. The benefits

of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

The Policy can be found on the Fund's website: <https://mss.clwydpensionfund.org.uk/>

In addition, in accordance with the Wales Pension Partnership Inter Authority Agreement, the Joint Governance Committee is required to prepare, maintain and adhere to a Risk Policy.

Welsh Language Standards

Flintshire County Council has adopted the principle that in the conduct of public business it will treat the Welsh and English languages on a basis of equality. These standards therefore also apply to the governance arrangements for the Clwyd Pension Fund. More information can be found on the Council's website or by contacting the Head of Clwyd Pension Fund.

Monitoring Governance of the Clwyd Pension Fund

The Fund's governance objectives will be monitored as follows:

Objective	Monitoring Arrangements
Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.	<ul style="list-style-type: none"> • The Independent Adviser undertakes an annual review of the effectiveness of the Clwyd Pension Fund's governance arrangements, the findings of which are reported to the Committee and published. • The Pension Board prepares and publishes an annual report. • In line with the Regulations, this document will be filed with the DLUHC.
Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	<ul style="list-style-type: none"> • A Knowledge and Skills Policy is in place together with monitoring and reporting of all training by Pension Committee members, Pension Board members and key officers in accordance with the Knowledge and Skills Policy. • The Joint Governance Committee has a Training Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.

Objective	Monitoring Arrangements
<p>Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based</p>	<ul style="list-style-type: none"> • A Conflicts of Interest Policy is in place together with ongoing reporting and monitoring of the register of conflicts in accordance with the Conflicts of Interest Policy. • The employers within the Fund, together with union representatives, are invited to an Annual Joint Consultative Meeting. Attendees receive presentations and have the opportunity to ask questions on the governance of the Fund. • The Pension Fund Committee includes representatives from scheme members and most employers in the Fund. • The Pension Board includes representatives from scheme members and employers in the Fund. • The Pension Board prepares and publishes an annual report and this may also include commentary on decision making. • The Joint Governance Committee prepares an annual business plan which is brought to the Clwyd Pension Fund Committee for agreement.in accordance with the Inter Authority Agreement.
<p>Understand and monitor risk</p>	<ul style="list-style-type: none"> • A Risk Policy and register in place and monitoring and reporting of risks is carried out in accordance with the Risk Policy. • Ongoing consideration of key risks at Pension Fund Committee and Pension Board meetings.

Objective	Monitoring Arrangements
<p>Strive to ensure compliance with the appropriate legislation and statutory guidance and to act in the spirit of other relevant guidelines and best practice guidance</p>	<ul style="list-style-type: none"> • The Governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to Committee. • The Fund has an Independent Governance Adviser and their annual report includes reference to compliance with key requirements. • The Fund carries out a compliance check, at least annually, against the relevant The Pension Regulator's Code of Practice. • The Fund maintains a log of all breaches of the law in accordance with the Fund's breaches procedure which is reported on and monitored as outlined in that procedure. • The Pension Board prepares and publishes an annual report which may include comment on compliance matters. • The Joint Governance Committee has a Breaches and Error Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.
<p>Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success</p>	<ul style="list-style-type: none"> • All strategies and policies include reference to how objectives will be monitored. • Ongoing monitoring against key objectives at Pension Fund Committee meetings. • Ongoing monitoring of business plan targets at Pension Fund Committee meetings. • Quarterly and annual updates against the Joint Governance Committee's business plan and objectives are provided in accordance with the Inter Authority Agreement.

Objective	Monitoring Arrangements
Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.	<ul style="list-style-type: none"> • All information security breaches relating to data being issued insecurely by the Fund are recorded and reviewed. • All other incidents affecting confidentiality, integrity and accessibility of data, systems or services are recorded and reviewed. • The Fund has a cyber incident response plan in place. • The Fund has a business continuity plan and a testing schedule (including cyber incident testing) in place which is adhered to. • All Fund staff have undertaken GDPR training in accordance with FCC's training programme.

Key Risks

These are the main governance risks that Pension Fund Committee members, with the assistance of the Clwyd Pension Fund Advisory Panel, monitor on an ongoing basis.

- The potential for changes in Pension Fund Committee membership, Pension Board membership, Joint Governance Committee and/or key officers, a poor level of knowledge, poor engagement or poor oversight to impact the quality of decisions that are made.
- If potential or actual conflicts of interest are not appropriately managed, they could influence decision making, meaning decisions are not in the best interests of our fund members and employers, and our fiduciary duties are not met
- If policies are not in place or not regularly monitored, then the Fund's objectives may not be clear or appropriate
- A breakdown in risk management would result in risks not being identified or not appropriately considered, resulting in losses or other detrimental impact to the Fund or its stakeholders
- The potential for externally led influence and changes (such as scheme changes, national reorganisation, cybercrime and asset pooling) to result in the Fund's objectives and legal responsibilities not being met or being compromised
- If, for reasons such as sickness, resignation, retirement or inability to recruit, staff numbers become insufficient, then this could result in services not being delivered to meet legal and policy objectives
- If appropriate training is not provided to those tasked with managing the Fund, or they do not understand their responsibilities, then there is the risk that legal requirements or guidance may not be complied with

Best Practice Compliance Statement

As required by Local Government Pension Scheme Regulations the statement below compares Clwyd Pension Fund's current governance arrangements with the best practice guidance issued by the Secretary of State for Levelling Up, Housing and Communities. The statement provides an explanation where the Fund is not fully compliant.

Approval, Review and Consultation

The governance structure of the Clwyd Pension Fund was reviewed in 2014. The employers of the Fund were consulted prior to that review. Employer and scheme member representatives have also been party to proposed changes to the structure including the arrangements for entering into the Wales asset pooling arrangement.

This version of the Governance Policy and Statement was approved at the Clwyd Pension Fund Committee on 23 November 2022. It will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Governance Policy and Statement, please contact:

Philip Latham, Head of Clwyd Pension Fund, Flintshire County Council

E-mail: Philip.latham@flintshire.gov.uk

Telephone: 01352 702264

Further information about the Fund can be found on its website:

<http://mss.clwydpensionfund.org.uk/>

Further information about the Wales Pension Partnership can be found on its website:

<http://www.walespensionpartnership.org/>

Appendix A: Clwyd Pension Fund Governance Compliance Statement

Best Practice	Compliant or not?	Explanatory Note
A. Structure		
a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	<p>The majority of elements of administration of benefits and strategic management of fund assets are delegated by the Council to Pension Fund Committee.</p> <p>The Wales Pension Partnership Joint Governance Committee has responsibility for some elements of management of the Wales Pension Partnership.</p>
b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	<p>Representatives covering most employers and scheme members are Co-opted Members of the Pension Fund Committee.</p> <p>The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers.</p> <p>The Wales Pension Partnership Joint Governance Committee includes one co-opted scheme member representative and is required to liaise with scheme member and employer representatives.</p>

c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not applicable	There is no formal secondary committee or panel. However, it is worth noting that the Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate. All Pension Board minutes are circulated around Pension Fund Committee members as soon as they are available as well as being included in Pension Fund Committee reports.
d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not applicable	
B. Representation		
<p>a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <p>i) employing authorities (including non-scheme employers, e.g. admitted bodies);</p> <p>ii) scheme members (including deferred and pensioner scheme members),</p> <p>iii) where appropriate, independent professional observers, and</p> <p>iv) expert advisors (on an ad-hoc basis).</p>	Partially compliant	<p>The Pension Fund Committee includes the following Co-opted Members:</p> <ul style="list-style-type: none"> • employer representatives covering all employers with the exception of admission bodies (as admission bodies make up just a small proportion of the liabilities of the Fund) • a scheme member representative covering all categories of scheme member. <p>In addition, an independent governance adviser, Fund's actuary and investment consultant attend all Pension Fund Committee meetings.</p>

		<p>The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers.</p> <p>The Wales Pension Partnership Joint Governance Committee includes one co-opted scheme member representative and is required to liaise with scheme member and employer representatives.</p>
b. That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant	<p>All Pension Fund Committee members, including Co-opted Members, are treated equally with full opportunity to contribute to the decision making process and with unrestricted access to papers and training, and with full voting rights.</p> <p>There is no formal secondary committee or panel. However it is worth noting that the Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate.</p>
C. Selection and role of lay members		
a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	<p>This is highlighted via regular training and also when presenting this Governance Policy and Compliance Statement for approval.</p>

b. That at the start of any meeting committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant	This is no longer a legal requirement but we recognise that potential conflicts of interest can arise between existing roles (e.g. as employer representatives or scheme members) and accordingly we still carry out this practice. The Fund has a Conflicts of Interest Policy outlining the process for identifying and managing actual and potential conflicts of interest.
D. Voting		
a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	<p>The Council's Constitution and the Fund's Governance Policy and Compliance Statement make it clear that all Pension Fund Committee members have equal voting rights.</p> <p>The Wales Pension Partnership Joint Governance Committee voting arrangements are outlined in the Inter Authority Agreement with one vote per authority. The co-opted scheme member representative is not entitled to vote at the Joint Governance Committee.</p>
E. Training / facility time / expenses		
a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	<p>The Fund has a Knowledge and Skills Policy that applies to all Pension Fund Committee members, Pension Board members and officers. Training is delivered through several avenues including:</p> <ul style="list-style-type: none"> • An initial induction for new Pension Fund Committee and Pension Board Members

		<ul style="list-style-type: none"> • On-going training through written reports or presentations at Committee meetings • Conferences and seminars. <p>The actual costs and expenses relating to approved training are met directly or can be reimbursed from the Clwyd Pension Fund. The co-opted members of the Pension Fund Committee and members of the Pension Board may receive payments for attendance at meetings (including training events) as detailed within the Flintshire County Council Members' Remuneration Scheme and the Pension Board Protocol.</p> <p>The Wales Pension Partnership Joint Governance Committee is required to prepare, maintain and adhere to a Training Policy.</p>
b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	
c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Compliant	A log of individual Member training is maintained. In addition, the Fund has adopted the CIPFA Knowledge and Skills Framework and has a Fund specific Knowledge and Skills Policy.

F. Meetings (frequency / quorum)		
a. That an administering authority's main committee or committees meet at least quarterly.	Compliant	
b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable	
c. That an administering authority who do not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	Even though we do have lay members on our Pension Committee, we also have an Annual Joint Consultative Meeting (AJCM) for employing bodies and scheme members. The Pension Board also provides a forum for stakeholders to be represented.
G. Access		
a. That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	<p>All Members of the Pension Fund Committee have equal access to papers. In addition, all Pension Board members have access to the same papers.</p> <p>The Joint Governance Committee is a public meeting so all papers (except those classified as exempt) are available to Committee and Board members, as well as members of the public.</p>

H. Scope		
<p>a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.</p>	<p>Compliant</p>	<p>The remit of the Pension Fund Committee covers all Fund matters, including administration, communications, funding, investments and governance. The Pension Board provides further opportunity for these matters to be considered.</p>
I. Publicity		
<p>a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.</p>	<p>Compliant</p>	<p>The Fund publishes a detailed Annual Report, newsletters for active and pensioner members, road shows, drop in sessions and an Annual Meeting for Employers and representatives of stakeholders (AJCM). In addition all Pension Fund Committee reports are available to view on the Flintshire County Council website (other than exempt items).</p> <p>Arrangements relating to the Joint Governance Committee are available via this policy, with some information included in Pension Fund Committee papers. All Joint Governance Committee reports are available to view on the Carmarthenshire County Council website (other than exempt items).</p> <p>In addition the Joint Governance Committee includes one co-opted scheme member representative and will liaise with scheme member and employer representatives.</p>

Appendix B: Delegated Roles and Functions of the Clwyd Pension Fund Committee

The Pension Fund Committee will have the following specific roles and functions, taking account of advice from the Head of Clwyd Pension Fund and the Fund's professional advisers:

- a) Ensuring the Clwyd Pension Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Regulations, His Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Clwyd Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
 - i. Governance: approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Flintshire County Council and making recommendations to Flintshire County Council about any changes to that framework.
 - ii. Funding Strategy: approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
 - iii. Investment strategy: approving the Fund's Investment Strategy Statement including setting the Responsible Investment Policy and investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.
 - iv. Administration Strategy: approving the Fund's Administration Strategy determining how the Council will administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
 - v. Communications Strategy: approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.
 - vi. Discretions: determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.
- f) In relation to the Wales Pension Partnership Collaboration arrangements:

- i. Undertaking the following matters reserved to Flintshire County Council as outlined in the Inter-Authority Agreement:
 - Appointment, termination or replacement of the Operator following the making of a recommendation by the Joint Governance Committee.
 - Approval of additional expenditure not included within the Business Plan which exceeds 30 % of the approved budget in the Business Plan in any one Financial Year.
 - Formulation, approval or revisions of each respective Constituent Authority's investment strategy for the purposes of regulation 7 of the Investment Regulations.
 - Admitting a new administering authority within the LGPS to the Investment Pool as a Constituent Authority.
 - Amendment of the Agreement which is not significant to the operation of the arrangements
 - Material change to the nature of the Operator Contract.
 - Approval of the initial strategic objectives to allow preparation of the first Business Plan (which objectives shall reflect the objectives set out in the procurement of the Operator)
 - Approval of any evaluation or scoring criteria for any procurement of a replacement Operator
 - Approval of the Business Plan which shall include approval of the ongoing strategic objectives of the Investment Pool.
 - Determination of the timing of the transition of the assets held by Clwyd Pension Fund into the Pooling Collaboration and the funds or sub-funds operated by the Operator.

Note the Council shall retain the power to terminate the Inter-Authority Agreement or make amendments to the Inter-Authority Agreement that may be significant to the operation of the arrangements.

- ii. Delegating powers to Flintshire County Council's own officers and the Host Council where required.
 - iii. Nominating Flintshire County Council's officers to the Officer Working Group.
 - iv. Monitoring of the performance of the Wales Pooling Collaboration and its Operator and recommending actions to the Joint Governance Committee, Officer Working Group or Host Council, as appropriate.
- g) Approving the Fund's annual report including the Fund's financial statements.
 - h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.
 - i) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - j) Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - k) Agreeing Pension Fund business plans and monitoring progress against them.

- l) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
- m) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- n) Receiving ongoing reports from the Head of Clwyd Pension Fund and Pensions Advisory Panel in relation to delegated functions.

Appendix 10: Funding Strategy Statement (March 2023)

Section 1: A Guide to the FSS and Policies

The key objectives of the Clwyd Pension Fund (“the Fund”) are set out in section 3. The information required by overarching guidance and Regulations is included in Sections 2 and 3 of the Funding Strategy Statement. This document also sets out the Fund’s policies in the following key areas:

1. Actuarial Method and Assumptions (Appendix A)

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, known as the “Primary” contribution rate, and any contribution variations due to underlying surpluses or deficits, known as the “Secondary” rate, are set out [here](#).

2. Deficit Recovery and Surplus Offset Plans (Appendix B)

The key principles when considering deficit recovery and surplus offset plans as part of the valuation are set out [here](#).

3. Admission Policy (Appendix C)

Various types of employers are permitted to join the LGPS under certain circumstances. The conditions upon which their entry to the Fund is based and the approach taken is set out [here](#).

4. Termination Policy, Flexibility for Exit Payments and Deferred Debt Agreements (Appendix D)

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer’s liabilities in respect of the benefits of the exiting employer’s former employees along with a termination contribution certificate showing any exit debt or exit credit, due from or to the exiting employer. In some circumstances an employer and the Fund can enter a Deferred Debt Agreement. The termination policy can be found [here](#).

5. Review of Employer Contributions Between Valuations (Appendix E)

In line with the Regulations, the Administering Authority has the discretion to review employer contributions between valuations in prescribed circumstances. The Fund’s policy on how the Administering Authority will exercise its discretion is set out [here](#).

6. Covenant Assessment and Monitoring Policy (Appendix F)

An employer's financial covenant is its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. This is a critical consideration in an employer's funding and investment strategy as it is the employers who underwrite the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces. Further details on how employer covenant is assessed and monitored by the Fund is set out [here](#).

7. Notifiable Events Framework (Appendix G)

Whilst in most cases regular covenant updates will identify some of the key employer changes, in some circumstances, employers are required to proactively notify the Administering Authority of any material changes. This policy sets out when this may happen and the notifiable events process. More details are set out [here](#).

8. Ill Health Insurance Arrangements (Appendix H)

The Fund has implemented a captive insurance arrangement which pools the risks associated with ill health retirement costs for employers whose financial position could be materially affected by ill health retirement of one of their members. The captive arrangement is reflected in the employer contribution rates (including on termination) for the eligible employers. More details are set out [here](#).

Section 2: Background

The objectives of the Clwyd Pension Fund (the “Fund”) is to ensure it has sufficient assets to meet its pension liabilities in the long-term in line with its fiduciary responsibility as the Administering Authority (Flintshire County Council). The Funding Strategy adopted by the Clwyd Pension Fund will therefore be critical in achieving this. The Administering Authority has taken advice from the Actuary in preparing this Statement.

The purpose of this Funding Strategy Statement (“FSS”) is to set out a clear and transparent funding strategy that will identify how each Fund employer’s pension liabilities are to be met going forward.

Given this, and in accordance with governing legislation, all interested parties connected with the Fund have been consulted and given the opportunity to comment prior to this FSS being finalised and adopted. This statement takes into consideration all comments and feedback received.

Integrated Risk Managed Strategy

The funding strategy set out in this document has been developed alongside the Fund’s investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would result in greater volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency and long term cost efficiency objectives. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

The Regulations

The Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Transitional Regulations”) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively: “the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

The Solvency Objective

The Administering Authority's long-term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next in order to meet the Fund's objective. This in turn means that contributions will be subject to change from one valuation to another. This objective translates to an employer specific level when setting individual contribution rates.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen with sufficient prudence for this objective to be reasonably achieved in the long term at each valuation.

Long Term Cost Efficiency

Employer contributions are also set in order to achieve long-term cost efficiency. Long-term cost efficiency requires that any funding plan must provide equity between different generations of taxpayers. This means that the contributions must not be set at a level that is likely to give rise to additional costs in the future which fall on later generations of taxpayers or put too high a burden on current taxpayers. The funding parameters and assumptions (e.g. deficit recovery period) must have regard to this requirement which will underpin the decision-making process. Furthermore, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these two key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as it relates to the Fund.

Employer Contributions

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation is completed every three years by the Actuary, including the provision of a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution.

Section 3: Key Funding Principles

Purpose of the FSS

Funding is making advance provision to meet the cost of accruing benefit promises. Decisions taken on the funding approach therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the Actuary. The purpose of this FSS is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent long-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency of the pension fund" and the "long term cost efficiency";
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled.

Key Funding and Investment Objectives and Aims of the Fund

- 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 covenant, with the aim being to maintain as predictable an employer contribution requirement as possible.
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities.
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives.
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives.
- Ensure net cash outgoings can be met as/when required.
- Minimise unrecoverable debt on employer termination.
- Ensure that the future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability.
- 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 others to enhance the Fund's effectiveness in implementing these

- Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

The aims of the Fund are to:	The purpose of the fund is to:
<ul style="list-style-type: none"> • Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due • enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designated and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future. • maximise the returns from investments within reasonable risk parameters taking into account the above aims and the risk controls in place under the Flightpath Strategy. 	<ul style="list-style-type: none"> • receive monies in respect of contributions, transfer values and investment income, and • pay out monies in respect of scheme benefits, transfer values, exit credits, costs, charges and expenses as defined in the Regulations.

