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To: Cllr Ted Palmer (Chairman)

Councillors: Haydn Bateman, Dave Hughes, Tim Roberts and Ralph Small

Co-opted Members:
Steve Hibbert, Councillor Andrew Rutherford, Councillor Nigel Williams and Councillor Julian Thompson-Hill - Denbighshire County Council

4 November 2021

Dear Sir/Madam

NOTICE OF REMOTE MEETING
CLWYD PENSION FUND COMMITTEE
WEDNESDAY, 10TH NOVEMBER, 2021 at 9.30 AM

Yours faithfully

Robert Robins
Democratic Services Manager

Please note: This will be a remote meeting and 'attendance' will be restricted to Committee Members and those Members of Council who have asked the Head of Democratic Services for an invitation. Such attendees may only speak at the Chair's discretion.

The meeting will be live streamed onto the Council's website. A recording of the meeting will also be available, shortly after the meeting at https://flintshire.publici.tv/core/portal/home

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

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 5 - 14)

Purpose: To confirm as a correct record the minutes of the last meeting held on the 1 September 2021.

4 **CLWYD PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS** (Pages 15 - 18)

Purpose: To provide Committee Members with the update on the progress of the audit of the Clwyd Pension Fund's draft Annual Report and Accounts and approve the delegation of the authorization

5 **GOVERNANCE UPDATE AND CONSULTATIONS** (Pages 19 - 70)

Purpose: To provide Committee Members with an update on governance related matters and approve changes to the Finance Team structure and associated budget.

6 **PENSION/ADMINISTRATION/COMMUNICATION UPDATE** (Pages 71 - 104)

Purpose: To provide Committee Members with an update on administration and communication matters.

7 **INVESTMENT AND FUNDING UPDATE** (Pages 105 - 124)

Purpose: To provide Committee Members with an update of investment and funding matters for the Clwyd Pension Fund.

8 **POOLING INVESTMENT IN WALES** (Pages 125 - 170)

Purpose: To provide Committee Members with an update on Pooling Investments in Wales.

9 **ECONOMIC AND MARKET UPDATE AND INVESTMENT STRATEGY AND MANAGER SUMMARY** (Pages 171 - 206)

Purpose: To provide Committee Members with an economic and market update and performance of the Fund and Fund Managers.

10 **FUNDING, FLIGHT-PATH AND RISK MANAGEMENT FRAMEWORK** (Pages 207 - 222)

Purpose: To update Committee Members on the funding position, and the implementation of the Flight path and risk management framework

11 **RESPONSIBLE INVESTMENT ROADMAP – ANALYSIS FOR CLIMATE TRANSITION** (Pages 223 - 306)

Purpose: To provide Committee Members with the analysis for climate transition and to consider and agree various Fund targets and agree that officers should commence a consultation on appropriate changes to the Investment Strategy Statement.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC

The following item is considered to be exempt by virtue of Paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

The public interest in withholding the information outweighs the public interest in disclosing the information.

12 **RESPONSIBLE INVESTMENT ROADMAP - ANALYSIS FOR CLIMATE TRANSITION (CONFIDENTIAL APPENDIX TO AGENDA ITEM 11)** (Pages 307 - 312)

The following item is considered to be exempt by virtue of Paragraph(s) 18 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

The report contains details of measures to prevent cyber crime and the public interest outweighs the interest in disclosing the information.

13 **CYBER SECURITY** (Pages 313 - 316)

Purpose: To provide Committee Members with a report and presentation on the initial findings of the investigations around management of cyber risks.

14 **FUTURE MEETINGS**

Purpose: Future meetings of the Clwyd Pension Fund will take place at 9.30 am on :-

Wednesday, 9th February 2022
Wednesday, 16th March 2022
Wednesday, 15th June 2022

Procedural Note on the conduct of meetings

The Chair will open the meeting and introduce themselves.

The meeting will be attended by a number of Councillors. Officers will also be in attendance to present reports, with Democratic Services officers acting as hosts of the meeting.

All attendees are asked to ensure their mobile phones are switched off and that any background noise is kept to a minimum.

All microphones are to be kept muted during the meeting and should only be un-muted when invited to speak by the Chair. When invitees have finished speaking they should go back on mute.

To indicate to speak, Councillors will use the chat facility or use the electronic raise hand function. The chat function may also be used for questions, relevant comments and officer advice and updates.

The Chair will call the speakers, with elected Members addressed as 'Councillor' and officers addressed by their job title e.g. Chief Executive' or name. From time to time, the officer advising the Chair will explain procedural points or suggest alternative wording for proposals, to assist the Committee.

If and when a vote is taken, the Chair will explain that only those who oppose the proposal(s), or who wish to abstain will need to indicate, using the chat function. The officer advising the Chair will indicate whether the proposals are carried.

If a more formal vote is needed, this will be by roll call – where each Councillor will be asked in turn (alphabetically) how s/he wishes to vote

At County Council and Planning Committee meetings speaker's times are limited. A bell will be sounded to alert that the speaker has one minute remaining

The meeting will be live streamed onto the Council's website. A recording of the meeting will also be available, shortly after the meeting at https://flintshire.public-i.tv/core/portal/home

CLWYD PENSION FUND COMMITTEE
1 SEPTEMBER 2021

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely at 9.30am on Wednesday, 1 September 2021.

PRESENT: Councillor Ted Palmer (Chairman)
Councillors: Dave Hughes, Tim Roberts, Haydn Bateman.

CO-OPTED MEMBERS:
Councillor Nigel Williams (Wrexham County Borough Council),
Councillor Julian Thompson-Hill (Denbighshire County Council) – left during item 5 and re-joined during item 11,
Councillor Andy Rutherford (Other Scheme Employer Representative) and
Mr Steve Hibbert (Scheme Member Representative).

ALSO PRESENT (AS OBSERVERS):
Elaine Williams (PFB Scheme Member Representative).

APOLOGIES: Councillor Ralph Small.

Advisory Panel comprising:

Colin Everett (Chief Executive), Philip Latham (Head of Clwyd Pension Fund),

Gary Ferguson (Corporate Finance Manager),

Karen McWilliam (Independent Adviser – Aon), Paul Middleman (Fund Actuary – Mercer) .

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

Guest speakers presenting comprising: Michelle Phoenix (Audit Wales) – left after item 4.

Mr Everett confirmed this was his last meeting as Chief Executive and Administrator for the Fund and thanked the Committee for all their hard work. He was pleased to leave on such a positive note with the Fund being in a strong funding position and emphasised the strong network that the Committee have. He said it was a privilege to work with everyone.

The Chairman thanked Mr Everett for his hard work as administrator to the Fund. His knowledge and influence at a national level helped the Fund get to an extremely good position from all aspects. The Committee gave Mr Everett a round of applause as a thank you for his hard work and dedication.

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

Mrs McWilliam and Mr Buckland declared an interest in relation to Item 9 on the agenda as Aon and Mercer could be interested in bidding in the next stage of the ongoing procurement contract for WPP.

There were no other declarations of interest.

153. **MINUTES 9 JUNE 2021**

On item 143, Mr Hibbert asked to update the sentence 'represent the interest of scheme members´ to 'represent the interest of all scheme members'. The Committee agreed.

The minutes of the meeting of the Committee held on 9 June 2021 were revised accordingly.

RESOLVED:

The minutes of 9 June 2021 were received, approved and signed by the Chairman.

154. **CLWYD PENSION FUND ANNUAL REPORT 2020/21**

Mr Vaughan noted that the annual report needs to be produced by 1 December each year and as such, the draft was presented for consideration. He highlighted the following key points from the annual report:

- The report covered the year 2020-2021 where the impact of the COVID-19 outbreak dominated.
- The investments returned 7.1% p.a. over the three years to 31 March 2021 compared to a benchmark of 7.7% p.a.
- There had been increasing focus on carbon foot printing and responsible investment priorities. More details were on page 83.
- The administration team completed c30,000 member cases during the year. The team have also been working on improving data quality, KPI's, continuing the roll-out of iConnect, the GMP project and the impact of the McCloud remedy. More details were on page 57.
- Total contributions for the year from members and employees were c£85 million with benefits and other payments to members around £83 million. Total management expenses paid by the Fund were £22 million. In addition, the net return on investments was c£469 million. Overall, the closing net assets of the scheme at 2020/21 was £2.226 billion.

- To summarise, the Fund's financial position had improved over the duration of the year and the Fund continued to deliver a high quality service to members and employers.

Mr Vaughan explained that the Annual Report which includes the accounts needs to be audited and authorised by the end of November to comply with Regulations. It was unlikely that the audit would be completed in time to bring a fully audited Annual Report to the next Committee meeting on 10th November for authorisation. It was therefore proposed that there would be an update at that meeting and agreement of any further changes before the end of November would be delegated to the Chair of the Committee and Flintshire County Council's Section 151 Officer.

Mrs Phoenix added that despite the audit team being unable to start the audit until October, she was confident that Audit Wales would meet the December deadline. However she confirmed that due to the late start, the audit team are unlikely to sign off the accounts before the next Committee on 10 November, however a verbal update on the progress of the audit would be provided.

