Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Gweinyddwyd gan
Administered by
Cyngor Sir y Fflint
Flintshire County Council

CLWYD PENSION FUND: ANNUAL REPORT 2021/22

Clwyd Pension Fund Annual Report 2021/22

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For best practice documents, please go to: https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/
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Section 1

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Introduction to the Clwyd Pension Fund Annual Report 2021/22

Welcome to the Clwyd Pension Fund (the Fund) Annual Report for 2021/22.

The report covers in detail the activities of the Fund during 2021/22. Although the Fund did not experience the same level of business disruption as 2020/21 it was another challenging year and despite continued remote working for the team, and international financial market instability arising from the conflict in Ukraine and more recently, rising inflation, 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.

I am pleased to confirm that during the year the Fund maintained a fully funded position and continues to be ahead of timetable, which remains an outstanding achievement given external market factors. We will seek to consolidate and build on this position and await the outcomes of the Actuary's triennial valuation assessment and an Investment Strategy Review during the year ahead, which will shape the Fund's strategic direction going forwards.

I would like to thank all those involved in the governance and management of the Fund for their continuing hard work and dedication, including Colin Everett, the former Chief Executive of Flintshire County Council who was a member of the Advisory Panel.

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

Cllr Ted Palmer

Chair of the Clwyd Pension Fund Committee

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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 a 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. Against the continued backdrop of the COVID-19 pandemic, the Committee, Advisory Panel and Pension Board have again continued to function effectively during 2021/22.

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 which the Fund faces are often as a result of events outside the Fund's control. This was evident in the risks arising from the potential impact of 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

Despite volatility during the year caused by the pandemic globally, the conflict in Ukraine and more recently, the impact of rising inflation, the funding position has improved slightly during the year relative to the 31 March 2021 position, and by the end of the financial year it was estimated to still be fully funded, which is ahead of the 2026 target date for full funding.

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. This has been monitored and revised during the year to ensure its continuing effectiveness.

Future challenges in respect of funding include:

- maintaining the funding level
- managing the impact of a very challenging global economic outlook, in particular rising inflation and interest rates, when considering the 2022 valuation outcomes
- considering the impact of climate change on the funding strategy (via modelling to be undertaken as part of the 2022 valuation)

The funding position (and contribution outcomes for all employers) are being reviewed in full by the Actuary as part of the 31 March 2022 actuarial valuation (with new rates becoming effective from 1 April 2023). The Funding Strategy Statement will also be updated and consulted on with employers as part of the valuation process.

Further details of the funding position can be found in the Funding and Flightpath Review which is Appendix 5 to this report.

Investment

Investment activity operates within the objectives defined by the Investment Strategy Statement (which was reviewed during 2021/22 and updated in February 2022). Each of these objectives reflects the Fund's desire to incorporate sustainability and act as a Responsible Investor in its investment approach.

During 2021/22 the Fund's investments returned 13.3% despite the volatility in the global markets caused by the ongoing COVID-19 pandemic, the conflict in Ukraine and rising inflation. Given the volatility experienced in recent years, it's important to view performance in the context of longer-term performance. Overall, the investments returned 9.9% per annum over the three years to March 31st 2022, compared to a benchmark of 8.9% per annum. The performance is also well ahead of the assumption of growth in the Funding Strategy Statement which is Consumer Price Index plus 2.25% per annum.

In light of the Ukraine conflict, Wales Pension Partnership committed to divest from Russian stocks as soon as was practical. In the absence of being able to divest from such stocks directly, as at 31 March 2022, such stocks in the Global Opportunities Equity Fund and the Emerging Market Equity Fund had been written down to nil and the impact of this emerges in the year-end asset values quoted in this report.

Key investment performers during the year were the Tactical Asset Allocation Portfolio (20.3%), along with the Cash and Risk Management Framework (17.9%), and the Private Market assets, which returned 26.4%. The Fund's total equity mandates returned 2.3%.

During the year the Fund continued to transition assets to the Wales Pension Partnership in line with its commitment to pooling of LGPS assets.

The Fund has continued to progress significantly on work relating to the Responsible Investment Priorities in the Investment Strategy Statement (updated in 2022). In particular the Fund has approved a strategy 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 educate its Committee members to aid their understanding of Responsible Investment. The Fund continues to deploy capital into sustainable and local investments and engages with asset managers in relation to Responsible Investment principles.

Against the backdrop of continued market volatility in the early part of 2022/23, the 2022 actuarial valuation, and the current stagflationary environment, the investment strategy will be reviewed again later in 2022/23.

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. During 2021/22 the Team has continued to deliver a high quality service despite the ongoing challenges posed by the impact of the COVID-19 pandemic.

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
- developing further Key Performance Indicators (KPIs) to help improve performance monitoring
- continuing the roll out of the i-Connect system, allowing employers to directly enter and update information to the Fund's database. At 31st March 2022, 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
- working closely with employers on compliance statements and through the Employer Liaison Team
- establishing a McCloud Programme to implement the remedy for the Fund once the LGPS regulations are amended (with the initial focus being on collecting historical data from employers)

The Fund continues to monitor performance using KPIs and introduced 6 new KPIs during 2021/22.

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

- 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 31st March 2022 was £2,376m. Total contributions for the year from members and employees together with transfers into the Fund were £92m, with benefits and other payments to members £88m. Total management expenses paid by the Fund were £26m, with an increase in the Funds market value and income of £263m. The Fund continues to transition assets to the Wales Pension Partnership with the intention of saving costs and improving returns on investments, and this will continue in 2022/23.

The Fund continues to operate within its budget. Key variances against budget during the year were underspends on manager fees, actuarial fees, administration employee costs and direct costs associated with the employer liaison team. Pooling fees were higher than budgeted for given the further transition of assets to the Wales Pension Partnership over the year.

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 a challenging year, the Fund has improved both financially and with the service provided to our members and employers. We will seek to both consolidate and improve in 2022/23 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

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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 with 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.

Another key document is the Fund's three-year Business Plan. The version relating to 2021/2022 to 2023/2024 was approved at the Pension Fund Committee in March 2021.

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 – 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 May 2021 and appointed Vice Chair May 2022
Flintshire County Council	Cllr Billy Mullin	To May 2021
Flintshire County Council	Cllr Jason Shallcross	Appointed May 2022
Flintshire County Council	Cllr Ralph Small	To May 2022
Flintshire County Council	Cllr Antony Wren	Appointed May 2022
Flintshire County Council	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	
Chief Executive (FCC) (to 31 October 2021)	Colin Everett
Corporate Finance Manager/ S151 Officer (FCC)	Gary Ferguson CPFA
Senior Manager – Human Resources and Organisational Development (from 1 November 2021)	Sharon Carney
Head of Clwyd Pension Fund (FCC)	Philip Latham
Investment Consultant (Mercer)	Kieran Harkin
Fund Actuary (Mercer)	Paul Middleman FIA
Independent Advisor (Aon)	Karen McWilliam FCIPP

Clwyd Pension Fund Board

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

Investment Managers

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.

Investment Managers	Address
BlackRock	12 Throgmorton Avenue, London
Insight Investment	160 Queen Victoria Street, London
Man Group	Riverbank House, 2 Swan Lane, London

Investment Managers	Address
Wellington Management International Ltd	Cardinal Place, 80 Victoria Street, London
Russell Investments	Rex House, 10 Regent Street, London

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

Clwyd Pension Fund Contact Details

Name	Post	Contact details
Philip Latham	Head of Clwyd Pension Fund	(01352) 702264
Debbie Fielder	Deputy Head of Clwyd Pension Fund	(01352) 702259
Karen Williams	Pensions Administration Manager	(01352) 702963
Pensions Administration	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 2021/22

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. Due to continuing restrictions on face to face events, Members were provided training where possible by virtual platforms. During the year some conferences were held virtually and others 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:

a) 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.

b) 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.

c) 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.

d) Induction training – ensuring areas of identified individual training are completed within six months of appointment.

Actual performance in 2021/22 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 summer or autumn of 2022 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 could impact on 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**	
	No	**% attendance**	**No**	**% attendance**
Funding / Flightpath I	7	78%	1	20%
Fossil Fuel and Divestment	9	100%	4	80%
Responsible Investment Roadmap	8	89%	3	60%
Funding / Flightpath 2	3	33%	2	40%
Conflicts of Interest	7	78%	5	100%
Cyber Security	8	89%	5	100%
Tax / Annual Allowance	7	78%	5	100%

As can be seen, in the majority of cases the target attendance was achieved and attendance in general was higher than in 2020/21 even though there were more Hot Topic sessions in 2021/22 (7 compared to 3 in 2020/21).

c) General Awareness - Out of the combined 14 Committee and Board members, 10 (71%) completed at least one general awareness day in accordance with the policy. In percentage terms this is a decline from the previous year (when 10 out of 13 attended at least one day). We believe this is due to time constraints and possibly fewer training opportunities due to the ongoing pandemic.

d) Induction Training – Induction sessions were completed by May 2021 for 4 new members (3 Committee and 1 Board) who were elected in the 2020/21 year. The sessions were delivered within six months of joining for all but 1 of the new members. Recordings of the sessions were made available for those not able to attend. Similar training is currently taking place for the new members elected at the 2022 Welsh elections.

The following table details all the training provided to members of the Committee during 2021/22 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									
		Cllr T Palmer	Cllr H Bateman	Cllr B Mullin*	Cllr R Small	Cllr T Roberts	Cllr N Williams	Cllr J Thompson-Hill	Cllr D Hughes*	Cllr A Rutherford	S Hibbert
	Meeting										
Nov 21	Annual Joint Consultative Meeting				✓				✓	✓	✓
Jun 21	Committee meeting June	✓	✓		✓	✓	✓	✓	✓		✓
Sep 21	Committee meeting September	✓	✓			✓	✓	✓	✓	✓	✓
Nov 21	Committee meeting November	✓	✓		✓	✓		✓	✓	✓	✓
	Hot Topic										
Apr 21	Funding / Flightpath I	✓	✓	✓	✓	✓	✓				✓
May 21	Fossil Fuel and Divestment	✓	✓	✓	✓		✓	✓	✓	✓	✓
May 21	Responsible Investment Roadmap	✓	✓	✓	✓		✓	✓		✓	✓
Jul 21	Funding / Flightpath 2								✓	✓	✓
Nov 21	Conflicts of Interest	✓	✓		✓			✓	✓	✓	✓
Dec 21	Cyber Security	✓	✓		✓	✓	✓		✓	✓	✓
Jan 22	Tax / Annual and Lifetime Allowances	✓	✓		✓	✓			✓	✓	✓
	General Awareness										
May 21	PLSA Conference May 2021										✓

Date	Event	Committee Members									
		Cllr T Palmer	Cllr H Bateman	Cllr B Mullin*	Cllr R Small	Cllr T Roberts	Cllr N Williams	Cllr J Thompson-Hill	Cllr D Hughes*	Cllr A Rutherford	S Hibbert
Jun 21	LGC Conference										✓
Jun 21	Sustainable Investment Forum Conference										✓
Jun 21	PLSA ESG Conference June 2021									✓	✓
Jul 21	PLSA ESG Conference July 2021									✓	✓
Sep 21	LGC September Conference	✓			✓				✓		
Oct 21	PLSA conference October 2021										✓
Dec 21	LAPFF Conference										✓
Jan 22	LGA Annual Conference										✓
Mar 22	LGC Conference – Carden Park	✓			✓				✓		✓
	Induction										
Apr 21	Investment Practice	✓			✓			✓			
Apr 21	Administration	✓						✓			
Apr 21	Accounting Audit & Procurement	✓			✓						
May 21	Communications	✓						✓			
	Other Wales Pension Partnership Training										
Apr 21	WPP Training Private Markets & Fund Wrappers		✓	✓	✓						
Jun 21	WPP Emerging Market Managers	✓									

Date	Event	Committee Members									
		Cllr T Palmer	Cllr H Bateman	Cllr B Mullin*	Cllr R Small	Cllr T Roberts	Cllr N Williams	Cllr J Thompson-Hill	Cllr D Hughes*	Cllr A Rutherford	S Hibbert
Jul 21	WPP Training RI benchmarks and Reporting				✓					✓	✓
Sep 21	WPP Operator Role (JGC only)	✓									
Oct 21	WPP Performance reporting / ACS Roles and Responsibilities			✓		✓			✓	✓	✓
Jan 22	WPP Pools / Collaboration	✓	✓				✓		✓		
Mar 22	WPP Good Governance / Cost Transparency	✓						✓	✓	✓	

*Cllr Mullin left the Committee in May 2021 and Cllr Hughes, a former Chair, re-joined the Committee in May 2021

In addition, Committee and Board members are encouraged to attend other suitable events. The scheme member representative of the Committee attended a further 31 training events including Unison Carbon Tracker Initiative, Aon's Pensions Dashboard and Climate and Just Transition Pensions events, Pensions Lifetime Savings Association (PLSA) – ESG (Environmental, Social and Governance) Conferences and the MOT for Liability Driven Investment event and Hymans' and Mercer's Valuations 2022 training events.

As the new Policy came into force mid-way through the year, not all of the training attended by Senior Officers has been fully recorded. As a result, they have not been included within the training performance statistics above.

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

Overall 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 2022, 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.

Since March, as you can read in other areas of this report, some of these risks have changed and there are other risks that are now more significant or not meeting their target risk exposure. The tables also show the latest agreed actions.

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 2022	Target Risk Status	Further Action
Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades	Services are not being delivered to meet legal and policy objectives	Red	Green	1 - Recruit to vacant governance, administration, communications, business, Fund accountant and Trainee Fund accountant roles 2 - Ongoing consideration of business continuity including succession planning 3- Action plan being developed for recruitment, retention, succession planning

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2022	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 - Consider as part of Triennial Actuarial Valuation
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 Strategic RI Priorities, including ongoing analysis of the Fund's carbon Footprint. Identify sustainable investment opportunities and improve disclosure and reporting 2 - Work with WPP to ensure the Fund is able to implement effectively via the Pool

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2022	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 (including due to Covid-19)	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	Amber	Yellow	1 - Ongoing recruitment of vacant posts 2 - Action plan being developed for recruitment, retention, succession planning
Employers: - don't understand or meet their responsibilities - don't have access to efficient data transmission - don't allocate sufficient resources to pension matters (including due to Covid-19)	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Amber	Green	1 - Implement new process for employers relating to service standards

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2022	Target Risk Status	Further Action
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	Amber	Green	1 - Review pension admin system contract 2 - If delays in system upgrades, look for alternative solutions to administer regulatory changes
System failure or unavailability, including as a result of cybercrime and Covid-19	Service provision is interrupted	Amber	Green	1 - Develop updated business continuity plan for CPF 2 - Implement remaining elements of cyber strategy 3 - Develop post Covid-19 approach to working arrangements

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Appendix 2 - Independent Adviser's Report

Annual Report of Karen McWilliam

This annual report is written in my role as Independent Adviser to the Clwyd Pension Fund, focusing on the year 2021/22.

At a glance…

- The year 2021/22 has proven to be a different kind of challenge in respect to previous years, as we emerge from the COVID-19 pandemic. It is with pride that, in this report, I share how the Clwyd Pension Fund officers, Pension Fund Committee and Pension Board members have adapted to the "new normal" and managed to make significant progress on many areas, including:
- approving a Fund Cyber Strategy and making excellent progress in better understanding the Fund's resilience to cybercrime
- making excellent progress against responsible investment priorities and agreeing a new net-zero target and interim carbon reduction targets
- continued improvement in administration performance, despite continuing increases in case numbers, and large increases in members using the self-service facility.
- So much has been achieved in this virtual environment despite the difficulties faced which is of great credit to all involved, and in my view the overall management and governance of the Fund continues to be in an extremely good 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, most of which are driven by national changes; this is against a backdrop of difficulties in recruiting and retaining staff (and potential retirements within the pensions team). Although the commitment and dedication of those involved in managing the Fund and on the operational side of delivering these changes alongside day to day business is exceptional, solutions will need to be found to fill existing vacant positions and to manage ongoing challenges with recruitment and retention.

My role

My remit is to 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 associated with governance, investments, funding, administration and communication.

It should be noted that I am not required to be, nor indeed am I, an expert in all of these areas. In particular, the Fund already has an appointed Actuary to advise on funding matters and an appointed Investment Consultant to advise on investment matters. I therefore use my working knowledge in these areas (and close working relationship with those appointed advisers) to specifically advise on the governance of these areas rather than on these areas themselves.

This annual report sets out my views on the management and administration of the Fund and, in particular, how it has evolved during 2021/22 (April to March), but also touches on some developments that have taken place after March 2022. I also highlight some of the ongoing challenges the Administering Authority will face both in the short term and in the longer term.

Effective Governance

Key Benefits

There are some key benefits from having effective governance in place, including:

- 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 Administering Authority is to consider its approach to governance against the Aon governance framework. The Aon governance framework incorporates our beliefs about what it takes to achieve good governance, and considers the following key areas:

- **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, 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.

In relation to each of these elements, I consider the key responsibilities for the management of the Fund, 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.

Observations

In this section I consider the progress made in the key areas of focus for the Fund, as well as highlighting my thoughts for the future.

Governance

Key Achievements

- Approval of a Fund Cyber Strategy and excellent progress in better understanding of the Fund's cyber resilience in line with the Pension Regulator's expectations.
- Excellent results in a survey to establish the Pension Fund Committee's views on the effectiveness of their meetings and governance arrangements.

The Fund went into 2021/22 in a strong position with governance arrangements that were well established, including stability in the **Pension Fund Committee's membership**, and operating well, despite the challenges faced as a result of the COVID-19 pandemic. Although **Pension Fund Committee meetings** were held virtually throughout the year, based on my observations as well as feedback in a survey of Committee members, they have proven to be effective.

Pension Fund Committee members were supported with a considerable amount of internal training, mainly focused on areas relating to decisions required by the Pension Fund Committee. Comparing the training undertaken over the year with the objectives set out in the **Knowledge and Skills** Policy, I see that in most cases the Fund met the required objective for attendance by members at essential training sessions, however, this was not the case for all of the essential sessions. However, where training was deemed "desirable" or "optional" (which includes attendance at externally hosted training and events), it was found that attendance was lower than the Policy's overall objective with regards to attendance at training sessions over the year.

The **Chief Executive of Flintshire County Council**, Colin Everett, left his position in the autumn of 2021. As the Administrator of the Fund he played an integral role in advising the Committee and as part of the Advisory Panel, particularly in relation to national matters and matters involving wider Council responsibilities. Following discussions with Colin and the new Chief Executive Neal Cockerton, Colin's position on the Advisory Panel was replaced by the Senior Manager – Human Resources and Organisational Development (held by Sharon Carney). There was a long period of succession planning to ensure Colin's departure had no detrimental impact on the Fund's governance.

Turning to the key areas in the Fund's business plan, good progress has been made in all of these areas:

- Significant headway has been made on assessing the Fund's **cyber security resilience**, and embedding cyber risk management into the Fund's ongoing work, which is very much in line with TPR expectations. This work was codified when the Fund put in place a Cyber Strategy which was approved at the March 2022 Committee meeting. The adoption of this strategy was supported by training which was provided for all Committee and Board members in

December 2021. During the year, the Fund developed a data and asset map which sets out the flows of the Fund's data and assets as well as assessing the relative cyber risk associated with these flows. From this mapping, the Fund commenced its programme of carrying out cyber assessments of the organisations associated with the data and asset flows, to better understand any cyber risk. These assessments involve guidance from cyber security experts and the Committee and Board were provided with the findings. The subject was added as a standing item on Pension Fund Committee and Board meetings allowing them to monitor the Fund's progress in this high risk area.

- A Fund specific **Business Continuity** Policy was approved by the Committee in March 2021, and during the last year, the Fund officers have been carrying out a business impact analysis, documenting the current resources required for effective running of the Fund alongside any current business continuity strategies, which is now being used to develop a new business continuity plan.
- The Fund carried out a **survey into the effectiveness of the Pension Fund Committee**. Various key areas were covered including the format of meetings, the format and quality of information provided, knowledge, skills and understanding, administration of committees and the governance structure. I was encouraged to see an overwhelmingly positive response from the members of the Committee across nearly all areas considered by the survey, especially considering the move to virtual meetings as a result of the COVID-19 pandemic. The main area of feedback for improvement was around the format of meetings, with an overall view from the survey was that whilst virtual meetings and training sessions did not have a significant detrimental impact in the running of the Fund, they were less effective overall and more face to face meetings would be preferred. The Fund's Advisory Panel is looking to consider how the results of the survey might affect the way the Committee meetings are held in future, whilst having regard to FCC policy and legal requirements.
- A number of the Fund's **governance related policies** were reviewed during the year, namely the Knowledge and Skills Policy, the Procedure for Recording and Reporting Breaches of the Law, and the Conflicts of Interest Policy. The most notable changes were to the Knowledge and Skills Policy, which was reviewed in light of the changes to the CIPFA Code of Practice and Framework on LGPS Knowledge and Skills. The key here was an increased emphasis on the level of knowledge, skills and training to be had by Pension Committee members, and S151 officers in order to execute their responsibilities adequately. The updated Policy introduces greater clarity on these areas, albeit in the period since I've been involved with the Fund, it has always been extremely proactive in this area. However the ongoing cycle of changes to Committee membership means this is and will continue to be an important area of governance for the Fund.

Resourcing continues to be an area of concern for the Fund and perhaps my biggest concern in relation to the governance of the Fund. They have had a number of vacant positions that have remained vacant for a considerable period of time. Currently the Fund's finance team is worst affected as the team of seven currently has three vacant posts, leading to some significant challenges including the need to make greater use of consultants to ensure that the Fund's objectives and legal responsibilities continue to be met. Recruitment is proving a challenge, particularly given the constraints of local authority pay structures and the limited number of people with the necessary knowledge, and this will be an area of focus going forward.

More generally:

- I feel that the current **governance structure is well established** and is working as intended. The involvement of scheme member and employer representatives on both the Committee and the Board continues to be extremely valuable. The structure has been proven to allow decisions to be made urgently where required and minimises the risk of inadequate governance during challenging times such as with the pandemic, and due to changes in Committee members.
- **Attendance at Committee, Board and Advisory Panel** meetings has been excellent throughout the year, despite the challenges presented by virtual meetings.
- The **Pension Board** continues to play an integral part in the governance of the Fund (recognising my role as Chair of the Board). The Board have produced a separate report (which can be found in the Fund's annual report and accounts) which outlines the work they have undertaken, and which I believe demonstrates the excellent partnership they have with the Committee and officers of the Fund, and the benefits that they bring to the overall management of the Fund.
- I continue to be pleased to see all those involved in the governance of the Fund demonstrating a strong understanding of the potential **conflicts of interest** that can arise and following the requirements of the Fund's Conflicts of Interest Policy. A number of potential conflicts were properly highlighted before or during meetings and they were managed appropriately. Perhaps the most challenging potential conflict of interest the Fund faced (and will continue to face) is in relation to climate change, and particularly the setting of net zero targets or expectations in relation to the Fund divesting from fossil fuels. This matter was tested during the year as motions and questions were received from the participating local authorities. I was pleased to see the appropriate separation of responsibilities between the Fund and employers, with the Pension Fund Committee agreeing a net zero target for the Fund which appeared appropriate (based on the investment consultants' advice). 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 of Fund responsibilities 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 are working hard to continuously develop robust internal controls where feasible.
- A wide range of **performance measures** are in place across Fund matters including the areas of administration, investments and funding, and further measures are being developed as the Fund's strategies evolve (such as further communications key performance indicators and measures relating to carbon emissions relating to the Fund's assets). These are integral to the day to day management of the Fund and provide assurance that issues can and will be identified in a timely manner, as well as enabling the Administering Authority to evidence strong or improving performance in many areas.
- **Business planning** continues to be integral to the day to day running of the Fund. The 2021/22 to 2023/24 business plan was approved in March 2021 and was monitored throughout the year. The plan continues to be robust, with very little need to adapt it mid-year, and the officers of the Fund have done a tremendous job in delivering the projects and tasks highlighted within it particularly during the pandemic.

My opinion is that the governance of Clwyd Pension Fund continues to compare extremely well to the Aon Governance Framework. The Council identifies and sets out good clear objectives in all areas, measures itself effectively against these objectives, and has a good attitude to business planning and to risk management. The Council's governance structure for Fund matters works well, as mentioned above, and the individuals charged with managing the Clwyd Pension Fund are engaged, committed to their roles and well trained.

Looking to the future:

There are several matters relating to governance that I will be particularly interested in during 2022/23, most of which have been included in the Fund's ongoing business plan which was approved in March 2022:

- Following the Welsh local authority elections there has been a significant change in the membership of the **Pension Fund Committee**. There are now five new members in the nine person Committee. Intensive induction training is taking place over the summer and attention will need to be paid to ensure new members are supported as well as possible over their term.
- There were two governance related national initiatives which were delayed again last year. **The Pension Regulator's (TPR's) New Single Code** which will replace TPR's Public Service Code of Practice, is expected to come into force in the autumn of 2022, and the **Department for Levelling Up, Housing and Communities (DLUHC's) Good Governance**

review consultation is also outstanding. These are expected to encompass some overlapping themes, such as increased clarity on the need for high standards of knowledge and skills, and the proper management of potential conflicts of interest. The DLUHC Good Governance consultation is expected to require wider governance compliance reporting and perhaps also an independent audit. When these are issued, I expect the Fund to be well-placed to meet the requirements contained in the new requirements as a result of the hard work carried out by the Administering Authority in the past few years.

- As mentioned previously, work has already commenced on updating the Fund's **business continuity** arrangements and on managing **cybercrime risk**. In particular, the Administering Authority is seeking to ensure that the up to date business continuity plan is finalised over the course of the year as well as ensuring they have embedded the requirements of the cyber strategy.
- There are two **appointments to the Pensions Board** which will require to be considered over the year. I am delighted to note that one of these has already been finalised and that Phil Pumford has been reappointed as representative trade union scheme member to the Pension Board. He was renominated and has kindly agreed to hold the position for another three to five years.
- More generally, the next few years are clearly going to be difficult for LGPS administering authorities given the plethora of changes and initiatives mainly from UK Government. It will be critical that the Administering Authority proactively consider the need for changes to the **existing staffing structure** throughout this period to minimise impact on the services being provided to the Fund's stakeholders, whilst still proactively delivering and meeting expectations on these new initiatives.
- That being said the **recruitment and retention of staff** is already causing problems and a major concern, along with recognising that a number of the team could choose to retire before the end of the decade. This is a fundamental risk to the running of the Fund. The Administering Authority is bound by Flintshire County Council’s policies surrounding recruitment and retention of staff, including levels of pay. I expect that this will be an area of focus going forward, and that the Fund officers and the Committee will work with Flintshire County Council to help manage this risk and find ways to improve recruitment and retention.

Funding and Investments (including accounting and financial management)

Key Achievements

- Excellent progress against responsible investment priorities
- Agreeing a new net-zero target and interim carbon reduction targets
- Strong position shown in the interim funding review

I work closely with both the Actuary and the Investment Consultant to the Fund, and each will produce their own report, so this area of my report focuses on how things are done, rather than the detail of what is done. Key areas in relation to investment and funding this year have included:

- Ongoing work on delivering the Fund's responsible investment priorities, which has included formally requesting establishment of a Sustainable Active Equity fund by Wales Pension Partnership (WPP), a number of local and impact investment opportunities including the groundwork for the first direct investment in clean energy projects in Wales through a Separate Managed Account (again this is a first for the Fund). Good progress is clearly being made in this area.
- Following extensive analysis, a new net-zero target of 2045 was agreed for the Fund's investments as well as specific interim carbon reduction targets, all of which were built into the Investment Strategy Statement. This is a key step in ensuring the Fund is on track to meet the Task Force on Climate-Related Financial Disclosures (TCFD)'s requirements of transparency on the Fund's commitments. Due to the complex nature of this topic, specialist training and briefing sessions were held with the Committee.

