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To: Cllr Ted Palmer (Chairman)

Councillors: Haydn Bateman, Billy Mullin, Tim Roberts and Ralph Small

Co-opted Members
Steve Hibbert, Cllr. Andrew Rutherford, Cllr Nigel Williams and Cllr Julian Thompson-Hill

19 November 2020

Dear Councillor

NOTICE OF REMOTE MEETING
CLWYD PENSION FUND COMMITTEE WEDNESDAY, 25TH NOVEMBER, 2020 AT 9.30 AM.

Yours sincerely

Robert Robins
Democratic Services Manager

Please note: Due to the current restrictions on travel and the requirement for physical distancing, this meeting will not be held at its usual location. This will be a remote meeting and 'attendance' will be restricted to Committee Members. The meeting will be recorded. If you have any queries regarding this, please contact a member of the Democratic Services Team on 01352 702345

A G E N D A

FORMAL

1 **APOLOGIES**

Purpose: To receive any apologies.

2 **DECLARATIONS OF INTEREST (INCLUDING CONFLICTS OF INTEREST)**

Purpose: To receive any Declarations and advise Members accordingly.

3 **MINUTES** (Pages 3 - 10)

Purpose: To confirm as a correct record the minutes of the last meeting held on the 7 October 2020.

STRATEGY AND POLICY REPORTS FOR APPROVAL AND DISCUSSION

4 **RESPONSIBLE INVESTING AND CLIMATE RISK** (Pages 11 - 16)

Purpose: To provide Committee Members with a presentation on measuring the carbon footprint and analysing climate risk within pension fund assets, and to discuss the results for the Clwyd Pension Fund.

5 **ASSET POOLING AND WPP ANNUAL UPDATES** (Pages 17 - 82)

Purpose: To provide Committee Members with the Wales Pension Partnership (WPP) Annual Report and receive a presentation from the WPP Operator and Investment Management Solution Provider including the transition of emerging market equity to the WPP for approval.

ITEMS FOR NOTING ONLY

6 **FUNDING AND INVESTMENT UPDATES.** (Pages 83 - 144)

Purpose: To provide Committee Members with updates of the funding level, economic and market matters and performance of the Fund's Managers, and an investment review of the AVC providers.

7 **REGULATION CHANGES AFFECTING THE LGPS** (Pages 145 - 162)

Purpose: There are a number of regulatory changes progressing that impact on the LGPS, and therefore the Clwyd Pension Fund. This report provides background information for Committee members on four key areas of reform and the actions required including delegations to officers.

8 **GOVERNANCE UPDATE** (Pages 163 - 194)

Purpose: To provide Committee Members with an update on governance related matters.

CLWYD PENSION FUND COMMITTEE
7 October 2020

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely at 9.30am on Wednesday, 7 October 2020.

PRESENT: Councillor Ted Palmer (Chairman)
Councillors: Ralph Small, Billy Mullin, Tim Roberts, Haydn Bateman

CO-OPTED MEMBERS: Councillor Andrew Rutherford (Other Scheme Employer Representative) and Mr Steve Hibbert (Scheme Member Representative).

ALSO PRESENT (AS OBSERVERS): Elaine Williams (Pension Board Scheme Member Representative). Steve Gadd (Pension Board Employer Representative)

APOLOGIES: Councillor Nigel Williams (Wrexham County Borough Council)

Advisory Panel comprising: Colin Everett (Chief Executive), Philip Latham (Head of Clwyd Pension Fund), Gary Ferguson (Corporate Finance Manager), Karen McWilliam (Independent Adviser – Aon), Kieran Harkin (Fund Investment Consultant – Mercer), Paul Middleman (Fund Actuary – Mercer).

Officers/Advisers comprising: Debbie Fielder (Deputy Head of the Clwyd Fund), Karen Williams (Pensions Administration Manager), Nick Buckland (Fund Investment Consultant – Mercer), Megan Fellowes (Actuarial Analyst – Mercer - taking minutes), Ieuan Hughes (Graduate Investment Trainee), Paul Vaughan (Clwyd Fund Accountant).

Guest speakers presenting comprising: Simon Monkhouse (Audit Wales) and Michelle Phoenix (Audit Wales) – both left after item 5 (Clwyd Pension Fund Annual Report and Accounts).

The Chairman introduced himself, as this was his first meeting in his new role.

The Chairman introduced Cllr Roberts who has taken over from Cllr Davies-Cooke. He also welcomed back Cllr Mullin who has replaced Cllr Hughes.

The Committee agreed to record their thanks to Councillors Shotton, Hughes and Davies-Cooke for their contribution during their membership of the Committee.

He thanked Mr Hibbert and Cllr Rutherford for agreeing to being reconsidered for their roles and congratulated them on their reappointment.

The Chairman also praised the contribution of Councillor Huw Llewelyn Jones of Denbighshire County Council who sadly passed away in February after a long battle with illness. Cllr Jones was one the longest serving members of the Committee being a much appreciated and valued member since July 2006. He added that he was extremely well respected by his fellow Committee members, the officers and advisers of the Fund and he would be sadly missed. The Committee observed a minute silence to remember Huw.

107. **DECLARATIONS OF INTEREST (including conflicts of interest)**

The Chairman declared that his daughter is an employee of Flintshire County Council, employed within the Pension Administration section and also a member of the Clwyd Pension Fund.

The Chairman also stated that his partner is also an employee of Flintshire County Council and a member of the Clwyd Pension Fund.

There were no other declarations of interest.

108. **APPOINTMENT OF VICE-CHAIR**

Cllr Mullin and Cllr Small nominated Cllr Bateman as Vice Chair. It was noted that the appointed Vice Chair would also be the Deputy of the Joint Governance Committee for the Wales Pension Partnership.

RESOLVED:

It was noted that the Chair and Vice Chair are appointed as Member and Deputy respectively of the Joint Governance Committee for the Wales Pension Partnership.

109. **MINUTES 11 FEBRUARY 2020**

The minutes of the meeting of the Committee held on 11 February 2020 were agreed.

RESOLVED:

The minutes of 11 February 2020 were received, approved and signed by the Chairman.

110. **CLWYD PENSION FUND ANNUAL REPORT AND ACCOUNTS 2019/20**

Mr Vaughan noted the following key points on this item of the agenda:

- The investment performance of the Fund is recovering as the Fund moves through 2020/21.
- The Fund has continued to work with WPP and will be further transitioning assets in 2021.
- The administration strategy had been updated to enable employers and members to receive information in an enhanced way.
- Following the impact of COVID-19, the Fund had continued to successfully deliver business as usual.

Mr Vaughan stated that the accounts had been signed by Mr Ferguson, as the Section 151 officer. Included in the report is an Emphasis of Matter, which relates specifically to uncertainties in the valuation of Pooled Property investments because of the impact of COVID-19. Another document required this year is the Letter of Representation, which requires the Committee to confirm to Audit Wales that all of the information contained in the financial statements is true, accurate and that it has been disclosed, as well as a letter of response which answers some questions in relation to audit queries.

Mr Monkhouse confirmed that since the circulation of the report, the fieldwork for the audit of the accounts had been completed. He thanked Mrs Fielder, Mr Vaughan and the team for producing accounts and their ongoing assistance for the audit during this challenging time.

Audit Wales work on a basis of materiality limits, which is set to try identify and correct misstatements that might otherwise cause a user of the accounts into being misled. The materiality limit that was applied for this year's audit is c£17.8m. The audit was expected to be signed off by 13 October and electronic signatures are required from the Committee. Due to COVID-19 restrictions, Mr Monkhouse and the team have been working remotely and adopted new ways to work together such as weekly meetings, which had been a success.

In Appendix 3 of the report, there has been an adjustment of c£19.4m because the net assets were overstated by this amount.

Mr Everett noted the Annual Report was very comprehensive and assuring, and he thanked the team and advisers for the excellent work in developing the report in tough times.

Mr Ferguson thanked everyone for their participation and help and recommended the Annual Report and Accounts for approval.

RESOLVED:

(a) The Committee approved the Clwyd Pension Fund Annual Report and Accounts 2019/20.
(b) The Committee considered the Audit Report.
(c) The Committee approved the Letter of Representation.
(d) The Committee noted the Audit Enquiries letter and responses.

111. **MCCLOUD UPDATE AND CONSULTATION RESPONSE**

Mrs Williams presented this report and explained that the McCloud remedy is an age discrimination case. The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes had been discriminated against because the protections for older members did not apply to them. The impact of the McCloud remedy proposed will be significant for the administration team and employers as it could involve considering and rectifying approximately 12,000 member benefits in the Fund based on an initial count. Due to the significance of the work involved, the Fund had established a formal programme to ensure that the work in respect of the McCloud remedy was delivered in line with the agreed success criteria.

Mrs Williams referred to the McCloud consultation response, which was circulated to the Committee on 14 September, after it had been agreed by the Steering Group comprising of the Pension Board and the Committee Scheme Member Representative. Mrs Williams asked for any further comments on the consultation response and none were made.

Mrs Williams referred the Committee to the McCloud programme update in the Appendix to the report. She explained the team were also working on an employer questionnaire to distinguish how data had been provided over the years and what data needs to be collected/verified in order to progress the McCloud remedy. One-to-one meetings would be held with each employer, to discuss the data requirements.

The Fund had been working with their pension administration software provider to ensure the appropriate software tools were available for data collection and input, and will be adapting the Fund's internal processes to meet the new McCloud requirements for scheme member benefit calculations.

RESOLVED:

(a) The Committee considered the update.
(b) The Committee approved the Clwyd Pension Fund draft consultation response.

112. **ECONOMIC AND MARKET UPDATE AND INVESTMENT STRATEGY AND MANAGER SUMMARY**

Mr Harkin confirmed that the Fund has benefited from the risk management framework but also from the diversification of the asset portfolio. Since there was a lot of volatility between asset classes, there has been a strong rebound in particular in equities since March 2020 to now. Mr Harkin therefore emphasised the importance of diversification in a portfolio.

Mr Harkin noted from that a US equity investor would be in a positive position and would have made money in the year 2020. He also outlined that the UK government bond yields had fallen; however, there had been a small rise recently. The risks ahead are much magnified short and long term; long-term in particular because of COVID-19. The COVID-19 pandemic had meant that global Governments were stimulating economies and protecting jobs where they can. There were political risks that could impact markets for example; the US election is less than a month away. Tensions also remained between the US and China and Brexit still needed to be considered a factor despite everything else going on. Mr Harkin stressed that the Fund has coped very well considering all that has occurred this year.

Mr Buckland stated that the Fund has a current asset value at 31 August 2020 of c£2 billion whereas at 31 March 2020 this figure was c£1.8 billion. This was due to the fall in markets which drove a significant fall for the Fund in March but it was somewhat protected by the risk management framework. The total Fund valuation was now in a similar position to a year previous.

Mr Middleman commented on the funding level monitoring slide, and explained that the black line identified where the funding level was expected to be on the basis of the contribution plan agreed at the 2019 valuation whereas the blue line showed the actual estimated funding level. He explained that, in simple terms if the Fund is above the expected level, then Fund's performance is ahead of the plan with its strategies, and vice versa.

Mr Middleman highlighted that the Fund was trending in line with the plan at the end of August despite the drop to a funding level of 85% in March 2020 from the market impact of COVID-19. To the end of August, the funding level was 92%. Whilst current figures were not fully available, Mr Middleman estimated that the Fund was still on track. Mr Middleman outlined that material uncertainty remained and this could impact on the financial position going forward. However, via the flightpath framework, the Fund has protections in place to limit any downside as much as possible to put the Fund in the best possible position to weather this uncertainty.

Mrs McWilliam observed the slide outlining monthly asset values showed that we are now in a similar position to December 2019, which showed that the Fund's investment growth had not been in achieved the agreed targets. However, from the funding level monitoring slide, the current funding level position (at 31 August 2020) appears to have met contribution plan expectations i.e. the black line. Mr Middleman explained that the change in funding position is not only about total investment returns, it also depends on contributions received and also inflation expectations. He highlighted that the period since the valuation date (from 31 March 2019) remains broadly on track over that period, considering all factors.

Mr Everett questioned whether there was emerging contingency planning thoughts for re-review of the strategy based on the impending risks, specifically for the US election impact and Brexit. Mr Harkin agreed that this may be appropriate, however he also noted that the Fund’s tactical asset allocation portfolio which can be traded day-to-day could be used to reflect change in sentiment quickly if required. From a strategic perspective, Mr Harkin noted that there would be a need to discuss with officers and bring to the Committee if it was believed there was something in the strategy that would need to be reviewed. Mr Everett stated the need to be realistic on growth assumptions, at least for another year following the impact of COVID-19 and international relations due to politics.

RESOLVED:

(a) The Committee considered the economic and market update, the investment performance of the Fund for the quarter ended 30 June 2020 and the update on the funding position.
(b) The Committee considered the investment strategy and manager summary for the quarter ended 30 June 2020.

113. **POOLING INVESTMENTS IN WALES**

Mr Latham commented on two aspects of the Wales Pension Partnership (WPP); governance and investments. Mr Latham announced that there had been a lot of recent progress on the governance side, and there had been a number of policies produced (referred to in item 1.01). There was now a business plan for the WPP, a conflict of interest policy, training plan, risk policy and risk register.

Mr Latham raised the ongoing question of whether the WPP should have a scheme member representation, and he announced that this matter is going to be considered at the next Joint Governance Committee (JGC). The Committee discussed this and noted their strong support for this.

In respect of the investment side of the pool, Robeco had been appointed as Voting and Engagement Advisor for the WPP which was a key new appointment for the pool. Mr Hibbert noted that he had previously raised questions and concerns with Mrs Fielder regarding the Committee’s ability to measure the activity of Robeco on the Committee’s behalf. She responded that there was training on this matter the previous day and Mrs Fielder had already raised this point with Robeco.

Given the importance of responsible investment and climate risk, a new Responsible Investment (RI) sub group has been agreed and will report to the OWG on how to implement report and measure progress with these policies. Mrs Fielder would be in the new RI sub group and therefore reporting to the OWG. Mrs Fielder was pleased with the creation of the new RI sub group and felt it advantageous that the Fund were represented on it. She noted that the group would be invited to all relevant meetings and Robeco client group sessions. The group had been tasked with looking at the current voting policy in place and Mr Latham followed this by stating that most other pools have a RI officer who is a specialist in this area. Despite Mrs Fielder having an extremely high level of RI knowledge, she did however have several other roles and responsibilities in the Fund as well.

Following approval at the June 2019 Committee meeting, £200 million of Fund assets have been transitioned from Stone Harbour multi asset credit funds to the WPP multi asset credit fund. It was also mentioned that Link and Russell would be attending the next Committee meeting and will discuss emerging markets equities. An original deadline was set as June 2020 within the work plan of the WPP for the emerging market equity sub fund. However, there is now a revised date of May 2021.

Mr Latham explained that a questionnaire was being prepared for constituent authorities with the intention of going to each Committee member. The questionnaire is aiming to gauge each authorities' views of the WPP, and to inform its future focus.

Cllr Bateman noted from the risk management item on page 330 that the WPP governance risk was categorised as significant in the Fund's risk register. He asked whether the Committee should have concerns on this. Mr Latham answered that the ongoing risk is high as the participating Funds are extremely reliant on third parties because of how the structure is set up. However, it also meant that the Funds are reliant on the performance of WPP's advisers i.e. Russell and Hymans. The risk is higher as the third party operator, Link, currently have some matters that are being investigated by the FCA, which has previously been reported.

Mrs Fielder reminded the Committee that the investments already made within WPP had been favourable for the Fund. In relation to global equity, the outperformance achieved by WPP compared to the Fund's previous management arrangements equated to circa £7 million.

Mr Rutherford strongly believed that as a Committee there was a need to continue to support the position that a scheme member representative should be on the WPP JGC given the proportion of assets being managed by WPP on behalf of scheme members. The Committee endorsed this view, as did Mr Everett and also Mrs McWilliam who spoke on behalf of the Clwyd Pension Fund Board

RESOLVED:

The Committee noted the report and update on implementation of Pooling Investments in Wales.

The Committee agreed to recommend that there should be a scheme member representative position on the WPP JGC.

114. **GOVERNANCE UPDATE**

Mr Latham did a short update including highlighting the small changes to the risk register as well as the changes to the timeline of the business plan around The Pension's Regulator Single Modular Code. Mrs Fielder and Mr Latham thanked all the members who attended the Committee training.

RESOLVED:

(a) The Committee noted the update on governance related matters.
(b) The Committee approved the changes to the timelines for governance tasks in the business plan.
(c) The Committee approved the updates to the risk register.

115. **PENSION ADMINISTRATION / COMMUNICATIONS UPDATE**

Mrs Williams emphasised the workload that the administration team had including business as usual, the McCloud remedy, the Goodwin case, the 95k cap and more. She said that with all the regulatory changes, there was a risk that their systems might not be updated in time for a change, and therefore the team would have to perform individual calculations on a case-by-case basis.

She also highlighted that the administration team are also responsible for the content on the Fund's website, which can be challenging given the complexities in uploading content and the lack of website experience within the team. A new dedicated website officer role had been approved using the urgency delegation as well as a further lead role officer relating to payroll which would allow the team leader to focus on their duties and responsibilities, as well as introducing better internal controls.

Mrs Williams highlighted the success that the team have had with supporting each other's wellbeing following the challenges from working from home and additional workloads. All of the team had regular wellbeing virtual meetings to ensure that all were managing. The feedback from most staff was that working from home was working well. Mr Everett highlighted that they will likely need to continue to work mainly from home for some time. Social contact is part of the Council's management plan for all teams

RESOLVED:

(a) The Committee noted the update on administration and communication matters for the Clwyd Pension Fund.
(b) The Committee approved the extension of timescales in relation to a number of actions within the business plan.

116. **INVESTMENT AND FUNDING UPDATE**

Mrs Fielder noted that within the Business Plan there was an amended timeline in respect to the creation of the cash-flow policy, which the Committee approved.

As part of the transition, the Fund transitioned all of the assets to bring the asset classes in line with the new strategy. The Fund had transitioned the BlackRock passive global equity fund to the new BlackRock ESG passive global equity fund as agreed by the Committee. Until the WPP were set up to take all of the emerging market assets, the Fund had transitioned some of the assets to the BlackRock emerging market passive fund, as it is materially cheaper than an active manager. As a result of the transition, all asset classes except private market allocations were in line with the new strategy.

Cllr Bateman queried the cashflow position on page 462 and asked what caused the drop from £35m to £20m. Mrs Fielder confirmed that as part of the transition, the Fund utilised some cash to assist with the timing of the transition. If the Fund had continued with the initial redemptions from managers, they would have risked being out of the market. Therefore, the Fund used an additional c£9.3 million of in-house cash to manage the transition effectively.

RESOLVED:

(a) The Committee considered the update for delegated responsibilities.
(b) The Committee approved the extension of the timescales in relation to a number of actions within the business plan.

117. **FUNDING AND FLIGHTPATH UPDATE**

This item of the agenda was for noting and Mr Middleman added that the Fund was back to being inflation hedged at 40% rather than previously at 20% from the last Committee.

RESOLVED:

(a) The Committee noted the update on the funding and hedging position for the Fund and the progress made on various elements of the Risk Management Framework.
(b) The Committee noted the impact of the equity protection strategy.
(c) The Committee noted the impact of the currency hedging strategy.

The Chairman thanked everyone for their attendance and updates at the Committee meeting. The next formal Committee meeting is on 25th November 2020. The meeting finished at 11am.

……………………………………

Chairman

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday 25 November 2020
Report Subject	Responsible Investment and Climate Risk
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

At the meeting in February 2020, the Committee agreed the Fund's updated Investment Strategy Statement, which included the newly formulated Responsible Investment (RI) Policy. The RI Policy contained a number of key areas of focus and included a statement on Climate Change. The Fund recognises the importance of addressing the financial risks associated with Climate Change through its investment strategy, and recognises it as a financial risk.

The RI Policy also recognised the multitude of potential areas on which to focus, and therefore agreed 5 strategic priorities for the next three years (2020-2023). One of these priorities was to **evaluate and manage carbon exposure**.

To address this priority the Fund has undertaken an exercise, with its Investment Consultant's Mercer, to measure its exposure to Carbon through its equity investments.

At the meeting, the Committee will undertake a training session, designed to aid Members in their understanding of the Carbon footprinting process and to better assess the Fund's results, which will also be presented by Mercer at the meeting.

Fund Officers and Mercer will be discussing these results in upcoming planned meetings to understand them in more detail and to plan the next steps, which may include setting a target to reduce Carbon exposure at the total fund level.

RECOMMENDATIONS	
1.	To undertake and comment on the Carbon footprinting training session
2.	To discuss and comment on the outcome of the Fund's Carbon footprinting analysis.

REPORT DETAILS

1.00	**RESPONSIBLE INVESTMENT**
1.01	At the meeting in February 2020, the Committee approved the publication of the Fund's revised Investment Strategy Statement. This document contained the Fund's newly formulated Responsible Investment (RI) Policy. This Policy was developed after engagement with the Committee over a number of sessions, to establish Core beliefs and principles.
1.02	The Policy is designed to support the Fund's specific RI aims within the Funding and Investment specific objectives: • Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability; • Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.
1.03	The RI Policy includes the Fund's approach to Pooling, Stewardship and Engagement, its RI Beliefs and Principles and approach to Climate Change. It also sets five key Strategic RI Priorities for the coming three years (2020-2023).

1.04	The strategic priorities are:
	
	• **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 next 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 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.
	• **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 has been a Tier One signatory to the Stewardship Code since 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 remain a Tier One signatory if practical. If this is not achievable, the Fund will encourage the WPP to do so.
	
	The first of these priorities and the focus for this Committee meeting is to **evaluate and manage carbon exposure**.

2.00	**CARBON FOOTPRINTING ANALYSIS**
2.01	The Fund has worked with its Investment Consultant, Mercer to analyse the underlying equity holdings within its portfolio to understand and measure the exposure to Carbon. The analysis was undertaken at a total Fund and individual manager level as at 31 March 2020, and 30 September 2020. These two data points were agreed to enable assessment of the Fund before the transition to the new Investment Strategy and after.
2.02	The analysis will be presented at the meeting of the Committee after a training session on how the Carbon footprint is measured and how to interpret the results.
2.03	The final element on the Strategic RI priority was to assess and understand the results of the Carbon footprinting and look to set agreed Carbon reduction targets. After presenting the results to the Committee meeting on 25 November, Officers and Advisers will look to assess them in more detail and understand how the footprint could be, and will be, reduced over time. The result of this work will presented to the Committee at a future meeting.

3.00	**RESOURCE IMPLICATIONS**
3.01	None directly as a result of this report. The work to deliver the RI principles was included within the Fund’s budget.

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	None directly as a result of this report.

5.00	RISK MANAGEMENT
5.01	The Fund has recognised Climate Change as a key financial risk and the development of the RI Policy was a key mitigating factor in managing this risk. The Carbon footprinting assessment was another key measure to help the Fund understand how Climate Change will affect its Investment Strategy.
5.02	The Fund's Investment and Funding part of the Risk Register identifies the risk of not addressing RI, with specific reference to Climate Change. Risk 9 is linked to Strategic Objectives F1, F4, F8 and F9, and seeks to address the measures in place to manage this risk.

6.00	APPENDICES
6.01	None.

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
7.01	Clwyd Pension Fund Investment Strategy Statement, including Responsible Investment Policy – Feb 2020 **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	A list of commonly used terms are as follows: (a) **Carbon footprint** - The amount of greenhouse emissions generated by an individual, company or country over a set time-period. (b) **ESG** – Environmental, Social and Governance issues concerning Responsible Investors. (c) **Engagement** – A long-term dialogue between investors and companies on ESG factors (d) **Impact Investing** – The process of intentionally making investments with the aim of creating a measurable beneficial impact on the environment or society, as well as earning a positive financial return.

	(e) **Stewardship Code –** A code requiring institutional investors to be transparent about their investment processes, engage with investee companies and vote at shareholder meetings. (f) **UN Sustainable Development Goals (SDGs) –** 17 objectives for improving human society, ecological sustainability and the quality of life published by the United Nations in 2015. **A comprehensive list of sustainable investment terms can be found via the following link:** https://www.robeco.com/uk/key-strengths/sustainable-investing/glossary/

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 25 November 2020
Report Subject	Asset Pooling and WPP Annual Updates
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the work undertaken on behalf of the Wales Pension Partnership (WPP) with pooling investments in Wales and recommends further assets to be transitioned to the WPP from the Clwyd Pension Fund.

There has not been a Joint Governance Committee (JGC) since our last Committee on 7 October 2020 but the WPP has published their first Annual report (Appendix 1) which summarises the excellent progress made since inception.

The Committee will receive the annual presentation from the Operator and Investment Management Solution provider for the WPP. This will include:

1. A reminder of their roles and a brief summary of progress and performance
2. Performance of the WPP Global Equity Opportunities Fund (Appendix 2)
3. Background to the WPP Emerging Markets Equity Fund (Appendix 3)
4. Future work plan

This report includes the views of Mercer on the performance of the WPP Global Equity Opportunities Fund and their advice on supporting the recommendation to invest into the WPP Emerging Market Equity Fund.

The Head of Clwyd Pension Fund and Deputy continue to assist the Host Authority (Carmarthenshire County Council) and the WPP Oversight Adviser (Hymans Robertson) with their respective roles, as well as representing the interests of the Clwyd Pension Fund on the Officer Working Group. The next JGC is planned for 10th December 2020.

RECOMMENDATIONS	
1.	That the Committee receive the presentation from the WPP Operator and Investment Manager.
2.	That the Committee discuss the outcome of the presentation and agree any comments or questions for WPP.
3.	That the Committee ratify the decision to invest in the Wales Pension Partnership Emerging Market Equity Fund, which will be funded from the current mandates with Wellington Management and BlackRock.
4.	That, in accordance with the reserved matter requirements of the Inter Authority Agreement regarding the timing of the transition, the Committee agree that these assets should be transitioned and delegate the specific timing to the Clwyd Fund officers on the Officer Working Group (OWG), after considering advice from a specialist transition manager.
5	That the Committee note the WPP Annual Report

REPORT DETAILS

1.00	**Pooling Investment in Wales**
1.01	**WPP Annual Report** There has not been a Joint Governance Committee (JGC) meeting since the last Clwyd Pension Fund Committee on 7 October 2020. However, WPP has published its first Annual Report, which is attached as Appendix 1. The report includes: • Background to Pool Management • Reference to various Governance Policies • Statement of Accounts • Investment Performance • Pooling Costs and Savings The Clwyd Pension Fund and Flintshire County Council are referred to in the Annual Report, including providing apologies for two of the JGCs. The consideration of scheme member representation at JGC is planned as an agenda item for the next JGC on 10 December 2020.
1.02	**Performance of WPP Global Equity Opportunities Fund** The performance of the WPP Global Equity Opportunities Fund since inception in February 2019 is included in Appendix 1. Russell Investments, the Investment Management Solutions Provider for WPP, and in this case the Investment Manager for this sub fund, will present their view on the reasons for

	the performance of the fund at Committee. The Clwyd Pension Fund has a strategic allocation of 5% or circa £100m invested in this fund. Performance since inception is marginally above benchmark but behind target. The Clwyd Pension Fund Investment Consultant, Mercer considers the performance of the WPP portfolio as reasonable since inception. Since the portfolio was launched just over 18 months ago, Global Equity markets have seen significant volatility. In February and March 2020, volatility in markets was at its highest levels since records began due to the impact of COVID 19. Against this background for the portfolio to marginally outperform, its benchmark is pleasing. Mercer would expect the portfolio to build on this in coming months and years and strive to achieve performance levels in line with target of 2% in excess of the benchmark index. Mercer would consider that the period since inception is too soon to be formally judging the strategy and would normally want a track-record of at least 3 years before making an assessment on its effectiveness. Currently there are not considered to be any concerns in the management of the portfolio.
1.03	**Proposed WPP Emerging Market Equity Fund** The background to the WPP Emerging Market Equity Fund is included in Appendix 2. Russell Investments, who will be the investment manager for this fund, will present their approach to managing this fund to Committee. The approach is similar to that for the Global Equity Opportunities Fund and uses several emerging market equity fund managers with various styles and a China equity specialist to manage risk and return. The estimated out – performance target above the benchmark is 2% gross of fees. The management fee, including an estimate for underlying managers and Russell fees as investment manager including managing a 25% carbon reduction compared with benchmark, is 40bps. The underlying fund managers are not quoted as fee negotiations are ongoing but both fund officers and Mercer are aware of the proposed fund managers. Whilst these fees are still proposals at this stage, they would enable the Clwyd Fund to make significant savings when compared to the current arrangements. Moving the current mandates from Wellington and BlackRock would potentially save the Fund around £500,000 per annum in fees. The fund is currently receiving authorisation from the FCA and should be available to receive monies in May 2021. Although fund officers on the WPP Officer Working Group (OWG) have been involved in the development of this fund a view has also been sought from Mercer. Mercer View Mercer have assessed the structure and proposed manager roster for the Emerging Market Equity Fund and reached a number of conclusions. **Portfolio structure** – The proposed structure includes a range of investment style factors, and as such, the portfolio is considered well diversified. It is noted

	that there is no exposure proposed to low volatility strategies. **Proposed manager roster** – Mercer's manager research team covers all of the proposed managers, however it does not maintain coverage of three of the names currently. It is to be recognised that the very nature of Pooling delegates investment manager selection to the Pool. As such, whilst Mercer may have different views on individual managers, they are comfortable that the proposal is reasonable and assess the underlying investment capability as OK/Fair. **ESG** – Mercer also assess Environmental Social and Governance capabilities of investment managers. The Mercer view of the proposed managers is aligned to that of Russell. The view is that overall ESG integration is fair to good, with room for improvement in some investment managers. **Risk/return expectations** - Mercer consider that the proposed diversified portfolio is likely to optimise the risk taken within the portfolio, and are comfortable that the Russell assumptions in this area are reasonable. There was some concern, however that the level of diversification was likely to impact on the ability to achieve the anticipated level of outperformance. **Fees** – The proposed level of fees look very attractive, particularly given that all of the proposed strategies are using active management. Mercer recognise that Pooling, and the size of the proposed fund, has enabled a reduction in fees, however the proposal still generates significant savings for the Clwyd Fund. In conclusion, Mercer have not identified any "red flags" in the proposal and conclude that the fund is appropriate to deliver the Fund's strategic objectives. The managers proposed offer suitable diversity, and there is a good level of comfort that the proposed fees are competitive and will offer the Fund good value and achieve significant savings. The level of volatility within the proposed diversified portfolio is acceptable; however, there are some concerns about the potential to deliver the levels of outperformance being stated. Overall Mercer is comfortable that the proposal is suitable for the Clwyd Fund, and are supportive of the assets being transitioned from the existing Emerging Market Equity managers, as proposed, in May 2021.
1.04	**Emerging Market Equity Transition** The last investment strategy review (concluded in February 2020) increased the Clwyd Fund's strategic asset allocation to Emerging Market Equity from 6% to 10%. The original allocation of 6% has been managed by Wellington Management since 2006. The Clwyd Fund invests in two Wellington funds, designed to access different aspects of Emerging Market Equity (Emerging Markets Equity Fund and Emerging Market Local Equity Fund). Although both funds have added value since inception, neither have achieved their performance targets of benchmark +1%, and benchmark +2% respectively. The investment management fee which was competitive at the time of appointment is expensive in today's market. If it were not for pooling this mandate would have been under closer review and possible change. Hence, our investment consultant recommended that the additional allocation of 4% was invested on a temporary basis with BlackRock and managed on a passive

	basis until a pooling solution was available and this was implemented in July 2020. In Mercer's view an allocation to Emerging Market Equity should be managed actively for a number of reasons: • Ability of "stock-pickers" to identify opportunities is greater as markets are not as transparent as developed countries. • The performance of different countries and stocks varies greatly, and therefore provides opportunities. Countries within the index are at different stages of development, which gives very wide spread of returns across countries and stocks. • It is simpler to integrate ESG factors when investing actively, as it is easier to avoid those investments that have questionable corporate governance standards. • Historically it is possible for active managers to outperform consistently the benchmark index. Data shows that in the five-year period to December 2019, two thirds of active managers outperformed passive investments (net of fees). When the suitable alternative is available via the WPP, the Committee are asked to ratify the decision to invest in the Wales Pension Partnership Emerging Market Equity Fund, which will be funded from the current mandates with Wellington Management and BlackRock. The value of assets (as at 30 September 2020) to transfer is £202.2M (circa 10% of the total Fund). In accordance with the reserved matter requirements of the Inter Authority Agreement regarding the timing of the transition, the Committee need to agree that these assets should be transitioned and delegate the specific timing to the Clwyd Fund officers on the Officer Working Group (OWG) after considering advice from a specialist transition manager
1.05	**Future Work Plan** Officers and Mercer are currently working closely with Russell on the development of further sub funds in Private Credit, Property and Infrastructure, and updates will be given to the Committee when available.

2.00	**RESOURCE IMPLICATIONS**
2.01	The costs of the Host Authority and advisors appointed on behalf of the eight funds to assist with the implementation process are being shared equally between the eight WPP LGPS funds and are included in the 2020/21 budget. The estimated Operator costs are also included within that budget. There will also be transition costs to move the assets from Wellington Management and BlackRock to the WPP ACS and fund management fees payable as outlined in the report.
2.02	There has been considerable time allocated by the Head and Deputy Head of Clwyd Pension Fund on WPP matters which has affected time available for other Fund matters. This is expected to continue for the foreseeable future

	and may result in greater reliance on external advisers for other matters than would otherwise be the case.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	None.

4.00	**RISK MANAGEMENT**
4.01	How the Wales Pension Partnership operates will be key in enabling the Fund to implement its investment strategy in the future. If performance is not in line with the assumptions in our strategy, it will impact on the cost of the scheme to employers at future Actuarial Valuations. In addition, further guidance on pooling is expected from MHCLG in 2020 and the implications of that guidance are not yet known. Given these points, this risk continues to be categorised as significant in the Fund's risk register.

5.00	**APPENDICES**
5.01	Appendix 1 – WPP Annual Report Appendix 2 – WPP Global Equity Opportunistic Fund Appendix 3 – WPP Emerging Market Equity Fund.

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• Earlier Committee reports on the progress of the WPP. • The Wales Pension Partnership Inter-Authority Agreement. **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	(a) **The Fund – Clwyd Pension Fund** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.

(c) **The Committee – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund

(d) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of

(e) Inter-Authority Agreement (IAA) – the governance agreement between the eight Wales pension funds for purposes of pooling

(f) Wales Pension Partnership (WPP) – the name agreed by the eight Wales pension funds for the Wales Pool of investments

(g) The Operator – an entity regulated by the FCA, which provides both the infrastructure to enable the pooling of assets and fund management advice. For the Wales Pension Partnership, the appointed Operator is Link

(h) **Value investing** - a broad description of various investment strategies that seek to pick stocks that appear to be trading for less than their intrinsic value (or are 'cheap' based on their fundamentals).

(i) **Quality Growth** - investment managers typically look for companies with high sales and/or earnings growth rates, accompanied by quality characteristics like high profit margins, low leverage and/or indications of a strong dependable management team.

(j) **Pragmatic Growth -** While the portfolio is typically expected to exhibit growth characteristics over the long term, the manager may be expected to manage the growth exposure up and down depending on the opportunities provided by the prevailing market environment.

(k) Deep Value - investors that are expected to pick companies that are out of favour by the market. These companies are typically trading at extremely depressed valuation multiples. Deep value managers benefit from systematically exploiting investors tendency to overreact on negative news.

(l) **Pragmatic Value** - While the portfolio is typically expected to exhibit value characteristics over the long term, the manager may be expected to manage the value exposure up and down depending on the opportunities provided by the prevailing market environment.

(m) **Relative Value** - In contrast to deep value, investing, relative value investors may pick some companies that look less depressed on traditional valuation multiples but are still trading way below the manager's perception of intrinsic value.

(n) **Earnings momentum** - Earnings momentum deals with the direction, strength and potential acceleration of earnings growth. Strategies can be devised that benefited from the tendency of earnings to retain their positive momentum and the tendency for other investors to flock to companies that exhibit positive earnings momentum.

	(o) **Alpha sources** - Alpha is a measurable way to determine whether a manager's skill has added value to a fund on a risk-adjusted basis. **(p) Downside protection** - Downside protection occurs when the investor or fund manager uses techniques to limit the risk of a decrease in the value of the investment.

Wales Pension Partnership

Annual Report

2019/2020

Contents

Introduction

Firstly, please allow me to take this opportunity to thank you for taking the time to read our first Annual Report. The report is a useful way of keeping the Wales Pension Partnership ("WPP") stakeholders, and all other interested parties, up-to-date and informed on the work and activities undertaken by the WPP over the past twelve months.

Before handing over to the Chairman of our Joint Governance Committee, Councillor Peter Lewis, who will be providing you with an overview of some of WPP's highlights over the past year and plans for the year ahead, I wanted to provide a brief explanation as to what the WPP is, what it does and why it does it.

The WPP is one of eight Local Government Pension Scheme ("LGPS") Investment Pools. LGPS Investment Pools were created back in 2017 in response to government regulation which required the 89 Local Government Pension Funds in England and Wales to 'Pool' their assets in order to deliver greater benefits of scale, cost savings, and other efficiencies.

Prior to the announcement of the Government's Pooling Regulation, the eight LGPS Funds within Wales, had been collaborating and had already delivered costs savings from a joint collaboration on passive investments. Following the introduction of the new Pooling regulation the eight Welsh Constituent Authorities agreed that they would continue and enhance their levels of collaboration. In 2017, the WPP was formally established to facilitate and assist the pooling activities and efforts of Wales's Constituent Authorities. Since 2017, the WPP has enabled the Constituent Authorities to pool around 50% of their assets.

All of the Constituent Authorities participating in the WPP have an equal say in the direction and actions of the pool. They have agreed that the WPP should focus on delivering an investment framework that achieves the best outcomes for its stakeholders, which are ultimately the Constituent Authorities and the underlying Members of their Pension Funds.

All of the Constituent Authorities are involved in all aspects of the WPP and support its work programme. It was agreed that there was a need for a 'Host Authority' who could take responsibility for the day to day running of the Pool. Currently this role is being carried out by Carmarthenshire County Council. The Host Authority is responsible for numerous aspects of the WPP's operations, ranging from the procurement and oversight of WPP's service providers and advisors to the upkeep of the WPP's website. The Host relies on the support, input and collaboration of the other seven Constituent Authorities. WPP's strength and progress stems from the incredible levels of collaboration and trust between the Constituent Authorities, alongside their unrelenting commitment to delivering the best possible outcomes for the WPP stakeholders.

I hope that you will find this report informative and that it gives you a sense of the tremendous progress, achievements to date and benefits delivered by the Welsh Constituent Authorities' collaboration. Please do feel free to contact us, using the contact details on Page 32, if you have any questions or feedback.

Yours Sincerely,

Chris Moore

Section 151 Officer,

Carmarthenshire County Council

JGC Chair's Statement

Welcome to WPP's first Annual Report. We hope this report will give you a flavour of the work completed, and progress made by the WPP over the last twelve months.

WPP has had a busy and productive year. During the course of this year, the WPP has continued to focus on launching new sub-funds to meet the strategic needs of the Constituent Authorities and transitioning assets into the Pool. We have made significant progress by launching and facilitating three active equity sub-funds which can be utilised by the Constituent Authorities - namely Global Growth, Global Opportunities and UK Opportunities. It is pleasing to see that all eight of the Constituent Authorities have made use of at least one of the sub-funds. The WPP will continue to develop sub-funds for the benefit of all Constituent Authorities over the next 12 months and beyond.

The WPP has always recognised the importance of Responsible Investment ('RI') matters to the Constituent Authorities and their Pension Scheme Members. To reflect this, the WPP has undertaken various RI activities to deliver on its ambition of becoming a RI leader. During the year, we formulated a Responsible Investment Policy, which was agreed in collaboration with all eight of Wales' Constituent Authorities. Over the next 12 months, we will continue to deliver on the commitments made in this Policy.

WPP's RI policy stresses the importance of voting and stewardship, which is why we are so excited to have appointed and be working with, Robeco UK. Robeco UK will be working with the WPP to ensure that voting rights are exercised in line with the best interests of WPP' stakeholders and that WPP's engagement with investee companies enhances the long-term value of the Constituent Authorities' investments within WPP.

Whilst the WPP has seen much change and development over the year, some things have remained consistent, most notable of which is the Constituent Authorities' commitment to work with one another for the benefit of all. We continue to be overwhelmed by the levels of collaboration amongst the Constituent Authorities. We are proud that the Constituent Authorities are now benefiting from the WPP's model, which is delivering cost savings and an improved realm of investment opportunities, all of which is provided within a robust and transparent governance framework.

I would like to personally thank all of the WPP's personnel, the Constituent Authorities, advisors and service providers for all of their hard work over the past 12 months.

Whilst it is important to recognise the achievements of the last 12 months our focus has already shifted to the 12 months ahead. During 2020/2021 we plan to launch the WPP's Fixed Income and Emerging Markets sub-funds and will be continuing to develop the WPP's Private Market offerings, which will include real estate, infrastructure and social impact investments.

The next twelve months will see the WPP continue towards its objective of delivering a best in class governance framework for its stakeholders. Over 2020/2021, the WPP's governance activities will focus on developing a Climate Risk Policy, Risk Policy, Training Policy and Conflict of Interest Policy.