Mr Everett thanked the team for the preparation of the report. However, he raised his concerns regarding the lateness of the audit. Regarding final minor adjustments to the accounts, Mr Everett supported the proposed delegations should there be a need.

On page 82, Mr Hibbert asked for clarification on the exit cap regulations in respect of the Welsh Government. Mr Middleman noted that the outcomes of the discussions on the exit cap are awaited and he will update the Committee at the next meeting. Mr Hibbert was concerned about the lack of reference to the Welsh Government approach in the annual report in this context. Mr Everett agreed and Mr Vaughan said that they would add in extra wording to clarify that the Welsh Government has jurisdiction and therefore a potentially different position to mitigate the impact of the exit cap.

Mr Vaughan referred to Appendix 2 to the report which was a draft response to a routine audit queries letter from Audit Wales.

RESOLVED:

(a) The Committee considered the Fund's draft Annual Report for 2020/21, including the draft Statement of Accounts and agreed on the amendment in relation to the exit cap.
(b) The Committee noted the Audit Enquiries letter and response.

155. **CLWYD PENSION FUND POLICIES**

The Chairman noted that the first policy presented within this report covered the Fund's requirements around the knowledge and skills of Committee members and key officers. The Policy was updated to meet the requirements of the new CIPFA code of practice on this topic. The second Policy covered conflicts of interest and guides all Pension Fund Committee members, Pension Board members, officers and advisers on how actual and potential conflicts of interest in relation to the management of the Fund are identified and managed. The final Policy was the over and underpayment of pension scheme benefits. This new Policy was developed to ensure that there was clarity on how overpayments and underpayments in relation to the Fund were managed.

Mrs McWilliam stated the following key points:

- The Training Policy was renamed as the Knowledge and Skills Policy to better reflect the wording of the latest CIPFA Knowledge and Skills Code and Framework, and recognising that the requirements are wider than just delivering training.
- There are national requirements for members and senior officers to have a strong level of knowledge, some of which are driven by legislation, she stressed the need and focus on this at a Fund level.
- CIPFA had amalgamated and strengthened their expectations into a new Code and Framework and the Fund's new Policy was updated to be in line with these. As a result there were some fundamental changes to the Policy with the main changes summarised in item 1.03 on page 183 and 184.
- Page 193 included a new objective around how individuals are committed to attend training in accordance with the Knowledge and Skills Policy. She added that members and officers were required to attend 75% of training (previously 80%) and that this would be monitored and reported on.

Mrs McWilliam then presented the Conflicts of Interest Policy outlining that only minor changes were being proposed. She highlighted importance of the Policy as members and officers must adhere to the requirements of the Policy and declare any interests. She highlighted that the Fund Policy included additional requirements beyond Council expectations and it was important for members and officers to recognise their pension fund responsibilities when carrying out pension fund duties. The key updates made to the Policy are summarised in item 1.07.

On page 217 on the examples of conflicts of interest, Mr Hibbert noted an error in one of the examples where WPP should have been quoted. Mrs McWilliam confirmed that she would update it for the final versions.

Cllr Rutherford wondered whether the Fund could provide the Committee with a 30-minute refresher session on meeting the requirements of the Conflicts of Interest Policy. Mrs McWilliam agreed and it was confirmed a separate training session would be set up.

Mrs Williams introduced the proposed Clwyd Pension Fund Policy on the Overpayment and Underpayment of Pension Scheme Benefits. She explained that the new Policy outlines that where a member has been underpaid, Fund officers will increase the pension to the correct amount and write to members to inform them of their underpayment. Mrs Williams clarified that the Policy will ensure consistency and give protection to members and assurance to the Committee that a formal policy was in place. The Policy incorporates the principles set out in Flintshire County Council's corporate debt recovery procedures, delegation of responsibilities and its financial procedure rules, as well as details on how various scenarios of under and over payments will be managed more specific to the Fund.

Mrs Williams also added that internal controls were set in place to minimise events such as large write off amounts occurring in the first instance. The Committee were asked to approve that they should seek an amendment to the Flintshire County Council's Financial Procedural Rules relating to writing off large debts so the Pension Fund Committee approved them as opposed to Cabinet. Mr Everett replied that this amendment was a technical adjustment but would still need to go through Council and it made sense given the Committee had the knowledge of Fund matters.

RESOLVED:

(a) The Committee reviewed and approved the updated Knowledge and Skills Policy.
(b) The Committee reviewed and approved the updated Conflicts of Interest Policy.
(c) The Committee reviewed and approved the newly created Policy on the Overpayment and Underpayment of Pension Scheme Benefits.
(d) The Committee agreed to recommend an amendment to Flintshire County Council's Financial Procedural Rules relating to the write-off of bad debts, changing references from "Cabinet" to the "Pension Fund Committee".

156. **GOVERNANCE UPDATE**

Mrs McWilliam noted the update and added that:

- As outlined on page 261, in response to a consultation held for the cost control mechanism, a Fund consultation response was approved by the Chairman and senior officers using urgency delegations.
- Page 248 demonstrated the proportion of Committee member's attendance at hot topic sessions. Further training opportunities could be found on page 265.
- Members received an email from Mrs Fielder regarding the CIPFA event, which was opened up to Committee members this year. Members were encouraged to attend the virtual session on 8 October.

RESOLVED:
The Committee considered and noted the update.

157. **PENSION ADMINISTRATION AND COMMUNICATIONS UPDATE**

Mrs Williams commented the following key points regarding the pension administration and communications update:

- Two members of staff passed their pensions professional qualifications in August, which is a requirement for a team leader level and upwards. Therefore, this qualification gives staff the opportunity to progress in their career.
- Prudential had installed a new finance system last March, which incurred delays since then in members receiving their benefits. The Fund offered solutions to members whilst members await their money from Prudential. The Fund had reported this issue to TPR and was due to meet with senior management at Prudential to discuss the issues.
- The Fund advertised available positions within the McCloud support team but had difficulties recruiting. Two members of staff who were on temporary contracts had moved on to other opportunities outside the Fund. However, two modern apprentices are due to start with the Fund in due course.
- A new format of KPI measures was included on page 284 which was a higher level summary. Members can still receive the more detailed graphs on request. This included new KPIs, for example in relation to the notification of CETV for divorce purposes.
- Improvements were made in most KPI areas in this update, but the impact of transfers-in being put on hold by the other schemes as permitted by TPR was reflected in the Fund's performance figures where there was a slight decline.

Cllr Bateman asked about the team members that had left the Fund. Mrs Williams confirmed that they were on temporary contracts. One member of staff moved to the graduate scheme within the Council and the other member of staff found a permanent position elsewhere.

Cllr Williams asked for an update on iConnect for Wrexham County Borough Council. Mrs Williams stated that Wrexham are fully on board with iConnect, however there are still a few issues with uploading member records to iConnect due to the format and incorrect information in designated fields. Despite this, Mrs Williams clarified she was optimistic this would be resolved as the CPF team and Wrexham are working closely together to rectify the remaining issues.

Mr Everett thanked Mrs Williams and the team for the continued great progress.

RESOLVED:

The Committee considered and noted the update.

158. **INVESTMENT AND FUNDING UPDATE**

Mr Fielder stated that the Fund are currently on track in all areas within the business plan. She commented the following key points:

- WPP formally requested to establish an active sustainable global equity sub-fund, which is continuing to progress.
- A new investment was made with Bridges Property Fund V, within impact and local investments.
- The Fund attended a session with Together Creating Communities (TCC), which discussed how the Fund are progressing with Responsible Investment (RI), in particular, rapidly divesting in carbon.
- In regards to the Fund's cashflow position, the Fund reduced the risk of insufficient cashflow through improved monitoring as outlined in the risk register. In addition, the Fund are currently cashflow positive given that the Fund are receiving distributions from the private market investments.
- WPP were due to go out to tender for a Private Markets allocator, and both Aon and Mercer have registered their interest.
- Due to the WPP taking longer to implement private markets, they would not be in a position to implement the infrastructure and private debt portfolios for another couple of years. Therefore, Mercer had their remit extended to support the Fund in making any allocations to these asset classes, and accordingly there will be an increase in the consultancy costs, albeit these costs are offset by the reduction in management costs to Link and Russell.
- The Fund are progressing the net zero ambition and expect improvements and updates in due course.

Mr Everett thanked the team and the Chairman. He noted the importance of Committee members helping the Fund with communicating their strategic position on Responsible Investment with a focus on engagement initially and particularly that implementing the Fund's net zero ambition would take time. Mr Hibbert raised his concerns and difficulty in wholly supporting Mr Everett's point and stressed the importance of divesting from carbon and investing in renewables as soon as possible. Mrs McWilliam clarified that the Fund's strategy was to focus on engagement with divestment being an option where engagement was not successful. Mrs Fielder added that divesting is an evolution for the Fund and that they had invested in renewables for a long time. The Fund can also expect to see some improvements from the proposed investment with WPP in sustainable active equities.