The **asset pooling in Wales** arrangements, through Wales Pensions Partnership (WPP) is now well established and assets from the Clwyd Pension Fund have continued to be transitioned across to WPP. Though some assets are yet to be transferred, and indeed there has been an exceptional amount of work taking place in relation to the private market and emerging markets transitions and I was pleased to see the Fund officers being fully involved in the development of these areas given Clwyd Pension Fund has a large proportion of assets in this area. Otherwise, there is a general feeling of business as usual in relation to the Fund's investments with WPP.

Some of the reporting from WPP is still not as customised as is needed; this relates to engagement on environmental, social and governance matters with companies that are being invested in and also stock lending reporting. This is something that has been discussed at the Clwyd Pension Fund Committee and officers are working with WPP to ensure this is resolved.

During the year the Fund were advised of the likely purchase of the Pool's Operator, Link Fund Solutions. This is clearly something that will need to be monitored to understand the implications of this transition to a new owner.

I was also delighted that WPP became a signatory of the UK Stewardship Code 2020 which comprises a set of 12 'apply and explain' principles for asset owners. There is a significant amount of work in meeting the Code's requirements and also then completing the application to become a signatory. My congratulations go to everyone who has and continues to be involved in the work of WPP.

Despite WPP now very much established, the amount of work involved by Fund officers, especially the Head of Clwyd Pension Fund (Philip Latham) and the Deputy Head of Clwyd Pension Fund (Debbie Fielder) continues to be substantial. It is important to ensure that the Fund is appropriate resourced to allow this to continue. I would also highlight the key role of the Chair of the Clwyd Pension Fund Committee (Councillor Ted Palmer) for his attendance and input at the meetings of the WPP Joint Governance Committee over the year.

I am aware that the dedication and commitment of Clwyd Pension Fund officers continues to be integral to the success of WPP as well as ensuring alignment with the Fund's strategies. I am also particularly pleased to see their involvement at a national level on various working groups and initiatives, bringing greater insight and expertise to the Administering Authority.

During the year, the Fund Actuary carried out his **interim funding review** to provide assurance on the funding strategy and assist employers in longer term budget setting, given the triennial actuarial valuation due at 31 March 2022 will likely impact on employer contribution rates. It was pleasing to see the results of the review which suggested a funding level of approximately 103% and also pleasing to note the early engagement with employers.

Looking to the future:

- The key funding project for this year will be the Funding Strategy Statement review and triennial actuarial valuation as at 31 March 2022. I would hope to see a well-managed process with good employer engagement.
- Concurrently with the review of the Funding Strategy Statement, the Fund will also review its Investment Strategy Statement over the coming year. The review will also have regard to DLUHC's recently published Levelling Up agenda and the requirement for LGPS Funds to draft a mandatory plan setting out an ambition as to how they will allocate at least 5% to "new" local investments. Again, from a governance perspective I am pleased to see this is being considered as part of the triennial actuarial valuation, as I recognise that funding and investment are heavily interrelated.

- From an investment perspective, implementing the Fund's Responsible Investment priorities will remain the most critical element of work over the next year. It is a complex area and the options may have a number of risks and opportunities associated with them. We are expecting a consultation from DLUHC during late summer 2022 that will explore how the LGPS should adopt the requirements of The Task Force for Climate-Related Financial Disclosures (TCFD). I look forward to seeing more robust performance measures and reporting to emerge from this area. I am also mindful of the potential for pressure coming from other parties including carbon pressure groups, employers and governments to align the Fund's investment strategy with their views or to invest in particular initiatives. It is critical these matters are well thought through with robust due diligence carried out as decisions are being made and thorough monitoring during and after implementation. The Committee need to ensure they make investment decisions having regard to their fiduciary duty to scheme members and employers.
- As part of the Fund's desire to demonstrate its good governance and stewardship of its assets, the Fund will look to become a signatory to the UK Stewardship Code 2020 by submitting its report by October 2022. I wish the Fund well with their submission.
- It is also worth noting that the WPP's Operator contract with Link Fund Solutions is due to cease in December 2024 (having been extended for two years to then). As such a critical supplier to all Welsh LGPS Funds, this is a matter that will be on my radar for the next few years. I will also continue to monitor the news surrounding the sale of the Operator, and the outcome on the FCA's case against them on the collapse of Woodford Equity Income Fund, which may need to be managed going forward.

Administration and Communications

Key Achievements

- Continued improvement in administration performance demonstrated, despite continuing increases in case numbers
- Member self-service providing increased support for scheme members during the pandemic and major increase in registered scheme members
- i-Connect employer functionality now covers all active employers

Work has continued on the **McCloud remedy programme** undertaken by the Fund's administration team which is a major piece of work for the team and will continue for a number of years. A separate programme team was established at the outset of the programme which has enabled the Administering Authority to continue to make progress in this area with minimal disruption to the ongoing governance of the Fund.

There has been a delay in the DLUHC's consultation response and draft LGPS regulations which are now expected in Autumn 2022 and are due to come into force by 1 October 2023 (noting previously this was "on" 1 April 2023). Employer data to allow recalculation of benefits for the remedy period (1 April 2014 to 31 March 2022) continues to be received with the expectation that this will be complete by the Autumn of 2022 for the vast majority of employers. The communication with employers has been excellent and members have been kept informed of the progress of the remedy on a regular basis. I have been pleased to see a continuation of the regular reporting of the progress on this programme to the Committee, Board and Advisory Panel.

In relation to **day to day workloads and service standards**, 2021/22 was another busy year for the team with over 35,000 administration cases coming into the pensions administration team, an increase of over 6,000 compared to 2020/21. Despite the continuing resourcing challenges, the administration team managed to increase the amount of cases they can complete, remaining on top of this increased workload. I was also delighted to see that the number of outstanding cases had fallen below 5,000 for the first time since the August 2016 which is an outstanding performance.

Key performance indicators are monitored for the main processes including dealing with retirements, quotations of benefits, deaths and providing information to new scheme members. The team has also started tracking 6 new KPIs over 2021/2022. These are not related to legal requirements but will help to ensure the increasing efficiency of case management within the team. The overall percentage of cases completed within the service standard relating to internal timescales for the administration team rose substantially (nearly 8%) compared to the previous year, with 85% of cases completed within the agreed service standard. I was pleased to see that the two measures which are arguably of greater importance also demonstrated significant increases in the number of cases meeting the service standard:

- Service standard relating to legal requirements – 90% (increase of nearly 14% on 2020/21)
- Service standard relating to overall process time – 70% (increase of nearly 9% on 2020/21).

Both these measures have shown fantastic improvement over the last 2 years, with the number of cases meeting the legal timescale improving by nearly 20% over the last two years. This continued improvement is particularly positive and I am delighted by the performance of the team who deserve credit for their achievements.

The **Member Self-Service (MSS) facility** is the Fund's default mode of communication and engagement with Fund members. The number of users of the system has grown to 50% of scheme members as at 30 April 2022, which is a growth of over 13% during the year. As well as providing instant access to certain information and tasks for scheme members, this provides much greater efficiency for the Fund's Administration Team. In the spirit of providing better and more effective member service, the team have been working on improvements to allow scheme members to carry out more processes using the MSS facility, again making it more accessible for those who wish to use it. The officers have worked hard over the year to improve their contact with members who were neither receiving paper communications nor registered on MSS. These exercises have taken place for active and pensioner members of the Fund and have greatly improved the take up of MSS over the year. In total the proportion of the Fund's membership who have positively opted for communications through either MSS or paper communications is around 65% of the membership.

The roll out of **i-Connect**, which is an online administrative module that allows information to be submitted by employers more directly and efficiently into the pension administration system from their own payroll systems, commenced in 2017/18. I am delighted to report that all remaining employers have now signed up on to the live system and data is being submitted in respect of all active members in the Fund, which is excellent news as TPR actively encourages this form of data submission. The Clwyd Pension Fund's Administration Strategy has also been updated to reflect this new medium of transferring employer information.

The Fund relies on employers to deliver their information to the Fund on time so that legal requirements and the Fund's KPIs can be met. Unfortunately, this is not always the case. However, during the year, the Fund officers developed **reporting metrics for employers** so that they are better able to monitor whether notifications of new members to the scheme, leavers and retirements are all being sent by the Fund's employers within agreed timescales. Employers now receive monthly communications showing how they performed in the previous month, with the Fund officers actively engaging with employers to help them meet the requirements. This is an excellent development that allows employers to reflect on their processes around gathering and providing data and make any alterations required to ensure that the Fund receives the data on time and is therefore able to meet the legal and KPI requirements. It also allows the Fund to monitor this on an ongoing basis to quickly identify issues that might be impacting on overall timescales. This is an excellent system set up by the Fund, and as far as I'm aware, very few LGPS Funds carry out monitoring and engagement at this level.

Overall, my general opinion is that the Clwyd Pension Fund compares extremely well to the Aon Governance Framework in the areas of administration and communication. The Administering Authority identifies and sets out clear objectives, has an excellent level of performance measurements in place and demonstrates robust business planning and risk management. The knowledge and understanding of the existing individuals within the Fund is excellent, and the Pension Fund Committee's and Board's engagement on administration is also excellent.

Looking to the future:

- The McCloud remedy is going to remain to be a major programme of work and the greater part of this work will be carried out within the pensions administration team. The significant operational cost of the work, including the additional resources, is likely to only benefit a small proportion of scheme members. Given the magnitude of this work, it will need to be well controlled and resourced, with robust quality checks and efficiencies gained through bulk processing where at all possible. It is putting a strain on employers in providing data which will need to continue to be well managed, recognising the differences in how employers hold and can collate their own data. Further, communications will need to be clear and focused on individual circumstances.

- The staging deadline of the **National Pensions Dashboard** has now been moved to September 2024, delayed by five months from the previous deadline of April 2024 so that funds are provided with more time to implement the McCloud remedy. That being said, the movement to this platform will be another major project requiring significant resource from the Clwyd Pension Fund team in the coming years.
- The Pension Committee signed off on the Fund's new **Communication Strategy** in June 2022. This was a substantial review of the strategy, with emphasis on more accessible and engaging communications. I look forward to seeing the changes that will be made to adhere to the new strategy and the impact of increased active engagement on the Fund's stakeholders as a result.
- The main immediate focus is to ensure timely, accurate and complete submission of data in order to ensure that the **triennial actuarial valuation** as at March 2022 can be completed smoothly, and at the point of writing, this was all going to plan.
- 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 and my previous points about recruitment and retention will be critical to this.

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 would also like to recognise the Committee members who we have said goodbye to this year, and also Colin Everett the Chief Executive who left last year, for their time and commitment to service of the Clwyd Pension Fund, its members and employers. 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.

Appendix 3 - Pension Board Annual Report

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Introduction

- This is the annual report of the Clwyd Pension Fund Board covering the financial year from 1 April 2021 to 31 March 2022.

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 with 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 role but not a decision-making role. For the Clwyd Pension Fund (the Fund), we have very much embraced this role as being about partnership. We work closely with the Pension Fund Committee (the decision-making committee for the Fund) and officers of the Fund in the hope that the questions we ask, and the challenge 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 these roles for a period of between three and five years, although we may be reappointed for future terms if we are selected again through the recruitment process.

Membership, meetings, training and attendance

Our Board membership during 2021/22 is shown in the table below.

During 2021/22 we held three Pension Board meetings (in June 2021, September 2021 and February 2022), all of which were virtual due to restrictions put in place as a result of the pandemic. Attendance at the Board meetings during 2021/22 was as follows:

		June 2021	September 2021	February 2022
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, with the exception of the September 2021 meeting when the Board Secretary sent their apologies.

As members of the Pension Board, we have all committed to meeting the requirements of the Clwyd Pension 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 2021/22 to complement the induction training we undertake on appointment. In addition, we are invited to attend the Pension Fund Committee meetings and their training events.

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 essential training sessions since the policy was formally agreed by the Pension Fund Committee in September 2021.

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

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Independent Chair
Committee Meetings					
June 2021		✓	✓		✓
September 2021			✓		✓
November 2021		✓			✓
February 2022		✓	✓		✓
March 2022		✓	✓		✓
Other Meetings					
Annual Joint Consultative Meeting	✓	✓			✓
Hot Topic (essential training)					
Funding / Flightpath I			✓		✓
Fossil Fuel and Divestment		✓	✓	✓	✓
RI Roadmap			✓	✓	✓
New TPR Code / Pension Scams (Board only)	✓	✓	✓	✓	✓
Funding / Flightpath 2			✓	✓	
Conflicts of Interest	✓	✓	✓	✓	✓
Cyber Security	✓	✓	✓	✓	✓
Tax / Annual Allowance	✓	✓	✓	✓	✓

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Independent Chair
General Awareness					
CIPFA Annual LPB Conference		✓			
LGC Conference March 2022	✓				
Induction					
Investment Practice	n/a	n/a	✓	✓	n/a
Administration	n/a	n/a	n/a	✓	n/a
Accounting Audit & Procurement	n/a	n/a	n/a	✓	n/a
Communications	n/a	n/a	n/a	✓	n/a
Other Wales Pension Partnership Training					
WPP Training Private Markets & Fund Wrappers			✓		
WPP Training RI benchmarks and Reporting			✓		
WPP Performance reporting / ACS Roles and Responsibilities			✓		
WPP Pools / Collaboration			✓		
WPP Good Governance / Cost Transparency			✓		✓

What has the Pension Board done during 2021/22?

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) and data improvement activity,
- reviewing the Fund's risk register,
- receiving updates on all compliments and complaints, and
- monitoring of our allocated budget.

Key governance matters that we discussed during the year included:

- Continual monitoring of the impact of the **Covid 19 pandemic** on the Fund. In particular, we noted that meetings and day-to-day interactions still largely continued to take place virtually during 2021/22. Pension Board business including some training courses and conferences were increasingly conducted via a “hybrid” format, where some individuals meet in person while those who choose to, are able to attend virtually. The impact of sickness was minimal and short-term in most teams with no or little effect on services.
- Regular updates on **recruitment and retention** within the teams. Unfortunately, this is now an area of concern with some resignations, and difficulties in recruiting to both existing posts and new posts that have been recently created.
- Management of **cybercrime risk** for the Fund on which we continue to look for assurance given the continually changing environment. This is currently a standard items at all meetings and we have received updates on the progress on the delivery of the Fund’s Cyber Security Strategy including supplier assessments and data and asset mapping. At the September meeting, we received a presentation from a cyber specialist on the independent assessment of the Fund’s administration system provider.
- The development of the Fund’s new **business continuity** plan which will be finalised during 2022/23, including the detailed work the officers of the Fund have been carrying out in determining dependencies for their critical processes.
- An **effectiveness survey** which members of the Pension Fund Committee were asked to complete earlier in the year. The results, which were extremely positive, were discussed with the Board. It was encouraging to know that the Committee value the Board’s input in light of our advisory role.
- The progress of **asset pooling** through the Wales Pensions Partnership (WPP). Our focus remains on the governance of WPP and during the year we have closely monitored activity

in this area including the development of key policies and the WPP's Business Plan. There is a potential change in ownership for the Operator, and there is an ongoing investigation by the FCA, both of which we are continuing to monitor. The Chair of the Board continues to attend regular asset pooling meetings with the other Welsh Chairs.

- The Fund's compliance with **The Pension Regulator's Code of Practice** for Public Service Pension Schemes. The Fund is fully compliant in most areas of the Code and the small number of areas that require attention are being worked on in 2022/23. We also received a presentation on The Pension Regulator's New Single Code which is due to come into force later in 2022.
- The Fund's new **Knowledge and Skills Policy and Conflicts of Interest Policy** which we adopted in September. As a Board we are committed to meeting the requirements of these policies.

Key administration matters that we discussed during the year included:

- The consultation on the remedy following the **McCloud judgemen**t, which was finalised in May, with legislation expected to be in force on 1 October 2023. The Board received updates on the Fund's programme of work at each meeting. In addition, all Board members are part of the McCloud Steering Group which has oversight of all areas relating to McCloud. We have been pleased with the progress made on the McCloud remedy programme this year.
- **Pension scams** which are a big concern throughout the pensions industry. We received a presentation on these and the Pensions Administration Manager was reassuring about how the risk of scams is reduced and we were pleased that no scams took place for the Fund. This is an area we are continuing to monitor.
- **Ongoing issues with Prudential** as the Fund's external AVC provider, which we have been tracking. We are disappointed that the members' experience of the Fund is being negatively affected by an external provider but are very appreciative of the work done by the Pensions Administration Manager in escalating the issues within Prudential, and are pleased to see the services are now improving.
- The **Data Improvement Plan** on which we remain engaged with Pension Fund Officers on. We were pleased to note that the common and scheme specific data scores had both slightly improved but recognise that there will be a point at which the time taken to improve the data further will exceed the benefits of improving the data. We were very pleased to see that the Fund has invested in tools to allow officers to monitor the data quality more frequently than the previous annual exercise. It is also clear to see that having all employers electronically uploading their pension data monthly has resulted in data being much more up to date and of a good quality.

- **Member cases received, completed and outstanding**, the updates on which painted a positive picture, particularly given the challenges of the pandemic. It was extremely pleasing to see that the total outstanding cases dropped to the lowest level since monitoring began. That being said, we recognised that there were some **key performance indicator** areas where targets were not being met on a consistent basis much of which was due to ongoing recruitment and training. Furthermore, the new process for monitoring of **employer service level standards** was shared with us. We consider this to be extremely useful in ensuring the Fund meets legal deadlines for delivering to scheme members and we will receive regular updates on this going forward, including how the Fund is engaging with employers who are not meeting the agreed timescales.
- How the **Member Self-Service** facility is being utilised. During the year there was a significant increase in members registering for the service due publicity run by the Fund. The Board are very supportive of scheme members being able to access information instantly through this facility.

We continued to monitor other **topical developments** and have taken a close interest in a number of areas during the year including a slight increase in the number of breaches of the law arising from specific employers, the pensions dashboard project, and implementation of responsible investment and climate change strategies.

The Pension Board's budget and final spend for 2021/22 are summarised below:

Item	**Budget 2021/22**	**Actual 2021/22**	**Variance**
	£	£	£
Allowances and Expenses	2,034	1,090	(944)
Training	19,634	40,594	20,960
Advisor Fees	64,915	55,215	(9,700)
Other Costs	4,700	4,360	(340)
Total	**91,283**	**101,259**	**9,976**

What will the Pension Board do in the future (in particular in 2022/23)?

We have a number of items on our forward plan for 2022/23, 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:

- A consultation on the Task Force on Climate-Related Financial Disclosures that is expected to take place in autumn 2022 and how the Fund is implementing this.
- Ensuring that the Fund is compliant with the TPR's Single Code of Practice that that is expected to come into force during the year.
- The governance of the 2022 actuarial valuation including communications with the Fund's employers.
- The management of the Fund's cashflows in light of potential reductions in contributions required from employers arising from the completion of the 2022 Valuation.
- Review of audit reports and implementation of their recommendations.
- Considering the results of a survey of Pension Board members to assess the effectiveness of the Fund's governance arrangements.
- Ensuring the new members of the Pension Fund Committee are offered and undertake appropriate training.
- Ongoing further consideration of several of the areas noted above, 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
    - Continuous monitoring of both the administration team and finance team resources.

A budget for 2022/23 has been agreed as follows:

Item	Budget 2022/23 £
Allowances and Expenses	2,192
Training	33,148
Advisor Fees	72,313
Other Costs	4,700
Total	**112,353**

Conclusion and final comments

In our view 2021/22 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

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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 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 has been updated in June 2022. The Strategy outlines how we will 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 and the new Strategy includes a greater focus 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's day to day administration service is provided by the Pension Administration Team which consists of a total of 47 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 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, and the Regulations and Communications Team provides guidance on regulatory matters to all stakeholders and a communication service for Scheme members and employers.

COVID-19 Update

The coronavirus pandemic forced staff members to work from home from March 2020 and to make changes to processes ensuring service delivery was maintained. During 2021/2022 the impact of Covid-19 from a stakeholder experience continued to be minimal. The main changes that were put in place at the beginning of the pandemic have been in relation to incoming/outgoing post where processes were adapted to ensure continuity in this area. Staff members have continued to work from home during the last year remaining contactable with interviews, training sessions and meetings taking place via virtual methods. Productivity levels have remained consistent and, in some areas, improved. Regular meetings have taken place to give staff members the opportunity to catch up with each other and a continued focus for the management team is ensuring well-being of all staff members.

Summary of Activity

In addition to this day-to-day work during 2021/2022 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 developed a data improvement plan for 2021/22 onwards in readiness for the annual review of common and scheme specific data which is reported to TPR. The results 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 below).

	Common Data %*	Scheme Specific Data %*
2021 / 2022	98	98
2020 / 2021	97.7	97.3
2019 / 2020	97.4	97.2
2018 / 2019	96.8	92.7
2017 / 2018	92.7	68.2

*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, Her 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 in order 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.

The new employer reporting functionality that was developed last year has facilitated the identification of 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 also where improvements are required.

i-Connect

In 2021/22 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 pension's administration system on a monthly basis. We have 52 out of 54 employers submitting data related to active members using i-connect which is 99% of membership (the two employers not using i-Connect are transitioning to a new payroll provider but are committed to on-board when appropriate). The Fund provides training to all new employers to ensure they supply their data through i-Connect, and the use of the functionality is now a requirement as part of the Fund's 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 www.mss.clwydpensionfund.org.uk

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 are able to download Scheme literature and forms from the website. In the last 12 months, work has been done to ensure that all guides and forms have the same brand and style. The forms have also been made more user friendly by making them editable. This allows members to complete the forms online and return them to us electronically, instead of having to print out the form to complete it and return.

All the Fund's policies and strategies as well as information on the investments of the Fund are also available.

Due to 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 device. It is anticipated that these regulations will be updated to WCAG 2.2 in September 2022.

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 2022 scores compared to 31 March 2021 scores.

	31/03/2021	31/03/2022
Digital Certainty Index	92.1%	93.18%
Quality Assurance	98.0%	98.88%
Accessibility	97.3%	95.67%
Search Engine Optimisation	81.0%	84.98%

Member 1-2-1 Sessions

Member 1-2-1 sessions were held virtually again in 2021/2022. These were a mixture of video calls and telephone calls. The sessions ran from October 2021 through to February 2022. The Communications Team met with members covering a mixture of active and deferred members. Below are some statistics on the 1-2-1 sessions:

Number of 1-2-1 dates offered	39
Number of 1-2-1- appointments offered (TOTAL)	269
No of 1-2-1 appointments taken	96
Take up rate (%)	35.69%
Members attending their scheduled appointment	89
Members not attending their scheduled appointment	7

Moving forward, the Clwyd Pension Fund will hold 1-2-1 appointments as and when requested by the member as opposed to designating a proportion of the year specifically for 1-2-1 sessions.

Employer Liaison Team (ELT) Services

The ELT continues to be available to Fund Employers who may require assistance in order to meet their employer obligations for providing information to the Fund, both in relation to day to day notifications and any project work required, for example, as a result of regulatory or system changes.

During the year, the ELT has worked closely with a number of the Fund's employers to successfully collate, validate and then upload data on a monthly basis through i-Connect. This monthly process relates to data for more than 10,000 scheme members.

The ELT has also assisted its employers in several other areas during 2021/2022. This included ongoing data cleansing projects and additional support during a period of staff change with the supply of additional pension information on behalf of an employer.

The current ELT employers have each enlisted the assistance of the team in order to meet their obligations required by the McCloud remedy (considered further in the next section). The ELT has assisted with the design of new payroll system reports for each employer to extract the required data and then collating, formatting and validating the data to meet the Fund's requirements.

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. This 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. This focused on remedies which will result in changes to scheme benefits some of which will be retrospective. We expect a full response to the consultation in the second half of 2022 and final changes to the scheme rules are 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 a large number of scheme members including some members who have left since 1 April 2014. The change involves providing younger members with protection equal to the underpin protection already given to older members. Despite this protection impacting on a lot of members, most are unlikely to see an increase to their pension. Regardless this is likely to significantly impact on administration processes and systems as well as requiring a robust communication exercise with employers and scheme members. The Fund has established a McCloud programme to implement the remedy for Clwyd Pension Fund. The main focus during 2021/2022 was collecting historical data from employers relating to part-time hours worked and service breaks for scheme members so benefits can be recalculated when the scheme rules are amended. .

National Pensions Dashboard

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all pension savers in the UK access to view the values of all of their pension pots, including state pension, through one central platform. A consultation was undertaken by Government in early 2019 which sought views on the potential phasing of the introduction of the pensions dashboards as well as how the architecture, funding and governance arrangements would work. The Pension Schemes Act 2021 provides the legal framework for implementing the dashboard. A consultation on regulations closed in March 2022 and these regulations will include more detail on the requirements to participate in the Pension Dashboard for schemes. The consultation response has clarified that public sector pension schemes will be expected to initially onboard by 30 September 2024 with full data having to be provided by 30 April 2025. During 2021/22 the key focus in this area was understanding the requirements and feeding into consultations. The Pensions Administration Manager is participating in a PLSA working group on the development of the Dashboard. The Clwyd Pension Fund has also volunteered to be part of the testing of the pension dashboard enhancements being integrated into the administration software. The main work for onboarding to the Dashboard will commence during the second half of 2022/2023.

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 August 2022.

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 addition the results of the 2020 cost management process are also outstanding albeit the cost management mechanisms have been updated from the 2016 process.

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. Changes are still due to be introduced which may include separate rules for the LGPS. However Welsh Government might implement a different approach to meeting the exit cap requirements which would then impact on some of the employers in the Clwyd Pension Fund.

Increase in minimum retirement age

The Government has also announced that the earliest age a pension can be taken (other than in some cases of ill-health) will be increased from 55 to 57 in April 2028. Protections to retain the minimum pension age of age 55 may be available for those who were scheme members in on or before 3 November 2021, but these would need to be introduced into the LGPS Regulations.

2021/2022 key performance and other information

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
- 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.

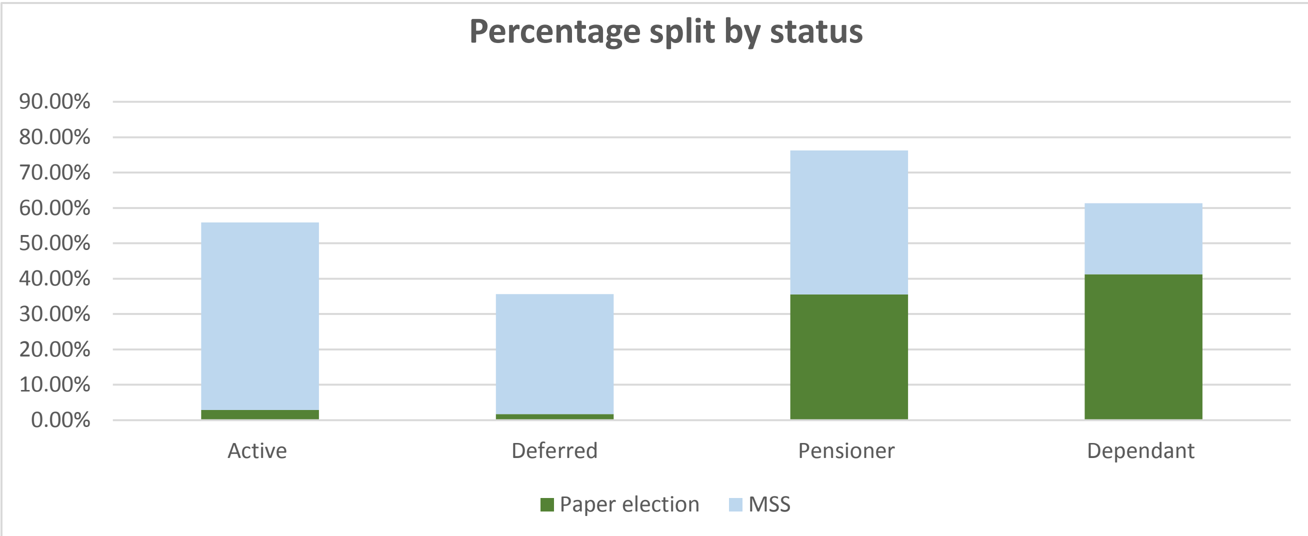
Members who use MSS receive their correspondence electronically, automatically uploaded to their account. They are notified by email each time information is uploaded.