The development of these policies will mean, that by March 2021, procedures are in place to ensure that the WPP's decision making process meets the highest standards and that decision makers are well informed and educated on all relevant matters. Furthermore, the development of the Climate Risk and Risk Polices will minimise the risks and threats that can limit the WPP's ability to deliver on its objectives.

While formulating this report, the WPP like everyone else, was impacted by the Global COVID-19 outbreak. COVID-19 has had a material impact on the world that we live in. On behalf of the WPP I would like to express our deepest sympathies to those of you that have been affected personally. I would also like to thank my WPP colleagues for their resilience and resolve during the pandemic. I am proud of the way that the WPP has innovated and continued to progress during this period and in doing so has ensured it has been able to continue its work and meet its responsibilities to its stakeholders, despite the challenging circumstances.

Finally, I would like to take this opportunity to say what an honour it has been to be Chair of the JGC over the past 12 months. Cllr. Glyn Caron will be taking over the role for 2020/2021 and I would like to wish him all the best and thank him for the support he has provided me as Vice-Chair during the course of this year.

We hope you enjoy our Annual Report.

Yours Sincerely,

Councillor Peter Lewis

Chair of the Wales Pension Partnership Joint Governance Committee

About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools.

We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. 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. The eight Constituent Authorities of the Wales Pension Partnership are:

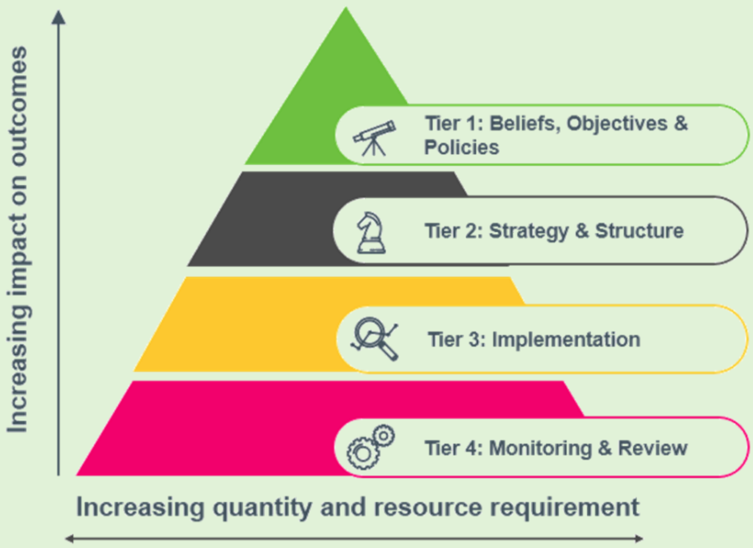
The eight Constituent Authorities have a shared vision and agreement on the means and pace at which this vision will be achieved. The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented.
- Good governance should lead to superior outcomes for the WPP's stakeholders.
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders.
- Responsible Investment alongside consideration and evidential management of Environmental, Social and Governance issues should result in better outcomes for the WPP's stakeholders.
- Effective internal and external communication is vital to achieving the WPP's objectives.
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise.
- Fee and cost transparency will aid decision making and improve stakeholder outcomes.

- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve.

- A flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

The WPP's beliefs have been given pride of place at the peak of the 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's governance framework is outlined below, this framework aims to ensure that key decisions are given priority and resources are focussed on areas most likely to contribute to the future success of the WPP:



The WPP is proud to represent the eight Constituent Authorities and recognises its duty to ensure the needs and requirements of its stakeholders are met. The WPP, through consultation with all eight Constituent Authorities, has formulated a list of primary objectives which stem from its overarching beliefs. These can be summarised as follows:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).

- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.

- To put in place robust governance arrangements to oversee the Pool's activities.

- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.

- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers.

The eight Constituent Authorities recognise that their strength derives from their shared beliefs and their ability to work together to deliver on their unified objectives for the benefit of all WPP stakeholders.

Pool Management

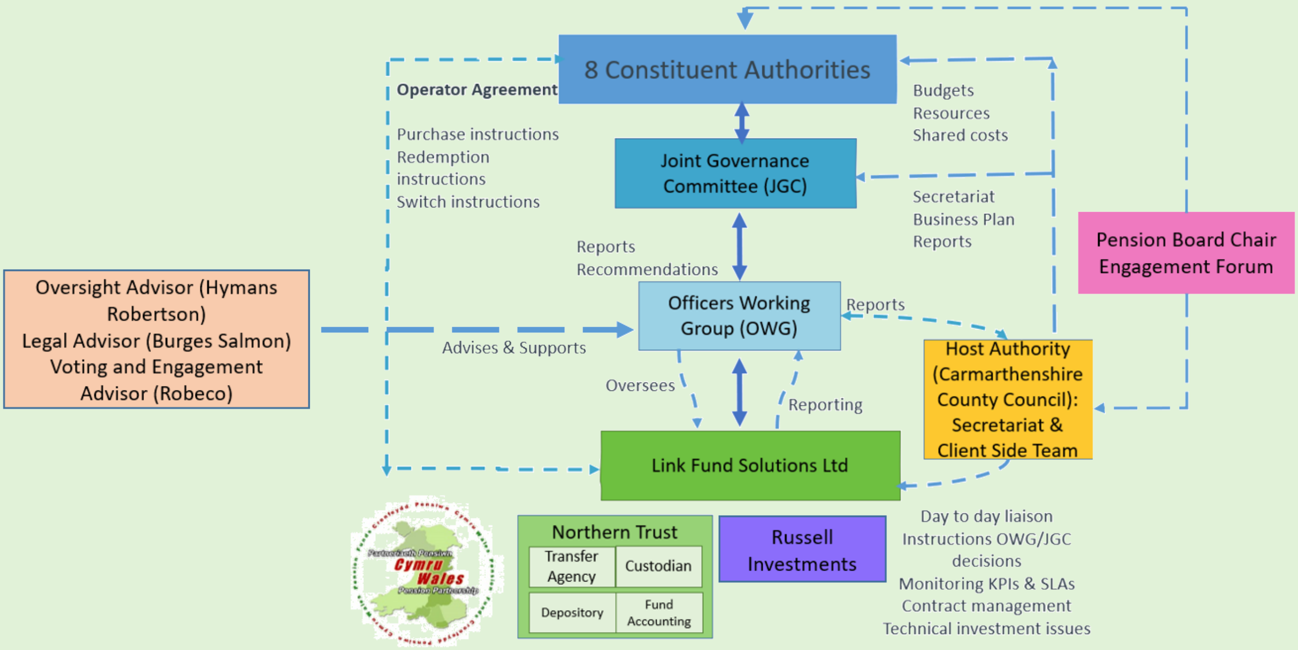
The WPP is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must also ensure that: public money is safeguarded and properly accounted for; used economically, efficiently and effectively; as well as to secure continuous improvement and delivery in this regard.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation. The WPP is also in the process of developing a Governance Manual which will further articulate the WPP's governance arrangements, including its structure, policies and procedures. This will be made available on the WPP website upon completion.

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, which has been designed to:

- Deliver on its Objectives
- Be flexible and adaptive
- Demonstrate its commitment to the highest standards of governance
- Meet the needs of its stakeholders
- Foster collaboration and communication within the WPP
- Be transparent
- Be cost effective

The diagram below provides an illustration of the WPP's governance structure. The WPP's Governance Matrix can also be found on our website. It provides a concise overview of the WPP's governance structure and outlines the internal bodies that are responsible for key decisions and actions carried out by the Partnership.



The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's Business Plan, which outlines the WPP's budget and workplan, as well at its Beliefs and Objectives. The WPP Business Plan can be found on our website. The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised of representatives from the Constituent Authorities.

The WPP has created a number of committees, groups and roles as part of its governance structure, the creation of which has ensured that the WPP has been able to deliver a robust governance structure to its stakeholders. In particular, the WPP's governance structure seeks to promote;

A brief introduction to the purpose and membership of the WPP's committees, group and roles can be found below:

Joint Governance Committee

The Wales Pension Partnership Joint Governance Committee (JGC) was formalised in June 2017 and during 2019/2020 the JGC has met four times. The JGC is comprised of one elected member from each of the eight Constituent Authorities. The elected member must be a member of that Constituent Authority and that Constituent Authority's Pensions Committee.

The Chair and Vice-chair are rotated on an annual basis. The chair during the course of 2019/2020 was Cllr. Peter Lewis – Powys County Council (Powys Pension Fund) and the vice-chair was Cllr. Glyn Caron - Torfaen County Borough Council (Greater Gwent (Torfaen) Pension Fund).

The JGC is responsible for overseeing the pooling of the investments of the eight Local Government Pension Scheme funds in Wales. The JGC's full set of responsibilities are set out in Schedule 3 (JGC Matters) and Schedule 4 (JGC Terms of Reference) of the Inter Authority Agreement. The JGC plays a critical role in either approving proposals, policies and activities or putting forward recommendations for Constituent Authority consideration

Given the importance of the JGC's role within the WPP's Governance Structure it is vital that there is high levels of engagement and attendance amongst Members of the JGC. The exemplary levels of engagement and attendance from the JGC Members to date is not only a reflection of their commitment to pooling and the long-term success of the WPP but also the willingness and desire of the Constituent Authorities to work together. The JGC is currently reviewing the Governance Structure of the Wales Pension Partnership.

To aid the levels of engagement and collaboration the Constituent Authorities of Wales have agreed that JGC meetings will be hosted or a rotational basis across all eight Constituent Authorities. The JGC dates, venues and attendance statics for 2019/20 are summarised in the table below:

JGC Date:	JGC Venue:	JGC Members in attendance:
28 June 2019	Cardiff	7 members, apologies from Flintshire
20 September 2019	Torfaen	All 8 members
9 December 2019	Carmarthen	7 members, apologies from Flintshire
12 March 2020	Brecon (Powys)	All 8 members

These meetings are also attended by WPP's external advisors and other service providers, as and when required. The WPP prides itself on being open and transparent and this is evidenced by the fact that JGCs are publicly webcasted, while agendas and minutes are also made publicly available on Carmarthenshire County Council's website.

Officers Working Group

The WPP's Officers Working Group (OWG) was established with the purpose of providing support and advice to the Joint Governance Committee. The group met five times during the last twelve months.

The OWG is comprised of practitioners and Section 151 officers from all eight Constituent Authorities. The Chair of the OWG is Chris Moore, Section 151 Officer of Carmarthenshire County Council (Host Authority). OWG meetings are generally held in Cardiff.

The OWG, in a similar fashion to the JGC, has a stellar track record in terms of engagement and attendance. There is at least one representative from each Constituent Authority in attendance at all OWG meetings and it is common to see both the Section 151 Officer and Practitioner for all eight Constituent Authorities in attendance.

The WPP's providers and external advisors also attend OWG meetings and provide support or advise when required. At present the WPP's Operator, Oversight Advisor and Investment Management Solutions Provider attend all OWG meetings. Other parties such as cost transparency advisors, LAPFF and Audit Wales representatives are also invited to attend OWG when required.

In addition to the OWG meetings, the members of the OWG participate in 2-hours of virtual meetings on a fortnightly basis. The virtual meetings are used to deal with any matters that arise in between formal OWG meetings, they are also used to progress work between OWG meetings. These fortnightly calls are an invaluable mechanism for progressing work and fostering collaboration between the Constituent Authorities and the WPP's suppliers.

The WPP has also established a number of 'sub-groups', these sub-groups are generally formulated to progress or develop certain elements of the WPP's workplan. All of the sub-groups are made up from a sub-section of the OWG and are responsible for formally reporting back to the entire OWG. Recent example of WPP sub-groups include;

- The Private Market Sub-Group – which is responsible for formulating and developing the WPP's Private Market Sub-Fund.
- The Legal Advisor Procurement Sub-Group – which is responsible for the WPP's Legal Advisor procurement exercise.

Host Authority

Carmarthenshire County Council has been appointed as the Host Authority for the Wales Pension Partnership. The Host Authority 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 LGPS funds in Wales. The role of the Host Authority is set out in Section 6 of the IAA.

The Host Authority's role is critical to the WPP, it is responsible for the day to day management of the Pool and takes ownership of managing and progressing the WPP's activities and endeavours. The size and nature of the Pool means that the Host Authority is responsible for a broad, and ever changing, range of activities and responsibilities, these range from organising and facilitating the WPP's trainings days to formulating and submitting the WPP's 'Pooling Update' submissions to the Ministry of Housing, Communities & Local Government.

The Host Authority is the main point of contact for all WPP related questions and is also tasked with maintaining the WPP's communication methods (e.g. Website and LinkedIn). The Host Authority has a large internal team from which in can extract resources and expertise to help it meet its responsibilities. However, the core members of the Host Authority team are Chris Moore, Anthony Parnell and Tracey Williams.

Monitoring Officer

The Monitoring Officer Role (Head of Administration & Law) is currently carried out within the Host Authority (Carmarthenshire County Council). The Monitoring Officer is responsible for maintaining the IAA to ensure that it reflects up to date legislative requirements and the WPP's Governance needs and is also responsible for ensuring that the provisions are fully complied with at all levels. The Monitoring Officer attends all JGC meetings.

The Monitoring Officer is well placed to play a proactive role in supporting Members and Officers in both formal and informal settings to comply with the law and with the WPP's own procedures. As the Head of Service with ultimate responsibility for the Democratic Services Unit, the Monitoring Officer is also responsible for the formal recording and publication of the democratic decision-making process.

The Monitoring Officer works closely with the Section 151 Officer in accordance with the provisions of the Local Government and Housing Act 1989 and will report to the Joint Governance Committee if they consider that any proposal will give rise to unlawfulness.

Section 151 Officer

Carmarthenshire County Council's Director of Corporate Services is the responsible officer for the administration of the WPP's affairs under Section 151 of the Local Government Act 1972 and carries overall responsibility for the financial administration of the WPP.

Link Fund Solutions Ltd (The Operator)

The WPP has designed an operating model which is flexible and able to deliver value for money. Link Fund Solutions Ltd (Link) have been appointed as the external Operator and, with the support of Russell Investments, they will deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

There is an Operator Agreement in place with Link Fund Solutions 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 its Oversight Advisor, oversee the work that Link Fund Solutions carry out on behalf of the WPP. The WPP's Operator Engagement Protocols have also been put in place to ensure that there is sufficient levels of direct engagement between the Operator and the individual Constituent Authorities.

Link Fund Solutions carry out a broad range services for the WPP, these include:

- Facilitating Investment Vehicles & Sub-Funds
- Performance reporting
- Transitions implementation
- Manager monitoring and fee negotiations
- Risk reporting

LINK Fund Solutions

Russell Investments (Investment Management Solutions Provider)

In collaboration with Link Fund Solutions, Russell Investments provide investment manager solution services to the WPP. Alongside Link Fund Solutions, they work in consultation with WPP's eight Constituent Authority to establish investment vehicles. Russell's remit includes advising Link Asset Services and WPP on efficiencies around portfolio construction which includes manager selection. Link Fund Solutions continues to work with Russell Investments, where applicable, to further reduce WPP's costs through multi-manager structures, currency managements solutions, portfolio overlays, transition management and other execution services.

Russell Investments

Hymans Robertson (The Oversight Advisor)

Hymans Robertson have been appointed the Oversight Advisors for the WPP. Hymans Robertson's role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support. They attend all OWG and JGC meetings.

Burgess Salmon (Legal Advisor)

Burges Salmon provide Legal advice, as and when required. Burgess Salmon's remit requires them to provide expertise in FCA regulated funds, tax, public sector procurement and local government. In addition, Burgess also advise on governance arrangements, building complex procurement specifications, advising on the procurement process and evaluation criteria. They also support WPP in finalising legal agreements and formulating FCA prospectus applications.

Northern Trust (The Custodian)

Northern Trust provides services including securities lending, fund administration, compliance monitoring and reporting for the Wales Pension Partnership.

Robeco UK (Proxy Voting & Engagement Provider)

Robeco UK have recently been appointed the WPP's Voting and Engagement provider and they will assist the WPP in formulating and maintaining a Voting Policy and Engagement Principles that are in keeping with the Welsh Constituent Authorities' membership of the Local Authority Pension Fund Forum ('LAPFF'). Further, Robeco will take responsibility for implementing the Voting Policy across WPP's £5bn active equity portfolio as well as reporting to WPP and the underlying Funds.

Risks

The Wales Pension Partnership ('WPP') recognises that it faces numerous risks which, if left unmanaged, can limit the WPP's ability to meet its objectives and to act in the best interest of its stakeholders and beneficiaries. However, the WPP also understands that some risks cannot be fully mitigated and that in these instances' risks need to be embraced through active and effective management.

Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without fair warning. To reflect this belief, 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.

To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to risk. The extent to which the WPP is able to effectively balance risk and return will depend on the success of its Risk Policy. It is critical that prior to making decisions the WPP understands the associated risks and considers the means by which these risks could be managed. Effective identification, understanding, management and monitoring of risks will allow the WPP to:

The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives. The WPP Business Plan is an additional means through which the WPP will give special recognition to risks that pose a material threat to the delivery of its objectives and the actions required to manage these risks. At present, the WPP's most significant risks are:

- WPP Sub-Funds fail to achieve their target investment returns
- WPP fails to comply with relevant regulations and LGPS guidance
- WPP suppliers fail to deliver their contractual commitments

- WPP suppliers fail to enact the WPP's decisions in a timely and effective manner
- The WPP's Operator stops providing Operator Services

The table below summarise how these risks are currently managed and outlines what actions will be completed during the next 12 months to further mitigate these risks.

Risk:	Current Management Strategy:	Action for the next 12 months:
WPP Sub-Funds fail to achieve their target investment returns	• Ongoing monitoring of investment performance, market developments and economic outlook reported by the Investment Manager and the Operator and discussed at OWG meetings • The Operator/ the Investment Manager engagement with Investment Managers and ongoing reviews of their process • Manager days hosted by the Operator/ the Investment Manager for OWG/Constituent Authorities Pension Fund Committees	The probability of Investment Manager underperformance needs to be reduced, this can be achieved via the following mechanisms: Improved monitoring of investment performance & market developments and economic outlook Increased engagement and communication with Investment Managers
WPP fails to comply with relevant regulations and LGPS guidance	• Ensure sufficient training takes place • Maintain a mechanism for monitoring recent regulations changes and progression toward meeting the new requirements • Engagement with relevant regulatory bodies (such as Scheme Advisory Board, Pension Regulator and MHCLG) • Appointment of an expert legal advisor	The HA will include 'Regulation and Governance Updates' as a regular OWG agenda item (under the Host Authority Update). The HA will consult with either the MHCLG or other LGPS pools on a quarterly basis to ensure they are aware or ongoing legislation and regulation developments/ changes. The WPP will continue to await further Pooling guidance.
WPP suppliers fail to deliver their contractual commitments	• Legal Advisor in place to review contractual terms and commitments • Regular service delivery meetings held • Regular procurement and reappointment exercises carried out to ensure competition • The WPP has formulated contracts that have natural break or exit points and minimal exit fees.	The OWG will seek to formulate a shortlist of 'potential replacement suppliers' that could be appointed if required. This will reduce the impact of this risk by accelerating the timeframe for the appointment of a replacement supplier.
WPP suppliers fail to enact the WPP's decisions in a timely and effective manner	• Regular service delivery meetings held • Regular procurement and reappointment exercises carried out to ensure competition • Designated Oversight Advisor in place • Intensive engagement protocols with relevant suppliers	The OWG will consider this risk while undertaking its annual review of the WPP's Communication Policy. The Oversight Advisor will review how the communication of timescales and the importance of actions, projects and activities can be more effective conveyed to relevant suppliers. The WPP will develop a 'decision, owner and deadline' matrix for inclusion in all of its meeting packs.
The WPP's Operator stops providing Operator Services	• Designated Operator Oversight Advisor in place • Intensive engagement protocols with Operator • Operator Oversight Framework currently in development • Engagement with the wider Operator market (and other suitable suppliers) is built into the WPP business plan • The WPP has formulated contracts that have natural break or exit points and minimal exit fees	The OWG will develop an 'impact limitation procedure' which could be enacted if the Operator were to exit the market or if an immediate replacement needed to be appointed. The OWG is continuing to monitor any developments resulting from the FCA's review of the ACD Operator market. The OWG recognises the resource strain this review places on the Operator.

During the course of the next twelve months the WPP will prioritise the management of these risks with the aim of reducing the possibility of these risks occurring and the impact that they can have on the WPP. Next year's Annual report will outline how effective these risk mitigation strategies have been and whether the risks outlined above at still those of greatest concern to the WPP.

The WPP Risk Policy and Risk Register are both publicly available on the WPP's website, these documents provide a detailed breakdown of all risks facing the WPP and how these are managed.

WPP Policies and Processes

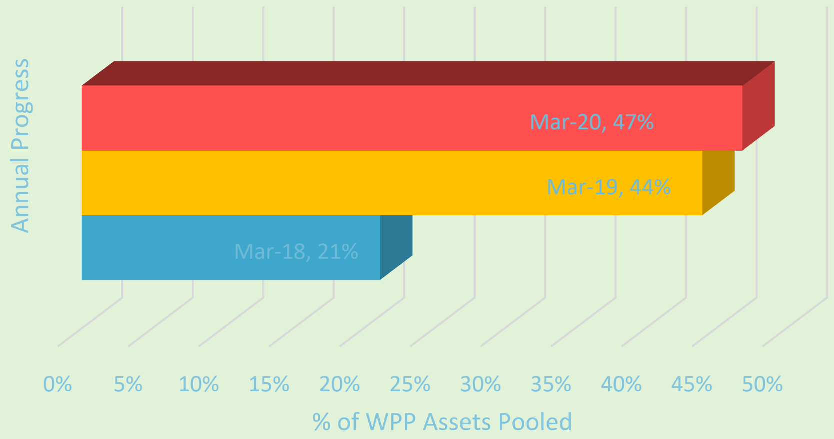
The WPP believes that good governance should lead to superior outcomes for the WPP's stakeholders. In recognition of this belief, the WPP has devoted resources to developing a robust and extensive governance structure and framework. A key part of WPP's governance structure is focused on developing policies and procedures, in consultation with the Constituent Authorities. In all instances the WPP's policies and procedures have been developed to either complement or subsidise the existing procedures and policies of the Constituent Authorities.

The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP, and the Constituent Authorities, to:

The WPP's key policies, registers and plans are listed below and can be found on the WPP website. The policies and procedures outlined below are reviewed on at least an annual basis and the WPP will continually assess whether any additional policies, registers or plans are required. The WPP workplan includes a number of additional governance documents that will be developed during the next three years. These will be made available on the WPP website once completed.

Pooling Progress

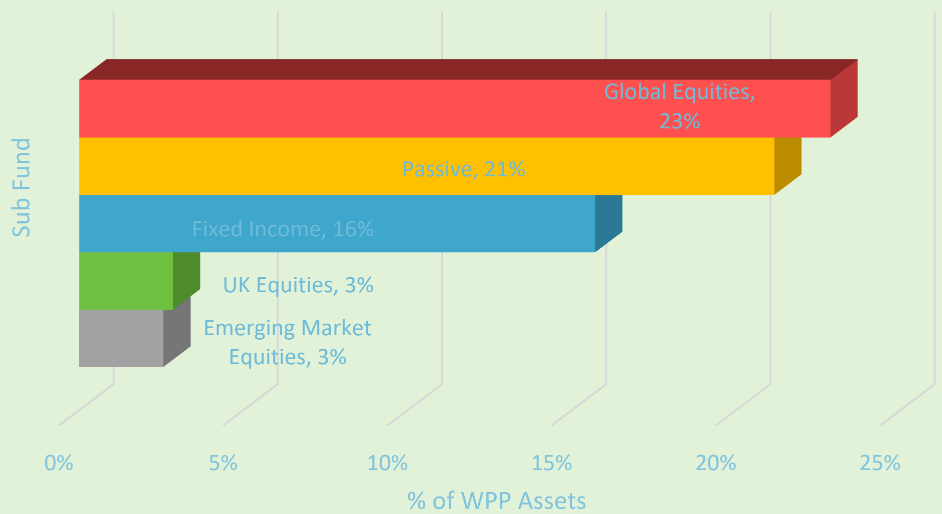
The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. We have made significant progress towards delivering on this objective. The launching of the WPP's three active equity sub-funds, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 47% of assets, as illustrated in the graph below:



*Please note that this includes the WPP's passive holdings

The WPP is proud that despite only being established in 2017 it has already managed to pool nearly half of the Constituent Authorities' assets. It is pleasing to see that all eight of the Constituent Authorities have made use of at least one of the sub-funds. The pooling progress to date has ensured that the WPP has been able to provide significant benefits of scale to the Constituent Authorities via cost savings and improved value for money. See page 27 for more detail.

The WPP will continue to develop sub-funds for the benefit of the Constituent Authorities. During the course of 2020/2021 the WPP will facilitate at least two further sub-funds which will focus on fixed income and emerging market equities. The launch of these two further sub-funds will see the WPP's pooled assets percentage reach over 60%.



WPP Statement of Accounts and Financial Performance

BUDGET

The following table shows the WPP's actual expenditure during 2019/20 compared with the approved budget for the year, detailing any variances. The Budget was approved by the Joint Governance Committee at the Joint Governance Committee meeting on 27 March 2019.

Wales Pension Partnership 2019/20	Budget (£)	Actual (£)	Variance (£)
Gross Expenditure			
Employee costs [1]	76,000	56,138	19,862
Host Authority costs [2]	50,000	27,750	22,250
Host Authority Support Services [3]	75,000	75,000	0
Total Host Authority Gross Expenditure [4]	201,000	158,888	42,112
External Consultants [5]	120,000	140,173	(20,173)
Total Gross Expenditure	**321,000**	**299,061**	**21,939**

Notes:
1. This includes staff employed to work solely on the WPP. The Budget includes a Senior Financial Services Officer (1fte) and an Assistant Accountant (1fte for 6 months)
2. These costs include staff travelling expenses, subsistence and meeting expenses, admin, office and operational consumables, website (development and ongoing costs), audit fees and translation services
3. These are central recharges from the Host Authority and includes costs apportioned for the Section 151 Officer, Monitoring Officer, Treasury & Pension Investments Manager, Democratic Services Officer and also Premises and HR support
4. The total Host Authority expenditure is funded equally by all eight Pension Funds and are recharged on an annual basis
5. External Consultants include Investment & Legal Consultants, these costs are also funded by all eight Pension Funds

There was an underspend of £22k for the year, which was mainly due to:
- Employee costs – Assistant Accountant not appointed (£19k underspend)
- Host Authority Costs – actual cost of developing the WPP website was £3,759 against a budget of £30,000 (26k underspend)
- External Consultants – the Investment Consultants carried out an additional piece of work in relation to the UK Equity transition, which was not in the original budget, this cost was recharged to the Pension Funds within the UK Opportunities sub fund (£20k overspend).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2018/19 (£)	Description	2019/20 (£)
	Expenditure	
43,111	Employee costs	56,138
13,079	Host Authority costs	21,250
27,109	External Advisor costs	146,673
75,000	Host Authority Support Service costs	75,000
158,299	**Total Operating Expenditure**	**299,062**
	Income	
(158,299)	Constituent Authority Recharges *	(299,062)
(158,299)	**Total Operating Income**	**(299,062)**
0	**Total Comprehensive Income and Expenditure**	**0**

* These costs are funded equally by all eight LGPS Funds and are recharged on an annual basis. The exception is when an External Advisor provides a service for specific LGPS Funds, then these additional costs are shared equally between the LGPS Funds involved.

BALANCE SHEET

The Balance Sheet shows the assets and liabilities of the WPP as at 31 March 2020.

31st March 2019 (£)	Description	31st March 2020 (£)
	Current Assets	
138,511	Short Term Debtors	367,489
138,511	Total Current Assets	367,489
	Current Liabilities	
(127,579)	Cash and Cash Equivalents	(223,716)
(10,932)	Short Term Creditors	(143,773)
(138,511)	Total Current Liabilities	(367,489)
0	**Total Net Assets**	**0**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the WPP during the reporting period.

2018/19 (£)	Description	2019/20 (£)
	Cashflow from operating activities	
0	Net (surplus) / deficit on the provision of services	0
	Adjustments for:	
(138,511)	(Increase) in trade and other debtors	(228,978)
10,932	Increase in trade and other creditors	132,841
(127,579)	Net Cash from operating activities	(96,137)
	Net (Increase) / Decrease in cash and cash equivalents	
0	Cash & Cash Equivalents as at 1 April	(127,579)
(127,579)	Cash & Cash equivalents as at 31 March	(223,716)
(127,579)	**Cash and cash equivalents as at 31 March**	**(96,137)**

NOTES TO THE ACCOUNTS

Statement of Accounting Policies

General

The Statement of Accounts summarises the transactions of the Wales Pension Partnership (WPP) for the 2019/20 financial year and its position at the year ended 31 March 2020. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going Concern

The Financial Statements have been prepared on a going concern basis.

Accruals of Income and Expenditure

Financial Statements have been prepared under the Accruals concept of accounting which requires that both income and expenditure must be recognised in the accounting periods to which they relate rather than on a cash basis.

Cash and Cash Equivalents

The WPP itself does not operate or control its own individual bank account. Carmarthenshire County Council in its role as the Host Authority administers all cash and cash equivalent transactions on behalf of the WPP.

Provisions, Contingent Assets and Liabilities

The WPP have not recognised any provisions, contingent assets or contingent liabilities in the accounts.

Value Added Tax (VAT)

Transactions are shown net of VAT, all VAT is accounted for by Carmarthenshire County Council.

Employee Benefits

Direct employees supporting the activities of the WPP are contractually employed by Carmarthenshire County Council, with additional support being provided by Carmarthenshire on a recharge methodology. Employee remuneration costs will be disclosed within the Financial Statements of Carmarthenshire County Council.

Investments

No investments are held directly with the WPP. The sub funds opened as part of the pooling arrangement sit within the financial statements of the respective pension funds. The Operator costs and other fees relating to these investments are shared between the eight LGPS Funds based on their individual percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV). These are not cash transactions.

Short Term Debtors

2018/19 (£)	**Description**	**2019/20 (£)**
138,511	Constituent Authorities	365,616
0	Prepayments	1,873
138,511	**Total Short-Term Debtors**	**367,489**

Short Term Creditors

2018/19 (£)	**Description**	**2019/20 (£)**
6,464	Trade Creditors	69,130
4,468	Accruals	74,643
10,932	**Total Short-Term Creditors**	**143,773**

Audit Costs

In 2019/20 the WPP incurred the following fees relating to financial audit and inspection, payable to the Wales Audit Office.

2018/19 (£)	Description	2019/20 (£)
5,000	Audit Fees	8,558
5,000	**Total External Audit Fees**	**8,558**

Related Party Transactions

WPP is required to disclose material transactions between partners, bodies, individuals or related parties, that could potentially influence the decisions of the JGC or be influenced by the JGC. The WPP has arrangements in place requesting members and Officers to identify and disclose related party transactions. These interests are declared and assessed at the start of each JGC meeting.

Any transactions between parties outlined above will require disclosure to allow the users of these Financial statements to assess the extent to which the JGC's independence could potentially been impaired or influenced another party's ability to transact with the Committee.

During 2019/20 Carmarthenshire County Council, as Host Authority for the WPP raised debtor invoices to all eight LGPS pension funds to recover the running costs of the WPP, as detailed in the CIES. The tables below show the total value of transactions raised during 2019/20 and the debtor balances outstanding as at 31 March 2020.

2018/19 (£)	Description	2019/20 (£)
19,787	Cardiff & Vale of Glamorgan Pension Fund	52,383
19,787	Clwyd Pension Fund	32,383
19,787	Dyfed Pension Fund	32,383
19,787	Gwynedd Pension Fund	32,383
19,787	Powys Pension Fund	32,383
19,787	Rhondda Cynon Taf (RCT) Pension Fund	32,383
19,787	City and County of Swansea Pension Fund	32,383
19,787	Greater Gwent (Torfaen) Pension Fund	52,383
158,299	**Total Related Party Transactions**	**299,062**

2018/19 (£)	Description	2019/20 (£)
19,787	Cardiff & Vale of Glamorgan Pension Fund	72,170
19,787	Clwyd Pension Fund	52,170
-	Dyfed Pension Fund	19,787
19,787	Gwynedd Pension Fund	52,170
19,787	Powys Pension Fund	32,383
19,787	Rhondda Cynon Taf (RCT) Pension Fund	52,170
19,787	City and County of Swansea Pension Fund	32,383
19,787	Greater Gwent (Torfaen) Pension Fund	52,383
138,511	**Related Party Transactions outstanding at year end**	**365,616**

Carmarthenshire County Council charged the WPP for administration and support services during 2019/20. Invoices have also been received from Gwynedd County Council and Powys County Council for services they have provided in the form of translation and catering services respectively. The table below shows the value of these services and the creditor balances outstanding as at 31 March 2020.

Related Party Transactions - Creditors	Value of services provided during 2019/20	Balance outstanding as at 31 March 2020
Carmarthenshire County Council	£132,753	£0
Gwynedd County Council	£3,795	£1,577
Powys County Council	£724	£724
Total	**£137,272**	**£2,301**

The Director of Corporate Services and the Monitoring Officer are both Senior Officers within Carmarthenshire County Council.

Prior Period Adjustment

No Prior Period adjustments were made during the financial year 2019/20.

Investments and Performance

The WPP's Constituent Authorities have total assets of circa £17.5bn (as at 31 March 2020). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP Authorities in the form of insurance policies. The diagram below outlines the WPP's existing Sub-Funds:

During 2020/21, the WPP will be launching an Emerging Markets sub-fund, as well as the following five Fixed Income sub-funds:

- Absolute Return Bond Fund
- Multi-Asset Credit Fund
- Global Credit Fund
- UK Credit Fund
- Global Government Bond Fund

In addition to the sub-funds outlined above the WPP's Constituent Authorities also hold passive investments with BlackRock Asset Management. The passive investments are as follows:

Constituent Authority	Asset Value as at 31/3/20	% of each Constituent Authorities' assets
Cardiff & Vale of Glamorgan	503,672,000	25.1%
Clwyd	65,205,000	3.6%
Dyfed	821,324,323	35.0%
Gwynedd	608,953,160	30.0%
Powys	233,113,806	37.0%
RCT	144,059,632	4.3%
Swansea	606,332,176	31.1%
Greater Gwent (Torfaen)	590,631,000	21.7%
Total	3,573,291,097	

Investment Performance

The investment performance of the WPP's sub-funds over the past twelve months has been heavily impacted by COVID-19 and the impacts it has had on financial markets. It is pleasing to see that the WPP's Global Opportunities sub-fund has significantly outperformed its benchmark over the past twelve months despite the challenging market conditions. We remain confident that all of the sub-funds will be able to deliver strong net of fees performance over the long term. The WPP's UK Opportunities Fund launched on the 11 October, its first 6 months of existence have been turbulent as it has had to face one of the most challenging markets landscapes in living memory. However, we fully trust the investment manager's capability and we look forward to seeing its longer-term performance. The Officers Working Group receives quarterly, six monthly and annual performance reports. The Group reviews and challenges the performance of Investment Managers on behalf of the WPP. The WPP hosts regular manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee and Board Members and the WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at a local level, this will include manager attendance at Pension Committees. Furthermore, the Investment Managers of the Sub-Funds hold quarterly investors calls where members of the OWG are able to challenge the Investment Manager and the underlying Managers. Over the next twelve months, the OWG will further develop the WPP's current investment performance monitoring mechanisms, the integration of market leading ESG and Climate Risk metrics will be key elements of this project.

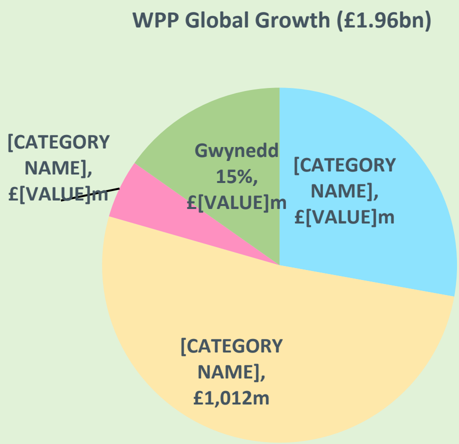
WPP Sub-Fund 12 Month Performance as at 31 March 2020 (Net of Fees)

* Please note that the UK Opportunities Fund benchmark & performance is since inception with the benchmark being FTSE ALL-Share. The Global Opportunities Fund and the Global Growth Fund benchmark is MSCI ACWI ND.

Sub-Fund		Fund	Benchmark	Relative
Global Growth	6 February 2019	(7.30)	(6.74)	(0.56)
Global Opportunities	14 February 2019	(4.68)	(6.74)	2.06
UK Opportunities*	11 October 2019	(24.63)	(20.83)	(3.80)

Global Growth Fund

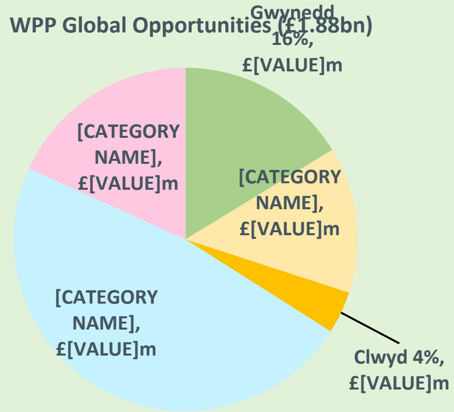
The Global Growth sub-fund is managed by Link Fund Solutions. The sub-fund aims to achieve growth by investing in global equities, using a multi-manager investment approach. The sub-fund makes use of three underlying managers, all of which have different investment process and methodologies. The managers have been carefully selected to create a well-balanced sub-fund which is diversified. The differing approaches of the underlying managers have been deliberately selected to complement each other in a wide variety of market conditions. The fund is broadly diversified across countries and industry sectors. The sub-fund was launched in February 2019 with a MSCI ACWI ND benchmark. At present four Constituent Authorities make use of this Sub-Fund.



Investment Managers: Baillie Gifford, Veritas and Pzena

Global Opportunities Fund

The Global Opportunities sub-fund is managed by Russell Investments and makes use of seven underlying investment managers, see below. The sub-fund is focussed on achieving investment performance via growth in the value of global equity holdings. Russell has devised a sub-portfolio making use of a diverse range of investment philosophies which are meant to complement each other. The sub-fund is made up of investment managers who specialise in different regional equity markets. The mix of regional and global equity manager, alongside the use of Russell overlays, provides WPP with a sub-fund which aims to outperform the MSCI All Countries World Index. The Sub-Fund was launched in February 2019 with a MSCI ACWI ND benchmark. At present five Constituent Authorities make use of this Sub-Fund.

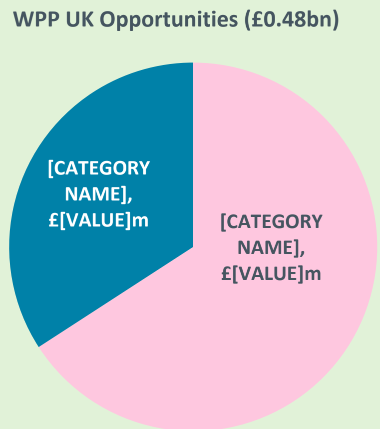


Investment Manager: Russell Investments

Underlying Investment Managers: Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ and Oaktree

UK Opportunities Fund

The UK Opportunities sub-fund is also managed by Russell Investments and makes use of five underlying investment managers, see below. The sub-fund aims to achieve growth via an allocation to UK equities. In a similar fashion to the Global Opportunities Fund, Russell have developed a well-diversified investment manager line-up for this sub-fund. The selection of managers should provide the WPP with broad exposure to different industries within the UK equity market. The Sub-Funds was launched on the 11 October 2019 with a FTSE 100 benchmark. At present two Constituent Authorities make use of this Sub-Fund.



Investment Manager: Russell Investments

Underlying Investment Managers: Majedie, Lazard, Baillie Gifford, Investec and Liontrust

Pooling Costs and Fee Savings

There are various costs associated with pooling; there are transition costs which are one-off costs that occur at the point when the funds are transitioned into the sub-funds and there are also annual running costs. The transaction costs for the sub funds which have been pooled as at 31 March 2020 are shown in the table below:

Sub-Funds	Transition Costs £000's	Year charge occurred
Global Equities	17,200	2018/19
UK Equities	4,660	2019/20

The total annual running costs for 2019/20 equates to £2,705k

As well as increasing fund performance for individual funds, through pooling and economies of scale, lower Investment Management fees have resulted in cost savings for Constituent Authorities. The table below illustrates the annual cost savings for WPP's Global Equity Sub-Funds and the UK Opportunities Equity Sub-Fund:

	Asset Value as at 31/3/20 £000's	Gross Annual Savings * £000's	Savings as a % of Asset Value
Global Equities	3,840,762	5,076	0.13%
UK Equities **	479,817	40	0.01%

* Please note that Gross figures do not include the transition and running costs

** Part year – fund was launched on 11 October 2019

The data above shows that although there are high initial costs for transitioning individual fund's assets into the pool, the annual savings of £2,411k for 2019/20 far outweighs the annual running costs (excluding transition costs).