Mr Buckland agreed with Mrs Fielder and appreciated Mr Hibbert's concerns. He stated that ultimately the Fund might well end up divesting from assets in a number of areas, however this would be because of the appropriate analysis and assessment of the existing position. Mr Hibbert was grateful for this explanation, and confirmed that he was not in favour of "blunt divestment" but supported the plan that divestment may be final option.

RESOLVED:

The Committee considered and noted the update.

159. **POOLING INVESTMENT IN WALES**

Mrs Fielder noted the following key points regarding asset pooling in Wales:

- Bfinance has been recently been appointed following a procurement process by the Private Markets sub-group, and they were tasked with procuring an allocator for WPP. However, this will take a considerable amount of time.
- The focus was the recommendation in relation to the WPP Inter-Authority Agreement to Flintshire County Council. The addendum for this was circulated prior to the meeting with the existing Inter-Authority Agreement and the addendum is attached in appendix 1. The approval was in relation to the new member scheme representative on the JGC and with the appointment of allocator to the Private Markets sub-group.

Mr Everett noted that if the Committee were in agreement with this, a further report would be presented at the next Flintshire County Council meeting including the changes to the Financial Procedure Rules for the over and underpayments policy.

Mr Hibbert stated his vote against the second and third recommendations surrounding the scheme member representative elements, as he believed the current process for appointing a representative was discriminatory due to the expectation that the representative would represent all members' interests.

RESOLVED:

(a) The Committee considered and noted the JGC agenda and agreed any comments or questions for WPP.
(b) The Committee recommended the Addendum to the WPP Inter-Authority Agreement to Flintshire County Council for approval, and that the amendments are incorporated appropriately into the Council's Constitution.
(c) The Committee recommended to Flintshire Council that the Protocol for the Clwyd Pension Board is amended to allow the Board to nominate a Scheme Member Representative to the JGC.

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

Mr Dickson introduced himself and noted that from 30 June to 31 August 2021, global equities were up by approximately 5%, defensive assets were up by approximately 2% and index-linked gilts were also up by approximately 7 to 8%. As the economy opened up, Mr Dickson stated that he was cautious but optimistic about how markets moved going forward.

Mr Buckland added that the Fund had strong performance over the quarter to 30 June 2021 with total market value £2,326.4m. As outlined on page 363, the Fund were marginally behind the total 3-year benchmark. However, the Fund was already achieving those levels of return.

On page 369, Cllr Bateman queried whether the inflation factors for food away from home was in regards to takeaways. Mr Dickson confirmed this since the amount of takeaways increased a significant amount over the past year or two and it also extended to building supplies and restaurant supplies.

RESOLVED:

The Committee noted the Economic and Market update.

161. **FUNDING, FLIGHTPATH AND RISK MANAGEMENT FRAMEWORK UPDATE**

Mr Middleman updated the Committee and said that the Fund had not gone below 100% funded. At 30 June 2021, the funding level was 105% and as at current date was 1%-2% higher than this because of the strong asset performance. He added that there was still some nervousness going forward in regards to inflation, but the Fund was in a positive position.

As noted at the last meeting, given the positive funding position, consideration was needed on whether to take action to in order to bank some of this gain. The FRMG met after the last meeting and had a detailed discussion on this matter.

Mr Middleman confirmed that after consideration the FRMG had agreed that a new soft trigger point at a 110% funding level was a more appropriate to consider whether to make changes to the strategy. He noted that the Fund might hit this trigger sooner than expected, given the direction of travel that the Fund is going.

Mr Hibbert suggested changing the soft trigger to a hard trigger, as he believed discussions were needed soon, with the intention of making a decision about banking the gain the Fund have made. Mr Middleman noted his point but stated that there were a number of factors to take into consideration before making any changes to the strategy. In particular, there would need to be a balance in the reduction in risk versus corresponding reduction in expected return. As this could affect employer contributions to much if, too much risk was taken out. A discussion will be needed in order to make these changes factoring in all stakeholder views not just a decision based on the trigger. Mr Middleman confirmed however that the 110% is likely to mean some change will happen. Mr Everett agreed that it was important that the Committee were engaged with this matter.

Mr Everett thanked the Committee for their support over the years and wished everyone the best for the future.

RESOLVED:

The Committee noted the Funding, Flightpath and Risk Management Framework update.

The Chairman thanked everyone for their attendance. The next formal Committee meeting is on 10 November 2021.

The meeting finished at 11:15am.

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Chairman

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10th November 2021
Report Subject	Clwyd Pension Fund Annual Report 2020/21 - Update
Report Author	Pension Fund Accountant

EXECUTIVE SUMMARY

The Fund's draft Annual report was considered by Members at the meeting of this Committee on 1st September 2021.

This report updates Members on progress and seeks approval for delegating the authorisation of the Annual Report and Accounts subject to no substantial changes being required.

RECOMMENDATIONS	
1	That Members note the update of progress on the Fund's 2020/21 Annual report.
2	That Members approve the delegation of the approval of the Annual Report (including the accounts), subject to no significant changes being made, to the Chair of the Pension Fund Committee, the Flintshire County Council Section 151 Officer (Treasurer to the Fund) and the Head of Clwyd Pension Fund.

REPORT DETAILS

1.00	**Annual Report**
1.01	Members will recall that a draft 2020/21 Annual Report was presented for their consideration at the meeting of this Committee on 1 September 2021. The covering report included an explanation that because of the timing of the audit of the Annual Report, (which includes the Fund's accounts), it might not be possible to bring an audited final draft of the report to this committee meeting for final approval. The audit of the Annual Report is now well underway, and will be close to conclusion by the time of the meeting. To date, no significant issues have been raised by the Auditors. A representative from Audit Wales will attend the meeting to update members on the progress of the audit, and to report on any matters which they are required to bring to the attention of those charged with governance of the Fund under Auditors' International Standard on Auditing (ISA) 260. As it is a statutory requirement that the Fund publishes its Annual Report on or before 1 December, it is recommended that the final approval for the Annual Report including the accounts be delegated to the Chair of the Committee, the Head of the Clwyd Pension Fund and the Flintshire County Council Section 151 Officer (Treasurer to the Fund) on a date to be agreed later in November. Failure to publish the Annual Report by the due date would be a breach of LGPS Regulations and recorded in the Fund's breaches log. Should any significant issues arise from the audit after the meeting of the Committee, which in the opinion of the Chair, the Head of the Fund and the Section 151 Officer should be reported to the Committee prior to approval, then an urgent meeting of the Committee will be convened to consider them.
1.02	Other than those which might arise from the outcome of the audit, the only change from the Annual Report presented at the September meeting is in relation to noting the Welsh Government's jurisdiction on matters relating to the Exit Cap.
1.03	The Annual Report will be published on the Fund's website as soon as it has been approved.

2.00	**RESOURCE IMPLICATIONS**
2.01	None directly as a result of this report.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	The Flintshire Section 151 Officer has been consulted in the preparation of the report.

4.00	**RISK MANAGEMENT**
4.01	The contents of the Annual Report and the external audit both include information reviewing and identifying how the risk to the funds are being managed. These include strategic, operational and financial risks.
4.02	The external audit of the accounts will specifically consider financial risks and how well the Fund is managing those risks.

5.00	**APPENDICES**
5.01	None

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	None **Contact Officer:** Paul Vaughan, Pension Fund Accountant **Telephone:** 01352 702219 **E-mail:** paul.vaughan@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	(a) **LGPS – Local Government Pension Scheme** – the national scheme, of which Clwyd Pension Fund is part. (b) **Audit Wales** – Welsh public body charged with assuring public money is managed well, explaining how it is used and driving public sector improvement. (c) **The Pensions Regulator** – public body that protects workplace pension in the UK.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10th November 2021
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 September 2021 Committee meeting and therefore this update report includes developments since that report.

This update includes matters that are mainly for noting, albeit comments are clearly welcome.