As at 31st March 2022, 48.40% of Clwyd Pension Fund's membership had registered for MSS. To compare, as at 31st March 2021, 36.13% of Clwyd Pension Fund's membership had registered. This means that the registration uptake has increased by 12.27% during this period.

The Clwyd Pension Fund has recently started to record statistics for those members who have elected to receive paper correspondence. Early indications show that approximately 15% of our membership has currently opted for paper communications, rather than using MSS.

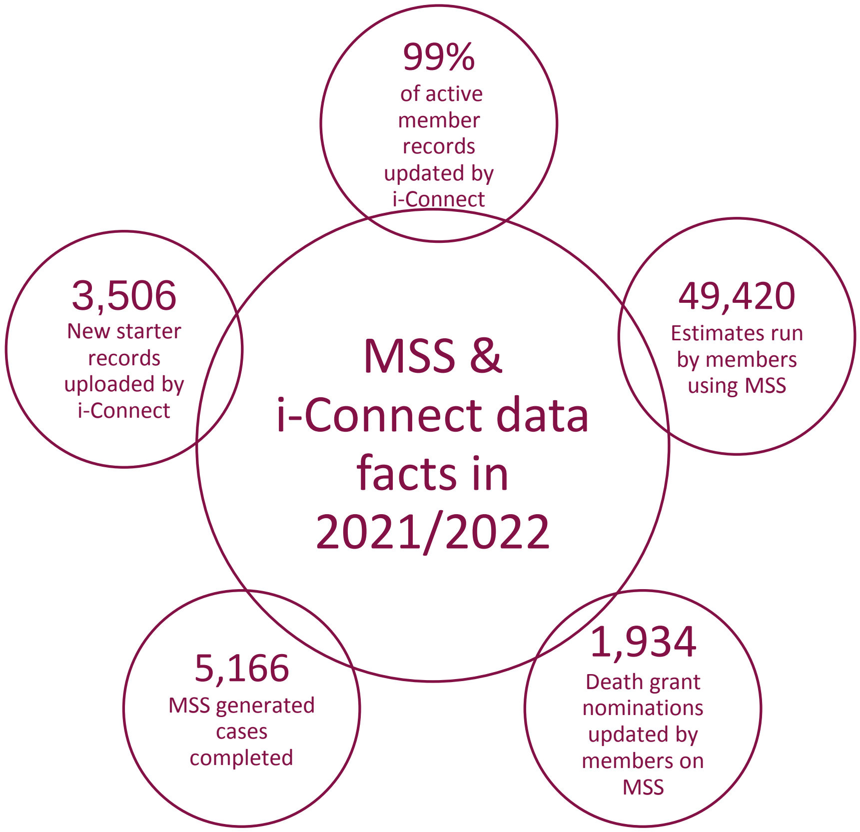
The ratio of paper versus MSS communication preference can be broken down into the different membership status types as seen in the graph below: MSS continues to be an effective method of communication, allowing Clwyd Pension Fund to upload documents such as retirement packs and estimates to members' 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 2021/2022.

Full time equivalent staff in the Pension Administration Team	Total Fund members	Ratio of staff to members of Fund	Average cases completed per member of staff
33.1	49,495	1:1,495	1,001

Summary of Employers as at 31st March 2022

Employers	Active	Ceased	Total
Scheduled bodies	35	20	55
Admitted bodies	19	19	38
Total	**54***	**39**	**93**

*excluding Councillors

2021/2022 New Pensioners

Retirement Type	Number of Retirements
Ill Health	44
Early	406
Normal Retirement Age (NRA)	75
Late	143
Redundancy/Efficiency	25
Flexible	17
Trivial Commutation	79
Total	**789**

Member Trends:

Year	Contributors	Deferred (Including Undecided & Frozen refunds)	Pensioners	Dependent Pensioners	No. of Redundancy & Efficiency Enhanced Benefits	No. of Ill Health Enhanced Benefits - tier 1 only
2018/19	16,528	18,573	11,249	1,732	64	15
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

Analysis of Pension Overpayments and Write Offs

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 below. 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.

Overpayments relating to the GMP reconciliation exercise are not included in these figures.

	2021/22		2020/21		2019/20		2018/19		2017/18	
	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases
Amounts under £100	£6,516	166	£6,348	151	£4,435	129	£6,270	154	£6,164	150
Overpayments Recovered	£38,056	92	£26,716	92	£29,277	76	£39,685	90	£51,265	102
Overpayments Written Off	£0	0	£498	2	£0	0	£2,742	4	£990	3

Key Performance Indicators (KPI)

The Fund measures a number of 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 in order 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	4,072	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	84%	30 working days from receipt of all information	99%
To inform members who leave the scheme of their leaver rights and options	2,030	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	98%
Obtain transfer details for transfer in, and calculate and provide quotation to member	309	2 months from the date of request	78%	20 working days from receipt of all information	69%
Provide details of transfer value for transfer out, on request	456	3 months from date of request (CETV estimate)	98%	20 working days from receipt of all information	81%
Notification of amount of retirement benefits	1,534	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]	86%	10 working days from receipt of all information	90%

Providing quotations on request for retirements	883	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	89%
Calculate and notify dependant(s) of amount of death benefits	207	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)	87%	10 working days from receipt of all information	81%
*Calculate and Notify member of CETV for Divorce/Dissolution Quote	103	3 months from the date of request	99%	20 working days from receipt of all information	95%
*Calculate and Notify members of Actual Divorce Share	5	4 months from the date of the pension sharing order, or the date where all sufficient information is received to implement the order	60%	15 working days from receipt of all information	60%
*Calculate and pay a Refund of contributions	350	N/A		10 working days from receipt of all information	61%
*Calculate and Pay retirement lump sum	1,062	N/A		15 working days from receipt of all information	96%

*Calculate and Notify member of Deferred Benefits	1,821	N/A		30 working days from receipt of all information	35%
*Initial letter acknowledging death of member	442	N/A		3 working days from receipt of all information	78%

Other performance information

The total number of cases completed annually continues to increase. Despite that, 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 2021/2022

Case Type	Cases
New Starters	3,506
Address changes (including via MSS)	3,535
Defers	1,830
Refunds	709
Retirements (all types)	1,437
Estimates (all types)	883
Deaths (deferred, active and pensioners)	530
Transfers In	300
Transfers Out	404
Divorce Quote	106
Divorce Share	5
Aggregation	2,111

2020/21

Total cases completed

29,854

2021/22

Total cases completed

31,152

Case Movement

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Start total	5,127	5,074	5,005	4,905	4,962	5,074	5,708	6,197	5,463	5,135	4,835	4,985
Completed	2,306	2,457	2,578	2,165	2,218	2,539	2,974	3,647	2,566	3,057	3,344	5,024
Received	2,295	2,411	2,493	2,280	2,418	3,253	3,539	2,937	2,291	2,760	3,512	4,961
Deleted	42	23	17	58	88	80	76	23	53	3	18	13
Remaining	5,074	5,005	4,905	4,962	5,074	5,708	6,197	5,463	5,135	4,835	4,985	4,909

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 97.7% and 97.3% respectively and these have significantly improved in recent years 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. We achieved an increase of 12.27% from March 2021 to March 2022.
- We strive to use digital communications as a default in all situations unless there are valid reasons not to do 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 £36.35 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 £88.44 per member. This represents a position within the upper quartile of the Funds included in the comparison.

Furthermore, in 2021/22 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 2021/2022 and their outcomes:

2021/2022	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	7	0	3	4
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	0	0	0	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, 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, CH7 6NA.

Email: Karen.williams@flintshire.gov.uk

Tel: 01352 702963

Appendix 5 - Funding and Flightpath Review

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An update from the Actuary

I am delighted to provide my annual update from an actuarial perspective on the activities of the Clwyd Pension Fund (the Fund) during 2021/22. This was a particularly difficult period given the impact of rising inflation, rising interest rates and the likely global recession in major economic markets. We have now entered a stagflationary environment (lower growth, higher inflation), which will be a challenge for the Fund, given the liabilities are directly linked to UK Consumer Prices Inflation (CPI). This means the assets need to work harder to keep pace with the increasing liabilities.

Despite the challenging economic environment, the Fund has been resilient both financially and operationally over this period, which is testament to the strong governance and oversight in place. It is pleasing to see that the estimated funding position, whilst volatile, is still above 100% at the end of March 2022 based on an approximate roll forward of the 2021 interim valuation update. This will be formally reviewed as part of the 2022 actuarial valuation, which will be a key project for the Fund and employers over the coming year. The results and employer contributions will be formally signed off in March 2023, with the new contributions coming into effect from 1 April 2023.

The Risk Management Framework has been integral to achieving the surplus funding position and will help provide much needed overall contribution stability. The challenge now is to consider how we can maximise the chance of remaining fully funded or better through a combination of the investment strategy and employer contributions to provide ongoing stability, particularly in light of the high inflation that has continued after 31 March 2022. This is a delicate balance as providing more certainty through reduced risk may result in lower returns being achieved, which in turn would impact on the funding position, and increase contribution requirements.

Going forward there is little doubt that we are going to see further increases in interest rates in the UK and globally to try to mitigate the spiralling inflationary environment. Whether the monetary policy can influence materially on this given the structural supply and labour issues we are seeing in the UK remains to be seen. Whatever approach is taken, there is no doubt that the Fund is facing a number of challenges, but I do know that having the Risk Management Framework and the exceptional wider financial governance framework in place will help the Fund navigate this as effectively as possible.

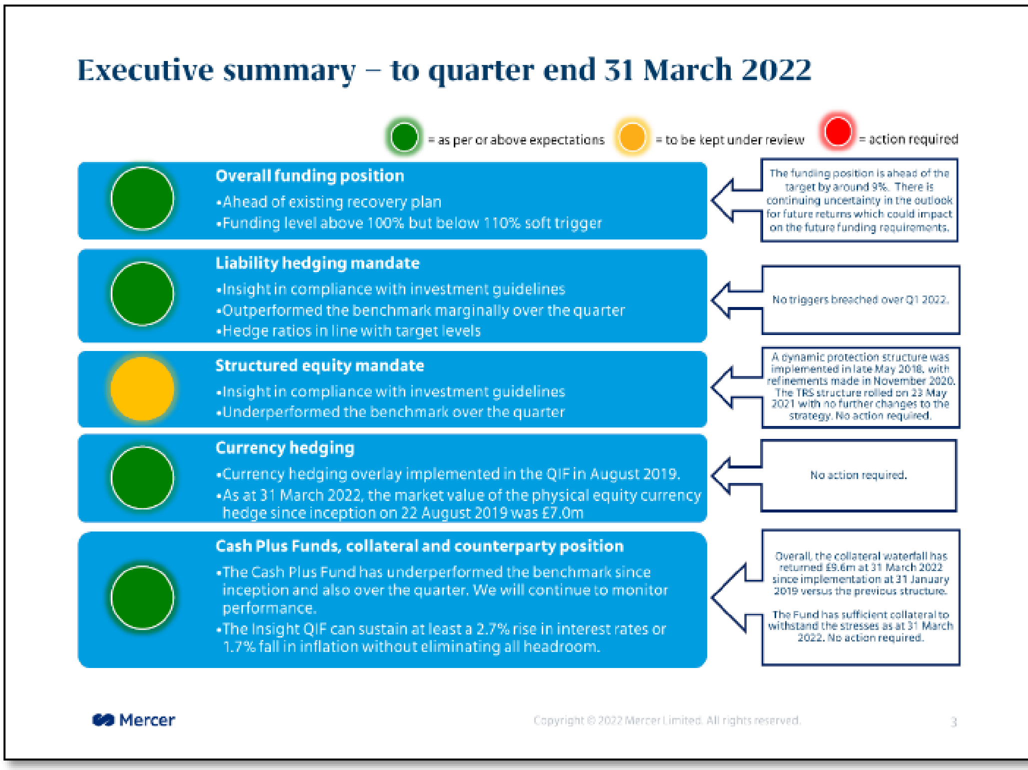
Risk Management Framework

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 for 8 years now and there have been big strides forward in achieving the objective of reaching full funding by 2026.

Over the year, the level of liability risk hedging (the “hedge ratio”) within the framework increased marginally (to just over 25% for interest rates and 40% for inflation expectations. We have seen several increases in interest rates and bank base rates are currently at 1.75% (as announced on 5 August 2022) with more increases likely. The level of inflation hedging has provided some protection against the rising inflationary environment.

The funding plan was well ahead of the target set as part of the 2019 valuation as at 31 March 2022 despite the ongoing uncertainty in investment markets. Overall, the funding position was estimated to be 101% as at 31 March 2022 based on a roll forward from the 2021 interim valuation review, which was 8% ahead of target meaning that the full funding objective was met despite the increased inflation and falls in markets. However, we have seen some deterioration since 31 March 2022 due to the continued ongoing inflationary pressures (increasing the liabilities) and the falls in asset values. The position remains volatile and we expect this to continue for a while yet.



We monitor the funding position on a monthly basis and the impact of the funding deterioration will be considered as part of the 2022 valuation and the employer contribution requirements, noting that the inflationary pressures are also affecting employer budgets through wage inflation and operational costs from energy and other goods.

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 March 2022 is shown. It can be seen that all aspects were in line with expectations apart from:

- The synthetic equity mandate has seen some underperformance relative to an unhedged equity position since inception. This is driven by the sharp rally in equity markets post March 2020 following the Covd-19 market recovery, which caused the value of the equity downside protection to be less valuable. Overall, however, the rally in markets has meant that the synthetic equity mandate has been a key contributor to the improved overall funding position. This equity downside protection is still critical to the overall strategy of protecting against large falls in markets, such as those we experienced last year due to the economic impact of the pandemic.

- It should be noted that, having an equity protection policy in place will protect from any large changes in equity markets. Importantly over the longer-term, the increased security allows less prudence in the Actuarial Valuation assumptions, which could translate into lower contributions at the 2022 valuation, and maintaining the equity exposure supports a lower cost of accrual than under traditional de-risking methods.
- The Fund will consider the current high inflationary environment in relation to setting the inflation assumption for the formal actuarial valuation as at 31 March 2022. This includes considering the effectiveness of the Bank of England's monetary policy of increasing interest rates.

Changes to the Risk Management Framework

Following the strong performance of the framework and analysis of the collateral adequacy position, the Funding and Risk Management Group (FRMG) agreed to release £100m of collateral from the risk management framework. It was decided that this would be invested into private market assets over the next few years. Given it takes time to fund these investments, £50m of the earmarked value was invested within the collateral management strategy within the framework in order to generate additional return in the interim. The FRMG also put in place a robust cash management plan should the Fund need to source liquidity at short notice, improving the governance around cashflow management.

The Flightpath framework will continue to be monitored as part of the regular FRMG meetings.

What will we need to consider during 2022/23?

As well as the challenge of the global economic environment, there are a number of other areas that the Fund will need to navigate and react to.

- **2022 actuarial valuation** – The effective date for the 31 March 2022 valuations has now passed. Work is now well underway as the Fund and the Actuary begin to consider the assumptions (financial and demographic) to adopt and the outlook for markets. The results will be communicated to employers during Q4 2022 and summarised within the 2022/23 update from the Actuary.
- **Impact of rising inflation and interest rates** – As you will be well aware, the rate of inflation has recently reached its highest level in over 40 years, with the annual increase in CPI to June 2022 hitting 9%. It is quite conceivable that the April 2023 pension increase (which is based on the September 2022 annual CPI value) could be double digit, which is the highest pension increase since the 1970's. This has been driven by various factors initially, but also exacerbated by the impact of the crisis in Ukraine on energy, petrol and food prices with other factors such as low unemployment adding to concerns of sustained high inflation.
- The Bank of England has already taken some steps to control UK inflation and at the August monetary policy committee increased the base interest rate to 1.75% p.a., aiming to encourage saving instead of spending, and hence more price competition. It predicts that this will bring CPI inflation to below its 2%

target within a few years, although this seems somewhat optimistic given the global influences on UK inflation, which are not within the Bank of England's gift to control. As a result, there is considerable uncertainty in how prolonged the situation may last and this uncertainty was highlighted by the Bank of England in its latest forecast.

- **Climate change** – at the time of writing we are seeing a year of record-breaking temperatures in the UK and rightly climate change continues to be one of the issues at the top of the agenda. The Fund rightly has climate change at the centre of its policies and is already taken steps aiming to manage climate change risk within the investment strategy through its net zero policy and impact investing. We will be considering this in more detail from a funding perspective for the 2022 valuation. This will comprise using scenario analysis to test the potential evolution of the Fund's funding position over time under different climate change transition scenarios, which will help inform our understanding of the resilience of the funding strategy and how the current investment strategy plus planned future changes impact on this.
- **Maintaining full funding** – In light of the funding level moving over 100%, the challenge is how do we maintain or even improve this position through contributions and investment returns. This cannot be guaranteed and will be a delicate balance between a number of often competing factors. The 2022 actuarial valuation will also impact on the funding level as updated membership data and assumptions (including demographic factors) are incorporated.
- **McCloud remedy** – On 10 March 2022, the Public Sector Pensions and Judicial Offices Bill received Assent. The next stage in the process will therefore be for Regulations for each of the Public Sector Schemes to be released together with a consultation on draft guidance to assist Funds in implementing the remedy. Both are expected prior to parliamentary recess in the summer of 2022.
- From a funding perspective, a letter from the Head of Local Government Pensions at DLUHC was forwarded to administering authorities setting out DLUHC's recommendations on how the impact of the McCloud Judgment should be taken into account as part of the 31 March 2022 actuarial valuation. For the Fund, the recommendations were in line with the treatment already incorporated into the 2019 valuation outcomes and hence no significant changes in approach/outcome are expected as part of the 2022 valuation exercise other than for those employers who decided not to make a provision in their current contributions rates.

I have covered a wide range of challenges and opportunities for the Fund and I remain confident that we are in the best place possible to navigate these over the next few years and beyond given the strong financial governance in place.

Paul Middleman FIA

Fund Actuary and Pensions Advisory Panel member

Appendix 6 - Investment Policy and Performance Report

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I am pleased to provide an update from an investment perspective on the activities of the Clwyd Pension Fund (the Fund) during 2021/22. As the Fund's Investment Consultant, I provide advice to the Fund on how to manage various investment risks. I also have a specific role in guiding the overall direction of the Fund via my seat on the Fund Advisory Panel and the Funding and Risk Management Group (FRMG).

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 the 13-year average timeframe, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Minimise unrecoverable debt on employer termination
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- 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 (WPP) 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.

This report demonstrates progress made towards these long-term objectives during the year, compliance with the ISS, the economic and market environment and changes implemented or planned during the year.

Market Commentary

- The world entered the second quarter of 2021 with heavy COVID-19 related restrictions in place. The successful roll-out of vaccinations in developed countries created optimism over imminent reopening's that would be more sustainable this time than a year before. The reopening rebound in July and August 2021 in developed countries did indeed materialize and drove risk-on sentiment initially. However, some emerging economies re-imposed restrictions, which added to already existing supply chain pressures. The supply impact was felt with increasing intensity in September with bottlenecks in a large number of areas.
- One major event was a run on UK petrol stations at the end of September after rumours of fuel shortages became a self-fulfilling prophecy. Rising energy future prices in the UK and Europe led to a further deterioration in sentiment. In the emerging world, China's attempt to deflate its property market by tightening credit increased financial distress and led to the bankruptcy of some large property developers, most notably Evergrande. This came in addition to its disruptive regulatory campaign that created enormous uncertainty for Chinese companies and led to a sharp deterioration in business sentiment.
- The fourth quarter did not bring much better news for investors. Persistently high inflation in both developed and emerging countries prompted central banks to become more hawkish. Tightening in emerging markets that had already started reacting earlier in the year continued. The Federal Reserve began to taper asset purchases, setting the stage for interest rate rises as early as in 2022. The Bank of England increased rates by 15bps to 0.25% in December. Only the European Central Bank and Bank of Japan remained on the fence.
- There was a further COVID-19 variant scare from late November onwards but with a more limited impact this time. International travel restrictions were somewhat tightened and only few countries in Europe re-imposed meaningful domestic restrictions. The US and UK opted instead for a more pragmatic approach of keeping their economies open and focusing on making booster vaccinations more widely available. Some optimism returned late in the year as existing vaccines proved to still be sufficiently effective against severe symptoms whilst the new variant also appeared to be less severe than feared, although more contagious.
- At first, 2022 started on a positive note. The continued absence of far-reaching COVID restrictions in developed countries supported demand. Although inflation came in at elevated levels, a combination of improving supply chains and moderate monetary tightening was expected to bring it under control. The invasion of Ukraine and subsequent spike in commodity markets completely changed this narrative. Central banks were forced to accelerate this pace of tightening even as growth expectations were dialled down. The recovery in supply chains was nipped in the bud both due to the conflict, sanctions on Russia and China locking down large manufacturing hubs.

- Overall, the 12-month period was shaped by a strong global economic recovery supported by economies reopening, higher increased household savings and loose monetary policy. This position fell under pressure in 2022 amid rising inflation, tightening monetary policy, the conflict in Ukraine and renewed lockdowns in China, just when there was hope that supply chains would improve and COVID-19 would cease to cause major economic disruptions.
- At a global level, developed markets as measured by the FTSE World index, returned 14.9%. Meanwhile, a return of -3.3% was recorded by the FTSE All World Emerging Markets index.
- At a regional level, European markets, excluding the UK, returned 6.5% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 13.0%. The FTSE USA index returned 19.3% while the FTSE Japan index returned -2.3%. UK equities caught up considerably with global equities in the first quarter of 2022 due to the index's large exposure to oil, gas and basic materials.
- Equity market total return figures are in Sterling terms over the 12-month period to 31 March 2022.
- UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -5.1%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -7.2% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 1.2% to 1.7% while the Over 15 Year index yield rose from 0.7% to 1.1%.
- The FTSE All Stocks Index-Linked Gilts index returned 5.1% with the corresponding over 15-year index exhibiting a return of 3.9%. Rising inflation expectations offset rising nominal yields to an extent, cushioning the fall of real yields somewhat which explains the outperformance of index-linked gilts relative to nominal gilts.
- Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned -5.1%.
- Over 12-month period to 31 March 2022, the MSCI UK All Property Index returned 23.9% in Sterling terms. All three main sectors of the UK Property market recorded positive returns over the period (retail: 20.8%; office: 6.7%; and; industrial 42.3%).
- The price of Brent Crude Oil rose 69.2% from $63.52 to $107.46 per barrel over the one-year period. Commodities rallied significantly in the first quarter of 2022, as Russia invaded Ukraine. As Russia was sanctioned by large parts of the world, energy markets spiked due to the uncertainty of supply given Russia being such a large supplier of oil and gas to Europe.
- The S&P GSCI Commodity Spot Index returned 62.4% over the one-year period to 31 March 2022 in Sterling terms.
- Over the 12-month period to 31 March 2022, Sterling appreciated by 0.8% against the Euro from €1.17 to €1.18 and appreciated 4.8% against the Yen, from ¥152.46 to ¥159.81. Sterling depreciated against the US Dollar by -4.6%, from $1.38 to $1.32.

Clwyd Pension Fund Investment Performance 2021/22

The Fund posted strong investment returns for the year returning 13.3% for the twelve months, well ahead of the Actuary's future service return assumption of CPI +2.25%, as quoted in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS).

The Fund returned 13.3% compared with a composite benchmark (of the underlying manager benchmarks) of 9.1%. Whilst the returns for the year were well ahead of the required rate, given the impact COVID-19 had on the preceding year's returns, it remains appropriate to see this in context of the longer-term performance. Over three years to the 31 March 2022 the Fund achieved a return of +9.9% per annum, compared with a benchmark of +8.9% per annum. This performance is also well ahead of the future service target of CPI +2.25%.

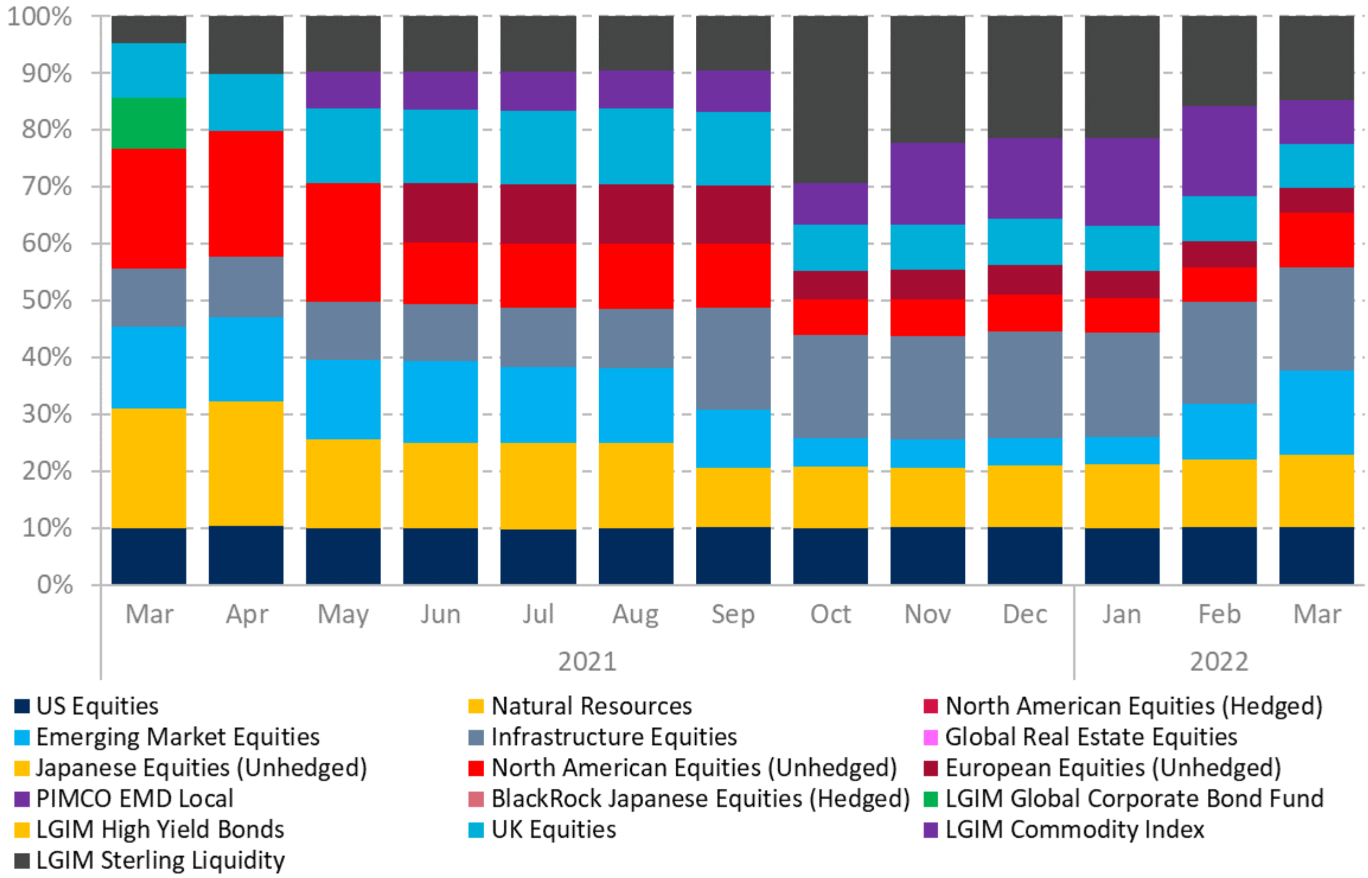
The Equity portfolio that includes Global and Emerging Market Equity exposures returned +2.3% due to the falls in equity markets over the year to 31 March 2022. The BlackRock World ESG portfolio returned +16.8%, outperforming its target of +16.5%, whilst the Russel WPP Global Opportunities portfolio returned +11.0%, underperforming its target of +14.6% over the 12 months.