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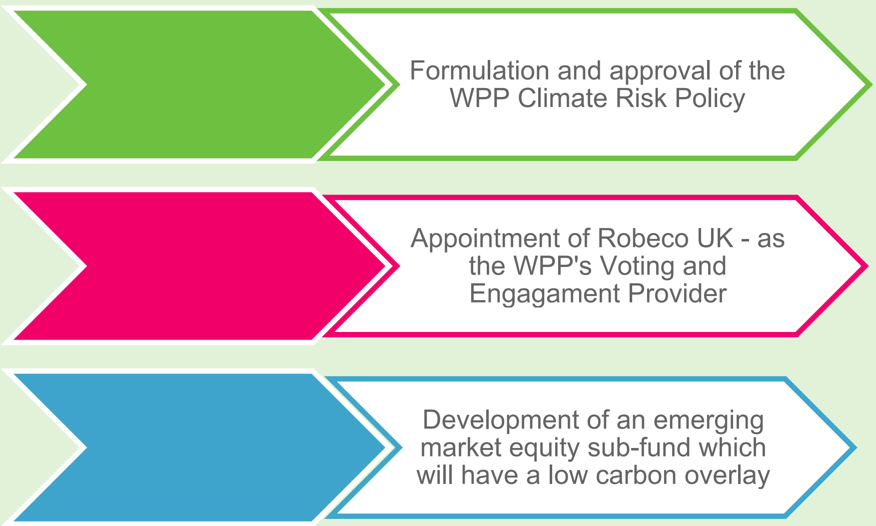
Passive Investments, as detailed on page 25 also provide a total fee saving of c£2m per annum.

Responsible Investment

The WPP believes that Responsible Investment, alongside consideration and evidential management of Environmental, Social and Governance issues, should result in better outcomes for its stakeholders. Hence, it has been a key priority for us since we were established in 2017. Various activities have been carried out this year to work towards our ambition of becoming a leader in Responsible Investment. Initially, our focus was on formulating a Responsible Investment Policy which was approved in September 2019. The policy is representative of the broad range of investment beliefs within the Pool and all the Constituent Authorities were involved its formulation.

Ever since the Policy was formally signed off by the JGC, the WPP has been working hard to meet and deliver on the commitments made in the Policy. We are very proud of the progress we have made during the year which has included:



We view the appointment of Robeco as a particularly positive development and we are looking forward to working with Robeco to formulate the WPP's Voting Policy and Engagement Principles. It demonstrates our vow to exercise voting rights, in line with the interest of our stakeholders, and engage with investee companies to enhance the long-term value of the Constituent Authorities' investments within WPP. During the next twelve months, we will also be working with Robeco to develop our reporting capabilities with a view to providing you with a record of our voting and engagement activities in next year's annual report.

The next twelve month should see the WPP develop its performance reporting metrics to ensure that its reports integrate market leading ESG and Climate Risk metrics. The WPP will also be publishing its first WPP Responsible Investment Report, which will provide further detail on the WPP's Responsible Investment commitments, activities and progress to date. The WPP is hoping that the next twelve months will see it becoming a signatory of UK Stewardship Code, as well as the launch of a carbon reduction overlay on its existing active equity sub-funds which will significantly reduce the WPP's exposure to carbon emissions.

Communications & Engagement

Improving the WPP's communication has been a key workstream during the last 12 months. The WPP website was launched in September 2019 and is an excellent tool to: learn and understand more about the pool; keep track of our recent activities; and discover our policies, procedures and governance arrangements. The website can be found here: **https://www.walespensionpartnership.org/**

We want our communication to be engaging and assessable, so we also held a communication workshop to study different communication methods and the most appropriate way to engage with our audience. Following the workshop, we formulated our Communication Policy and launched our LinkedIn page. The WPP's Communication Policy is available on the WPP website, we will be reviewing this Policy on an annual basis to ensure that our communication methods remain up to date and engaging. Please do continue to check both our website and LinkedIn page to receive updates on all of our endeavours.

The WPP has always sought the highest possible levels of engagement with its stakeholders and that is why, alongside our communication strategy, we have used the past twelve months to improve our levels of engagement with our internal, as well as external, stakeholders. The WPP is pleased to announce that 2019/2020 saw the hosting of its first Manager Engagement day, which focussed on the global equity managers. The success of this event led to the WPP swiftly following up with a second Manager Engagement day which was attended by incumbent fixed income managers, as well as numerous representatives from the Constituent Authorities.

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP will ensure the meetings of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers will also be made publicly available. Local Pension Board engagement days will also be held regularly as a means of fostering stakeholder engagement. During the year, we formalised our engagement protocols which will ensure the continued engagement and collaboration amongst the WPP's Constituent Authorities and providers, this is carried out via the following engagement mechanisms:

Engagement mechanisms	Frequency
Strategic Relationship Review meeting	Bi-Annual
JGC Engagement	Quarterly
OWG Engagement	Every 2 Months
Annual Shareholder Day	Annual
Pension Fund Committees	Annual
Manager Engagement Days	Bi-Annual
Member Communications	Annual
Engagement via the website & LinkedIn	Continuous

The WPP will continue to develop its communication and engagement methods, we are already developing means of further communicating our governance, responsible investment endeavours and investment performance with you.

Training

During the year, WPP formulated its first Annual Training Plan. The WPP Training Plan highlights the WPP's commitment to be an organisation that is continually evolving and learning. The formulation of the Training Plan in collaboration with the Constituent Authorities was particularly pleasing as it showed the WPP's continued commitment to providing benefits from Pooling that are not solely investment focussed, it also highlighted the strong levels of engagement and likeminded thinking amongst the Constituent Authorities.

Two workshops were arranged for both JGC and OWG, these were productive sessions that helped formulate the WPP's Responsible Investment Policy and Communication Plan.

The WPP has committed to hosting at least one quarterly training session and these have already proved to be a great way to further developed the expertise within the WPP and also to increase the means of engagement with the WPP's stakeholders. The first training session was held on 21 February 2019 in Powys. This training session was hosted by the WPP and was attended by the JGC, OWG and Constituent Authority Pension Committees & Pension Boards. The topics covered were:

- Fund Wrappers
- Transfer, in-specie transfer and wind down of illiquid assets
- Private Debt
- Impact Investment

In addition to the above, the following informal training was also undertaken by the JGC & OWG:

Topic	Date	Venue
Cost Transparency	11 April 2019	Cardiff
Transaction Costs & Transition Risk	6 June 2019	Cardiff
Communication	28 August 2019	Cardiff
Global Equity Manager Day	19 September 2019	Cardiff
WPP's Beliefs	20 September 2019	Torfaen
Fixed Income Manager Day	12 November 2019	London

During 2020/2021 the WPP will facilitate training on the following topics:

• Managing Conflict of interest

• Operator Monitoring

• Performance metric (including RI metrics)

• Progress of other LGPS Pools

• Collaboration Opportunities

• Climate Risk

• Asset Class – Alternatives (Private Markets)

• Decision Logging

• Identifying lessons to be learnt

• Transparency Requirements

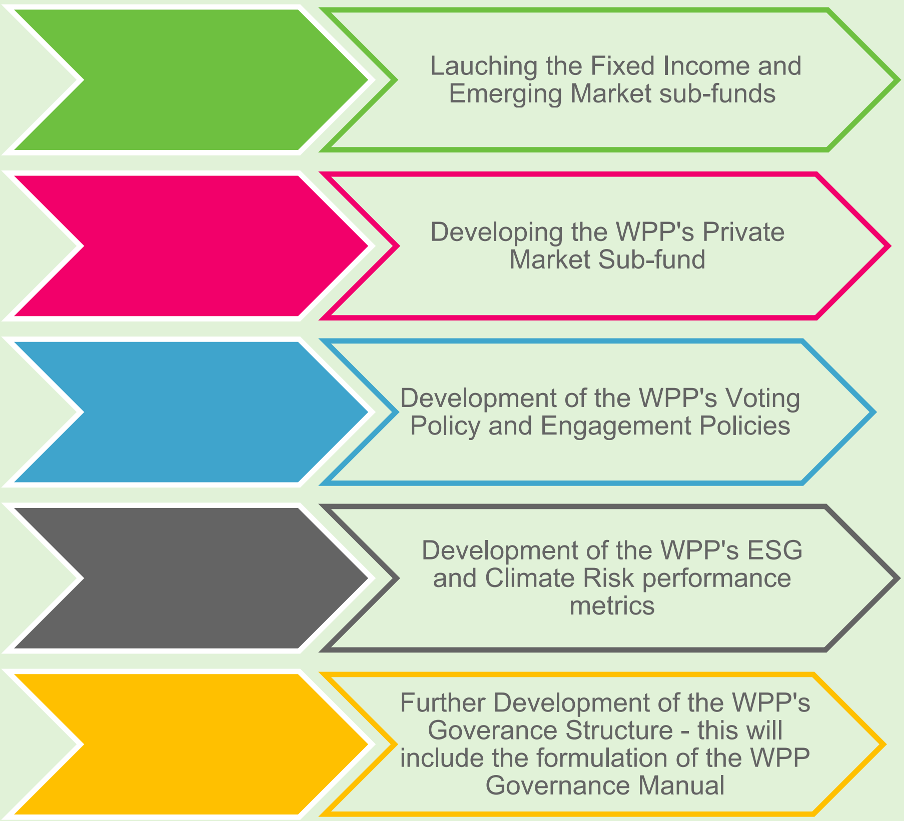
• Enacting guidance and regulation

The full WPP Training Plan for 2020/2021 can be found on the WPP website. The WPP will be formulating a Training Policy during the year and this will be made available on the WPP website once finalised.

Conclusion

As you can see the WPP has had a very productive year. We would like to thank all of the WPP's Personnel, the Constituent Authorities, advisors and providers who have made this possible. The Officers Working Group and Joint Governance Committee deserve a special mention for their work and support throughout the year. While it is important to recognise the achievements of the last 12 months our focus has already shifted to the 12 months ahead. The work due to be carried out over the next 12 months, will see the WPP continue to develop as a Pool so that it can continue to meet and facilitate the interests and needs of the Constituent Authorities. A workplan of the areas that WPP will focus on during the next 12 months has been developed, this will be available on our website shortly.

Particular highlights over the next year will include:



We are pleased to announce that the WPP is incredibly well placed to deliver on its 2020/2021 workplan, despite the COVID-19 lockdown. The smooth transition to virtual meetings has already taken place and all WPP personnel and suppliers continue to be able to carry out their roles. We look forward to being able to provide you with a further update next year!

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

Contact Details

If you require further information about anything in or related to this business plan,

please contact the Wales Pension Partnership:

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Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website can be found here:

https://www.walespensionpartnership.org/

Russell Investments

Wales PP Global Opportunities Equity Fund

Period ending 30 September 2020

WILL PEARCE, ASIP
Senior Portfolio Manager

November 2020

Market & Performance

Page 58

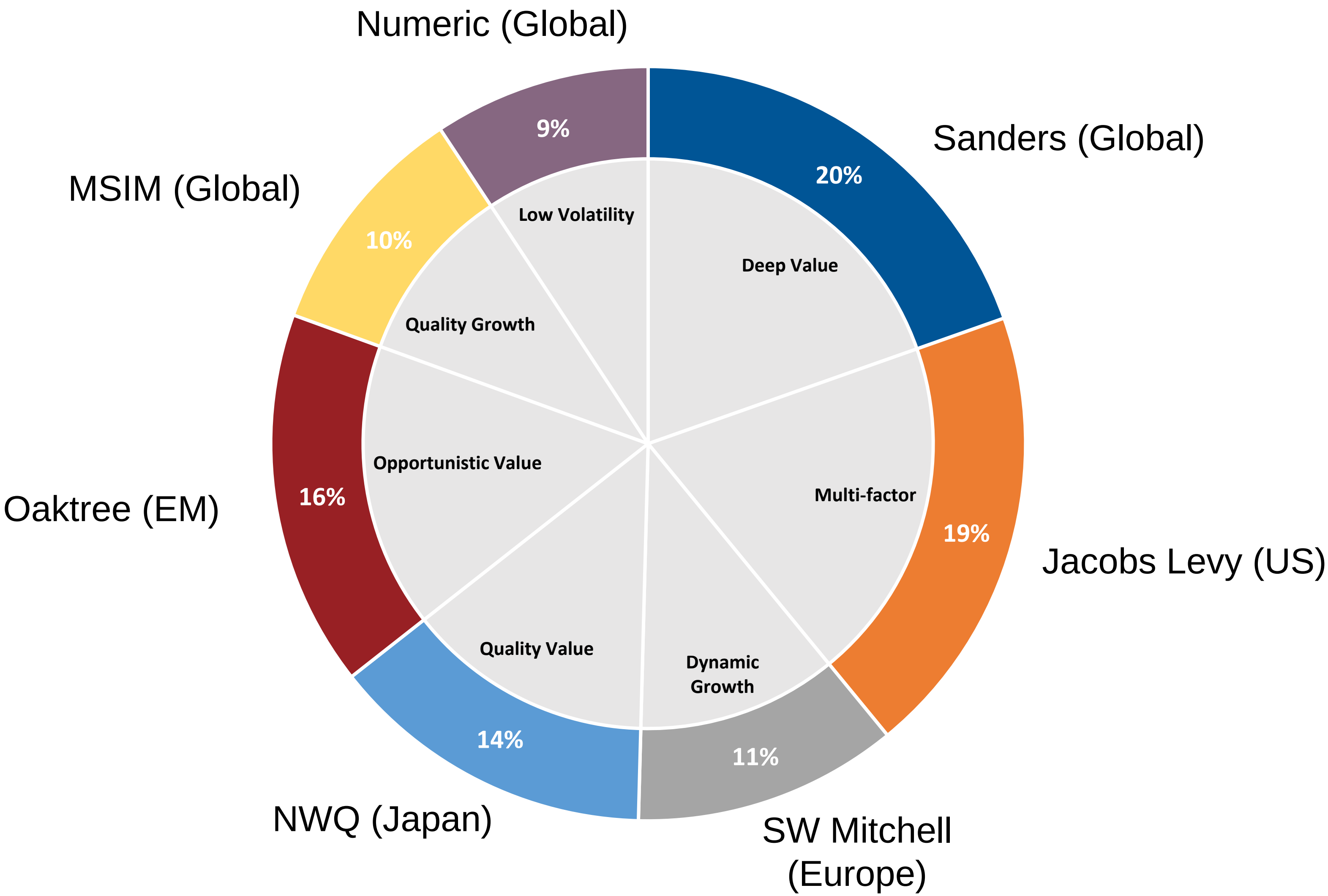
Market Review

Q3

- With lockdown restrictions easing from the end of the second quarter, Covid-19 vaccine hopes and stabilising oil prices, risk appetite built up strongly in July and August which continued to drive the bounce-back rally which had started at the end of March.
- However, this “risk-on” sentiment reversed in September, as rising coronavirus cases pointed towards a second wave of infections. Hard Brexit concerns and volatility to the run-up to US presidential elections, further dampened investors’ mood.
- Governments introduced fiscal policies to support their locked-down economies. G4 central banks remained accommodative: The US Federal Reserve (Fed) kept rates unchanged but adopted a monetary policy that “will likely aim to achieve inflation moderately above 2% (this is now an average target rate) for some time.
- In Japan, Prime Minister Shinzo Abe announced his resignation for health reasons. New leader Yoshihide Suga and the BoJ are expected to continue Abenomics.
- Cyclical stocks (Cons Disc, IT, Materials & Industrials) led the market, while Financials and Energy underperformed
- Emerging and US stocks outperformed, while European and UK stocks lagged
- Growth, Momentum and Quality were the best performing styles, while Value was the worst

Source: Russell Investments as at 30 September 2020

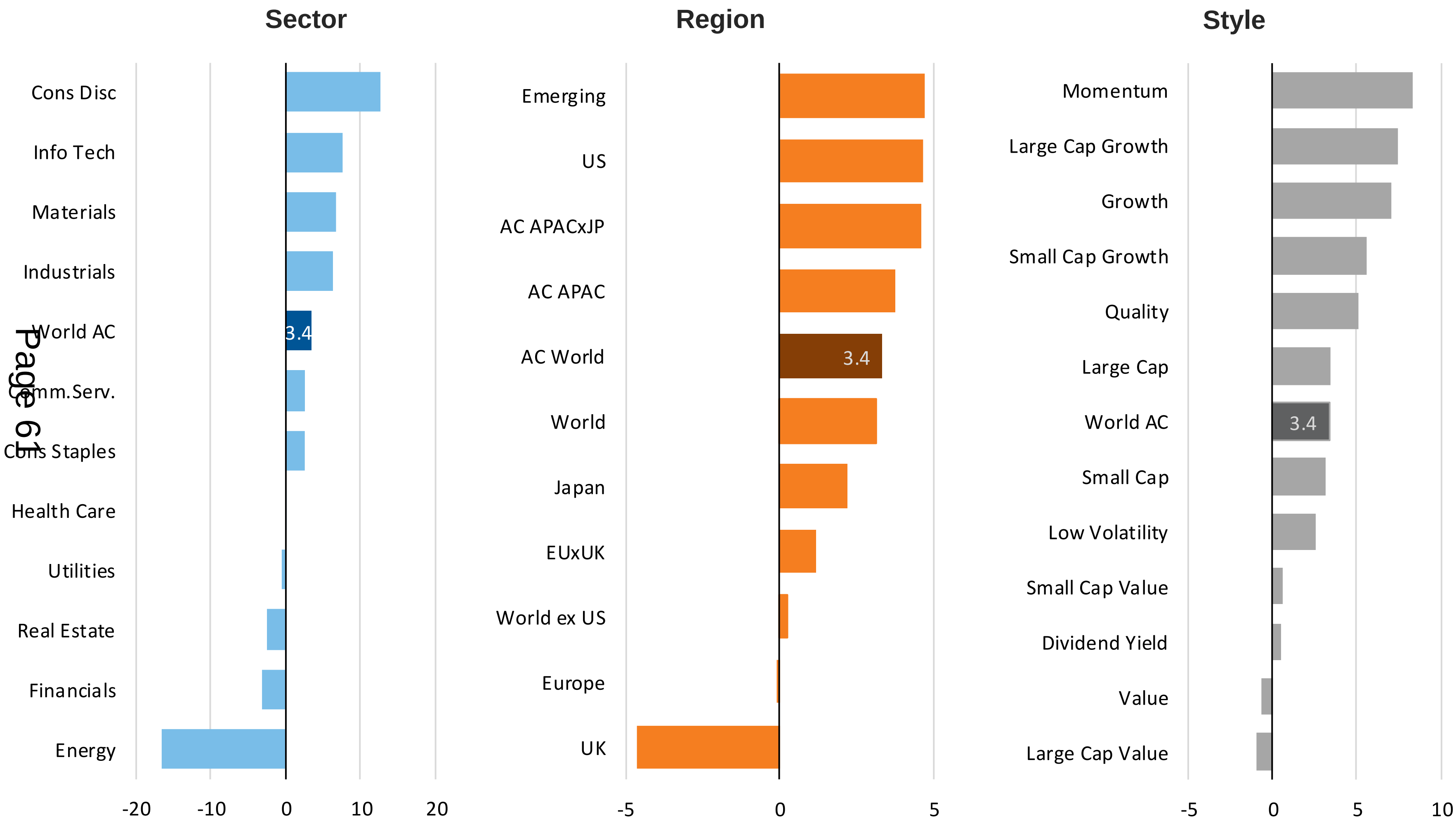
Global Opportunities Sub-Fund



Source: Russell Investments as at 30 October 2020.
Notes: Manager weights exclude fund level cash and Overlay

Market Performance

Q3 2020



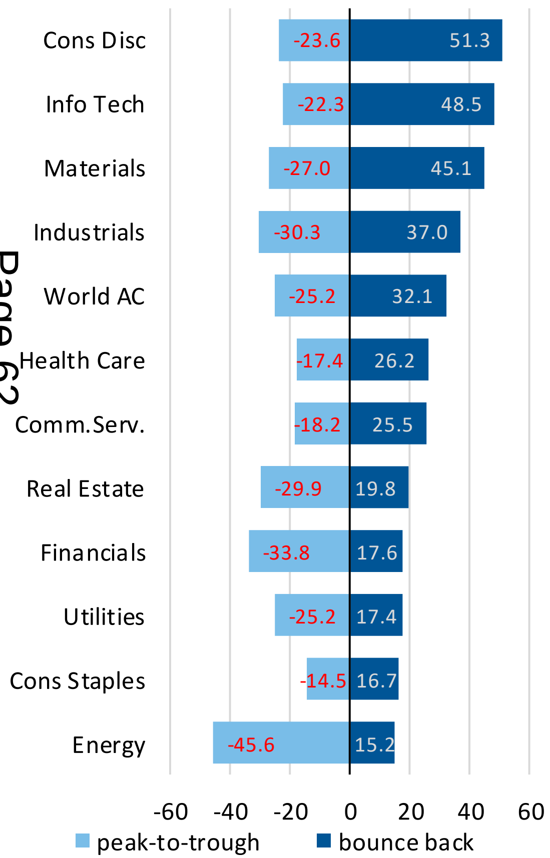
Notes: MSCI indices, Total Return, Net, in GBP.
Source: MSCI and FactSet as of 30 September 2020.

Market Performance

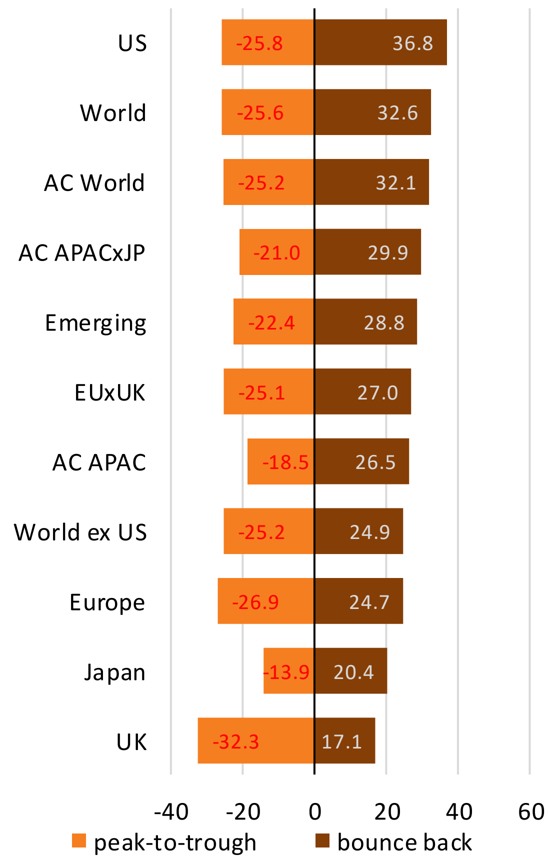
Peak-to-trough (19-Feb to 23-Mar) & Bounce back (23-Mar to 30-Sep) Return

Page 62

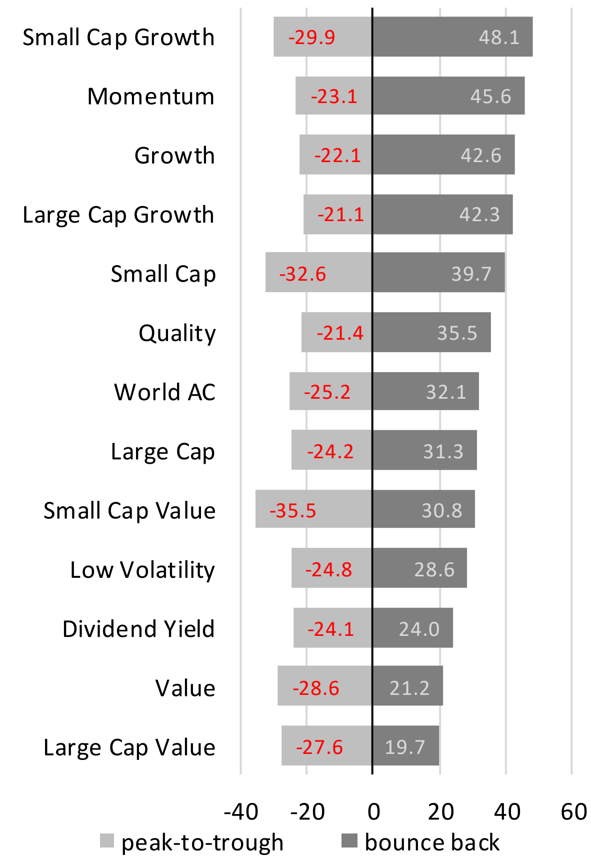
Sector



Region



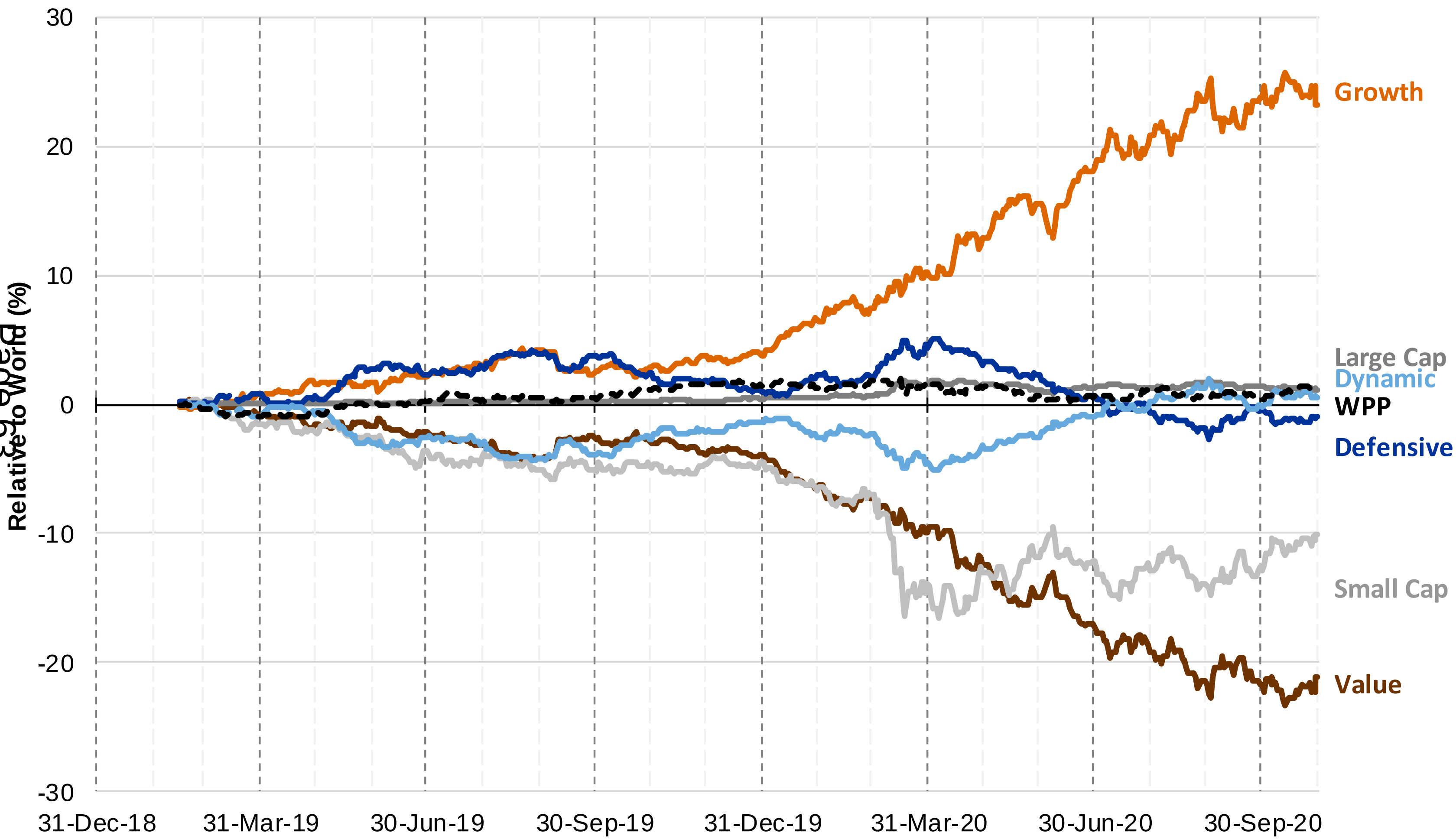
Style



Notes: MSCI indices, Total Return, Net, in GBP.
Peak-to-Trough (19-Feb-2020 to 23-Mar-2020) and Trough-Bounce back (23-Mar-2020 to 30-Sep-2020)
Source: MSCI and FactSet as of 30 September 2020.

Market Performance - ITD

Relative



Notes: Arithmetic excess return, Wales portfolio vs MSCI ACWI NR GBP
Source: Bloomberg, FactSet, Russell Investments as of 30 October 2020. Style relative performance vs MSCI ACWI, TR, Gross in GBP.

Performance review

31 October 2020	Oct 20	Q3 30Sep20	YTD	1 Year	Since Inception
LF Wales PP Global Opportunities Equity Fund (GROSS)	-1.9	3.0	0.9	4.1	8.4
LF Wales PP Global Opportunities Equity Fund (NET)	-1.9	2.9	0.6	3.8	8.1
MSCI AC World Index Net of withholdings tax	-2.5	3.4	1.3	-4.3	7.9
Excess returns	0.5	-0.4	-0.5	-0.2	0.5

Excess return target: 2% in excess of the fund benchmark (gross of fees) over the longer term.

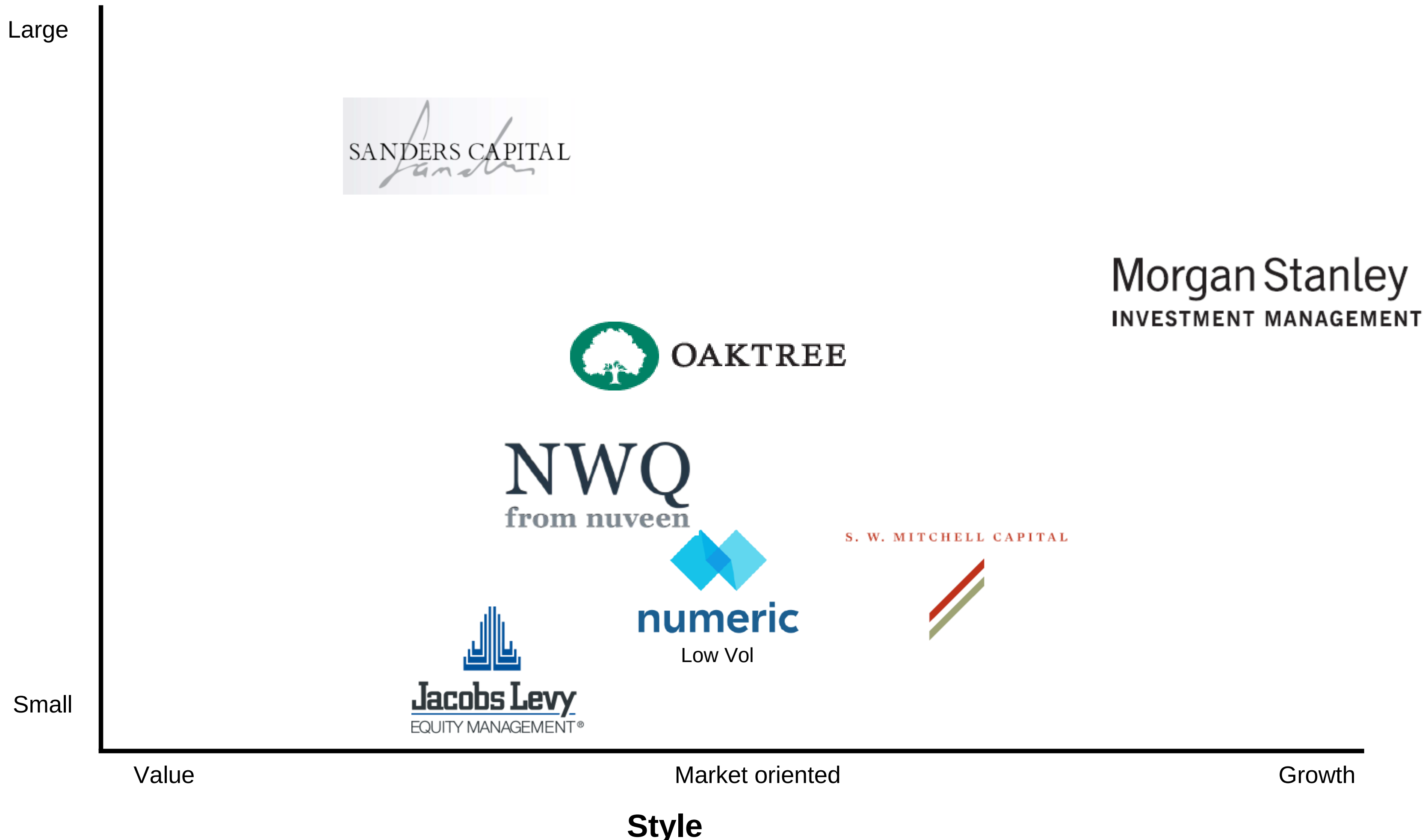
Q3 Comments:

- The Market bounce-back rally momentum continued into Q3, but slowed down. Nevertheless, Growth continued to outperform Value. Overweights to Value, Volatility and underweight to Momentum detracted from relative return in the quarter.
- Growth managers such as Morgan Stanley and SW Mitchell continued to be the strongest performers, driven by their stylistic tailwinds.
  Defensive NWQ and low volatility Numeric and were notable laggards, along with value manager Jacobs Levy, as these style were not in favour. Sanders outperformed expectations given their value tilt.
- Stock selection was a small positive, especially within IT, as well as an overweight to the sector. Positive stock selection was mainly driven by EMEA and Emerging Markets, while Japan and US selection was a drag.

Source: Russell Investments as at 30 October 2020.
Notes: Inception: 14 February 2019. Since Inception Performance is Annualised.
Any past performance is not necessarily a guide to future performance.

Strategy diversification

Wales Pension Partnership

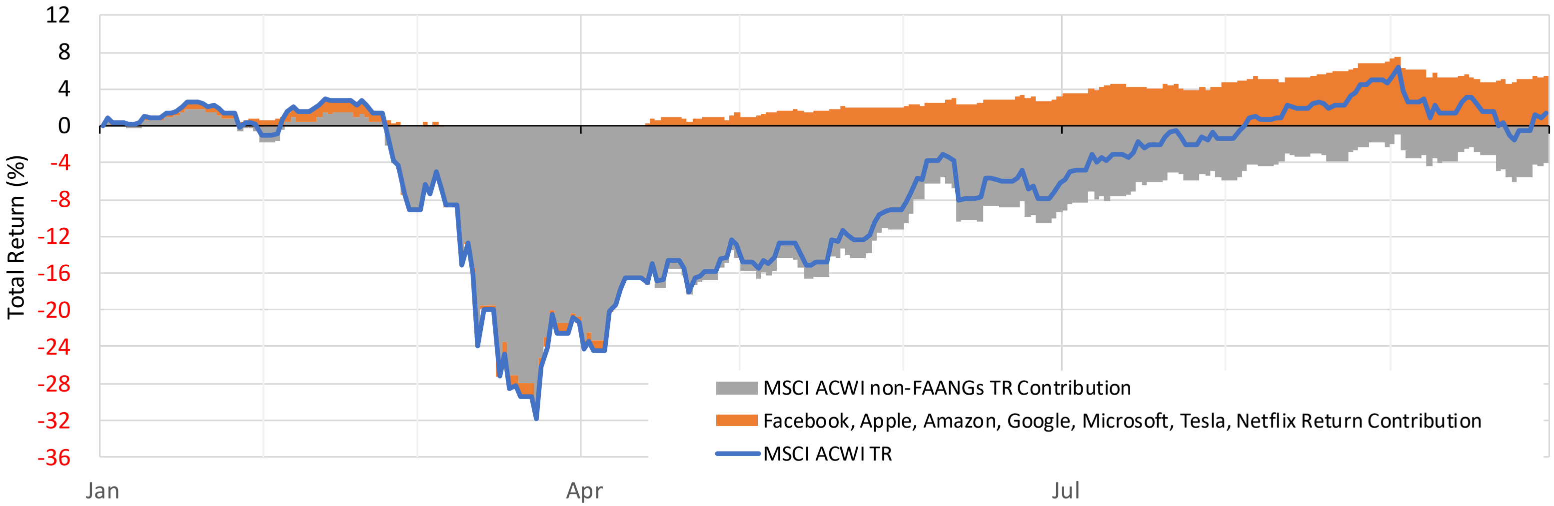


Notes: For illustration only, manager-strategies vs their own benchmarks
Source: Russell Investments. Data as of 31 August 2020.