The report includes updates on:

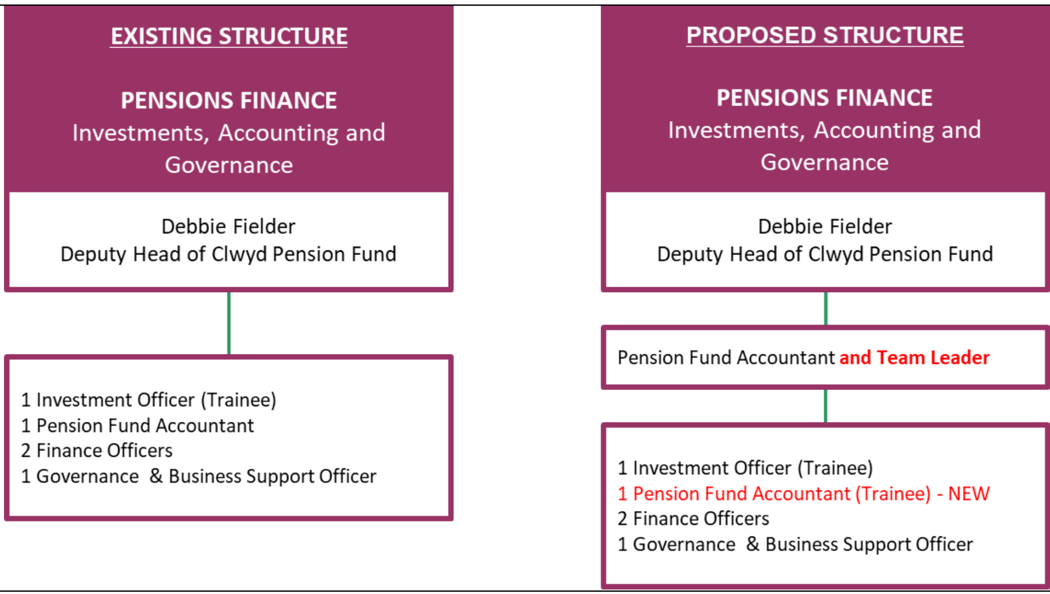
- The change in name at the Department of Levelling Up, Housing and Communities and change in Minister responsible for the LGPS
- Recent developments on the 2016 cost management process
- Monitoring of the Pension Fund's objectives as set out in the governance related policies
- Changes to the governance risks on the Fund's risk register since the last 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 agree the changes to the business plan timings for items G1 and G5 as outlined in paragraph 1.01, both of which relate to delays at a national level.
3	That the Committee agree to the change to the Finance Section including a trainee fund accountant at an annual cost of £38k to £46k.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	**Business Plan Update** Appendix 1 shows progress with the work to date for the governance tasks in the 2021/22 Business Plan. Good progress is being made in many areas although some actions have been deferred due to delays at a national level. The Committee should note the following and are asked to approve the changes to the business plan timing for G1 and G5: • G1: Review against The Pension's Regulator's (TPR's) New Single Code – The Fund responded to TPR's consultation on the new code in May 2021. TPR issued their interim response on 24 August 2021 and expect to issue their full response in early 2022. TPR confirmed it is now unlikely that the new Code will come into force before Summer 2022. Once the new Code has been issued the Fund's processes and policies will be assessed against its requirements. It is recommended that the business plan is updated to reflect the new timescales, moving the review against the new Code from quarters 3 and 4 in 2021/22 to 2022/23. • G2: Develop business continuity arrangements – Work is continuing with the Fund's business impact analysis. Following this, the business continuity plan and testing schedule will be developed. • G3: Ensure appropriate cyber-security is in place – The work around developing the Fund's data and asset map is now mainly complete. This will help officers to categorise risks and plan out further work required in this area. During the next quarter officers will establish a programme for completing ongoing risk assessments to embed these in business as usual. The main elements of the assessment of Heywood's cyber resilience are also complete and covered in a separate report. • G4: Review of governance related policies – The Conflicts of Interest policy and Training Policy (now called Knowledge and Skills Policy) have both been reviewed and updated ahead of schedule. The review of the Procedure for Recording and Reporting Breaches of the Law which was due for review this month will be conducted over the next quarter and brought to February Committee for approval. • G5: Outcome of Scheme Advisory Board good governance review – The Good Governance phase three report issued in February 2021 has yet to be considered by the Department of Levelling up, Housing and Communities (DLUHC). We understand that this review is unlikely to be an immediate priority of the Department and so we are not expecting any further updates on this until 2022. The business plan timings have been updated to recognise that this work cannot yet commence. • G6: Effectiveness survey – As part of the 2021/22 business plan, it was agreed that an effectiveness survey of Committee, Board

	members and key officers would be undertaken in quarter 3. Accordingly members will be asked to complete this survey shortly and the results will be brought to the February Committee for further consideration.
1.02	**Proposed Increase in Team Structure** Although work on business continuity and succession planning is on-going there are some risks identified within the Finance Section that need more immediate action, especially given the statutory nature of accounting function performed within the section. The Fund Accountant will retire in the next few years and recruiting a qualified accountant to this position will be very difficult, as past experience has proved. Hence appointing a trainee accountant now to shadow the Fund Accountant whilst studying for their professional accountancy qualification is the recommended lower risk approach. In addition, the workload for the Deputy Head of the Fund has also proven greater than anticipated when the structure was reviewed in the last few years. As well as the general increase in LGPS complexity there has been a greater impact on the role from pooling, private markets and responsible investment than anticipated along with some difficulties in recruitment of one post. Hence, it is recommended to adjust the role of the current Fund Accountant to also include team leader duties so the officers in the section report to the Fund Accountant rather than the Deputy Head as currently structured. It is anticipated that the Finance Section structure will need to be reviewed further in a few years' time due to the ever changing environment including anticipated retirement(s). The proposed change to the Finance Section structure is illustrated below: The additional annual budget required to fund this additional trainee accountant post is estimated at £38k to £46k. Recruitment may take some months and it is estimated that there will be no more than 2 months costs in 2020/21 resulting in an increase in staffing costs of no more than £4k, albeit it should be noted that the Governance Officer post (annual staffing cost of £27k) remains vacant. If approved, this additional trainee accountant post would be included in the 2022/23 and future budgets, as would any additional costs relating to the regrading of the Pension Fund Accountant post to incorporate team leader duties.



Current Developments and News

1.03 *Pension Board update*

The Clwyd Pension Board met on 28 September and the draft minutes are included in Appendix 2. The main items of discussion were updated Fund policies, the impact of COVID-19, AVC provider service levels and cyber-crime. The Board also received updates on areas such as asset pooling, administration service delivery, and compliments and complaints. The next meeting is on 17 February 2022.

1.04 *Department of Levelling Up, Housing and Communities (DLUHC)*

On 19 September 2021 the Ministry of Housing, Communities and Local Government became the Department for Levelling Up, Housing and Communities (DLUHC).

Luke Hall is no longer the Minister for the LGPS and Kemi Badenoch MP is the new Minister with LGPS responsibilities. The change in Minister is resulting in some delays or changes to priorities at a national level.

1.05 *LGPS Scheme Advisory Board (SAB)*

The LGPS SAB met on 1 July and 27 September. The 1 July meeting was a special meeting to agree the outcome of the SAB cost management process and any resultant recommendations for benefit changes to DLUHC. At the point of writing the 27 September summary was not published but papers and an agenda for the meeting are available here which cover:

- LGPS Investment Code of Cost Transparency – The LGPS Investment Code of Transparency (Code) was first published in May 2017 requiring signatories to provide certain cost information relating to investment manager costs and charges to their LGPS clients. The Code has been reviewed and consulted on, and proposed changes to the Code were considered by SAB at the meeting. SAB were also asked to consider extending the use of the Byhiras system (which is used centrally for gathering the Transparency Data) for the purposes of cost benchmarking.

	• New Compliance & Reporting Committee – The CIPFA Pensions Panel has been disbanded and this report to SAB recommends creating a new Compliance and Reporting Committee within SAB which will jointly report to SAB and the CIPFA Pension Finance Management Board. If agreed this Committee could become responsible for producing LGPS guidance on areas such as risk management, knowledge and skills, and accounting.
1.06	*2016 Cost Management Results* Members may recall that the LGPS is subject to two cost management processes which are designed to manage some of the LGPS costs and risks to scheme employers. These processes can result in changes to the scheme benefit structure and/or scheme member contributions where the costs are found to be lower or higher than the target cost set at the time of implementing the 2014 Scheme. This change in cost is measured by national valuations carried out by the Government Actuary's Department every four years; one relating to a process managed by HMT and an additional LGPS specific one managed by the Scheme Advisory Board. The original result of the 2016 SAB cost management process was a reduction in cost of 0.9% of pay and agreement to a package of measures corresponding to 0.9% increase in employer costs (principally contribution reductions for lower paid members). It was expected that once these changes were fed into the HMT process, no further changes would be needed under that process. The 2016 cost management processes were subsequently paused due to the McCloud judgement. However, they were "unpaused" in July 2021 following agreement on how the remedy will be delivered in the unfunded schemes. Following publication of amendments to the HMT Directions on 7 October 2021, confirming that costs resulting from the McCloud remedy will be treated as member costs within the cost management process, the Scheme Advisory Board has now concluded its 2016 process. Despite reporting a slight reduction in LGPS costs, SAB has recommended no benefit/contribution changes to the LGPS minister. The SAB noted that any change would have "the unwelcome impact of having to backdate any changes to April 2019 would have on already hard pressed administration teams". However, the Board has set out its determination to revisit third tier ill health and contributions for the lowest paid members with the view to making recommendations in these areas separately to the cost management process. We understand that the Government Actuary's Department will now finalise the 2016 valuation for HMT cost management purposes. This is not expected to lead to any changes being required to the LGPS since the change in cost is expected to be within the +/-2% of pay corridor which currently applies to the HMT process. It should be noted, however, that we understand the Trades Unions plan to bring a Judicial Review challenging the legality of the Government's decision to allocate McCloud costs as member costs.