Responsibilities of the Key Parties

The efficient and effective management of the pension fund can only be achieved if all parties (including pensions committee, investment managers, auditors and legal advisors, investment advisors, pension board etc) exercise their statutory duties and responsibilities conscientiously and diligently. The key parties and their roles for the purposes of the FSS are set out below.

Key Parties to the FSS

The Administering Authority should:	The Individual Employer should:
<ul style="list-style-type: none"> • operate the pension fund • collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations • pay from the pension fund the relevant entitlements as stipulated in the Regulations • invest surplus monies in accordance the Regulations • ensure that cash is available to meet liabilities as and when they fall due • take measures as set out in the Regulations to safeguard the fund against the consequences of employer default • manage the valuation process in consultation with the Fund's Actuary • prepare and maintain a FSS and an Investment Strategy Statement ("ISS), both after proper consultation with interested parties • monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary • effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and • support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice. 	<ul style="list-style-type: none"> • when determining the final level of contributions payable at each valuation within the FSS parameters employers should ensure they consider the appropriate balance between contribution affordability in the short term and the sustainability of contributions in the longer term. An employer should ensure they understand the potential risk that contributions may increase if experience turns out worse than the actuarial assumptions adopted. This may lead to employers choosing to pay higher contributions than the minimum requirement under the FSS. • deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations), unless they are a Deferred Employer • pay all contributions, including their own, as determined by the Actuary, promptly by the due date (including any exit payments upon ceasing participation where applicable) • develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework • make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain • have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context • understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In

	<p>particular, any deficiencies in the data may result in the employer paying higher contributions than otherwise would be the case if the data was of high quality.</p> <ul style="list-style-type: none"> • notify the Administering Authority promptly of any changes to membership or their financial covenant to the Fund, which may affect future funding, and comply with any particular notifiable events specified by the Fund. • understand the pensions impacts of any changes to their organisational structure and service delivery model. • comply with Regulations in the case of a bulk transfer of staff
--	--

The Fund Actuary should:	A Guarantor should:
<ul style="list-style-type: none"> • prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to its FSS and the Regulations • prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as early retirement strain costs, ill health retirement costs, etc. • provide advice and valuations on the termination of admission agreements • provide advice to the Administering Authority on the use of bonds and other forms of security against the financial effect on the Fund of employer default • assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations • advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and 	<ul style="list-style-type: none"> • notify the Administering Authority promptly of any changes to its guarantee status, as this may impact on the treatment of the employer in the valuation process or upon termination • Where necessary, provide details of the agreement, and any changes to the agreement, between the employer and the guarantor to ensure appropriate treatment is applied to any calculations • be aware of all guarantees that are currently in place • work with the Fund and the employer in the context of the guarantee • receive relevant information on the employer and their funding position in order to fulfil its obligations as a guarantor.

- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

Solvency Funding Target

Securing the “solvency” and “long term cost efficiency” is a regulatory requirement. To meet these requirements, the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued pension liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate.

Each employer's contributions are set at such a level to achieve long-term cost efficiency and full solvency in a reasonable timeframe.

Link to Investment Policy and the Investment Strategy Statement (ISS)

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance taking into account the investment strategy adopted by the Fund, as set out in the ISS, which can be found on the Fund's website.

The overall strategic asset allocation is set out in the ISS. A summary of the strategy is included below:

Asset Class	Strategic Weight
Developed Global Equity*	15.0%
Emerging Market Equity	5.0%
Hedge Funds	5.0%
TAA/Best Ideas	11.0%
Multi-Asset Credit	12.0%
Cash and Risk Management Framework	23.0%
Private Markets	
Property	4.0%
Private Equity	8.0%
Local/Impact	6.0%
Infrastructure	8.0%
Private Credit	3.0%
Total	100.0%

*The Global Equity Portfolio includes a 15% Strategic Weight to a the WPP Active Sustainable Global Equity Fund

Climate Change

An important part of the risk analysis underpinning the funding strategy will be 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. The scenarios are not meant to be predictors of what may happen and are only a small subset of a very wide range of scenarios that could arise depending on the global actions taken in relation to climate change. The actions taken (both historically and in future) by the Fund in relation to making its asset portfolio more sustainable is set out in the separate Taskforce for Climate Change (TCFD) reports and analysis of the asset portfolio adopting the same (or similar) scenarios although this can be over a different time period.

The analysis considers a projection of the funding levels under the scenarios considered which are designed to illustrate the transition and physical risks over different periods depending on what actions are taken globally on climate change.

The key metrics are the relative impact on the funding level over the different time periods as this illustrates the impact of climate related market shocks on the funding plan. Whilst these scenarios are only three out of a considerable range of potential outcomes, it shows that climate change can have far reaching effects on the Fund.

The Actuary applies a nuanced approach to understand what is/is not priced into the markets in terms of transition and physical risks. They include assumptions about what is currently priced into markets, and later price in shocks when the markets account for future impacts (both physical and transition impacts). The three climate shock scenarios considered are:

- 1. Rapid Transition:** there is a sudden divestment across multiple securities in 2025 to align portfolios to the Paris Agreement goals, this will have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Average temperature increase stabilises at 1.5°C around 2050. In relative terms to the best estimate basis at the valuation date, this could have a detrimental impact on the funding level of 10% after 5 years as the larger transition risks manifest and then 9% after 20 years and 10% after 40 years where the physical risks become more dominant.
- 2. Orderly Transition:** political and social organisations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C. This scenario includes additional economic damage consistent with 1.8°C of average temperature rise – peaking in 2070. In relative terms this could have a detrimental impact on the funding level of 3% after 5 years as the transition risks are less impactful, and 3% after 20 years. The impact after 40 years is 16% which is higher

than the Rapid Transition scenario as the higher temperature rises begin to have a greater impact.

3. **Failed Transition:** The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events. In relative terms this could lead to a marginal increase in the funding level of 2% after 5 years which reflects the lower impact from transition risks (versus the market pricing) and a hugely detrimental impact of 30% after 20 years and 54% after 40 years which shows the material consequences of the physical risks from the significant temperature increases as time progresses.

The actuarial assumptions (versus the best estimate) include a level of prudence which implicitly allows for the climate risk and other risks to support future contribution stability and the Actuary has concluded that the level of prudence is currently sufficient. However, any climate related impacts will potentially put significant stress on the funding plan, especially when taken into account with other risk factors so needs to be monitored over time. Other risks e.g. longevity will also be considered in future analysis but are expected to have a much lower impact than the financial market impacts. The expected impact on asset returns under different scenarios and timeframes will be shown in more detail in the separate annual TCFD reports.

Identification of Risks and Counter-Measures

The funding of defined benefits is by its nature uncertain. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly growth based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes a quantification of the key risks in terms of the effect on the funding position.

Financial	Demographic
<p>The financial risks are as follows:</p> <ul style="list-style-type: none"> • Investment markets fail to perform in line with expectations • Protection and risk management policies fail to perform in line with expectations • Market outlook moves at variance with assumptions 	<p>The demographic risks are as follows:</p> <ul style="list-style-type: none"> • Future changes in life expectancy (longevity) that cannot be predicted with any certainty. Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, potentially result in a greater liability for pension funds. • Potential strains from ill health retirements, over and above what is

<ul style="list-style-type: none"> • Investment Fund Managers fail to achieve performance targets over the longer term • Asset re-allocations in volatile markets may lock in past losses • Pay and price inflation significantly more or less than anticipated • Future underperformance arising as a result of participating in the larger asset pooling vehicle therefore restricting investment decisions • Employer contributions are unaffordable and/or unstable • Investment and/or funding objectives and/or strategies are no longer fit for purpose • Insufficient assets to pay benefits • Loss of employer income and/or other employers become liable for their deficits • An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements. <p>Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.</p> <p>In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under regular review and the performance of the investment managers is regularly monitored. In addition, the Flightpath risk management framework will help to reduce the key financial risks over time.</p>	<p>allowed for in the valuation assumptions for employers not in the captive arrangement</p> <ul style="list-style-type: none"> • Deteriorating pattern of early retirements (including those granted on the grounds of ill health) • Unanticipated acceleration of the maturing of the Fund (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund) resulting in materially negative cashflows and shortening of liability durations. <p>Early retirements for reasons of redundancy and efficiency do not immediately affect the solvency of the Fund because they are the subject of a direct charge.</p>
---	--

Governance	Regulatory
<p>Governance risks are as follows:</p> <ul style="list-style-type: none"> • The quality of membership data deteriorates materially due to breakdown in processes for updating 	<p>The key regulatory risks are as follows:</p> <ul style="list-style-type: none"> • Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme,

<p>the information resulting in liabilities being under or overstated</p> <ul style="list-style-type: none"> • Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level • Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates • An employer ceasing to exist with insufficient funding or adequacy of a bond. • An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements • Changes to Committee membership <p>For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. the implementation of iConnect for transferring data from employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.</p> <p>Full details of the risks and the controls in place are set out in the Fund risk register.</p>	<ul style="list-style-type: none"> • Changes to national pension requirements and/or HMRC Rules <p>Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.</p>
--	--

Monitoring and Review

A full review of this Statement will occur every three years, to coincide with completion of a full statutory actuarial valuation and every review of employer rates or interim valuation. However, a review of part of or all of the Statement will take place annually to ensure all the relevant parameters remain fit for purpose and will take account of the current economic conditions, change in demographic trends and will also reflect any legislative changes.

Flightpath Risk Management Framework: De-risking Strategy

With effect from 1 April 2014 the Administering Authority to the Fund has implemented a Cash and Risk Management Framework ("CRMF") for the purpose of managing various aspects of the Fund's financial risks. The CRMF is made up of four key components: Liability

Driven Investment (“LDI”), Synthetic Equity with Protection, Currency Hedging and Collateral Management. These components help the Fund to mitigate liability, equity and currency risk in a capital efficient manner.

The LDI component of the CRMF helps to effectively control and limit interest rate and inflation risks as these factors can lead to significant changes to liability values. At the valuation date, the level of hedging within the assets was approximately 26% in relation to interest rates and 42% in relation to inflation, meaning to the extent the liabilities vary due to these factors, the assets will offset that movements by this proportion. The level of interest rate hedging increased to c50% at 30th September 2022 and new triggers were implemented to reflect the higher interest rate and market yield environment.

The intention is for the Fund to increase exposure in the long term to achieve an 80% proportion to both interest rates and inflation as yields become more attractive through a market-aware yield trigger framework.

The overall funding flightpath strategy structure was reviewed as part of the annual review of the CRMF as well as the impact of the recent changes in interest rates and inflation outlook. A summary of the latest real yield triggers above CPI effective from December 2022 is shown below (split by duration of liabilities). In practice the triggers are split into separate interest rate and inflation triggers.

Trigger	Target exposure (% of assets)	Real yield over CPI (p.a.)			
		15yr	20yr	30yr	40yr
1	30%	1.25%	1.25%	1.25%	1.25%
2	40%	1.60%	1.60%	1.60%	1.60%
3	50%	1.95%	1.95%	1.95%	1.95%
4	60%	2.30%	2.30%	2.30%	2.30%
5	70%	2.65%	2.65%	2.65%	2.65%
6	80%	3.00%	3.00%	3.00%	3.00%

Risk Management Framework: Monitoring/Trigger Review

A summary report is provided to the Fund (on a monthly and quarterly basis) that includes a “traffic light” analysis of the key components of the CRMF. The “traffic light” indicates whether the CRMF is operating in line with expectations or if any actions are required.

Furthermore, a separate fund-wide mechanism is in place such that if the funding level falls more than 5% below the “expected” funding level (based on valuation assumptions), then discussions will follow at the Advisory Panel level as to the continued appropriateness of the funding strategy. The Committee have agreed to also adopt a new funding level trigger of 110%, on a consistent approach to the valuation funding basis, to prompt further discussions regarding potential actions. This will be reviewed as part of the actuarial valuation process and investment strategy review.

A Dynamic Equity Protection strategy has been in place for the Fund since 2018. This was after rigorous analysis and value for money considerations by the Fund's Funding and Risk Management Group ("FRMG"). The strategy protects against falls of greater than 10% the average market position over rolling 12 month period on c. £400m of equity exposure within the CRMF. The cost of protection is offset by the Fund's participation in losses again beyond a fall of 30% from average market levels over the same 12 month period as well as by giving up some potential upside return on a 2-weekly basis. Whilst more complex to set up, the dynamic strategy provides advantages versus the previous static approach as follows:

1. Improved protection levels in upward trending markets;
2. Expectation of better long-term risk adjusted returns (after fees and transaction costs) except in some extreme scenarios; and
3. Improved flexibility and on-going governance as it allows the structure to easily adapt to changing requirements including switching the protection off.

Due to the requirements of implementing the strategy on a daily rolling basis, it was agreed that the strategy would be delivered using a counterparty bank rather than an investment manager. Mercer went through a process of determining the best counterparty bank and it was agreed that JP Morgan would deliver the strategy via the existing CRMF vehicle managed by Insight Investment management.

The Fund has implemented a currency hedging policy through the CRMF to lock-in gains from the depreciation in sterling and reduce the risk of a materially strengthening pound. The coverage of the currency hedge is 75% of the overall equity portfolio.

Further details of the updated funding level triggers, equity market protection and currency hedging are shown in the relevant Committee report.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations as part of the CRMF monitoring detailed above and regular funding reviews. If considered appropriate, the funding and CRMF strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the CPF membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy e.g. closure to new entrants
- have been any significant special contributions paid into the CPF
- if there have been material changes in the ISS
- if there has been a change in Regulations or Guidance which materially impacts on the policies within the funding strategy

The principal aim of these risk management techniques is to provide more certainty of real investment returns versus CPI inflation and/or to protect against volatility in the termination position. In other words, they are designed to reduce risk and provide more stability / certainty of outcome for funding and ultimately employer contribution rates. The effect of these techniques has been allowed for in the actuarial valuation calculations and could have implications on future actuarial valuations and the assumptions adopted. Further details of the framework have been included in the ISS.

When monitoring the funding position, if the Administering Authority considers that any action is required, the employing authorities will be contacted to provide an update and details of any proposed remedial actions at the next valuation or earlier if appropriate.

Cash and Liquidity Management

The Administering Authority regularly monitors the position in terms of Fund cashflow requirements to ensure that benefits can be paid in an efficient manner and also to consider the impact on investment strategy e.g. in terms of collateral management. The monitoring approach and governance is set out in the separate cashflow and risk management policy.

Section 4: Disclaimer

The information enclosed in this statement and the accompanying policies have a financial and operational impact on all participating employers in the Clwyd Pension Fund. It is imperative that all existing and potential employers are aware of the details set out herein.

A glossary of the key terms used throughout is available at the end of this document.

This Funding Strategy Statement has been prepared by Flintshire County Council (the Administering Authority) to set out the funding strategy for the Clwyd Pension Fund (“the Fund”), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Appendix A: Actuarial Method and Assumptions

[Return to Section 1](#)

The key whole Fund assumptions used for calculating the funding target and the cost of future accrual for the 2022 actuarial valuation are set out below.

Financial Assumptions		
	2022 valuation assumption	Description
Investment return / discount rate	Ongoing funding basis: 4.60% p.a. (past service) and 5.10% p.a. (future service)	Derived from the expected return on the Fund assets based on the long term strategy set out in the ISS, including appropriate margins for prudence. For the 2022 valuation this is based on an assumed return of 1.5% p.a. above CPI inflation (past service) and 2.0% p.a. above CPI inflation (future service). This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.
	Minimum risk termination basis: 1.7% p.a.	Derived from the yield on conventional UK Government gilts. This assumption will be reviewed on an ongoing basis to allow for changes in market conditions at the relevant employing body's cessation date, along with any other structural or legislative changes.
Inflation (Consumer Prices Index)	3.10% p.a.	RPI inflation is reduced to reflect the expected long-term difference between RPI and CPI measures of inflation (reflecting the profile and duration of the whole Fund's accrued liabilities and 2030 RPI reform) and adjusted to remove any supply/demand distortions as well as Bank of England forecasts. The total adjustment was a deduction of 0.8% p.a. from the market implied RPI expectations at the valuation date.
Salary increases (long-term)	4.35% p.a.	Pre 1 April 2014 benefits (and 2014 to 2022 McCloud underpin) - the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.25% p.a. over the inflation assumption as described above. This includes allowance for promotional increases.
Salary increases (short-term)	Where applicable this is 3% or 4% p.a. until 31 March 2026. As set out on individual employer results schedule.	Allowance has been made for expected short term pay restraint for some employers. To the extent that experience differs to the assumption adopted, the effects will emerge at the next actuarial valuation.

Pension Increases and Deferred Revaluation	Assumed to be in line with the CPI inflation assumption above (noting that pension increases cannot be negative as pensions cannot be reduced). At the 2022 valuation, an adjustment has been made to the liabilities to allow for the known inflation for the period 30 September 2021 to 31 March 2022, and where material, allowance will continue to be made for inflation as it emerges when assessing funding positions between valuations.
Indexation of CARE benefits	Assumed to be in line with the CPI inflation assumption above. For members in pensionable employment, indexation of CARE benefits can be less than zero (i.e. a reduction in benefits).
McCloud	A reasonable estimate for the potential cost of McCloud has been included within the 2022 valuation results for each employer. This has been calculated based on the data provided for the 2022 valuation.

Demographic Assumptions

Mortality / Life Expectancy

The derivation of the mortality assumption is set out in separate advice as supplied by the Actuary. The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI) including a loading reflecting Fund specific experience and will make allowance for future improvements in longevity and the experience of the scheme. A specific mortality assumption has also been adopted for current members who retire on the grounds of ill health.

For all members, it is assumed that the trend in longevity seen over recent time periods (as evidenced in the 2021 CMI analysis) will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI 2021 projections and a long term improvement trend of 1.75% per annum.

As an indication of impact, we have set out the life expectancies at age 65 based on the 2019 and 2022 assumptions:

	Male Life Expectancy at 65		Female Life Expectancy at 65	
	2019	2022	2019	2022
Pensioners	22.4	21.5	24.8	23.9
Actives aged 45 now	24.0	23.3	26.8	26.0
Deferreds aged 45 now	22.6	22.8	25.6	25.6

For example, a male pensioner, currently aged 65, would be expected to live to age 86.5. Whereas a male active member aged 45 would be expected to live until age 88.3. The difference reflects the expected increase in life expectancy over the next 20 years in the assumptions above.

The mortality before retirement has also been reviewed and updated based on LGPS wide experience.

Life Expectancy Assumptions

The post retirement mortality tables adopted for this valuation are set out below:

Current Status	Retirement Type	Mortality Table
Annuitant	Normal Health	114% S3PMA_CMI_2021 [1.75%] 105% S3PFA_M_CMI_2021 [1.75%]
	Dependant	136% S3PMA_CMI_2021 [1.75%] 119% S3DFA_CMI_2021 [1.75%]
	Ill Health	143% S3IMA_CMI_2021 [1.75%] 170% S3IFA_CMI_2021 [1.75%]
Active	Normal Health	117% S3PMA_CMI_2021 [1.75%] 105% S3PFA_M_CMI_2021 [1.75%]
	Ill Health	256% S3IMA_CMI_2021 [1.75%] 342% S3IFA_CMI_2021 [1.75%]
Deferred	All	125% S3PMA_CMI_2021 [1.75%] 111% S3PFA_M_CMI_2021 [1.75%]
Future Dependant	Dependant	134% S3PMA_CMI_2021 [1.75%] 121% S3DFA_CMI_2021 [1.75%]

* The life expectancy assumptions use a smoothing parameter of 7.5 and no short term improvements are allowed for.