FAANGs Performance YTD

FAANGs contribution to MSCI ACWI

Page 66



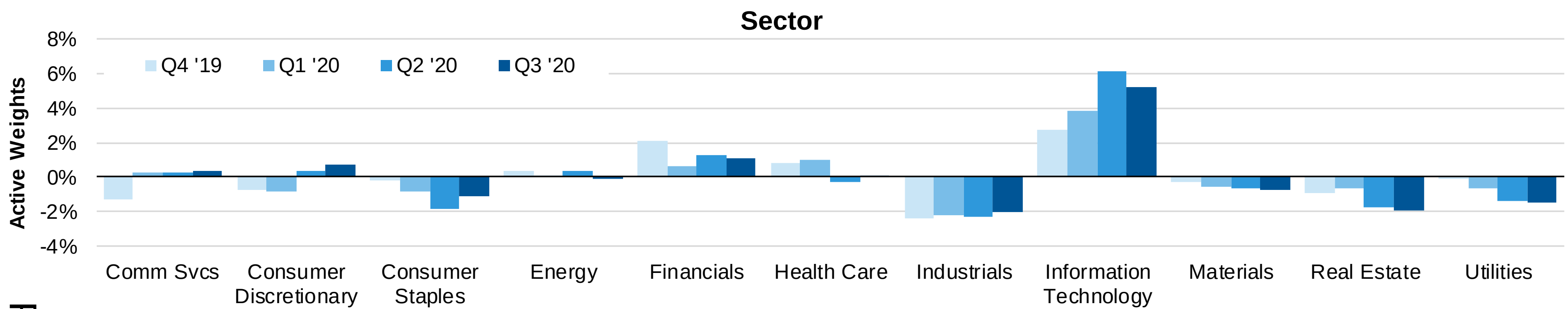
	Total Return (%) Q1	Q2	Q3	YTD	Contribution to MSCI ACWI YTD	MSCI ACWI Weight (%) 30-Sep-20	Sector	Country
Apple	-13.3	43.7	27.1	58.5	1.7	3.9	Information Technology	United States
Amazon	5.5	41.5	14.1	70.4	1.4	2.6	Consumer Discretionary	United States
Microsoft	0.2	29.3	3.5	34.1	1.0	2.9	Information Technology	United States
Tesla	25.3	106.1	98.7	412.8	0.5	0.6	Consumer Discretionary	United States
NVIDIA	12.1	44.2	42.5	130.2	0.4	0.6	Information Technology	United States
Facebook	-18.7	36.1	15.3	27.6	0.4	1.2	Communication Services	United States
Alibaba	-8.3	10.9	36.3	38.6	0.3	1.1	Consumer Discretionary	China
Tencent Holdings	1.8	31.5	2.6	37.3	0.3	0.7	Communication Services	China
PayPal	-11.5	82.0	13.1	82.1	0.2	0.4	Information Technology	United States
Netflix	16.0	21.2	9.9	54.5	0.2	0.4	Communication Services	United States
Taiwan Semiconductor	-17.3	17.8	41.6	37.9	0.2	0.7	Information Technology	Taiwan
Adobe	-3.5	36.8	12.7	48.7	0.2	0.5	Information Technology	United States
Shopify,	4.0	128.6	7.7	156.0	0.2	0.2	Information Technology	Canada
Home Depot	-14.1	34.7	11.3	28.8	0.2	0.6	Consumer Discretionary	United States

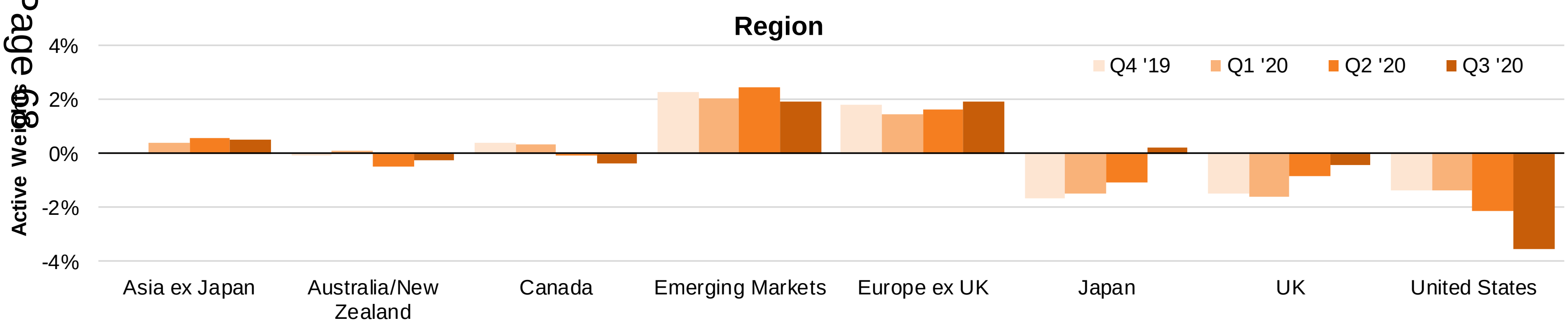
Source: MSCI ACWI, FactSet as of 30 September 2020. Performance in USD

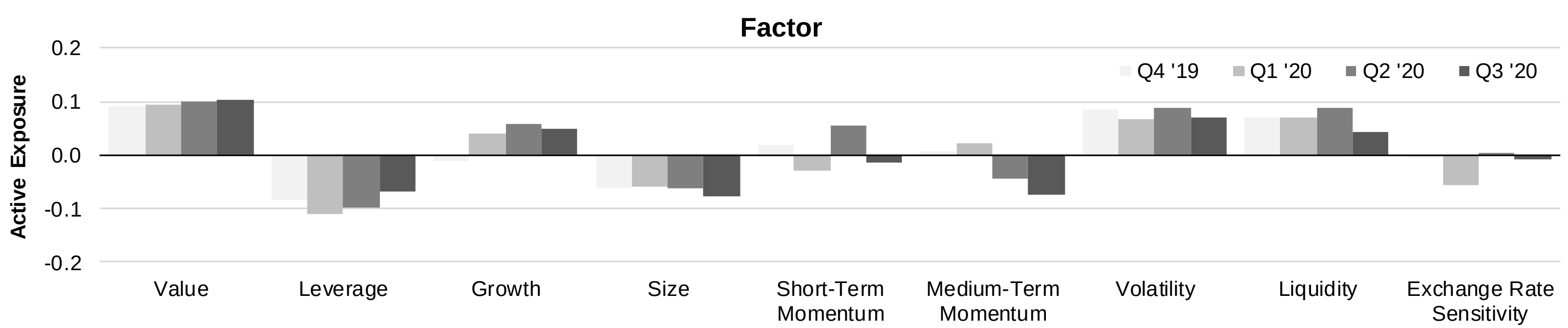
Attribution and Positioning

Portfolio positioning

Sector, Region and Factors



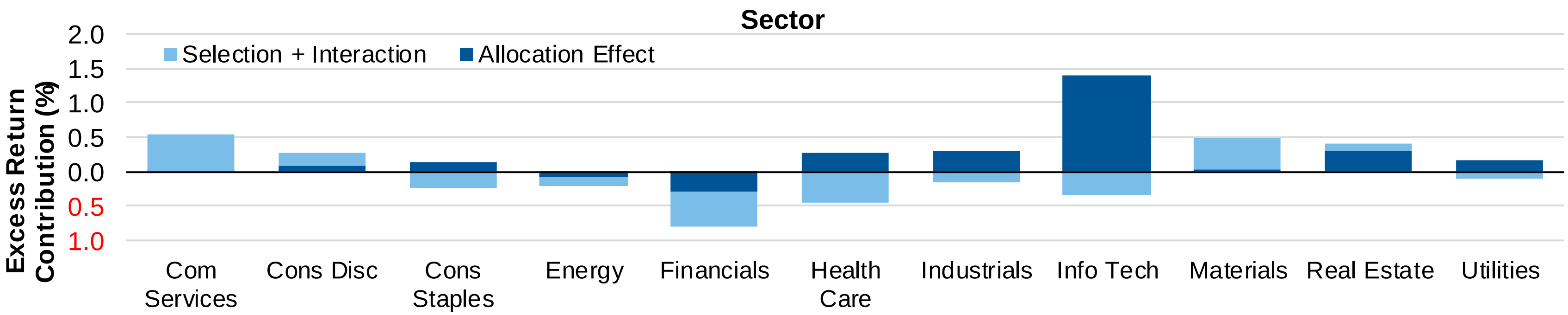


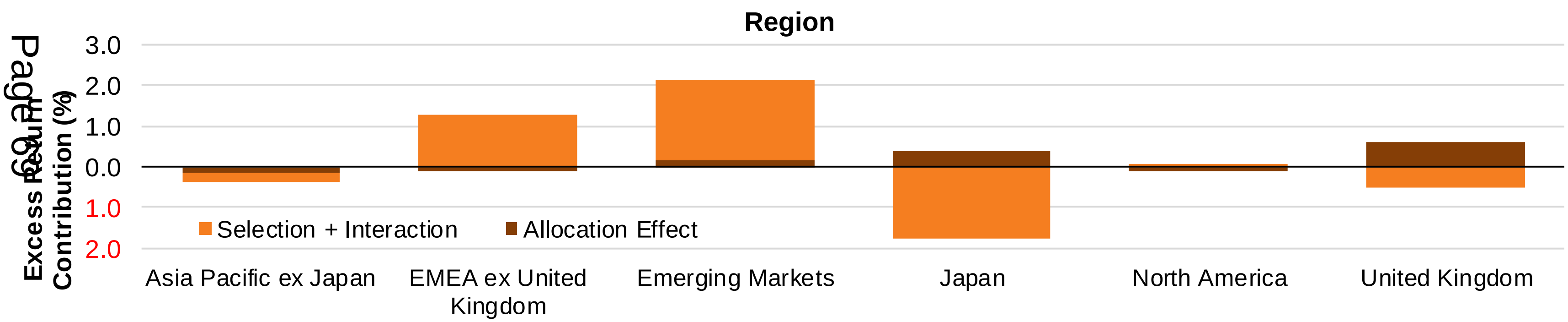


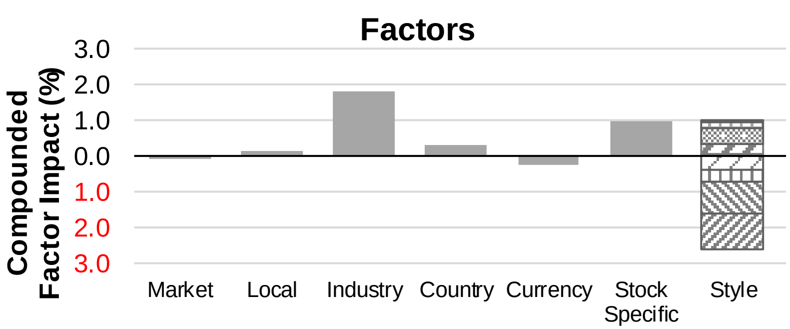
Source: Axiom and Russell Investments. Data as at 31 September 2020.

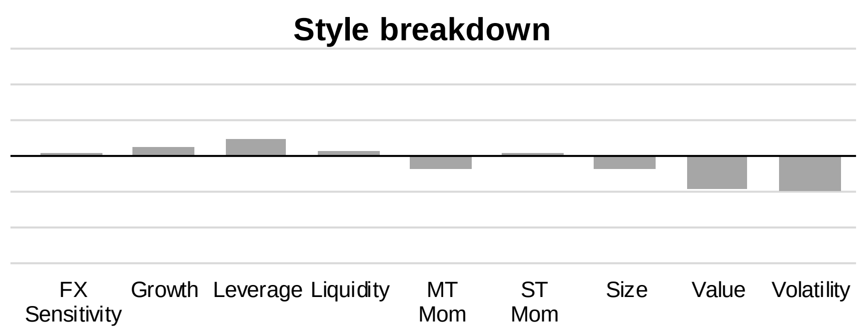
Portfolio attribution

ITD Sep 2020: Sector, Region and Factors









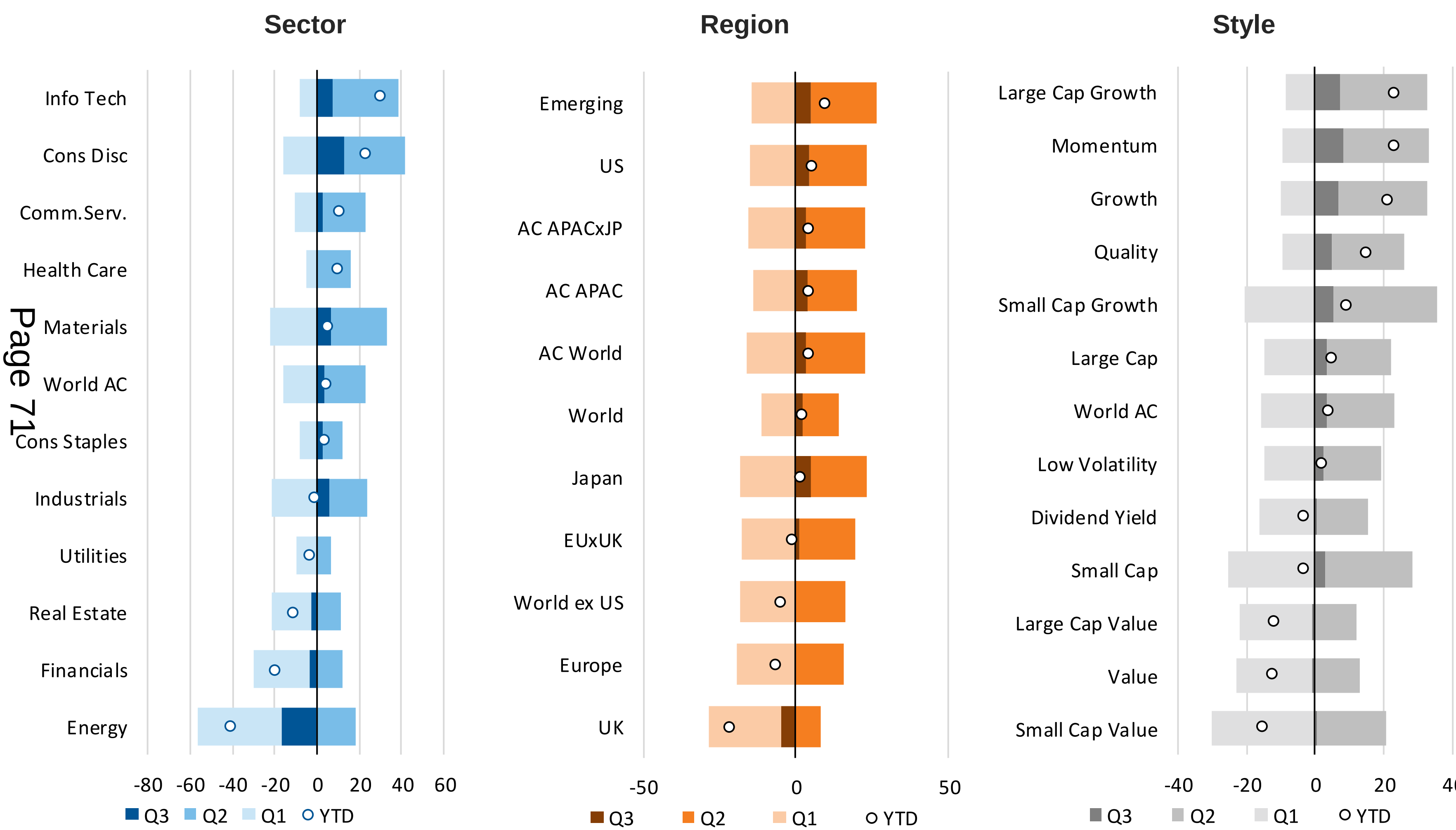
Source: FactSet and Russel Investments. Data as at 30 September 2020.

Appendix

Page 70

Market Performance

Q1, Q2, Q3 and YTD 2020 Return (ranked by YTD)

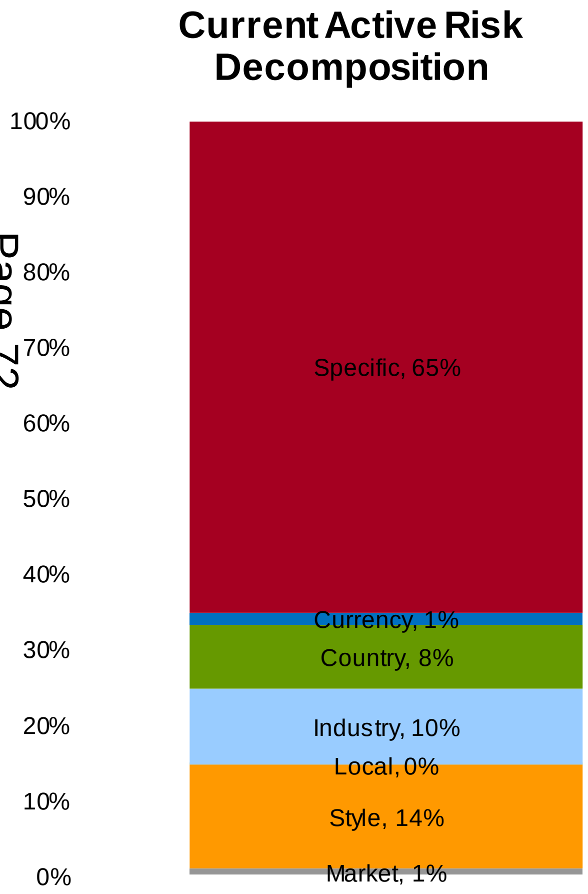


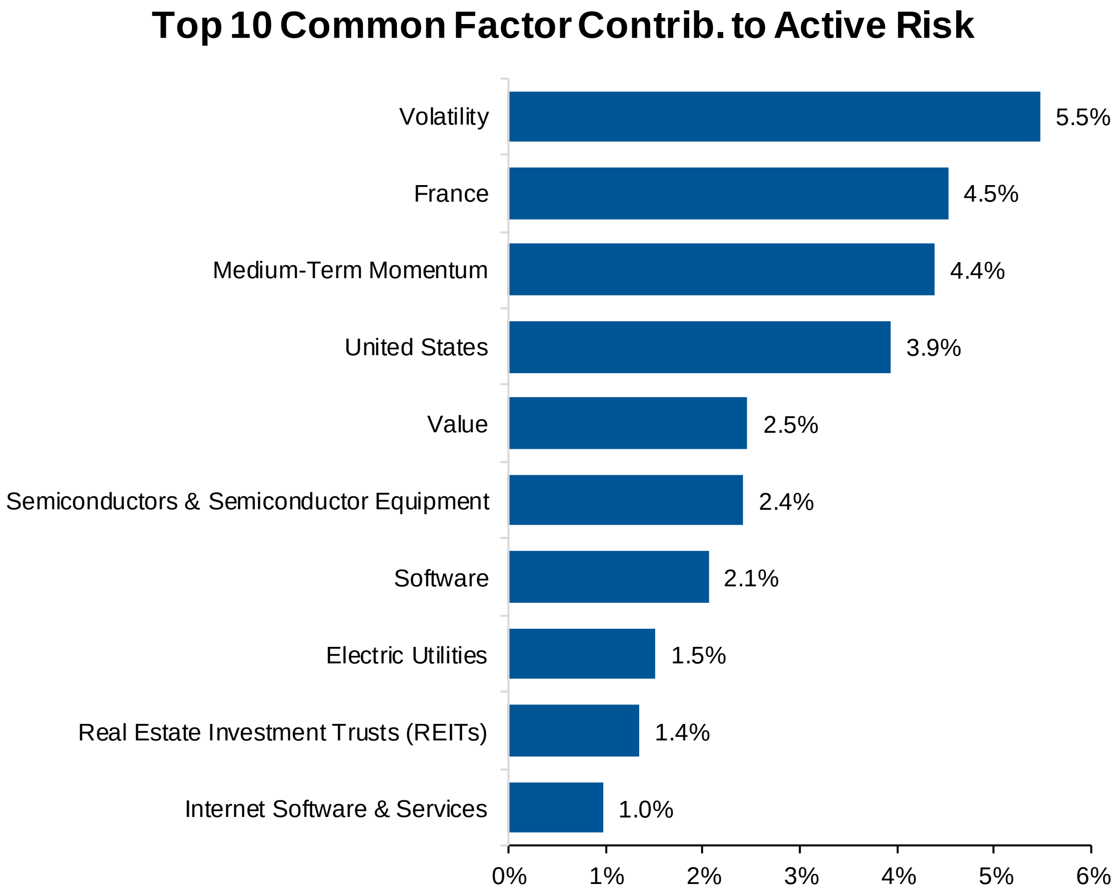
Page 71

Notes: MSCI indices, Total Return, Net, in GBP.
Source: MSCI and FactSet as of 30 September 2020.

Risk metrics

Active risk decomposition



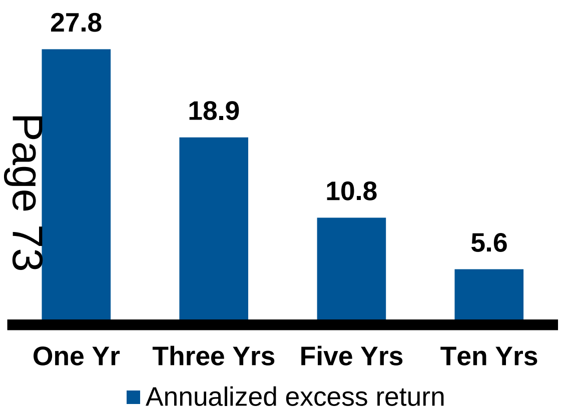


Notes: Total portfolio (including overlays) vs MSCI ACWI
Source: Russell Investments, Axioma, as at 30 September 2020

Growth vs. value stocks

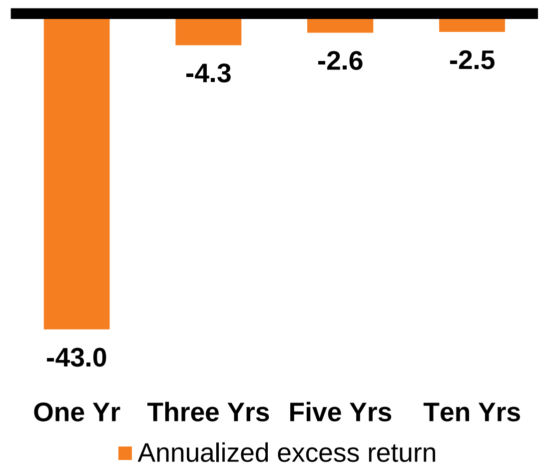
Leadership can shift quickly

Growth vs. Value
Periods Ending March 2000



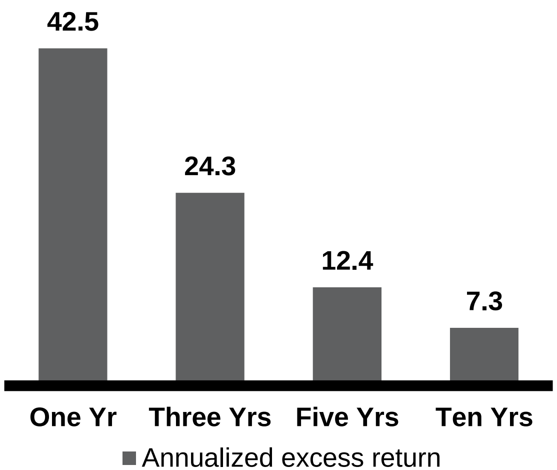
Peak tech

Growth vs. Value
Periods Ending March 2001



One year later

Growth vs. Value
Periods Ending September 2020

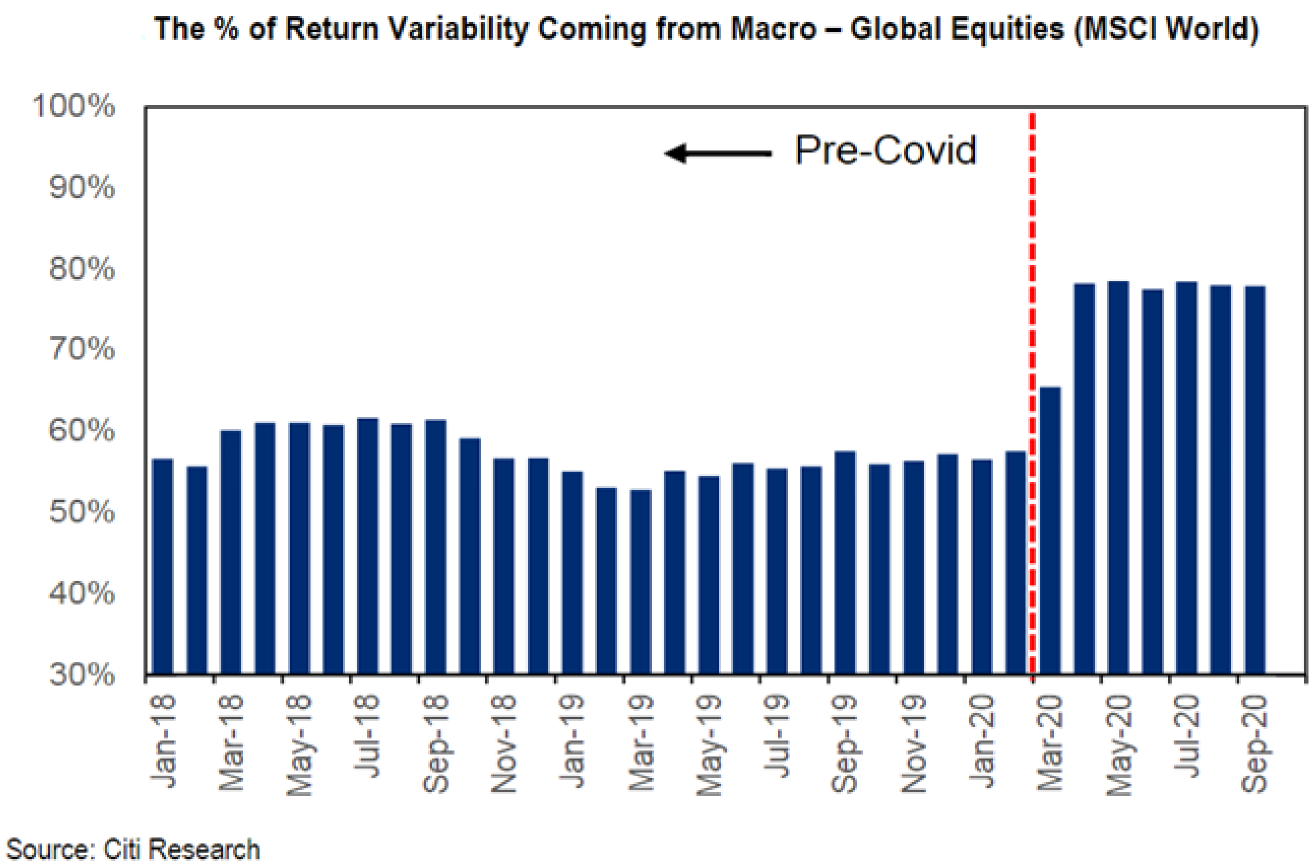


Today

- Today’s growth vs value gap is greater than the peak of the Tech Bubble
- The Tech Bubble corrected in less than one year

Growth: Russell 1000 Growth Index; Value: Russell 1000 Value Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

Macro influences remain elevated



Page 74

Concentration risk

Mega cap technology stocks dominate the S&P500

The US equity market is exceptionally concentrated
Market capitalization of 5 largest S&P 500 companies, % of index

Page 75

Source: Compustat and Goldman Sachs Global Investment Research from 1980 to April 2020. Thomson Reuters Datastream and Russell Investments calculations from April 2020 to August 27, 2020.

Important information and disclosures

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Any reference to returns linked to currencies may increase or decrease as a result of currency fluctuations.

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RM-00731

RUSSELL INVESTMENTS

Emerging Markets Equity Sub-fund

Summary

Summary

The proposed sub-fund:

- Provides a diversified exposure to six highly rated specialist EM managers. Manager diversification reduces risk, without lowering expected excess returns.
- Offers complementary exposure to Authorities' existing EM holdings in global equities
- Results in £1.4m p.a. of savings in manager fees
- Creates operational benefits and results in transactional cost savings through Enhanced Portfolio Implementation (EPI)
- By using EPI, provides the option for Authorities to systematically decarbonise the portfolio. Our initial analysis suggests it is possible to reduce the Carbon footprint by 25% and Carbon reserves by at least 25% relative to the MSCI EM index, with low tracking error to the underlying managers. This represents a positive first step towards carbon reduction and could be enhanced further over time, as the Authorities' requirements evolve.

Proposed sub-fund structure

The table below shows the proposed manager line up at the sub-fund's inception. All proposed managers have Russell Investments' highest manager research rank of 4 (Hire). Appendix 1 outlines how ESG is embedded in our manager research process.

Manager	Strategy type	%
Manager A	Growth, Mid-Cap tilt	15%
Manager B	China specialist	5%
Manager C	Relative Value, Mid-Cap tilt	25%
Manager D	Earning Momentum	15%
Manager E	Growth at a Reasonable Price	15%
Manager F	Pragmatic Value	25%

Source: Russell Investments. For illustrative purposes only.

Multi-Manager Structure

Recap

We recommend using multiple complementary managers for three key reasons:

1. Diversify manager selection risk

While we believe that our highest ranked managers each have a better than average chance of outperforming, this is not a certainty. The likelihood that outperformance will be delivered in practice is increased if more than one manager is hired as it helps to diversify manager selection risk.

2. Access multiple excess return drivers

It is important to combine managers adopting complementary investment approaches, as reflected through different styles and philosophies of investing. Each manager will have a distinct expected performance pattern at various points in the market cycle. Accessing all avenues of opportunity can help to ensure that the portfolio has exposure to a diversified set of sources of added value at any point in time increasing the expected consistency of outperformance.

3. Consistency of excess return drivers

Even if all hire-ranked managers were expected to produce the same outperformance over time, their return streams will not be perfectly correlated, resulting in reduced active risk at total portfolio level. In turn, this will reduce the distribution of outcomes around the aggregate outperformance of the manager line-up, again making the excess returns of the overall portfolio less volatile than a single manager.

Risk and Return

By carefully selecting the right combination of high conviction managers with a low correlation of excess returns, we were able to construct the sub-fund in order to achieve the target excess return, while reducing the aggregate tracking error.

Expected excess return (gross)	2.0%

Source: Russell Investments. For illustrative purposes only.

Indicative fees

The overall fees are lower than those currently paid by the Authorities. Based on the expected launch AUM of £430m, the new fee will result in WPP savings of £1.4m p.a. This figure accounts for the decarbonisation fee.

	Average WPP fee	Proposed, with decarbonisation
Overall fee	**0.74% p.a.**	**0.41% p.a.**

EPI

The proposal assumes using Enhanced Portfolio Implementation approach in implementing the mandate. We will be providing a separate EPI paper which will set out the benefits of adopting this approach in more detail however specifically for emerging markets the below considerations also make the benefits of EPI particularly compelling:

- Access to managers at AUM levels that otherwise may not be attractive for segregated mandates and accessing managers otherwise closed to new segregated business
- Efficiency gains when implementing future changes to the structure and crossing opportunities in the day to day management of the fund
- Flexibility to strategic changes – under an EPI arrangement, the structure will be more resilient to changes in total AUM
- Implement ESG views – owning your holdings would allow optionality should the Authorities wish to implement ESG related views in the future.

Decarbonisation

Several Authorities have sought to reduce the carbon footprint of their passive equity portfolios by switching to a low carbon index. Over the last six months, we have introduced a method that would allow WPP to also reduce the carbon exposure in their active equity portfolios.

Our initial analysis of the proposed EM sub-fund has shown that WPP could reduce Carbon footprint by 25% and Carbon reserves by at least 25% relative to the MSCI Emerging Markets Index, while keeping the tracking error versus the manager composite relatively low.

The strategy is customisable. This means that we can adjust the targets to balance the trade-off between decarbonisation and tracking error.

De-carbonisation represents a positive first step towards reducing the carbon footprint and reserves in the active EM portfolio, whilst balancing the requirement to meet the Authorities' fiduciary duty to generate returns. Should the Authorities wish to implement further decarbonisation in the future, the structure is future-proofed via EPI. For example, if fossil fuels are completely excluded and a new ex-fossil fuels benchmark is introduced, this will be straightforward to implement. In this scenario, we would continue to use EPI for its operational and cost efficiencies, but we would no longer need to apply the decarbonisation overlay.

Appendix 1

Integrating ESG Factors

Russell Investments' responsible investing practices are drawn from our beliefs and policy. We believe a deep understanding of how ESG factors impact security prices is value-adding to a skilful investment process.

One way we incorporate environmental, social and governance (ESG) factors into our investment process is when evaluating asset managers' investment strategies.

What is our ESG ranking system?

As part of our manager research evaluation process, we have a dedicated ESG rank that reflects the quality and competitive edge of asset managers' investment strategies. These ESG ranks are a qualitative assessment of how well active managers understand the impact of ESG factors on short and long-term security price evolution, portfolio level risk, and/or the return profile of the portfolio.

5 4 3 2 1

Manager demonstrates:

- **Strong** awareness of potential risk/returns of ESG issues on securities and portfolios
- **Strong understanding** of how portfolio positioning reflects management of ESG risks /contribute to value added
- **Superior breadth** of perspective and analysis on ESG issues vs peers

Manager demonstrates:

- **Adequate** awareness of potential risk/returns of ESG issues on securities and portfolios
- **Limited understanding** of how portfolio positioning reflects management of ESG risks/contribute to value added
- **Undifferentiated** perspective and analysis on ESG issues vs peers

Manager demonstrates:

- Meaningful **discrepancies** between target ESG guidelines and portfolio holdings
- Manager's perspective and analysis on ESG issues **lacks rigour**

Our ESG ranking process is integrated into our standard manager research and ranking process; it is not intended to qualify or disqualify any product on its own. Rather, it is intended to provide us with additional insight on each manager's product(s).[1] Our overall product rank still reflects our expectations of a strategy's potential for sustainable excess returns.

Depth of our ESG manager rank coverage

Our manager research team conducts multiple touch points with asset managers.

- In-depth manager due diligence meetings
- Annual ESG Manager Survey[2]
- Qualitative sources and third-party data and dedicated ESG meetings on an ad hoc basis

This combination of inputs gives our research analysts more comprehensive picture of whether the manager appropriately assesses the risk and return impacts of ESG issues on individual portfolio holdings and the overall portfolio construction process.

Breadth of our ESG manager rank coverage

ESG criteria have been an integral part of Russell Investments' manager research evaluation. The breadth of our ESG coverage is reflected by our product coverage across over 1,200 products among 4- and 3-ranked strategies.

[1] Our ESG ranks, like our overall ranks, apply to individual strategies and products rather than to firms.

[2] 2018 ESG Survey: How are managers integrating ESG?

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RM-00621

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday 25 November 2020
Report Subject	Funding and Investment Updates
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to update the Committee on a number of Funding and Investment items. The paper includes:

- Economic and Markets update
- Investment Strategy and Manager Summary
- Funding and Risk management framework update
- Review of AVC provision

All reports cover periods ending 30 September 2020, and are attached as appendices to this report. This covering report summarises them.

Key points to note:

Economy and Markets
- The quarter saw positive returns across most markets reported, building on the strong positives returns seen in the quarter ending 30 June 2020
- COVID remains the biggest factor driving economies and markets, and the post quarter-end announcement of a potential virus has been greeted with cautious optimism.
- Brexit remains a key issue for UK and Europe.

Investment Strategy and Manager Summary
- Over the three months to 30 September, the Fund's total market value increased by £39.3m to £2,003m.
- Fund Performance over 3 months, 12 months and 3 years; +2.3%, +0.6% and +4.6% respectively.

Funding and Risk management framework update
- The estimated funding position at the end of September is 92%, recovering somewhat since the fall in March 2020
- As at 30 September 2020, the synthetic equity strategy had made a gain of c. £21m since inception of the strategy in May 2018.

- The level of currency hedging of the Fund's total equity portfolio remains at 75%.
- As a result of the annual health check, officers agreed to refine the upside of the equity protection strategy.

Review of the Fund's AVC provision

- The Unit-linked performance of the prudential investments was mixed in the 5 years to 30 September 2020. The performance of the Global Equity Fund was of particular concern.
- It may be appropriate for the Fund to make further communication with members in respect of the Prudential "Dynamic Growth" strategies as take up is currently low.

RECOMMENDATIONS	
1.	To discuss and comment on the Market and Economic update for the quarter ended 30 September 2020, which effectively sets the scene for the Investment Strategy and Manager Performance summary.
2.	To discuss and comment on the Investment Strategy and Manager Performance summary for the quarter ended 30 September 2020.
3.	To discuss and note the Funding and Risk management framework update, and note the outcomes of the annual health-check review of the Risk management framework
4.	That the Committee members note the outcomes from the review of the Fund's AVC provision.

REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	**Economic and Market Update** The economic and market update for the quarter from the Fund's Investment Consultant is attached at Appendix 1. The report contains the following sections: • **Market Background** – contains key financial markets data for the period under review, including performance of selected markets including equities, bonds inflation and currencies.

	• **Economic Statistics** – contains key economic statistics during the period under review, including Gross Domestic Product (GDP) Growth, Inflation Employment and Manufacturing. • **Market Commentary** – provides detailed commentary on the economic and market performance of major global regions and financial markets.
1.02	The quarter saw positive returns across most markets reported, building on the strong positives returns seen in the quarter ending 30 June 2020. Members will recall these two positive quarters followed the COVID related dramatic falls seen in February and March 2020. The positive six months has seen some markets post positive returns for the twelve months, although there are significant variances. The UK Equity market has returned -16.6% for the twelve months to 30 September, whilst North American Equity has returned +10.5%. The strong economic rebound had started to slow toward the end of the quarter. A number of areas of the economy recouped large portions of the losses from earlier in the year. Monetary and Fiscal policy support drove most of this recovery, and it remains to be seen what will happen when this support starts to be withdrawn. In the UK, aside from the obvious concerns around COVID, Brexit has moved back to the forefront with talks remaining at a stalemate, after the UK government announced that it might look to revisit elements of the withdrawal agreement.
1.03	**Investment Strategy and Manager Summary 30 September 2020** Over the 3 months to 30 September 2020, the Fund's total market value increased by £39.3m to £2,002.9m, giving an overall increase of circa £230m since the end of March 2020. • Total Fund assets returned 2.3% over the quarter, behind the composite target, which returned 3.2%. • Over the one-year period, Total Fund assets returned 0.6%, underperforming the composite target of 4.3%. • Over the last three years, Total Fund assets returned 4.6% p.a., behind the composite target of 5.7% p.a. The strongest absolute returns over the quarter came from the Fund's Credit investments and the Equity portfolio. Credit returned 3.6%%, and Total Equity returned 3.3%. Within the Credit portfolio, StoneHarbor Multi-Asset Credit fund returned 6.7%, and within the Equity Portfolio, Emerging Markets (Core) was the strongest performer returning 5.2% in the quarter. During the quarter, the Fund transitioned its assets to bring them in to line with the revised Strategic Asset Allocation. This asset transition took place at the same time as the transition of the Fund's Multi-Asset Credit (MAC) portfolio to the Wales Pension Partnership's new MAC sub-fund. The transition brings all asset classes more or less in line with their strategic weights.

1.04	**Funding, Flightpath and Risk management framework update** The Monthly Monitoring report for the Risk management framework as at 30 September is attached as Appendix 3 to this report and is summarised below.
1.05	The estimated funding position at the end of September is 92%, recovering somewhat since the fall in March 2020 and sitting in line with the expected position from the 2019 actuarial valuation.
1.06	The level of interest rate hedging remains at 20%. The inflation hedge was reduced in March 2020 from 40% to 20% due to concerns that the value of inflation-linked assets could fall as a result of the government's proposal to reform RPI to the lower CPIH measure. Since March, inflation fell due to reduced consumer demand because of Covid-19. Central bank and government intervention to manage the crisis has increased the probability of inflation rising materially, and more than offsetting the potential reduction due to RPI reform. In September, the inflation hedge was rebalanced back to 40% to reduce this risk. It is estimated that the changes made to the inflation hedge ratio over the year has led to a £4m gain for the Fund.
1.07	As at 30 September 2020, the synthetic equity strategy had made a gain of c. £21m since inception of the strategy in May 2018. This gain incorporates the impact of the synthetic equity currency hedge, described in further detail below.
1.08	The currency risk associated with the market value of the synthetic equity strategy is hedged and has made a loss of £5.5m since inception on 8 March 2019 to 30 September 2020 due to the weakening of sterling over that period. Further, the Fund's overseas developed market physical equity holdings are currency hedged and has made a gain of c. £3.1m since inception of the strategy in August 2019 to 30 September 2020 due to the strengthening of sterling over that period. The level of currency hedging of the Fund's total equity portfolio remains at 75%.
1.09	**Risk management framework – Health check 2020** The results of the annual health check for the Risk management framework for 2020 is attached as Appendix 4, and is summarised below.
1.10	Following the annual health check by Mercer, the Officers agreed to refine the upside of the equity protection strategy. Earlier in the year, the Funding and Risk Management Group (FRMG) were originally considering the action to increase the call strike to 110% from 105% on monthly contracts if volatility were to spike again. This would provide the Fund with additional upside potential; however, given the reduction in premium generation, this is not a suitable long-term solution. Further, this solution relies upon market timing to implement effectively and would be a reactive approach.

	Mercer instead recommended an alternative proposal of increasing the frequency of call selling to 2-weekly from monthly. This solution would collect a similar level of premium to the current approach, but increases the upside potential by resetting the 5% limit every 2 weeks rather than every month. This solution was not available in the past due to a lack of liquidity on shorter dated options causing transaction costs to be prohibitively high. The change will be implemented on 20 November 2020.

2.00	**REVIEW OF AVC PROVISION**
2.01	Mercer reviewed the Fund's Additional Voluntary Contribution (AVC) arrangements with Prudential, and the report included current AVC issues including Utmost Life and Pensions. The full report is attached as Appendix 5 to this report, and is summarised below.
2.02	**Prudential** The focus for the majority of the review was the past performance of the Prudential funds used by the Clwyd Fund. It found that the Unit-linked investment performance was mixed over the 5 years to 30 September 2020. The report had some concern over the performance of the Prudential Global Equity Fund over the period, although noted that there was little in terms of alternative. Prudential do have a Global Passive Equity fund available, however this is a new offering and has limited track-record, although as a passive offering this should be of less concern.
2.03	The underlying investment performance of the With Profits Fund fell in 2018, though it bounced back in 2019 (though quartile-ranking data is limited at this time). Prudential reduced the equity content of the underlying assets of the With Profits Fund in the year to 31 December 2018 (by around 8%), moving much closer to average relative to other with profits funds.
2.04	The Fund, together with Prudential, have sought to contact AVC members in order to remind them of the options available across a range of investment strategies. We recommend that further communication might be appropriate. Prudential closed a range of funds in late 2019 / early 2020 and further fund closures are expected in 2021. However, the funds expected to close are not currently in use by the Fund.
2.05	**Utmost Life and Pensions** Following the transition from Equitable Life to Utmost, the assets previously invested in the Equitable Life With-Profits Fund were initially reinvested in the Utmost Secure Cash Fund, which guarantees no reduction in the amount invested (including the "Uplifts" to the amount transferred). However, these assets had to be moved to alternative funds over the last six months of 2020. Since 1 July 2020, these assets have been transitioning to the Utmost Money Market Fund (unless a member has requested the use of an

	alternative fund(s)). This is only intended to be a temporary default, until the investment markets in the COVID environment become clearer
2.06	The member communication that the Fund issued, gave members with Utmost the option to select alternative investments with Utmost, or to transfer these assets to the Fund's Prudential policy or outside of the Fund. Some members selected alternative investments within Utmost.

3.00	**RESOURCE IMPLICATIONS**
3.01	None directly as a result of this report.

4.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
4.01	None directly as a result of this report.

5.00	**RISK MANAGEMENT**
5.01	The Fund's investment strategy has been designed to provide an appropriate trade off between risk and return. The Fund faces three key investment risks: Equity risk, Interest Rate Risk and Inflation Risk. Diversification of the Fund's growth assets away from equities seeks to reduce the amount of the equity risk (though it should be recognised that Equities remain an important long term source of expected growth). The implementation of the Fund's De-Risking Framework (Flightpath) has been designed to mitigate the Fund's Interest Rate and Inflation Risks.
5.02	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): • Governance risk: G2 • Funding and Investment risks: F1 - F6
5.03	The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. The collateral waterfall framework is intended to increase the efficiency of the Fund's collateral, and generating additional yield in a low governance manner. Hedging the currency risk of the market value of the synthetic equity portfolio will protect the Fund against a strengthening pound, which would be detrimental to the Fund's deficit.

6.00	**APPENDICES**
6.01	Appendix 1 - Economic and Market Update – 30 September 2020 Appendix 2 - Investment Strategy and Manager Summary – 30 September

	2020 Appendix 3 – Risk management framework - Monthly monitoring report – September 2020 Appendix 4 – Risk management framework – Health Check 2020 – summary results Appendix 5 – AVC Review update

7.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
7.01	Economic and Market Update and Investment Strategy and Manager Summary 30 June 2020. **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

8.00	**GLOSSARY OF TERMS**
8.01	A list of commonly used terms are as follows: (a) **Absolute Return –** The actual return, as opposed to the return relative to a benchmark. (b) **Annualised –** Figures expressed as applying to 1 year. (c) **Duration –** The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields. (d) **Market Volatility –** The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact. (e) **Money-Weighted Rate of Return –** The rate of return on an investment including the amount and timing of cashflows. (f) **Relative Return –** The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark. (g) **Three-Year Return –** The total return on the fund over a three year period expressed in percent per annum. (h) **Time-Weighted Rate of Return –** The rate of return on an investment removing the effect of the amount and timing of cashflows. (i) **Yield (Gross Redemption Yield) –** The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cashflows.