	Further information including background reading regarding the cost management processes can be found here.
1.07	*Consultations – HMT Cost Management Mechanism* At the last meeting, Committee members were provided with the Fund's response to the HM Treasury consultation on proposed reforms to the public service pension schemes' cost control mechanism. On 4 October 2021, the government responded to this consultation. It received 61 responses, including those from trade unions, Scheme Advisory Boards, government agencies, actuarial and pensions specialists, and administrators. Having reviewed the consultation responses, HMT is intending to implement the proposals in the original consultation by: • Moving to a "reformed scheme only" design. This means that only the post 2014 Scheme cost will be used for the cost cap process. • Widening the corridor to +/-3% of pensionable pay. • For the unfunded schemes, introducing an economic check, which will be linked to expected increases in GDP growth. This may also apply to the LGPS. In general, these measures are designed to ensure a more stable cost control mechanism, with changes to the schemes being triggered less often. The intention is for these changes to be implemented in time to be taken into account in the 2020 cost control mechanism process. The Government response shows that respondents' views were mixed. Whilst many were supportive of the "reformed scheme only" design, some responses favoured a future service only approach instead. Some responses also pointed out that getting the right balance of risk between members and tax payers, and stability, are not the same aim. The government considered the reformed scheme only approach to strike the best balance, and to achieve consistency between the benefits being assessed and benefits potentially being adjusted. For the economic check, views were even more mixed. LGPS respondents (including Clwyd Pension Fund) were of the view that long-term GDP increases were not an appropriate measure to apply an economic check for LGPS funds. The Government also acknowledged that the LGPS, as a funded scheme, will potentially need a different approach from the unfunded schemes, and that further consideration and work with LGPS stakeholders is needed. The Government propose to work with the Scheme Advisory Board in England & Wales to see if its own separate cost management process can be adapted to become the economic check. It therefore remains to be seen how the economic check will be implemented for the LGPS. As indicated above, there a number of questions relating specifically to the LGPS that have not been answered in this response and are subject to further consideration.

1.08	*Annual Review of Objective Measures for Governance Related Policies/Strategies* With the Fund's strategies and policies, there are a number of measures to illustrate whether the Fund's objectives in those areas are being achieved. Many of these measures are included in the Committee's quarterly updates (such as training attendance and key performance indicators) and also in the Annual Report and Accounts. However there are some within the Fund's governance related policies which are not regularly reported. It is proposed that these will now be provided on an annual basis as part of this Governance Update report to provide transparency that all measures are being considered. Appendix 3 includes a list of the measures in the governance related policies and the outcomes relating to them.
1.09	**Policy and Strategy Implementation and Monitoring** *Knowledge and Skills Policy and Training Plan* Policy requirements - The Clwyd Pension Fund Knowledge and Skills Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to: • have training on the key elements identified in the CIPFA Knowledge and Skills Framework • attend training sessions relevant to forthcoming business ("hot topic" training) and • attend at least one day each year of general awareness training or events. Training undertaken - Appendix 4 sets out the Training Plan for the Fund. Recent events included: • LGC Investment Summit (Leeds) on 9 to 10 September • a WPP training session relating to Performance Reporting / ACS Roles and Responsibilities on 18 October. A summary of the attendance at the Fund's hot topic training sessions this year is included below:

	Date	Number of Committee attending (Proportion of total)	Number of Board attending (Proportion of total)
Hot Topic Sessions			
Funding / Flightpath I	Apr-21	7 (78%)	1 (25%)
Fossil Fuel and Divestment	May-21	8 (89%)	3 (75%)
RI Roadmap	May-21	8 (89%)	2 (50%)
Funding / Flightpath 2	Jul-21	3 (33%)	2 (50%)
Conflicts of Interest	Nov-21	To be confirmed	To be confirmed

	As can be seen, no further essential training has been provided since the last meeting other than the Conflicts of Interest Training which will be updated in the next report and a verbal update can be provided at Committee if required. <u>Future training and events</u> - Officers will continue to be in touch with information as further training sessions and events become available, including a Fund specific session on cyber-security which will take place through the autumn or early winter and which all Committee and Board members should attend. In the meantime, if any Committee or Board members wish to attend any of the following events please contact the Deputy Head of Clwyd Pension Fund: • Various dates October to December – LGA Fundamentals (for new or nearly new Committee and Board members) • 20 to 21 January 2022 – LGA LGPS Governance Conference (Bournemouth or virtual) • 24 to 25 March 2022 - LGC Investment Summit (Carden Park).
1.10	*Recording and Reporting Breaches Procedure* The Fund's 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 5 details the current breaches that have been identified. There have been no new administration breaches. We previously reported on an Employer who enrolled their employees an alternative pension scheme (A22) where good progress is being made but the final steps of the action plan is to be completed. Another existing breach relating to an employer who has deducted incorrect member contributions (A23) has also largely been rectified but there are ongoing discussions required with the employees who have left employment. In relation to finance related breaches, there were two employers who were either late in paying contributions or submitting their contribution remittances. The late payment has now been resolved but contribution remittance are still outstanding for one employer. The Breaches Procedure will be reviewed and if appropriate updated over the next quarter. This will be reported on at the next Committee.
1.11	**Delegated Responsibilities** The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. The Schedule of Delegation has been updated to note that the Head of Clwyd Pension Fund has delegated responsibility for all areas of the Knowledge and Skills Policy (as outlined in the Knowledge and Skills Policy approved in September). There have been no uses of

	delegated powers for governance matters since the last Committee meeting.
1.12	**Calendar of Future Events** Appendix 6 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates. Committee and Board members are reminded that the Annual Joint Consultative Meeting (AJCM) will take place virtually on 24 November and all members are encouraged to attend.

2.00	**RESOURCE IMPLICATIONS**
2.01	None directly as a result of this report.

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

4.00	**RISK MANAGEMENT**
4.01	Appendix 7 provides the dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk register has been updated since it was last presented to the Committee in September. The main change this month relate to: • Risk number 4: Appropriate objectives are not agreed or monitored - internal factors – This likelihood for this risk has been reduced from “very low” to “unlikely”. This is driven by the review of measures being monitored in respect of the objectives set out in the Governance Policies (as included in Appendix 7 to this report). This has brought the risk back in line with the target. • Risk number 6: Services are not being delivered to meet legal and policy objectives due to insufficient staff numbers – the likelihood for this risk has been increased from “low” to “significant”. This is due the recruitment issues within the administration team. This risk is now the governance risk that is further from target.

5.00	**APPENDICES**
5.01	Appendix 1 – Business plan progress 2021/22 Appendix 2 – Board minutes Appendix 3 – Objective measures for governance related policies

	Appendix 4 – Training plan Appendix 5 – Breaches log Appendix 6 – Calendar of future events Appendix 7 – Risk Register

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	Report to March Pension Fund Committee - 2021/22 Business Plan (March 2021) 27th September 2021 SAB meeting papers – https://lgpsboard.org/index.php/about-the-board/prev-meetings Background reading regarding the cost management processes - https://lgpsboard.org/index.php/projects/cost-management HMT Cost Management Mechanism Government response to consultation response - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1022938/CCM_RESPONSE.pdf **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) **DLUHC – Department of Levelling Up, Housing and Communities** – 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) **CIPFA – Chartered Institute of Public Finance and Accountancy -** a UK-based international accountancy membership and standard-setting body. They set the local government accounting standard and also provide a range of technical guidance and support, as well as advisory and consultancy services. They also provide education and learning in accountancy and financial management.

(j) **TPR – The Pensions Regulator** – TPR has responsibilities to protect UK's workplace pensions and make sure employers, scheme managers and pension specialists can fulfil their duties to scheme members. This includes oversight of public service pension schemes, including the LGPS. Specific areas of oversight are set out in legislation and also expanded on within TPR's Guidance and Codes of Practice.

(k) **PLSA - Pensions and Lifetime Savings Association** – PLSA aims to bring together the industry and other parties to raise standards, share best practice and support its members. It works collaboratively with members, government, parliament, regulators and other stakeholders to help build sustainable policies and regulation which deliver a better income in retirement.

(l) **HMT – Her Majesty's Treasury** – HMT has a responsibility to approve all LGPS legislation before it is made.