Other Demographic Assumptions	
Commutation	It has been assumed that all retiring members will take 75% of the maximum tax-free cash available at retirement. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.
Proportions Married / Civil Partnerships assumption	This has been reviewed and updated based on LGPS wide experience.
Other Demographics	Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements and withdrawal rates remain in line with the assumptions adopted for the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years.
Expenses	Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.8% of pensionable pay to the contributions from participating employers. This is reassessed at each valuation and is calculated by estimating the level of expenses for the Fund over the period from 1 April 2023 to 31 March 2026. Investment expenses have been allowed for implicitly in determining the discount rates. In addition, any expenses that are directly attributable to specific employers via the Employer Liaison team, will be included in the assessment of that employer's expense allowance from the 2022 actuarial valuation. An allowance for reasonable expenses will also be included on the termination of an employer's participation in the Fund and will be taken into account as part of the termination valuation.
Discretionary Benefits	The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

Further details on the demographic assumptions are set out in the Actuary's formal report.

Method

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a

result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate. Employers who move from open to closed may see an increase in contributions as a result of this change.

The assumptions to be used in the calculation of the funding target are set out above. Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

There will be a funding plan for each employer. In determining contribution requirements the Administering Authority, based on the advice of the Actuary, will consider whether the funding plan adopted for an employer is reasonably likely to be successful having regard to the particular circumstances of that employer (potentially taking into account any material changes after the valuation date up to 31 March 2023).

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. As indicated above, these rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers in the Fund.

Method and Assumptions Used in Calculating the Cost of Future Accrual (or Primary Rate)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the “Primary Rate” (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation. In addition, the associated benefits being built up are paid out over a longer time horizon than benefits already accrued; thus it is justifiable to use a slightly higher expected return from the investment strategy.

Employer Asset Shares

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment

returns (in line with the appropriate investment strategy) as calculated by the Actuary based on relevant financial information, when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This involves applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition, the asset shares may be restated for changes in data or other policies.

Adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

The policy on the approach to assessing an employer's asset share is available on request.

[Return to Section 1](#)

Appendix B: Deficit Recovery and Surplus Offset Plans

[Return to Section 1](#)

If the funding level of an employer is above or below 100% at the valuation date (i.e. the assets of the employer are more or less than the liabilities), an adjustment plan needs to be implemented such that the secondary contributions for each employer can be calculated. This adjustment plan requires a period over which to recover the deficit or run off any surplus i.e. the recovery period.

It is one of the Fund's key objectives that an employer will target 100% funding (e.g. full solvency) over an agreed period to maintain sustainability of contributions in the longer term subject to the affordability of the participating employers given other competing cost pressures, dependent on the Administering Authority's view of the employer's covenant and risk to the Fund. Based on the advice of the Actuary the assumptions and parameters in the FSS have been determined to try to achieve this but there is no guarantee that contributions will remain sustainable at future valuations. Employers therefore need to consider the balance between affordability of contributions in the short term and sustainability of contributions in the longer term (at subsequent actuarial valuations) in the context of their budgets now and in the future when determining the level of contributions. This could lead to an employer deciding to pay more than the minimum contributions determined under the FSS which would support future sustainability/stability of contributions at future valuations.

Employer Contribution Adjustment Plans: Key Principles

The average recovery period for the Fund as a whole is 12 years at this valuation which is one year shorter than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce at this valuation.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish.

Deficit or surplus offset contributions paid to the Fund by each employer will normally be expressed as £s amounts.

The Administering Authority retains ultimate discretion in applying these principles for individual employers on grounds of affordability and covenant strength and it may be deemed necessary to deviate under exceptional circumstances. Employers will be notified of their individual recovery period as part of the provision of their individual valuation results.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account; the size of the funding shortfall; or surplus the business plans of the employer; the assessment of the financial

covenant of the Employer, changes in the funding position after the valuation date which is deemed reasonable and security of future income streams; and any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The Administering Authority, following consultation with the participating employers, has adopted the following principles for setting the individual employer contribution rates arising from the 2022 actuarial valuation:

The employer contributions will be expressed and certified as two separate elements:

- the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits and ancillary death in service and ill health benefits
- the **Secondary rate**: a schedule of lump sum monetary amounts and/or % of pay amendments over 2023/26 in respect of an employer's surplus or deficit (including phasing adjustments)

The contributions certified by the Actuary will be the minimum contributions payable by the employer. An employer can choose to pay additional contributions each year if they wish to do so.

General Principles:

- a) Where increases (or decreases) in employer contributions are required from 1 April 2023, following completion of the 2022 actuarial valuation, the increase (or decrease) from the rates of contribution payable in the year 2023/24 may be implemented in steps, over a maximum period of 3 years. Any step up in future service contributions will be implemented in steps of at least 0.5% of pay per annum unless agreed otherwise based on the overall contributions paid over the certificate period. However, where a surplus exists or where there has been a reduction in contributions paid in respect of an employer's deficit at the valuation, the Fund will not consider it appropriate for any increase in contributions paid in respect of future accrual of benefits to be implemented in steps.
- b) Where a deficit exists the Fund does not believe it appropriate for contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain, unless there is compelling reason to do so and any reduction will need clear justification on affordability grounds. Any employer whose covenant (as assessed by the Administering Authority) is not sufficiently strong in the long term will not normally be allowed to reduce contributions where the position has improved.
- c) The Fund's policy is not to allow the prepayment of employee or primary contributions and therefore only deficit contributions can be prepaid.
- d) Alternative patterns of contribution, on grounds of affordability, will be considered on an individual employer basis, subject to the total contribution requirement being met over the 2023/26 period covered by the contribution certificate. Employers

should be aware that varying their contribution pattern could have an effect on the level of contributions required in the future.

- e) If the covenant is deemed to be materially weak, the secondary contributions may be set with reference to a higher funding target, subject to the discretion of the Fund.
- f) For those bodies identified as having a relatively weak covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans.
- g) For employers that do not have a financial year end of 31 March 2023 (e.g. 31 July 2023), the Fund can allow the employer to continue to pay their current contribution plan until their financial year end date. The new contribution plan would then be implemented after this date (i.e. 1 August 2023 if the year-end is 31 July 2023).
- h) Employers must notify the Fund as soon as they become aware of their planned exit date. Where appropriate, or at the request of the Scheme Employer, the Fund will normally review their certified contribution in order to target a fully funded position at exit. Consideration will be given to any risk sharing arrangements when reviewing contribution rates.
- i) It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, an employers could be faced with contributions that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2023/2026. Any application of this option is at the ultimate discretion of the Fund in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice. Typically, this will be managed primarily through an adjustment to the recovery period and/or phasing/stepping of contributions.
- j) Notwithstanding the above principles, the Administering Authority, in consultation with the Actuary, has the discretion to consider whether any exceptional arrangements should apply in particular cases.

If an Employer is in Deficit:

- k) Subject to consideration of affordability, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Subject to affordability considerations and other factors a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted.
- l) For closed employers, the deficit recovery period will be linked to the expected average future working lifetime of the active membership.
- m) The deficit recovery period will be set to at least cover the expected interest costs (actual interest costs will vary in line with investment performance) on the deficit.

- n) Employers may also elect to make lump sum prepayments of deficit contributions (either on an annual basis or a one-off payment) which could result in a cash saving over the valuation certificate period.

If an Employer is in Surplus:

For any employers assessed to be in surplus, their individual contribution requirements will be adjusted to such an extent that any surplus is used (i.e. run-off) over a the same period as that adopted for the last actuarial valuation, subject to a total employer contribution minimum of zero i.e. the secondary contribution offset cannot exceed the primary contributions payable in any year of the certificate. If an employer is expected to exit the Fund before this period, contribution requirements will be set to target no exit debt or exit credit being payable.

[Return to Section 1](#)

Appendix C: Admission Policy

[Return to Section 1](#)

Introduction

This appendix details the Fund's policy on admissions into the Fund and sets out the considerations for current and former admission bodies. It also sets out the methodology for assessment of ongoing contribution requirements.

- Admission bodies are required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.
- Scheme Employers have a statutory right to participate in the LGPS and their staff therefore can become members of the LGPS at any time, although some organisations (Part 2 Scheme Employers) do need to designate eligibility for its staff.

A list of all current employing bodies participating in the Fund is kept as a live document and will be updated by the Administering Authority as bodies are admitted to, or leave the Fund.

Entry to the Fund

Prior to admission to the Fund, an Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. If the risk assessment and/or bond amount is not to the satisfaction of the Administering Authority (as required under the LGPS Regulations) it will consider and determine whether the admission body must pre-fund for termination with contribution requirements assessed using the minimum risk methodology and assumptions.

Some aspects that the Administering Authority may consider when deciding whether to apply a minimum risk methodology are:

- Uncertainty over the security of the organisation's funding sources e.g. the body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
- If the admitted body has an expected limited lifespan of participation in the Fund;
- The average age of employees to be admitted and whether the admission is closed to new joiners.

In order to protect other Fund employers, where it has been considered undesirable to provide a bond, a guarantee must be sought in line with the LGPS Regulations.

Admitted Bodies Providing a Service

Generally Admitted Bodies providing a service will have a guarantor within the Fund that will stand behind the liabilities. Accordingly, in general, the minimum risk approach to funding and termination will not apply for these bodies.

As above, the Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. This assessment would normally be based on advice in the form of a “risk assessment report” provided by the Actuary to the Fund. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the Fund it must also be satisfied (along with the Administering Authority) over the level (if any) of any bond requirement. Where bond agreements are to the satisfaction of the Administering Authority, the level of the bond amount will be subject to review on a regular basis.

In the absence of any other specific agreement between the parties, deficit recovery periods for Admitted Bodies will be set in line with the Fund’s general policy as set out in Appendix B.

Any risk sharing arrangements agreed between the Scheme Employer and the Admitted Body will be documented in the commercial agreement between the two parties and not the admission agreement.

In the event of termination of the Admitted Body, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer (further information is set out within Appendix D).

An exception to the above policy applies if the guarantor is not a participating employer within the Fund, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the Fund the Administering Authority may in this case treat the admission body as pre-funding for termination, with contribution requirements assessed using the minimum risk methodology and assumptions

Pre-Funding for Termination

An employing body may choose to pre-fund for termination i.e. to amend their funding approach to a minimum risk methodology and assumptions. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination. However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the minimum risk basis.

For any employing bodies funding on such a minimum risk strategy a notional investment strategy can be assumed as a match to the liabilities if agreed by the Administering Authority based on the advice of the Actuary. In particular, the employing body’s notional asset share of the Fund will be credited with an investment return in line with the minimum risk funding assumptions adopted rather than the actual investment return generated by the actual asset portfolio of the entire Fund. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

[Return to Section 1](#)

Appendix D: Termination Policy, Flexibility for Exit Payments and Deferred Debt Agreements

[Return to Section 1](#)

This appendix details the Fund's policy on the methodology for assessment of termination payments in the event of the cessation of an employer's participation in the Fund.

Exiting the Fund

Unless entering a DDA, an employer ceases to participate in the Fund when the last active member leaves the Fund or when a suspension notice ends and the employer then becomes an "exiting employer" under the Regulations. In this situation the Fund is required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate setting out whether an exit payment is due to the Fund or a credit is payable to the employer.

When an employer terminates, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund (i.e. either deferred benefits or immediate retirement benefits).

In addition to any liabilities for current employees, the Fund will also retain liability for payment of benefits to former employees (i.e. to existing deferred and pensioner members) except where there is a complete transfer of responsibility to another Fund with a different Administering Authority.

In the event that unfunded liabilities arise that cannot be recovered from the employing body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

Termination Policy

The Fund's policy for settling termination payments/credits is as follows:

1. The default position is for exit payments and exit credits to be paid immediately in full once the cessation assessment has been completed by the Actuary (and any determination notice issued by the Fund where applicable). The treatment upon termination will depend on whether the employer has a guarantor within the Fund, or a successor body exists to take over the employing body's liabilities. Further detail is set out in the table below.
2. At the discretion of the Administering Authority, instalment plans over a defined period may be agreed but only when there are clear issues of affordability that risk the financial viability of the organisation and the ability of the Fund to recover the debt.

The assumptions and approach used to assess the amount of a payment/credit payable upon termination will be consistent with the previous valuation assumptions, updated for market yields and inflation applying at the cessation date. With the following exceptions:

	Employers with no guarantor in the Fund / only a guarantee of last resort	Employers with a guarantor
Financial assumptions	The minimum risk termination basis (unless the Administering Authority agrees otherwise, based on the advice of the Actuary). Adjustments may also be made to the inflation assumption to reflect the level of overall hedging in the Fund. This is to protect the other employers in the Fund as, at termination, the employing body's liabilities will become orphan liabilities within the Fund, and there will be no recourse to it if a shortfall emerges in the future (after participation has terminated). The assumptions will be based on a full yield curve and will take into account the duration of the employer's projected cashflows/liabilities.	If the employing body has a guarantor within the Fund or a successor body exists either of which would take over the employing body's liabilities, the Fund's policy is that the ongoing funding basis will be used for the termination assessment unless the guarantor informs the Fund otherwise.
Demographic Assumptions	In line with the assumptions adopted for the 2022 valuation with the exception of a higher level of prudence in the mortality assumptions to further protect the remaining employers. The rate of improvement in the mortality rates will therefore be increased to 2.25% p.a. This will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.	In line with the assumptions adopted for the 2022 valuation for ongoing funding and contribution purposes. This will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.
McCloud	A reasonable estimate for the potential cost of McCloud will be included. This will be calculated for all scheme members of the outgoing employer (reflecting the data made available). For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made.	

Additional Costs	A reasonable allowance for expenses will also be made in relation administration and other expenses. This will be allowed for in the final termination assessment.	
Default policy once the termination certificate has been provided	<ul style="list-style-type: none"> • In the case of a surplus - the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of the exit date, or within 6 months of the completion of the cessation assessment by the Actuary (if later), providing no appeals have been raised with the Fund during this time). • In the case of a deficit -the Fund would require the exiting employer to pay the termination deficit to the Fund as a lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process. 	The guarantor or successor body will then subsume the assets and liabilities (and any surplus or deficit) of the employing body within the Fund under the default policy. (For Admission Bodies, this process is sometimes known as the “novation” of the admission agreement.) In some instances an exit debt may be payable by an employer before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis. No payment of an exit credit will be payable unless representation is made as set out below.

The Administering Authority can vary the treatment on a case-by-case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary based on any representations from the interested parties (where applicable). For example, the Fund may adjust any exit payment or exit credit to take into account any risk sharing arrangements which exist between the exiting employer and other Fund employers

With regard to subsuming the residual assets and liabilities, this may, if agreed by the successor body, constitute a complete amalgamation of assets and liabilities to the successor body, including any funding deficit on closure. In these circumstances no termination payment will be required from the outgoing employing body itself, as the deficit would be recovered via the successor body’s own deficit recovery plan.

Review of the Termination Policy

As set out in the table above, for employers without a guarantor, the financial assumptions are currently related to the yields on Government debt (known as Gilts). The principle of the termination policy and the assumptions used is to ensure (as far as possible) there is sufficient monies to pay all the benefits due in relation to the “orphan” members of the outgoing employer as otherwise the remaining employers would potentially have to fund this via their contributions at subsequent valuations. This is why the Fund take a more cautious view as set out in this policy. For other employers, the policy is to use the appropriate ongoing funding assumptions if the orphaned liabilities are to be wholly

subsumed by a guarantor in the Fund (once any exit payment is paid to/from the employer depending on the circumstances).

The policy will be reviewed as a matter of course at each actuarial valuation but will also be reviewed in times of extreme events, such as a material shift in market conditions or shift in economic/fiscal policy, which will affect the assets or liabilities of the exiting employer. This is to ensure that the approach remains appropriate, given the risk associated with funding the orphaned liabilities left behind by an exiting employer is being passed to other Fund employers, and ultimately the tax payer. This means that the assumptions (both financial and demographic) can be changed if circumstances warrant it. Employers would be notified of any change (and the rationale for the change) and the policy would be updated.

The Fund also has the discretion to apply a different approach on a case by case basis taking into account all factors (financial and non-financial) pertaining to the exiting employer.

Future Terminations

In many cases, termination of an employer's participation is an event that can be foreseen, for example, because the organisation's operations may be planned to be discontinued and/or the admission agreement is due to cease. Under the Regulations, in the event of the Administering Authority becoming aware of such circumstances, it can amend an employer's minimum contributions such that the value of the assets of the employing body is neither materially more nor materially less than its anticipated liabilities at the date it appears to the Administering Authority that it will cease to be a participating employer. In this case, employing bodies are encouraged to open a dialogue with the Fund to commence planning for the termination as early as possible. Where termination is disclosed in advance the Fund will operate procedures to reduce the sizeable volatility risks to the debt amount in the run up to actual termination of participation. The Fund will modify the employing body's approach in any case, where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

Determination Notices (Employers With a Guarantor)

Where the outgoing employer is responsible for only part of the residual deficit or surplus as per a separate risk sharing agreement, the Fund's default will also be that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor.

For the avoidance of doubt, where the outgoing employer is not responsible for any costs under a risk sharing agreement then no exit credit will be paid as per the Regulations unless the Fund is aware of the provisions of the risk sharing agreement in any representation made and determines an exit credit should be paid.

If there is any dispute, then the following arrangements will apply:

- In the case of a surplus, in line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make representations to the Administering Authority if they believe an Exit Credit

should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.

- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of the exit date, or within 6 months of the completion of the cessation assessment by the Actuary (if later)
- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance although if this is not possible then the deficit will be recovered from the guarantor either as a further contribution collection or it will be taken into account at the next valuation depending on the circumstances.

If requested, the Administering Authority will provide details of the information considered as part of their determination. An exit credit determination notice will be provided alongside the termination assessment from the Actuary in cases where there is an exit credit. The notice will cover the following information and process steps:

- 1) Details of the employers involved in the process (e.g. the exiting employer and guarantor).
- 2) Details of the admission agreement, commercial contracts and any amendments to the terms that have been made available to the Administering Authority and considered as part of the decision making process. The underlying principle will be that if an employer is responsible for a deficit, they will be eligible for any surplus. This is subject to the information provided and any risk sharing arrangements in place.
- 3) The final termination certification of the exit credit by the Actuary.
- 4) The Administering Authority's determination based on the information provided.
- 5) Details of the appeals process in the event that a party disagrees with the determination and wishes to make representations to the Administering Authority.

Policy in Relation to the Flexibility for Debt Spreading Agreements (DSA) and Deferred Debt Agreements (DDA)

The default position is for exit payments to be paid immediately in full (once the cessation assessment has been completed by the Actuary (adjusted for interest where appropriate) unless there is a risk sharing arrangement in place with a guaranteeing Scheme employer in the Fund whereby the exiting employer is not responsible for any exit payment (as detailed above). In the case of an exit credit the determination process set out above will be followed.

Under the Regulations the Fund has complete discretion as to whether it agrees to put a DDA in place provided that it follows the procedure set out in the Regulations.

If an employer requests that an exit debt payment is recovered over a fixed period of time (e.g. via a Debt Spreading Agreement ("DSA")) or that they wish to enter into a Deferred

Debt Arrangement (DDA) with the Fund, they must make a request in writing covering the reasons for such a request.