	A comprehensive list of investment terms can be found via the following link: https://www.schroders.com/en/uk/adviser/tools/glossary/

CLWYD PENSION FUND
ECONOMIC AND MARKET UPDATE
PERIOD ENDING 30 SEPTEMBER 2020

TABLE OF CONTENTS

1 MARKET BACKGROUND
PERIOD ENDING 30 SEPTEMBER 2020

MARKET STATISTICS

Market Returns Growth Assets	3 Mths %	1 Year %	3 Years % p.a.
UK Equities	-2.9	-16.6	-3.2
Overseas Developed	3.3	5.8	9.4
North America	4.5	10.5	13.6
Europe (ex UK)	1.6	0.7	3.1
Japan	2.4	2.6	5.4
Asia Pacific (ex Japan)	0.8	-3.0	2.3
Emerging Markets	4.5	4.6	4.6
Frontier Markets	4.3	-16.0	-7.7
Property	0.7	-2.7	3.2
Hedge Funds[1]	3.4	2.4	2.7
Commodities[2]	4.0	-29.7	-11.5
High Yield[2]	3.8	1.3	2.4
Emerging Market Debt	-3.8	-6.1	1.4
Senior Secured Loans[2]	3.3	0.4	1.7
Cash	0.0	0.7	0.7

Market Returns Bond Assets	3 Mths %	1 Year %	3 Years % p.a.
UK Gilts (Over 15 yrs)	-2.5	5.2	9.5
Index-Linked Gilts (Over 5 yrs)	-2.5	0.4	7.0
Corporate Bonds (Over 15 yrs AA)	-1.0	6.7	8.7
Non-Gilts (Over 15 yrs)	0.5	6.2	7.9

Exchange Rates: Change in Sterling	3 Mths %	1 Year %	3 Years % p.a.
Against US Dollar	4.63	4.91	-1.23
Against Euro	0.21	-2.47	-0.96
Against Yen	2.35	2.44	-3.33

Inflation Indices	3 Mths %	1 Year %	3 Years % p.a.
Price Inflation – RPI	0.5	1.1	2.3
Price Inflation – CPI	0.4	0.5	1.6
Earnings Inflation[3]	2.8	1.7	2.9

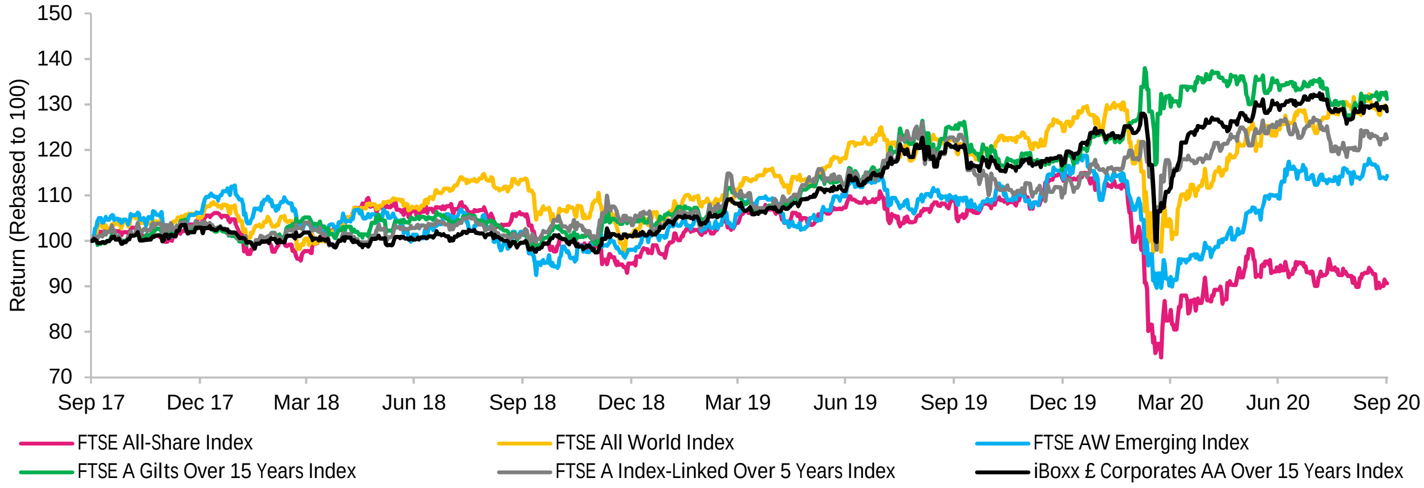
Yields	% p.a.
UK Equities	4.56
UK Gilts (Over 15 yrs)	0.71
Real Yield (Over 5 yrs ILG)	-2.29
Corporate Bonds (Over 15 yrs AA)	1.53
Non-Gilts (Over 15 yrs)	2.08

Absolute Change in Yields	3 Mths %	1 Year %	3 Years % p.a.
UK Equities	-0.10	0.35	0.88
UK Gilts (Over 15 yrs)	0.13	-0.20	-1.13
Real Yield (Over 5 yrs ILG)	0.09	-0.09	-0.78
Corporate Bonds (Over 15 yrs AA)	0.08	-0.28	-1.11
Non-Gilts (Over 15 yrs)	0.01	-0.26	-0.97

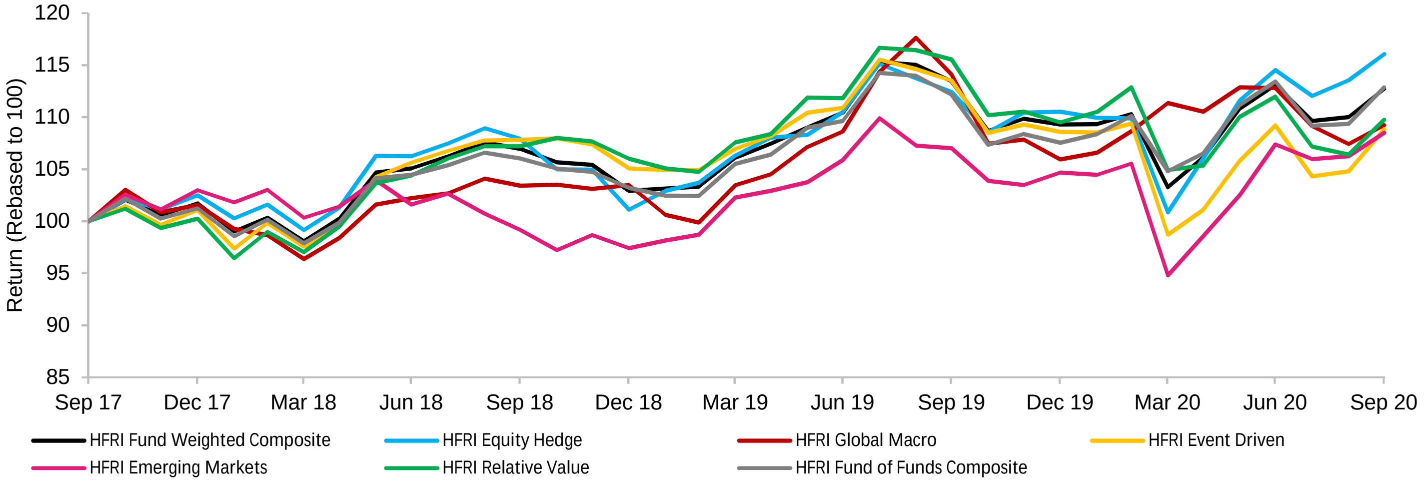
Source: Refinitiv Datastream.
Notes: [1] Local Currency. [2] GBP Hedged. [3] Subject to 1-month lag.

MARKET SUMMARY CHARTS

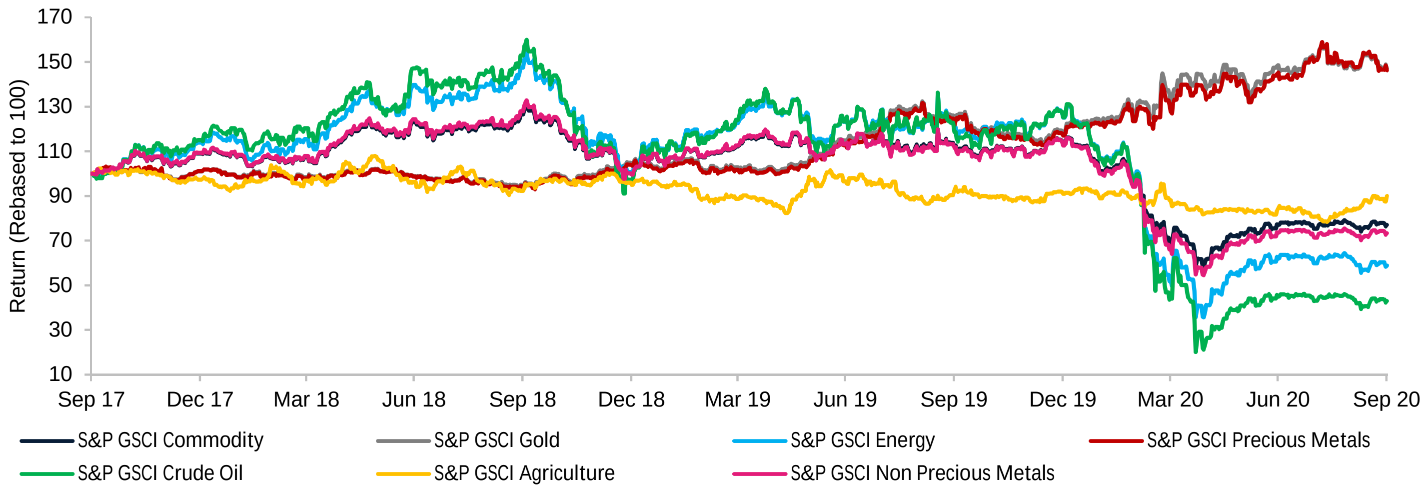
Market performance – 3 years to 30 September 2020



Hedge Funds: Sub-strategies performance – 3 years to 30 September 2020

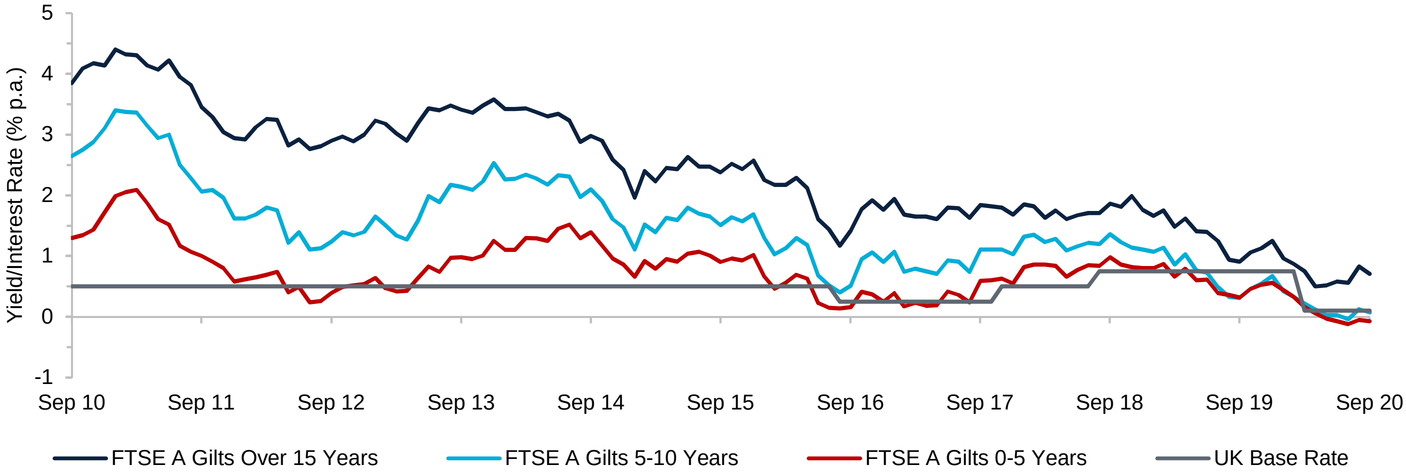


Commodities: Sector performance – 3 years to 30 September 2020

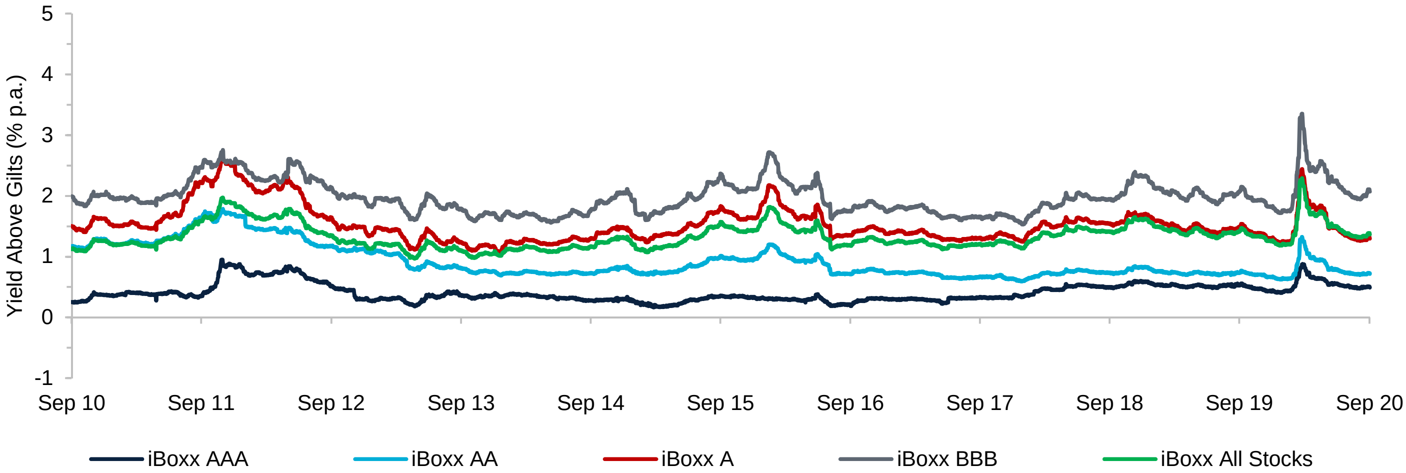


Source: Refinitiv DataStream

UK government bond yields – 10 years to 30 September 2020



Corporate bond spreads above government bonds – 10 years to 30 September 2020



Source: Refinitiv DataStream

2 ECONOMIC STATISTICS

Economic Statistics:	30 September 2020			30 June 2020			30 September 2019		
	UK	Euro[1]	US	UK	Euro[1]	US	UK	Euro[1]	US
Annual Real GDP Growth[2]	-21.5%	-12.7%	-9.0%	-2.1%	-1.4%	0.3%	1.3%	3.0%	2.0%
Annual Inflation Rate[3]	0.5%	-0.3%	1.4%	0.6%	0.3%	0.6%	1.7%	0.8%	1.7%
Unemployment Rate[4]	4.5%	8.1%	8.4%	4.1%	7.6%	13.3%	3.9%	7.5%	3.7%
Manufacturing PMI[5]	54.3	53.7	53.5	50.1	46.9	49.6	48.3	45.7	51.1

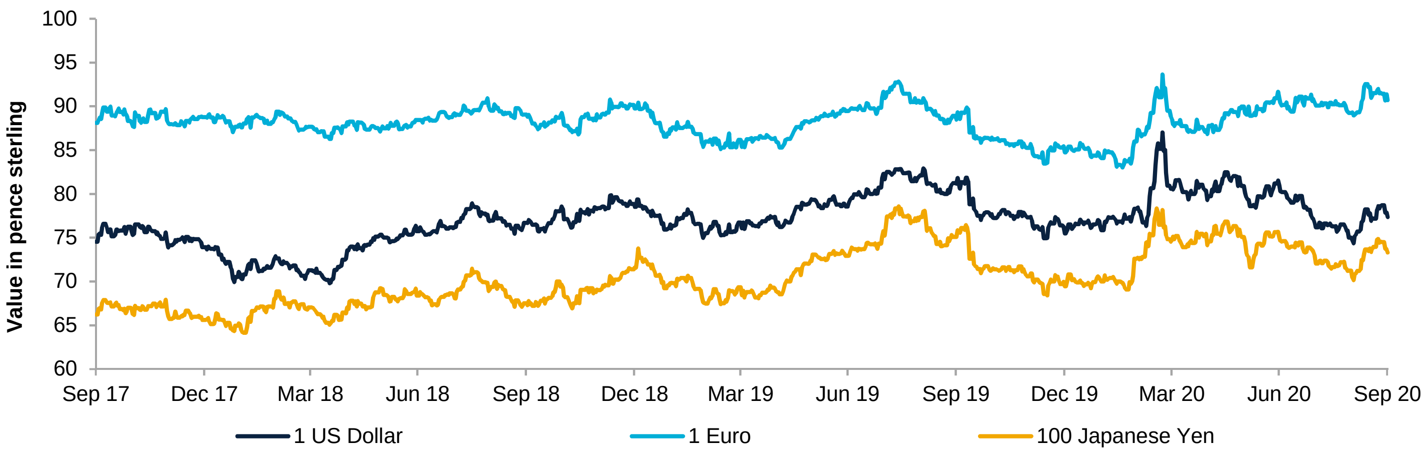
Change over periods ending:	3 months			12 months		
30 September 2020	UK	Euro[1]	US	UK	Euro[1]	US
Annual Real GDP Growth[2]	-19.4%	-11.3%	-9.3%	-22.8%	-15.7%	-11.0%
Annual Inflation Rate[3]	-0.1%	-0.6%	0.8%	-1.2%	-1.1%	-0.3%
Unemployment Rate[4]	0.4%	0.5%	-4.9%	0.6%	0.6%	4.7%
Manufacturing PMI[5]	4.2	6.8	3.9	6.0	8.0	2.4

Notes: 1. Euro Area 19 Countries. 2. GDP is lagged by 3 months. 3. CPI inflation measure. 4. UK unemployment is lagged by 1 month. 5. Headline Purchasing Managers Index.

EXCHANGE RATES

Exchange Rates:	Value in Sterling (Pence)			Change in Sterling	
	30 Sep 20	30 Jun 20	30 Sep 19	3 months	12 months
1 US Dollar is worth	77.35	80.93	81.15	4.6%	4.9%
1 Euro is worth	90.71	90.90	88.47	0.2%	-2.5%
100 Japanese Yen is worth	73.30	75.02	75.09	2.3%	2.4%

Exchange rate movements – 3 years to 30 September 2020



Source: Refinitiv DataStream, Bloomberg.

3 MARKET COMMENTARY

INTRODUCTION

The strong economic rebound that started in early summer continued over the third quarter but started to slow towards quarter end. Manufacturing, services, trade, retail sales and the labour market recouped a large proportion of the losses from earlier in the year when many economies came to a standstill overnight. The rebound narrative along with continued monetary and fiscal policy support drove a risk-on rally, leading to another quarter of strong returns for risk assets and weaker performance for defensive assets.

UNITED KINGDOM

In the UK, quarter-on-quarter GDP was down by 19.4% (non-annualised) to the end of June. Headline CPI inflation fell to 0.2% at the end of August from 0.6% at the end of June. An increase in restrictions towards quarter end has tempered the strong economic rebound seen earlier in the quarter.

The Bank of England's Monetary Policy Committee voted unanimously to maintain the Bank Base Rate at 0.1% at its meeting in September. The committee also voted to continue its current £745 billion purchasing programme of UK government bonds and Sterling non-financial investment grade corporate bonds.

UK government debt exceeded the £2 trillion mark for the first time in history. This was due to the fiscal support programmes implemented during the pandemic this year.

Chancellor Rishi Sunak announced plans to extend several business loan support schemes by the end of November, while also highlighting the need for a successor scheme to help prevent widespread business failure in the coming quarters. These loan schemes have now paid out approximately £58 billion to firms.

Brexit talks remain in a stalemate after the UK announced that it might revisit parts of the previously signed Withdrawal Agreement.

NORTH AMERICA

The US economy shrunk by 31.4% quarter-on-quarter (annualised) to the end of June 2020 which is an all-time record decline. Early estimates for the third quarter of 2020 indicate a strong rebound.

Monetary policy remained very loose, with the Federal Reserve officially moving to an average target inflation regime that will tolerate higher inflation in some periods to make up for lower inflation in others.

Reopening optimism in the first two months was overshadowed by fear over slowing growth momentum in September.

A sharp rebound in infections across a number of US states eased towards the end of the quarter. The US election moved into the forefront of investors' concerns in addition to US-China tensions, which showed little sign of abating.

EUROPE (EX UK)

In the Eurozone, quarter-on-quarter GDP collapsed by 11.8% (non-annualised) in Q2 2020.

European equity markets rose, after a spike in cases over summer led to renewed restrictions and thus a slowdown in activity, following an initially strong rebound earlier in the quarter.

The European Central Bank (ECB) left their policy rates unchanged and announced that it would consider adopting the same average target inflation framework as the Federal Reserve.

The ECB President Christine Lagarde also announced the bank is ready to inject fresh monetary stimulus to support the Eurozone's stuttering economic recovery from the COVID-19 pandemic, including cutting a key interest rate further below zero.

JAPAN

Quarter-on-quarter GDP fell by 7.9% (non-annualised) in Q2 2020, whilst Japanese equities generated positive returns over the same period.

Japan's parliament elected Yoshihide Suga as the country's new Prime Minister following the resignation of Shinzo Abe. His resignation in August led to a momentary sense of uncertainty in the Japanese markets, over the fear of discontinuation of his signature monetary and fiscal policies.

EMERGING MARKETS

Emerging markets were positive, driven by China's advanced recovery as well as state media encouraging retail investors to buy mainland stocks in July.

Emerging markets outside East Asia remain the epicentre of the disease, which is hampering economic activity, especially in India and Latin America. Emerging Market central banks continued on a rate-cutting cycle over the quarter with Brazil, Russia and Mexico reducing their benchmark rates.

FIXED INCOME

Global benchmark yields remained mostly range-bound over the quarter, with monetary policy remaining loose. Realised inflation increased in the US but fell in the UK and Eurozone. Except for the longest dated US Treasury bonds, developed market yields remained below 1% and in negative territory in some cases. The UK yield curve shifted up marginally over the quarter, reflecting the general risk-on sentiment.

UK real yields shifted up over the quarter, in line with the small increase in nominal yields, offset to a degree by rising break-evens. The still ongoing RPI consultation is still creating uncertainty for UK inflation-linked bonds.

Credit spreads narrowed over the quarter as risk-on sentiment remained. This has been a bumper year already in terms of investment grade issuance but strong institutional demand and liquidity from central banks has kept credit markets stable.

ALTERNATIVES

Overall, Hedge Funds returned -0.4%% in Sterling terms and 4.2% in US dollar terms. Equity Hedge strategies were the best performing strategies, returning 1.3% (Sterling) and 6.0% (US dollar). Global Macro strategies were the worst performing strategies over the quarter, returning -3.2% (Sterling) and 1.3% (US dollar).

Commodities were flat in Sterling terms and generated 4.6% in US dollar terms. Having started the quarter strongly, gold performed poorly in September as investors started to question the sustainability of the prolonged rally. Gold returned -1.0% in Sterling terms and 3.6% in US dollar terms. Despite the supply constraints in major producing countries, agriculture was the best performing sector returning 6.3% in Sterling terms and 11.2% in US dollar terms.

This UK Commercial Property increased by 0.7% over the quarter. Rental income rose by 1.4%, whilst capital values fell by 0.7%, offsetting rental income.

CURRENCY

Sterling strengthened against the US dollar over the quarter, which was more driven by US dollar weakness across the board as investors priced in lower rates for longer and higher inflation in the US. Sterling also appreciated against the Yen and was flat against the Euro. Sentiment was boosted by a strong rebound in UK economic activity over summer and markets shrugged off the continued stalemate over a trade deal with the EU that was exacerbated by the UK endeavouring to reopen and renegotiate the Withdrawal Agreement.

4 MARKET STATISTICS AND INDICES USED

Asset Class	Index
Growth Assets	
UK Equities	FTSE All-Share Index
Overseas Developed Equities	FTSE AW Developed Index
North America Equities	FTSE AW North America Index
Europe (ex UK) Equities	FTSE AW Developed Europe (ex UK) Index
Japan Equities	FTSE Japan Index
Asia Pacific (ex Japan) Equities	FTSE AW Developed Asia Pacific (ex Japan) Index
Emerging Markets Equities	FTSE All Emerging Index
Frontier Markets Equities	FTSE Frontier 50 Index
Property	IPD UK Monthly Property Index
Hedge Funds	Credit Suisse Hedge Fund Index (Local Currency)
Commodities	S&P GSCI TR Index (GBP Hedged)
High Yield	ICE BoAML Global High Yield Index (GBP Hedged)
Emerging Markets Debt	JPM GBI-EM Global Diversified Composite Index
Senior Secured Loans	S&P Leveraged Loan Index (GBP Hedged)
Cash	ICE BofA 3 Month LIBOR Index
Bond Assets	
UK Gilts (Over 15 yrs)	FTSE A Gilts Over 15 Years Index
Index-Linked Gilts (Over 5 yrs)	FTSE A Index-Linked Over 5 Years Index
Corporate Bonds (Over 15 yrs AA)	iBoxx £ Corporate Over 15 Years AA Index
Non-Gilts (Over 15 yrs)	iBoxx £ Non-Gilts Over 15 Years Index
Yields	
UK Equities	FTSE All-Share Index (Dividend Yield)
UK Gilts (Over 15 yrs)	FTSE A Gilts Over 15 Years Index (Gross Redemption Yield)
Real Yield (Over 5 yrs ILG)	FTSE A Index-Linked Over 5 Year Index 5% Inflation (Gross Redemption Yield)
Corporate Bonds (Over 15 yrs AA)	iBoxx £ Corporate Over 15 Years AA Index (Gross Redemption Yield)
Non-Gilts (Over 15 yrs)	iBoxx £ Non-Gilts Over 15 Years Index (Gross Redemption Yield)
Inflation	
Price Inflation – RPI	UK Retail Price Index (All Items NADJ)
Price Inflation – CPI	UK Consumer Price Index (All Items NADJ)
Earnings Inflation	UK Average Weekly Earnings Index (Whole Economy excluding Bonuses NADJ)
Exchange Rates	
USD / EUR / JPY vs GBP	WM/Reuters 4:00 pm Closing Spot Rates

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CLWYD PENSION FUND

INVESTMENT STRATEGY AND MANAGER SUMMARY PERIOD ENDING 30 SEPTEMBER 2020

MERCER

TABLE OF CONTENTS

1 IMPACT ON CLWYD PENSION FUND INVESTMENT STRATEGY

This report is produced by Mercer to assess the performance and risks of the investment managers of the Clwyd Pension Fund (the "Fund"), and of the Fund as a whole. The report does not comment on the Fund's Cash and Risk Management Framework (CRMF) portfolio, as information in respect of this is produced separately by another team in Mercer.

OVERALL

Over the 3 months to 30 September 2020, the Fund's total market value increased by £39.3m to £2,002,987,833.

Over the quarter, total Fund assets returned 2.3%, against a target of 3.2%. Total Fund (ex CRMF) returned 1.2%, against a target of 2.2%.

The performance of the underlying strategies was positive with the exception of the In-House Private Market Assets (-1.1%) which declined. The In-House Private Market assets now includes of the Private Credit assets, which were previously included within Total Credit, to bring in line with the revised Investment Strategy.

Total Equity (+3.3%), Total Credit (+3.6%), Hedge Fund (+1.0%) and Tactical Allocation Portfolio (+1.0%) all posted positive returns. The Tactical Allocation Portfolio performance includes the Diversified Growth Managers up until their divestment in July 2020, and after this date is only the Best Ideas portfolio.

In relative terms, Total Fund assets were behind their target by 0.9%, mainly attributable to the In-House Private Markets portfolio, which underperformed its target by 2.1%, detracting 0.6% from total relative performance.

Total Equities returned 3.3% against a target of 4.6%. Overall, this detracted 0.2% from total relative performance.

Total Credit outperformed, returning 3.6% against a target of 0.9%; in relative terms, this added 0.5% to performance.

Hedge Funds returned 1.0%, outperforming its target by 0.1%.

Insight's CRMF increased by 6.2%, due to a combination of a fall in gilt yields and positive performance from the synthetic equity overlay.

EQUITIES

Equities continued to rebound in Q3 2020 but started to slow towards quarter end. The rebound narrative along with continued monetary and fiscal policy support drove a risk-on rally, leading to another quarter of strong returns for risk assets. The optimism for a potential COVID-19 vaccine in the near future also helped boost performance, as the global death toll passed one million.

Regional performances diverged over the quarter with US and Asia leading the way. In the US, the change in monetary policy, using average inflation targeting and therefore allowing for short-term overshoots of inflation combined with further direct credit market intervention meant that investors took it as a sign that the Federal Reserve were bolstering ammunition in case of a further market shock. In Asia, COVID-19 cases continued to fall across almost all regions – led by China. Japan's equity market was strong in light of a rising Yen and the resignation of Shinzo Abe as prime minister.

In Developed Markets, all regions posted positive returns with the exception of UK equities, which declined by -2.9%. North American and Japanese equities led performance returning 4.5% and 2.4%, respectively. Europe (ex UK) rose by 1.6%, whilst Asia Pacific (ex Japan) rose by 0.8%.

Over the last 12 months, UK and Asia Pacific (ex Japan) equities returned -16.6% and -3.0%, respectively, whilst all other Developed Markets generated positive returns. North American equities were the strongest performers returning 10.5%.

Emerging Markets and Frontier Markets both rose by 4.5% and 4.3%, respectively, over the quarter. Over the last 12 months, Emerging Markets were positive returning 4.6%, while Frontier Markets declined by -16.0%.

Total Equity assets generated 3.3% compared to a composite target of 4.6%. Wellington Emerging Market (Core) outperformed its target returning 5.2% against a target of 5.1%. Both Russell WPP Global Opportunities Fund and Wellington Emerging Market (Local) underperformed their targets by 1.0% and 2.0%, respectively.

In the Emerging Market portfolio, performance was mainly driven by sector allocation, specifically the overweight allocations to information technology and consumer discretionary and underweight to financials. At the country level, security selection was the main driver of relative performance. China and South Korea led performance, whilst India and Peru were the largest detractors.

Wellington Emerging Market (Core) fund was above its 3-year performance objective, whilst Wellington Emerging Market (Local) had not met its objective at the end of the quarter.

Over the quarter, the holdings in the BlackRock World Multifactor Fund were divested and new investments were made into the BlackRock ESG Fund and BlackRock Emerging Markets Fund. Additionally, a further c. £9.2m was invested in the Russell WPP Global Opportunities Fund. This was part of a wider transition to the Fund's new Investment Strategy.

CREDIT

Global benchmark yields remained mostly range-bound over the quarter, with monetary policy remaining loose. Except for the longest dated US Treasury bonds, developed market yields remained below 1% and in negative territory in some cases. The UK yield curve shifted up marginally over the quarter, reflecting the general risk-on sentiment. UK real yields shifted up over the quarter, in line with the small increase in nominal yields, offset to a degree by rising break-evens.

The Bank of England's monetary policy committee voted unanimously to maintain the base rate at 0.1% at its meeting in September. The committee also voted to continue its current £745 billion purchasing programme of UK Government Bonds and Sterling Non-Financial Investment Grade Corporate Bonds. The US Federal Reserve's Open Market Committee held interest rates once again at the current target range of 0% - 0.25%. US monetary policy remained very loose, with the Federal Reserve moving to an average target inflation regime that will allow inflation to modestly exceed 2% in some periods to make up for lower inflation in others, without an aggressive response.

European Central Bank (ECB) left their policy rates unchanged and announced that it would consider adopting the same framework as the Federal Reserve in relation to tolerating higher inflation. President of the ECB Christine Lagarde announced the bank is ready to inject fresh monetary stimulus to support the Eurozone's stuttering economic recovery from the COVID-19 pandemic, including cutting a key interest rate further below zero. The ECB's key interest rate currently stands at minus 0.5%.

Over the quarter, Long Dated Conventional Gilts, Index-Linked Gilts and UK Corporate Bonds fell by -2.5%, -2.5% and -1.0%, respectively. Emerging Market Local Currency Debt and Emerging Market Hard Currency Debt returned -3.8% and 2.3%, respectively. Global High Yield increased by 3.8%.

Total Credit assets (which no longer include the Private Credit mandate) increased by 3.6% over the quarter, outperforming its target of 0.9%.

Within Investment Grade, the best performing sectors were Independent Energy, Transportation Services and Packaging. Refining, Pharmaceuticals and Wirelines were the worst performing sectors.

Within US High Yield, 16 of 34 sectors outperformed the benchmark as some of the hardest hit industries led the recovery. The best performing sectors were Airlines, Aerospace and Retail. Drillers/ Services, Refining and Publishing/ Printing were the worst performing sectors over the period.

In Emerging Market Debt, the top contributors to performance were issue selections in Ecuador and Argentina as well as overweight to Brazil. The main detractors from performance were overweight positions in Ghana and Angola as well as issue selection in Peru.

Over the quarter, the holdings in the Stone Harbor Libor-Multi-Strategy Fund and the Multi-Asset Credit (MAC) Fund were reduced and a new investment was made into the Russell WPP Multi-Asset Credit Fund. This was part of the move to pool assets with WPP, and it is the Fund's intention to move all of the MAC assets to the WPP in due course.

HEDGE FUNDS

Hedge Funds returned -0.4%% in Sterling terms and 4.2% in US dollar terms. Equity Hedge strategies were the best performing strategies, returning 1.3% (Sterling) and 6.0% (US dollar). Global Macro strategies were the worst performing strategies over the quarter, returning -3.2% (Sterling) and 1.3% (US dollar).

Man's Hedge Funds strategy returned 1.0%, outperforming its target by 0.1%. Man's Hedge Funds (Legacy) assets, which now consists of the sole Liongate asset, returned -4.4% over the quarter, underperforming its target by 5.3%.

TACTICAL ALLOCATION PORTFOLIO

The Diversified Growth assets held with Pyrford and Ninety one were disinvested in July 2020. As such, the Tactical Allocation Portfolio now consists of the Best Ideas Portfolio only.

BEST IDEAS PORTFOLIO

The Best Ideas Portfolio rose by 0.2% over the quarter, behind its target of 1.2%. The portfolio was behind its 12-month and 3-year target by 7.2% and 1.0%, respectively.

Performance of the underling funds within the Best Ideas portfolio was mixed over the quarter. LGIM North American Equities (Unhedged) and LGIM High Yield Bonds led performance returning 4.5% and 4.2%, respectively. LGIM Global Corporate Bonds also generated positive returns (+0.7%) whilst LGIM Sterling Liquidity return was flat. BlackRock US Opportunities (-0.4%), Ninety One Global Natural Resources (-3.1%), LGIM Infrastructure (-0.6%) and LGIM UK Equities (-2.8%) all declined over the quarter.

In July, £28m was disinvested from LGIM Sterling Liquidity and the proceeds were invested in LGIM Infrastructure (£14m) and LGIM Global Corporate Bonds (£14m). In September, £10m was disinvested from both LGIM Sterling Liquidity and LGIM Global Corporate Bond and the total proceeds of £20m were invested into Ninety One Global Natural Resources.

IN-HOUSE PRIVATE MARKET ASSETS

Total In-House assets (which now includes the Private Credit mandate, which previously sat within Total Credit) returned -1.1% behind its target of 1.1%. Overall, this detracted 0.6% from total relative performance.

Permira Credit Solutions III (European mandate) and BlackRock Middle Market Senior (North American mandate) were c.87% and c.71% funded at the end of September 2020, as capital deployment continues for both funds.

Infrastructure (-2.8%), Timber/ Agriculture (-6.3%), and Opportunistic (-6.0%) assets declined, and underperformed their target of 1.3%. Private Equity assets gained by 1.2% and underperformed its target by 0.1%. Property returned -0.9% against a target of 0.7%, whilst Private Credit returned 2.0% outperforming its target of 1.7% over the quarter.

Property, Private Equity and Opportunistic assets exceeded their three-year targets at the end of the quarter whilst Infrastructure, Timber/ Agriculture and Private Credit fell short.

The Real Assets Portfolio and Private Markets Portfolio are no longer reported as separate sub-sections within In-House assets. The In-House Private Market Assets are undergoing a re-categorisation to bring them in-line with the new strategic allocations, and this will be reported in future reports.

2 STRATEGIC ASSET ALLOCATION
30 SEPTEMBER 2020

Allocation by underlying asset class

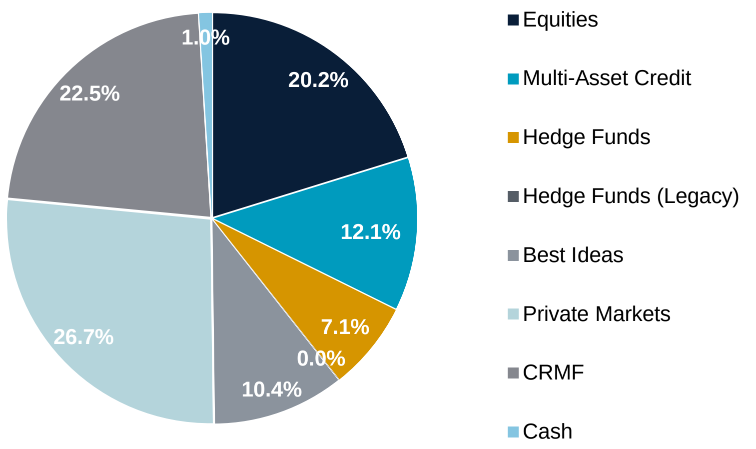
Asset Class	Market Value £	Weight %	Strategic Allocation %	Relative %	Strategic Range %
Global Equities	202,715,915	10.1	10.0	+0.1	5.0 – 15.0
Emerging Market Equities	202,228,674	10.1	10.0	+0.1	5.0 – 15.0
Multi-Asset Credit	242,116,396	12.1	12.0	+0.1	10.0 – 14.0
Hedge Funds	141,289,731	7.1	7.0	+0.1	5.0 – 9.0
Hedge Funds (Legacy)[1]	448,808	0.0	0.0	0.0	–
Best Ideas	208,570,998	10.4	11.0	-0.6	9.0 – 13.0
Private Markets	535,432,124	26.7	27.0	-0.3	15.0 – 37.0
CRMF & Synthetic Equities	450,142,009	22.5	23.0	-0.5	10.0 – 35.0
Cash	20,043,177	1.0	0.0	+1.0	0.0 – 5.0
TOTAL CLWYD PENSION FUND	**2,002,987,833**	**100.0**	**100.0**	**0.0**	

Notes: [1] Hedge Funds (Legacy) includes the Liongate portfolio and is provided by Man. [2] The Private Credit allocations are not yet fully funded.
Totals may not sum due to rounding.

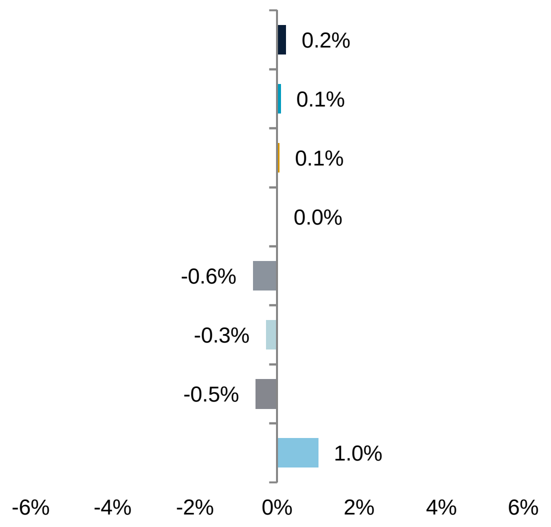
Points to note

- Strategic allocations have been updated to show the implantation of the new strategy from 1 July 2020. Private Markets now incorporates Private Credit Portfolio assets (Permira and BlackRock) and all existing In-House assets.
- Additional monies totalling c. £40m were invested in the CRMF over the quarter. As at 30 September 2020, the total allocation to the CRMF is underweight by 0.5% relative to its strategic allocation. All assets are now broadly in line with strategic targets.

Strategic Asset Allocation as at 30 September 2020



Deviation from Strategic Allocation



Notes: Totals may not sum due to rounding.

3 VALUATION AND ASSET ALLOCATION
AS AT 30 SEPTEMBER 2020

Manager	Fund	Market Value £	Weight %	Strategic Allocation %	Strategic Range %
Russell	WPP Global Opportunities	100,857,070	5.0	5.0	5.0 – 10.0
BlackRock	ESG	101,858,845	5.1	5.0	
Wellington	Emerging Markets (Core)#	66,101,308	3.3	3.0	
Wellington	Emerging Markets (Local)#	64,284,663	3.2	3.0	5.0 – 15.0
BlackRock	Emerging Markets	71,842,702	3.6	4.0	
Total Equity		**404,944,589**	**20.2**	**20.0**	
Stone Harbor	LIBOR Multi-Strategy	36,978,322	1.8	2.0	
Stone Harbor	Multi-Asset Credit	2,013,144	0.1		10.0 – 14.0
Russell	WPP Multi-Asset Credit	203,124,931	10.1	10.0	
Total Credit		**242,116,396**	**12.1**	**12.0**	**10.0 – 14.0**
Man	Hedge Funds	141,289,731	7.1	7.0	5.0 – 9.0
Man	Hedge Funds (Legacy)*	448,808	0.0	0.0	–
Hedge Funds		**141,738,539**	**7.1**	**7.0**	**5.0 – 9.0**
BlackRock	US Opportunities	8,446,462	0.4		
Investec	Global Natural Resources	37,958,253	1.9		
LGIM	Infrastructure Equities MFG (Hedged)	48,429,707	2.4		
LGIM	Sterling Liquidity	29,799,988	1.5	11.0	9.0 – 13.0
LGIM	Global Corporate Bonds	40,389,864	2.0		
LGIM	High Yield Bonds	11,826,755	0.6		
LGIM	UK Equities	8,549,101	0.4		
LGIM	North American Equities (Unhedged)	23,170,868	1.2		
Tactical Allocation Portfolio		**208,570,998**	**10.4**	**11.0**	**9.0 – 13.0**
In-House	Property	123,665,467	6.2	4.0	2.0 – 6.0
In-House	Private Equity	185,413,567	9.3	8.0	6.0 – 10.0
In-House	Local/ Impact	0	0.0	4.0	0.0 – 6.0
In-House	Infrastructure	118,899,964	5.9	8.0	6.0 – 10.0
In-House	Private Credit[1]	39,746,735	2.0	3.0	1.0 – 5.0
In-House	Opportunistic	49,359,599	2.5	0.0	0.0 – 0.0
In-House	Timber / Agriculture	18,346,792	0.9	0.0	0.0 – 0.0
Total In-House Private Market Assets[2]		**535,432,124**	**26.7**	**27.0**	**15.0 – 37.0**
Insight	Cash & Risk Management Framework (CRMF)	450,142,009	22.5	23.0	10.0 – 35.0
Total Liability Hedging		**450,142,009**	**22.5**	**23.0**	**10.0 – 35.0**
Trustees	Cash	20,043,177	1.0	-	0.0 – 5.0
TOTAL CLWYD PENSION FUND		**2,002,987,833**		**100.0**	

Notes: * Man Hedge Funds (Legacy) valuation includes the Liongate portfolio and is provided by Man. # Valuations for the BlackRock Middle Market Senior, Wellington Emerging Markets Core and Wellington Emerging Markets Local funds are converted from US Dollar to Sterling using the WM/Reuters closing price exchange rates. [1] The Private Credit allocation is not yet fully funded. [2] The underlying In-House Private Market assets will be re-categorised to bring them in-line with the new strategic allocations.