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Business Plan 2021/22 to 2023/24 – Q3 Update
Governance

Cashflow projections

	2019/20 £000s	2020/21 £000s	2021/22 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/ over
Opening Cash	(5,764)	(20,237)	(29,760)	(37,078)		
Payments						
Pensions	63,182	64,908	66,600	33,235	66,600	0
Lump Sums & Death Grants	15,486	12,475	16,000	7,543	16,000	0
Transfers Out	4,447	5,901	6,000	1,876	6,000	0
Expenses	3,863	5,073	5,480	2,231	5,480	0
Tax Paid	107	174	100	0	100	0
Support Services	161	173	180	0	180	0
Total Payments	87,246	88,704	94,360	44,885	94,360	0
Income						
Employer Contributions	(41,665)	(49,282)	(49,000)	(24,174)	(49,000)	0
Employee Contributions	(15,363)	(17,518)	(17,000)	(8,445)	(17,000)	0
Employer Deficit Payments	(19,244)	(14,977)	(15,000)	(14,461)	(15,000)	0
Transfers In	(5,976)	(3,393)	(6,000)	(3,507)	(6,000)	0
Pension Strain	(1,558)	(107)	(1,200)	(925)	(1,200)	0
Income	(92)	(30)	(40)	0	(40)	0
Total Income	(83,898)	(85,307)	(88,240)	(51,512)	(88,240)	0
Cashflow Net of Investment Income	3,348	3,397	6,120	(6,627)	6,120	0
Investment Income	(9,464)	(10,270)	(8,000)	(6,635)	(11,000)	(3,000)
Investment Expenses	3,800	3,918	4,000	3,235	7,000	3,000
Total Net of In House Investments	(2,316)	(2,955)	2,120	(10,027)	2,120	0
In House Investments						
Draw downs	115,114	43,927	66,175	33,969	66,175	0
Distributions	(55,270)	(63,533)	(69,203)	(50,323)	(69,203)	0
Net Expenditure /(Income)	59,844	(19,606)	(3,028)	(16,354)	(3,028)	0
Total Net Cash Flow	57,528	(22,561)	(908)	(26,381)	(908)	0
Rebalancing Portfolio	(72,001)	5,720		0	11,000	11,000
Total Cash Flow	(14,473)	(16,841)	(908)	(26,381)	10,092	
Closing Cash	(20,237)	(37,078)	(30,668)	(63,459)	(26,986)	

Operating Costs

	2019/20	2020/21	2021/22			
	Actual	Actual	Budget	Actual to Sept	Projected for full year	Projected under(-) /over(+)
	£000s	£000s	£000s	£000s	£000s	£000s
Governance Expenses						
Employee Costs (Direct)	283	261	326	146	291	(35)
Support & Services Costs (Administering Authority)	20	22	24	0	24	0
IT (Support & Services)	2	1	5	0	5	0
Other Supplies & Services	102	54	97	22	73	(24)
Audit Fees	38	39	41	(7)	41	0
Actuarial Fees	465	504	696	161	680	(16)
Investment Consultant Fees	641	847	942	317	942	0
Governance Advisor Fees	220	576	485	243	485	0
Legal Fees	20	16	40	14	40	0
Pension Board	53	106	91	66	91	0
Pooling (Host and Consultant Costs)	79	101	130	22	133	3
Miscellaneous Income	0	0	0	(12)	0	0
Performance Monitoring Fees	76	67	53	6	53	0
Total Governance Expenses	**1,999**	**2,594**	**2,930**	**978**	**2,858**	**(72)**
Investment Management Expenses						
Fund Manager Fees	20,030	16,924	19,915	3,260	19,915	0
Custody Fees	31	69	32	13	32	0
Wales Pension Partnership Investment Costs	292	304	836	0	836	0
Total Investment Management Expenses	**20,353**	**17,297**	**20,783**	**3,273**	**20,783**	**0**
Administration Expenses						
Employee Costs (Direct)	935	1,091	1,366	581	1,217	(149)
Support & Services Costs (Administering Authority)	151	156	158	0	158	0
Outsourcing	197	42	30	15	60	30
IT (Support & Services)	408	426	515	39	515	0
Other Supplies & Services)	112	119	134	26	129	(5)
Total Administration Expenses	**1,803**	**1,834**	**2,203**	**661**	**2,079**	**(124)**
Employer Liaison Team						
Employee Costs (Direct)	222	199	286	105	267	(19)
Total Employer Liaison Team	**222**	**199**	**286**	**105**	**267**	**(19)**
Total Costs	**24,377**	**21,924**	**26,201**	**5,016**	**25,986**	**(215)**

Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
~~x~~	Original item where the period has been moved or task deleted since original business plan

Governance Tasks

Ref	Key Action –Task	2021/22 Period				Later Years	
		Q1	Q2	Q3	Q4	2022/23	2023/24
G1	Review against new TPR Single Modular Code	x		x	x	xM	
G2	Develop business continuity arrangements	x	x	x	x		
G3	Ensure appropriate cyber-security is in place	x	x	x			
G4	Review of governance related policies			x		x	x
G5	Outcome of Scheme Advisory Board good governance review		x	x	x	x	
G6	Effectiveness survey			x			

Governance Task Descriptions

G1 – Review against new TPR Single Modular Code

What is it?

The Pensions Regulator (TPR) is expected to introduce a new Single Modular Code in Autumn 2021 (subject to consultation in Spring 2021). This new Code will merge the existing 15 codes the Regulator has in place. The first iteration of the new Code will include Code of Practice No.14 (the relevant Code for Public Service Pension Schemes) as part of the merger of 10 of the 15 codes currently in place. This could result in changes to the requirements placed on Public Service Pension Schemes, including the LGPS. Work will be undertaken to review whether the Fund complies with the requirements within the new Code. After the initial review, ongoing compliance checks will be carried out on a regular basis.

Timescales and Stages

Respond to Single Modular Code consultation	2021/22 Q1
Review and report the CPF's activity against the new Single Modular Code from TPR (estimated)	2021/22 Q3 & 4

Resource and Budget Implications

This review will be performed by the Deputy Head of Clwyd Pension Fund and Pensions Administration Manager working with the Independent Adviser. Estimated costs of the review are included within the budgets shown.

G2 – Develop business continuity arrangements

What is it?

The Fund has carried out a number of tests in recent years to ensure services can continue to be maintained in various scenarios, such as an office fire. Given the COVID-19 pandemic and the like changes to working methods going forward, a review of the Fund's business continuity plans and processes is taking place. This will include:

- development of a high level Business Continuity Policy (to will be considered by the Committee in March 2021)
- a Business Impact Analysis - considering the key business processes, priorities, recovery times and risks
- developing appropriate business continuity plans
- creating a testing schedule
- ongoing work to minimise risks, including documenting processes where gaps were identified as part of the Business Impact Analysis and developing a plan for further staff training.

Timescales and Stages

Develop Business Continuity Policy	2020/21 Q4
Carry out Business Impact Analysis	2021/22 Q1 to Q2
Developing Business Continuity Plan	2021/22 Q2 to Q4
Document processes relating to gaps & identify ongoing training needs	2021/22 Q2 to Q4
Develop Testing Schedule	2021/22 Q3 to Q4

Resource and Budget Implications

To be led by the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager with input from the Head of Clwyd Pension Fund and guidance from the Independent Adviser. All expected costs are included within the existing budgets.

G3 – Ensure appropriate cyber-security is in place

What is it?

Cyber risk is considered a key risk to the Fund, as it is to most organisations nowadays. In line with TPR's requirements, work will continue in this area to better understand how cyber risk is being managed in relation to the Fund's member data, assets and other procedures. The Fund has performed some initial investigations around how external suppliers intend to manage cyber risk. It is now completing the data and asset mapping to categorise risks and help the Fund plan out further work in this area focussing on the areas of key risk. Following this a process will also be put in place to ensure that ongoing checks are carried out.

Timescales and Stages

Finalise data and asset mapping	2021/22 Q1 to Q2
Establish a programme for completing ongoing work to embed this in business as usual	2021/22 Q3

Resource and Budget Implications

To be led by the Deputy Head of Clwyd Pension Fund, the Pensions Administration Manager with input from the Head of Clwyd Pension Fund and assistance from the Independent Adviser. All expected costs are included within the existing budgets.

G4 – Review of Governance Related Policies

What is it?

The Fund has several policies focussing on the good governance of the Fund, all of which are subject to a fundamental review, usually at least every three years. The policies and the due dates for their reviews are as follows:

Policy	Last reviewed	Next review due
Governance Policy and Compliance Statement*	February 2020	February 2023
Risk Policy	October 2020	October 2023
Conflicts of Interest Policy	September 2018	September 2021
Procedure for Recording and Reporting Breaches of the Law	November 2018	November 2021
Training Policy	November 2015	Due now*

*CIPFA are due to issue an updated Code of Practice relating to LGPS Knowledge and Skills, which is currently expected in April 2021. It seems appropriate that any changes are incorporated into the review if the Training Policy, which will therefore continue to be deferred until the updated CIPFA Code is issued.

Timescales and Stages

Training Policy	2021/22 Q2 & Q3
Conflicts of Interest Policy	2021/22 Q2 & Q3
Procedure for Recording and Reporting Breaches of the Law	2021/22 Q2 & Q3
Governance Policy and Compliance Statement*	2022/23
Risk Policy	2023/24

*The requirements relating to this are currently under national review, so it is possible this may need to be reviewed at an earlier stage due to national changes.

Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser. Estimated costs are included in the budget.

G5 – Outcome of Scheme Advisory Board good governance review

What is it?

The national LGPS Scheme Advisory Board (SAB) carried out a project to help and assist with the successful management of potential conflict of interests arising between a pension fund and its parent local authority. It was originally investigating options for change regarding the separation of LGPS pension funds and their host authorities.

The review has now evolved to focus on the elements of good governance, rather than the structure of the organisation. A number of recommendations have been made including ensuring appropriate conflicts of interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority. The SAB has now made a number of formal recommendations to MHCLG, including the request for MHCLG to issue statutory guidance relating to the areas of best practice identified by the project. SAB will also be undertaking a number of surveys to take forward some of the work and is expected to issue guidance in due course. The actual timescales are estimated and may be delayed due to other national priorities.