The Multi-Asset Credit (MAC) portfolio produced a negative return of -2.1% against a target of 4.1%. The portfolio mainly detracted due to security selection within the US and the impact that the Russian invasion of Ukraine had on credit markets in late February and March of 2022.

The Best Ideas Portfolio produced a return of +20.3% over the one year period to 31 March 2022, well in excess of its long term target of CPI +3.0% p.a.

Throughout the year under review, a number of positions have been taken within the underlying composition of the Best Ideas portfolio as demonstrated in the chart below. There is a monthly meeting of the Tactical Asset Allocation Group where Mercer monitor and review the portfolio and make recommendations to the

Fund Officers. A robust process has been put in place with a transparent audit trail (including minutes of all meetings) documenting any changes and decisions together with their rationale.



Source: Mobius Life

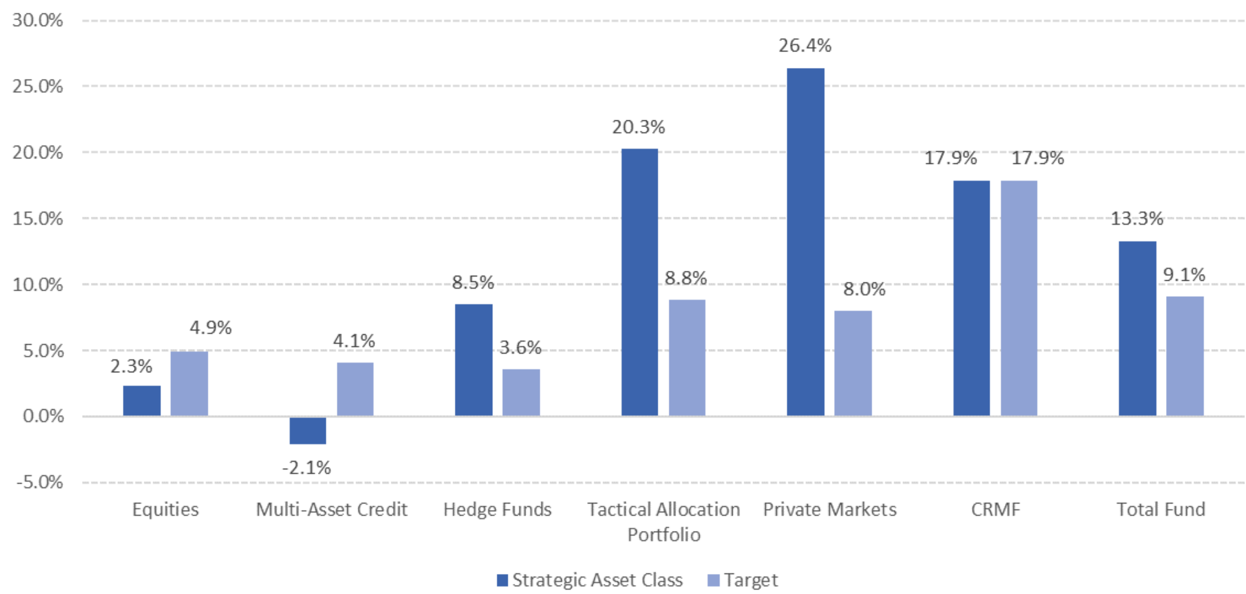
The chart demonstrates the diversified nature of the holdings within the Best Ideas portfolio, which has included Developed Equities, Emerging Market Equities, Commodities and Corporate Bonds as well as liquid alternatives in the form of listed Infrastructure. It also shows how the underlying holdings have changed following decisions that have been taken by the Tactical Asset Allocation Group over the year. One key holding during the year has been the Sterling Liquidity (cash) fund. This has been particularly helpful at the start of 2022 as market volatility and falling valuations hit all investors.

The Managed Account Platform with MAN contains a Hedge Funds portfolio, which produced a strong absolute return of +8.5% during the year. The portfolio was restructured as part of the strategic review and the new structure was in place with effect from April 2020.

In the 12 months under review the Private Markets assets lead performance achieving a positive return of +26.4%. Within the Private Markets portfolio Local/Impact and Private Equity posted the strongest returns, returning +40.3% and +36.0%, respectively.

The Cash and Risk Management Framework investment portfolio (a key component of the Risk Management Framework) which consists of regional synthetic Global Equities, Gilt and inflation exposures (as well as equity protection and currency hedging strategies) returned +17.9% in 2021/22. However, the performance of this portfolio over the short term is less relevant due to its risk management characteristics. The risk management elements of the portfolio performed as expected and managed the fund's risks effectively over the period.

The chart below summarises the 12-month performance against the target for each of the Fund's asset classes and managers together with the total Fund. It should be noted we have only included those funds/asset classes that have a full 12-month return.



Source: Investment Managers, Mercer

Summary of Investment Performance 2021/22

Market conditions over the year to 31 March 2022 year were beneficial for investors, and the Fund benefited from these investment markets. COVID-19 restrictions were lifted across the globe which improved investor sentiment. The first quarter of 2022 has seen markets fall off largely due the tightening of monetary policies across UK, US and Europe as well as the impact on supply chains resulting from the Russian invasion of Ukraine, which has ultimately reduced the yearly returns to March 2022.

As a result the performance of the Fund for the twelve months under review was +13.3%.

The Fund's allocations to private markets (+26.4%) and the Tactical Asset Allocation (+20.3%) helped propel the Fund over the period. The Fund's cash and risk management allocation also posted strong returns over the year in review, returning +17.9%. Equities returned a positive return (+2.3%) over the period, whilst Multi-Asset Credit dragged on performance (-2.1%).

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	10.0	5.0 – 15.0	0 – 30
Emerging Market Equity	10.0	5.0 – 15.0	0 – 30
Hedge Funds	7.0	5.0 – 9.0	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	4.0	0.0 – 6.0	0 – 8
Infrastructure	8.0	6.0 – 10.0	0 – 15
Private Credit	3.0	1.0 – 5.0	0 – 6

The Fund’s Investment Strategy continues to be more diversified than most Local Government Pension Scheme (LGPS) Funds and incorporates a Risk Management Framework, which differentiates the Fund from many other LGPS Funds. The aim of the Fund’s strategy remains to reduce the volatility of returns, in line with the objective of stabilising employer contribution rates. Although history suggests that in the long term equities should out-perform other asset classes, these returns can be very volatile and the asset class can under-perform for many years.

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. As described above the strategic target weight has been increased as part of the recent review, demonstrating that it remains strategically important. This portfolio is explained in more detail in the Risk Management section of the Actuary’s report.

The Best Ideas Portfolio is a short-term (12-month horizon) tactical allocation based upon Mercer’s suggested “best ideas”. Aside from the decisions being made on a tactical (short-term) basis, the basic premise of the decisions within this portfolio is that any asset allocation implementation should be liquid (to enable speed of action should it be required) and cost efficient. Given the material size of this allocation (11% of total Fund assets), further detail is provided in the Performance section of this report. The following table shows the strategic allocation compared to the actual asset allocations as at 31 March 2021 and 31 March 2022.

As we start the 2022/23 period, there continues to be a significant amount of volatility across financial markets. In conjunction with the 31 March 2022 Actuarial Valuation, the Fund will be undertaking an Investment Strategy Review and potentially making changes to the strategic asset allocation based on a range of factors including but not limited to: market volatility, the challenging outlook for growth and inflation.

Strategic Allocation vs Actual Allocations (Note: Totals may not sum due to rounding)

Manager	Mandate	Actual 31/03/21	Actual 31/03/22	Strategic Allocation 21/22
Developed Global Equity				10.0%
WPP	Global Equity	5.4%	5.3%	5.0%
BlackRock	Global Equity	5.2%	5.4%	5.0%
Emerging Market Equity				
Wellington	EM (Core)	3.6%	0.0%	0.0%
Wellington	EM (Local)	3.3%	0.0%	0.0%
BlackRock	Emerging Equity	3.8%	0.0%	0.0%
WPP	Emerging Equity	0.0%	9.0%	10.0%
Hedge Funds				
ManFRM	Hedge Funds	6.7%	6.4%	7.0%
TAA / Best Ideas				11.0%
In-house	Best Ideas Portfolio	10.6%	11.1%	11.0%
Multi-Asset Credit				
WPP	Multi-Asset Credit	11.5%	10.0%	12.0%
Cash and Risk Management Framework				23.0%
Insight	CRMF	24.4%	25.5%	23.0%
Private Markets				
Various	Property	6.0%	6.0%	4.0%
Various	Private Equity	7.7%	7.9%	8.0%
VariousAsset	Local/Impact	2.3%	2.7%	4.0%
Various	Infrastructure	4.7%	4.8%	8.0%
Various	Private Credit	2.3%	2.1%	3.0%
Various	Timber/Agriculture	0.8%	0.5%	0.0%
Cash		1.7%	3.2%	0.0%

During the 2021/2022 period, the Fund switched out of Wellington Emerging Market Core and Local Funds and BlackRock Emerging Market Equity Fund and transferred all Emerging Market allocation into the WPP Emerging Market Fund. This was in line with the Fund's objective to use the WPP for investing the Fund's assets.

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. In particular, the Committee approved a strategy to achieve net-zero carbon emissions from its investment portfolio. 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.

Engagement and Voting

The Fund requires that its managers report how they voted the shares held within their portfolios. A summary of the voting activities of the managers for 2021/22 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
BlackRock - ESG	**274**	**3,937**	**3,641**	**266**	**29**	**1**
Russell - Global Ops	**61**	**704**	**634**	**64**	**5**	**1**
Russell - Emerging Market	**19**	**187**	**139**	**35**	**1**	**12**

Source: Investment Managers

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.

Summary of the Longer Term

The market value of the Fund has increased from approximately £1,082.7m in March 2012 to £2,490.8m in March 2022.

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 (%) pa	Clwyd Benchmark (%) pa	Average Local Authority (%) pa
1	+13.3	+9.1	+8.6
3	+9.9	+8.9	+8.3
5	+7.8	+7.4	+7.1
10	+8.4	+8.1	+8.9

Source: Mercer, PIRC

Performance to 31 March 2022

	Investment Manager	Q1 2022 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)	10 Yrs (%)	B'mark (%)
Total		**-0.9**	-1.0	**13.3**	9.1	**9.9**	8.9	**7.8**	7.4	**8.4**	8.1
Total Equity		**-3.1**	-2.9	**2.3**	4.9	**9.1**	11.0	**8.0**	9.4	**10.0**	11.6
WPP Global Opportunities	Russell	-1.4	-2.2	11.0	14.6	14.5	15.6	--	--	--	--
World ESG Equity	BlackRock	-1.8	-1.9	16.8	16.5	--	--	--	--	--	--
Emerging Markets Equity	Russell	-4.9	-3.9	--	--	--	--	--	--	--	--
Total Credit		**-3.8**	1.1	**-2.1**	4.1	**1.9**	2.9	**1.8**	2.5	**2.1**	1.9
WPP Multi-Asset Credit	Russell	-3.8	1.1	-2.1	4.1	--	--	--	--	--	--
Total Hedge Funds		**0.4**	1.0	**8.5**	3.6	**4.4**	3.9	**--**	--	**--**	--
Hedge Funds	Man	0.4	1.0	8.5	3.6	4.4	3.9	2.4	4.0	--	--
Hedge Funds (Legacy)	Man	-5.8	1.0	-4.1	3.6	-9.6	3.9	-35.2	4.0	--	--
Total Tactical Allocation		**8.1**	2.5	**20.3**	8.8	**11.5**	5.8	**7.8**	5.6	**3.9**	5.0
Best Ideas	Various	**8.1**	2.5	**20.3**	8.8	**12.0**	5.8	**8.8**	5.6	**2.4**	0.1
Total Private Markets		**4.3**	2.0	**26.4**	8.0	**11.0**	5.8	**10.7**	5.9	**--**	--
Property	Various	5.0	5.6	16.9	23.9	7.0	8.4	7.5	8.4	8.2	9.2
Private Equity	Various	4.9	1.3	36.0	5.1	17.3	5.4	15.7	5.5	13.0	5.6
Local / Impact	Various	2.3	1.3	40.3	5.1	--	--	--	--	--	--
Infrastructure	Various	4.7	1.3	22.3	5.1	6.2	5.4	7.1	5.5	12.2	5.6
Private Credit	Various	1.6	1.8	18.1	7.5	4.4	7.5	--	--	--	--
Timber/ Agriculture	Various	2.6	1.3	6.1	5.1	0.9	5.4	0.6	5.5	2.2	5.6
Total CRMF		**-6.3**	-6.3	**17.9**	17.9	**16.0**	16.0	**11.4**	11.4	**--**	--
Cash and Risk Management Framework (CRMF)	Insight	-6.3	-6.3	17.9	17.9	16.0	16.0	11.4	11.4	--	--

Source: Investment Managers, Mercer.

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.

The following 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. The current weightings were reviewed in 2019, the new strategy was in effect from April 2020.

Core Manager Investments	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	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	
Global High Alpha/ Absolute	-	-	-	5.0	-	-	-	
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	
Frontier Markets Active	-	-	-	-	2.5	-	-	
Developed Passive	-	-	-	19.0	-	-	-	
	72.0	**66.0**	**55.0**	**43.0**	**17.0**	**14.0**	**20.0**	**54.0**
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	
Private Credit (illiquid)	-	-	-	-	-	3.0	3.0	
Cash/ Other	2.5	0.5	-	-	-	-	-	
	14.0	**12.0**	**13.0**	**15.0**	**15.0**	**15.0**	**15.0**	**18.0**
Liability Driven Investment	-	-	-	-	**19.0**	**19.0**	**23.0**	-

Core Manager Investments	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	LGPS Average
Alternative Investments and Cash								
Property	5.0	7.0	6.5	7.0	7.0	4.0	4.0	
Infrastructure	0.5	5.0	1.5	2.0	2.0	6.0	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	
Local/ Impact	-	-	-	-	-	-	4.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	-	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	9.0	7.0	
Currency Fund	-	4.0	4.0	-	-	-	-	
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	
	14.0	**22.0**	**32.0**	**42.0**	**49.0**	**52.0**	**42.0**	**28.0**

In House Portfolio

Asset Class	Number of Funds
Property Closed Ended Holdings	**5**
Schroders	1
Hermes	1
LAMIT	1
Legal & General	1
BlackRock	1
Property Open Ended Holdings	**21**
Aberdeen Property Asia Select	1
Basecamp	1
BlackRock European Feeder	2
BlackRock US Residential	1
Darwin Leisure Property	2
Franklin Templeton	2
InfraRed Active Property	3
Newcore	1
North Haven Global Real Estate	3
Paloma Real Estate	2
Partners Group Global Real Estate	2
Threadneedle	1
Timber	**5**
BGT Pactual Timberland	2
Stafford Timberland	3
Agriculture	**2**
Insight Global Farmland	1
GMO	1
Infrastructure	**18**
Access Capital Infrastructure	1
Arcus European Infrastructure	1
Carlyle Global Infrastructure	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
Total Funds	**51**

Asset Class	Number of Funds
Private Equity Direct Funds	**27**
Access Capital	1
Apax	5
August Equity	3
Capital Dynamics	3
Carlyle Group	1
Charterhouse	2
Dyal Capital Partners	1
ECI	3
FSN	1
GB Deutschland	1
Livingbridge	1
Marquee	1
North Haven	1
Partners Direct	2
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
Local / Impact	**21**
Aviva	1
Bridges	6
Circularity	1
Development Bank of Wales	1
Environmental Technologies	3
Ludgate Environmental	1
Fairfax	1
Foresight	2
Harbour Vest	1
Hermes	1
Impax	2
Infrared	1
Partners Group	1
Total Funds	**79**
Private Debt	**7**
BlackRock	1

Asset Class	**Number of Funds**
Carlyle	3
Neuberger Berman	1
Permira	1
Pinebridge	1
Total Funds	**7**

Kieran Harkin

Head of LGPS Investments

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Appendix 7 - Clwyd Pension Fund Accounts

For The Year Ended 31st March 2022

FUND ACCOUNT

2020/21 £000		Note	2021/22 £000
	Dealings with members, employers and others directly involved in the Fund		
(81,805)	Contributions	**7**	(85,253)
(3,415)	Transfers in	**8**	(6,956)
(85,220)			**(92,209)**
	Benefits payable :		
65,188	Pensions	**9**	66,875
9,454	Lump sums (retirement)		14,572
2,654	Lump sums (death grants)		2,251
77,296			**83,698**
5,924	Payments to and on account of leavers	**10**	4,456
83,220			**88,154**
(2,000)	**Net (additions)/withdrawals from dealings with members**		**(4,055)**
21,924	Management expenses	**11**	25,766
19,924	**Net (additions)/withdrawals including fund management expenses**		**21,711**
	Returns on Investments		
(17,804)	Investment income	**12**	(23,589)
(450,889)	Change in market value of investments	**13A**	(262,709)
(468,693)	**Net return on investments**		**(286,298)**
(448,769)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(264,587)**
(1,777,439)	**Opening net assets of the scheme**		(2,226,208)
(2,226,208)	**Closing net assets of the scheme**		**(2,490,795)**

NET ASSETS STATEMENT

2020/21 £000		Note	2021/22 £000
2,222,792	**Investment Assets**	**13**	2,485,770
2,222,792	**Net Investment Assets**		**2,485,770**
254	**Long-term debtors**	**19**	294
5,059	**Debtors due within 12 months**	**19**	6,962
(1,897)	**Creditors**	**20**	(2,231)
2,226,208	**Net assets of the fund available to fund benefits at the end of the reporting period**		**2,490,795**

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 31st March 2022

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 during the national emergency situation arising from the global COVID-19 pandemic and reference will be made to any known impacts of this as required within the document. The accounts have been prepared in accordance with the 2021/22 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:

2020/21		2021/22
No.		**No.**
52	**Number of employers with active members**	**52**
	Number of employees in scheme	
5,524	Flintshire County Council	5,552
12,018	Other employers	11,521
17,542	**Total**	**17,073**
	Number of pensioners	
4,011	Flintshire County Council	4,234
9,939	Other employers	10,300
13,950	**Total**	**14,534**
	Deferred pensioners	
5,718	Flintshire County Council	5,525
11,557	Other employers	12,363
17,275	**Total**	**17,888**
48,767	**Total employees**	**49,495**

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 2022. Employers also pay contributions to the Fund based on triennial funding valuations. The last valuation was at 31st March 2019, the findings of which became effective on 1st April 2020. Currently employer contribution rates range from 11.5% to 29.4% 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 2021/22 financial year and its financial position at 31st March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 1st April 2021 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 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 2022 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 2019 valuation funding level of 91% to 82%. A 0.25% p.a. reduction in the discount rate would in isolation have reduced the funding level to 88% (a 0.25% p.a. increase in assumed inflation would have a similar impact). A combination of the asset and discount rate changes would reduce the funding level to 79%.

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 31st March 2022. 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.

As a result of the Government's "mini budget" announcement on Friday 23 September 2022, gilt yields rose significantly causing the value of gilts to fall. This was due in large part to the expectation of greater debt issuance by the government to fund various tax cuts and other spending measures. As a consequence of this, the Bank of England stepped into the market to buy gilts on a temporary basis, with the aim of preventing the prices falling further. The speed at which gilt yields rose put pressure on pension schemes that invest in gilts in a leveraged manner to collateralise portfolios at short notice to decrease leverage. Whilst the government has u-turned on the majority of the tax cuts, gilt yields remain elevated given the remaining uncertainty on the government's fiscal plans, along with the speed and size of the Bank of England's interest rate hikes to help combat inflation.

Clwyd Pension Fund (the "Fund") invests in fixed and index-linked gilts on a leveraged basis within its Liability Driven Investment (LDI) mandate and has therefore experienced a material fall in the value of these assets. The strategy is underpinned by a robust collateral waterfall framework. This is a pool of readily available assets that allowed access to required liquidity easily and promptly.

The main action following the rapid rise in gilt yields was to rearrange the overall portfolio to ensure there remains enough collateral in the event of any further gilt yield rises whilst maintaining the same overall return expectations. The Fund sold physical equities for cash to support the LDI mandate, and the sold equity exposure was replaced synthetically in order to maintain the overall strategic allocation and expected returns. This was able to be implemented quickly because of the strong governance and oversight the Fund has in place through its Funding and Risk Management Group.

Whilst the asset value of the LDI strategy has fallen due to rising gilt yields, the corresponding fall in the actuarial value of the liabilities (all other things equal) will have more than offset this, leading to no adverse impact on the funding position.

Note 7 - Analysis of contributions receivable

By employer

2020/21 £000		2021/22 £000
(26,713)	Administering Authority - Flintshire County Council	(28,080)
(51,495)	Scheduled bodies	(52,973)
(3,597)	Admitted bodies	(4,200)
(81,805)	**Total**	**(85,253)**

By type

2020/21 £000		2021/22 £000
(17,177)	**Employees contributions**	**(18,250)**
	Employers' contributions:	
(48,720)	Normal contributions	(51,918)
(14,972)	Deficit recovery contributions	(14,378)
(936)	Augmentation contributions	(707)
(64,628)	**Total employers' contributions**	**(67,003)**
(81,805)	**Total contributions**	**(85,253)**

Note 8 – Transfers in from other pension funds

2020/21 £000		2021/22 £000
(3,415)	Individual transfers	(6,956)
(3,415)	**Total**	**(6,956)**

Note 9 – Benefits payable

By employer

2020/21 £000		2021/22 £000
26,978	Administering Authority - Flintshire County Council	29,132
48,738	Scheduled bodies	52,662
1,580	Admitted bodies	1,904
77,296		**83,698**

By type

2020/21 £000		2021/22 £000
65,188	Pensions	66,875
9,454	Commutation and lump sum retirement benefits	14,572
2,654	Lump sum death benefits	2,251
77,296		**83,698**

Note 10 – Payments to and on Account of Leavers

2020/21 £000		2021/22 £000
5,670	Individual transfers	4,054
174	Refunds to members leaving service	220
80	Other	182
5,924	Total	**4,456**

Note 11 – Management Expenses

2020/21 £000		2021/22 £000
2,032	Administration costs	2,242
17,296	Investment management expenses	20,595
2,595	Oversight and governance costs	2,929
21,924	Total	**25,766**

The Oversight and Governance costs include the fees payable to Audit Wales for the external audit of the Fund of £41k for 2021/22 (£39k in 2020/21).

Note 11a – Investment management expenses

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**

2020/21	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
Investment Assets				
Pooled Funds	2,928	0	1,814	4,742
Other investments				
Pooled property investments	1,958	55	102	2,115
Private equity and joint venture funds	3,302	1,782	107	5,191
Infrastructure funds	1,419	450	190	2,059
Timber and Agriculture	149	0	0	149
Private Debt	864	328	1	1,193
Impact / Local	1,680	59	39	1,778
	12,300	**2,674**	**2,253**	**17,227**
Custody Fees				69
Total				**17,296**

Note 11b – Wales Pension Partnership management expenses

2020/21 £000		2021/22 £000
88	Oversight and Governance	135
113	Transaction Costs	622
190	Fund Management Fees	376
36	Custody Fees	67
427	**Total**	**1,200**

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 the Net Asset Value (NAV). 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

2020/21 £000		2021/22 £000
	Pooled Funds	
1,958	Income from multi asset credit	6,043
2,990	Income from global equity	2,254
0	Income from emerging market equity	1,486
	Other investments	
2,794	Income from pooled property investments	3,529
704	Income from private equity and joint venture funds	1,225
4,330	Income from infrastructure funds	5,169
0	Income from timber & agriculture funds	60
3,625	Income from private debt	3,088
952	Income from impact / local funds	677
233	Interest on cash deposits	17
218	Other income	41
17,804		**23,589**

Note 13 – Investments

2020/21		2021/22
£000		£000
	Investment Assets	
	Pooled Funds	
250,378	Multi asset credit	246,032
231,021	Diversified growth funds	273,120
500,832	Liability Driven Investment	596,076
145,594	Hedge Fund of Funds	157,982
231,367	Global equity	263,295
231,836	Emerging Market Equity	220,789
	Other investments	
132,870	Pooled property investments	146,325
193,497	Private equity and joint venture funds	201,521
106,609	Infrastructure funds	124,721
17,555	Timber and Agriculture	14,125
52,967	Private Debt	52,592
58,171	Impact/ Local	79,332
2,152,698		2,375,910
67,282	Cash deposits	109,860
2,812	Amounts receivable for sales	
2,222,792	Total investment assets	2,485,770

During the year the Fund transitioned Emerging Market Equities from BlackRock (£82.4m) and Wellington (£147.5m) plus an additional £11m of cash to WPP Emerging Market Equity (£240.9m)

Note 13 A – Reconciliation of movements in investments and derivatives

	Market value 1st April 2021	Purchases during the year	Sales during the year	Take ons during the year	Take offs during the year	Change in market value	Market value 31st March 2022
	£000	£000	£000	£000	£000	£000	£000
Investment Assets							
Pooled Funds							
Multi asset credit	250,378	5,842	0	0	0	(10,188)	246,032
Diversified growth funds	231,022	0	(143)	0	0	42,241	273,120
Liability Driven Investment	500,832	0	(1,624)	0	0	96,868	596,076
Hedge Fund of Funds	145,594	0	(185)	0	0	12,573	157,982
Global equity	231,367	2,031	(14)	0	0	29,911	263,295
Emerging Market Equity	231,836	240,924	(230,949)	0	0	(21,021)	220,789
Other investments							
Pooled property investments	132,870	4,582	(9,195)	0	0	18,068	146,325
Private equity and joint venture funds	193,497	24,639	(59,574)	0	0	42,960	201,521
Infrastructure funds	106,609	13,133	(16,254)	0	0	21,233	124,721
Timber and Agriculture	17,555	0	(5,544)	0	0	2,114	14,125
Private Debt	52,967	8,077	(12,588)	0	0	4,136	52,592
Impact / Local	58,170	16,513	(19,232)	0	0	23,881	79,332
	2,152,698	315,740	(355,302)	0	0	262,776	2,375,910
Cash deposits	67,282						109,860
Currency Loss	0					(67)	
Amount receivable for sales	2,812					0	
Total investment assets	2,222,792					262,709	2,485,770

	Market value 1st April 2020	Purchases during the year	Sales during the year	Take ons during the year	Take offs during the year	Change in market value	Market value 31st March 2021
	£000	£000	£000	£000	£000	£000	£000
Investment Assets							
Pooled Funds							
Multi asset credit	182,263	242,843	(208,286)	0	0	33,558	250,378
Diversified growth funds	346,996	284	(171,334)	0	0	55,076	231,022
Liability Driven Investment	317,546	39,768	(31,007)	0	0	174,525	500,832
Hedge Fund of Funds	140,663	0	(160)	0	0	5,091	145,594
Global equity	140,136	110,733	(76,187)	0	0	56,685	231,367
Emerging Market Equity	100,300	71,467	(1,789)	0	0	61,858	231,836
Other investments							
Pooled property investments	126,651	6,453	(14,923)	12,059	0	2,630	132,870
Private equity and joint venture funds	226,849	12,952	(29,062)	0	(63,821)	46,579	193,497
Infrastructure funds	112,156	15,352	(5,580)	0	(12,733)	(2,586)	106,609
Timber and Agriculture	19,914	0	(2,675)	0	0	316	17,555
Private Debt	40,911	2,154	(5,492)	17,190	0	(1,796)	52,967
Impact	0	7,018	(15,105)	47,305	0	18,953	58,171
	1,754,384	509,024	(561,600)	76,554	(76,554)	450,889	2,152,698
Cash deposits	20,238						67,282
Amount receivable for sales	0						2,812
Total investment assets	1,774,622						2,222,792

Note 13b – Analysis by Fund Manager

2020/21 £000	%		2021/22 £000	%
Pooled Investments				
367,437	17.1%	Russell Investments	596,583	25.1%
196,791	9.1%	Blackrock (Passive)	133,533	5.6%
564,228	**26.2%**		**730,116**	**30.7%**
Investments managed outside Wales Pension Partnership				
500,832	23.3%	Insight	596,076	25.1%
231,021	10.7%	Mobius	273,120	11.5%
149,353	6.9%	Wellington	0	0.0%
145,594	6.8%	MAN Group	157,982	6.7%
561,670	26.1%	Private Markets	618,616	26.0%
1,588,470	**73.8%**		**1,645,794**	**69.3%**
2,152,698	**100%**		**2,375,910**	**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.