Any deviation from the default position will be based on the Administering Authority's assessment of whether the full exit debt is affordable and whether it is in the interests of the Fund (and therefore ultimately taxpayers) to adopt either of the approaches. In making this assessment the Administering Authority will consider the covenant of the employer and also whether any security is required and available to back the arrangements.

Any costs (including necessary actuarial, legal and covenant advice) associated with assessing this will be borne by the employer and, depending on the employer's circumstances, will either be required as an upfront payment or included in the contribution plan or exit debt payment.

Policy for Spreading Exit Payments

The following process will determine whether an employer is eligible to spread their exit payment over a defined period via a DSA.

1. The Administering Authority will request financial information from the employer including annual accounts, management accounts, budgets, cashflow forecasts and any other relevant information to use as part of their covenant review. As part of this, the Administering Authority will take advice from the Fund Actuary, covenant, legal and any other specialist adviser. If this information is not provided then the default policy of immediate payment will be adopted.
2. Once this information has been provided, the Administering Authority (in conjunction with the Fund Actuary, covenant and legal advisors where necessary) will review the covenant of the employer to determine whether it is in the interests of the Fund to allow them to spread the exit debt over a period of time. Depending on the length of the period and also the size of the outstanding debt, the Fund may request security to support the payment plan before entering into an agreement to spread the exit payments.
3. The payment plan could include non-uniform payments e.g. a lump sum up front followed by a series of payments over the agreed period. The payments required will include allowance for interest on late payment.
4. The initial process to determine whether an exit debt should be spread may take up to 3 months from receipt of data so it is important that employers who request to spread exit debt payments notify the Fund in good time
5. If it is agreed that the exit payments can be spread then the Administering Authority will engage with the employer regarding the following:
 - a. The spreading period that will be adopted (this will be subject to a maximum of 5 years except in exceptional circumstances).
 - b. The initial and annual payments due and how these will change over the period

- c. The interest rates applicable and the costs associated with the payment plan devised
 - d. The level of security required to support the payment plan (if any) and the form of that security e.g. bond, escrow account etc.
 - e. The responsibilities of the employer during the exit spreading period including the supply of updated information and events which would trigger a review of the situation
 - f. The views of the Actuary, covenant, legal and any other specialists necessary
 - g. The covenant information that will be required on a regular basis to allow the payment plan to continue.
 - h. Under what circumstances the payment plan may be reviewed or immediate payment requested (e.g. where there has been a significant change in covenant or circumstances)
6. Once the Administering Authority has reached its decision, the arrangement will be documented and any supporting agreements will be included.
 7. Subject to the employer's circumstances, any costs will either be required as an upfront payment or included in the contribution plan.

Employers Participating with No Contributing Members (DDA)

As opposed to paying the exit debt upfront or via a DSA, an employer may participate in the Fund with no contributing members and utilise the "Deferred Debt Agreements" (DDA) at the sole discretion of the Administering Authority. This would be at the request of the employer in writing to the Administering Authority.

The following process will determine whether the Fund will agree to allow the employer to enter into such an arrangement:

- 1) The Administering Authority will request updated financial information from the employer including annual accounts, management accounts, budgets, cashflow forecasts and any other relevant information showing the expected financial progression of the organisation. If this information is not provided then a DDA will not be entered into by the Administering Authority.
- 2) Once this information has been provided, the Administering Authority will firstly consider whether it would be in the best interests of the Fund and employers to enter into such an arrangement with the employer. This decision will be based on a covenant review of the employer to determine whether the employer could afford the exit debt (either immediately or via a debt spreading agreement) at that time (based on advice from the Actuary, covenant and legal advisor where necessary). If the exit debt is deemed to be affordable then a Deferred Debt Agreement will not apply to the employer.
- 3) The initial process to determine whether a DDA should apply may take up to 3 months from receipt of the required information so an employer who wishes to request that the Administering Authority enters into such an arrangement needs to make the request in advance of the potential exit date (for example when the

Employer's active membership has reduced below 5 members and it appears likely that termination could be triggered within the next 6-9 months).

- 4) If the Administering Authority's assessment confirms that the potential exit debt is not affordable, the Administering Authority will engage in discussions with the employer about the potential format of a DDA using the template Fund agreement which will be based on the principles set out in the Scheme Advisory Board's separate guide. As part of this, the following will be considered and agreed:
- a. What security the employer can offer whilst the employer remains in the Fund. In general the Administering Authority will not enter into such an arrangement unless they are confident that the employer can support the arrangement in future. Provision of security may also result in a review of the recovery period and other funding arrangements.
 - b. Whether an upfront cash payment should be made to the Fund initially to reduce the potential debt.
 - c. What the updated secondary rate of contributions would be required up to the next valuation.
 - d. The financial information that will be required on a regular basis to allow the employer to remain in the Fund and any other monitoring that will be required.
 - e. The advice of the Actuary, covenant, legal and any other specialists necessary.
 - f. The responsibilities that would apply to the employer while they remain in the Fund.
 - g. What conditions would trigger the implementation of a revised deficit recovery plan and subsequent revision to the secondary contributions (e.g. provision of security).
 - h. The circumstances that would trigger a variation in the length of the DDA (if appropriate), including a cessation of the arrangement (e.g. where the ability to pay contributions has weakened materially or is likely to weaken in the next 12 months). Where an agreement ceases an exit payment (or credit) could become payable. Potential triggers may be the removal of any security or a significant change in covenant assessed as part of the regular monitoring.
 - i. Under what circumstances the employer may be able to vary the arrangement e.g. a further cash payment.

The Administering Authority will then make a final decision on whether it is in the best interests of the Fund to enter into a DDA with the employer, and confirm the terms that are required.

- 5) For employers that are successful in entering into a DDA, contribution requirements will continue to be reviewed as part of each actuarial valuation or in line with the DDA in the interim if any of the triggers are met.

- 6) The costs associated with the advice sought and drafting of the DDA will be passed onto the employer as part of the arrangements and contribution requirements. Subject to the employer's circumstances, any costs will either be required as an upfront payment or included in the contribution plan.

[Return to Section 1](#)

Appendix E: Review of Employer Contributions Between Valuations

[Return to Section 1](#)

The Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers have the following flexibilities:

1. The Administering Authority may review the contributions of an employer where there has been a significant change to the liabilities of an employer.
2. The Administering Authority may review the contributions of an employer where there has been a significant change in the employer's covenant.
3. An employer may request a review of contributions from the Administering Authority if they feel that either point 1 or point 2 applies to them. The employer would be required to pay the costs of any review following completion of the calculations and is only permitted to make a maximum of two requests between actuarial valuation dates (except in exceptional circumstances and at the sole discretion of the Administering Authority).

Where the funding position for an employer significantly changes solely due to a change in assets (and changes in actuarial assumptions), the overarching Government policy is that contribution reviews are not permitted outside of a full valuation cycle. However changes in assets would be taken into account when considering if an employer can support its obligations to the Fund after a significant covenant change (see 2. above).

The Administering Authority will consult with the employer prior to undertaking a review of their contributions including setting out the reason for triggering the review.

For the avoidance of doubt any review of contributions may result in no change and a continuation of contributions as per the latest actuarial valuation assessment. In the normal course of events, a rate review would not be undertaken close to the next actuarial valuation date, unless in exceptional circumstances. For example:

- A contribution review due to a change in membership profile would not be undertaken in the 6 months leading up to the valuation Rates and Adjustments Certificate.
- However, where there has been a material change in covenant, a review will be considered on a case by case basis which will determine if it should take place and when any contribution change would be implemented. This will take into account the proximity of the actuarial valuation and the implementation of the contributions from that valuation.

Situations Where Contributions may be Reviewed

Contributions may be reviewed if the Administering Authority becomes aware of any of the following scenarios. Employers will be notified if this is the case.

Consideration will also be given to the impact that any employer changes may have on the other employers and on the Fund as a whole, when deciding whether to proceed with a contribution review.

Significant changes in the employer's liabilities

This includes but is not limited to the following scenarios:

1. Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
 - a. Restructuring of an employer
 - b. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)
 - c. A bulk transfer into or out of the employer
 - d. Other significant changes to the membership for example due to redundancies, significant salary awards, ill health retirements (for employers not included in the captive arrangement) or large number of withdrawals
 - e. Where the aggregation of member movements materially shortens the expected time horizon for continued participation in the Fund
2. Two or more employers merging including insourcing and transferring of services
3. The separation of an employer into two or more individual employers

In terms of assessing the triggers under point a. above, the Administering Authority will only consider a review if the change in liabilities is expected to be more than 5% of the total liabilities. In some cases this may mean there is also a change in the covenant of the employer.

Any review of the rate will only take into account the impact of the change in liabilities (including, if relevant, any underfunding in relation to pension strain costs) both in terms of the Primary and Secondary rate of contributions.

Significant changes in the employer's covenant

This includes but is not limited to the following scenarios:

1. Provision of, or removal of, or impairment of, security, bond, guarantee or some other form of indemnity by an employer against their obligations in the Fund. For the avoidance of doubt, this includes provision of security to any other pension arrangement or creditor (e.g. banks), which may impair the security provided to the Fund.
2. Material change in an employer's immediate financial strength or longer-term financial outlook (evidence should be available to justify this) including where an employer ceases to operate or becomes insolvent.

3. Where an employer exhibits behaviour that suggests a change in their ability and/or willingness to pay contributions to the Fund.

In some instances, a change in the liabilities will also result in a change in an employer's ability to meet its obligations.

Whilst in most cases the regular covenant updates requested by the Administering Authority will identify some of these changes, in some circumstances, employers will be required to agree to notify the Administering Authority of any material changes. Where this applies, employers will be notified separately and the Administering Authority will set out the requirements (an example of the notifiable events framework is set out in Appendix G.

Additional information will be sought from the employer in order to determine whether a contribution review is necessary. This may include annual accounts, budgets, forecasts and any specific details of restructure plans. As part of this, the Administering Authority will take advice from the Fund Actuary, covenant, legal and any other specialist adviser.

Where a contribution review is triggered by a significant change in employer covenant, any review of the contribution rate would include consideration of the updated funding position (both on an ongoing and termination basis) and would usually allow for changes in asset values when considering if the employer can meet its obligations on both an ongoing and termination basis (if applicable). This could then lead to the following actions:

- the contributions changing or staying the same depending on the conclusion, and/or;
- security to improve the covenant to the Fund, and/or;

In the case of an employer who may exit the Fund, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

Process and Potential Outcomes of a Contribution Review

Where one of the listed events occurs, the Administering Authority will enter into discussion with the employer to clarify details of the event and any intent of the Administering Authority to review contributions. Ultimately, the decision to review contributions as a result of the above events rests with the Administering Authority after, if necessary, taking advice from their Actuary, legal or a covenant specialist advisor.

This also applies where an employer notifies the Administering Authority of the event and requests a review of the contributions. The employer will be required to agree to meet any professional and administration costs associated with the review. The employer will be required to outline the rationale and case for the review through a suitable exchange of information prior to consideration by the Administering Authority.

The Administering Authority will consider whether it is appropriate to use updated membership data within the review (e.g. where the change in data is expected to have a material effect on the outcome) and whether any supporting information is required from the employer.

As well as revisiting the employer's funding plan, as part of the review it is possible that other parts of the funding strategy will also be reviewed where the covenant of the employer has changed, for example the Fund will consider:

- Whether the Primary contribution rate should be adjusted to allow for any profile change
- Whether the Secondary contribution rate should be adjusted including whether the length of the recovery period adopted at the previous valuation remains appropriate. At the absolute discretion of the Administering Authority this may result in an increase to the recovery period where the evidence gathered demonstrates that the existing time horizon is no longer achievable and the extension is in the best interests of the tax payer, taking into account any security that may be available

The review of contributions may take up to 3 months from the date of confirmation to the employer that the review is taking place, in order to collate the necessary data.

Any change to an employer's contributions will be implemented at a date agreed between the employer and the Fund. The Schedule to the Rates and Adjustment Certificate at the last valuation will be updated for any contribution changes.

As part of the process the Administering Authority will consider whether it is appropriate to consult any other Fund employers prior to implementing the revised contributions. Circumstances where the Administering Authority may consider it appropriate to do so include where there is another employer acting as guarantor in the Fund, then the guarantor would be consulted on as part of the contribution review process.

The Administering Authority will agree a proportionate process for periodical ongoing monitoring and review following the implementation of the revised contribution plan. The Employer will be required to provide information to the Fund to support this, which will depend in part of the reasons for triggering the contribution review.

[Return to Section 1](#)

Appendix F: Covenant Assessment and Monitoring Policy

[Return to Section 1](#)

Covenant is the employer's legal obligation and financial ability to meet their defined benefit obligations in the Fund now and in the future. Regular assessment and monitoring of employer covenant is undertaken to understand the current strength of the employer's covenant and how they could change in the future. This is important to assist the Fund in deciding the appropriate level of risk when setting the investment strategy, employer funding targets and, where necessary, employer recovery plans. Therefore, a sound understanding of the covenant of employers is an essential part of the integrated approach to risk management of the Fund.

Employer's covenant can change quickly and therefore assessing the covenant of employers from a legal and financial perspective is an ongoing activity. The Fund has a well-developed and proportionate framework to monitor employer covenant and identify changes in covenant. The Fund can also draw on the expertise of external covenant advisers when necessary.

Risk Criteria

The assessment criteria upon which the affordability and recovery of employer contributions should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial ability to meet contributions (both ongoing and on exit)
- Employer's credit rating
- Position of the economy as a whole
- Legal aspects

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to the consideration of the above criteria would be made, with further focus given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

Assessing Employer Covenant

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is undertaken. The employers' covenants will be assessed and monitored objectively in a proportionate manner and their ability to meet their obligations in the short and long term will be considered when determining an individual employer's funding strategy.

An assessment of employer covenant includes determining the following:

- Type of employer body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether a more accelerated recovery plan should be enforced
- Whether there is an option to call in contingent assets
- Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publicly available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Green (RAG) rating structure.

Research will be carried out into employers' backgrounds and, in addition, employers may be contacted to gather further information. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk. The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score.

Frequency of Monitoring

The funding position and contribution rate for each employer participating in the Fund will be reviewed in detail at each triennial actuarial valuation and will continue to be monitored between valuations (including on the termination basis) using an online system provided to officers by the Fund Actuary. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics.

The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

In some circumstances, employers will be required to agree to notify the Administering Authority of any material changes in covenant. Where this applies, employers will be notified separately. The notifiable event requirements are set out in Appendix G.

Covenant Risk Management

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond
2. Transfer to a more prudent actuarial basis and investment strategy (e.g. the termination basis)
3. A higher funding target, shortened recovery periods and increased cash contributions
4. Managed exit strategies
5. Contingent assets and/or other security such as escrow accounts.

[Return to Section 1](#)

Appendix G: Notifiable Events Framework

[Return to Section 1](#)

The Fund regularly monitors the covenant of its employers. Whilst in most cases the regular covenant updates will identify some of the key employer changes, in some circumstances, employers are required to notify the Administering Authority of any material changes. This is in keeping with the guide that The Scheme Advisory Board recently published ('A Guide for Administering Authorities') in which is recommended that Administering Authorities should include a notifiable events process within its policies.

It is considered to be in the best interests of the employer to inform the Fund of any notifiable events that occur. This will enable the Fund to work with the employer to find an effective solution, particularly in times of change or financial distress and keep the interests of the employer, the Fund, the members and a guarantor (if one exists) in mind. Early engagement is always more effective and efficient for all parties than retrospective steps.

By not informing the Fund of a notifiable event, it may be seen as a deliberate act to hide the information or delay the Fund from taking action. If the Fund becomes aware of an event that has not been openly communicated as part of this policy, they reserve the right to implement one or more of the actions set out below without the consent of the employer.

In the case of guaranteed employers this policy applies to both the employer and the guarantor.

A notifiable event is any event or circumstance that, in the judgment of the Fund, could materially affect one or more of the following:

- the employer's basis for continued participation in the Fund
- the employer's ability to pay its ongoing contributions to the Fund*
- the employer's ability to pay its termination debt to the Fund in the event of ceasing to participate in the Fund*

* These conditions would also apply where an employer and the Fund has entered into a Deferred Debt Agreement allowing continued participation as a Deferred Employer with no contributing members.

This policy sets out a list of typical events that, if they apply, must be notified to the Fund within a reasonable time period. The list is not exhaustive and may be modified from time to time. The Fund would deem 10 working days to be reasonable in the majority of cases. In some cases, notification prior to the event occurring may be required and this is detailed within the relevant sections below. The Fund will ensure that all information is treated as confidential.

Events that Must be Notified to the Fund

The Fund considers any change that would be detrimental to either the employer's ability to finance their pension obligations or the ongoing viability of the employer to be 'material' and 'significant'.

Typical events that must be notified to the Fund include the following:

Significant changes in the employer's membership / liabilities

This includes but is not limited to the following scenarios, where applicable:

- i. Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
 - a. Restructuring of the employer involving significant changes in staffing
 - b. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)*
 - c. A bulk transfer of staff into the employer, or out of the employer to another pension scheme*
 - d. Other significant changes to the membership for example due to redundancies, significant salary awards, ill health retirements or large a number of member withdrawals*
 - e. A decision which will restrict the employer's active membership in the future*
- ii. Two or more employers merging including insourcing and transferring of services*
- iii. The separation of an employer into two or more individual employers*
- iv. Concerns of fraudulent activity that may include pensions aspects

*In these examples, the Fund requires prior notification of events at least 14 days before commencement of staff consultation regarding proposed changes to members' pensions. The Fund will ensure that all information is treated as confidential.

Significant changes to the employer covenant

i. Significant changes in the employer's financial strength / security

A material change in an employer's immediate financial strength or longer-term financial outlook. This includes but is not limited to the following scenarios (where applicable):

- a. An employer's forecasts indicate reduced affordability of contributions.
- b. A significant reduction in funding (e.g. reduction in grants, central government funding or other income stream)
- c. Provision of security to any other party including lenders and alternative pension arrangements

- d. Impairment of security, bond or guarantee provided by an employer to the Fund against their obligations
- e. The sale or transfer of significant assets, where the net book value or sale value exceeds 10% of the employer's net assets
- f. A material increase in gearing (i.e. taking on additional debt in order to finance its operations)
- g. The employer has defaulted on payments
- h. There has been a breach of banking (or other) covenant or the employer has agreed a waiver with the lender
- i. The employer's officers are seeking legal advice in the context of continuing to trade and/or potential wrongful trading
- j. An employer becomes insolvent

ii. A change in the employer's circumstances

This includes but is not limited to the following scenarios, where applicable:

- a. A merger of the employer with another organisation
- b. An acquisition by the employer of another organisation or relinquishing control
- c. An employer commences the wind down of its operations or ceases to trade
- d. A material change in the employer's business model
- e. A change in the employer's legal status (to include matters which might change qualification as a scheme employer under the LGPS Regulations)
- f. The employer becoming aware of material suspected / actual fraud or financial irregularity
- g. The employer becoming aware of material legal or court action against them
- h. There has been suspension or conviction of senior personnel
- i. Regulatory investigation and/or sanction by other regulators
- j. Loss of accreditation by a professional, statutory or regulatory body

In the examples set out above, the Fund requires prior notification of these events (e.g. at the time that there has been a decision in principle rather than once the event has happened). The Fund will ensure that all information is treated as confidential.

What Information Should be Provided to the Fund?

The information required will vary depending on the situation that has arisen. The first step will be to email or call the Fund to notify them of the event that has occurred.

What Action Will the Fund Take Once Notified?