Timescales and Stages

Expected period to review existing arrangements against new statutory guidance and/or guidance	2021/22 Q2 to Q4 and 2022/23

Resource and Budget Implications

Estimated costs for this work are included within this year's budget although costs are uncertain at this time and may vary depending on the final guidance and requirements. It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser.

G6 – Effectiveness Survey

What is it?

It is generally accepted that the effectiveness of governance arrangements should be considered regularly given the impact these can have on the management of the Fund (financially and otherwise). The Fund's Independent Adviser provides an annual report on the effectiveness of the Fund's governance arrangements. Feedback is also received through other routes including from the Pensions Board. However Myners' Principles highlight the need for self-assessment by both officers and members of a Committee. Accordingly, an effectiveness survey of the Committee, Board members and key officers will be undertaken. This will provide members with an opportunity to share their views on the governance arrangements for the Fund. This will also be timely given the requirements from the SAB good governance review.

Timescales and Stages

Undertake an effectiveness survey	2021/22 Q3

Resource and Budget Implications

This review will be performed by the Independent Adviser. Costs of the review will be included within the relevant year's budget.

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

CLWYD PENSION FUND BOARD

Minutes of the meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Administering Authority for the Clwyd Pension Fund), held virtually by WebEx, and on Tuesday 28th September at 9.30 am.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams

Employer Representatives: Mr Steve Gadd, Mr Steve Jackson

IN ATTENDANCE

Mrs Karen Williams (Pension Administration Manager)
Mrs Debbie Fielder (Deputy Head Clwyd Pension Fund)
Mr Byron Lloyd-Jones (Aon – Item 13)
Ms Mary Lambe (Aon – Item 13)
Mr Chris Emmerson (Aon)

	Actions
1. APOLOGIES/ WELCOME	
Apologies received from Mr Phil Pumford (Member Representative) and Mr Phil Latham (Head of Clwyd Pension Fund and Secretary to the Board).	
Mr Chris Emmerson was introduced and attended to record the minutes of the meeting.	
It was discussed that Mr Byron Lloyd-Jones and Ms Mary Lambe would be joining later in the meeting to discuss item 13.	
2. DECLARATIONS OF INTEREST	
No new declarations were made or recorded.	
3. MINUTES AND MATTERS ARISING	

Actions

The Chair asked for comments on the minutes of which there were none and the draft minutes of the meeting held on the 24 June 2021 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 comments were made on the Action Tracker:

- 70th action: Mrs Fielder highlighted a decision would need to be made whether or not to renew the contract with Link in light of the fact there is no update on the FCA process with relation to the Woodford case. The Welsh Pension Partnership (WPP) Joint Governance Committee (JGC) are due to have meeting to discuss this. The Board agreed with Fund Officers that this is a significant risk to the Fund. The Board took comfort that this risk is listed on the WPP risk register. Consideration was given to updating the Fund's risk register with respect to risks relating to external providers.

- 77th action: Mrs Fielder provided an update on the vacant Governance Officer post. There is no further progress on the business case for the new post, but it was confirmed that this will be progressed urgently after the Board meeting.

- A number of the actions (actions: 90, 96, 97, 99 & 100) have all been completed as part of the latest PenPal release. This newsletter is with the external printer and the expectation is for this to arrive with scheme members during the week commencing 4 October 2021.

- 98th action: Some of the Pension Fund Committee members had attended the Giffin/Aon virtual joint cyber resilience training session. It was noted that additional training would be provided on cyber risk in due course.

5. KNOWLEDGE AND SKILLS, AND CONFLICTS OF INTEREST POLICIES

The Chair provided an update on these two policies which were updated recently and approved by the Committee.

Actions

It was noted that there were some quite fundamental updates to the Knowledge and Skills Policy. It was highlighted that as part of this update there are two new metrics which Board members need to be aware of:

- Firstly, 75% attendance of Board members is required at essential training sessions. It was noted that Fund Officers will need to be clear on which sessions are considered essential training.

- All Board members need to attend at least one day each year of general awareness training or events.

Mrs Williams asked whether essential training sessions would be repeated or provided as recordings to help with attendance at these sessions and The Chair confirmed that Fund Officers would ensure that at least one of these options was made available.

The Chair noted that the both the current policies are joint policies (for both the Board and the Committee). It was noted that the Board is required to have their own policies on these topics. The Board was asked to formally adopt these new policies.

RESOLVED

The Board agreed to adopt both the updated Knowledge and Skills Policy and the Conflicts of Interest Policy.

6. COVID-19

Mrs K Williams provided an update on the Administration Teams resource position since the last meeting. It was noted that the last quarter (to end of June 2021) had seen an increase in staff absences due to COVID-19 issues. This related to both direct staff sickness and absence due to caring requirements. It was also noted that a staff survey had been undertaken to consider future working patterns.

Mrs Fielder provided an update on the Finance Team, noting that they had not seen significant issues relating to sickness due to COVID-19.

Mrs Fielder provided an update on the expected Flintshire County Council policies for future working arrangements. There was a discussion about the specifics of the proposals, and the Officers and

Actions

Board agreed that a key concern with changing working policies was to ensure that the service levels remained appropriate.

The Board queried when these policies would be implemented and it was confirmed that this would likely be subject to Welsh Government directions and guidance on COVID-19 working practices.

7. COMPLIANCE WITH THE PENSIONS REGULATOR'S CODE 14

The Chair introduced the recent activity undertaken 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 its requirements. It was explained that whilst the TPR New Code is expected to become a requirement in 2022, it was good practice to continue to assess compliance against the Code currently in force.

Mrs Fielder and Mrs K Williams took the Board through the TPR Compliance Model's findings and focused on areas where the Fund is not fully compliant. The Board discussed the areas of partial compliance with some key points arising for the following items:

- 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 Team. This work has commenced but needs to be expanded and include escalation processes. This same action also relates to area G1. It was noted that the Fund's Auditors are looking at a different set of reconciliations which would help with this process.

- H7 – Information provided to new and prospective members: Mrs K Williams explained that frequently information was not provided on time but it was not clear whether this issue lay with employers or the Fund. It was noted employer statements have now been developed to highlight to employers where data is not being provided on time. Once these statements are issued to employers this section would be considered compliant. This same action also relates to H10.

The Board questioned whether there are timescales for completing these outstanding items. Mrs Fielder noted there was not currently as it was hoped this could be completed by the Fund Accountant who had been seconded to Flintshire County Council for a period.

Action - Mrs Fielder agreed to consider and adopt appropriate timescales in consultation with the Fund Accountant. **Mrs Fielder**

Actions

8. ADMINISTRATION UPDATE

The Chair invited Mrs K Williams to provide the administration update. Mrs K Williams started by covering KPIs outlining that they had fallen slightly due to the impact of COVID-19 on the Administration team as well as being the summer holiday period. Although the statistics show a dip, Mrs K Williams expected that the situation would improve quickly. This also impacted the number of completed cases, but it was expected that completed cases would increase again shortly.

Mrs K Williams then explained that on Member Self-Service (MSS) a significant number of members are continuing to use the benefit projections facility and noted it was pleasing to see this engagement. She did note one area of concern was that there were a number of members who were not registered for MSS or receiving paper copies of statements. She confirmed that these members had all now received a new activation key for MSS inviting them to join and she was hopeful there would be an increase in the number of users going forward.

Mrs K Williams also provided updates on the GMP reconciliation exercise, staffing matters (including some difficulties with recruitment and some resignations), the pensions dashboard project and the upcoming pensions administration software procurement exercise. It was also confirmed that the Fund will be seeking greater levels of engagement with scheme members on pensions taxation issues.

9. AVCS – PRUDENTIAL SERVICE ISSUES

Mrs K Williams provided an update on Prudential who are the Fund's AVC provider.

It was discussed that Prudential were continuing to have a number of ongoing service issues. These issues are nationwide and have been reported to TPR and the Financial Conduct Authority.

Fund officers have had a meeting with a service director to discuss service issues. After that meeting Fund Officers had felt more assured that improvements were being made, but were still closely reviewing the service including the accuracy of information relating to AVC values provided by Prudential.

It was noted that Mrs K Williams wanted assurance from Prudential that all members' AVC accounts would be reviewed for accuracy, not just those who raised a complaint, due to the issues with AVCs not

Actions

being allocated correctly. The Fund was gathering extra evidence of errors to provide further information for Prudential to support this view. It was noted however, that Prudential were paying compensation to those members affected who complained and ensuring there was no loss of investment due to AVCs being credited late.

The Chair noted that there was significant action on this at a national level, with it being discussed at the LGPS Technical Group.

The Board expressed its dissatisfaction that external providers were having a negative impact on the Fund and its scheme members, but thanked Fund Officers for their continued work in supporting members.

10. MCCLOUD REMEDY PROJECT

The Board received an update from Mrs K Williams on the progress of the Fund's McCloud programme, which is on track with planned timescales. However, as the consultation response is currently overdue from Government, there may be an impact on the supply of software solutions in finalising their work.