2020/21 £000	%	Manager	Holding	2021/22 £000	%
500,832	24	Insight	LDI Active 22 Fund	596,076	25

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 2022 the total value of all WPP stock on loan was £430,743,792. Total net revenue during 2021/22 was £1,101,659 of which the Clwyd Pension Fund received £47,992.

Note 14 – Derivatives

No derivative instruments were held by Clwyd Pension Fund at 31 March 2022 or 31 March 2021.

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	Level 1	Carrying value is deemed to be fair value because of the short-term nature	Not required	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
investment sales		of these financial instruments		
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
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	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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
where regular trading does not take place				financial instrument being hedged against
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 2022 and 31 March 2021.

2021/22	Potential variation in fair value[1] %	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

The percentages used in this note were reviewed and agreed in 2021/22 by the Fund consultant.

2020/21	Potential variation in fair value[1] %	Value at 31st March £000	Potential value on increase £000	Potential value on decrease £000
Other investments				
Pooled property investments	10	121,401	133,541	109,261
Private equity and joint venture funds	10	193,496	212,846	174,147
Infrastructure funds	10	91,550	100,705	82,395
Timber and Agriculture	7	17,555	18,783	16,326
Private Debt	10	52,968	58,265	47,671
Impact/ Local	10	58,171	63,988	52,353
		535,140	588,127	482,153

Note 15a – Fair Value of hierarchy

The following table shows the position of the Fund's assets at 31st March 2022 based on the Fair Value hierarchy:

Values at 31st March 2022	Quoted market price £000	Using observable inputs £000	Significant observable inputs £000	Total £000
Investment Assets				
Pooled Funds				
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
	10,168	1,771,386	594,356	2,375,910
Cash deposits	109,860			109,860
Total investment assets	120,028	1,771,386	594,356	2,485,770

Values as at 31st March 2021	Quoted market price £000	Using observable inputs £000	Significant observable inputs £000	Total £000
Investment Assets				
Pooled Funds				
Multi Asset Credit		250,378		250,378
Diversified growth funds		231,021		231,021
Liability Driven Investment		500,832		500,832
Hedge Fund of Funds		145,594		145,594
Global equity		231,366		231,366
Emerging Market Equity	149,353	82,484		231,837
Other investments				
Pooled property investments		11,469	121,401	132,870
Private equity and joint venture funds			193,496	193,496
Infrastructure funds	9,099	5,962	91,550	106,610
Timber and Agriculture			17,555	17,555
Private Debt			52,968	52,968
Impact/Local			58,171	58,171
	158,451	1,459,107	535,140	2,152,698
Cash deposits	67,282			67,282
Amounts receivable for sales	2,812			2,812
Total investment assets	228,546	1,459,107	535,140	2,222,792

Note 15b: Reconciliation of Fair Value measurements within level 3

	Value at 31st March 2021	Take Ons	Take offs	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31st March 2022
Other Investments								
Pooled property investments	121,401	0	0	4,582	(7,796)	11,314	2,731	132,233
Private equity and joint venture funds	193,496	0	0	24,639	(56,121)	16,221	23,286	201,521
Infrastructure funds	91,550	0	0	12,678	(15,501)	19,578	6,248	114,553
Timber and Agriculture	17,555	0	0	0	(5,412)	648	1,334	14,125
Private Debt	52,968	0	0	8,077	(12,413)	3,960	0	52,592
Impact/Local	58,171	0	0	16,513	(17,064)	15,470	6,242	79,332
	535,140	0	0	66,489	(114,307)	67,191	39,841	594,356

	Value at 31st March 2020	Take Ons	Take offs	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31st March 2021
Other Investments								
Pooled property investments	115,468	12,059	0	6,453	(14,923)	(1,271)	3,615	121,401
Private equity and joint venture funds	226,849	0	(63,821)	12,952	(29,062)	35,189	11,390	193,496
Infrastructure funds	97,293	0	(12,733)	15,352	(5,580)	(5,350)	2,567	91,550
Timber and Agriculture	19,913	0	0	0	(2,675)	305	12	17,555
Private Debt	40,911	17,190	0	2,154	(5,492)	(1,796)	0	52,968
Impact/Local	0	47,305	0	7,017	(15,105)	18,520	434	58,171
	500,433	76,555	(76,555)	43,928	(72,836)	45,596	18,019	535,140

Note 16 - Classification of Financial Instruments

2020/21 Fair Value through profit and loss £000	2020/21 Loans and receivables £000	2020/21 Financial liabilities at amortised cost £000		2021/22 Fair Value through profit and loss £000	2021/22 Loans and receivables £000	2021/22 Financial liabilities at amortised cost £000
			Financial Assets			
			Pooled Funds			
250,378			Multi asset credit	246,032		
231,022			Diversified growth funds	273,120		
500,832			Liability Driven Investment	596,076		
145,594			Hedge Fund of Funds	157,982		
231,367			Global equity	263,295		
231,836			Emerging Market Equity	220,789		
			Other investments			
132,870			Pooled property investments	146,325		
193,497			Private equity and joint venture funds	201,521		
106,609			Infrastructure funds	124,721		
17,555			Timber and Agriculture	14,125		
52,967			Private Debt	52,592		
58,171			Impact/ Local	79,332		
30,204	37,078		Cash	30,215	79,645	
	2,812		Other investment balances		0	
	417		Debtors		392	
2,182,902	40,307	0		2,406,125	80,037	0
			Financial liabilities			
		(451)	Creditors			(543)
2,182,902	40,307	(451)		2,406,125	80,037	(543)

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	3 year volatility range	Value on increase	Value on decrease
	£000	%	£000	£000
As at 31 March 2021	**2,219,980**	**8.86%**	**2,416,656**	**2,023,304**
As at 31 March 2022	**2,485,821**	**8.30%**	**2,692,134**	**2,279,508**

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.

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.

Assets exposed to interest rate risk	Value	Value on 1% increase	Value on 1% decrease
	£000	£000	£000
As at 31 March 2021	**317,660**	**314,483**	**320,837**
As at 31 March 2022	**951,968**	**877,556**	**1,047,329**

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.

Assets exposed to currency risk	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
As at 31 March 2021	**1,415,871**	**6.52%**	**1,508,167**	**1,323,575**
As at 31 March 2022	**1,011,606**	**16.29%**	**1,176,427**	**846,785**

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 2022 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 2022, liquid assets were £1,782m representing 75% of total fund assets (£1,617m at 31 March 2021 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.

2020/21		2021/22
£m		£m
3,352	Present value of promised retirement benefits	3,401
(2,223)	Fair value of scheme assets	(2,486)
1,129	**Total**	**915**

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:

2020/21		2021/22
%		%
2.70	Inflation/pension increase rate assumption	3.30
3.95	Salary increase rate	4.55
2.10	Discount rate	2.80

Note 19 – Current Assets

2020/21		2021/22
£000		£000
254	**Long-term debtors**	294
	Short-term debtors	
942	Contributions due - Employees	1,642
3,624	Contributions due - Employers	4,882
397	Prepayments	389
96	Sundry debtors	49
5,059	**Total Short-term debtors**	**6,962**
5,313	**Total**	**7,256**

Note 20 – Current Liabilities

2020/21 £000		2021/22 £000
(131)	Contributions received in advance	(170)
(1,083)	Benefits payable	(1,234)
(8)	Administering authority	(7)
(11)	HMRC	(17)
(664)	Sundry creditors	(803)
(1,897)	**Total**	**(2,231)**

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 below.

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.

2020/21 £000		2021/22 £000
595	Contributions in the year	**1,089**
	Value of AVC funds at 31 March:	
5,442	Prudential	6,551
346	Utmost (formerly Equitable Life)	300
5,788	**Total**	**6,851**

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.

2019/20 £000		2020/21 £000
475	Conwy County Borough Council	453
1,653	Denbighshire County Council	1,579
3,000	Flintshire County Council	2,916
19	Powys County Council	18
2,040	Wrexham County Borough Council	1,954
55	Coleg Cambria	51
41	Other employers	49
7,283	**Total**	**7,020**

Note 23 - Related Party Transactions

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2022, four Members of the Clwyd Pension Fund Committee had taken this option, with two 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.

Flintshire County Council

During the year Flintshire County Council incurred costs of £2.1m (£1.8m in 2020/21) 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 are the Chair of the Pension Fund Committee, the Flintshire Chief Executive and the Flintshire S.151 officer. Total benefits attributable to key management personnel are set out below:

2020/21 £000		2021/22 £000
20	Short-term benefits	20
56	Post-employment benefits	5
76	**Total**	**25**

Note 24 - Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2022 were £188m (31 March 2021: £179m). 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 over a period of between four and six years from the date of each original commitment.

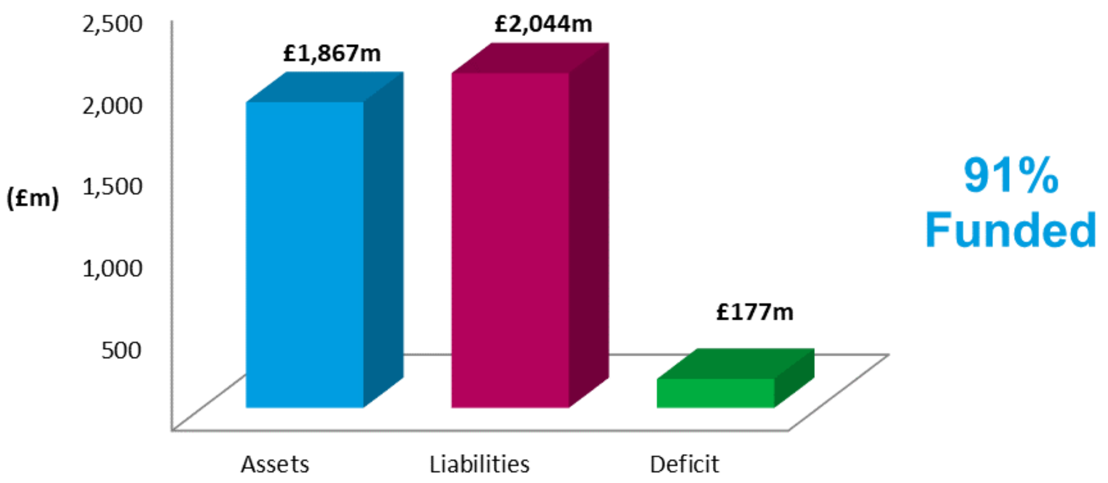
Note 25 Clwyd Pension Fund

Accounts for the year ended 31 March 2022 - 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 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,867 million represented 91% of the Fund's past service liabilities of £2,044 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £177 million.



The valuation also showed that a Primary contribution rate of 17.3% 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 Funding Strategy Statement (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.

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 13 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) was an addition of approximately £16m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS and includes the estimated costs in relation to McCloud judgement where appropriate), 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 31 March 2020.

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)	4.15% per annum	4.65% per annum
Rate of pay increases (long term)*	3.65% per annum	3.65% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory.   The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014 .

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment was an increase in past service liabilities of broadly £9 million and an increase in the Primary Contribution rate of 0.5% of Pensionable Pay per annum as at the last valuation. Where the employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer (and also within the whole Fund average secondary rate shown above).

Impact of Covid 19 / Ukraine

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review and will be considered further as part of the 2022 valuations currently ongoing. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Contributions will be reviewed and updated as part of the 2022 valuation. In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority, who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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 2022 (the 31 March 2021 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.3% per annum
Rate of pay increases*	3.95% per annum	4.55% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.4% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, but we have used the most recent CMI future improvement tables (CMI2021). Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was predominantly offset by an increase in the expected long-term rate of CPI inflation during the year, from 2.7% p.a. to 3.3%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £3,352 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£70 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£55 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also a decrease in liabilities of £76 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £3,401 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to, a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

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

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

Mercer Limited

August 2022

Statement Of Responsibilities For The Statement 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.

Signed:

Cllr Ted Palmer

Chair of the Pension Committee

Date: 23 November 2022

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 2022, and its income and expenditure for the year then ended.

Signed: S. Ferguson

Gary Ferguson CPFA

Corporate Finance Manager (Chief Finance Officer)

Date: 23 November 2022

Audit Report

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

Opinion on the financial statements

I have audited the financial statements of the Clwyd Pension Fund for the year ended 31 March 2022 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 a summary of 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 2022.

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2022, 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 2022.

Basis of 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. I am 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 12 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.

Report on other requirements

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 the annual report has been prepared 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:

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

Responsibilities

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, and for such internal control 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.

In preparing the financial statements, the responsible financial officer is responsible for assessing the 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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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 and those charged with governance, including obtaining and reviewing supporting documentation relating to Clwyd Pension Fund's policies and procedures concerned with:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud; and
    - 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 following area: management override; and
- 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.

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 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 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.

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
28 November 2022

24 Cathedral Road
Cardiff
CF11 9LJ

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

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Introduction

This report includes financial monitoring reports for the year 2021/22 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 2021/22

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 27% 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 2021/22. 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.

2021/22	Budget	Actual	Variance
	£000	£000	£000
Opening Cash	**(29,760)**	**(37,078)**	
Payments			
Pensions	66,600	66,794	194
Lump Sums & Death Grants	16,000	17,158	1,158
Transfers Out	6,000	4,459	(1,541)
Expenses (excluding investments)	5,480	5,047	(433)
Tax Paid	100	73	(27)
Support Services	180	173	(7)
Total Payments	**94,360**	**93,704**	**(656)**
Income			
Employer Contributions	(49,000)	(49,897)	(897)
Employee Contributions	(17,000)	(17,530)	(530)
Employer Deficit Payments	(15,000)	(14,383)	617
Transfers In	(6,000)	(6,957)	(957)
Pension Strain	(1,200)	(1,482)	(282)
Income	(40)	(13)	27
Total Income	**(88,240)**	**(90,262)**	**(2,022)**
Cash-flow Net of Investment Income	**6,120**	**3,442**	**(2,678)**
Investment Income	(8,000)	(11,635)	(3,635)
Investment expenses	4,000	6,162	2,162
Total Net of In House Investments	**2,120**	**(2,031)**	**(4,151)**
In House Investments			
Draw downs	66,175	66,941	(766)
Distributions	(69,203)	(117,117)	47,914
Net Expenditure /(Income)	**(3,028)**	**(50,176)**	**47,148**
Total Net Cash-Flow	**(908)**	**(52,207)**	**51,299**
Movement to/from Managers	**0**	**9,640**	**(9,640)**
Closing Cash	**(30,668)**	**(79,645)**	

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2025. An estimate of the asset valuation has been included at the end of the table and has been based on a targeted investment strategy which currently looks to produce an overall return of 5.6% per annum.

	2022/23 £000	**2023/24 £000**	**2024/25 £000**
Opening Cash	**(79,645)**	**(69,070)**	**(9,221)**
Payments			
Pensions	68,400	70,000	72,000
Lump Sums & Death Grants	16,000	16,000	16,000
Transfers Out	6,000	6,000	6,000
Expenses (excluding investments)	6,800	5,800	5,800
Tax Paid	100	100	100
Support Services	200	200	200
Total Payments	**97,500**	**98,100**	**100,100**
Income			
Employer Contributions	(49,000)	(52,400)	(52,400)
Employee Contributions	(17,200)	(17,600)	(17,600)
Employer Deficit Payments	(15,000)	0	0
Transfers In	(6,000)	(6,000)	(6,000)
Pension Strain	(1,200)	(1,200)	(1,200)
Income	(40)	(40)	(40)
Total Income	**(88,440)**	**(77,240)**	**(77,240)**
Cash-flow Net of Investment Income	**9,060**	**20,860**	**22,860**
Investment Income	(8,000)	(8,000)	(8,000)
Investment expenses	4,000	4,000	4,000
Total Net of In House Investments	**5,060**	**16,860**	**18,860**
In House Investments			
Draw downs	103,661	130,150	149,000
Distributions	(98,146)	(87,161)	(78,302)
Net Expenditure /(Income)	**5,515**	**42,989**	**70,698**
Total Net Cash-Flow	**10,575**	**59,849**	**89,558**
Rebalancing Portfolio	**0**	**0**	**(90,000)**
Closing Cash	**(69,070)**	**(9,221)**	**(9,663)**

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2021/22 compared to 2020/21. Management fees overall have increased primarily due to the increase in the underlying assets and performance fees from Private Market investments. Other significant changes were due to agreed additional project work in relation to Private Markets.

	Actual 2020/21 £000	Actual 2021/22 £000	Variance 2020/21 To 2021/22 £000
Governance Expenses			
Employee Costs	261	299	38
Support & Services Costs (Internal Recharges)	22	23	1
IT	1	0	(1)
Other (Transport, Supplies & Services)	54	65	11
Audit Fees	39	41	2
Actuarial Fees	504	493	(11)
Consultant Fees	847	1,066	219
Pooling (Consultants and Host)	101	144	43
Advisor Fees	576	533	(43)
Legal Fees	16	113	97
Pension Board	106	101	(5)
Total Governance Expenses	**2,527**	**2,878**	**351**
Investment Management Expenses			
Fund Manager Fees	16,924	19,490	2,566
Custody Fees	69	106	37
Performance Monitoring Fees	67	53	(14)
Pooling (Operator and FM costs)	304	998	694
Total Investment Management Expenses	**17,364**	**20,647**	**3,283**
Administration Expenses			
Employee Costs	1,091	1,242	151
Support Services Costs (FCC Recharges)	150	150	0
Premises	6	0	(6)
IT (Direct or External charged Services)	426	488	62
Other (Supplies & Services etc)	119	102	(17)
Outsourcing	42	41	(1)
Total Administration Expenses	**1,834**	**2,023**	**189**
Employer Liaison Team			
Direct Costs	199	218	19
Total Employer Liaison Team	**199**	**218**	**19**
Total Costs	**21,924**	**25,766**	**3,842**

The following table shows actual costs for 2021/22 compared to the budgeted costs along with the budget for 2022/23. Overall costs were broadly in line with expected. Actuarial and consultancy fees were lower than expected as were administration expenses overall due to vacant posts.

	Actual 2021/22 £000	Budget 2021/22 £000	Variance 2021/22 £000	Budget 2022/23 £000
Governance Expenses				
Employee Costs	299	326	(27)	397
Support & Services Costs (Internal Recharges)	23	24	(1)	24
IT	0	5	(5)	5
Other (Transport, Supplies & Services)	65	97	(32)	95
Audit Fees	41	41	0	45
Actuarial Fees	493	696	(203)	879
Consultant Fees	1,066	1,142	(76)	1,627
Pooling (Consultants and Host)	144	130	14	197
Advisor Fees	533	485	48	517
Legal Fees	113	40	73	100
Pension Board	101	91	10	113
Total Governance Expenses	**2,878**	**3,077**	**(199)**	**3,999**
Investment Management Expenses				
Fund Manager Fees	19,490	19,915	(425)	16,275
Custody Fees	106	32	74	112
Performance Monitoring Fees	53	53	0	53
Pooling (Operator and FM costs)	998	636	362	500
Total Investment Management Expenses	**20,647**	**20,636**	**11**	**16,940**
Administration Expenses				
Employee Costs	1,242	1,366	(124)	1,433
Support Services Costs (FCC Recharges)	150	158	(8)	158
Premises	0	0	0	0
IT (Direct or External charged Services)	488	515	(27)	715
Other (Supplies & Services etc)	102	134	(32)	146
Outsourcing	41	30	11	0
Total Administration Expenses	**2,023**	**2,203**	**(180)**	**2,452**
Employer Liaison Team				
Direct Costs	218	286	(68)	363
Total Employer Liaison Team	**218**	**286**	**(68)**	**363**
Total Costs	**25,766**	**26,202**	**(436)**	**23,754**

Employers participating in the Fund at 31 March 2022

Contributions

55 bodies contributed to the Fund during 2021/22, 33 scheduled and 22 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 2021/22 are shown in the following table, as is the rate of contribution as a percentage of pensionable pay.

3 new bodies have joined the Fund during 2021/22, all of which are admitted bodies and 3 bodies also ceased participation in the year (also admitted bodies) i.e. at 31 March 2022. 52 participating employers remain. No bonds or any other secured funding arrangements have been facilitated.

Scheduled bodies	Employer Contributions £	%	Employee contributions £	Avg %*
Flintshire County Council	16,892,218	17.6	5,903,248.6	6.2
Wrexham County Borough Council	15,037,128	18.2	5,094,473	6.2
Denbighshire County Council	11,469,135	17.3	4,150,733	6.3
Coleg Cambria	2,541,826	16.5	986,700	6.5
North Wales Fire Service	921,044	17.0	374,173	6.9
Glyndwr University	1,399,723	17.1	555,478	6.8
North Wales Valuation Tribunal	27,396	18.9	11,664	8.0
Rhyl Town Council	22,677	18.7	8,999	7.4
Hawarden Community Council	43,894	21.8	14,221	7.1
Prestatyn Town Council	31,591	21.5	9,286	6.3
Mold Town Council	23,226	18.5	8,136	6.5
Coedpoeth Community Council	18,351	20.4	5,406	6.0
Rhos Community Council	17,332	21.6	4,871	6.1
Holywell Town Council	15,913	20.1	4,475	5.7
Buckley Town Council	21,583	26.6	5,105	6.3
Caia Park Community Council	22,485	20.8	6,405	5.9
Denbigh Town Council	6,581	18.5	2,244	6.3
Offa Community Council	12,070	26.3	2,807	6.1
Shotton Town Council	8,704	29.4	1,924	6.5
Cefn Mawr Community Council	6,331	12.2	2,653	5.1
Acton Community Council	5,797	22.9	1,513	6.0
Flint Town Council	4,545	17.5	1,688	6.5
Gresford Town Council	3,724	21.9	973	5.7
Ruthin	5,167	16.0	1,873	5.8
Marchwiel Community Council	4,173	23.1	1,047	8.6
Penyffordd Community Council	2,696	16.4	953	5.8
Hope Community Council	2,248	16.4	754	5.5
Broughton & Bretton	3,507	21.9	917	5.7

Bagillt Community Council	1,880	17.2	601	5.5
Northop Town Council	1,778	21.7	451	5.5
Gwernymynydd Community Council	1,738	28.8	332	5.5
Argoed Community Council	2,148	17.6	671.35	5.5
Connah's Quay Town Council	15,549	17.8	4,960.54	5.7
Total Scheduled bodies	**48,594,158**		**17,169,738**	

Admitted bodies	**Employer Contributions £**	**%**	**Employee contributions £**	**Avg %***
Newydd Catering & Cleaning Ltd	560,379	21.8	145,759	5.7
Denbighshire Leisure	824,478	16.8	298,245	6.1
Aura Leisure & Libraries Ltd	622,945	18.7	206,856	6.2
Careers Wales	277,900	18.5	96,597	6.5
Civica UK	211,048	20.9	65,979	6.5
Home Farm Trust Ltd	116,269	20.1	34,337	5.9
Freedom Leisure	135,083	21.7	38,832	6.3
Holywell Leisure Ltd	48,144	18.1	16,102	6.1
Glyndwr Students Union	22,711	11.5	12,532	6.3
Aramark Ltd	14,508	18.8	4,321	5.6
Cartref NI	13,319	20.6	3,935	6.1
Hafan Deg (KL Care)	5,380	23.0	1,332	5.7
Churchills	6,090	19.6	1,709	5.5
Dolce	7,171	21.7	1,818	5.5
Denbigh Youth Group	6,850	24.6	7,810	28.0
Bodelwyddan Castle Trust	540	18.3	162	5.5
Morgan LLwyd	1,062	20.6	287	5.6
Cartref y Dyffryn Ceiriog	17,565	25.2	4,184	6.0
Midshire Signature Services Ltd	817.55	25.5	176.34	5.5
Theatre Clwyd Music Trust	102,231	19.5	31,979	6.1
Theatre Clwyd Trust	266,457	18.4	93,088	6.4
Aramark Ltd B	62,402	24.4	14,592	5.7
Total Admitted bodies	**3,323,352**		**1,080,630**	
Total contributions	**51,917,510**		**18,250,368**	

*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. During the year the Fund encountered some issues with some of the new employers within the Fund. These were monitored for timeliness of contributions and the Fund liaised with employers to overcome any problems they were experiencing. The analysis below shows the number of late contributions made to the Fund, along with the amounts and occasions concerned.

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 late payments was £3,824 (0.007% of the total employer contributions).

Employer	Late Occasions	Contributions (£)
A	3	1,247
B	1	1,074
C	2	1,023
D	2	481

Fund Assets

The table below provides an analysis of the Fund’s assets as at 31 March 2022.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	220,789	263,295	484,084
Alternatives	254,006	364,610	431,102	1,049,718
Bonds & LDI	596,076	0	246,032	842,108
Property (Direct)	0	0	0	0
Cash	109,860	0	0	109,860
Total	**959,942**	**585,399**	**940,429**	**2,485,770**

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 2022.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	1,486	6,043	7,529
Alternatives	5,684	8,064	0	13,748
Bonds & LDI	0	0	2,254	2,254
Property (Direct)	0	0	0	0
Cash	58	0	0	58
Total	**5,742**	**9,550**	**8,297**	**23,589**

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**	**21/22 £000**	**Avg bps**	**20/21 £000**
CORE (74% of Fund)	**54**	**9,526**	**58**	**9,202**
Total expenses including AMC	17	2,946	18	2,928
Underlying Fees (includes performance and transaction fees)	30	5,295	28	4,460
Performance Fees	0	0	0	0
Transaction Fees	7	1,285	11	1,814
NON CORE (26% of Fund)	**302**	**18,643**	**260**	**14,579**
Total expenses including AMC	182	11,239	167	9,372
Underlying Fees (includes performance and transaction fees)	39	2,386	37	2,094
Performance Fees	71	4,399	48	2,674
Transaction Fees	10	619	8	439
Total underlying fees	32	7,681	30	6,554
Total direct fees	86	20,488	80	17,227
Total fees	**118**	**28,169**	**110**	**23,781**
Net Assets (Core)		1,757,294		1,591,028
Net Assets (Non-Core)		618,616		561,670
Total Net Assets (excluding cash)		**2,375,910**		**2,152,698**

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 74% (74% in 2020/21) of the Fund assets but only 34% (39% in 2020/21) 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 26% (26% in 2020/21) of the Fund assets the proportion of fees amounts to 66% (61% in 2020/21). These figures include the underlying fees. In comparison, excluding underlying fees, the proportion of fees for core assets is 21% (28% in

2020/21) and non-core, 79% (72% in 2020/21). 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 an increase in current assets of £1,743k in 2021/22, which is due to the timing of the receipt of employer/employee contributions in April 2022. Current liabilities increased by £334k, primarily as a result of an increase of benefits payable due and an increase in the amounts due to Sundry Creditors. The benefits payable figure is volatile as it is affected by the amount of lump sums and death grants due but not paid on 31st March.