Where one of the listed events occurs, the Fund will enter into discussion with the employer to clarify details of the event. If necessary, advice will be taken from the Fund Actuary, legal or a covenant specialist advisors. Depending on the outcome of the Fund's review of the situation, potential actions that may be taken as a result are as follows:

- a) No further action required
- b) More detailed request for further information and ongoing monitoring

- c) The Fund will review the documentation provided and respond on next steps
- d) A review of employer contributions
- e) A review of the recovery period used to calculate secondary contributions
- f) A review of the termination position and discussions with the employer as to how this may be addressed
- g) A review of any deferred debt agreements if applicable

Employers will kept informed of all steps throughout the process.

[Return to Section 1](#)

Appendix H: Insurance Arrangements

[Return to Section 1](#)

Overview of Arrangements

Ill health retirements can be expensive for employers, particularly small employers where one or two costly ill health retirements can take them well above the “average” implied by the valuation assumptions.

For certain employers in the Fund (following discussions with the Fund Actuary) a captive ill health insurance arrangement was established by the Administering Authority to cover ill health retirement costs by pooling these risks for eligible employers. The aim of the arrangement is that smaller employers, whose funding position could be significantly affected by the retirement of one or more of their members on the grounds of ill health, pay a premium to the Fund within their future service contribution rate. This has applied to all ill-health retirements since 1 April 2017.

The internal captive arrangement operates as follows:

- “Premiums” are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer’s primary rate. The premium for 2023/26 is 0.6% of pensionable pay per annum.
- The captive arrangement is then used to meet strain costs (over and above the premium paid) emerging from ill-health retirements in respect of both active and deferred members i.e. so there is no initial impact on the deficit position for employers within the captive.
- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or result in lower premiums at the discretion of the Administering Authority based on the advice of the Actuary.
- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by the other employers within the Fund. However, the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.
- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers

Employers Covered by the Arrangement

Those employers (both existing and new) that will generally be included in the captive are:

- Community related Admitted Bodies
- Town and Community Councils

These employers have been notified of their participation. New employers entering the Fund who fall into the categories above will also be included. At the discretion of the Administering Authority and where it is felt to be beneficial to the long term covenant and financial health of an employer, specific employers (outside of the categories listed above) may be included within the captive arrangement. In addition, the Administering Authority has the ability to exclude any employer in order to manage employer risk within the Fund.

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements will still apply. The Fund therefore continues to monitor ill-health retirement strain costs incurred in line with the allowance made in the actuarial assumptions. Once the allowance is exceeded, any excess costs would be recovered from the employer. This would normally be at the next valuation but could be at an earlier review of the contributions due, including on termination of participation.

Employer Responsibilities

Apart from the regulatory procedures in place to ensure that ill health retirements are properly controlled, **employing bodies should be doing everything in their power to ensure robust processes are in place to determine eligibility for ill health retirements.**

The Fund and the Actuary will monitor the number of retirements that each captive employer is granting over time. If any employer has an unusually high incidence of ill health retirements, consideration will be given to the governance around the eligibility criteria applied by the employer and it is possible that some or all of the costs would fall on that employer if the governance was not deemed strong enough.

[Return to Section 1](#)

Appendix I: Glossary of Terms

[Return to Section 1](#)

Actuarial Valuation: an investigation by an Actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the Administering Authority to fund the cost of new benefits and make good any existing deficits as set out in the separate FSS. The asset value is based on market values at the valuation date.

Administering Authority: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission Bodies: A specific type of employer under the Local Government Pension Scheme (LGPS) who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark: a measure against which fund performance is to be judged.

Benefits: The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to within the FSS. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”) benefits earned thereafter. There is also a “50:50 Scheme Option”, where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CMI: The ‘Continuous Mortality Investigation’ carries out research in relation to mortality and morbidity experience which can then be used by actuaries to assess the funding required by pension funds and other bodies.

CPI: acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ

from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

CPIH: An alternative measure of CPI which includes owner occupiers' housing costs and Council Tax (which are excluded from CPI).

Contingent Assets: assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer.

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deferred Debt Agreement (DDA): A written agreement between the Administering Authority and an exiting Fund employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the assessed Secondary rate until the termination of the DDA.

Deferred Employer: An employer that has entered into a DDA with the Fund.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit Recovery Period: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Derivatives: Financial instruments linked to the performance of specific assets which can be used to magnify or reduce exposure to those assets.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value i.e. the liabilities. A higher discount means lower liabilities and vice versa.

Early Retirement Strain: the additional cost incurred by a scheme employer as a result of allowing a Scheme Member aged 55 or over to retire before Normal Retirement Age and to receive a full pension based on accrued service at the date of retirement without full actuarial reduction.

Employer's Future Service Contributions Rate ("Primary Rate"): the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant. The

Primary Contribution Rate for the whole Fund is the weighted average (by payroll) of the individual employers' Primary Contribution Rates.

Employer's Secondary Contribution Rate: an adjustment to the Primary Rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary Rate may be expressed as a percentage adjustment to the Primary Rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls. The Secondary Rate is specified in the Rates and Adjustments Certificate. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary Rates. Secondary Rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

Employing Bodies: any organisation that participates in the LGPS, including admission bodies and scheme employers.

Equities: shares in a company which are bought and sold on a stock exchange.

Equity Protection: an insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit Credit: the amount payable from the Fund to an exiting employer in the case where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

Flightpath: a framework that defines a de-risking process whereby exposure to growth assets is reduced as and when it is affordable to do so i.e. when "triggers" are hit, whilst still expecting to achieve the overall funding target.

Funding or Solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the Administering Authority will manage employer's contributions and risks to the Fund.

Gilts: loans made to the UK Government, which the Government undertakes to repay at an agreed later date. The "coupon" (i.e. the interest paid as part of the loan agreement) and the final settlement amount will be a fixed amount and agreed at the outset of the loan.

Government Actuary's Department: the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / Guarantor: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Hedging: a strategy that aims to reduce funding volatility. This is achieved by investing in assets that capture levels of yields based on agreed trigger levels so the assets mimic the change in liabilities.

Hedge Ratio: The level of hedging in place as a percentage of the liabilities. This can be in relation to interest rates, inflation rates or real rates of return.

Ill Health Captive: this is a notional fund designed to protect certain employers against excessive ill health costs in return for an agreed insurance premium. It works like insurance in that a fixed premium is paid by employers who are part of the captive and then the captive arrangement will meet ill health funding costs that may arise in the future, in respect of the employer's members, providing the policy criteria is met.

Index Linked Gilts: loans made to the UK Government, which the Government undertakes to repay at an agreed later date. The coupon (i.e. the interest paid as part of the loan agreement) and the final settlement amount are adjusted in line with the movements in RPI inflation in order to retain their 'real' value over time and protect against the potential effects of inflation.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Letting Employer: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate those employing bodies which are eligible to participate, members' contribution rates, benefit calculations and certain governance requirements.

Liabilities: the actuarially calculated present value of all benefit entitlements i.e. scheme cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

Liability Driven Investments (LDI): A way of investing which gives multiple exposure to gilts, meaning that the Fund can hedge part of its assets against changes in liabilities in order to provide protection against changes in interest rate and / or market RPI inflation expectations.

Long Term Cost Efficiency: this is a measure of the extent to which the Fund's policies properly address the need to balance immediate budgetary pressures with the undesirability of imposing an excessive debt burden on future generations.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

McCloud Judgment: This refers to the linked legal cases of Sargeant and McCloud, and which found that the transitional protections (which were afforded to older members when the public service pension schemes were reformed in 2014/15) constituted unlawful age discrimination.

Members: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired and dependants of deceased ex-employees).

Minimum Risk Funding Basis: an approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This can be used as a benchmark to assess the level of reliance on future investment returns in the funding strategy and therefore the level of risk appetite in a Funds choice of investment strategy. This is usually adopted when an employer is exiting the Fund.

Orphan Liabilities: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Past Service Liabilities: this is the present value of all the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing / Stepping of Contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually "stepped" or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Primary Rate of the Employers' Contribution: see definition of Employer's Primary Contribution Rate.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the Actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three-year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: if the funding level of an employer is above or below 100% at the valuation date (i.e. the assets of the employer are more or less than the liabilities), a recovery plan may be needed to return the funding level back to 100% over a fixed period, i.e. to recover the deficit or run off any surplus ("the recovery period", as defined in the FSS). The recovery plan will set out the Secondary contributions payable by an employer over the recovery period. Secondary contributions can be positive or negative (i.e. an off-set to future accrual costs) but there are restrictions over which negative. Secondary contributions will be applied, as set out in the Fund's policy.

SAB Funding Basis or SAB Basis: a set of actuarial assumptions determined by the LGPS Scheme Advisory Board (SAB). Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS Funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. As an example, the real discount rate over and above CPI used in the SAB Basis as at 31 March 2022 was 2.4% p.a., so it can be substantially different from the actuarial assumptions used to calculate the Fund's solvency funding position and contribution outcomes for employers.

Scheduled Bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have

entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Scheme Employers: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Scheme Employers.

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Levelling Up, Housing and Communities (DLUHC) in connection with reviewing the 2022 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Secondary Rate of the Employers' Contribution: an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls. The Secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

Solvency / Funding Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Strain Costs: the costs arising when a members retire before their normal retirement date and receive their pensions immediately without actuarial reduction. So far as the Fund is concerned, where the retirements are not caused by ill-health, these costs are invoiced directly to the retiring member's employer at the retirement date and treated by the Fund as additional contributions. The costs are calculated by the Actuary.

Valuation Funding Basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

[Return to Section 1](#)

Appendix 11: Investment Strategy Statement (November 2023)

Statutory Requirement for an Investment Strategy Statement

Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund (the Fund) on behalf of its stakeholders; the members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme regulations; the regulatory framework is set out below.

Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the LGPS Investment Regulations), which replace the 2009 Investment Regulations requires administering authorities to formulate an Investment Strategy Statement (ISS) which must be in accordance with guidance issued by the Secretary of State. This replaces the existing requirement to produce and maintain a Statement of Investment Principles.

The ISS must include:

- a) A requirement to invest money in a wide variety of investments
- b) The authority's assessment of the suitability of particular investments and types of investments
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed
- d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services
- e) The authority's approach on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments and
- f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The ISS must also set out the maximum percentage of the total value of all investments that it will invest in particular investments or classes of investments. This, in effect, replaces Schedule 1 of the 2009 Regulations.

The statement must be published by 1 April 2017 and regularly reviewed at least every three years.

The original ISS was designed to comply with the guidance given by the Secretary of State and was effective from 1 April 2017. It has been reviewed on a regular basis and was updated in 2023.

This ISS should be read in conjunction with the following statutory documents:

- Funding Strategy Statement
- Governance Policy and Compliance Statement

- Communications Strategy
- Annual Report and Accounts
- Actuarial Valuation

All the above statements and documents can be found on the Fund's web site at

<https://mss.clwydpensionfund.org.uk/>

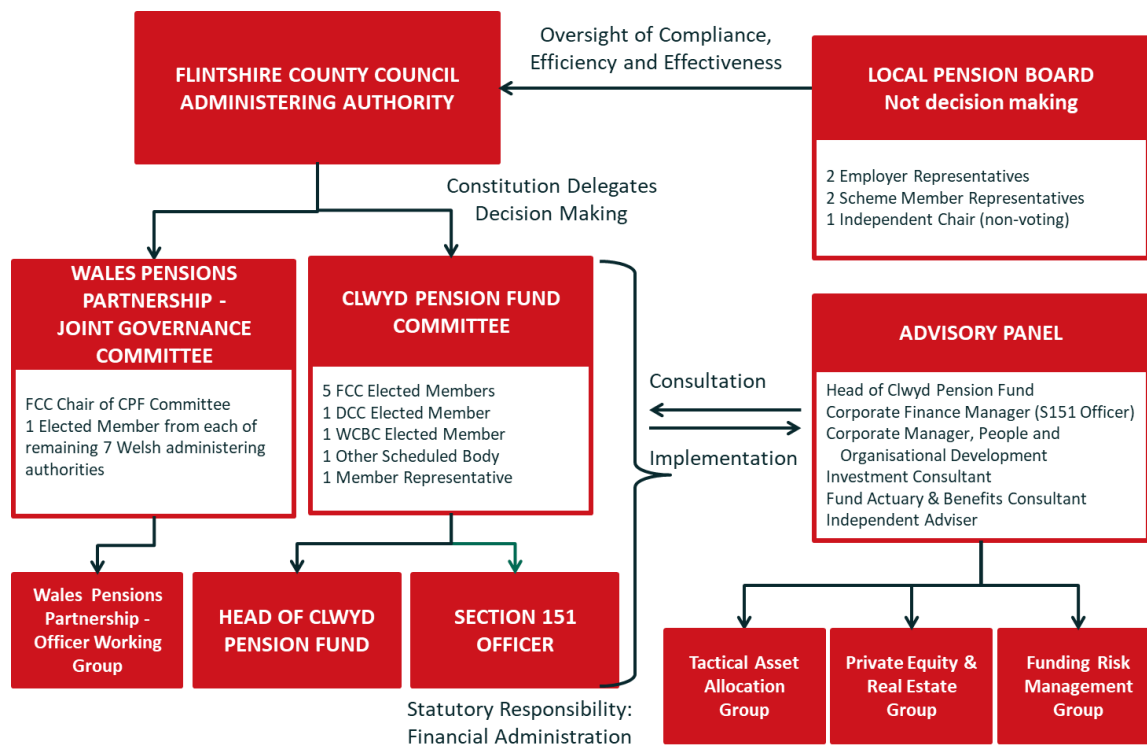
About the Fund

The Fund provides death and retirement benefits for local government employees (other than teachers, police and fire-fighters) in North East Wales and employees of other qualifying bodies, which provide similar services.

Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council (the Council) to a formal Pension Fund Committee (the Committee), supported by a Pensions Advisory Panel (AP). Before making strategic investment decisions the Fund takes advice from a regulated investment consultant; Mercer, who also provide Funding and Risk Management advice. The Council's Section 151 Officer (Corporate Finance Officer) has a statutory responsibility for the proper financial affairs of the Council including Fund matters.

The Fund's governance structure is illustrated in the diagram below.



Aims and Objectives

Our Fund's Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused, reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a 'can do' approach.

This applies to the approach to investing the Fund's monies as well as managing the overall Fund. The Mission Statement has been developed to guide the management of all aspects of the Fund.

The specific objectives relating to the funding and investment management of the Fund are summarised below:

- Achieve and maintain assets equal to 100% of liabilities within the 12-year average timeframe, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Minimise unrecoverable debt on employer termination
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- 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 others to enhance the Fund's effectiveness in implementing these
- Aim to use the WPP as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Committee'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 WPP

The key actions and areas of focus that have been identified to achieve these objectives are included in the Fund's business plan, to align with the key aims and objectives of this strategy.

Approach to pooling

LGPS Investment Regulation 7(2) (d) requires that all authorities commit to a suitable pool to achieve benefits of scale. It also requires that administering authorities confirm the chosen investment pool meets Government's investment reform criteria, or to the extent that it does not, that Government is content for it to continue.

Within Wales, all the LGPS administering authorities agreed to work together and an Inter Authority Agreement was signed by them to create the Wales Pension Partnership (WPP) and the principles of how it operates.

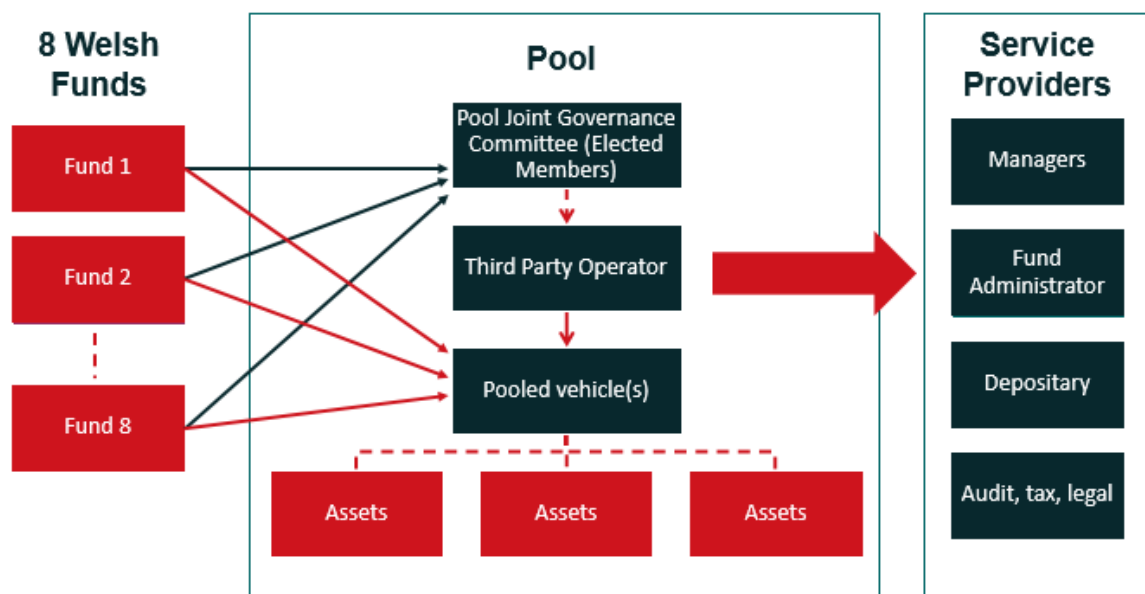
The objectives of the WPP are:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers. To embed the delivery of long-term, sustainable investment outcomes into decision making, through capital allocation, the ongoing scrutiny of asset managers, and the exercise of the rights and responsibilities that arise as asset owners.

Structure and governance of the WPPI

WPP appointed Link Fund Solutions Ltd (now Waystone Management (UK) Limited) as the WPP Operator. The Operator's role is to establish and run a collective investment vehicle for the sole use of the LGPS funds in Wales. A diagram showing the governance structure is shown below.

Governance Structure of the WPP



The Joint Governance Committee (JGC) carries out a number of responsibilities relating to WPP including overseeing the operator. The JGC comprises elected members – one from each of the eight participating funds, as well as a Scheme Member Representative. The Chairs of the respective Pensions Committees are members of the JGC although administering authorities may choose to nominate alternative members if appropriate. This arrangement provides accountability for management of the WPP and the operator back to individual administering authorities.

The JGC is set up formally as a Joint Committee between the participating administering authorities. It operates on the basis of “One Fund, One Vote”, though in practice any decisions are reached on a consensus wherever possible. The Scheme Member Representative is non-voting. A formal Terms of Reference for the Committee has been agreed.

The WPP Officer Working Group has been established as part of the Inter Authority Agreement to support and advise the JGC on such matters as the JGC may reasonably request or any matters relating to the pooling agreement, which are raised by any of the authorities' Section 151 Officers or Monitoring Officers.

In relation to the Fund, the Pension Fund Committee determines which of its officers sit on the Officer Working Group – currently the Head and Deputy Head of Clwyd Pension Fund. Each authority's Section 151 Officer and Monitoring Officer are entitled to attend the Officer Working Group.

WPP's Operator, currently Waystone Management (UK) Limited, is responsible for selecting and contracting with investment managers for each of the sub-funds as well as appointing other service providers such as a depository asset servicer, and an external valuer as necessary.

Listed bonds and equities are invested through the Operator, which is a UK based Authorised Contractual Scheme (ACS) in order to benefit from the tax transparent nature of the vehicle. However alternative vehicles, not through the Operator, have been created for private equity, private credit and infrastructure.