4 PERFORMANCE SUMMARY

PERIODS ENDING 30 SEPTEMBER 2020

	Manager	Fund	3 months %		12 months %		3 years % p.a.		3 Yr Performance vs Objective
			Fund	Target	Fund	Target	Fund	Target	
n/a	**Russell**	WPP Global Opportunities	2.9	3.9	5.1	7.5	n/a	n/a	n/a
n/a	**BlackRock**	ESG	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Wellington	Emerging Markets (Core)#	5.2	5.1	10.6	6.8	6.1	5.1	Target met
	Wellington	Emerging Markets (Local)#	3.4	5.4	2.5	7.8	2.3	6.1	Target not met
n/a	**BlackRock**	Emerging Markets	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Equity			**3.3**	**4.6**	**4.8**	**7.8**	**5.7**	**7.9**	
	Stone Harbor	LIBOR Multi-Strategy	3.5	0.3	-1.6	1.5	-0.4	1.6	Target not met
	Stone Harbor	Multi-Asset Credit	6.7	0.3	1.0	1.5	1.1	1.6	Target not met
n/a	**Russell**	WPP Multi-Asset Credit	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Credit			**3.6**	**0.9**	**0.9**	**2.1**	**0.6**	**1.8**	
	Man	Hedge Funds	1.0	0.9	-0.8	4.2	-0.5	4.2	Target not met
	Man	Hedge Funds (Legacy)*	-4.4	0.9	-23.6	4.2	-42.2	4.2	Target not met
Hedge Funds			**1.0**	**0.9**	**-0.9**	**4.2**	**-1.3**	**4.2**	
Tactical Allocation Portfolio[3]			**1.0**	**1.3**	**-2.3**	**3.5**	**2.1**	**4.6**	
	In-House	Property	-0.9	0.7	0.6	-2.7	5.4	3.3	Target met
	In-House	Private Equity	1.2	1.3	3.4	5.7	11.2	5.7	Target met
n/a	**In-House**	Local/ Impact	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	In-House	Infrastructure	-2.8	1.3	-1.7	5.7	4.6	5.7	Target not met
	In-House	Private Credit[1]	2.0	1.7	2.4	6.9	4.7	6.6	Target not met
	In-House	Opportunistic	-6.0	1.3	-0.8	5.7	6.7	5.7	Target met
	In-House	Timber / Agriculture	-6.3	1.3	-5.3	5.7	-0.5	5.7	Target not met
Total In-House Private Market Assets[2]			**-1.1**	**1.0**	**0.8**	**3.6**	**7.1**	**4.6**	
n/a	**Insight**	Cash & Risk Management Framework (CRMF)	6.2	6.2	0.2	0.2	7.6	7.6	n/a
Total (ex CRMF)			**1.2**	**2.2**	**0.7**	**4.9**	**3.8**	**5.2**	
TOTAL CLWYD PENSION FUND			**2.3**	**3.2**	**0.6**	**4.3**	**4.6**	**5.7**	
Strategic Target (CPI +4.1%)			**1.6**		**6.2**		**6.2**		
Actuarial Target (CPI +2.0%)			**1.0**		**4.1**		**4.1**		

Notes: 'n/a' against the objective is for funds that have been in place for less than three years. * Man Hedge Funds (Legacy) valuation includes the Liongate portfolios. # BlackRock Middle Market Senior (within In-House Private Credit), Wellington Emerging Markets Core and Local funds are converted from US Dollar to Sterling using WM/Reuters closing price exchange rates. Strategic and Actuarial targets are derived from Mercer's Market Forecasting Group assumptions (based on conditions at 31 December 2019). Current 10-year CPI assumption: 2.1% p.a. [1] The Private Credit allocation is not yet fully funded. [2] The underlying In-House Private Market assets will be re-categorised to bring them in-line with the new strategic allocations. [3] The performance of the Tactical Allocation Portfolio includes the Diversified Growth Managers up until their divestment on 27 July 2020.

Fund has met or exceeded its performance target   Fund has underperformed its performance target

5 SUMMARY OF MANDATES

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Manager	Fund	Strategic Asset Class	Performance Objective (Net of Fees)	Strategic Allocation
Russell	WPP Global Opportunities	Global Developed Equities	MSCI AC World Index NDR +2.0% p.a.	5.0%
BlackRock	ESG	Overseas Equities	MSCI World ESG Focus Low Carbon Screened Midday Index	5.0%
Wellington	Emerging Market (Core)	Emerging Markets Equities	MSCI Emerging Markets Index +1.0% p.a.	3.0%
Wellington	Emerging Market (Local)	Emerging Markets Equities	MSCI Emerging Markets Index +2.0% p.a.	3.0%
BlackRock	Emerging Markets	Emerging Markets Equities	MSCI Emerging Markets Index	4.0%
Total Equity			**Composite Weighted Index**	**20.0%**
Stone Harbor	LIBOR Multi-Strategy	Multi-Asset Credit	1 Month LIBOR Index +1.0% p.a.(1)	2.0%
Stone Harbor	Multi-Asset Credit	Multi-Asset Credit	1 Month LIBOR Index +1.0% p.a.	
Russell	WPP Multi-Asset Credit	Multi-Asset Credit	3 Month LIBOR Index +4.0% p.a.	10.0%
Total Credit			**Composite Weighted Index**	**12.0%**
Man	Hedge Funds	Hedge Funds	3 Month LIBOR Index +3.5% p.a.	7.0%
Hedge Funds			**3 Month LIBOR Index +3.5% p.a.**	**7.0%**
Best Ideas	Best Ideas	Best Ideas Portfolio	UK Consumer Price Index +3.0% p.a.	11.0%
Tactical Allocation Portfolio			**UK Consumer Price Index +3.0% p.a.**	**11.0%**
In-House	Property	Property	MSCI UK Monthly Property Index	4.0%
In-House	Private Equity	Private Markets	3 Month LIBOR Index +5.0% p.a.	8.0%
In-House	Local/ Impact	Property	3 Month LIBOR Index +5.0% p.a.	4.0%
In-House	Infrastructure	Infrastructure	3 Month LIBOR Index +5.0% p.a.	8.0%
In-House	Opportunistic	Private Markets	3 Month LIBOR Index +5.0% p.a.	0.0%
In-House	Timber / Agriculture	Infrastructure	3 Month LIBOR Index +5.0% p.a.	0.0%
In-House	Private Credit	Private Credit	Absolute Return Composite Weighted Index	3.0%(3)
Total In-House			**Composite Weighted Index**	**25.0%**
Insight	Cash and Risk Management Framework (CRMF)	LDI & Synthetic Equities	Composite Liabilities & Synthetic Equity	23.0%
Total Liability Hedging			**Composite Liabilities & Synthetic Equity**	**23.0%**

Notes: [1] FTSE A Gilts All Stocks Index until 31 March 2014. [2] UK Retail Price Index +4.4% p.a. until 31 March 2015. [3] Committed but uninvested element of the Private Credit strategic allocation is represented by 1 Month LIBOR Index +1.0% p.a.

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It is important to understand that this is a snapshot, based on market conditions and gives an indication of how we view the entire investment landscape at the time of writing. Not only can these views change quickly at times, but they are, necessarily, generic in nature. As such, these views do not constitute advice as individual client circumstances have not been taken into account. Please also note that comparative historical investment performance is not necessarily a guide to future performance and the value of investments and the income from them may fall as well as rise. Changes in rates of exchange may also cause the value of investments to go up or down. Details of our assumptions and calculation methods are available on request.

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MERCER

Risk management framework

Monthly monitoring report: 30 September 2020

Clwyd Pension Fund

October 2020

Nick Page FIA CERA

welcome to brighter

Overriding objectives

Stable and affordable contribution rate

Versus

Achieve returns in excess of CPI required under funding arrangements

Objectives are two-fold but conflicting

- Risk needs to be taken in order to achieve returns, but risk does not guarantee returns

Need to ensure a reasonable balance between the two objectives

- Do you need to take the same level of risk when 70% funded (say) as when 110% funded?

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Executive summary to 30 June 2020

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

Overall funding position

- Behind existing recovery plan following COVID-19 market volatility
- Funding level below the first soft trigger

In absolute terms the funding position is slightly behind target. There is continuing uncertainty in the outlook for future returns which could impact on the future funding requirements.

Liability hedging mandate

- Insight in compliance with investment guidelines
- Outperformed the benchmark over the quarter and since inception
- Hedge ratios in line with target levels following restructure

Reversed inflation trade in September ahead of fears of rising inflation.

Synthetic equity mandate

- Insight in compliance with investment guidelines
- Underperformed the benchmark over the quarter

A dynamic protection structure was implemented in late May 2018. Refinements have been made in August 2019. No action required.

Currency hedging

- Currency hedging overlay implemented in the QIF in August 2019.
- As at 30 June 2020, the market value of the currency hedge since inception on 22 August 2019 was £-0.6m

No action required.

Cash Plus Funds, collateral and counterparty position

- The Cash Plus Fund has underperformed the benchmark since inception, but the collateral waterfall outperformed over the quarter. We will continue to monitor performance.
- The Insight QIF can sustain at least a 0.6% rise in interest rates or 0.4% fall in inflation without eliminating all headroom.

Overall, the collateral waterfall has decreased by £1.2m at 30 June 2020 since implementation at 31 January 2019 versus the previous structure.

The Fund has sufficient collateral to withstand this as at 30 June 2020. No action required.

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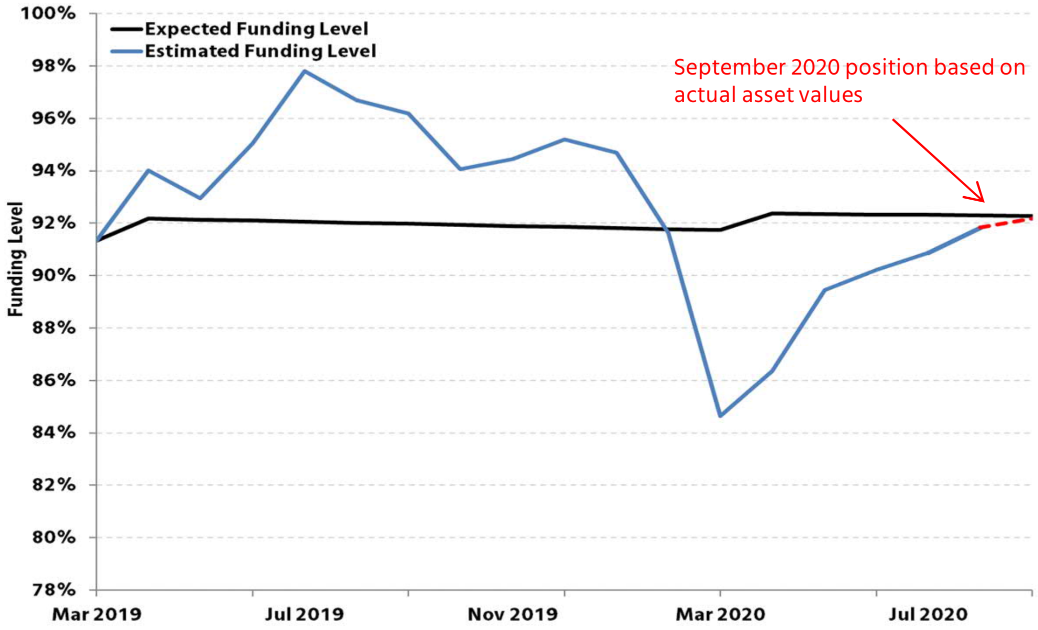
Funding level monitoring to 30 September 2020

Estimated funding position since 31 March 2019



The positions allow for the results of the 2019 actuarial valuation.

Funding Level Triggers

It was concluded at the FRMG on 20 June 2017 that the funding level is not currently sufficiently high to warrant de-risking in a traditional sense via a change in long term strategy.

It was agreed that a "soft" trigger will be put in place to prompt FRMG discussions regarding potential actions as the funding level approaches 100% on the current funding basis. This funding level will be monitored approximately by Mercer on a daily basis.

Comments

The **black line** shows a projection of the *expected* funding level from the 31 March 2019 valuation based on the assumptions (and contributions) outlined as part of the 2019 actuarial valuation. The *expected* funding level at 30 September 2020 was around 92%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2019 to 31 August 2020. The **red dashed line** shows the progression of the estimated funding level over September 2020. At 30 September 2020, we estimate the funding level and deficit to be:

92% (£170m*)

This shows that the Fund's position was the same as the expected funding level at 30 September 2020 on the current funding basis.

Uncertainty continues to be prevalent in the investment environment due to the potential economic impact of the COVID-19 pandemic. This could mean that the likelihood of achieving the assumed real returns going forward has fallen. To illustrate the impact, a reduction of 0.25% p.a. in the assumed future investment return/real discount rate would reduce the funding level by c.4% to c.88% with a corresponding increase in deficit of £95m to £265m.

This will be kept under review in light of changing market conditions and the economic outlook.

**Asset values based on assets provided by Mercer investment consultants as at 30 September 2020.*

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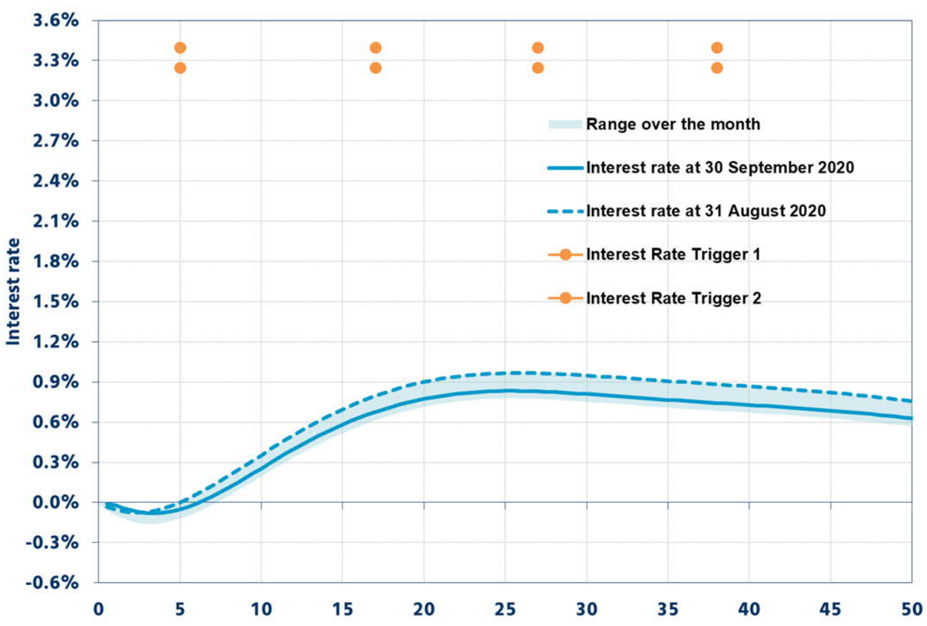
Update on market conditions and triggers

Change in interest rates



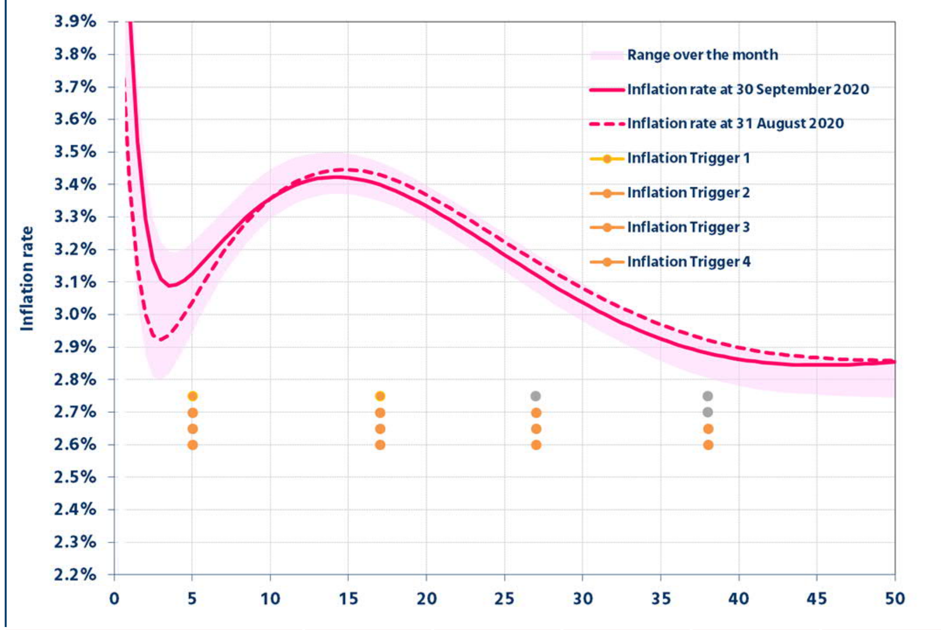
Date	Band 1	Band 2	Band 3	Band 4	Actual
30 June 2020	18.4%	18.1%	18.2%	15.9%	17.5%

Comments

Over September, interest rates fell across the curve, with an average decrease of c. 0.1% p.a.

Based on market conditions as at 30 September 2020, yields would need to rise by c. 2.4% p.a. before the Fund would hit any of the revised interest rate triggers implemented by Insight in Q3 2017.

Change in inflation rates (note: different scale)



Date	Band 1	Band 2	Band 3	Band 4	Actual
30 June 2020	36.3%	23.2%	27.5%	40.4%	32.5%

Comments

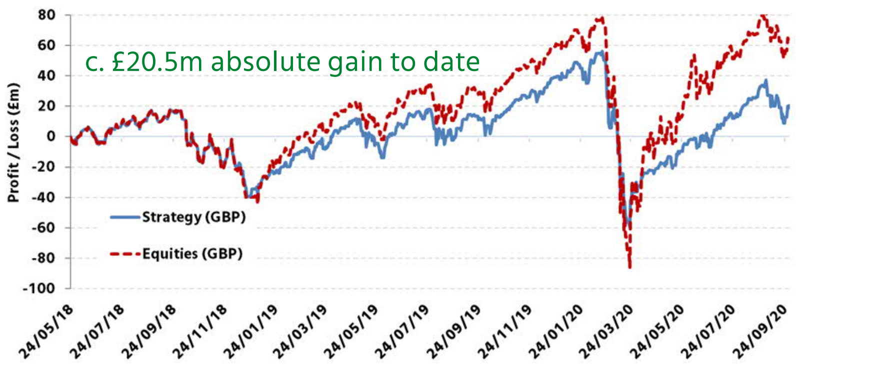
Over September, inflation expectations increased at shorter durations, whilst falling slightly at medium and longer durations.

Trading took place over August and September to move to the new benchmark, which brings the portfolio back to a c.20% interest rate hedge ratio and c.40% inflation hedge ratio overall. This will be reflected in future reports.

**Hedge ratios calculated with reference to 2016 valuation cash flow analysis and relying on a discount rate of gilts + 2.0% p.a..*

Update on equity protection mandate

Strategy versus equity index

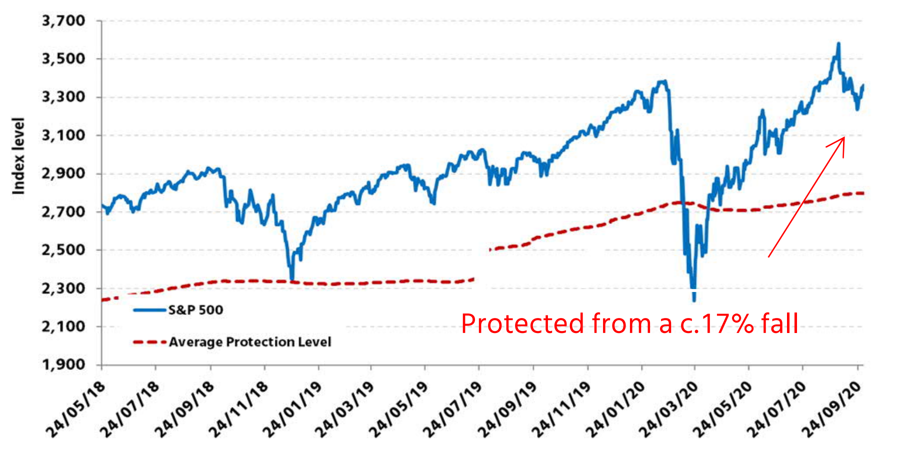


GBP returns	Equity return	Hedging return	Financing return	Costs	Overall return	Relative return
MTD	(4.3%)	0.2%	1.0%	(0.1%)	(3.1%)	1.2%
YTD	0.8%	(0.4%)	(4.3%)	(0.4%)	(4.3%)	(5.1%)
Since Inception	17.6%	(5.1%)	(5.6%)	(1.1%)	5.7%	(11.9%)

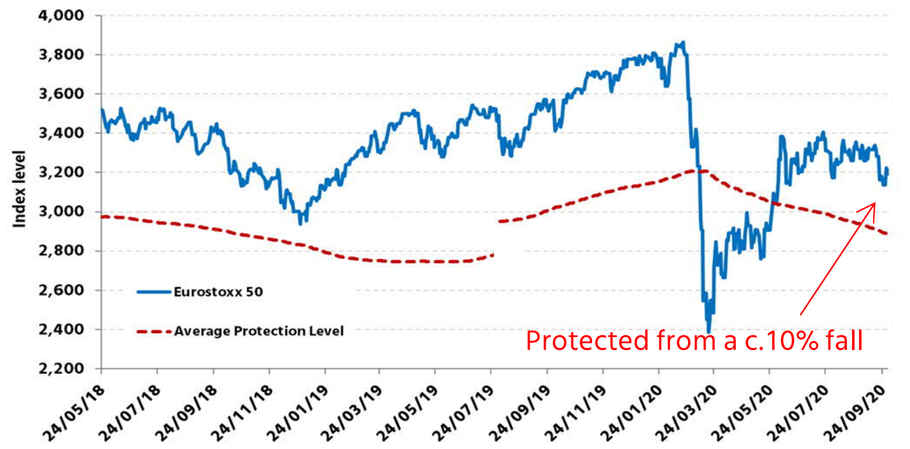
Comments

- The Fund implemented a dynamic equity protection strategy on 24 May 2018 with exposure of £362m. The equity protection strategy was revised at the beginning of August 2019, increasing the protection level by 5%. This increase is to ensure that the Fund is better protected in the event of a downside as the protection will kick in sooner. This has been funded by selling protection at extreme falls.
- Negative equity returns during September meant that the strategy exhibited positive hedging and financing return over the month.
- As at 30 September 2020, there was a gain of c. £20.5m on the strategy since inception, relative to a c. £64.3m gain had the Fund invested in passive equities (with no frictional costs).
- From inception on 8 March 2019 to 30 September 2020 the currency hedge of the market value of the synthetic equity mandate has contributed a c. £5.5m loss relative to an unhedged position given the weakness in Sterling.

US equity exposure

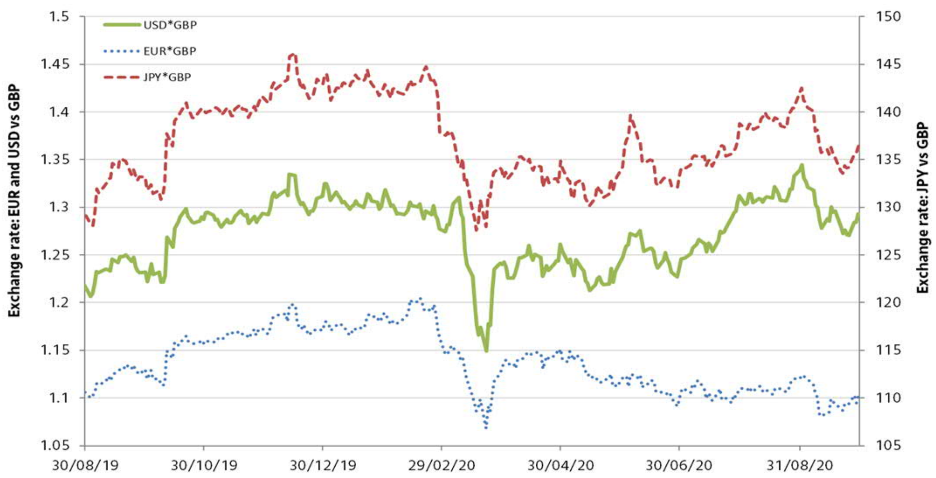


European equity exposure



Developed market physical equity currency hedge

Sterling denominated FX rate



Comments

- A currency hedge was placed on the physical, developed equity portfolio to lock-in gains from Sterling weakness and reduce currency risk.
- The hedge has been implemented via a currency overlay, using 3 month forward contracts, within the Insight QIAIF. The hedge is updated quarterly to allow for changes in the underlying equity exposure.
- As at 30 September 2020, the market value of the currency hedge since inception on 22 August 2019 was £3.1m.
- The market value has fallen over September as Sterling continued to weaken against the other major currencies, in particular the US dollar and Yen.

	Currency basket weight	FX performance (since inception*)	FX change in performance since 31 August 2020
EUR	12%	£0.2m	(£0.2m)
JPY	9%	£0.9m	(£0.5m)
USD	79%	£2.0m	(£3.7m)
	100%	**£3.1m**	**(£4.4m)**

*Insight transacted on the currency hedge on 22 August 2019.

Figures may not sum due to rounding.

Glossary

- **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determining the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- **Collateral** – Liquid assets held by the Fund as security which may be used to offset the potential loss to a counterparty.
- **Counterparty** – Commonly an investment bank on the opposite side of a financial transaction (e.g. swaps).
- **Deficit** - The extent to which the value of the Fund's liabilities exceeds the value of the Fund's assets.
- **Dynamic protection strategy** – Strategy to provide downside protection from falls in equity markets where the protection levels vary depending on evolution of the market.
- **Equity option** – A financial contract in which the Fund can define the return it receives for movements in equity values.
- **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 level** - The difference between the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.
- **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- **Hedging** - A strategy aiming to invest in low risk assets when asset yields are deemed attractive. Achieved by investing in government backed assets (or equivalent) with similar characteristics to the Fund future CPI linked benefit payments.
- **Hedge ratio** – The level of hedging in place in the range from 0% to 100%.
- **Insight QIAIF (Insight Qualifying Investor Alternative Investment Fund)** – An investment fund specifically designed for the Fund to allow Insight to manage the liability hedging and synthetic equity assets.

Important notices

Page 123

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Clwyd Pension Fund

Risk Management Framework Health Check 2020

October 2020

Nick Page FIA CERA

welcome to brighter

Introduction

The Clwyd Pension Fund ("the Fund") implemented a risk management framework in the first quarter of 2014. The key aim of this framework is to maximise investment returns subject to an "appropriate level of risk" ultimately with an objective to deliver member benefit promises at an acceptable cost to employers. The Fund invests in an Irish Qualifying Investor Alternative Investments Fund (the "Insight QIAIF") which is managed on an ongoing basis by Insight Investment Management ("Insight").

We provide regular detailed reporting on the risk management framework which seeks to assess the ongoing performance of the framework against a set of agreed objectives. The purpose of this report is to review the objectives of the risk management framework and explore what can be improved. In particular, this report covers the following:

- ✓ Reminder of the current objectives
- ✓ Overview of progress made to date
- ✓ Health check of key areas
- ✓ Recommended next steps

This report has highlighted that the risk management framework is still fit for purpose and we are comfortable that no major changes are needed. By monitoring the Fund on a regular basis and hosting frequent FRMG meetings to discuss topical themes and ideas, this has meant that we have captured opportunities in real time.

The one refinement which we would suggest is to be proactive in altering the financing (upside) leg of the equity protection strategy to enable the Fund to capture more upside over time. This is covered in more detail on slide 11.

We look forward to discussing the contents of the report with you.

Nick Page FIA CERA
Mercer Limited

Framework Summary

1

Reminder of the current objectives

Page 128

Generate a return of at least CPI + 1.7% p.a. to satisfy the discount rate

This poses a constraint on the level of de-risking that can be achieved unless significantly ahead of plan

Maximise return subject to an acceptable level of risk

Are there any opportunities to generate additional return for the same risk / maintain return and lower risk?

Hedge risks where and when appropriate and affordable to do so

Long term objective of 80% interest rate and inflation hedge ratio

Current interest rate and inflation hedge ratio of 20% and 40% respectively

Reminder of the current framework

Daily monitoring of funding level and markets to react quickly to opportunities

Liability Driven Investment

Liability risks

- Provides certainty of return above inflation
- Triggers in place to capture market opportunities

Synthetic equity

Equity risk

- Provides protection against a fall in equity markets
- Retains sufficient upside potential to satisfy return requirements

Currency hedging

Currency risk

- Provides protection against a fall in the value of overseas assets due to a strengthening of sterling

Collateral management

Structural efficiency

- Ensures the Fund holds the required amount of collateral to support the risk management framework in an efficient way

Common collateral pool

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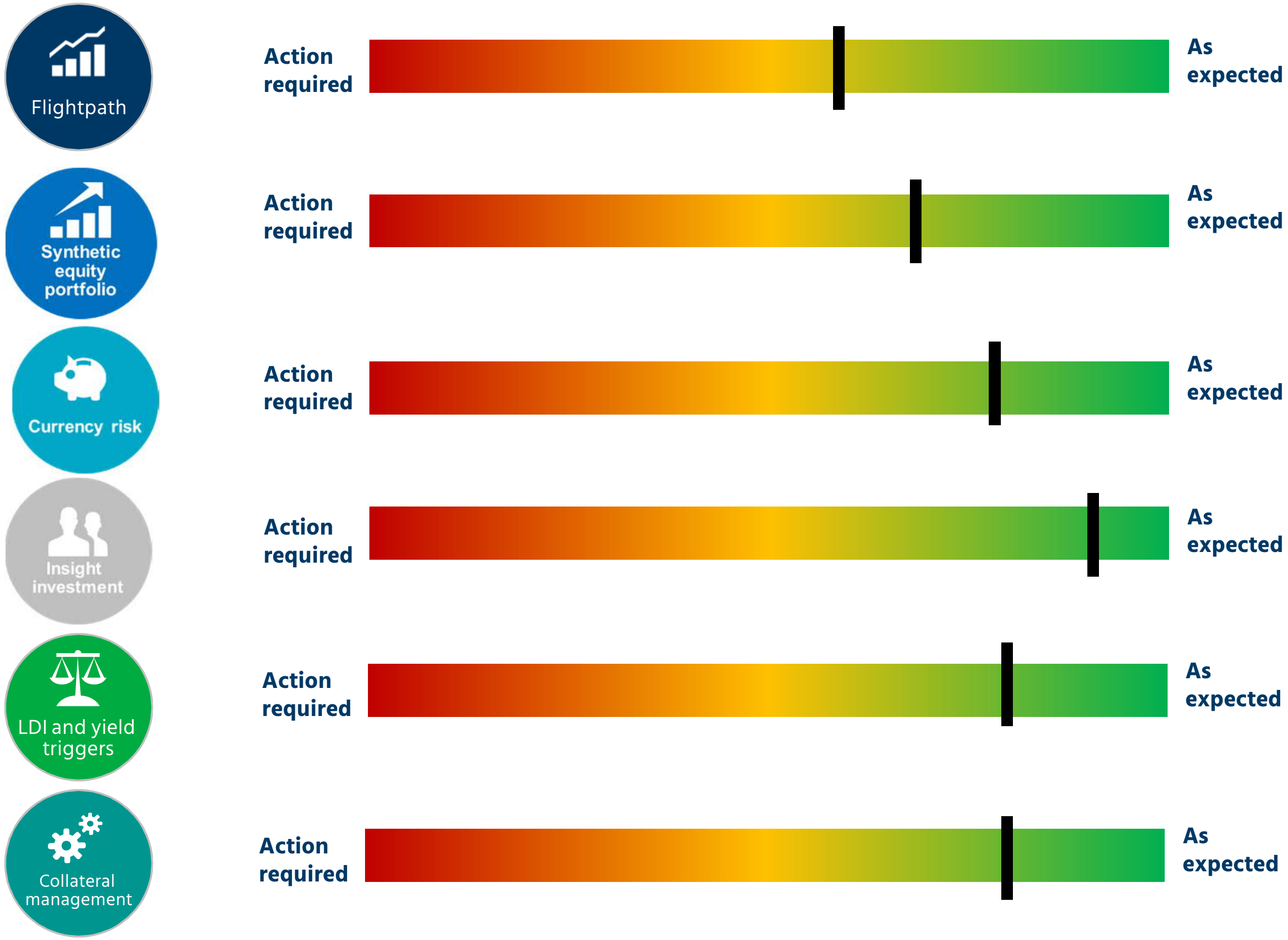
Health Check 2020

2

Health Check Summary



The Fund is slightly behind the expected funding level as at 31 August 2020.

There are refinements that could be made to the financing leg of the synthetic equity strategy.

Possibility of continued Sterling weakness following the Brexit outcome. No change.

Insight are performing as expected. No change.

The yield trigger structure was refined earlier in the year and is working as expected. No change.

The Cash Plus Fund has slightly underperformed the benchmark but the collateral waterfall is working well. No change.

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CLWYD PENSION FUND
2020 AVC REVIEW UPDATE

This paper is addressed to Flintshire County Council as the Administering Authority of the Clwyd Pension Fund (the "Fund"). This paper should be read in conjunction with our 2017 report. This update, building on our previous recommendations, primarily reviews the past performance information of the Fund's Additional Voluntary Contribution ("AVC") arrangements with Prudential and includes an update on current AVC issues, including Utmost Life and Pensions.

EXECUTIVE SUMMARY

The main findings from the 2020 annual review are:

Prudential

- Unit-linked investment performance was mixed over the 5 years to 30 September 2020. Based purely on the investment funds' quartile performance, it may be appropriate to consider reviewing the Prudential Global Equity Fund. However, it is noted that the only similar alternative is likely to be Prudential's new Dynamic Global Equity Passive Fund, which currently has limited track-record.

- The underlying investment performance of the With Profits Fund fell in 2018, though it bounced back in 2019 (though quartile-ranking data is limited at this time). Prudential reduced the equity content of the underlying assets of the With Profits Fund in the year to 31 December 2018 (by around 8%), moving much closer to average relative to other with profits funds.

- Prudential provides access to two of their "Dynamic Growth" lifestyle strategies; one targeting retirement options for those who are unsure how they will draw these funds on retirement, and the other for those targeting 100% cash. Recent data has indicated that only 67 of the 613 members are using the lifestyle targeting 100% cash (and 27 are using the other lifestyle). Whilst Prudential makes some communication material available, it may be appropriate for the Fund to consider further communication with members.

- The Fund, together with Prudential, have sought to contact AVC members in order to remind them of the options available across a range of investment strategies. We recommend that further communication might be appropriate. Prudential closed a range of funds in late 2019 / early 2020 and further fund closures are expected in 2021. However, the funds expected to close are not currently in use by the Fund.

Utmost Life and Pensions

- Following the transition from Equitable Life to Utmost, the assets previously invested in the Equitable Life With-Profits Fund were initially reinvested in the Utmost Secure Cash Fund, which guarantees no reduction in the amount invested (including the “Uplifts” to the amount transferred). However, these assets had to be moved to alternative funds over the last six months of 2020. Since 1st July 2020, these assets have been transitioning to the Utmost Money Market Fund (unless a member has requested the use of an alternative fund(s)). This is only intended to be a temporary default, until the investment markets in the Covid19 environment become clearer.

- The member communication that the Fund issued, gave members with Utmost the option to select alternative investments with Utmost, or to transfer these assets to the Fund’s Prudential policy or outside of the Fund. Some members selected alternative investments within Utmost.

PAST PERFORMANCE SUMMARY

Prudential Unit Linked Funds

The table on the following page summarises the five-year performance details of the investment fund range. We suggest that two consecutive years of “bottom” quartile performance, at least, is classified as necessitating a closer monitoring and potential review.

- With effect from the 20 February 2020, the Prudential Ethical Fund was replaced by the Prudential Positive Impact Fund. The Prudential has not reported on the performance of this fund yet.
- The Prudential UK Property Fund is currently suspended.

Quartile ranking	Bottom	3rd	2nd	Top

Prudential

Performance in year to:	30/09/2016	30/09/2017	30/09/2018	30/09/2019	30/09/2020
Sector : ABI Mixed Investment 4085% Shares	17.29	7.86	5.03	5.21	-1.10
Pru Discretionary S3 Pn*	20.54	14.81	7.04	3.29	-4.25
Pru Dynamic Growth IV Pn S3*	24.28	10.89	4.83	6.47	-0.77
Sector : ABI Mixed Investment 2060% Shares	12.54	5.10	2.02	4.48	-2.53
Pru Dynamic Growth II Pn S3*	19.87	7.72	3.01	7.98	1.98
Sector : ABI Deposit & Treasury	-0.12	-0.29	-0.13	0.13	-0.09
Pru Cash S3 Pn	0.46	0.13	0.46	0.71	0.45
Benchmark: LIBID 7 day	0.32	0.11	0.37	0.58	0.22
Sector : ABI Global Equities	26.51	13.68	10.05	5.51	2.22
Pru Global Equity S3 Pn*	18.95	15.71	8.33	0.38	-9.42
Pru International Equity S3 Pn*	29.74	19.36	8.66	2.03	-3.13
Sector : ABI UK All Companies	12.39	11.44	4.90	-0.55	-14.51
Pru UK Equity Passive Pn S3	16.15	12.12	5.96	2.87	-16.54
Pru UK Equity S3 Pn	14.64	14.20	8.13	-0.19	-14.00
Benchmark: FTSE All Share	16.82	11.94	5.87	2.68	-16.59
Sector : ABI Sterling Fixed Interest	12.93	-3.52	-0.19	10.90	3.07
Pru Fixed Interest S3 Pn	13.31	-3.08	0.77	12.95	4.63
Benchmark: FTSE Actuaries UK Conventional Gilts All Stocks	12.64	-3.56	0.62	13.36	3.41
Sector : ABI UK Index Linked Gilts	25.55	-6.92	0.77	18.93	0.13
Pru Index Linked S3 Pn	27.47	-3.01	1.91	19.39	0.79
Benchmark: FTSE Actuaries UK Index-Linked Gilts over 5 Year	26.95	-4.23	1.41	20.28	0.42
Sector : ABI Sterling Long Bond	22.83	-5.96	0.48	19.33	5.26
Pru Long Term Gilt Passive Pn S3	22.98	-6.18	1.46	22.77	5.36
Benchmark: FTSE Actuaries UK Conventional Gilts Over 15 Years	23.01	-6.30	1.35	22.98	5.22
Sector : ABI UK Direct Property	-0.53	7.75	7.19	0.89	-5.90
Pru UK Property S3 Pn	-2.49	8.37	10.44	0.92	-4.75

* These funds have a Prudential internal composite benchmark

The table shows that the funds being used by the members had mixed performance over the 5 years to 30 September 2020. It should also be born in mind that the above performance figures are gross of Prudential's Annual Management Charges. Based purely on the quartile performance, the Administering Authority may wish to consider reviewing the Prudential Global Equity Fund. Whilst Covid-19 has clearly affected this year's performance, the underperformance is in comparison with similar funds. However, Prudential is continuing to make changes to its fund range and the only similar alternative is likely to be their new Dynamic Global Equity Passive Fund.