Wales Pension Partnership (WPP)

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

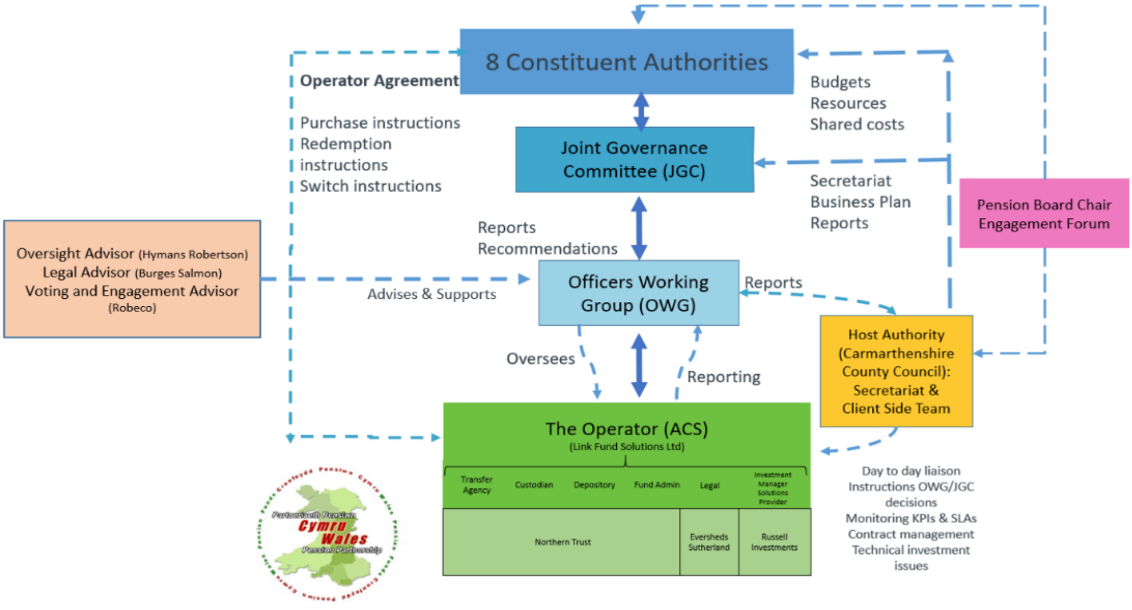
- economies of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

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 of the WPP are:

- Carmarthenshire County Council (Host)
- City and 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

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 work plan, as well at 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.

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 includes 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.

Bfinance were appointed in 2021/22 to oversee the procurement of an Allocator for future WPP private market investments. The initial procurement exercise has resulted in the appointment of managers for private credit, open ended and closed ended infrastructure. The procurement exercise for private equity is ongoing and the property procurement will commence in the autumn of 2022.

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 2021/22.

Topic	Product Knowledge	Date
Private Markets	Asset Classes & Implementation, Fund Wrappers & Governance	21/04/2021
Responsible Investment	Responsible Investment Indices and Solutions, Responsible Investment Reporting	20/07/2021
Investment Performance & Risk Management	Performance Reporting & Manager Benchmarking. Roles and Responsibilities with the ASC.	18/09/2021
Guidance, Regulatory and Best Practice	Good Governance & Cost Transparency	19/01/2022

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 the WPP's three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 72% of assets.

As at 31 March 2022, WPP has total assets worth £23.1bn, £16.6bn of which sits within the pool, see breakdown below:

Asset Class	Managed by	Launch Date	31 March 2022 £000	%
Global Growth Equity Fund	Link Fund Solutions	February 2019	3,303,494	14.3
Global Opportunities Equity Fund	Russell Investments	February 2019	3,387,940	14.7
UK Opportunities Equity Fund	Russell Investments	September 2019	730,278	3.2
Emerging Markets Equity Fund	Russell Investments	October 2021	464,615	2
Global Credit Fund	Russell Investments	July 2020	757,659	3.3

Asset Class	Managed by	Launch Date	31 March 2022 £000	%
Global Government Bond Fund	Russell Investments	July 2020	507,273	2.2
UK Credit Fund	Link Fund Solutions	July 2020	574,224	2.5
Multi-Asset Credit Fund	Russell Investments	July 2020	723,184	3.1
Absolute Return Bond Fund	Russell Investments	September 2020	509,605	2.2
Passive Investments	BlackRock	March 2016	5,599,927	24.2
Investments not yet pooled			6,534,711	28.3
Total Investments across all 8 Pension Funds			**23,092,910**	**100**

Investment assets split between Clwyd Pension Fund and WPP (see note 13B to the accounts)

	31 March 2022 £000	%
Global Opportunities Equity Fund	129,762	5.2
Global Multi Asset Credit	246,032	9.9
Emerging Market Equity Fund	220,789	8.9
Passive Equities	133,533	5.4
Investments not yet pooled	1,755,654	70.6
Total Investment Assets	**2,485,770**	**100**

The above table summarises Clwyd Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund. During the year an additional £240.9m transitioned to the WPP portfolio. The table above shows the assets currently managed by the pool as at 31 March 2022.

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 2022 was £134.7k, 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.

2020/21 £000	**WPP pooling costs**	**2021/22 £000**
19	Host Authority Costs *	20
70	External Advisor Costs *	114
113	Transition Costs (Direct) **	0
202	**Total**	**134**

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

	Fees charged £000				
	Total Expenses including AMC	**Performance Fees**	**Transaction Costs**	**Custody**	**Total**
Asset Pool					
Direct	390	0	622	67	1,079
Indirect (Underlying)	1,108	0	0	0	1,108
Total	**1,498**	**0**	**622**	**67**	**2,187**
bps	21	0	9	1	30

Non Asset Pool					
Direct	13,795	4,399	1,282	39	19,515
Indirect (Underlying)	3,365	2,781	427	0	6,573
Total	**17,160**	**7,180**	**1,709**	**39**	**26,088**
bps	104	44	10	0	159
Fund Total	**18,658**	**7,180**	**2,331**	**106**	**28,275**
bps	79	30	10	0	119

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 31st March 2022

	Opening Value £000	%	Closing Value £000	%	Net Performance %	Local Target %
Pool Assets						
Global Equities Passive	114,307	5.1	133,533	5.4	**16.8**	**16.5**
Emerging Market Equities Passive*	82,484	3.7	0	0.0	**-**	**-**
Emerging Market Equities Active**	0	0	220,789	8.9		
Global Equities Active	117,059	5.3	129,762	5.2	**11.0**	**14.6**
Bonds Active	250,378	11.3	246,032	9.9	**-2.1**	**4.1**
Total Pool Assets	**564,228**	**25.4**	**730,116**	**29.4**		
Non- Pool Assets						
Emerging Market Equities (Core) Active	77,686	3.5	-		**-**	**-**
Emerging Market Equities (Local) Active	71,667	3.2	-		**-**	**-**
Diversified Growth	231,021	10.4	273,120	11.0	**20.3**	**8.8**
Liability Driven Investment	500,832	22.6	626,291	25.2	**17.9**	**17.9**
Hedge Funds	145,594	6.6	157,982	6.4	**8.5**	**3.6**
Property	132,870	6.0	147,325	5.9	**16.9**	**23.9**
Private Equity	251,667	11.3	201,521	8.1	**36.0**	**5.1**
Local/ Impact	-	-	79,332	3.2	**40.3**	**5.1**
Infrastructure	106,610	4.8	124,721	5.0	**22.3**	**5.1**
Private Debt	52,968	2.4	52,592	2.1	**18.1**	**7.5**
Timber & Agriculture	17,555	0.8	14,125	0.6	**6.1**	**5.1**
Cash***	67,282	3.0	79,645	3.2		
Total Non-Pool assets	**1,655,752**	**74.6**	**1,755,654**	**70.6**		
Total assets	**2,219,980**	**100**	**2,485,770**	**100**	**13.3**	

Note: Performance shown for the 12 months to 31 March 2022.

* The Fund invested into the Fund to October 2021, hence 12 month performance is not available.

**The Fund invested into the Fund in October 2021, hence 12 month performance is not available.

***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 2021/22 was £1,296,016 (gross) / £1,101,659 (net) of which the Clwyd Pension Fund received £47,992 with £430,743,792 out on loan as at 31 March 2022.

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

Responsible Investment

Responsible Investment ("RI") continues to be a key priority for the Welsh Constituent Authorities. In 2020/21 WPP worked towards drafting and agreeing a Climate Risk Policy – this outlines the unified climate risk beliefs and what measures we have adopted to manage climate risk within the WPP Sub-Funds. In August 2020, a dedicated WPP RI Sub-Group was established in recognition of the important of this subject matter. The Sub-Group meets twice a quarter and is responsible for progressing any RI related workstreams. The RI Sub-Group has already demonstrated its effectiveness and efficiency by delivering on one of the main commitments made in both the WPP's RI and Climate Risk Policies – the development of reporting that allows the WPP to monitor and manage RI and Climate Risk risks. The sub group now receives detailed RI and Climate Risk monitoring reports for each of the WPP's Sub-Funds on a quarterly basis.

In 2022 the WPP established its approach as a responsible investor involving oversight and monitoring of its voting policy, the establishment of an engagement framework, Environmental, Social and Governance (ESG) metrics monitoring and reporting output in accordance with the requirements namely the Task Force on Climate Related Financial Disclosures (TCFD). This guidance is currently out for consultation.

(TCFD - A description of the governance-related arrangements of an organisation to measure and managing climate-related risks and opportunities. A description of the processes in place for measuring and managing climate-related risks and opportunities).

Objectives 2022/23

Following the launch of a number of sub-funds to date, progress continues 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 will assist the WPP with the identification of Private Markets Allocators for the Private Market Asset Classes.

New Sub Fund – Sustainable Equity

Russell Investments, the funds appointed Investment Managers were tasked in 2021/22 to build a bespoke sustainable equity sub-fund to provide a framework for WPP's proposed exclusions to include:

- Diversified fund exposure
- Alignment to WPP sustainability goals including Net Zero alignment and a clear climate focus.
- Multi-channel approach to engagement and commitment to deliver reporting outcomes aligned with the Sustainable Development Goals (SDGs).
- To offer flexibility to evolve as the WPP's requirements change, or as the sustainable themes develop further. Utilising Russell's Enhanced Portfolio Implementation (EPI).

The final proposed sub-fund structure was discussed at OWG in May 22 and was approved at the JGC in July 22.

A transition timetable has been provided below:

Investment Portfolio	**Timeline for Launch / Implementation**
Sustainable Equities	Launch due by the end of 2022
Private Debt / Infrastructure	Launch due before the end of 2022/23
Private Equity	Launch scheduled for early 2023/24

Other Objectives

During 2021/22, the WPP published its first annual Stewardship Report and has been accepted as a signatory to the 2020 UK Stewardship Code. During 2022/23 the WPP hopes to enhance its approach as a responsible investor further with the establishment of an engagement framework, enhancing reporting in accordance with the requirements of the UK Stewardship Code and the Taskforce on Climate-Related Financial disclosure (TCFD) and to continue reviewing existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs.

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.

Other 2021/22 Updates

JCG Scheme Member Representative

In November 2021, the Inter Authority Agreement was amended to reflect the changes required to support the appointment of Scheme Member JGC representatives.

The interviews took place in February 2022 and the following appointments were made :

- SMR – Osian Richards
- Deputy SMR – Ian Guy

Pooling Risks

The following risk table identifies two frequently monitored risks from a Fund perspective when managing the arrangements in place through transitioning assets into the WPP.

Risk Identified	Potential Consequences	Risk Score Range	Controls / Mitigation
Financial losses experienced during the process of transitioning Fund assets into the Wales Pension Partnership (WPP) pool.	Poorly executed transitions of pension assets could result in high trading costs or loss of Net Asset Value in the short-term.	High	• The WPP and its constituent authorities take professional and timely advice from its advisors to ensure it is undertaking transition activity within an appropriate market environment. • A reconciliation of assets transferred to the pool is undertaken by the investments team following each transition. • A detailed report from the appointed transition experts commissioned by the WPP will be produced following each transition to provide added assurance to constituent Funds and their elected members.

Risk Identified	Potential Consequences	Risk Score Range	Controls / Mitigation
Investment pooling with the Wales Pension Partnership (WPP) fails to deliver long-term investment returns.	The WPP fails to deliver long-term investment returns beyond what the Fund would have expected to generate had pooling not occurred. This would result in a longer payback period on the initial investment envisaged, and the likelihood of needing to increase employer contribution rates as a result in order to ensure pension liabilities are fully funded in the future.	High	• Substantial governance arrangements are in place at both officer (Officer Working Group) and shareholder (Joint Governance Committee) levels. • Both the WPP and the constituent authorities take professional external advice on the opportunities for investment through the contractual relationship with Link Fund Solutions and Russell Investment advisors. • The WPP, together with constituent authorities, monitor the performance of investments and hold Link and Russell to account as necessary.

Whilst the risk score range attributable to the above is categorised as high, the Fund is comfortable with the level of mitigation in place in which to manage them. The Fund recognises that the process of transitioning assets will continue for a number of years and so this risk will continue to be monitored as appropriate until such time that we feel it can reduced to an acceptably low level or removed altogether. The risk of the WPP failing to deliver long-term performance remains high as this underpins the justification for pooling collaboration generally. As such, this risk is likely to remain in place for the foreseeable future. However, as the WPP continues to establish itself and the governance arrangements mature it is expected that this level of risk will be reduced to an acceptable level.

Section 3 - Annual Governance Statement

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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 52 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.

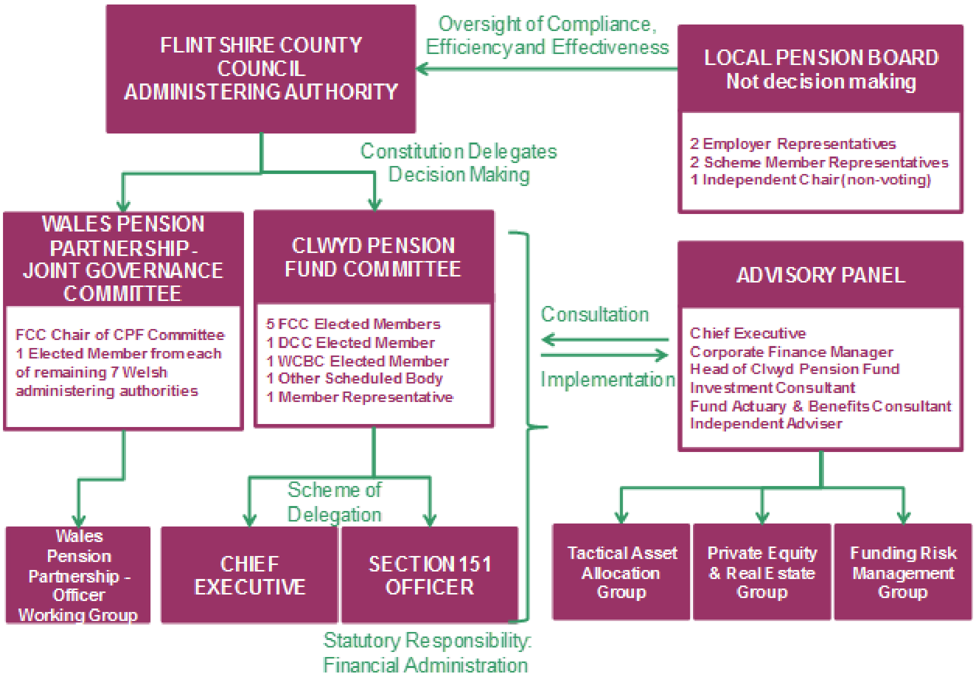
The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The Committee receives advice from the Clwyd Pension Fund Advisory Panel (the Panel) which is made of up of officers of the Council and advisors to the Fund.

The Council's Chief Executive 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, Communication Strategy Statement, 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 and Knowledge and Skills 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 2021/22 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

The COVID-19 pandemic resulted in a number of necessary changes to the way the Fund operated in 2020/21 e.g. virtual meetings / remote working etc. Whilst generally restrictions eased in 2021/22 the Fund has continued to operate in a similar manner. In particular, the Fund's Committee and Pension Board continued to meet virtually throughout 2021/22.

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 2021/22 but 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 2021/22 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.

Neil Cockerton

Chief Executive

23 November 2022

Councillor Ted Palmer

Chair Clwyd Pension Fund Committee

23 November 2022

Section 4 - Glossary

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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.

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Section 5 - Regulatory Documents

Clwyd Pension Fund Annual Report 2021/22

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

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Cronfa Bensiynau Clwyd

Clwyd Pension Fund

Gweinyddwyd gan
Administered by

CYNGOR Sir y Fflint
Flintshire COUNTY COUNCIL

Flintshire County Council

Administering Authority For

Clwyd Pension Fund

Governance Policy And Compliance Statement

February 2020

Governance Policy

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 46,900 current and former members of the Fund, and their dependants
- around 47 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 inegrity 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:

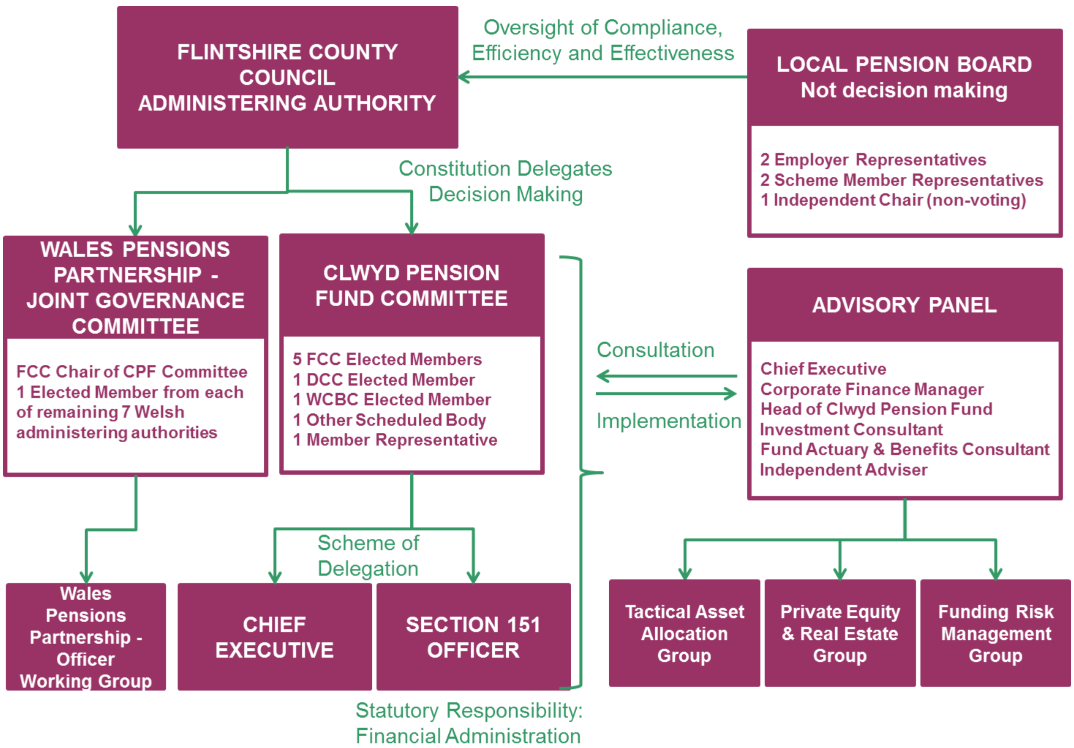
- Responsibility for the management of the Clwyd Pension Fund should be transferred from the Head of Finance to a newly constituted Committee

- 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 Chief Executive.

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 on 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 Chief Executive 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 Chief Executive.

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.

Chief Executive

Under the Council's Constitution, the Chief Executive 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 by the Chief Executive 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 Chief Executive 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 his or her 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.

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 Chief Executive, 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 Training 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 Chief Executive, 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 and Competence 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/

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.	• 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 MHCLG.
Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	• A Training 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 Training Policy. • The Joint Governance Committee has a Training Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.
Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	• 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 which may include comment 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

Objective	Monitoring Arrangements
Understand and monitor risk	• 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 meetings.
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	• 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 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.
Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success	• 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.	• 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 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 Housing, Communities and Local Government. 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 11 February 2020. 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:
https://mss.clwydpensionfund.org.uk/

Further information about the Wales Pension Partnership can be found on its website:
https://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**	The majority of elements of administration of benefits and strategic management of fund assets are delegated by the Council to Pension Fund Committee. The Wales Pension Partnership Joint Governance Committee has responsibility for some elements of management of the Wales Pension Partnership.
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**	Representatives covering most employers and scheme members are Co-opted Members of the Pension Fund Committee. The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers. The Wales Pension Partnership Joint Governance Committee is required to liaise with scheme member and employer representatives.

Best Practice	Compliant or not?	Explanatory Note
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 are 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**	

Best Practice	Compliant or not?	Explanatory Note
B. REPRESENTATION		
a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	**PARTIALLY COMPLIANT**	The Pension Fund Committee includes the following Co-opted Members: • 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. In addition, an independent adviser, Fund's actuary and investment consultant attend all Pension Fund Committee meetings. The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers. The Wales Pension Partnership Joint Governance Committee is required to liaise with scheme member and employer representatives.

Best Practice	Compliant or not?	Explanatory Note
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	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. 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.
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	This is highlighted via regular training and also when presenting this Governance Policy and Compliance Statement for approval.
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.

Best Practice	Compliant or not?	Explanatory Note
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**	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. The Wales Pension Partnership Joint Governance Committee voting arrangements are outlined in the Inter Authority Agreement with one vote per authority.

Best Practice	Compliant or not?	Explanatory Note
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**	The Fund has a Training Policy that applies to all Pension Fund Committee members, Pension Board members and officers. Training is delivered through several avenues including: • An initial induction for new Pension Fund Committee and Pension Board Members • On-going training through written reports or presentations at Committee meetings • Conferences and seminars. 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. The Wales Pension Partnership Joint Governance Committee is required to prepare, maintain and adhere to a Training Policy.

Best Practice	Compliant or not?	Explanatory Note
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 Training 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.

Best Practice	Compliant or not?	Explanatory Note
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**	All Members of the Pension Fund Committee have equal access to papers. In addition, all Pension Board members have access to the same papers. 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.
H. SCOPE		
a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	**COMPLIANT**	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.

Best Practice	Compliant or not?	Explanatory Note
I. PUBLICITY		
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.	**COMPLIANT**	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). 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). In addition the Joint Governance Committee will liaise with scheme member and employer representatives.

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 Chief Executive 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, Her 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 of Investment Principles and Myners Compliance Statement including setting 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 Chief Executive and Pensions Advisory Panel in relation to delegated functions.

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Cronfa Bensiynau Clwyd

Clwyd Pension Fund

Gweinyddwyd gan
Administered by

CYNGOR Sir y Fflint
Flintshire COUNTY COUNCIL

Funding Strategy Statement

Clwyd Pension Fund

March 2021

Flintshire County Council

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).

Executive Summary

The LGPS Regulations and CIPFA Guidance provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

THE DETAILS CONTAINED IN THIS FUNDING STRATEGY STATEMENT WILL HAVE A FINANCIAL AND OPERATIONAL IMPACT ON ALL PARTICIPATING EMPLOYERS IN THE CLWYD PENSION FUND. IT IS IMPERATIVE THEREFORE THAT EACH EXISTING OR POTENTIAL EMPLOYER IS AWARE OF THE DETAILS CONTAINED IN THIS STATEMENT.

The FSS is a document that must be revised and published whenever there is a material change in either the policy set out in the FSS or the Investment Strategy Statement (ISS). A consultation with employers must take place before the Administering Authority can publish their funding strategy.

The funding strategy is applicable to all types of employer within the Fund and contains a number of policies that employers should be aware of, including the admission and termination policy and the covenant policy. A glossary is included at the end to assist with understanding of the technical terms and definitions.

The drafting of the FSS has been delegated to the Pension Fund Committee by the Administering Authority, following advice from the Fund Actuary. Some aspects have also been delegated to Fund officers.

The FSS is also subject to scrutiny and possible intervention under Section 13(4)(c) of the Public Service Pensions Act 2013 which may place some restrictions on the parameters that can be applied to employers.

The Clwyd Pension Fund has a number of key aims and objectives which are set out within the business plan. The key funding objectives are referred to throughout the FSS and are summarised below:

- Achieve and maintain assets equal to 100% of liabilities within the 13-year average timeframe, whilst remaining within reasonable risk parameters.
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible.
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities.
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives.
- Manage employers’ liabilities effectively through the adoption of employer specific funding objectives.
- Ensure net cash outgoings can be met as/when required.
- Minimise unrecoverable debt on employer termination.
- Ensure that the future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability.

Key elements of the funding strategy are as follows:

- Employer covenant and investment strategy will have a major influence on the valuation results.
- Deficit recovery periods will be determined by the Administering Authority with the aim of recovering deficits as quickly as possible and vary by employer. Existing contribution plans will not be reduced even if the funding position has improved unless the employer covenant is sufficiently strong and if the Administering Authority agrees. The average recovery period for the Fund is 13 years. Deficit recovery contributions will be expressed as £s amounts.
- It will be possible for employers to prepay their deficit contributions for the full 3 years or annually at each April which would result in a cash saving.
- The key financial assumption – the discount rate – has been derived by considering the long term expected return on the Fund's investment over and above assumed future Consumer Price Inflation (CPI).
- The demographic assumptions for the whole Fund have been determined by carrying out a bespoke analysis of the Fund's membership along with a review of other LGPS Funds.
- It is strongly recommended that employers consider and understand the Fund policies which primarily relate to employers joining the Fund, ongoing monitoring of the financial strength of employers (covenant) and the approach adopted when employers leave the Fund (termination).

Ensuring that the Clwyd Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long-term is the fiduciary responsibility of the Administering Authority (Flintshire County Council). The Funding Strategy adopted by the Clwyd Pension Fund will therefore be critical in achieving this.

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 Clwyd Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

THE FUND'S KEY 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. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

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. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected which would normally lead to volatility of contribution rates at future valuations if these margins were not included. The level of prudence has been quantified by the Actuary to show the level of contingency to provide protection against future adverse experience in the long term. This takes into account the risk controls implemented as part of the Flightpath Strategy. Individual employer results will also have regard to their covenant strength.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long-term cost-efficiency implies that the rate must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, 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 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 relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

As the solvency level of the Fund is 91% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may also elect to make prepayments of contributions which would result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations, where a deficit exists and depending on the level of deficit, a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period). Full details are set out in this FSS.