Given the Fund has a significant proportion of its assets in alternative, less liquid investments, it may be some time before all of the Fund's assets are able to be pooled.

Investment Strategy

The following sections detail the Fund's investment strategy, which takes into account LGPS Investment Regulations 7(2)(a) and 7(2)(b) as summarised below:

- Investment of money in a wide variety of investments
Regulation 7(2)(a) requires that administering authorities invest in a diversified portfolio of assets to ensure that risk is appropriately managed and volatility of overall return is reduced. The guidance does not prescribe the specific asset classes over which Fund monies must be invested.
- Suitability of particular investments and types of investments
Regulation 7(2)(b) requires that in assessing the strategic allocation for the Fund, an administering authority assesses the suitability of particular investments and types of investments against the need to meet pension obligations as they fall due.

In assessing the suitability and variety of investments, and considering the risks, the starting point should be the Fund's overall objectives. The investment and funding objectives are listed in the previous section "About the Fund".

In order that these primary objectives can be achieved, the following funding and investment principles have been agreed.

Funding Principles

The Funding Strategy implemented at the 31 March 2022 valuation includes a number of investment return assumptions:

- An investment return (discount rate) for the funding target of CPI inflation plus 1.5% p.a. (assumed 4.60% p.a.).
- An investment return (discount rate) for the future service contribution rate of CPI inflation plus 2% p.a. (assumed 5.10% p.a.).

Over a three-year period, an investment return above these assumptions (updated accordingly for changes in market outlook as per the separate funding monitoring reports) will contribute to improving the funding position and thus employer contributions, providing that liability assumptions such as longevity and inflation remain on target and the membership remains broadly the same profile. The Fund's triennial valuation considers all these factors when determining employer contribution rates. New employer rates were implemented from 1 April 2023 as part of the 2022 valuation.

A Funding Strategy Statement (FSS) was prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. A copy of the FSS can be obtained from the Fund's web site at <https://mss.clwydpensionfund.org.uk/>. The funding strategy will be monitored during 2023/26.

In managing the Fund, the key funding objectives are:

- to aim for a funding level of 100% and
- to aim for long term stability in employers' contribution rates, whilst recognising the constraints on affordability for employers.

A full list of the funding aims and objectives of the Fund are set out within the FSS.

Whilst stability of costs from the employers' contribution rates has the higher priority, absolute cost to the employer is also important. This implies that:

- the cost of administering the Fund will be constrained by the adoption of best management practice
- employers will adopt appropriate and economic policies in those areas where they have discretion and where the costs of their actions fall on the Fund
- the Fund's overall investment policy will be aimed at achieving superior investment returns relative to the growth of liabilities. This implies that the Fund will continue to take active risk in how it invests its assets relative to its liability profile.

The investment principles of the Fund are stated in full below and are intended to strike the appropriate balance between delivering the strategy most suitable for long-term consistent performance and achieving the funding objectives. A favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

Investment Principles

The key investment objectives for the Fund are to aim for sufficient excess investment returns relative to the growth of liabilities to meet the funding objectives set out above on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives.

The Fund's overall strategic risk and return profile is currently determined through its strategic asset allocation. In establishing the Fund's long-term strategic asset allocation, or strategic benchmark, the key factors are the overall level of return being sought, the minimum level of risk consistent with this and the impact of diversification in reducing this risk further. At asset class or mandate level, asset class weightings, appropriate benchmarks and out-performance targets are the key building blocks in framing this overall Fund strategy.

It is Fund policy to carry out a fundamental review of the Fund's investment structure and management arrangements at least every four years, or more frequently if deemed appropriate. The review includes research on market views for the longer-term risk, return and correlation profiles for different asset classes and a more tactical view on the global

economic and market environment over the next three to five years. This research is used to determine an optimum future balance between the various asset classes and hence the Fund's fixed strategic benchmark.

Investment Strategy

Setting the Strategy

The Fund's investment strategy has been determined to meet the objectives outlined earlier in this Statement. This includes consideration for the Fund's liability profile and the attitude to risk.

The strategic benchmark highlighted later in this section takes account of the risk and return characteristics of each asset class and provides a reasonable long-term balance appropriate to the liabilities of the Fund. The Fund considers the mix of asset classes in forming an overall portfolio and considers the correlation in volatility and return of each.

The Fund recognises the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market.

In assessing the suitability of asset classes, a number of characteristics are considered including potential return, risk/volatility of returns, liquidity, responsible investment, duration and interest rate sensitivity. In setting and reviewing the overall investment strategy for the Fund the starting point is always the Actuary's assessment of the liabilities of the Fund. This assessment includes cash flow requirements and an assessment of the required return to ensure the long-term solvency of the Fund, and it is essential that the investment strategy is compatible with this.

2022/23 Review

The 2022/23 review showed, using Mercer market forecasts as at 31 March 2022, that the expected market returns over the coming ten-year period would mean that the Fund could be expected to generate a return of 5.8% p.a. (CPI inflation plus 2.7% p.a.). Investigations showed that the portfolio was, in the main, well diversified and did not need significant change. However, there were opportunities to incorporate the Fund's Responsible Investment objectives.

These opportunities led to five main areas of change:

- New Sustainable equity allocation to support Responsible Investment Policy
- Decrease physical listed equity allocations in Emerging Markets due to uncertainties in this asset class
- Reduce existing Hedge Funds allocation
- Increase allocation to Local/Impact portfolio in Private Markets portfolio
- Remodel the Cash and Risk Management Framework.

These changes meant that the expected return would decrease by 0.1%, however the changes made are appropriate for the Funds long-term objectives.

Further details in relation to the investment strategy are outlined in this section.

Investment Decisions

The Fund distinguishes between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Fund.

Strategic investment decisions are made by the Committee. They do so after receiving advice from their investment consultant. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Fund benchmark
- Reviewing the investment objectives and strategic asset allocation.

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

The Committee have delegated certain powers to the Head of the Fund taking advice from the Tactical Asset Allocation Group. The purpose of the Tactical Allocation Portfolio, managed by the group is to take advantage of short-term (approximately one year) opportunities that are consistent with the long-term risk and return goals of the Fund. The Tactical Allocation Group is bound by the Tactical Allocation Portfolio Terms of Reference.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers with which the Fund invests.

Strategic Asset Allocation

In setting the Strategic Asset Allocation for the Fund the LGPS Investment Regulations require the Fund to invest in a wide variety of investments and in doing so assess the suitability of particular types of investments. Subject to satisfying these elements of the Regulations the Fund is not constrained to certain types of investments; the requirement is for the Fund to set its own limits. In reviewing the strategy, the Fund considers the existing and a range of alternative asset classes.

In setting the Strategic Asset Allocation for the Fund, the Fund has taken into consideration how it might best achieve its Responsible Investment objectives, which are noted later in this document.

Balance between different types of investments

The LGPS Investment Regulations require the administering authority to have regard for the diversification of the Fund's investments.

The Fund will, at all times, invest across a diversified portfolio of investments to reduce investment risk. In addition to diversifying by assets, the Fund will invest across a number of managers and via different approaches and styles to investing.

The Fund may invest via pooled and segregated portfolios based on the appropriateness of each portfolio. The Fund can invest across a combination of passive, active and absolute return investment approaches based on return potential, cost and flexibility of implementation.

The current investment strategy is detailed in the table below:

Asset Class	Strategic Weight
Sustainable Developed Global Equity	15.0%
Emerging Market Equity	5.0%
Hedge Funds	5.0%
TAA/Best Ideas *	11.0%
Multi-Asset Credit	12.0%
Cash and Risk Management Framework	23.0%
Private Markets	
Property	4.0%
Private Equity	8.0%
Local/Impact	6.0%
Infrastructure	8.0%
Private Credit	3.0%
Total	100.0%

Notes:

*The Best Ideas Portfolio is tactically allocated according to shorter-term market views. This can be implemented by increasing the allocation to any of the asset classes listed above or by separate asset classes in any type of investment. This allocation is made through consultation with the Tactical Allocation Group, which is bound by the Tactical Allocation Portfolio Terms of Reference. The objective of the Tactical Allocation Portfolio is to add value to the Fund return.

The Fund's investment managers are remunerated either by way of an ad valorem fee, i.e. the fee is a percentage of the value of assets under management, or a combination of an ad valorem and performance-related fee. The principle of performance-related fees is that the

base fee is lower and that the manager is only paid a higher fee if the performance objective is met or exceeded.

Asset Allocation and Long Term Expected Return on Investment

The strategic asset allocation for the Fund must be consistent with the investment return assumed in the funding strategy (updated accordingly for changes in market outlook). The investment strategy reflects the medium to long term nature of the liabilities but must also provide flexibility to manage short term volatility in markets. In addition, the investment strategy must take account of possible changes to cash flows as the membership profile of the Fund or the benefits structure changes.

The investment strategy reflects the differing return and risk profiles of each asset class. However, long term risk and return expectations are not consistently generated over all time frames and, for all asset classes, there can be periods of under or out-performance compared to the long-term expectations.

The strategic framework includes a target allocation against which strategic performance will be monitored (referred to as the Strategic Allocation). In addition, there are ranges for each asset category that allow limited deviation within the framework (referred to as the Strategic Range). The ranges enable the Fund to reflect changes in the market outlook and provide greater flexibility to implement cash management and rebalancing.

In addition to the Strategic Allocation and Strategic Ranges, a conditional medium-term asset allocation (the Conditional Range) exists, to manage major risks to the long-term strategic asset allocation, which may emerge between Fund reviews.

The Fund's strategic allocation, as set out below, does not assume any outperformance from the investment managers. The expected returns stated in this table are as at the date of the 2022/23 strategic review.

Asset Class	Strategic Allocation (%)	Strategic Range (%)	Conditional Range* (%)	Expected return above inflation (CPI) p.a. **
Developed Global Equity	15.0	10.0 - 20.0	0 – 30	3.5%
Emerging Market Equity	5.0	2.5 – 7.5	0 – 15	2.1%
Hedge Funds	5.0	2.5 – 7.5	0 – 15	1.2%
TAA/Best Ideas***	11.0	9.0 – 13.0	0 – 20	2.5%
Multi-Asset Credit	12.0	10.0 – 14.0	0 – 20	2.5%
Cash and Risk Management Framework****	23.0	10.0 – 35.0	0 – 40	1.4%
Private Markets				
Property	4.0	2.0 – 6.0	0 – 8	1.2%
Private Equity	8.0	6.0 – 10.0	0 – 15	3.0%
Local/Impact	6.0	4.0 – 8.0	0 – 15	2.7%
Infrastructure	8.0	6.0 – 10.0	0 – 15	2.3%
Private Credit	3.0	1.0 – 5.0	0 - 6	2.2%
Total	100.0			

Notes:

* The Conditional ranges are at a total Fund level.

** Median expected return is expressed as an excess long-term return over CPI Inflation to reflect extra risk being taken, excluding active management. This is based on Mercer Market Forecast as at the date of the 2022/23 strategic review. CPI Inflation is used as the basis for expected returns as it is a proxy for valuing the liabilities.

*** The Best Ideas allocation is a short term (12-month horizon) tactical allocation based on Mercer's (the Fund's Investment consultant) "best ideas". The portfolio should be liquid and cost efficient.

**** The Cash and Risk Management Framework, a combination of Liability Driven Investment (LDI) synthetic equity instruments and cash plus funds (allocated to for collateral management efficiency), is managed as part of a risk management approach. Given the nature of this mandate i.e. protection against liability changes, it is not intended to rebalance the allocation, which can lead to a movement away from the initial strategic allocation of 23%.

The inclusion of a diversified range of assets and the scope for tactical allocation in the strategy is expected to improve the probability of the Fund achieving its long-term objectives, whilst maintaining the overall volatility of returns without significantly altering the Fund's expected long-term return.

Cash and Risk Management Framework

In March 2014, the Fund set up a Risk Management Framework (now referred to as Cash and Risk Management Framework). This has evolved since its initial implementation, and

now includes the following strategies that seek to manage a variety of financial risks. These strategies are implemented by Insight Investment Management (Insight). Further information on the Framework can be found in the Funding, Flight-Path and Risk Management report which goes to each Pension Fund Committee meeting.

Funding Level Monitoring

An approximate funding level is monitored daily and reported formally to the Funding and Risk Management Group on a monthly basis. Should the approximate daily monitoring indicate that the 110% trigger has been reached, an agreed process will be followed (as agreed by the Pension Fund Committee) to formally confirm whether the trigger has been met and whether any changes to the strategy should be made. This will then be brought to Committee for approval.

Liability hedging programme, controlling the Fund's interest rate and inflation risk

In March 2014, the Fund established a liability hedging programme covering both interest rate and inflation risks. A 'flightpath' for increasing the level of protection was agreed based on market yield triggers to ensure that risk was reduced at favourable times. Since the adoption of the flightpath, a number of market triggers have been implemented.

As part of the 31 March 2022 actuarial valuation and investment strategy review cycle, the Funding and Risk Management Group (FRMG) have reviewed the flightpath and no change has been made to the interest rate and inflation triggers at this stage.

The level of hedging is monitored quarterly and a full review is conducted annually.

Synthetic equity portfolio, gaining exposure to equities whilst hedging the downside risk

The Fund implemented a synthetic equity strategy in order to increase its expected return potential in a capital efficient manner. In order to manage the downside risks associated with the synthetic equity strategy, a dynamic equity protection strategy was put in place in May 2018. This provides improved flexibility and on-going governance versus the previous static approach as it allows the structure to more easily adapt to changing market conditions. The Fund intends to fully transition its synthetic equity exposure to a global equity Paris Aligned benchmark over time, in a way that minimises transaction costs.

Currency hedging strategy

The Fund has implemented a currency hedging strategy to reduce the risk of a strengthening pound devaluing the value of the Fund's physical overseas equity holdings. This was in light of the continued weakening of sterling. As holders of overseas assets, the Fund had benefitted significantly from the fall in sterling following the EU referendum and wished to reduce currency risk by locking in a portion of the gains made.

Collateral management strategy

The above strategies make use of derivatives and therefore require collateral to be set aside in order to support the positions and protect the Fund (and counterparties) from the risk of

default. There is a balance between holding enough collateral to support the strategies against a material and sudden move in markets, versus holding too much that it becomes a drag on the Fund's returns.

In order to manage this balance, the Fund's collateral management strategy is regularly monitored.

Realisation of investments

The Fund's investment policy is structured so that the majority of its investments (in equities and bonds) can, except in the most extreme market conditions, be readily realised.

However, the availability of alternative investment vehicles enables the Fund to invest in less liquid asset classes and to build well-diversified portfolios. Investments such as property, infrastructure and private equity/debt are long term investments, which the Fund is less likely to be able to realise in a short period. "Lock-up" periods are normal practice in hedge funds (to manage the in/out flows to ensure existing clients' capital is protected) which means that these investments are not readily realisable either.

Notwithstanding this, the Fund maintains sufficient investments in liquid assets to meet its liabilities in the short and medium term as they fall due.

Cash Strategy

From 1 April 2011, the 2009 Investment Regulations required the Fund to have a separate bank account from the Local Authority.

The Fund does not have a strategic allocation to cash for investment purposes but holds surplus cash for paying:

- Benefits and transfers as per the Regulations.
- The administration costs of the Fund.
- The Investment management fees.
- Commitments to private market investments.

However, in extreme market conditions cash could be used as part of the Conditional Asset Allocation. The aim is to avoid requiring to borrow for liquidity purposes, although the LGPS Investment Regulations allow Pension Funds to borrow for a maximum of 90 days.

The cash could be deposited in one of the following, subject to cash flow requirements:

- The Pension Fund bank account with the National Westminster bank for daily liquidity.
- A deposit account with the National Westminster Bank with instant access.
- The Insight Liquidity Fund for unexpected liquidity requirements or higher rates of return.

Stock Lending

Where the Fund invests with WPP, this is via pooled funds. WPP determine the stock lending policy for its relevant funds and has appointed Northern Trust to implement the policy.

Approach to risk, including the ways in which risks are to be measured and managed

LGPS Investment Regulation 7(2) (c) requires that funds describe their approach to risk within their investment portfolio, including summarising the key risks and detailing the approach to mitigate the risk (where possible or appropriate).

Risk Register

The Fund has a Risk Management Policy and Risk Register in place.

The Risk Register has a section dedicated to Funding & Investment Risks (including accounting and audit). Specific asset/investment risks highlighted in the risk register include those around investment markets, the failure of managers to achieve their objectives, missing out on market opportunities, and liquidity. The risk register is continually updated and key risks are considered on a regular basis at the Committee and AP meetings.

The main risk for the Fund is the mismatch between its assets and liabilities. As a consequence, if the investment returns are less than that required in the funding strategy, the funding level will deteriorate (all else being equal). The main risks within the funding strategy are interest rate, inflation and mortality risks, and investment risk arising from the investment portfolio, which is controlled through diversification of asset holdings. The Fund has a bespoke Cash and Risk Management Framework that has established objectives to ensure that the Fund's exposure to interest rate risk and inflation risk is managed and monitored on an on-going basis.

Investment, by its very nature, is a risk-based activity where the returns achieved will reflect differing levels of risk. There are a number of investment risks to consider within an investment fund, namely manager, market, credit, currency and liquidity risks.

Consideration of financially material non-financial risks is considered in the Fund's Responsible Investment Policy, which is explained later in this document. This includes the Fund's approach to the risks and opportunities associated with climate change, and the transition to a low carbon economy.

In considering the Fund's investment strategy, it is necessary to have regard to the balance between risk and return. In practice, the investment strategy objective will be to achieve the highest possible return whilst minimising the downside risk, within agreed parameters.

Solvency Risk and Mismatching Risk

These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.

These are managed by setting a Fund-specific strategic asset allocation with an appropriate level of risk.

Manager Risk (including the WPP)

This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.

It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by monitoring and replacing any managers where concerns exist over their continued ability to deliver the investment mandate.

The aim of the investment strategy and management structure is to manage the appropriate level of risk for the return target, which reflects the funding strategy. The Fund's external investment managers are required to invest in line with the investment guidelines set by the Fund. Independent custodians safe keep the assets on behalf of the Fund.

Liquidity Risk

This is monitored according to the level of cash-flows required by the Fund over a specified period.

Whilst ensuring that there is the appropriate liquidity within the assets held, the Fund invests in less liquid investments to take advantage of the "illiquidity premium" offered.

Despite this, the Fund holds an appropriate amount of readily realisable investments. The Fund's assets are invested in pooled funds, which are readily realisable, and there is a significant amount of liquidity based upon the existing strategic asset allocation.

Political Risk

This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.

The Fund manages this by regular reviews of the investments and through investing in funds, which give a wide degree of diversification.

Corporate Governance Risk

This is assessed by reviewing the Fund's investment managers' policies regarding corporate governance.

In respect of assets invested via the WPP, these are subject to an agreed Stewardship Policy. The WPP works with Robeco and the underlying investment managers to implement this policy.

Legislative Risk

This is the risk that legislative changes will require action from the Committee so as to comply with any such changes in legislation.

The Fund will respond to consultations on proposed legislative changes to help influence appropriate changes.

The Committee acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Market Risk

This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund seeks to manage this risk through the strategic policy, which ensures diversification of investments across a range of asset classes and markets that have low correlations with each other and across a selection of managers.

The Fund has an allocation to a Tactical Asset Allocation (TAA) / Best Ideas portfolio which aims to take advantage of market risk, by making shorter term tactical allocations, which suit the specific characteristics of the Fund. As most of the portfolio is exposed to market risk, the main risk to the Fund is a fall in market prices. Although market movements cannot be completely avoided, and indeed there are periods when all assets become more highly correlated, the impact can be mitigated through diversifying across asset classes and approaches to investing.