Lifestyle strategy options – During 2018, two Prudential Dynamic Growth IV Lifestyle strategies were introduced. They provide what Prudential describe as medium risk investment during the "growth phase" and, over the final ten year period before the anticipated retirement age, monies are gradually switched into the lower risk Prudential Dynamic Growth II Fund and the Prudential Cash Fund:

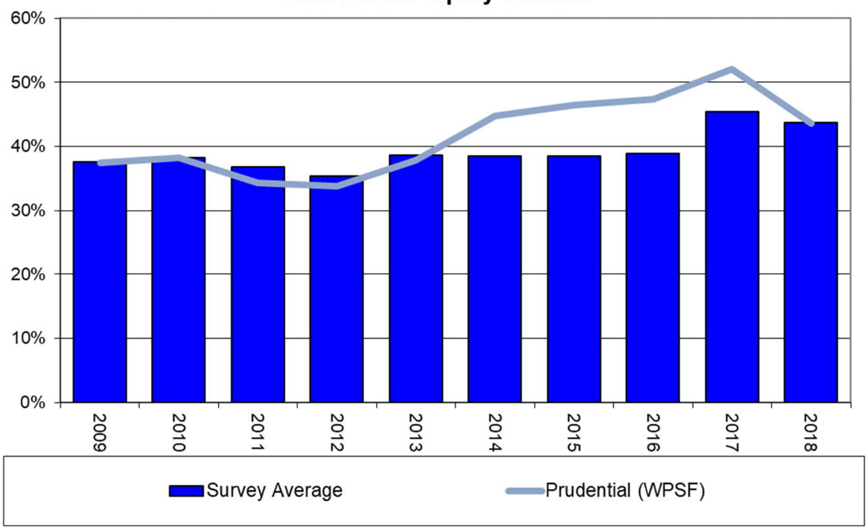
- One version (the lifestyle "targeting retirement options") is designed for members who are unsure how they will draw these funds on retirement, and
- The other ("the lifestyle targeting 100% cash") is entirely invested in the Prudential Cash Fund on retirement.

Annual Management Charges (AMC) – During 2018, Prudential confirmed that the AMC / total charges for their unit linked funds were reduced to 0.55% or 0.65% p.a. (a reduction of 0.10% in most cases). Additionally, later in 2018 they announced the removal of the 1% exit charge on contributions with effect from 1st December 2018**.**

With Profits Funds

The updated chart from our report below shows the With Profits equity content continues to be modest, though not dissimilar to survey average.

With Profits equity content



Underlying investment performance

The underlying investment performance of the Prudential With Profits Fund has been good during the decade to 31 December 2017 (this is the most recent available data including the market average). This is shown by its quartile rankings relative to other With Profits Funds in the table below, and has exceeded the average return on the underlying assets of the With Profits funds in our database by 10%. The "index returns" row indicates the average return from the types of investment in which the With Profits Fund invests, allowing for the asset allocation at each year-end. Effectively, this shows Prudential has been very successful at managing the underlying investments, as the Fund has exceeded these index returns by 16% over the decade to 31 December 2017.

Quartile ranking	Top	2nd	3rd	Bottom

To 31st December:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Performance over decade
Prudential (WPSF)	18.7%	12.7%	2.1%	10.5%	10.3%	8.3%	3.6%	14.5%	10.3%	-2.8%	129%
Index returns	11.9%	10.6%	3.6%	7.3%	8.7%	9.5%	3.4%	13.6%	8.5%	-1.7%	105%
75th percentile	15.2%	12.9%	5.5%	10.4%	10.5%	9.7%	4.2%	13.4%	9.3%	-1.5%	133%
Median	11.5%	12.2%	3.2%	8.9%	9.0%	8.3%	2.4%	12.1%	8.1%	-2.3%	101%
25th percentile	9.0%	9.8%	1.0%	7.2%	5.0%	7.1%	1.3%	10.4%	6.2%	-2.8%	68%

Pay-out examples

Unsurprisingly in the current Covid-19 environment Prudential, and many other insurers, has started applying Market Value Reductions ("MVRs") on early disinvestment from its With Profits Fund. The amount is variable depending on when contributions were invested, and does not currently apply on all cases. However, more surprisingly, Prudential had for many years stated in its Key Features document that it did not intend applying MVRs on disinvestments on early retirement. Whilst it added that this was not guaranteed in future, this clause was removed earlier in the year.

The actual pay out examples continue to be quite good. The quartile rankings are based on comparison with other providers' with profits funds within our database. Comparison with other types of investment has also been good, particularly based on the examples below:

Quartile ranking	Top	2nd	3rd	Bottom

Annualised performance over periods to: 01/03/2019	3 yrs	5 yrs	10 yrs	20 yrs	
£10,000 single premium	3.6%	5.1%	6.7%		**Surrender Payouts**
£10,000 single premium		5.1%	6.7%	-	**Maturity Payouts**
£200 pm		5.1%	6.7%	5.7%	**Maturity Payouts**
ABI Money Market	-0.1%	-0.1%	0.0%	2.0%	
ABI UK Gilts	1.6%	3.7%	4.1%	4.1%	
ABI Global Equities	12.2%	9.0%	11.9%	5.4%	

Deposit Fund

The Prudential Deposit Fund was closed to new members on 31 May 2017. The unit-linked Prudential Cash Fund is still open to new members. However, whilst the performance results shown earlier indicated the marginally positive performance of the Cash Fund, this is gross of its (reduced) 0.55% annual management charge i.e. performance has been negative.

However, the Deposit Fund has no explicit charges:

Quartile ranking	Top	2nd	3rd	Bottom

Annualised performance over periods to: 31/07/2020	1 year	3 years	5 years
Prudential	0.19%	0.46%	0.42%
Providers in universe	6	6	6

The above fund provides capital security. Most Money Market (unitised cash) funds could go negative (particularly after charges).

The Bank of England bank base rate was 0.75% p.a. in August 2018, but this reduced to 0.25% p.a. on 11th March 2020 and to 0.10% on the 19th March 2020. The Prudential Deposit Fund does not guarantee to track Bank of England Base Rate in future, but it has done so historically for many years.

Utmost Life and Pensions Unit linked Funds

The performance of the funds currently in use with Utmost is shown below:

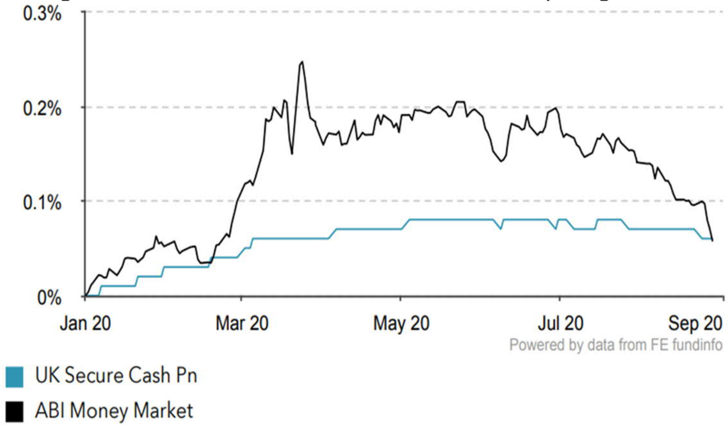
Quartile ranking	Bottom	3rd	2nd	Top

Utmost

Performance in year to:	30/09/2016	30/09/2017	30/09/2018	30/09/2019	30/09/2020	*AMC(%)*
Sector : ABI Mixed Investment 4085% Shares	17.29	7.86	5.03	5.21	-1.10	
Utmost Managed Pension	15.85	9.80	6.49	2.93	-7.64	0.75
Sector : ABI Europe excluding UK Equities	19.44	20.38	2.19	1.77	2.17	
Utmost European Equity Pension	19.27	25.36	1.38	4.86	-0.68	0.75
Sector : ABI Money Market	0.15	-0.27	-0.08	0.26	0.04	
Utmost Money Market Pension	0.08	-0.14	0.04	0.35	0.04	0.50
Sector : ABI North America Equities	31.17	13.93	19.20	7.76	8.37	
Utmost US Equity Pension	33.52	13.91	20.07	7.07	8.02	0.75
Sector : ABI UK All Companies	12.39	11.44	4.90	-0.55	-14.51	
Utmost UK Equity Pension	15.82	12.02	6.10	0.19	-17.30	0.75
Sector : ABI UK Gilts	12.32	-5.26	-0.33	12.30	3.15	
Utmost UK Government Bond Pension	13.34	-5.11	0.56	12.65	4.34	0.50

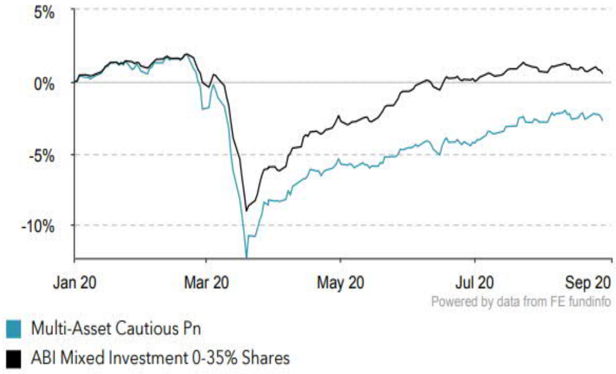
1. *Source: Utmost, net of the fees shown in the table*
2. *The quartile rankings are based on performance relative to the ABI Sector.*
3. *The ABI Sector / Index performance figures are averages, so will not necessarily correspond with the quartile rankings.*

The Utmost Secure Cash Fund and Multi-Asset Growth Fund are also in use but only opened in in January 2020, hence annual performance is unavailable. However, the following chart for the Secure Cash Fund indicates that the gross return over the year to 30 September 2020 has been marginally positive, but this is before it's 0.50% p.a. charges. Hence, the return has been the 0% p.a. guarantee.

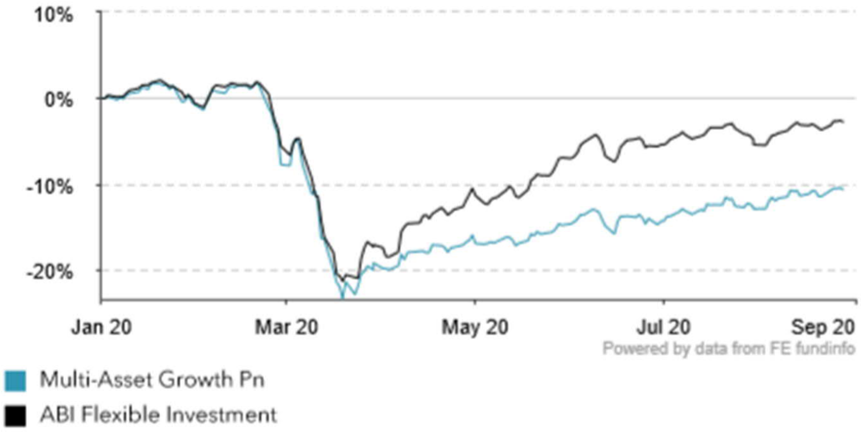


However, the guarantee has enabled members to avoid the substantial turbulence in global investment markets, particularly around March 2020.

If the Fund had adopted Utmost's Investing By Age Journey, their proposed default, the assets would have been largely invested in their Multi-Asset Cautious and Moderate Funds, which would have led to a very different scenario:



The Multi-Asset Growth Fund is also in use:



CURRENT ISSUES UPDATE

“Freedom & Choice” Flexibilities

Tax Free Cash Implications

Members can:

- If they wait until they draw their main benefits from the Fund, receive the whole of their AVC fund tax free, or
- Utilise the “Freedom & Choice” flexibilities which, on or after age 55, enable them to draw their whole AVC fund as a lump sum. This payment would be subject to the member’s marginal rate of PAYE tax on the excess over 25% of their fund. Payment will also limit future tax relieved pension contributions (from the employer and employee combined) to £4,000 p.a. (the “Money Purchase Annual Allowance”) towards a defined contribution (“DC”) arrangement. Unless the Fund’s rules have been amended, this option would necessitate the member transferring their AVC fund (and any DC assets) outside of the Fund.

The legislation also gave members the right to transfer their AVCs outside of the Fund, regardless of the Fund’s rules, whilst leaving their defined benefit pension behind. However, if a member requesting this option has any other DC assets within the trust, this legislation necessitates all the DC assets being transferred, including any AVCs.

Hence, members have multiple options; cash, purchasing an annuity and / or using income drawdown. Each of these options should affect members’ pre-retirement investment decisions.

Guidance Guarantee

Members with AVC and/or DC assets who are over age 50 are required to be “signposted” to the recently renamed Money and Pensions Advice Service (following the merger of the Money Advice Service, The Pensions Advisory Service and Pension Wise) the Government sponsored provider of the “Guidance Guarantee”.

Pension Scams

The Pensions Regulator is understandably concerned with the increase in pension scams. It is encouraging providing warnings regarding common scenarios, such as options to cash a fund in before age 55, transfers without obtaining regulated advice, cold callers and unsolicited emails and text messages:

www.thepensionsregulator.gov.uk/pension-scams

Prudential

On 9 May 2018, Prudential announced it would be ceasing to provide its member presentation and individual member meeting service for public sector AVC scheme clients. They will continue to provide pension products to their existing clients both in the public sector and private sector. The client management function will continue to support clients with governance reporting, investment performance and overall relationship management.

“*Prudential is committed to the corporate pensions market and maintaining our leading presence in it, with a focus on providing a better experience for these existing clients. The changes we are making will allow us to concentrate our resources on areas where customer demand is much stronger*”.

Prudential entered into a new partnership with Tata Consultancy Services (TCS) to streamline pensions administration. They said that the corporate pensions business would be developed and enhanced to deliver a focussed, digitally led, service. Some progress has been seen and a new online platform is due to go live imminently. The impact on the current LGPS member online services has not been communicated yet.

Utmost Life and Pensions

Equitable Life's closure and the transition to Utmost Life and Pensions Limited happened on 1st January 2020. As part of this deal, the Equitable Life With Profits Fund closed and was reinvested into unit-linked funds:

- The Uplifts to the reinvested assets of the With Profits Fund were substantially higher than previously anticipated. These assets were initially reinvested in the Utmost Secure Cash Fund, which provided material protection of these assets from the market falls in March 2020. In the absence of members making an alternative decision, these assets have started transitioning to the Utmost Money Market Fund over the last 6 months of 2020. The Administering Authority selected this fund, following advice from Mercer, given the market uncertainty created by Covid-19. The intention was to review the usage of this "default" when the markets were considered to start becoming more (positively) predictable. This seems unlikely to be before next year.

- As a part of the Equitable Life closure process, the LGA circulated Counsel's Opinion regarding administering authorities' "fiduciary duties", as the policyholder to the members. The same logic applies to whether Utmost is the most suitable ongoing provider. Indeed, logically its application is very wide.

David R Barker FPMI FCII **Mercer Limited** **October 2020**

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 25 November 2020
Report Subject	Regulation Changes affecting the LGPS
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

There are a number of regulatory changes that are progressing that impact on the LGPS, and therefore the Clwyd Pension Fund. This report provides background information on four key areas of reform:

- The McCloud Remedy
- The £95k Exit Cap and Wider Exit Pay Reform
- The Guaranteed Minimum Pension (GMP) Indexation Consultation for Public Service Schemes
- Review of Employer Contributions and Flexibility for Employer Exit Payments.

The Committee are asked to recognise the significant amount of reform taking place and the impact on the Fund's resources will continue to be monitored. The Committee are also asked to note that decisions may require to be made using the Fund's agreed urgency delegation process.

Furthermore, the Committee are asked to consider the information provided and agree principles to be include in a response from the Fund to the GMP Indexation Consultation.

RECOMMENDATIONS	
1	That the Committee consider the information contained in the report and provide any comments.
2	That the Committee consider principles of a recommended consultation response in relation to the GMP Indexation Consultation, as outlined in paragraph 1.07, and delegate the completion of the response to the Head of the Clwyd Pension Fund.

REPORT DETAILS

1.00	REGULATORY CHANGES AFFECTING THE LGPS
	Introduction
1.01	There are a number of regulatory changes that are progressing that impact on the LGPS, and therefore the Clwyd Pension Fund. This report provides background information on four key areas of reform: • The McCloud Remedy – this is an ongoing programme of work that the Committee has received previous updates on. This report summarises the latest progress in relation to the delivery of the programme and the expected changes to the LGPS. • The £95k Exit Cap and Wider Exit Pay Reform – new HM Treasury (HMT) legislation has now come into force that could impact on employees being made redundant, but a complex situation has arisen due to the corresponding LGPS regulations not having yet been made. A waiver may be introduced in Wales which could reduce or remove the impact on affected scheme members. • The Guaranteed Minimum Pension (GMP) Indexation Consultation for Public Service Schemes – HMT has published a consultation in relation to the ongoing indexing of public service pensions where a scheme member has an accrued GMP. • Review of Employer Contributions and Flexibility for Employer Exit Payments – guidance is now being developed in relation to these LGPS amendment regulations that were made in September 2020. Further updates will be provided at future Committee meetings on these matters.
	The McCloud Remedy
1.02	*LGPS Consultation* At the last Committee meeting the Committee approved the Clwyd Pension Fund response to the MHCLG consultation on the proposed changes to the LGPS statutory underpin protection to remove the unlawful discrimination found in the McCloud and Sargeant court cases. The consultation response was submitted prior to the consultation closing date on 8 October 2020. MHCLG's response to the consultation has not yet been issued and it is unclear when final regulations will be made. At a recent conference MHCLG noted that required changes to the Public Service Pensions Act could impact on the delivery of the LGPS amendment regulations. MHCLG confirmed that administering authorities can and should commence data collection in the meantime.
1.03	*CPF McCloud Programme Progress* An update on the progress of the Clwyd Pension Fund McCloud programme is attached at Appendix 1. This shows that the programme is now focussing on developing the data collection procedures with some pilot employers. It is expected that the software toolkit to assist in collating data into the administration system provided by Heywood is not likely to be available as soon as hoped. The team are working with Heywood to gain

	clarity on what the toolkit will provide so the programme is not delayed unnecessarily. Any delay in the amendment regulations being made, could further delay changes to the administration software, resulting in an impact on delivery of the programme timescales.
1.04	**The £95k Exit Cap and Wider Exit Pay Reform** *Consultations and Regulations* As reported at the last committee, HMT consulted on the implementation of a long-awaited reform of exit pay for public sector employees, relating to the introduction of an overall exit cap of £95,000 on all employer payments made when an employee exits the public sector. This generally applies in relation to redundancy but can relate to other cessations of employment. On 7 September MHCLG launched its own consultation on how the exit cap would operate in the LGPS, and also how it would interact with the employer compensation made to members. Despite requests for the two sets of Regulations to be implemented simultaneously, HMT regulations to implement the £95,000 exit cap came into force on 4 November 2020 whereas the LGPS Regulations are not expected to come into force until the new year. This now means there is a conflict between the existing LGPS Regulations and the new HMT Regulations, which puts Funds (and employers) in an extremely difficult position for members who will exceed the cap. However on 2 November, Welsh Government issued a letter stating that subject to legal advice they are considering introducing a general waiver applying in Wales which excludes the pension strain cost from the assessment against the exit cap where legally possible. This would greatly simplify the position in Wales, as it means that whilst members would be capped for payments made by the employer, they would still be entitled to their full pension benefits. We await further confirmation on this issue. Appendix 2 to this report provides more detail in relation to these developments.
1.05	*Impact on the Clwyd Pension Fund* Subject to the impact of the Welsh waiver, if it is provided, it may be necessary for the Fund to consider their approach to paying benefits in the LGPS whilst the conflict in the two sets of regulations continues. This would only need to be considered if: • any scheme members exit that would be impacted by the HMT Regulations and • the Welsh waiver is not put in place as is anticipated. At the point of writing, the Fund is not aware of any scheme members who are due to exit who would be impacted but this will continue to be monitored. If necessary, the Fund's urgency delegation process will be used in relation to any policy decisions that need to be made. Any such decision would be made following consideration of guidance from SAB and potentially further legal advice.

	The Guaranteed Minimum Pension (GMP) Indexation Consultation for Public Service Schemes
1.06	*Consultation* HMT has published a consultation on how the pensions of public service scheme members who have accrued GMP should be indexed in payment once a member retires. The new State Pension introduced from April 2016 removed the mechanism that enabled full price inflation protection for public servants' GMP, and an interim solution to this problem requiring the LGPS to provide full indexation on all GMP is currently in place for members who reach State Pension Age up to 5 April 2021. The government has put forward proposals for dealing with members who reach State Pension Age from 6 April 2021 onwards. The consultation provides options but states that the preferred policy is to make the full indexation on all GMP the permanent solution. Appendix 3 to this report provides more detail in relation to this consultation.
1.07	*Proposed Fund Response to the Consultation* Fund officers and advisors have discussed the options set out in the consultation and concluded that the government's preferred policy (option 2) of discounting conversion of the GMP and make full indexation of GMP the permanent solution is the best option for the Fund. This is on the basis that it is the simplest option to implement from an operational perspective (especially given this solution is already in place up to 5 April 2021) and also the easiest option to communicate to the affected members. However, the solution does have implications in terms of a small increase in liabilities as the affected members will now receive full indexation in line with CPI on their GMP as opposed to limited or no indexation. Based on the 2019 valuation data, the Fund Actuary has calculated this to be £7m for the Fund as a whole and most of this cost will fall on the major employers. This would be included at the 2022 actuarial valuation when setting employer contribution rates. It should be noted that an allowance has already been included in individual employer accounting disclosures in 2020 in anticipation of this being the preferred solution. It is requested that the Committee consider the principles of the above recommended consultation response from the Fund and delegates the completion of the response to the Head of the Clwyd Pension Fund.
	Review of Employer Contributions and Flexibility for Employer Exit Payments
1.08	*LGPS Regulation Changes* As previously reported, the change in Regulations to introduce the new powers on contribution reviews and exit payment flexibility came in on 23 September 2020.

	A summary of the new powers is: <u>Review of Employer Contributions</u> The regulations grant the following new flexibilities: 1. Administering Authorities may review the contributions of an employer where there has been a significant change to the liabilities of that employer. 2. Administering Authorities 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 subject to agreement to pay the costs. The conditions in 1 or 2 must also be met. Where the funding position for an employer significantly changes solely due to a change in assets, the new Regulations will not allow employer contributions to be reviewed outside a full valuation. <u>Flexibility on Exit Payments</u> The regulations now allow three options for an exiting employer: 1. As currently, calculate and recover an exit payment for employers ready and able to leave and make a clean break. 2. Agree a repayment schedule for an exit payment with employers who wish to leave the scheme but need to be able to spread the payment. 3. Agree a Deferred Debt Agreement (DDA) with an employer to enable them to continue paying deficit contributions without any active members where the Administering Authority is confident that the employer would fully meet its obligations. Statutory Guidance for the inclusion of the policy to implement these new powers in a Fund's Funding Strategy Statement (FSS) has been drafted by MHLCG and a limited consultation on the guidance ran from 2 November to 23 November 2020. The Head of the Fund and the Fund Actuary have been asked to input into the consultation. A further "guide" is being developed by the Scheme Advisory Board (SAB) to assist Funds in developing their policy with a view to having broad consistency in the key principles across all Funds.
	Fund Policy and Implementation It is clear in the draft guidance that the policy for each Fund is to be developed specifically by the Administering Authority adopting the principles. There will also need to be a consultation on the FSS policy with all employers. We expect the statutory guidance to be available in January (although it is possible it could be in December). The SAB guide is expected to be available in a similar timeframe but will be updated from time to time. In the meantime, the draft Fund policy will be developed by Fund officers in conjunction with the Fund Actuary for agreement with Committee. A consultation with the employers will then commence and the final policy will be brought back to Committee for final approval.

2.00	**RESOURCE IMPLICATIONS**
2.01	Most of these areas of reform will require changes to the services provided by the Clwyd Pension Fund team, including update to systems. The McCloud reform will have the greatest impact and additional resources have already been identified as a result of the McCloud programme of work. The impact on resources will continue to be monitored.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	As referred to within the main body of the report including in relation to the review of Employer Contributions and Flexibility for Employer Exit Payments which will result in the need for a consultation on the FSS policy with all employers.

4.00	**RISK MANAGEMENT**
4.01	The key area of risk is in relation to the delivery of services, due to the impact on the Fund's resources and systems. Additional resources have already been identified as a result of the McCloud programme of work. This will continue to be monitored. Risks are being monitored specifically for the McCloud programme and the key risks are included in the McCloud update in Appendix 1.

5.00	**APPENDICES**
5.01	Appendix 1 – McCloud programme update Appendix 2 – The £95k Exit Cap and Wider Exit Pay Reform further information Appendix 3 – GMP Indexation Consultation for The Public Service Schemes further information

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	No relevant background documents. **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(a) **CPF – Clwyd Pension Fund** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (c) **Committee or PFC – Clwyd Pension Fund Committee -** the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund. (d) **Board, LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund. (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of. (f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to MHCLG. (g) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation. (h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pension Partnership asset pooling arrangement. (i) **HMT – Her Majesty's Treasury** – the government department responsible for making overriding pension legislation. (j) **GMP – Guaranteed Minimum Pension** – the minimum level of pension the Fund is required to pay for members with service between 1978 and 1997 as a result of contracting-out requirements.

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Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Administered by
CYNGOR Sir y Fflint
Flintshire COUNTY COUNCIL

Clwyd Pension Fund
McCloud Programme Update

Prepared for: Pension Fund Committee (PFC)

Prepared by: Aon

November 2020

AON
Empower Results®

McCloud Programme Dashboard

Programme Health:

Key	Description
	Completed
	On track
	Overdue
	At risk
	Not started

Programme background: The Court of Appeal has ruled that changes to public service pension schemes, including the LGPS, for future service made in 2014 and 2015 were discriminatory against younger members. The Government eventually gave a commitment to make changes to all public service pension schemes to remove discrimination.

Programme purpose: To implement the regulations the Government will make to remedy the discrimination against younger members of the LGPS for the Clwyd Pension Fund

Key deliverables 1 October 2020 to 31 January 2021

Project workstream / Description	Responsibility	Sign off	Deadline	Notes	Status
1. Consultation response (Fund)	Governance workstream	Draft - PMG / SG Final - PFC	8 October 2020		**Complete**
2. Communications i. Pensions saving statements ii. Pensions Extra (pensioners newsletter)	Communications workstream	PMG (all) / SG (some)	various	Pensions saving statements and Pensions Extra issued in October	**Complete**
3. Data collection – templates and piloting i. Data collection template ii. Employer questionnaires iii. Data decision process and collection protocol iv. Commence data collection with pilot employers	Data & communications workstreams	PMG	30 November 2020	Data collection documents approved in draft. Meetings with pilot employers in progress - final sign off following pilot meetings.	**In progress**
4. Data collection – employer 1 to 1 sessions	Data workstream	n/a	31 December 2020	Meetings expected to be arranged before end November (taking place towards the end of 2020 / early 2021)	**In progress**
5. Heywood toolkit – clarification of capability	Data workstream	PMG	30 November 2020	Working with Heywood to seek clarification of toolkit capability	**In progress**
6. Consultation outcome announcement	n/a	n/a	Expect by 31 December 2020	Following announcement, changes may be required to programme scope	**In progress**

Programme success criteria (SC)	
SC1	Identify in-scope members with 100% accuracy
SC2	Obtain and load to the administration system all data required to calculate final salary underpin, adopting agreed assumptions where data cannot be reasonably obtained
SC3	Administration processes and systems are all amended and operate in line with the regulations from the effective date
SC4	Benefit rectification is completed accurately for all affected members by the required/agreed date
SC5	Member communications are effective, evidenced by few queries and complaints
SC6	Member communications are effective, evidenced by few queries and complaints
SC7	Automation minimizes the impact on resources and SLAs/KPIs during implementation, rectification and ongoing administration
SC8	The programme is completed without unplanned disruption to business as usual and other Clwyd Pension Fund projects
SC9	The programme is completed within budget and timescale (subject to reasonable tolerances), noting that these will be agreed and reassessed from time to time throughout the programme.
SC10	The additional costs falling to employers transpire to have been reasonably estimated at the 2019 actuarial valuation

Programme Risks

There are a number of risks that the programme's success criteria will not be achieved – these have been identified by CPF's programme management and are captured in a formal risk log.

The current risks that are furthest from target are shown below. **Risk 30 has been added to the programme's risk log since the previous update provided in September 2020 and the proposed controls have been expanded for risk 5. A number of additional risks have been added to the risk log however as they are not deemed to be red or black they are not included in the table below. None of the other risks identified have materially changed over the period.**

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Success criteria at risk	Current risk impact	Current risk likelihood	Current risk status	Proposed controls in place	Target risk impact	Target risk likelihood	Target risk status
1	Unable to identify members in scope	In-scope members cannot be identified with 100% accuracy, leading to some members being excluded from scope, and others included who shouldn't be.	Data W/s	SC1	Critical	Significant (50%)		1. Review member selection criteria and methodology. 2. Sample check members in scope and out of scope. 3.Engage with Heywood to check plans for identifying members	Negligible	Unlikely (5%)	
2	Poor engagement from Employers / lack of understanding	Employers do not engage in a timely manner leading to data issues and delays	Data W/s	SC1, SC2, SC8	Critical	Significant (50%)		1. Early engagement with employers to obtain buy-in. 2. Consider scheduling initial virtual meeting to improve engagement. 3. One to one engagement, with potential ELT engagement. 4. Consider seeking verification of understanding through a signed compliance statement.	Negligible	Unlikely (5%)	
3	Unable to load data efficiently and accurately, and in a timely manner	Data cannot be loaded onto the system in an efficient, accurate and timely manner, leading to project delays or issues with the underpin calculation.	Data W/s	SC1, SC2, SC8	Critical	Very High (65%)		1. Early engagement with Heywood on a one to one basis. 2. Consider scheduling initial virtual meeting to improve engagement. 3. Consider seeking verification of understanding through a signed compliance statement.	Negligible	Unlikely (5%)	
4	Detrimental impact on BAU	Due to delivery of the programme, there is a resulting detrimental impact on BAU resource	PMG	SC7	Critical	Significant (50%)		1. Thorough programme planning, scoping of work and recruitment programme (recruitment is currently underway as at June 2020). 2. Forward planning and ongoing monitoring of resource requirements. 3. Concern raised and action taken as matter of urgency. 4. Flexibility to utilise resource (including training or physical resource) from consultants if required. 5. Reference of all stakeholders to roles and responsibilities document. 6. Strong engagement with software supplier looking for alternative efficiencies.	Negligible	Very Low (15%)	
5	Insufficient or inappropriate resources	Inability to source appropriate resources required to deliver the programme deliverables (including data uploading) in the required timescales	PMG	SC8	Catastrophic	Significant (50%)		1. Thorough programme planning, scoping of work & recruitment programme (recruitment is currently underway at June 2020). 2. Forward planning and ongoing monitoring of resource requirements. 3. Concern raised and action taken as matter of urgency. 4. Flexibility to utilise resource (including training or physical resource) from consultants if required. 5. Reference of all stakeholders to roles & responsibilities document. 6. Strong engagement with software supplier looking for alternative efficiencies. 7. Build resourcing plan (discussed & agreed with ERs) & understanding staff skill 8. Monitoring resource of AH's team once more info on toolkit provided 8. Consideration of external resource.	Negligible	Very Low (15%)	
6	Other external interference	Work on other projects including GMP Equalisation / cost cap / Goodwin case leading to resource constraints on McCloud programme unable to be delivered.	PMG	SC7	Catastrophic	Significant (50%)		1. Thorough programme planning linking in with BAU planning. 2. Attendance of VB and KM on working groups allowing stakeholders to keep abreast of developments. 3. Data cleansing can still be done and staff can be side-tracked temporarily to assist on other projects.	Critical	Very Low (15%)	
7	McCloud Data collection	Unable to collect required data in full from employers in a timely manner	PMG	SC2, SC4, SC7	Critical	Significant (50%)		1. Early engagement with employers to obtain buy-in. 2. Consider scheduling initial virtual meeting to improve engagement. 3. One to one engagement, with potential ELT engagement. 4. Consider seeking verification of understanding through a signed compliance statement. 5. Training through employer webinars.	Negligible	Unlikely (5%)	
13	Final regulations	Regulations are delayed, do not meet objectives or are subject to further challenge, leading to programme delays (including delay in toolkit production) and impact on budgets	PMG	SC7, SC8	Critical	Very Low (15%)		1. Thorough project planning. 2. Attendance of VB & KM on working groups allowing stakeholders to keep abreast of developments. 3. Ongoing engagement with Heywood, testing 4. Manual uploads with some of the smaller employers.	Critical	Very Low (15%)	
30	Heywood toolkit	Inability to identify aggregation cases leading to inaccurate benefit calculations	Data W/s	SG2	Critical	Significant (50%)		1. Pressure on Heywood client manager to come up with a feasible solution 2. Stop deleting 8s 3. Try to identify cases to come up with an action plan if Heywood cannot come up with a workable solution (potentially liaise with other funds) 5. Work out overlapping cases.	Negligible	Unlikely (5%)	

High level timetable & milestones (indicative dates)

Workstream	Month:	2020							2021												2022			
		J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A
Key milestones*																								
Regulations	Consultation / Consultation response																							
	Fund response																							
	Regs made / effective																							
Funding / Accounting / Investment / Cashflows	Accounts prepared/finalised (TBC)																							
	Valuation (TBC)																							
Communications	Standard member communications																							
	Segmented / personalised communications																							
Data	Identify/confirm in-scope members																							
	ER engagement																							
	Data collection / processing																							
Ongoing administration	Scoping workstream																							
	Delivery																							
Benefits rectification	Rectification process																							
	All benefits rectified																							
Programme management	Programme documentation																							
	PM meetings																							
Governance	Scheduled meetings																							

Public consultation (end)

Consultation response (MHCLG)

Regulations made

Regulations effective

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Appendix 2

THE £95K EXIT CAP AND WIDER EXIT PAY REFORM

As reported at the last committee, HM Treasury (HMT) consulted on the implementation of a long-awaited reform of exit pay for public sector employees. This introduced limits on compensation paid by an employer as well an overall exit cap of £95,000 on all employer payments made when an employee exits the public sector. This usually would apply in relation to redundancy but can relate to other cessations of employment. Crucially it also confirmed that the “pension strain” would be included as an exit payment so fell within the test against the overall £95k exit cap. The HMT Regulations to implement the reforms were expected to be signed and implemented in conjunction with the changes required to the LGPS Regulations.

On 7 September 2020, MHCLG then launched its own consultation (until 9 November) on:

- how the exit cap would operate within the LGPS, and
- how it would interact with the employer compensation payments made to members,

resulting in more options and decisions for affected members. Crucially, it included draft LGPS regulations and draft Government Actuary’s Department (GAD) guidance covering how the pension strain would be calculated, as well as how pensions could be reduced where the overall exit cap of £95,000 is breached, in order to bring the overall compensation back within the limit.

Other than the draft Regulations, the consultation was primarily to consider if any groups of employees were adversely affected and so the Pensions Advisory Panel concluded a Fund response was not appropriate. This conclusion was also mindful of the Local Government Association intention to issue a comprehensive response on the matters identifying the disproportionate implications for lower paid employees in particular. The consultation on the change to the LGPS regulations and GAD guidance was subsequently extended by MHCLG to 18 December. The Fund Actuary has responded with comments on the application of the draft guidance. It is expected that the new LGPS regulations and guidance will not be in force until February/March 2021 at the earliest.

Despite requests for the two sets of Regulations to be implemented simultaneously, HMT regulations to implement the £95,000 exit cap were agreed in the House of Commons on 30 September, and the Statutory Instrument was signed on 14 October 2020 meaning that the legislation came into force on 4 November 2020.

This now means there is a conflict between the existing LGPS Regulations and the new HMT Regulations, which puts Funds (and employers) in an extremely difficult position for members who will exceed the cap. The Scheme Advisory Board (SAB) therefore sought Counsel’s opinion on the best way forward. Separately there have been several proposed Judicial Review applications on the introduction of the new HMT Regulations and their application to the LGPS. We wait to see the outcome of these challenges.

As a consequence of the conflict, on 30 October a number of documents were published by HMT and the SAB relating to the operation of the exit cap for exits on or after 4 November. These also set out a possible way forward in the interim until updated LGPS regulations are in place. This affects all Funds and employers listed in the schedule to the HMT regulations in England and Wales. It also set out the waiver process in England and noted that the waiver process in Wales will be determined by Welsh Government.

On 2 November, Welsh Government issued a letter stating that subject to legal advice they are considering introducing a general waiver applying in Wales which excludes the pension strain cost from the assessment against the exit cap where legally possible. This would greatly simplify the position in Wales, as it means that whilst members would be capped for payments made by the employer, they would still be entitled to their full pension benefits. We await further confirmation on this issue.

If, after taking legal advice, this general waiver is not confirmed by Welsh Government, the Fund will have to form a policy on how to approach this conflict between the current LGPS Regulations and the HMT Regulations for members where the £95k cap may bite. For members under the cap or members who work for employers not subject to the HMT Regulations there will be no change i.e. members will continue to be entitled to full benefits.

Cases Where The £95,000 Cap May Bite
Key policy considerations would be:

- Should the Fund pay unreduced benefits in line with the current LGPS Regulations?
- If unreduced benefits are paid can the strain cost above £95,000 be collected from the employer now or in the future?
- How should the Fund calculate the strain costs? In line with the anticipated GAD guidance or maintain the current approach?
- Should the Fund and employers take legal advice on the best course of action given the conflict between the two sets of regulations?
- What are the consequences for the Fund, employers and importantly the members?
- Are the Fund and employers content to follow the SAB proposed approach i.e. pay reduced benefits or offer a deferred pension, accepting this approach is likely to lead to potential challenge from affected members for payment of full benefits?

LGA has issued information notes for employers and for Funds on how to approach the issues, which are available from the Public Sector Exit Payments page and we would recommend keeping up to date at this page as the situation continues to develop.

Irrespective of the answers to the questions above, it is clear that if a temporary policy has to be implemented it will mean great difficulty in administering the outcome as well as communicating the arrangements to members affected. This is another reason why the potential waiver in Wales is important.

Appendix 3

GMP INDEXATION CONSULTATION FOR THE PUBLIC SERVICE SCHEMES

Background and Summary of Consultation

HMT has published a consultation (here) on how the pensions of public service scheme members who have accrued Guaranteed Minimum Pension (GMP) should be indexed in payment once a member retires. In their view this would also satisfy GMP equalisation requirements between genders (with a few exceptions). The new State Pension introduced from April 2016 removed the mechanism that enabled full price inflation protection for public servants' GMP, and an interim solution to this problem requiring the LGPS to provide full indexation on all GMP is currently in place for members who reach State Pension Age up to 5 April 2021.

The government has put forward proposals for dealing with members who reach State Pension Age from 6 April 2021 onwards.

The consultation considers:

- Whether the government should discount conversion of GMP into non-GMP pension as a long-term policy solution and make the interim solution, of full indexation, permanent;
- If not, how long the government should extend full indexation for before reconsidering conversion or a feasible alternative solution in the future.

The consultation is focused on the options available to ensure that the government continues to meet past commitments made to public service employees regarding the full indexation of public service pensions, including any GMP element related to membership of a public service pension scheme.

The three options being proposed are:

- Option 1a: The extension of full indexation to cover those reaching SPA up to and including 5 April 2024.
- Option 1b: The extension of the interim solution to cover those reaching SPA beyond 5 April 2024.
- Option 2: Discount conversion as a long-term policy solution and make full GMP indexation the permanent solution for public service pension schemes.

In referencing the April 2024 date, the consultation recognises that LGPS funds are currently undertaking remedy work which is required in response to the McCloud case, the preparations for which are scheduled to last until April 2022 with implementation for the majority of cases continuing well beyond that date. In addition, schemes have to deliver their business as usual responsibilities and contend with the consequences of Covid-19, as well as responding to other legal challenges. With this in mind, schemes are unlikely to have the capacity to deliver GMP conversion until April 2024 at the earliest.

Section 1.14 of the consultation states that preferred policy is to make full indexation the permanent solution i.e. option 2. The consultation closes on 30 December 2020.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 25 November 2020
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

On each Committee agenda LGPS governance matters and the impact on the Clwyd Pension Fund (CPF) are provided for discussion along with updates on the Clwyd Pension Fund's governance strategy and policies for information. The last update report was provided at the October 2020 Committee and therefore this update report includes key developments since that date.

The report includes updates on:

- The vacant Denbighshire County Council Pension Fund Committee position
- The Clwyd Pension Board meeting in October, including feedback from the Board to the Committee
- The recent LGPS Scheme Advisory Board (SAB) meeting
- The latest changes to our breaches of the law register.

RECOMMENDATIONS	
1	That the Committee consider the update and provide any comments.
2	That the Committee note the feedback in paragraph 1.02 from the Pension Board and provide any comments.

REPORT DETAILS

1.00	**GOVERNANCE RELATED MATTERS**
1.01	**Current Developments and News** *Vacant Denbighshire County Council (DCC) position* The vacant DCC position on the Pension Fund Committee is expected to be filled imminently. A verbal update will be provided at the Committee. In the meantime Councillor Julian Thompson-Hill, who is the appointed substitute member, may attend Committee and other relevant training or meetings.
1.02	*Pension Board update* The Clwyd Pension Board met on 6 November and the draft minutes are included in Appendix 1. The main item of discussion was the £95k Exit Cap. The Board also received updates on areas such as asset pooling, administration service delivery, and compliments and complaints. The Board wish the Committee to note the impressive and professional approach taken by the Pension Fund officers in responding to the Covid-19 pandemic which has not resulted in any reduction in service to scheme members or employers. They also wish to highlight the need for the ongoing monitoring of resources given the amount of regulatory change currently taking place and which is expected to continue for the foreseeable future. The Committee should also note that Mr Pumford's appointment as scheme member representative on the Clwyd Pension Board has been extended in line with the Board's Protocol which includes approval by the Flintshire County Council Chief Executive.
1.03	*Annual Joint Consultative Meeting (AJCM)* The Fund hosted the AJCM on 10th November that was well attended by employers, Committee and Board members. Topics that presented on included: • Regulatory changes affecting employers • Responsible investment and climate risk • The impact of Covid-19 on the Fund. Feedback from employers via polls at the event confirmed: • that the level of services they had received from the Fund had not reduced as a result of the impact of Covid-19. • they agreed that the Fund was achieving the objectives in its mission statement. Further feedback will be obtained and considered by the Advisory Panel.