The average recovery period for the Fund as a whole is 13 years at this valuation which is 2 years shorter than the average recovery period of 15 years from the previous valuation. After taking into account affordability and other considerations, all individual employer recovery periods have reduced at this valuation.

Where there is a material increase in contributions required at this valuation, subject to affordability constraints, the employer may be able to 'phase in' contributions over a period of 3 years. Employers should be aware that if they elect to 'phase in' their contributions, this may have an effect on the level of contributions required in the future. Equally employers will be able to phase in their contributions changes to tie in with their financial year if this does not end on 31 March.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. Therefore, the Fund has considered its policy in relation to costs that could emerge from the McCloud judgment, in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary. Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation, when considering the appropriate contribution provision, we have assumed that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. This underpin therefore would apply to all active members as at 1 April 2012. The relevant estimated costs have been quantified and notified to employers on this basis but also highlighting that the final costs may be significantly different. Employers will be able to choose to include these estimated costs over 2020/23 in their certified contributions. Alternatively, they will need to make allowance within their budgets and note that backdated contributions could be payable if the remedy is known before the next valuation. The vast majority of employers have made provisions directly in their contributions.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in an appendix to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities should be 1.75% per annum and 2.25% per annum for determining the future service ("Primary Rate") contribution rate.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund taking into account the experience of the wider LGPS where relevant.

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 when deriving the employer asset share.

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 share maybe restated for changes in data or other policies.

Other 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.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's approach and polices in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

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 to the overall risk management and governance of the Fund. 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.

The Fund will continue to monitor changes in covenant in conjunction with the funding position over the inter-valuation period which will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in the relevant appendix in this statement.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in Appendix C. Examples of new employers include:

- Mandatory Scheme Employers
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. Termination policy for employers exiting the Fund

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 benefits of the exiting employer's current and former employees along with a termination contribution certificate.

The policy for employers who do not have a guarantor participating in the Fund:

Where there is **no guarantor** who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to Government bond yields and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately, although instalment plans will be considered by the Administering Authority on a case by case basis. Any exit credits (surplus assets over liabilities) will be paid from the Fund to the exiting employer within 6 months of completion of cessation by the Actuary. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it, and, for example, 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.

The policy for employers who have a guarantor participating in the Fund:

Where there is a **guarantor** who would subsume the assets and liabilities of the outgoing employer the default policy is that any deficit or surplus would be subsumed into the guarantor and taken into account at the following valuation. 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 exit credit would be payable in these circumstances.

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 Administering Authority will provide details of the information required to make their determination for each case when the need arises. Further details are set out within the Termination Policy in Appendix C.

The Administering Authority can modify this approach on a case by case basis if circumstances warrant it and the parties make representation. For example if the parties make representation it may be appropriate to adjust any exit payment or exit credit to take into account any risk sharing arrangements which exist between the exiting employer and the outsourcing scheme employer.

The policy for repayment of exit debts:

The default position for exit payments is that they are paid in full at the point of exit (adjusted for interest where appropriate). At the discretion of the administering authority, instalment plans over an agreed period or a Deferred Debt Agreement may be entered into. If an employer requests that an exit debt payment is recovered over a fixed period of time or that they wish to enter into a Deferred Debt Agreement with the Fund, they must make a request in writing covering the reasons for such a request. Any deviation from this 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 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. Further details are set out with in Appendix C.

4. Insurance arrangements

The Fund has implemented an internal captive ill health insurance arrangement which pools these risks for eligible employers. This arrangement will not affect eligible employer contribution rates at this valuation but may affect them going forward. More details are provided in **Appendix F**.

CONTENTS

APPENDICES

1
Introduction

The Local Government Pension Scheme Regulations 2013 (as amended) ("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 key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Clwyd Pension Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
    - the guidance issued by CIPFA for this purpose; and
    - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the Clwyd Pension Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Clwyd Pension Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

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.

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.

In line with the Regulations, the Administering Authority has the ability to review employer contributions or request a full interim valuation. If considered appropriate, the Fund will carry out an interim valuation or a review of contributions for a specific employer or employer(s) under the circumstances set out within Section 9.

Primary Rate

The “Primary rate” for an employer is 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 and whether it admits new employees, the funding strategy adopted for that employer, the actuarial method used and/or the employer’s covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers’ Primary rates.

Secondary Rate

The “Secondary rate” is 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.

2

Purpose of FSS in Policy Terms

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will 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 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.

The purpose of this Funding Strategy Statement 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 longer-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. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3

Aims and Purpose of the Fund

The aims of the fund are to:

- 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.

The purpose of the fund is to:

- 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

4

Responsibilities of the Key Parties

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (in particular the Pensions Committee), the individual employers and the Fund Actuary, and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers (including via the Wales Pension Partnership asset pool), auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

Key Parties to the FSS

The **Administering Authority** should:

- 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 ISS, both after proper consultation with interested parties, and
- 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
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations an d the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations) , unless they are Deferred Employer
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- 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, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- 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 their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on 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
- 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.

5

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 liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, the employer rate would ultimately revert to the Future Service or Primary Rate of contributions.

Solvency and Long Term Efficiency

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long-term cost-efficiency implies that the rate must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy, the Administering Authority has taken into account these 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 relating to the Fund.

Determination of the Solvency Funding Target and Deficit Recovery Plan

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

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.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful, potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2020 at the latest.

As part of each valuation, separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. 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.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation:

- 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.

- 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. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. 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 (see Deficit Recovery Plan in **Appendix B**). This has resulted in an average recovery period of 13 years being adopted across all employers.

- 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) subject to a total contribution minimum of zero. If an employer is expected to exit the Fund before this period, contribution requirements will be set to target a nil termination deficit within reasonable expectations (subject to periodic review).

- 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 2020/23 in respect of an employer's surplus or deficit (including phasing adjustments)

Where increases (or decreases) in employer contributions are required from 1 April 2020, following completion of the 2019 actuarial valuation, the increase (or decrease) from the rates of contribution payable in the year 2020/21 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 would not consider it appropriate for any increase in contributions paid in respect of future accrual of benefits to be implemented in steps.

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 2020/23 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.

- For employers that do not have a financial year end of 31 March 2020 (e.g. 31 July 2020), 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 2020 if the year-end is 31 July 2020).

- 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.

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. In such circumstances:

  The policy for employers who have a **guarantor** participating in the Fund:

  The residual assets and liabilities and hence any surplus or deficit will transfer back to the guarantor as a default policy. The interested parties will need to consider any separate agreements that have been put in place between the exiting employer and the guarantor. In some instances an exit credit or 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.

  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 formal 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 completion of the final cessation by the Actuary.

- 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 at the next valuation depending on the circumstances.

If requested, the Administering Authority will provide details of the information considered as part of the determination. A determination notice will be provided alongside the termination assessment from the Actuary. 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.

In some instances, the outgoing employer may only be responsible for part of the residual deficit or surplus as per the separate risk sharing agreement. The default is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless representation is made by the relevant parties in line with the Regulations (as noted above). 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, provided that the Fund is aware of the provisions of the risk sharing agreement in any representation made.

<u>The policy for employers who do not have a **guarantor** participating in the Fund:</u>

- 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 completion of the cessation assessment by the Actuary).

- 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.

Where an employer with no guarantor leaves the Fund and leaves liabilities with the Fund which the Fund must meet without recourse to that employer, the valuation of the termination payment will be calculated using a discount rate linked to Government bond yields and a more prudent life expectancy assumption. Further details are set out in the Termination Policy in Appendix C.

Allowing for the McCloud Judgment in termination valuations

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not currently known with any certainty although it is expected to be similar to the allowance made in the employer rates at this valuation. Where a surplus or deficit is being subsumed, no allowance will be made for McCloud within the calculations and the impact will be considered at the next contribution rate review. However, if a representation is made to the Administering Authority in relation to an Exit Credit then a reasonable estimate for the potential cost of McCloud will need to be included. Where a surplus or deficit isn't being subsumed, McCloud will be allowed for as a matter of policy.

The allowance will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer using the termination assessment assumptions. 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. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time.

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 and, for example, 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.

The policy for repayment of exit debts:

The default position for exit payments is that they are paid in full at the point of exit (adjusted for interest where appropriate). At the discretion of the administering authority, instalment plans over an agreed period or a Deferred Debt Agreement may be entered into. If an employer requests that an exit debt payment is recovered over a fixed period of time or that they wish to enter into a Deferred Debt Agreement with the Fund, they must make a request in writing covering the reasons for such a request. Any deviation from this 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 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.

The termination policy is set out in Appendix C (including details of repayment plans over an agreed period and Deferred Debt Agreements). This will be reviewed at least on an annual basis to take into account any emerging trends or changes in financial or demographic factors e.g. longevity trends and RPI reform which will affect the termination assessment for employers.

6

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

The results of the 2019 valuation show the liabilities to be 91% covered by the current assets, with the funding deficit of 9% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, a prudent allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

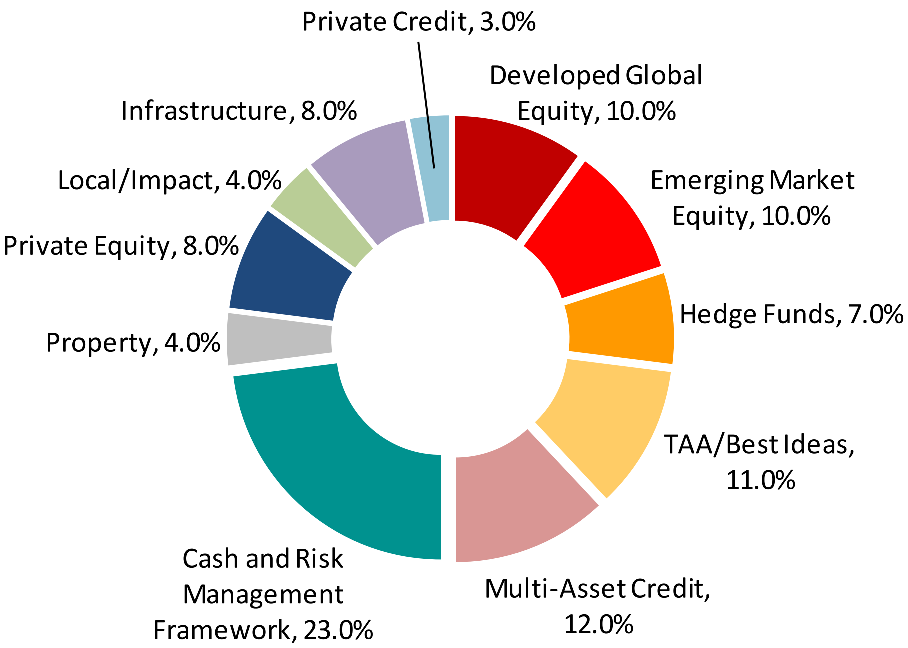
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked, fixed interest gilts and swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of negative 1% per annum at the valuation date and a more prudent longevity assumption. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 54%. This is a measure of the level of reliance on future investment returns i.e. level of investment risk being taken

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The long term strategic allocation is:



Based on the investment strategy above and the assessment of the return expectations for each asset class leads to an overall best estimate average expected return of 2.8% per annum in excess of CPI inflation at the valuation date. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations.

A measure of overall prudence to protect against adverse experience in the future is to consider the funding level if it was assessed on a “best estimate” basis for all the principal assumptions (mainly the investment return and life expectancy). The actuary has assessed this funding level as 110%. This level of prudence is built in to allow the Fund to address adverse events whilst maintain stability (within reasonable parameters) in employer contributions where appropriate.

7

Identification of Risks and Counter-Measures

The funding of defined benefits is by its nature uncertain. Funding is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. 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 equity 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

The financial risks are as follows:

- 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
- 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
- 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.

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.

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.

Demographic

The demographic risks are as follows:-

- Future changes in life expectancy (longevity) that cannot be predicted with any certainty
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

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 minimise the number of ill-health retirements**. Ill health retirements can be costly 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. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are properly controlled, can help control exposure to this demographic risk. The Fund's ill health captive arrangement will also help to ensure that the eligible employers are not exposed to large deficits due to the ill health retirement of one or more of their members (see further information in Appendix F).

Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge. The level of this charge (taking into account any other exit payments from the employer) will be capped by the Exit Cap of £95,000 and the member's benefits will be adjusted accordingly when the new Regulations are brought into effect.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

Insurance of Certain Benefits

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund. This for example could include insurance of ill-health costs or death in service benefits for members. Further information on the insurance of ill health costs is set out in **Appendix F**.

Regulatory

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme,
- Changes to national pension requirements and/or HMRC Rules

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.

Governance

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. So far as the revised Funding Strategy Statement is concerned, it circulated copies of the first draft to all employing bodies for their comments and placed a copy on the Fund's website. It has been approved by the Committee after the Fund received consultation feedback from the employing bodies and the final document was ratified by the Committee.

As part of their governance arrangements, the Fund holds regular Advisory Panel meetings. The Advisory Panel is made up of Fund Officers, Investment Consultants, an Independent Advisor and the Fund Actuary.

Governance risks are as follows:

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- 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
- Changes to Committee membership

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.

Full details of the risks and the controls in place are set out in the CPF risk register.

8

Monitoring and Review

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with employing organisations.

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 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 - De-risking Strategy

In the context of managing various aspects of the Fund's financial risks, the Administering Authority has implemented a "Flightpath" risk management investment strategy with effect from 1 April 2014. A Liability Driven Investments (LDI) mandate has also been implemented in order to hedge part of the Fund's assets against changes in liabilities.

The principal aim of this risk management strategy is to effectively control and limit interest and inflation risks being run by the Fund (as these factors can lead to significant changes to liability values). At the valuation date the level of hedging was approximately 20% in relation to interest rates and 40% in relation to inflation. The intention is that the Fund will achieve a hedge ratio of 80% in the long term for both interest and inflation rates. The overall funding flightpath strategy structure was reviewed in conjunction with the actuarial valuation and a summary of the real yield triggers above CPI is shown below (split by duration of liabilities). In practice the triggers are split into separate interest rate and inflation triggers.

		Real rate above CPI			
Proposed triggers	**Hedge ratio**	**15y**	**20y**	**30y**	**40y**
Trigger 1	30%	-	-	-	-
Trigger 2	40%	-	-	-	-
Trigger 3	50%	1.40%	1.40%	1.40%	1.40%
Trigger 4	60%	1.60%	1.60%	1.60%	1.60%
Trigger 5	70%	1.80%	1.80%	1.80%	1.80%
Trigger 6	80%	2.00%	2.00%	2.00%	2.00%

Flightpath – Monitoring/Trigger Review

A summary report is provided to the Fund (on a monthly and quarterly basis) which includes a "traffic light" analysis of the key components of the Flightpath and hedging mandate. The "traffic light" indicates whether the Flightpath and hedging mandate are operating in line with expectations or if any actions are required. In particular, a separate fund-wide mechanism has been introduced, 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. There are no formal funding level triggers in place although it has been agreed that when the funding level hits 100% or higher consideration will be given to whether the allocation to more liability matching assets should be increased.

The funding level has materially improved since the valuation date due in part to strong equity performance in the portfolio including the exposure via the risk management mandate with Insight.

A dynamic Equity Protection strategy was put in place in 2018. This was after rigorous analysis and value for money considerations by the Fund's Funding and Risk Management Group. The strategy protects against falls of 10% or more of the average market position over the previous 12 months on c£350m of equity exposure in the Insight portfolio. The cost of this will be offset by the Fund's participation in losses beyond a fall of 30% from average market levels of the same 12 months. This arrangement will be financed by giving up some potential upside return on a monthly 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
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 Insight investment vehicle.

As part of the Flightpath strategy the Fund has implemented a currency hedging policy to lock-in gains from the depreciation in sterling and reduce the risk of a materially strengthening pound. The overall 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 Flightpath monitoring detailed above and regular funding reviews. If considered appropriate, the funding and flightpath 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

- if there have been significant changes to the CPF membership, or LGPS benefits
- if there 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
- if there have been any significant special contributions paid into the CPF
- if there has been a change in Regulations or Guidance which materially impacts on the policies within the funding strategy

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.

Review of Contributions

In line with the Regulations, the Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers now 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.

Consideration will be given to any risk sharing arrangements (e.g. cap and collar arrangements) when reviewing contribution rates. Further information is set out within the policy in Appendix D.

Cost Management and the McCloud Judgement

The cost management process was set up by HMT, with an additional strand set up by the Scheme Advisory Board (for the LGPS). The aim of this was to control costs for employers and taxpayers via adjustments to benefits and/or employee contributions.

As part of this, it was agreed that employers should bear the costs/risks of external factors such as the discount rate, investment returns and inflation changes, whereas employees should bear the costs/risks of other factors such as wage growth, life expectancy changes, ill health retirement experience and commutation of pension.

The outcomes of the cost management process were expected to be implemented from 1 April 2019, based on data from the 2016 valuations for the LGPS. This has now been put on hold due to age discrimination cases brought in respect of the firefighters and judges schemes, relating to protections provided when the public sector schemes were changed (which was on 1 April 2014 for the LGPS and 1 April 2015 for other Schemes).

The Government have confirmed that this judgment will result in a remedy being required for the LGPS. The Scheme Advisory Board issued guidance here:

http://www.lgpsboard.org/images/Other/Advice_from_the_SAB_on_McCloud_May_2019.pdf

This sets out how the McCloud case should be allowed for within the 2019 valuation. As a consequence, cost management is expected to remain paused until the remedy is known and therefore no allowance has been made in this valuation. This will be reconsidered once the final outcomes are known. The potential impact of the judgement (based on the information available at the time) has been quantified and communicated to employers as part of the 2019 valuation. In line with the Regulations, employer contributions can be reviewed once the outcome is known, if deemed appropriate for some or all of the employers depending on whether a provision was made directly in their agreed contributions rates from 1 April 2020 at this valuation. Updated employer rates will then be implemented from the following 1 April for practical purposes with backdating as appropriate.

Further Information

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

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Appendix A - Actuarial Method and Assumptions

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.

Financial Assumptions – Solvency Funding Target

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence as a contingency against future adverse experience. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 1.75% per annum above CPI inflation i.e. a real return of 1.75% per annum and a total discount rate of 4.15% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics. The discount rate will be reviewed as a matter of course at the time of a formal valuation.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation to arrive at the CPI inflation assumption at the valuation date is 1.0% per annum. The CPI inflation assumption at the valuation date is 2.40% per annum. This adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any reform of the RPI index as announced by the Chancellor of the Exchequer.

For example, when assessing a funding position at February 2021, we will adjust the market RPI inflation to arrive at the CPI inflation assumption by deducting 0.6% per annum as opposed to the 1.0% per annum at the valuation date. This adjustment will be kept under review over time.

Salary increases

In relation to benefits earned prior to 1 April 2014, 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. As a variation to the long term salary increase assumption allowance has been made for expected short term pay restraint for some employers as budgeted in their financial plan. Depending on the circumstances of the employer, the variants on short term pay that have been applied are either no adjustment or an allowance of 2% per annum for each year from the valuation date up to 31 March 2023.

Application of bespoke salary increase assumptions as put forward by individual employers will be at the ultimate discretion of the Administering Authority but as a minimum must be reasonable and practical. To the extent that experience differs from the assumption adopted, the effects will emerge at the next actuarial valuation.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

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), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. 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 accelerated trend in longevity seen in recent years (as evidenced in the 2018 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 projections with a long-term improvement trend of 1.75% per annum.

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

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. 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.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption 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. Other assumptions are as per the last valuation.

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 as required from participating employers. This addition is reassessed at each valuation and is calculated by estimating the level of expenses for the Fund over the period from 1 April 2020 to 31 March 2023. 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 2019 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.

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, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition, the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

At the valuation date, the financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.25% per annum above the long term average assumption for consumer price inflation of 2.40% per annum. This leads to a discount rate of 4.65% per annum.

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 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 approach is effectively one of 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. Cashflows and investment returns are assumed to be paid/earned evenly over each year or relevant period.

Other 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.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the "primary rate") for the 2016 actuarial valuation

Long-term yields	
Market implied RPI inflation	3.40% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.15% p.a.
CPI price inflation	2.40% p.a.
Long Term Salary increases*	3.65% p.a.
Pension increases/indexation of CARE benefits	2.40% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.65% p.a.
CPI price inflation	2.40% p.a.
Long Term Salary increases*	3.65% p.a.
Pension increases/indexation of CARE benefits	2.40% p.a.

*short term salary increases of a minimum of 2% per annum for each year from the valuation date up to 2023 also apply for most employers.

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	100% S3PMA_CMI_2018 [1.75%] 92% S3PFA_M_CMI_2018 [1.75%]
	Dependant	132% S3PMA_CMI_2018 [1.75%] 92% S3DFA_CMI_2018 [1.75%]
	Ill Health	122% S3IMA_CMI_2018 [1.75%] 132% S3IFA_CMI_2018 [1.75%]
	Future Dependant	128% S3PMA_CMI_2018 [1.75%] 111% S3DFA_CMI_2018 [1.75%]
Active	Normal Health	106% S3PMA_CMI_2018 [1.75%] 93% S3PFA_M_CMI_2018 [1.75%]
	Ill Health	122% S3IMA_CMI_2018 [1.75%] 142% S3IFA_CMI_2018 [1.75%]
Deferred	All	128% S3PMA_CMI_2018 [1.75%] 110% S3PFA_M_CMI_2018 [1.75%]
Future Dependant	Dependant	135% S3PMA_CMI_2018 [1.75%] 118% S3DFA_CMI_2018 [1.75%]

Life expectancies at age 65:

Membership Category	Male Life Expectancy at 65	Female Life Expectancy at 65
Pensioners	22.4	24.8
Actives aged 45 now	24.0	26.8
Deferreds aged 45 now	22.6	25.6

Other demographic assumptions are set out in the Actuary’s formal report.

Appendix B – Employer Deficit Recovery Plans

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement although employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on an annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of recovery periods is summarised in the table below:

Category	Average Deficit Recovery Period (whole years)	Derivation
Unitary Authority Councils	13 years	Determined by reducing the period from the preceding valuation by 3 years (where appropriate).
Other Tax-raising Scheduled and Designating Bodies	8 years	Determined by reducing the period from the preceding valuation on a case by case basis with the intention of reducing by at least 3 years.
Education Bodies (Universities and Colleges)	10 years	Determined by reducing the period from the preceding valuation by at least 3 years.
Admission Bodies (guaranteed by another Scheme Employer within the Fund)	12 years	Subject to agreement with guarantor.

Individual employers have been notified separately of their individual recovery periods when they were provided with 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 some or all of the following factors:

- The size of the funding shortfall;
- The financial plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.
- Changes in the funding position after the valuation date which is deemed reasonable.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed.

OTHER FACTORS AFFECTING THE EMPLOYER DEFICIT RECOVERY PLANS

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things being equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases 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 2020/2023. 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.

For those bodies identified as having a weaker 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. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the Fund Actuary, retains ultimate discretion in agreeing final employer contribution plans, and will consider whether any exceptional arrangements should apply to any participating employer within the Fund.

Appendix C - Admission and Termination Policy

Introduction

This document details the Clwyd Pension Fund's (CPF) policy on the methodology for assessment of ongoing contribution requirements and termination payments in the event of the cessation of an employer's participation in the Fund. This document also covers CPF's policy on admissions into the Fund and sets out the considerations for current and former *admission bodies*. It supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS).

- 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 CPF is kept as a live document and will be updated by the Administering Authority as bodies are admitted to, or leave the CPF.

Please see the glossary for an explanation of the terms used throughout this Appendix.

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 CPF. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the CPF 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 the FSS.

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.

An exception to the above policy applies if the guarantor is not a participating employer within the CPF, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the CPF 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.

EXITING THE FUND

TERMINATION OF AN EMPLOYER'S PARTICIPATION

When an employing body terminates for any reason, 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.

EMPLOYERS WITHOUT A GUARANTOR

The CPF's policy is that a termination assessment will be made based on a minimum risk funding basis (as set out below), unless the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities (including those for former employees). 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 policy for such employers will be:

- 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 completion of the cessation assessment by the Actuary).

- 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 – see further details below) following completion of the termination process.

Furthermore, if appropriate, 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.

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 and, for example, 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.

EMPLOYERS WITH A GUARANTOR

If, instead, the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities, the CPF's policy is that the valuation funding basis will be used for the termination assessment unless the guarantor informs the CPF otherwise.

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 interested parties involved (i.e. the Fund, the exiting employer and the guarantor) will need to consider any separate agreements that have been put in place between the exiting employer and the guarantor when determining where an exit credit should be paid. If there is a 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 completion of the final cessation by the Actuary.
- 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 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. A determination notice will be provided alongside the termination assessment from the Actuary. 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.

In some instances, the outgoing employer may only be responsible for part of the residual deficit or surplus as per the separate risk sharing agreement. The default is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless representation is made by the relevant parties in line with the Regulations as noted above. 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.

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.

ALLOWING FOR THE MCCLOUD JUDGMENT IN TERMINATION VALUATIONS

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not currently known with any certainty although it is expected to be similar to the allowance made in employer rates at this valuation. Where a surplus or deficit is being subsumed, no allowance will be made for McCloud within the calculations and the impact will be considered at the next contribution rate review. However, if a representation is made to the Administering Authority in relation to an Exit Credit then a reasonable estimate for the potential cost of McCloud will need to be included. Where a surplus or deficit isn't being subsumed, McCloud will be allowed for as a matter of policy.

The allowance will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer using the termination assessment assumptions. 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. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time.

It is possible under certain circumstances that an employer can apply to transfer all assets and current and former members' benefits to another LGPS Fund in England and Wales. In these cases, no termination assessment is required as there will no longer be any orphan liabilities in the CPF. A separate assessment of the assets to be transferred will be required.

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 the representations from the interested parties.

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.

The Fund's standard policy is to recover termination deficits (including interest and expenses) as a one off payment. However, at the discretion of the Administering Authority, the deficit can be recovered over an agreed period as certified by the Actuary. This period will depend on the Administering Authority's view on the covenant of the outgoing employer. 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 completion of the cessation assessment by the Actuary).

POLICY IN RELATION TO THE FLEXIBILITY FOR EXIT DEBT PAYMENTS AND DEFERRED DEBT AGREEMENTS (DDA)

The Fund's policy for termination payment plans is as follows:

1. The default position is for exit payments to be paid immediately in full 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. In the case of an exit credit the determination process set out above will be followed.

2. At the discretion of the administering authority, instalment plans over an agreed period or a Deferred Debt Agreement will only be agreed subject to the policy in relation to any flexibility in recovering exit payments.

As set out above, the default position for exit payments is that they are paid in full at the point of exit (adjusted for interest where appropriate). If an employer requests that an exit debt payment is recovered over a fixed period of time or that they wish to enter into a Deferred Debt arrangement with the Fund, they must make a request in writing covering the reasons for such a request. Any deviation from this 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 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.

The following policy and processes will be followed in line with the principles set out in the statutory guidance published 2 March 2021.

POLICY FOR SPREADING EXIT PAYMENTS

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

1. The Administering Authority will request updated financial information from the employer including management accounts showing expected financial progression of the organisation and any other relevant information to use as part of their covenant review. 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. This 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).
    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

As opposed to paying the exit debt 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 and employer will enter into such an arrangement:

1. The Administering Authority will request updated financial information from the employer including management accounts showing 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 exit debt that would be required if the arrangement was not entered into is affordable at that time (based on advice from the Actuary, covenant and legal advisor where necessary).

3. The initial process to determine whether a Deferred Debt Agreement 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.