Market risk comprises of the following three types of risk:

Currency Risk

This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In this context, the Fund may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

The Fund seeks to address this within the TAA and has also addressed this in the Cash and Risk Management Framework from a strategic perspective.

Interest rate risk

This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.

The Fund seeks to address this within the Cash and Risk Management Framework from a strategic perspective.

Inflation risk

This is the risk that the value of the Fund's liabilities, which are inextricably linked to Consumer Price Index (CPI) inflation, increase at greater rate than the assets.

The Committee also acknowledge the interest rate risk and inflation risk related to individual debt instruments. This is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management. The Fund also invests in assets whose value moves in line with inflation such as Infrastructure.

The Fund seeks to address this within the Cash and Risk Management Framework from a strategic perspective.

Risk Budgets

When reviewing the Investment Strategy in 2022/23, as well as addressing the potential for investment return, the Fund also considered the risk of the proposed strategy when compared to the previous one. Risk is assessed by using a Value at Risk (VaR) approach. This approach measures the risk of potential loss for investments with a given probability over a set time period. The VaR of the Fund's assets is monitored in a regular basis.

The Fund needs to take risk within its Investment Strategy in order to achieve an adequate level of return above the Actuary's future service discount rate of Inflation (CPI) +2% per annum at 31 March 2022 (updated in line with market outlook).

Proper advice

In assessing the Fund's strategy, including an assessment of the implicit risks, and setting the maximum limits the Fund has taken proper advice from officers, the Actuary, Investment Consultants and Risk Management Advisers.

As part of the Fund's governance structure, there are regular meetings of the FRMG between the Fund's officers, the Investment Consultants, the Actuary and Risk Management Advisers. The Fund receives advice from these parties on a continuous basis.

Responsible Investment Policy within the Investment Strategy Statement

Regulatory Background

In preparing, developing and implementing this Policy, the Fund has paid due regard to the regulatory background. The LGPS Investment Regulations require administering authorities to demonstrate that any factors are considered that are financially material to the performance of the fund's investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.

The LGPS Investment Regulations also require administering authorities to explain their policy on exercising rights (including voting rights) attaching to investments. The guidance refers to the Financial Reporting Council's UK Stewardship Code and requires that funds explain, where appropriate, their policy on stewardship with reference to the Stewardship Code.

In addition to considering the LGPS Investment Regulations in developing the Responsible Investment Policy the Fund has taken professional advice. It has also had regard to the Well-being of Future Generations (Wales) Act 2015, guidance from the Scheme Advisory Board, the Department for Levelling Up, Housing and Communities and the Welsh Government. The Fund commits to keeping the policy reviewed in line with any future changes or updates in regulation or guidance.

The Fund has also considered, researched and reviewed a number of other areas of best practice when preparing this Policy such as the United Nations Principles for Responsible Investment, the Sustainable Development Goals and the Task Force on Climate-related Financial Disclosures (TCFD).

Responsible Investment Policy

The Fund's Responsible Investment (RI) Policy reflects the Committee's current position. In addition to help formally frame the policies, the Fund has set a number of high-level beliefs that will sit over the more detailed policies, and will convey the Fund's overarching attitude to being a Responsible Investor.

In 2023, the Committee introduced a framework to assess the appropriateness of adopting an exclusions policy. This was designed to ensure that the Committee understands the rationale for and potential impact of exclusions while continuing to meet its fiduciary duties in order to support the funding of pensions. It assesses the impact of exclusions on risk, return and diversification characteristics to understand implications for meeting financial objectives.

Background

The latest Policy will support the Fund's specific RI aims along with the funding and investments specific objectives:

- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability.
- Ensure that the Fund's investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero emission's target by 2045.
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.

Investment Pooling

As part of the Government's investment reform, the Fund has participated in the development of the WPP to pool the investments of the eight Welsh LGPS funds. Whilst all strategic asset allocation and policy decisions remain with the Fund, implementation responsibilities in the future will be the responsibility of WPP.

The Fund is committed to pooling its investments with WPP, and acknowledge that this presents challenges, and also significant opportunities to enhance the Fund's approach to RI. The Fund has proactively engaged with WPP in setting its RI policy and objectives, and will continue to play an active role to help enhance these in the future with the aim of ensuring they remain relevant and appropriate for the Fund.

Stewardship and Engagement

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for investors and the Fund's beneficiaries, leading to sustainable benefits for the economy, the environment and society. The Financial Reporting Council (FRC) first published the UK Stewardship Code ("the Code") in 2010 and there have been a number of updates since then with the latest being launched in 2020. The Code sets out a number of areas of good practice to which the FRC believes institutional investors should aspire.

ISS guidance given by the Government states that administering authorities should become signatories to the Code, and states how they implement the principles on a "comply or explain" basis. The Fund supports and is currently a signatory to the UK Stewardship Code. The Fund's submission can be found on the FRC website. As a member of the WPP, the Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code. WPP has appointed Robeco as its Voting and Engagement provider and they are assisting in formulating and maintaining a voting policy and engagement principles that are in keeping with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

Reporting and Disclosure

The Fund is committed to transparency of its actions, in particular with respect to RI. The Annual Report contains copies of a number of documents including policy statements, and the ISS (in full). The annual report is available on the Fund's website. It is accepted that approaches to RI and sustainability will evolve over time, and it is therefore essential to keep policies and practices under regular review to ensure their effectiveness. In addition, the Fund recognises the importance of transparency and reporting in respect to RI and ESG issues, and has enhanced its analysis, disclosure and reporting. This includes manager, voting and engagement and carbon emissions analysis, and impact where relevant.

Responsible Investment Beliefs

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments, reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests and recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees, other stakeholders and also wider society.

The Fund defines a **Responsible Investment (RI)** as:

Incorporating sustainability considerations within the investment process, including environmental, social and governance (ESG) factors for a broader perspective on risk and return opportunities.

In developing its approach to RI, the Fund seeks to understand and manage the ESG and reputational risks to which it is exposed. This policy sets out the Fund's approach to this.

The foundations of the Fund's approach to RI are its Principles which are set out below:

Responsible Investment Principles

- The Fund's fiduciary duty is to act in the best interests of its members and employers. The Fund recognises that ESG issues create risks and opportunities to its financial performance, and will contribute to the risk and return characteristics. The Fund believes, therefore, that these factors should be taken into account in its Funding and Investment Strategies and throughout the decision making process.
- The Fund is a long-term investor, with pension promises for many years. As a result, it seeks to deliver long-term sustainable returns.
- The Fund endeavours to integrate ESG considerations across all asset allocations.
- The Fund seeks to apply an evidence based approach to the implementation of Responsible Investment.
- The Fund recognises that transparency and accountability are important aspects of being a Responsible Investor and will demonstrate this by publishing its RI policy and activity for the Fund.
- The Fund has a duty to exercise its stewardship responsibilities (voting and engagement) effectively by using its influence as a long-term investor to encourage corporate responsibility.
- The Fund recognises the significant financial risk of not being a Responsible Investor and it seeks to ensure that this risk is mitigated through its Investment Policy and implementation.

- The Fund recognises the importance of Social/Impact investments which can make a positive social and environmental impact whilst meeting its financial objectives, and it will continue to make dedicated investments to support this aim.

Climate Change

The Fund recognises the importance in addressing the financial risks associated with climate change through its investment strategy, and believes that:

- Climate change poses a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers and all of the holdings in the Fund's investment portfolio.
- Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund, but is also consistent with the long-term nature of the Fund. The Fund's investments need to be sustainable to be in the best interests of all key stakeholders.
- Engagement is critical to enabling the change required to address the Climate Emergency and to facilitate the move to a low carbon economy. However, selective risk-based disinvestments and exclusions can be appropriate.
- As well as creating risk, climate change also presents opportunities to make dedicated investments that achieve the required returns, whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.

Net-Zero commitment

As part of its commitment to RI, the Fund has undertaken to evaluate and manage the carbon exposure of its investments to assist in ensuring an effective transition to a low-carbon economy. As part of this work, the Committee has a strategy to achieve net-zero emissions from its investment portfolio. Specifically, the Committee agreed a target for the investments in the Fund, as a whole, to have net zero carbon emissions by 2045, with an interim target of carbon reduction of 50% by 2030. Underlying this commitment, the Fund also has a number of other key targets as outlined below:

For the Fund as a whole:

- to have at least 30% of the Fund's assets allocated to sustainable investments by 2030.
- to expand the measurement of the carbon emissions of the Fund's investments to include as many components of the assets as possible, based on the availability of reliable and accurate data.

Within the Listed Equity portfolio:

- to achieve a reduction in carbon emissions of 36% by 2025 and 68% by 2030.
- to target all of the Listed Equity portfolio being invested in sustainable mandates by 2030.

- to engage with the biggest polluters within the Fund's Listed Equity portfolio as part of an overarching stewardship and engagement strategy, to achieve:
- by 2025, at least 70% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.
- by 2030, at least 90% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.

The Fund will monitor and report against these targets at least annually, and may review and revise them as appropriate, particularly to ensure that targets and ambitions are in line with national and international developments and initiatives.

Where companies in carbon-intensive sectors do not demonstrate a credible strategy to attain net zero over time, and are not considered to be on the right trajectory to make progress in this area, the Committee's policy view is that selective divestment would be a valid outcome. Given the pooled fund nature of the investments, the Committee recognises that its actual ability to divest is dependent on the processes and policy of the WPP. The Committee will actively engage with the WPP on this area.

Exclusions Policy

The Fund has developed an exclusions policy assessment framework and will be looking to develop a plan to implement the following exclusions:

The policy is to exclude companies which breach the following thresholds	Minimum Objective	Fund's Ambition
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite	1%	Same
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%
The % of or more of revenues from Gas: companies involved in exploration, extraction, manufacturing or distribution of hydrocarbons, hydrogen and carbon monoxide mixtures present in gaseous state.	50%	1%

The above policy applies to the physical listed equity assets initially. This is because this part of the portfolio has the most comprehensive and accurate data on which the policy can be analysed and monitored in a robust and cost efficient way. The ambition of the Fund is to

consider the application of the exclusions policy to all parts of the portfolio over time, based on the availability of robust data and implementation practicalities.

The Fund is seeking to implement the above “Fund’s Ambition” exclusion policy. It is recognised that, at present, there are limited implementation options for this policy. As a result, the Fund has established a “Minimum Objective” exclusion policy, which is aligned with the Paris Aligned Benchmark and as such believes is practically more implementable.

The Fund recognises that in order to implement the exclusions policy it will need to work with the WPP. Given the pooled fund nature of the investments, the Fund will take a best efforts approach and acknowledges that this could result in companies being held which are not consistent with the above exclusion policy. This will be monitored on an annual basis with an explanation sought, if companies are held in breach of the exclusions criteria.

Strategic RI Priorities

The Fund recognises that as a Responsible Investor there are a multitude of potential areas on which to focus, however it is not possible to concentrate on everything together. These strategic priorities identified from an RI perspective:

Evaluate and manage carbon exposure

- The Fund has identified climate change as a financial risk, and intends to measure and understand its carbon exposure within its investment portfolio.
- The Fund has agreed to use the carbon footprinting metric as the primary metric for monitoring carbonisation progress, whilst also monitoring progress against absolute emissions and weighted average carbon intensity (WACI).

Identify sustainable investments opportunities

- The Fund has for a number of years looked to make Social/Impact investments; whereby in addition to making the requisite financial return the investment has a positive social or environmental impact. The 2022 Investment Strategy Review has further supported this with the asset allocation to the Local/Impact portfolio being increased.
- This portfolio has a strategic target weight of 6% of the Fund’s assets.
- The Fund has increased its strategic allocation to sustainable equities to 15% of total Fund assets following the latest strategy review, an increase of 10% from its previous allocation.

Improve public disclosure and reporting

- The Fund recognises the importance of transparency and reporting with respect to ESG issues. The Fund continues to enhance its analysis, disclosure and reporting on its RI activities, including, voting and engagement and carbon emissions analysis.
- The Fund has drafted its first Task Force on Climate-Related Financial Disclosures (“TCFD”) report covering 12 months to 31 March 2022. The report was drafted in line

with the recommendations from the TCFD and the proposals for LGPS on governance and reporting of climate change risks available at the time.

- The Fund carries out Analytics for Climate Transition (“ACT”) analysis (a Mercer analytical tool), which provides the Fund with a bottom up analysis of the portfolio’s transition capacity. Analysis is carried out every 12 months, with the latest analysis carried out as at 31 March 2022.

Active Engagement on ESG risks

- As a member of the LAPFF, the Fund has active engagement with its underlying investments, this engagement is supplemented by the work of the WPP. The Fund is committed to working proactively with WPP and its providers to improve the levels of engagement.

FRC Stewardship Code

- The Fund was successful with its first application to the UK Stewardship Code 2020 and is currently a signatory to the Code. The Fund’s submission can be found on the FRC website.

Actuarial Valuation and review of Investment Strategy

The assessment of the impact of climate change on the Fund’s investment strategy will underpin the actuarial valuation and investment strategy review processes, both of which were carried out during 2022. Addressing climate change related risks was a key factor in each.

Commitment

The Fund has always sought to act with conscience when it comes to its investments and recognises that its approach to RI will need to evolve continually, given the speed of change with regard to the impact and understanding of ESG issues, and the ever changing world in which we live. Due to the increased focus on RI within the investment industry there is continuous development of thinking and best practice, and the Fund is committed to ensuring its approach remains relevant and appropriate. This RI Policy will be formally reviewed at least every three years as part of any strategic review of the Fund’s asset allocation, or as required due to changing regulatory requirements or to address specific issues that may arise.

Approval, review and further information

Approval, Review and Consultation

This version of the Investment Strategy Statement was approved by the Clwyd Pension Fund Committee on 28 November 2023. The Investment Strategy Statement will be formally reviewed and updated at least every three years or sooner based on when it is considered appropriate to review the Fund's approach to investing the Fund's assets, including responsible investing.

Further Information

If you require further information about anything in or related to this Investment Strategy Statement, please contact:

Debbie Fielder, Deputy Head of Clwyd Pension Fund, Flintshire County Council

E-mail: debbie.a.fielder@flintshire.gov.uk

Telephone: 01352 702259

Further information about the Fund can be found on its website:

<https://mss.clwydpensionfund.org.uk/>

Further information about the WPP can be found on its website:

<https://www.walespensionpartnership.org/>

Appendix 12: Communications Strategy (June 2022)

Introduction

This is the Communication Strategy for the Clwyd Pension Fund administered by Flintshire County Council (the Administering Authority). It has been prepared to meet the requirements of the LGPS Regulations as set out in [Appendix 1](#), and outlines our strategic approach to communications.

Mission Statement

The Clwyd Pension Fund Mission Statement is:

- to be known as forward thinking, responsive, inclusive, proactive and professional, providing excellent customer focused, reputable, and credible service to all customers
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget
- to work effectively with partners, being solution focused with a 'can do' approach

Stakeholders of the Fund

The Fund's key stakeholders are:

- our 52 employers within the Flintshire, Denbighshire and Wrexham Council areas
- our 49,000 scheme members split into the categories below as at 1 April 2021:

Member Type	Quantity
Active members	17,700
Deferred scheme members	16,900
Pensioner and dependent members	14,400

This Strategy principally focuses on how we communicate with current and prospective scheme members and employers. However, this Strategy covers all our communications including other stakeholders with whom we communicate:

- Pension Fund staff (see [Appendix 2](#))
- Pension Fund Committee and Pension Board members, and Advisory Panel (see [Appendix 3](#))
- Other interested organisations including Government Departments, Scheme Advisory Board and Advisors to the Pension Fund (see [Appendix 4](#))

Aims and objectives

Our overriding objectives in relation to communications are to:

- Increase awareness and understanding of the Scheme and provide sufficient information so stakeholders can make informed decisions.
- Communicate in a clear, concise manner.
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so.
- Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working.
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

In relation to member communication, we want our engagement activities to:

- Increase awareness and understanding of the benefits of the pension scheme and how it works.
- Encourage members to take ownership of their pension and understand the broader benefits of the pension scheme.
- Maintain and build positive member experiences along every member's journey, wherever they are on their journey.
- Reduce the need for face-to-face meetings and phone calls.

Our key scheme member communications are explained later in this Strategy.

In relation to employer communication, we want our engagement activities to:

- Increase awareness and understanding of the information required by the Fund from employers.
- Encourage employers to take ownership of the data and help their employees understand the broader benefits of the pension scheme.
- Maintain and build positive relationships with employers regardless of size or pensions expertise.
- Make the management of the Fund more efficient for both the Fund and employers.

Our key scheme member communications are explained later in this Strategy.

How we communicate

1. We are committed to ensuring communications are accessible to all stakeholders and developing further use of digital communications.
2. We make sure that communications are easy to understand through use of plain language techniques and readability scores.
3. All generic scheme member communications are published in both English and Welsh languages at the same time.

We comply with accessibility standards for both content and visuals, including for vulnerable customers. Before issuing communications, all requirements are considered, such as:

- Ensure video content includes subtitles as standard.
- Ensure members are aware that we can meet any requirements for:
 - Braille formats;
 - Plain text for best results with screen readers;
 - Audio CDs;
 - Translated versions
- Ensure the website and/or app is fully consistent with Web Content Accessibility Guidelines.

Implementation

The aims and objectives outlined in this Strategy require quite a radical shift in how we communicate with stakeholders, particularly scheme members and employers. This Strategy is being implemented at a time when there are a number of ongoing challenges, including:

- the need to communicate various scheme and national changes, such as the McCloud remedy, potential increases in minimum pension age and the national pensions dashboard; and
- continuing pressure on resources and budgets for employers and the administering authority.

In addition, we are mindful of the fact that all our communications must be in English and Welsh, as well as being accessible to all stakeholders.

As a result, this Strategy will be implemented over time focusing on the following key areas:

- Improving member experience and enhancing self-service.
- Identifying smart ways of working on the communications.
- Simplifying language and communicating more concisely.
- Refreshing the Fund's visual identity.
- Broadening delivery channels to members.
- Developing a segmented approach to engagement.

This is considered further within our 2022/23 to 2024/25 Business Plan and will be considered further in future Business Plans. Our focus in 2022/23 will be on communications with scheme members and will involve:

- Communicating more concisely with shorter, visually compelling communications.
- Tailoring content so it is more relevant to the audience segment.
- Setting targets for online activity and increasing usage of MSS website.
- Promoting self-service.
- Using an omnichannel communications approach; with a focus on allowing members to interact with the Fund in a way that suits their needs.