1.04	*National LGPS Scheme Advisory Board (SAB) Update* The LGPS SAB met on 2 November. No summary is available yet relating to this meeting but the papers can be found here – http://lgpsboard.org/index.php/about-the-board/prev-meetings and these include the actions and agreements from the August meeting too. The key items discussed in November were: • McCloud (which is covered in the Regulatory Update) • the £95k cap (which is covered in the Regulatory Update) • the Good Governance project (see update below) and • updates from the SAB's Cost Management Committee and Investment, Governance and Engagement Committees, both of which met in October.
1.05	*Good Governance Project* The LGPS SAB commenced this project initially to consider whether the management of LGPS funds should be separated from Councils (or the other Host Authority). The outcome was instead several recommendations aimed at improving the governance of LGPS funds. Those recommendations are now being taken forward and this is expected to result in statutory guidance from MHCLG, albeit they have now said this is unlikely to be able to devote any time to this over the next six months due to other competing priorities. In the meantime, LGPS SAB have commissioned further work which will be developing through committees and working groups including: • A report setting out implementation advice for the proposals in Phase 2 including draft service delivery Key Performance Indicators, requirements in relation to the designated pension fund senior officer role that is likely to be implemented and the proposed process relating to an independent governance review/audit. • A sample version of a new Governance Compliance Statement. • A sample independent governance review report.
	Policy and Strategy Implementation and Monitoring
1.06	*Induction Training* Given recent changes to both Committee and Board membership, induction training will be provided for new members, and officers/advisers will be in touch shortly to arrange this. All other members will be invited should they wish to refresh their knowledge.
1.07	*Recording and Reporting Breaches Procedure* The Fund's breaches procedure requires that the Head of Clwyd Pension Fund maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 2 details the current breaches that have been identified. There are two new administration related breaches, one of which is ongoing in relation to transfers of employees to a new employer and the

	proper process was not followed by the transferring employer to ensure the Clwyd Pension Fund is available to the employees. This is ongoing. There is also an ongoing issue with employer Hafan Deg not providing the appropriate remittance advice when contributions are paid. The Deputy Head of Clwyd Pension Fund is now dealing with this. On a positive note, contributions are now being paid on time.
1.08	**Delegated Responsibilities** The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. There are no governance related delegations to report since the last meeting.
1.09	**Calendar of Future Events** Appendix 3 includes a summary of all future events for Pension Fund Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates. Members should note the following event taking place before the 10th February committee meeting: • 2 – 4 December - LAPFF (open to all committee and board members). Members should confirm if they wish to attend this event if not already done so, with Debbie Fielder, the Deputy Head of Clwyd Pension Fund. Members will be emailed with information relating to other events and training as they arise.

2.00	**RESOURCE IMPLICATIONS**
2.01	As mentioned in paragraph 1.02 and 4.01, due to the amount of regulatory change and the impact of Covid-19, it will be necessary to continue to closely monitor the Fund's resources relating to both people and systems. Some additional Pension Fund officers have already been recruited as a result of the McCloud remedy and in the Payroll and Technical Team.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	None directly as a result of this report.

4.00	**RISK MANAGEMENT**
4.01	The latest risk register was provided at the October meeting and there have been no further changes made to it since then. The biggest governance risk continues to relate to the impact of externally led influence and scheme change which could also restrict our ability to meet our objectives and/or legal responsibilities. This is mainly due to the ongoing

	uncertainty around the McCloud judgement and other national changes such as the £95K cap. The other key risk is that there are insufficient staff numbers meaning services are not delivered to meet legal and policy objectives. This relates to the uncertainty around Covid-19 related absences amongst staff members. This risk may be difficult to manage until a vaccine is introduced.

5.00	**APPENDICES**
5.01	Appendix 1 – Pension Board draft minutes – 6 November 2020 meeting Appendix 2 – Breaches log Appendix 3 – Calendar of future events

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	No relevant background documents. **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	(a) **CPF – Clwyd Pension Fund** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (c) **Committee or PFC – Clwyd Pension Fund Committee -** the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund. (d) **Board, LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund. (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of.

	(f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to MHCLG. (g) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation. (h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pension Partnership asset pooling arrangement.

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

CLWYD PENSION FUND BOARD

Minutes of the meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Lead Authority for the Clwyd Pension Fund), held virtually by Webex, and on Friday 6 November at 9.30am.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams, Mr Phil Pumford

Employer Representatives: Mr Steve Gadd, Mr Steve Jackson

IN ATTENDANCE

Mr Philip Latham (Head of Clwyd Pension Fund and Secretary to the Board)
Mrs Karen Williams (Pension Administration Manager) (left at 1.30pm)
Mrs Debbie Fielder (Deputy Head Clwyd Pension Fund)
Ms Mary Lambe (Aon – Presenter and Minute taker)

		Actions
1.	**APOLOGIES/ WELCOME** Mr Steve Gadd, Employer Representative for Denbighshire County Council, was welcomed to his first official Pension Board meeting by the Chair. All attendees introduced themselves to Mr Gadd. The reappointment of Mr Phil Pumford (Member Representative) was confirmed as this has been approved by Flintshire County Council Chief Executive in line with the requirements of the Board's Protocol. The Chair thanks Mr Pumford for agreeing to continue as a Board member. Ms Mary Lambe was introduced and was attending to provide a presentation at Item 6 and also to record the minutes of the meeting. No apologies had been received.	
2.	**DECLARATIONS OF INTEREST**	

Actions

Mr Pumford informed the Board that he knew Ms Lambe in a personal capacity and it was agreed no conflict existed.

3. MINUTES AND MATTERS ARISING

Mrs Fielder shared the draft minutes on screen and these were reviewed by the Board. The Chair asked if Mr Owen's congratulations noted at the last meeting had been passed onto the team and Mrs K Williams confirmed it was shared. The draft minutes of the meeting held on the 28 June 2020 were confirmed as a correct record by all Board members.

4. ACTION TRACKER

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

The following points were made in relation to the Action Tracker with other actions noted as ongoing, already completed or being discussed later on the agenda:

- 70th action (Pooling – FCA investigation into Link/Woodford) – This is still ongoing, and Chair agreed with the Board Secretary that this should be raised with Link at the next PFC meeting.
- 74th action (Business Continuity Policy/Plan) – Mrs K Williams confirmed that work on the policy is underway albeit the focus had changed given remote working was now the norm. A meeting was planned for later in November to progress the work.
- 79th action (Business Continuity, Cyber questionnaires to be developed and issued) – Both questionnaires have been issued by CPF; one to Heywoods and one to Flintshire County Council. Responses are expected later in November and a further update will be brought to the February Board meeting.

RESOLVED:

The Board noted the ***Action Tracker which is to be updated*** as agreed. — **Board Secretary**

Actions

5. COVID-19 IMPACT ON FUND

The Board Secretary then updated the Board on how the Fund is assessing the impact of COVID-19 in the longer term. Mr Latham covered both the operational and financial impact. Mr Latham noted that operationally everything was continuing as normal and nothing had occurred that the team were not able to deal with. Mr Latham noted that in respect of the financial health of the Fund the market impact from February has now been rectified and the Fund is back to £2bn and 92% funded and on target (at the last valuation the Fund was 91% funded). They will continue to monitor this monthly and the Fund advisers, Mercer, monitor developments daily.

Mr Latham also outlined consideration for the longer term and how the Pensions Service will be delivered in the future. Mr Latham along with Mrs Fielder and Mrs K Williams shared slides showing the outcome of a survey of staff and five meetings with the staff teams across the Fund. This covered responses to questions about where staff would like to work in the future (office or from home), seeking views from staff on their performance over recent months, how they believe the Fund performed during the COVID-19 pandemic and whether they think the Fund needs as much office space going forward. The Chair asked if responses to performance issues were in line with management expectations. Mrs K Williams and Mrs Fielder confirmed that they were in line with their expected views. Mr Latham, Mrs Fielder and Mrs K Williams confirmed that the exercise was helpful to get insight.

The Board members all welcomed the reassurance and noted how positive it is that the transition to remote working has been seamless and level of service unaffected. The Chair asked whether the Fund has considered obtaining feedback from scheme members and employers during the pandemic. Mrs K Williams noted that the Fund could tailor the satisfaction survey to members and also mention to employers including at next week's Annual Joint Consultative Meeting (AJCM). Mrs Fielder asked if there are opportunities to use the Fund website to obtain feedback and it was felt that may be necessary to await the new recruit that is covering website maintenance.

The Chair suggested that, at the AJCM, a poll question is included which asks about the level of service during the COVID-19 pandemic and it was agreed

	Actions
***Action** - **Mrs K Williams would arrange for this to be included in the AJCM slides**.*	**Board Secretary**

6. £95K EXIT CAP AND WIDER REFORMS

The Chair introduced the item inviting Ms Lambe to present. Ms Lambe presented slides to the Board covering the latest developments relating to the £95K Exit Cap regulations from HM Treasury, wider MHCLG regulations covering the £95K Exit Cap and wider reforms relating to the Discretionary Compensation Regulations. In particular the developments in Wales were discussed given that the waiver being sought by Welsh Government is expected to allow that the pension strain cost would be excluded in the calculation of the Exit Cap in Wales.

The Board discussed the slides and it was noted by Mr Gadd there appears to be a lack of awareness relating to the wider MHCLG reforms and this was acknowledged by the Chair. The challenge of understanding which parts of the MHCLG regulations will apply in Wales was also discussed.

It was also noted that Welsh LGA guidance would be helpful. Mr Gadd also fed back that support that his Council had received from the Pensions Team had been very helpful.

Mrs K Williams highlighted that her team were not aware of any Clwyd Pension Fund scheme members who might be subject to these changes in the near future and as a result there was no immediate need for the Fund to make any policy decisions. It was hoped that the Welsh waiver would resolve any issues.

Chair noted that the role of the Board in this area is in the oversight and understanding of what activity the Fund are taking (as set out in the first of the slides presented).

The Board thanked Ms Lambe for a very clear presentation.

7. McCLOUD REMEDY PROJECT

The Board received an update from Mrs K Williams on the progress of the Fund's McCloud programme. This included information on each of the workstreams, the development of a risk register for the project

Actions

and confirmation that the workstreams will feed into the development of an employer questionnaire regarding the provision of data for uploading to the pensions administration system.

On the collection of data Mrs K Williams outlined that it is important to ensure those employers in scope are engaged with, to ensure previously provided information can be assessed as part of identifying what further information is required. A further update would be provided to employers at the AJCM next week and further engagement meetings planned thereafter with employers.

On software developments Mrs K Williams confirmed that officers are working with the software provider on the changes required. The Fund appears to be well advanced compared to other funds meaning the Clwyd Pension Fund hope to be a test site with the software supplier.

Mrs K Williams confirmed that the Programme's Steering Group would meet via WebEx on 7th December. It was noted that if any of the Board want specific items on the agenda for the Steering Group meeting, they should let Mrs K Williams know. Papers will be issued a week before.

8. THE PENSIONS REGULATORS (TPR) CODE OF PRACTICE

The Chair introduced the recent activity the Fund have taken to assess the Fund against the TPR Code of Practice No.14 and the legal role the Board plays in assisting the Administering Authority in ensuring compliance with the requirements. There were three attachments provided to the Board and the Chair explained that the third item relates to the expected Single Modular Code, due in 2021. This is where TPR are merging their existing codes into one (initially combining 10 codes including the Code of Practice No.14), meaning this exercise may look different in 12 months' time.

Mrs Fielder and Mrs K Williams took the Board through the TPR Compliance Model findings and focused on areas where the Fund is not fully compliant. There are 11 partially compliant areas and these have reduced since last reviewed by the Board in February 2020. The Board discussed the areas of partial compliance with some key points arising for the following items:

- B9 – Pre-Induction Training: It is considered that this is not something the Fund can do and as agreed by the Board in February there is no further action here.

Actions

- B12 - Have Board members completed the TPR's toolkit for training on the Code of Practice No. 14: The Chair noted that she has recommended to the Fund that training is customised to needs of the Fund in relation to these areas.

- D4 - Does the Administering Authority publish information about pension board business: Mrs K Williams noted this is high on her agenda and the website needs to be updated and ensure content remains relevant. A new role being recruited for in the Technical Team will include responsibility for the website. The Board discussed the compliance requirements with new accessibility rules for Public Sector websites. This also relates to action on H10.

- E7 – Adequate systems and internal controls: Mrs Fielder highlighted the outstanding action to produce process notes for tasks which are carried out by the Finance section of the team. This work has commenced. This same action also relates to G1. A discussion was had about three employers who still pay by cheque. Mrs K Williams highlighted some increased reporting and engagement they will be beginning with employers in December.

- F1 – Record keeping regulations: Mrs K Williams noted that she needs to get assurance from the Fund's AVC provider that they meet record keeping requirements.

- H13 – Tracing update: Mrs K Williams explained they are not using traditional life certificates during the COVID-19 pandemic. A monthly mortality exercise is carried out and a two-yearly tracing exercise is about to commence.

Mr Gadd asked how this is assessed more widely and Mrs Fielder confirmed that whilst it is not audited directly it is part of the Fund's governance oversight and is due to go the Pension Fund Committee with annual training next February. The Chair confirmed that is not required by TPR but they could come asking to assess compliance. It is also a useful checklist for internal audit and was considered by them at a previous year's audit.

Chair thanked Mrs Fielder and Mrs Williams for the update and noted it was very positive findings.

Actions

9. DATA IMPROVEMENT PLAN

The Chair introduced this item and Mrs K Williams provided an update on the data improvement plan and the results of common and scheme specific data from the pensions administration software supplier Heywoods.

Mrs K Williams advised the Board that this years' scores were:

- For common data an improvement from 97.2% last year to 97.4% this year noting there were also 1,700 more members in scope this year
- For scheme specific data an improvement from 92.7% last year to 97.2% this year.

Mrs K Williams noted there were some items the Fund would like to have done but they will now be moving these into this year's plan and will generate an updated improvement plan for the Fund to work towards. She explained there will be a point where the Fund will reach a stalemate in terms of improvements. The Fund aims towards 100% but there are some areas that do not impact on the members of the Fund and therefore utilising resources to do unnecessary cleansing will need careful consideration.

Mr Jackson noted that this approach is sensible and good to see strong performance. The Chair asked about row 33 (one of Fund's highest priorities) asking for assurance these are not pensioners in payment. Mrs K Williams said that they were not, as the Pensions Increase annual exercise would have picked those up if that were the case.

10. ADMINISTRATION UPDATE (standard item)

The Chair invited Mrs K Williams to provide the administration update. Mrs K Williams started by covering KPIs outlining that it was a little concerning as she had noticed a dip in a few areas recently which was assessed as being as a result of transition of staff to the newly formed McCloud team, as well as being holiday period. Although the statistics show a dip, the situation has now improved which is positive and was in line with Mrs K William's expectations. She highlighted that more training will be needed as staff roles develop so another dip could be expected. In the case of transfers in there will be a dip as the Fund is awaiting new factors. Mr Latham noted that he was originally concerned with KPIs particularly as staff were working from

Actions

home but very pleased to see Mrs K William's expectations were right regarding improvement.

In terms of completed cases, the rate of work was extremely positive as remaining cases were reducing and at the lowest rate since this had been monitored. The training challenge remains but the teams are learning and adapting at the moment, and they will reap the benefits in the long run.

Mr Gadd asked a question to understand how the KPI figures are arrived at with Mrs K Williams providing explanation on how they represent cases that are not processed in good time.

Mrs K Williams then explained that on Member Self-Service (MSS) registered members continue to grow, with a significant number using the benefit projections facility with approximately 5,000 in September and 40,000 of those calculations in last 12 months. Mrs K Williams noted it was pleasing to see this engagement. The Chair noted that 43% is good but there are still over 50% not using MSS and therefore not receiving annual benefit statements. She also noted that Denbighshire County Council (DCC) is at 40% and asked if Mr Gadd could help in increased engagement within the Council (noting that similar requests had been made to the other Councils). It was agreed that wording would be shared with Mr Gadd for inclusion in local newsletters/website.

Action - Mrs K Williams agreed to will liaise with Kath Meacock and Jo Berry to provide Mr Gadd with wording to encourage DCC members to join MSS. **Board Secretary**

Mrs E Williams noted concern regarding those members who don't access the Fund website and what happens to those members who don't have MSS access or haven't requested paper versions. Mrs K Williams confirmed a reminder and activation key were sent to try resolve this and the Fund continues to ensure all new members automatically get the activation key. Mr Gadd noted that the information could be issued with payslips too and Mrs K Williams noted the benefits of doing this pre-Christmas when people might tend to look over personal affairs over the Christmas period. Chair asked that the Fund keeps encouraging black hole members to do this.

11. COMPLIMENTS AND COMPLAINTS (including Internal Dispute Resolution Procedure (IDRPs) (standard item)

The Chair invited the Pensions Administration Manager to provide an update. Mrs K Williams advised that she intends to review the

Actions

Complaints log so it is more meaningful. At present it is shared at the monthly section meeting and Board meeting but some of the content is less relevant and meaningful and interpretation of what to include is important. The Chair noted that it is perhaps worth considering the definition of a complaint and compliment as part of work to develop this area. Mrs K Williams noted the need to have a discussion with the team as it is important to ensure buy in from colleagues but also that the log is valuable to management.

12. ASSET POOLING (standard item)

Mr Latham provided a verbal update on progress of Asset Pooling for the Fund. Looking at investments first, Mr Latham noted Link and Russell are presenting at the next Pension Fund Committee (PFC) where they will be asked about the performance of the global equities fund transferred in February 2019.

He advised that 12% of the Fund was transferred to the WPP's Multi Asset Credit across 3 tranches from July to September 2020. Next is expected to be emerging market equity in May 2021- this would be raised with Russell at the next PFC meeting.

Developments have progressed on the WPP Responsible Investment (RI) Policy and Climate Risk Policy and Mrs Fielder is a member of the newly appointed sub-group.

Looking secondly at governance, Mr Latham outlined the progress including having prepared a Business Plan, the first Annual Report, a Conflict of Interest Policy and a WPP Workplan, and that having these in place provides greater confidence to the Fund. An outstanding issue is the item of Scheme Member representation on the WPP Joint Governance Committee (JGC). This item will be on the agenda at the next JGC in December.

Mr Latham also noted development of the WPP Risk Register and that he is a member of the Risk Register sub-group noting third-party risk is the biggest risk for WPP. He noted that a recent bid to purchase Link had been rejected. He also mentioned the role for new oversight advisor and seeking clarity on how that works in terms of receiving advice at Fund level. Overall Mr Latham is reasonably comfortable with WPP.

The Chair provided an update on the PB Chair engagement meeting which she attended virtually on 15th September noting these are 6 monthly meetings providing Chairs of Boards with the opportunity for independent view delving into issues. September's meeting was the first of these where all participating Funds were represented. Officers from the Host Authority and other Fund officers alongside Russell and

Actions

Link also attended. The Chair outlined the concern at Host Authority updates including just five bullet points ahead of the meeting and it was agreed that going forward three of the PB Chairs would be consulted on the agenda to ensure more useful information could be requested in advance. Overall though Board Chairs were pleased with the meeting and there was more positivity at the meeting compared to previous meetings. The Chair went on to outline other areas covered including the WPP Scheme Member Representative. The Chair also noted other points from the discussion including:

- the WPP Training Plan will include the opportunity for Board members to be invited to some WPP training sessions in the future
- financial information provided did not include any benchmarking against the expected costs and savings for the WPP, and this information has been requested for the future
- the Business Plan was not on the agenda to assess if they are on target but again this is to be provided in the future
- she had asked a question about Business Continuity Plans for WPP and the Host Authority agreed to take that action away.

Overall the Chair felt it was a better position than 12 months ago for WPP.

Action -The Chair mentioned that the Board should ensure they keep asking questions around the options being considered for the end of the Operator's contract period (tender, rent, build again) given this is a key risk for all the Funds participating. It was agreed to add this to the action tracker so it is not forgotten for future agendas. **Board Secretary**

In relation to resourcing at the Host Authority, Mrs Fielder mentioned a preference for taking part in the WPP sub-groups to put forward views and provide an opportunity for Funds to input to evolving matters. The Chair noted this and suggested therefore the Fund needs to consider appropriate resources to maintain this engagement.

Mr Pumford noted that things seem better than in March 2020 and it is positive that Mr Latham is on the Risk Register group. The Board noted it was also very positive that Mrs Fielder is on the RI Group.

13. UPDATES ON OTHER DEVELOPMENTS AND RISKS, INCLUDING NATIONAL DEVELOPMENT

The Chair asked Mr Latham to provide an update on the first items including the impact of Brexit and US Elections, which he summarised

Actions

as providing assurance for the Fund that their strategies did not need any immediate change as a result of these areas.

The Employer Flexibilities Regulations were also explained with Mr Latham noting that regulations had been laid but statutory guidance was awaited and expected early next year.

The Chair gave a brief update on GMP Equalisation/Indexation with a consultation ongoing from HM Treasury, and activity relating to the Goodwin case dealing with equality in an opposite sex case for survivor benefits.

The Pension Dashboard is progressing and Funds will be required to provide data by 2023. Mrs K Williams is on a working group.

The Chair and Secretary of the Board reflected on the fact that this showed how much is ongoing and the Chair noted that the Fund need to consider on an ongoing basis the need to flex resources. Mr Latham noted this would also mean potential reliance on consultants and so the cost of that would need to be considered.

14. RISK REGISTER

The Board had no comments on this area.

15. BREACHES LOG

[Note this item was taken immediately after agenda item 11, after which Mrs K Williams left the meeting].

The breaches log is incorporated in the PFC report. Mrs K Williams noted two additional breaches that have arisen since the PFC meeting including recalculation and reissue of annual benefit statements due to incorrect pay being provided by an employer, and a TUPE process that had not progressed in line with requirements. Mr Jackson declared an interest in the second one as it relates to Coleg Cambria and on which there is a meeting next week. Mr Gadd declared an interest in the first one which relates to Denbighshire County Council and it was noted this is now resolved.

Another point was raised by Mrs Fielder that a Fund employer is continuing to fail to provide remittance advice with payment of contributions. They are a small employer (2 members) but the issue is persistent. The Chair noted that Mrs Fielder should ensure that

Actions

actions are recorded and reported as this could become a reportable event.

16. UPDATES FROM RECENT EVENTS ATTENDED BY BOARD MEMBERS

The recent events were discussed by the Board including positive views of recent training attended.

17. CONSIDERATION OF 7th OCTOBER 2020 COMMITTEE PAPERS (standard item)

The Board discussed papers from last PFC meeting and Board noted there were no comments.

18. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE (standard item)

The Chair asked if there is anything to feedback to the PFC meeting.

Action - The Chair noted that there will be an opportunity at the next PFC to congratulate the ongoing work of the team and how pleased Board are that everything is working well.

Chair

Mr Pumford noted the impressive and professional approach of the team and the Chair noted she would remember to make that point.

Also, the ***Chair mentioned feeding back the need to monitor resources with so much going on at present***.

Chair

19. FUTURE WORK PLANS

The Board discussed items on the future workplan including:

- **Cyber questionnaires** – should be on the February agenda so Board can learn feedback from the exercise –

  Action - to add to February 2021 agenda.

Board Secretary (all actions)

	Actions
• **Training plans** – add into this to ensure that all induction training has been delivered – ***Action - to add to workplan*** • Business Continuity – could be explicit agenda item next time – ***Action - to add to February 2021 agenda.*** Mr Gadd raised a query regarding requests being received for information/FOI by DCC regarding carbon neutrality. The Chair noted that this is an area the Advisory Panel spent a significant amount of time on the previous day. ***Action - It was agreed that this should be added to the February 2021 agenda.*** The Chair asked that any other suggestions are emailed through.	
20. PENSION BOARD BUDGET Mrs Fielder provided commentary on information shared with the Board noting that half-way through the year there is an underspend and also that the budget was revised to take into account the McCloud work. She predicted that it would be likely that by the end of the financial year the Board will have underspent on member expenses.	
21. FUTURE DATES The dates and practical arrangements for forthcoming meetings were discussed including next week's AJCM, WPP Training Session on 24th November, highlighted dates to follow for induction training, 25th November PFC meeting and McCloud Steering Group on 7th December. The Chair also noted Cyber Training taking place 19th November for PB and PC members. ***Action - to share this invitation with Board members.***	**Board Secretary**
22. ANY OTHER BUSINESS Noted that the next meeting of the Board is 23rd February 2021.	

Actions

Ref	A1	**Date entered in register**		19/09/2017
Status	Open	**Date breached closed (if relevant)**		
Title of Breach	Late notification of joining		**Owner**	SB/JT
Party which caused the breach	CPF + various employers			
Description and cause of breach	Requirement to send a Notification of Joining the LGPS to a scheme member within 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. Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale. 14/8/19 General data cleansing including year-end is affecting whether legal timescale is met. Individual on long-term sick impacting this.			
Category affected	Active members			
Numbers affected	2017/18: 2676 cases completed / 76% (2046) were in breach. 2018/19: 3855 cases completed / 66% (2551) were in breach. 2019/20: - Q1 - 822 cases completed / 62% (507) were in breach - Q2 - 750 cases completed / 46% (380) were in breach - Q3 - 1086 cases completed / 55% (603) were in breach - Q4 - 705 cases completed / 29% (207) were in breach 2020/21 -Q1 - 442 cases completed / 55% (245) were in breach -Q2 - 1430 cases completed / 56% (799) were in breach			
Possible effect and wider implications	- Late scheme information sent to member which may result in lack of understanding. - Potential complaints from members. - Potential for impact on CPF reputation.			

Actions taken to rectify breach	- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing). - Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly. - Training of new team members to raise awareness of importance of time restraint. - Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task. - 6/6/18 - Updating KPI monitoring to understand employers not sending information in time. 3/6/19 - Review of staff resources now complete and new posts filled. 14/8/19 -Streamlining of aggregation cases with major employers. - Consider feasibility and implications of removing reminders for joining pack (agreed not to change). - Consider feasibility of whether tasks can be prioritised by date of joining (agreed not to change). 14/11/19 - Utilising FCC trainees to assist with this procedure. Joined early September. 30/01/2020 - backlog completed and addressed older case work. 25/09/2020 - Appointed and training new members of staff 17/11/2020 - Training of new staff continuing. An increase of cases completed compared to previous. Expecting next quarter results to improve due to completion of training.
Outstanding actions (if any)	- Ongoing roll out of i-Connect. - Bedding in of new staff/ training. - Carrying out backlogs of previous joiners (most of which are due to i-Connect roll out). - Contacting employers who are causing delays. 28/1/19: - Introduce process to analyse specific employers causing problems. 22/06/2020 - Identified the need for permanent positions within this area. Will take this into consideration when reviewing recruitment for McCloud. 25/09/2020 - Recruitment complete, training on-going. 17/11/2020 - Training to be completed this quarter.
Assessment of breach and brief summary of rationale	17/11/2020 - New appointments made in September have proved vital to the number of cases that have been completed this quarter. Improvements in KPI target increased through the quarter and should continue going forward.
Reported to tPR	No

Ref	A2	**Date entered in register**	19/09/2017
Status	Open	**Date breached closed (if relevant)**	
Title of Breach	Late transfer in estimate	**Owner**	JT
Party which caused the breach	CPF + various previous schemes		

Description and cause of breach	Requirement to obtain transfer details for transfer in, and calculate and provide quotation to member 2 months from the date of request. Breach due to late receipt of transfer information from previous scheme and late completion of calculation and notification by CPF. Only 2 members of team fully trained to carry out transfer cases due to new team structure and additional training requirements. 29/1/19 National changes to transfer factors meant cases were put on hold/stockpiled end of 2018/early 2019.
Category affected	Active members
Numbers affected	2017/18: 235 cases completed / 36% (85) were in breach. 2018/19:213 cases completed / 45% (95) were in breach. 2019/20: - Q1 - 51 cases completed / 59% (30) were in breach - Q2 - 56 cases completed / 29% (16) were in breach - Q3 - 53 cases completed / 21% (11) were in breach - Q4 - 64 cases completed / 21% (14) were in breach 2020/21 -Q1- 59 cases completed / 19% (11) were in breach.'- -Q2- 54 cases completed / 35% (19) were in breach
Possible effect and wider implications	- Potential financial implications on some scheme members. - Potential complaints from members/previous schemes. - Potential for impact on CPF reputation.
Actions taken to rectify breach	- Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with in a more timely manner.
Outstanding actions (if any)	- Completion of training of team members in transfer and aggregation processes. 29/1/19: - If KPIs don't improve, investigate how much of the delay is due to external schemes and look for ways to improve this.
Assessment of breach and brief summary of rationale	17/11/2020 - Still need to investigate what is causing the delay of information coming into CPF to establish reason for breach. Pension Funds facing challenges due to Covid 19 and transferring paperwork in appropriate timescales.
Reported to tPR	No

Ref	A4	**Date entered in register**	19/09/2017
Status	Open	**Date breached closed (if relevant)**	
Title of Breach	Late notification of retirement benefits	**Owner**	SB
Party which caused the breach	CPF + various employers + AVC providers		
Description and cause of breach	Requirement to provide notification of amount of retirement benefits within 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. Due to a combination of: - late notification by employer of leaver information - late completion of calculation by CPF - for members who have AVC funds, delays in receipt of AVC fund values from AVC provider.		
Category affected	Active members mainly but potentially some deferred members		

Numbers affected	2017/18: 960 cases completed / 39% (375) were in breach. 2018/19: 1343 cases completed / 30% (400) were in breach 2019/20: - Q1 - 315 cases completed / 28% (87) were in breach - Q2 - 411 cases completed / 24% (99) were in breach - Q3 - 348 cases completed / 26% (93) were in breach - Q4 - 256 cases completed / 18% (47) were in breach 2020/21 -Q1 - 214 cases completed in total / 37% (79) were in breach -Q2- 232 cases completed / 25% (59) were in breach
Possible effect and wider implications	- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from members/employers. - Potential for impact on CPF reputation.
Actions taken to rectify breach	- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of retirees (ongoing). - Set up of ELT to monitor and provide leaver details in a more timely manner. - Prioritising of task allocation. - Set up of new process with one AVC provider to access AVC fund information. - Increased staff resources. 3/6/19 - Review of staff resources now complete and new posts filled. 14/8/19 - Improvements have been made and more should be made as staff are settled in and trained. Business case approved. 25/09/20 - Increased engagement with employers to assist with challenges faced due to working from home in relation to Covid-19 requirements. Employers faced challenges in getting information to us in relevant timescales. 17/11/2020- Number of cases completed has increased whilst percentage in breach has reduced compared to last quarter.This is hoped to continue due to increased engagement with employers and processes amended to mitigate challenges faced by Covid-19.
Outstanding actions (if any)	- Further training of newly promoted team member to deal with volume of work. - Identifying which employers are causing delays. 14/11/19 Continuation of training. 30/1/2020 Ongoing liaison with employers
Assessment of breach and brief summary of rationale	17/11/2020 - Whilst pleasing to see reduction in number of cases in breach, this remains an area where improvement is required. Due to development of new reporting, it will be easier in future to identify if CPF or employer is causing the breach.
Reported to tPR	No

Ref	A6	**Date entered in register**	20/09/2017
Status	Open	**Date breached closed (if relevant)**	
Title of Breach	Late notification of death benefits	**Owner**	SB
Party which caused the breach	CPF		

Description and cause of breach	Requirement to calculate and notify dependant(s) of amount of death benefits 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). Due to late completion by CPF the legal requirements are not being met. Due to complexity of calculations, only 2 members of team are fully trained and experienced to complete the task.
Category affected	Dependant members + other contacts of deceased (which could be active, deferred, pensioner or dependant).
Numbers affected	2017/18: 153 cases completed / 58% (88) were in breach. 2018/19:184 cases completed / 30% (56) were in breach 2019/20: - Q1 - 33 cases completed / 24% (8) were in breach - Q2 - 41 cases completed / 34% (14) were in breach - Q3 - 49 cases completed / 26% (13) were in breach - Q4 - 42 cases completed / 28% (12) were in breach 2020/21 -Q1- 39 cases completed / 23% (9) were in breach -Q2- 52 cases completed / 38% (20) were in breach
Possible effect and wider implications	- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from beneficiaries, particular given sensitivity of cases. - Potential for impact on CPF reputation.
Actions taken to rectify breach	- Further training of team - Review of process to improve outcome - Recruitment of additional, more experienced staff. 3/6/19 - Review of staff resources now complete and new posts filled.
Outstanding actions (if any)	24/06/2020 - Ongoing training of death calculations on the team
Assessment of breach and brief summary of rationale	17/11/2020 - Number of cases completed has increased but unfortunately so has the number in breach. Death process reviewed in full and training to be undertaken. Hopeful that changes made will lead to improvements in Q3.
Reported to tPR	No

Ref	A9	**Date entered in register**	29/08/2018
Status	Open	**Date breached closed (if relevant)**	
Title of Breach	Late notification of leaver rights and options	**Owner**	SB/JT
Party which caused the breach	CPF + various employers		
Description and cause of breach	Requirement to inform members who leave the scheme of their leaver rights and options, as soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member). Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale.		
Category affected	Active members		

Numbers affected	2018/19: 3596 cases completed / 45% (1634) were in breach 2019/20: - Q1 - 541 cases completed / 6% (34) were in breach - Q2 - 391 cases completed / 6% (23) were in breach - Q3 - 541 cases completed / 6% (36) were in breach - Q4 - 306 cases completed / 3% (8) were in breach 2020/21 -Q1- 418 cases completed / 9% (37) were in breach - Q2 -313 cases completed / 2% (6) were in breach
Possible effect and wider implications	- Late notification of benefits/costs to member/employer. - Potential complaints from members/employers. - Potential for missed opportunities by members/employers. - Potential for impact on CPF reputation.
Actions taken to rectify breach	- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of leavers (ongoing). - Set up of Employer Liaison Team (ELT) to monitor and provide leaver details in a more timely manner. - Training of new team members to raise awareness of importance of time restraint. - Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task. - 6/6/18 - Updating KPI monitoring to understand employers not sending information in time. 3/6/19 - Review of staff resources now complete and new posts filled. 14/8/19 - Ongoing streamlining of aggregation cases with major employers. - Consider feasibility of whether tasks can be prioritised by date of leaving (no action taken). - Carrying out backlogs of previous leavers (most of which are due to i-Connect roll out).
Outstanding actions (if any)	- Ongoing roll out of i-Connect. - Bedding in of new staff/ training. - Contacting employers which are causing delays. 28/1/19: - Introduce process to analyse specific employers causing problems.
Assessment of breach and brief summary of rationale	17/11/2020 - Percentage of breach reduced again so will maintain as green.
Reported to tPR	No

Ref	A18	**Date entered in register**	01/10/2020
Status	Closed	**Date breached closed (if relevant)**	22/10/2020
Title of Breach	Incorrect data on Annual Benefit Statements	**Owner**	KW

Party which caused the breach	DCC
Description and cause of breach	Incorrect member data sent by DCC to CPF which resulted in incorrect pay data populated on the Annual Benefit Statements (ABS). Benefits quoted on ABS over inflated for members affected. Error not notified to CPF until after statements had been issued.
Category affected	Active members
Numbers affected	400 plus members
Possible effect and wider	Potential complaints from scheme members

Actions taken to rectify breach	17/11/2020 - DCC provided correct information . Benefits were recalculated and amended Annual Benefit Statements provided 22/10/2020.
Outstanding actions (if any)	None
Assessment of breach and brief summary of rationale	17/11/2020 Assessed green due to the small number of members affected, the small difference in figures quoted and the correct statements having been issued very quickly. Breach now closed.
Reported to tPR	No

Ref	A19		**Date entered in register**		17/08/2020
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		TUPE process not followed correctly		**Owner**	KW
Party which caused the breach			Employer		
Description and cause of breach			TUPE process not followed as employer unsure of procedures and didn't realise their responsibilities.		
Category affected			Active members		
Numbers affected			12 employees		
Possible effect and wider implications			Contributions may be being deducted by new employer even though not officially approved as a CPF employer. Members may not be aware of situation (they possibly think they are in the CPF but our records do not reflect this). Risk of reputational impact for employer and CPF. Potential complaints from employees.		
Actions taken to rectify breach			17/11/2020 - Meeting held between originating employer, legal advisor, benefit advisor and members of CPF to resolve breach and devise action plan.		
Outstanding actions (if any)			17/11/2020 Relevant process and forms to be completed by all parties to confirm membership in CPF, and pensions system to be updated reflecting correct membership.		
Assessment of breach and brief summary of rationale			17/11/2020 Assessed amber due to the serious nature of it (albeit not affecting many employees), length of time issue has been a breach and although actions taken to resolve still remains outstanding.		
Reported to tPR			No		

Ref	F35		**Date entered in register**		31 Jul 2020
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		No submission of contribution remittance advice		**Owner**	DF
Party which caused the breach			Hafan Deg (K L Care Ltd)		
Description and cause of breach			A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to June and July 2020 were received late but no remittance advices were received. August remittance is still outstanding.		
Category affected			Active members and employer		
Numbers affected			2 active members		
Possible effect and wider implications			Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach			31/07/2020 - Emailed employer to request remittance. Escalated to Deputy Head of Pension Fund to continue dialogue in relation to this and other outstanding breaches.		

Outstanding actions (if any)	17/11/20 Escalated to Deputy Head of Pension Fund who will carry out further contact to include other breaches.
Assessment of breach and brief summary of rationale	17/11/20 - outstanding remittances still not received. Escalated to Deputy Head of Pension Fund to continue dialogue in relation to this and other outstanding breaches.
Reported to tPR	No

Ref	F36	**Date entered in register**	23 Sep 2020
Status	Open	**Date breached closed (if relevant)**	
Title of Breach	No submission of contribution remittance advice	**Owner**	DF
Party which caused the breach	Hafan Deg (K L Care Ltd)		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to August 2020 were received within the legal timescale but no remittance advice was received. September remittance is still outstanding. Previous Breach F35		
Category affected	Active members and employer		
Numbers affected	2 active members		
Possible effect and wider implications	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	17/11/2020 - Emailed employer to request remittance. Escalated to Deputy Head of Pension Fund to continue dialogue in relation to this and other outstanding breaches.		
Outstanding actions (if any)	17/11/20 Escalated to Deputy Head of Pension Fund who will carry out further contact to include other breaches.		
Assessment of breach and brief summary of rationale	17/11/20 - outstanding remittances still not received. Escalated to Deputy Head of Pension Fund to continue dialogue in relation to this and other outstanding breaches.		
Reported to tPR	No		

Ref	F37	**Date entered in register**	23 Oct 2020
Status	Closed	**Date breached closed (if relevant)**	28 Oct 2020
Title of Breach	Late payment of contributions	**Owner**	DF
Party which caused the breach	Hafan Deg (K L Care Ltd)		
Description and cause of breach	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions. Contributions in relation to September 2020 were not received within the deadline. Previous Breach F34		
Category affected	Active members and employer		
Numbers affected	2 active members		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	17/11/20 - Although payment received on Oct 28th , Deputy Head of Pension Fund emailed Employer to remind of duty to pay contributions within legal timescale		
Outstanding actions (if any)			

Assessment of breach and brief	17/11/20 - reassessed as payment received
Reported to tPR	No

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CLWYD PENSION FUND - CALENDAR OF EVENTS APRIL 2020 ONWARDS						
Month	**Date**	**Day**	**Committee**	**Training**	**Pension Board**	**Location**
2020						
April						
	02-Apr	Thu		**CIPFA Pension Board Event CANCELLED**		Cardiff
May						
	18 - 20 May	Mon - Wed		**PLSA Local Authority Conference CANCELLED**		Gloucestershire
	22-May	Fri	Informal Update Virtual Meeting 10.30am - 12.30pm			Webex
June						
	10-Jun	Wed	**CANCELLED**			County Hall
	24-Jun	Wed		CIPFA Pension Board Event		Webinar
	25-Jun	Thu		Climate Risk 1pm - 2.30pm		Webex
	30-Jun	Tue			9.30am - 2.30pm	Webex
July						
August						
	05-Aug	Wed		McCloud 1pm - 2.30pm		Webex
September						
	08-Sep	Tue	**Postponed**	Private Markets 1pm - 2.30pm		Webex
	22 & 29 Sept	Tues		WPP Engagement & Proxy Voting 2pm - 3.30pm		Teams
October						
	06-Oct	Tues		WPP Engagement & Proxy Voting 2pm - 3.30pm		Teams
	07-Oct	Wed	9.30am - 12.30pm			Webex
	23-Oct	Friday		WPP Performance Metrics and Asset Classes 10.00am - 12.30pm		Teams

Month	Date	Day	Committee	Training	Pension Board	Location
November						
	06-Nov	Fri			9.30am - 3pm	Webex
	10-Nov	Tue		Annual Employer Meeting (AM)		Webex
	10-Nov	Tue		AJCM (PM)		Webex
	24-Nov	Tue		WPP Progress of Pools and Collaboration 2.00pm - 4.30pm		Teams
	25-Nov	Wed	9.30am - 12.30pm			Webex
December						
	2- 4 Dec	Wed - Fri		LAPFF		Virtual
2021						
January						
February						
	10-Feb	Wed	9.30am - 1pm			County Hall
	23-Feb	Tue			9.30am - 3pm	County Hall
March						
	23-Mar	Tue	All Day (to include training)			County Hall
April						
May						
June						
	09-Jun	Wed	9.30am - 1pm			County Hall
	24-Jun	Thu			9.30am - 3pm	County Hall