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 Deferred Debt Agreement 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:

    - What security the employer can offer whilst the employer remains in the Fund. In general the Administering Authority won't enter into such an arrangement unless they are confident that the employer can support the arrangement on an ongoing basis. Provision of security may also result in a review of the recovery period and other funding arrangements.
    - Whether an upfront cash payment should be made to the Fund initially to reduce the potential debt.
    - What the updated secondary rate of contributions would be required up to the next valuation.
    - 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.
    - The advice of the Actuary, covenant, legal and any other specialists necessary.
    - The responsibilities that would apply to the employer while they remain in the Fund.
    - What conditions would trigger the implementation of a revised deficit recovery plan and subsequent revision to the secondary contributions (e.g. provision of security).
    - The circumstances that would trigger a variation in the length of the deferred debt agreement (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.
    - Under what circumstances the employer may be able to vary the arrangement e.g. a further cash payment or change in security underpinning the agreement.

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

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

6. The costs associated with the advice sought and drafting of the Deferred Debt Agreement 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.

MINIMUM RISK TERMINATION BASIS

The minimum risk financial assumptions that applied at the actuarial valuation date (31 March 2019) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

Minimum risk assumptions	**31 March 2019**
Discount Rate	1.4% p.a.
CPI price inflation	2.4% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.

The financial assumptions above are as at 31 March 2019. These assumptions will be reviewed on an ongoing basis to allow for changes in market conditions along with any other structural or legislative changes.

In particular, since the valuation date it has been announced that RPI inflation will move to be in line with the CPIH inflation measure with effect from 2030. This therefore needs to be reflected when deriving an updated market estimate of CPI inflation.

For example, when assessing a termination position at February 2021, we will adjust the market RPI inflation to arrive at the CPI inflation assumption by deducting 0.6% per annum as opposed to the 1.0% per annum at the valuation date when assessing an employer's termination position. This adjustment will be kept under review over time.

All demographic assumptions will be the same as those adopted for the 2019 actuarial valuation, except in relation to the life expectancy assumption. Given the minimum risk financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption. The 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.

The termination basis for an outgoing employer will include an adjustment to the assumption for longevity improvements over time by increasing the long term trend of improvement in mortality rates to 2.25% p.a. from the 1.75% p.a. used in the 2019 valuation for ongoing funding and contribution purposes.

Appendix D – Review of Employer Contributions between Valuations

In line with the Regulations that came into force on 23rd September 2020, the Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers now 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.

1) **Significant changes in the employer's liabilities**
   This includes but is not limited to the following scenarios:
   a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
      i. Restructuring of an employer
      ii. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)
      iii. A bulk transfer into or out of the employer
      iv. 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
   b) Two or more employers merging including insourcing and transferring of services
   c) The separation of an employer into two or more individual employers

   In terms of assessing the triggers under 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.

2) **Significant changes in the employer's covenant**
   This includes but is not limited to the following scenarios:
   a) 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 which may impair the security provided to the Fund.
   b) 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.
   c) 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.

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.

In this instance, 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;

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 advisors.

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 contribution 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.

Appendix E – Covenant Assessment and Monitoring Policy

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

- Type of 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.

RISK CRITERIA

The assessment criteria upon which an employer 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 flexibility
- Employer's credit rating
- Position of the economy as a whole

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 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 publically 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/Greed (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. 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 as a matter of course with each triennial actuarial valuation. 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.

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.

Appendix F – Insurance Arrangements

Overview of Arrangements

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.

Internal Captive Insurance

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 2020/23 is 0.9% 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 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 is it 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.

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.

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.

Appendix G - Glossary

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 Funding Strategy Statement. 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.

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.

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).

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.

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.

Employer's Future Service Contribution Rate ("Primary Rate"): the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

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.

Government Actuary's Department ("GAD"): 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 immunise certain employers against excessive ill health costs in return for an agreed insurance premium.

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.

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.

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 eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

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 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 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.

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.

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: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

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 2019 was 2.4% p.a., so it can be substantially different from the actuarial assumptions used to calculated 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 Communities and Local Government (DCLG) in connection with reviewing the 2019 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

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.

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.

Appendix 11

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Cronfa Bensiynau Clwyd

Clwyd Pension Fund

Gweinyddwyd gan
Administered by

CYNGOR Sir y Fflint
Flintshire COUNTY COUNCIL

Flintshire County Council

Administering Authority For

Clwyd Pension Fund

Investment Strategy Statement

February 2022

Investment Strategy Statement

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 scheme 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 Clwyd Pension Fund 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 2020. This updated version was presented to the Committee in February 2022 for approval.

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

- Funding Strategy Statement
- Governance Policy and Compliance Statement

- Communications Strategy
- Clwyd Pension Fund Annual Report and Accounts
- Clwyd Pension Fund 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

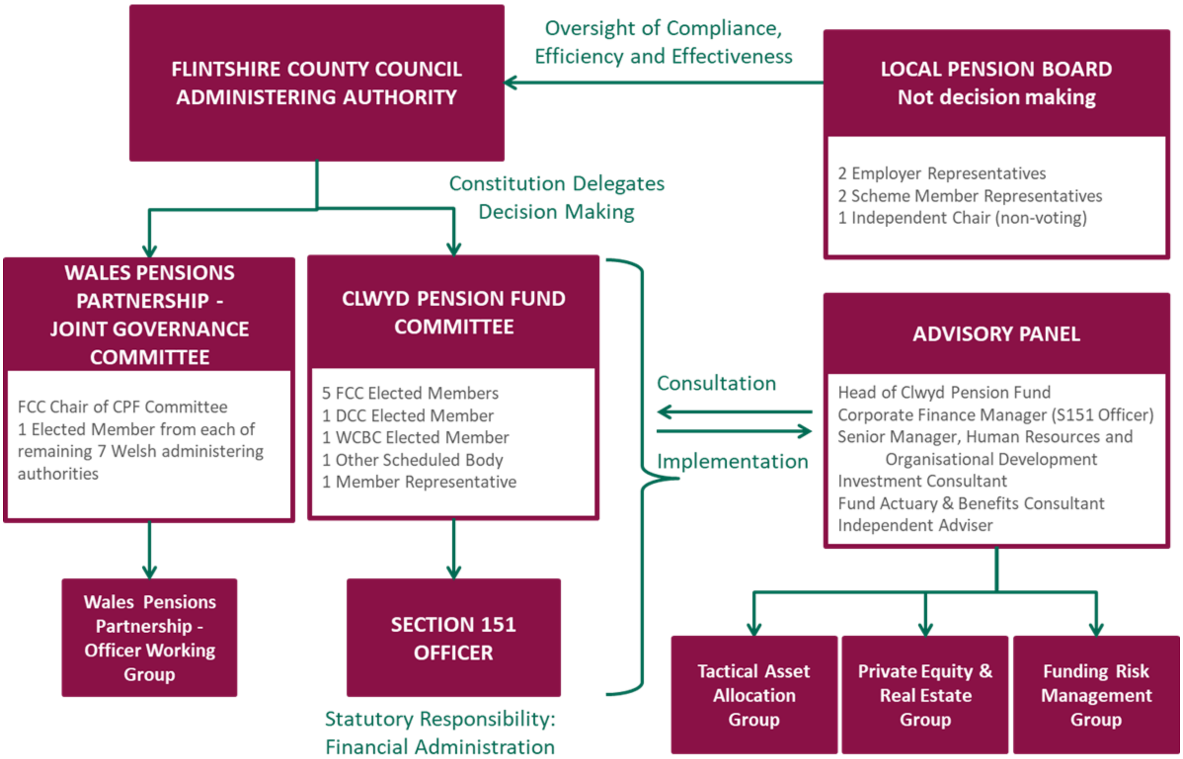
The Clwyd Pension Fund is a £2.5bn Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and fire-fighters) in North East Wales and employees of other qualifying bodies which provide similar services.

Total Fund membership is about 49,100 with about 17,700 active contributors from 52 contributing employers and about 31,400 retired members, widows and deferred members.

Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council (the Council) to a formal Pension Fund Committee (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 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 13-year average timeframe, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible

- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Minimise unrecoverable debt on employer termination
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- 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 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.

Investment Strategy of the Clwyd Pension Fund

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 Clwyd Pension Fund Funding Strategy implemented for three years from 1st April 2020 includes a number of investment return assumptions:

- An investment return (discount rate) for the funding target of CPI inflation plus 1.75% p.a. (assumed 4.15% p.a.).
- An investment return (discount rate) for the future service contribution rate of CPI inflation plus 2.25% p.a. (assumed 4.65% p.a.).

Over a three-year period, an investment return above these assumptions will contribute to reducing the funding deficit and thus employer contributions, providing that liability assumptions such as longevity and inflation remain on target. The Fund's triennial valuation considers all these factors when determining employer contribution rates. New employer rates will be implemented from 1 April 2020. The next actuarial valuation will be as at 31 March 2022 with implementation of revised contribution rates from 1 April 2023.

A Funding Strategy Statement (FSS) was prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. The FSS outlines the strategy for recovering the funding deficit over 13 years. 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 2020/23.

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 executive summary of the FSS.

The Clwyd Pension Fund was funded at 91% of liabilities (at the 2019 actuarial valuation) and employers' contribution rates are currently structured to achieve a gradual return to 100% funding by 2032.

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. 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 assets classes and hence the Fund’s fixed strategic benchmark.

The latest Fund review was undertaken in 2019 and the resulting changes have been implemented. Details of the investment strategy are included in the following sections.

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. Where they consider it advisable to do so, investment managers have been appointed to select and manage the allocations across asset classes, in particular where it would not be practical (or appropriate) for the Fund's Committee and officers to commit the resources necessary to make these decisions themselves.

In assessing the suitability of investments required to form the overall portfolio a number of characteristics of each asset class, and sub asset class, are considered. These characteristics include potential return, risk/volatility of returns, liquidity, duration and interest rate sensitivity. In setting and reviewing an overall investment strategy for the Fund the starting point is always the Actuary's assessment of the liabilities of the Fund. This assessment will include 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.

2019 Review

The 2019 review showed, using Mercer market forecasts for Quarter 2 2019, that the expected market returns over the coming ten-year period would mean that the Fund could be expected to generate a return of 5.6% p.a. (CPI inflation plus 3.4% p.a.). Investigations showed that the portfolio was, in the main, well diversified and did not need significant change. However, there were opportunities to reduce risk without sacrificing return.

These opportunities led to six main areas of change:

- Dis-invest from Diversified Growth Funds due to overall diversification of the Fund leading to less compelling case to hold
- Increase physical listed equity allocations in developed and Emerging Markets
- New Sustainable equity allocation to support Responsible Investment Policy
- Restructure existing Hedge Funds allocation
- Create new explicit Local/Impact portfolio in Private Markets portfolio
- Establishment of the Cash and Risk Management Framework.

These changes meant that the expected return could be increased by 0.2%, with minimal change to the projected Deficit Risk.

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

Investment Decisions

The Fund distinguish 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.

These decisions are ultimately the responsibility of the Committee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the respective fund. Furthermore, the Committee have delegated certain powers to the Head of the Clwyd Pension 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.

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 investment structure agreed in the 2019/20 investment strategy review is detailed in the table below:

Asset Class	Strategic Weight
Developed Global Equity*	10.0%
Emerging Market Equity	10.0%
Hedge Funds	7.0%
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	4.0%
Infrastructure	8.0%
Private Credit	3.0%
Total	**100.0%**

Notes:

*The Global Equity Portfolio includes a 5% Strategic Weight to a specific Low Carbon ESG focused fund.
**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 overall Clwyd Pension Fund return.
***The Target allocation of the underlying asset classes in Private Markets will take some time to achieve due to the illiquidity of the asset classes involved.

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. 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 2019/20 strategic review.

Asset Class	Strategic Allocation (%)	Strategic Range (%)	Conditional Range* (%)	Expected return above inflation(CPI)*** p.a.
Developed Global Equity	10.0	5.0 - 15.0	0 – 30	4.5%
Emerging Market Equity	10.0	5.0 – 15.0	0 – 30	6.4%
Hedge Funds***	7.0	5.0 – 9.0	0 – 15	1.3%
TAA/Best Ideas****	11.0	9.0 – 13.0	0 – 20	2.5%
Multi-Asset Credit	12.0	10.0 – 14.0	0 – 20	2.4%
Cash and Risk Management Framework*****	23.0	10.0 – 35.0	0 – 40	2.8%
Private Markets				
Property	4.0	2.0 – 6.0	0 – 8	2.0%

Private Equity	8.0	6.0 – 10.0	0 – 15	6.0%
Local/Impact	4.0	0.0 – 6.0	0 – 8	3.1%
Infrastructure	8.0	6.0 – 10.0	0 – 15	3.1%
Private Credit	3.0	1.0 – 5.0	0 - 6	1.5%
Total	**100.0**			

Notes:

* The Conditional ranges are at a total Fund level.
** 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 2019/20 strategic review. CPI Inflation is used as the basis for expected returns as it is a proxy for valuing the liabilities.
*** The Hedge Fund allocation is being restructured as a result of the 2019/20 review
**** 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) and synthetic equity instruments, will be 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 reduce the overall volatility of returns without significantly altering the Fund's expected long-term return. This was the case when modelling the revised investment strategy in 2019. This is explained in more detail in the risk section below.

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 outlined in the "Delegation of Functions to Officers by the Pension Fund Committee") to formally confirm whether the trigger has been met and whether any changes to the strategy should be made.

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 2019 actuarial valuation and investment strategy review cycle, the officers and Fund’s actuarial and investment consultants have reviewed the flightpath and no change has been made to the interest rate and inflation triggers at this stage.

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 static equity protection strategy was put in place, protecting against equity market falls on the equity exposure. This was in place from April 2017 until May 2018.

In May 2018, a new dynamic protection strategy was put in place. 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.

Currency hedging strategy

In August 2019, the Fund 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 implemented a collateral management strategy. This ensures that the Fund holds the required amount of collateral to support the strategies, with any excess collateral held in higher yielding funds that can be sold quickly if more collateral is required. This helps generate additional return and reduces the governance burden on the Fund, leading to improved efficiency.

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 Pension 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 real assets and 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.

As part of the 2019/20 review the Fund is developing its Cash Management Strategy and when this has been agreed this document will be updated to reflect this.

The Deputy Head of the Clwyd Pension Fund will arrange for the implementation of the cash strategy.

Stock Lending

The Fund only currently invests in pooled vehicles so cannot undertake any stock lending. The stock lending policy on pooled funds is determined by the individual investment managers. Any income not retained by the fund manager and / or the lending agent is incorporated in the net asset values of each pooled fund. It has been agreed that investments made through the Wales Pension Partnership will be covered by the pool's stock lending 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 Clwyd Pension 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 Wales Pension Partnership)

- 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.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. In the future the Wales Pension Partnership will engage and exercise voting rights on behalf of the Fund. The Fund's Responsible Investment Policy explains the approach in detail and it is explained later in this document.

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 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 a significant weighting to a Tactical Asset Allocation/ Best Ideas portfolio (TAA) 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.

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.
- Since 2014 the Fund has adopted a Risk Management/Flight-path approach to managing the specific inflation and interest rate risk. The Flight-path is regularly reviewed and appropriate yield trigger levels set.

Risk Budgets

When reviewing the Investment Strategy in 2019/20, 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 loss for investments and estimates how much an investment strategy might lose (with a given possibility) given normal market conditions, in a set time period such as a day or a year.

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) +2.25% per annum.

At a total Fund level, the total expected return of the previous strategy was 5.4% per annum with a VaR of £437.9m. The revised strategy as described earlier in the document increases the potential return to 5.6% per annum, with a VaR of £444.6m. The potential for increased return is reflected in the marginal increase in risk.

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 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

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.

The Clwyd Pension Fund is participating in the development of the Wales Pension Partnership (WPP). The proposed structure and basis on which the WPP will operate was set out in the July 2016 submission to the Government.

The WPP received confirmation from the Minister for Local Government that he was happy that the proposals met the required criteria, with the exception of the size requirement. However, the Minister confirmed in his letter to the Welsh Funds that given the special position of Wales, and the long history of collaboration he was content with the final proposal.

The agreed 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.

The Clwyd Pension Fund will 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 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.

Structure and governance of the WPP

The Pool has appointed Link Fund Solutions Ltd 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 on the next page.

A Joint Governance Committee (JGC) was established in 2017 to carry 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. It is anticipated that this may be the Chairs of the respective Pensions Committees 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.

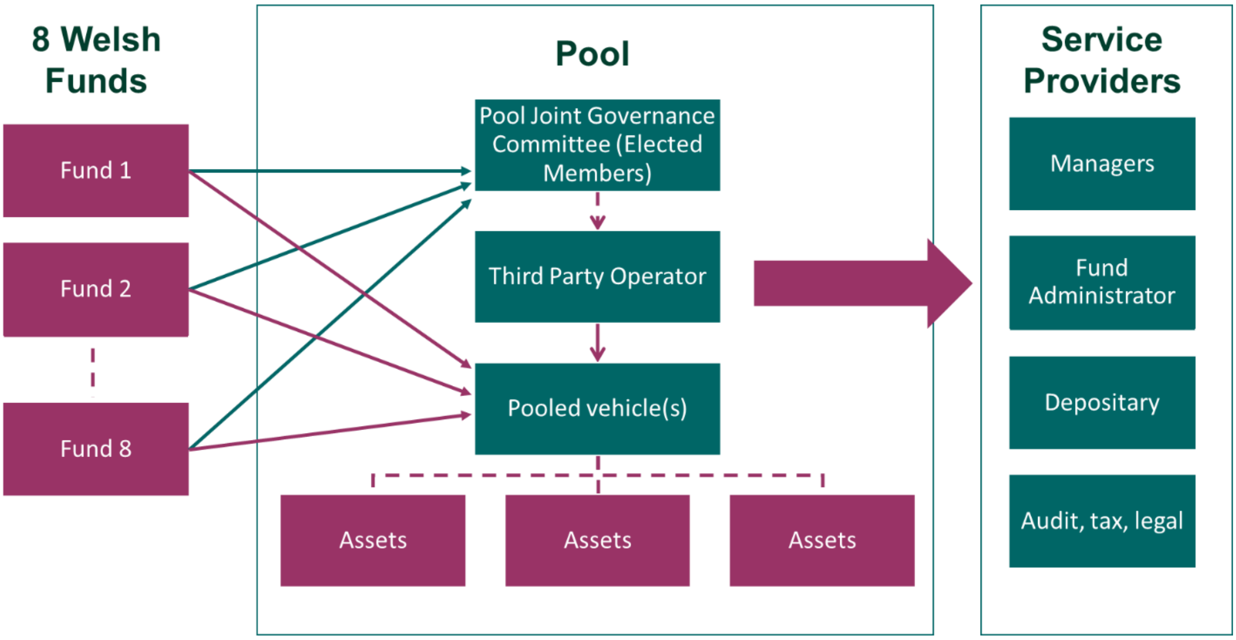
The JGC is setup formally as a Joint Committee between the participating administering authorities. It operates on the basis of "One Fund, One Vote", though in practice any decisions are reached on a consensus wherever possible. A formal Terms of Reference for the Committee has been agreed.

Each authority has committed to the pool by agreeing and signing an Inter Authority agreement. The agreement sets out the principles behind the WPP.

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.

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.

Governance Structure of the WPP



Link Fund Solutions Ltd 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 will be invested through a UK based Authorised Contractual Scheme (ACS) in order to benefit from the tax transparent nature of the vehicle. It may be that alternative vehicles are more appropriate for some asset classes. As well as considering the options with Link Fund solutions, advice will be sort of the final proposed approach from a tax efficiency and legal compliance basis.

The process and benefits of doing so will be discussed with the operator. 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.

Approach to Environmental, Social and Governance issues and policy on exercising voting rights

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 it considers any factors 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 Ministry for Housing, Communities and Local Government 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

In 2019 the Fund undertook a review of its Responsible Investment Policy in conjunction with the overall review of the Strategic Asset Allocation. The target for this review was to re-affirm the Fund's existing beliefs, supplement these with additional views if appropriate and consider ways in which these views could be implemented.

As a result of this review the Fund's long standing Responsible Investment (RI) Policy was updated to reflect current attitudes and thinking. 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.

Background

This revised Policy will support the Fund's specific RI aims 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 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.

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 8 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 WPP's RI policy and objectives, and is confident that they will enable it to implement its own policies.

The Fund will work with the WPP to develop their policies in the future to ensure they remain relevant and appropriate for the Clwyd Pension Fund.

Stewardship and Engagement

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Financial Reporting Council (FRC) first published the UK Stewardship Code in 2010, and revised it in 2012. In October 2019 the FRC issued an updated and increasingly demanding version, the UK Stewardship Code 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 Secretary of State states that administering authorities should become signatories to the Code, and states how they implement the principles on a "comply or explain" basis. In practice the Fund continues to apply the requirements of the Code both through its arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF).

The Fund is now committed to reviewing its compliance against the updated Code with the aim of becoming a signatory to the new Code. 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 circulated widely and is published on the Fund's website. It is accepted that approaches to RI and sustainability will evolve and develop 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 environmental, social and governance (ESG) issues, and therefore plans to enhance its analysis, disclosure and reporting. This will include manager ESG ratings, 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 risk and opportunity 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, and because of this, it seeks to deliver long-term sustainable returns.
- The Fund integrates ESG issues at all stages of the Fund's investment decision making process.
- 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 make selective 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 presents a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers and all of the holdings in the 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 the best approach to enabling the change required to address the Climate Emergency, however selective risk-based disinvestment is appropriate to facilitate the move to a low carbon economy.
- As well as creating risk, climate change also presents opportunities to make selective investments that achieve the required returns, whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.

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, on 10 November 2021 the Clwyd Pension Fund Committee approved a strategy to achieve net-zero carbon emissions from its investment portfolio. This included carbon emissions analysis of the listed equity portfolio to provide a baseline for the Fund. Specifically, the Committee agreed an ambitious target for the investments in the 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. Underlying this headline commitment, the plan also has a number of other key targets as outlined below:

a) 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 all assets by the end of 2023.

b) within the Listed Equity portfolio:

- to achieve a reduction in carbon emissions of 36% by 2025 and 68% by 2030
- to target at least 30% of the Listed Equity portfolio to be invested in sustainable assets by 2030
- to reduce fossil fuel exposure relating to oil and gas by 70% by 2025 and 90% by 2030
- to reduce fossil fuel exposure relating to coal by 90% by 2025 and 95% 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 organisations 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 organisations 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.

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. Therefore, to enable the approach to be focused, the Fund considered its strategic priorities for 2020 to 2023, which will support the overall aim of being a Responsible Investor.

These priorities were set in 2020 and work is ongoing to deliver against each of them, and the Clwyd Pension Fund Committee receives regular updates on progress.

These strategic priorities will be reviewed annually, and may be added to, but to maintain the desired focus the following have been 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.
- Once this initial assessment has been made the Fund will look to set agreed Carbon reduction targets within 12 months to be delivered over the following five years.

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 2019 Investment Strategy Review has further supported this with the creation of a separately identified Local/Impact portfolio.
- This portfolio has a strategic target weight of 4% of the Fund's assets and will be seeded from existing investments that meet pre-agreed criteria based on the United Nations Sustainable Development Goals. Additional opportunities will be added with a view to achieving the target weight in three years (i.e. by 2023).

Improve public disclosure and reporting

- The Fund recognises the importance of transparency and reporting with respect to ESG issues. The Fund intends to enhance its analysis, disclosure and reporting on its RI activities, including manager ESG ratings, voting and engagement and carbon emissions analysis.

Active Engagement on ESG risks

- As a member of the LAPFF, the Fund has active engagement with its underlying investments. In the future, due to the pooling of investments, this engagement will be 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 previously confirmed as a Tier One signatory to the 2012 Stewardship Code in March 2018. The new, more demanding version of the Code was launched in October 2019, and the Fund is committed to reviewing the requirements of the new Code, and aiming to become a signatory.

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 will be carried out during 2022. Addressing climate change related risks will be 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 at the Clwyd Pension Fund Committee after consultation on 9 February 2022. It 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:

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Further information about the Fund can be found on its website: https://mss.clwydpensionfund.org.uk/

Further information about the Wales Pension Partnership can be found on its website: https://www.walespensionpartnership.org/

Appendix 12

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Cronfa Bensiynau Clwyd

Clwyd Pension Fund

Flintshire County Council

Administering Authority for Clwyd Pension Fund

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.

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:

Active scheme members	**17,700**
Deferred scheme members	**16,900**
Pensioner and dependant 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).

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.

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 technolo gy 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 employer communications are explained later in this Strategy.

How we communicate

We are committed to ensuring communications are **accessible to all stakeholders** and developing further use of digital communications.

We make sure that communications are **easy to understand** through use of plain language techniques and readability scores.

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 focussing 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)	To provide a first point of contact for all Scheme members and show basic information about the Fund and the LGPS and watch videos. Members can also access or download scheme literature and forms.	Multiple, public facing, unsecured websites: https://mss.clwydpensionfund.org.uk https://www.lgpsmember.org	Permanent	All members	Y (hosts regulatory documents)
Member Self Service (MSS)	The MSS allows members to log into a secure web area to: • 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. The Fund's preference is for members to do this online to reduce the burden on the Administration team.	Secure website plus email alerts.	Permanent	All members	Y (as includes Annual Benefit Statements)
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	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. Clwyd Catch Up aims to keep pensioners informed about how new annual rates of pension have been calculated and also includes wider pension news. 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.	Downloadable digital newsletter from MSS account. Paper copies are sent to members' home addresses where they have opted for paper communications.	Penpal with annual benefit statements. Clwyd Catch Up annually in April. Deferred Diaries with annual benefit statements.	Penpal to active members. Clwyd Catch Up to pensioners and dependants. Deferred Diaries to deferred members.	Y (but not all issues)
Update Newsletters (Pension Extra)	To notify members of urgent LGPS issues that cannot wait for another scheduled communication.	Downloadable digital newsletter from MSS account. Paper copies are sent to members' home addresses where they have opted for paper communications.	As required	To any appropriate members.	Y (but not all issues)
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	Fund-related literature includes: A Short Scheme Guide to the Local Government Pension Scheme for new joiners. A retirement pack sent to all members about to retire. Fact-sheets on numerous areas including ill-health retirement, maternity leave, flexible retirement and commutation.	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.	Personal letters Workshops Factsheets	Annually when required Permanent	Affected and at risk members	Y (but not all)
Annual Report and Accounts	The Annual Report and Accounts is published to highlight how the Fund has performed during the previous financial year. It also includes statements with regards to administration, governance, investment principles, funding strategy, and risk.	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
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	All employers
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/employers/index.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	To highlight important Fund matters, general updates about the LGPS and the services available to the Fund's employers and their staff. The Fund emails employers to inform them when a news alert is added to the website.	Email	As required	All employers
i-Connect	To pass secure scheme member data between employers and the Fund. i-Connect is the software that all employers in the Fund must use to submit information to the Pension Administration Section.	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.	
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.
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
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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 dependant)

   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 are 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 e-mail 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.
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

Communication	Purpose
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
Annual Joint Consultative Meeting (AJCM)	The Committee papers also include the minutes from the latest Pension Board meeting. Committee and Board members are invited to this annual meeting which provides 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.

Appendix 4 – Communicating with other bodies

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

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 overseas 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.
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	The Head of Clwyd Pension Fund, Deputy Head of Fund, Finance team and Administration Team have regular meetings with; • 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. 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.
Welsh Government	The Fund sometimes needs to liaise with Welsh Government on matters that might impact the delivery of the LGPS.
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.
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.