Our main communications with Scheme Members

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?	Regulatory (Y/N)
Website(s)	<p>To provide a first point of contact for all Scheme members and show basic information about the Fund and the LGPS and watch videos.</p> <p>Members can also access or download scheme literature and forms.</p>	<p>Multiple, public facing, unsecured websites:</p> <p>https://mss.clwydpensionfund.org.uk/</p> <p>https://www.lgpsmember.org</p>	Permanent	All members	Y (hosts regulatory documents)
Member Self Service (MSS)	<p>The MSS allows members to log into a secure web area to:</p> <ul style="list-style-type: none"> • view personal information; • update personal details; • update death grant expressions of wish; • calculate retirement estimates; • review Annual Benefit Statements; • view newsletters and other communications; • upload information for the Fund's Administration Team. <p>The Fund's preference is for members to do this online to reduce the burden on the Administration team.</p>	Secure website plus email alerts.	Permanent	All members	Y (as includes Annual Benefit Statements)

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?	Regulatory (Y/N)
Annual Benefit Statements (ABS)	The ABS gives members an annual snapshot of their own benefit situation. This helps make their pension feel relevant.	Downloadable digital statement from MSS account. Paper copies are sent to members' home addresses where they have opted for paper communications.	Annually by end of August.	All active and deferred members	Y
Annual Pensions Increase Statements	The annual pensions increase statement provides all pensioners with information on what their pension will increase to as a result of the annual pensions increase award.	Downloadable digital statement from MSS account. Paper copies are sent to members' home addresses where they have opted for paper communications.	Annually before April pay date.	All pensioners and dependants	Y

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?	Regulatory (Y/N)
Generic Newsletters	<p>Penpal is designed to keep active members up to date with important information such as changes to scheme rules and highlights important Facts & Figures from the Annual Report and Accounts.</p> <p>Clwyd Catch Up aims to keep pensioners informed about how new annual rates of pension have been calculated and also includes wider pension news.</p> <p>Deferred Diaries is predominantly used to explain the content of deferred benefit statements, although it can include other LGPS updates too and highlights important facts and figures from the Annual Report and Accounts.</p>	<p>Downloadable digital newsletter from MSS account.</p> <p>Paper copies are sent to members' home addresses where they have opted for paper communications.</p>	<p>Penpal with annual benefit statements.</p> <p>Clwyd Catch Up annually in April.</p> <p>Deferred Diaries with annual benefit statements.</p>	<p>Penpal to active members.</p> <p>Clwyd Catch Up to pensioners and dependants.</p> <p>Deferred Diaries to deferred members.</p>	Y (but not all issues))
Update Newsletters (Pension Extra)	To notify members of urgent LGPS issues that cannot wait for another scheduled communication.	<p>Downloadable digital newsletter from MSS account.</p> <p>Paper copies are sent to members' home addresses where they have opted for paper communications.</p>	As required	To any appropriate members.	Y (but not all issues)

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?	Regulatory (Y/N)
Pension Presentations / Workshops	To educate members. To promote relevant LGPS literature and services, ranging from MSS to death grant expression of wish forms.	Presentations and workshops, some in person and others online based on audience requirements.	Year round	Active members	N
Telephone and email / Open Office Policy	To answer specific member queries in detail.	Telephone, fax or email: pensions@flintshire.gov.uk Upload questions and information to MSS. Also in person appointments.	Year round	All members, member representatives and prospective members	N
Pre-Retirement Courses (in partnership with Gwynedd Pension Fund)	To inform about Local Government retirement benefits and procedures.	Face to face or virtual courses.	Year round	All North Wales LGPS members approaching retirement.	N

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?	Regulatory (Y/N)
Other Literature	<p>Fund-related literature includes:</p> <p>A Short Scheme Guide to the Local Government Pension Scheme for new joiners.</p> <p>A retirement pack sent to all members about to retire.</p> <p>Factsheets on numerous areas including ill-health retirement, maternity leave, flexible retirement and commutation.</p>	PDFs hosted on the website (although some items like the retirement pack are sent directly to members).	Permanent (or issued to members when required)	All members	Y (but not all)
Pensions Taxation Correspondence	To help members who may be affected or at risk of being affected by the Lifetime or Annual Allowance to understand their obligations.	<p>Personal letters</p> <p>Workshops</p> <p>Factsheets</p>	<p>Annually when required</p> <p>Permanent</p>	Affected and at risk members	Y (but not all)
Annual Report and Accounts	<p>The Annual Report and Accounts is published to highlight how the Fund has performed during the previous financial year.</p> <p>It also includes statements with regards to administration, governance, investment principles, funding strategy, and risk.</p>	PDF hosted on the website.	Annually in November	All members	Y

Our main communications with Employers

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?
Administration Strategy	The Fund's Administration Strategy sets out in detail the obligations and responsibilities of both the Fund and the employers to achieve set performance standards and legal requirements. It provides an overview of how the administering authority and employers will work together to achieve a high-quality service.	PDF on the website. Email to all employers.	Permanent, updated every three years. When updated, on joining for new employers and new employer contacts.	All employers
Employer key contact officers and meetings	Meeting(s) to discuss any issues relating to the LGPS and/or raise any issues around the performance of the employer or services provided by the Fund.	A meeting between the Principal Pensions Officer and the Employer's key contact officer.	As required	Employer's key contact officer
Annual Employer Meeting	To provide administration related updates and address the current issues and upcoming changes to the Clwyd Pension Fund and the LGPS.	Meeting	Annually when required	All employers

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?
Annual Joint Consultative Meeting (AJCM)	To provide an overview of fund performance and keep attendees up-to-date with LGPS changes and matters affecting the Fund, covering all areas of governance, administration, investments and funding.	Meeting Usually includes presentations summarising the main aspects of the Fund's Annual Report and Accounts.	Annually	All employers, Trade Union representatives and other scheme member representatives.
Training Sessions	To bring relevant employer contacts up-to-date with LGPS regulations and administration procedures.	Training session	As required	As required
Website	To provide information and guidance on how to implement LGPS regulations and manage the Clwyd Pension Fund.	Websites: https://mss.clwydpensionfund.org.uk including a dedicated employer section: https://mss.clwydpensionfund.org.uk/home/employer-information/home.html https://www.lgpsregs.org/	Permanent	All employers

Item	Why is this issued?	What format is it?	When is this issued?	Who is it issued to?
Email Updates	<p>To highlight important Fund matters, general updates about the LGPS and the services available to the Fund's employers and their staff.</p> <p>The Fund emails employers to inform them when a news alert is added to the website.</p>	Email	As required	All employers
i-Connect	<p>To pass secure scheme member data between employers and the Fund.</p> <p>i-Connect is the software that all employers in the Fund must use to submit information to the Pension Administration Section.</p>	i-Connect system	Permanent	All employers
Employer specific events	To assist employers in understanding their responsibilities.	Face-to-face or virtual events arranged by employers, attended by Fund officer(s) on request by the employer.	As required	All employers

Monitoring

As the delivery of this Strategy evolves we want to ensure we are meeting its objectives. We will do this by monitoring progress as shown below:

Objective/Measure	Monitoring	Specific targets
Increase awareness and understanding of the Scheme/Fund and how it works.	Feedback through annual member and employer surveys and listening groups. Collate informal feedback when any communication is sent out. Monitor compliments and complaints from member and employer emails and calls to the Fund.	Surveys: 90% positive responses.
Maintain and build positive member experiences/employer relationships.	Feedback through annual member- and employer-specific survey and listening groups: target 90% positive responses. Monitor compliments and complaints from member emails and calls to the Fund.	
Ensure we use the most appropriate means of taking into account the different needs of different stakeholders.	Feedback through annual member- and employer-specific survey and listening groups.	

Objective/Measure	Monitoring	Specific targets
Encourage members / employers to take ownership of their pension / information required.	Track video and podcast usage. Track take-up of MSS (members). Track click throughs of all online communication. Monitor website usage	Video, podcast, online communication and website usage – ongoing increases. MSS take up: 5% per year increases in the proportion of registered members with a long-term target of 75% of all active and deferred members being registered users.
Reduce the need for face-to-face meetings and phone calls by scheme members.	Track member calls and face to face meetings.	Ongoing decreases.
Make the management of the Fund more efficient for both the Fund and employers. Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working.	Monitor the workload of the Administration Team relating to ad hoc enquiries. Track employer and member emails and calls, and face to face meetings. Track take-up of MSS (members). Ensure mandatory use of i-Connect by all employers. Track click throughs of all online communication.	Ad hoc enquiries, emails, calls and face to face meetings – ongoing decreases. MSS take up: 5% per year increases in the proportion of registered members with a long-term target of 75% of all active and deferred members being registered users. i-Connect take up: 100% of employers.

Objective/Measure	Monitoring	Specific targets
Regularly evaluate the effectiveness of communications and shape future communications appropriately.	Regularly reviewing communications plan and strategy based on monitoring mentioned above.	

Key risks

The key risks to the delivery of this Strategy are outlined below. We will monitor these and consider how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness.
- Significant increase in the number of employing bodies causes strain on day-to-day delivery.
- Significant external factors, such as national change, impacting on workload.
- Issuing incorrect or inaccurate communications.
- Failure to maintain an up to date and accurate employer database leading to information not being sent to correct person.
- Communications to scheme members not being received or read.
- Lack of clear and understandable communication to employers, scheme members and other stakeholders.

Approval and review

This version of the Communications Strategy was approved at the Clwyd Pension Fund Committee on 15 June 2022. It will be formally reviewed and updated at least every three years or sooner if any matters included within it merit reconsideration.

Further information

Any enquiries in relation to the Fund's communications or the principles or content of this Strategy Statement should be sent to:

Karen Williams: Pensions Administration Manager

Flintshire County Council, County Hall, Mold, Flintshire, CH7 6NA

E-mail: karen.williams@flintshire.gov.uk

Telephone: 01352 702963

Appendix 1: Regulatory framework

The strategy has been produced in accordance with regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013. The regulation requires that:

1. An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with:
 - a. Scheme members (active, deferred, retired and dependent)
 - b. representatives of Scheme members
 - c. prospective Scheme members
 - d. Scheme employers
2. In particular the statement must set out its policy on:
 - a. the provision of information and publicity about the scheme
 - b. the format, frequency and method of distributing such information or publicity
 - c. the promotion of the Scheme to prospective Scheme members and their employers.
3. The strategy must be revised and published by the administering authority following a material change in their policy on any matters referred to in paragraph (2).

Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other legislation includes various requirements relating to the provision of information relating to pensions (in addition to the requirements in the Local Government Pension Scheme Regulations). The Clwyd Pension Fund aims to adhere with all such legislation and related statutory or best practice guidance. This includes the Pension Regulator's Code of Practice for Public Service Pension Schemes.

There are other regulatory requirements that the Fund adheres to, including the General Data Protection Regulations, the Freedom of Information Act and legislation around the use of Welsh language.

Appendix 2: Communicating with Pension Fund staff

The Fund recognises that its staff are its greatest resource and ensures that they are kept informed about the Fund's aims to deliver a quality and accurate service.

The following key personnel are all available for any of the Fund staff who may want a one-to-one with them:

- Head of Clwyd Pension Fund
- Deputy Head of Clwyd Pension Fund
- Pensions Administration Manager

Staff also have unrestricted access to their supervisors and senior colleagues to discuss and resolve work related issues. Staff are kept informed with:

Communication	Purpose
Administration Section Meetings	Normally held on a monthly basis to discuss operational and technical issues, ensuring there is a shared understanding of any issues and developing a consistent approach towards addressing them. In addition, the Pensions Administration Management team meet weekly.
Appraisals and Training	All new members of staff undergo an induction procedure to acquaint them with the operational running of the Fund. Subsequently, all pension staff also receive both in-house and external training. Staff at all levels in the Fund have annual assessments, with a mid-year review, during which there are open discussions of work issues and areas for development. This dialogue is supplemented by regular one-to-one meetings within team structures.
TEC (Training & Education Centre)	Clwyd Pension Fund utilises an e-learning facility. This allows Fund staff to work through these e-learning modules to enhance other learning and on-the-job training that they receive. The modules include a timeline of LGPS regulations and how to process calculations.
Team Emails	All team members can email any other team member on any matter relating to the delivery of services or other staff updates.
Finance Section Meetings	Held on a regular basis to discuss operational and technical matters relating to accounting, investment and funding aspects of the Fund's management.
Management Team Meetings	Held on at least a fortnightly basis, involving the Head of Clwyd Pension Fund, the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager. Attendees discuss any strategic or operational Fund matters, including updates on staffing, resources and other managerial aspects.

Appendix 3: Communicating with Board members and Pension Fund Committee members

Effective communication gives the Pension Fund Committee and Pension Board members the required information to act in the best interests of the Fund members and employers. The key communication methods, messages and objectives are:

Communication	Purpose
Committee/Board reports	To help Committee and Board members understand the matter to be discussed at the meeting and build their knowledge so they can best serve scheme members when carrying out their role. These reports will include all the Fund's key strategies and other documents such as the Fund's business plan and Annual Report and Accounts.
Committee/Board meetings	Where all decisions will be made and matters considered, providing Committee and Board members with an opportunity to ask questions about any of the matters being considered. Meetings regularly include presentations from officers and advisers to help explain the matters being considered.
Committee/Board minutes	Captures all key points in the meeting including conclusions and decisions, providing a formal record for future reference.
Pre-Committee email briefing from Head of Clwyd Pension Fund	To provide Committee and Board members with an overview of the forthcoming meeting and help them understand the key matters that will be considered.
Regular training and briefing sessions	To help Committee and Board members meet expected levels of knowledge and better understand Fund matters, including upcoming Committee/Board agenda items. Committee and Board members are also given access to external training events and conferences relevant to their roles.

Communication	Purpose
General emails	Usually sent by the Fund's management, email will be used to provide general updates on Fund matters, training and other events.
External website: Clwyd Pension Fund and LGPS	Committee and Board members will find useful information about the Fund and the Scheme on these websites: https://mss.clwydpensionfund.org.uk/ https://www.lgpsmember.org/
External website: Flintshire County Council	The majority of reports provided to Pension Fund Committee members, together with the meeting minutes, are available on the Council's website: Committee minutes: English Committee minutes: Welsh The Committee papers also include the minutes from the latest Pension Board meeting.
Annual Joint Consultative Meeting (AJCM)	Committee and Board members are invited to this annual meeting which provides an overview of fund performance and keeps attendees up-to-date with LGPS changes and matters affecting the Fund, covering all areas of governance, administration, investments and funding.

Appendix 4: Communicating with other Bodies

The Fund engages proactively with a number of other Bodies. These include:

Bodies	Purpose
Department of Levelling Up, Housing and Communities (DLUHC)	The Fund has regular contact with DLUHC as a responsible LGPS Fund, participating and responding to consultations, as required.
Local Government Association (LGA)	The LGA liaises with LGPS funds and DLUHC to ensure that all LGPS regulations are administered correctly as per DLUHC's instructions.
Scheme Advisory Board (SAB)	The national SAB was established following the Public Services Pensions Act 2013. It provides advice to the LGPS Funds and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme. We therefore liaise with the SAB as appropriate.
The Pensions Regulator	The Pensions Regulator publishes Codes of Practice and guidance, some of which are relevant to the Public Sector. The Regulator also oversees how pensions schemes are adhering to some legal requirements. The Fund liaises with the Regulator as required to provide information relating to matters of interest to the Regulator.
Trade Unions	The Fund works with relevant trade unions to ensure the Scheme is understood by all interested parties. Efforts are made to ensure all pension related issues are communicated effectively with the trade unions. The trade unions are represented on the Pension Fund Committee and Pension Board.

Bodies	Purpose
Employer Representatives	The Fund communicates with relevant employer representative bodies to ensure that the Fund's views are represented to employer groups. Employers are represented on the Pension Fund Committee and Pension Board.
AVC Provider	The Fund has appointed Additional Voluntary Contributions (AVC) providers for Clwyd Pension Fund members to pay additional contributions too. These AVCs are held and invested separately from the main Clwyd Pension Fund. The Fund's current AVC providers are Prudential and Utmost (closed to new contributions).
Pension Fund Investment Managers, Advisers and Actuaries	<p>The Head of Clwyd Pension Fund, Deputy Head of Fund, Finance Team and Administration Team have regular meetings with:</p> <ul style="list-style-type: none"> • the Fund Managers who invest funds on behalf of the Fund • Investment Advisers who provide help and advice on the asset allocation and investments of the Fund • the Fund Actuary to discuss funding levels, employer contributions and valuation of the assets and liabilities of the Fund • The Independent Adviser who provides help and advice on governance matters <p>The Independent Adviser, the Fund Actuary and the Investment Adviser are all members of the Pension Fund Advisory Panel and attend all Pension Fund Committee meetings. The Independent Adviser is also the Chair of the Pension Board and attends all Board meetings.</p>
Welsh Government	The Fund sometimes needs to liaise with Welsh Government on matters that might impact the delivery of the LGPS.

Bodies	Purpose
Wales Pension Partnership (WPP)	The Fund is a member of the Wales Pensions Partnership which has appointed an Operator to invest assets for all Wales LGPS funds. Some of the administration and management of the partnership is carried out by the Host Authority, Carmarthenshire Council. The Fund is represented on the WPP Joint Governance Committee by the Chair of the Pension Fund Committee and on the Officer Working Group by an Officer determined by the Pension Fund Committee. As a result of this the Fund will have ongoing relationships with a number of LGPS Funds and organisations within this and other asset pools. Regular reports on the performance of and decisions made by the pool are presented at Committee meetings and to members via the Fund's Annual Report and Accounts.
Pension Fund Custodian	The Fund's Custodian ensures the safekeeping of the Fund's investment transactions and all related share certificates where not invested with the Wales Pensions Partnership.
Pensions and Lifetime Savings Association (PLSA)	The Fund is a member of PLSA, which provides an opportunity for LGPS administering authorities and pension scheme managers to discuss issues of common interest and share best practice. The Head of Clwyd Pension Fund is a representative on the PLSA Local Authority Committee.
Class User Group	The Pension Administration Manager and other Pensions Officers attend the Class User Group meetings twice a year to discuss software issues and required upgrades to Altair, the Fund's administration system. This also includes additional user groups for i-Connect and Member Self Service.
Local Authority Pension Fund Forum (LAPFF)	The Fund is a member of LAPFF which was established to help local authority Funds share information and ideas about socially responsible investing.

Bodies	Purpose
Regional Forums	The Shrewsbury Pension Officers Group takes place quarterly. It is an opportunity for the Pensions Administration Managers, and other Pension Officers from LGPS Funds in the region, to share information and ensure uniform interpretation of the LGPS, and other prevailing regulations.
Partnership Manager Meetings with the eight Pension Funds in Wales	The Pensions Administration Manager, Deputy Head of Clwyd Pension Fund and other Pension Officers regularly meet representatives from the other LGPS Pension Funds in Wales to discuss best practice, to ensure that all Welsh Funds have a consistent approach to their administration, finance and other Fund procedures where appropriate.
Welsh Communications Group with the eight Pension Funds in Wales	All of the Communication Officers from the Welsh Pension Funds meet as and when required to share ideas about methods of communication.
Shared Services Communications Group	The Communications Officer and other Pension Officers attend a regional Communication Group on a quarterly basis, to ensure continuity and share ideas about methods of communication.
Requests for information	Requests for information either under the Freedom of Information Act or otherwise, will be dealt with as openly and swiftly as allowed, providing that such information does not breach confidentiality, by Pension Officers working with the Flintshire County Council Freedom of Information Officer.
Consultations	There are occasions when the Fund will consult with interested parties either as a result of potential changes to the regulations governing the LGPS or specific policy changes relating to the Fund. In these instances, the most effective way of communicating with interested parties is to hold a period of consultation, during which they are given the opportunity to respond to specific changes.
Press releases and comments	Press releases or comments regarding the Clwyd Pension Fund are made either via the Corporate Communications team within Flintshire County Council or in collaboration with them.



mss.clwydpensionfund.org.uk

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

Please note that Flintshire County Council is the administrative authority of the Clwyd Pension Fund and we use your personal data in accordance with Data Protection legislation to provide you with a pension administration service. For more information about how we use your data, who we share it with and what rights you have in relation to your data, please visit the Privacy Notice on our website.