It was noted that the Fund has seen good improvement from employers on data requirements, and the Officers are working with their administration software provider to ensure the Officers understand how to upload the rectification data most effectively. The next stage is to work with this employer data, but it is expected that the hard work already put in by the team would lead to a smoother process in the future.

The Chair thanked the team and employers for their hard work so far.

11. 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 Fund's pensions administration software supplier Heywoods.

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

- For common data an improvement from 96% last year to 97.5%
- For scheme specific data an improvement from 96% last year to 96.99% this year.

Actions

Mrs K Williams noted that the biggest issue for the scheme specific data is around post 2014 (CARE) pension data, relating to scheme members on casual contracts, where the data is correct, but the process is identifying the field on the system as an error (incorrectly). The Fund will continue to review as many of these records to further improve the score in the period before the TPR submission.

12. COMPLIMENTS AND COMPLAINTS (INCLUDING IDRP)

The Chair asked the Board if anyone had any comments on the papers relating to compliments and complaints and there were none.

At this point Mr Gadd highlighted that the various items Mrs Williams had presented relating to administration had all been extremely positive with evidence based statistics. The Board agreed the information was very informative and reassuring.

13. CYBER

[Mr Byron Lloyd-Jones and Ms Mary Lambe joined the meeting]

The Chair introduced Mr Lloyd-Jones and covered the background to the cyber security work undertaken by the Fund. It was explained that in particular the Fund reviewed the cyber security arrangements at the Pension Administration Software Provider and the Host Authority.

Mr Lloyd-Jones discussed the findings of the work done with the Pension Administration Software Provider.

The Board welcomed this work and the positive responses received and thanked all of those involved in its production.

[Mr Byron Lloyd-Jones and Ms Mary Lambe left the meeting]

14. BUSINESS CONTINUITY

Mrs K Williams updated the Board on the work being undertaken to develop the Business Continuity Plan. It was noted that this was a bigger project than originally anticipated, especially around documenting all the decisions and processes. Mrs Williams noted that the Fund needs to be as prepared as possible to ensure an appropriate response should an incident arise. It is expected that the Business Continuity Policy will be completed by the next Pension Board meeting.

Actions

15. ASSET POOLING

Mrs Fielder provided an updated on the most recent JGC meeting held in September 2021. All the assets of the Pool are outperforming their benchmarks. There were also updates provided on two key areas: the ongoing Link case, and the WPP appointed provider's approach to stock lending and company engagement. It was also confirmed that the WPP is receiving more information in relation to responsible investment than previously, which was seen as positive by the Officers.

Mrs Fielder provided an update on the Fund's position with relation to stock lending covering the current process alongside the positives and drawbacks of the current approach. The Chair noted that much progress has been made in this area.

The Fund is looking to become a signatory to the UK Stewardship Code, given CPF were signatories to the previous code. The Fund is waiting on information from the Pool to be included in their submission. It was noted WPP is targeting end October for their submission and so the information should be available shortly after that.

There was then a discussion about the asset classes available within WPP and whether these met the needs of the Fund. It was noted that Emerging Market equities would be pooled in October 2021 and a tender process for private markets managers, including Private Debt, Infrastructure and Private equity, would be conducted shortly afterwards. This would lead to the Fund having a greater proportion of assets pooled than previously, which is positive progress.

The impact on the activity level of Fund Officers due to pooling was recognised by the Board.

Mrs Fielder highlighted that WPP were providing an update to DLUHC and it was noted that the assets transitioned for Clwyd Pension Fund were lower than other Welsh funds. Mr Gadd asked about the consequences of this and it was explained that this was due to the unique investment strategy for Clwyd , and there is a clear plan of action for further transitions.

16. RESPONSIBLE INVESTMENT INCLUDING CLIMATE CHANGE/CARBON NEUTRALITY

Actions

There was a discussion about responsible investment and the Fund's current key considerations. It was noted that this is an area that both the public and elected members are very interested in. Fund Officers are keen to ensure useful information around their strategy and approach is in the public domain and information is currently being developed for the Clwyd Pension Fund website too.

17. RISK REGISTER

The Board had no comments on this area.

18. BREACHES LOG

Mrs Fielder provided an update on an employer Hafan Deg who had failed to pay contributions, and were still uncommunicative with the Fund. It was noted that the employer had once again failed to pay their latest contributions after the Fund had just received back-payments to bring them up to date. Officers are chasing the employer for payment, but it was agreed that **the Fund would contact the guarantor Employer to see if they could assist in any way.** It is quite likely that the employer will need to be reported to The Pensions Regulator even though the amounts are very small and the payments are always paid, albeit late.

Action – Fund to contact the guarantor Employer to ask if they can assist — **Mrs Fielder**

19. UPDATES FROM RECENT EVENTS ATTENDED BY BOARD MEMBERS

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

20. CONSIDERATION OF 1st SEPTEMBER 2021 COMMITTEE PAPERS

The Board noted there were no comments.

21. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE

The Board noted there were no comments.

	Actions
22. FUTURE WORK PLANS	
The Board discussed items on the future workplan including: • **Task Force on Climate-Related Financial Disclosures (TCFD)** – It is expected that there will be a consultation on TCFD relating to the LGPS soon. • **McCloud Remedy** – The Fund is expecting final regulations and guidance shortly. This is very likely before 31 March 2022.	
Action - It was noted that work required in relation to pension scams still needed to be added to the work plan following the last meeting, as well as the items discussed.	**Board Secretary**
23. PENSION BOARD BUDGET	
Mrs Fielder provided commentary on information shared with the Board noting that half-way through the year the Board was broadly on target against budget. It was noted that fees relating to external parties providing training had been underestimated.	
24. FUTURE DATES	
The Board were asked to note dates relating to future meetings, training and other events involving Pension Board members including: • PFC on 10 November which would include major considerations relating to the RI roadmap • Essential conflicts of interest training on 3 November • AJCM on 24 November • LGA LGPS Conference on 24 January 2022.	
The Board were reminded to let Mrs Fielder know of events they have enrolled and attended so that they can be recorded on Training Log.	
Action – Board members to share attendance at events with Mrs Fielder.	**Mrs Fielder**
25. ANY OTHER BUSINESS	
Mrs Williams mentioned that they were providing webinars on annual allowances/tax charges to scheme members.	
There was no other business.	

Actions

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Annual Review of Objective Measures for Governance Related Policies and Strategies **Appendix 3**

Objective	Monitoring arrangements	Assessment against requirements
Governance Policy		
Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.	The Independent Adviser undertakes an annual review of the effectiveness of the Clwyd Pension Fund's governance arrangements, the findings of which are reported to the Committee and published.	Compliant – included in the 2020/21 Annual Report.
	The Pension Board prepares and publishes an annual report.	Compliant – included in the 2020/21 Annual Report.
	In line with the Regulations this document will be filed with the MHCLG (now DLUHC).	Compliant.
Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	A Training Policy (now the Knowledge and Skills Policy) is in place together with monitoring and reporting of all training by Pension Committee members, Pension Board members and key officers in accordance with the Training Policy.	Compliant – Latest Policy approved September 2021. Monitoring information now included in Committee Governance update report
	The WPP Joint Governance Committee has a Training Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.	Compliant.
Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	A Conflicts of Interest Policy is in place together with ongoing reporting and monitoring of the register of conflicts in accordance with the Conflicts of Interest Policy.	Compliant – Latest Policy approved September 2021. Declarations and monitoring carried out at each meeting.

Objective	Monitoring arrangements	Assessment against requirements
	The employers within the Fund, together with union representatives, are invited to an Annual Joint Consultative Meeting. Attendees receive presentations and have the opportunity to ask questions on the governance of the Fund.	Compliant.
	The Pension Fund Committee includes representatives from scheme members and most employers in the Fund.	Compliant.
	The Pension Board includes representatives from scheme members and employers in the Fund.	Compliant.
	The Pension Board prepares and publishes an annual report which may include comment on decision making.	Compliant – included in the 2020/21 Annual Report.
	The WPP Joint Governance Committee prepares an annual business plan which is brought to the Clwyd Pension Fund Committee for agreement in accordance with the Inter Authority Agreement	Compliant – last agreed at March 2021 Committee.
Understand and monitor risk	A Risk Policy and register in place and monitoring and reporting of risks is carried out in accordance with the Risk Policy.	Compliant - Latest Policy approved October 2020.
	Ongoing consideration of key risks at Pension Fund Committee meetings.	Compliant – in Committee Update reports.
Strive to ensure compliance with the appropriate legislation and statutory guidance and to act in the spirit of other relevant guidelines and best practice guidance	The Governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to Committee.	Compliant.
	The Fund has an Independent Adviser and their annual report includes reference to compliance with key requirements.	Compliant – included in the 2020/21 Annual Report.

Objective	Monitoring arrangements	Assessment against requirements
	The Fund carries out a compliance check, at least annually, against the relevant The Pension Regulator's Code of Practice.	Compliant – This was last done in September 2021.
	The Fund maintains a log of all breaches of the law in accordance with the Fund's breaches procedure which is reported on and monitored as outlined in that procedure.	Compliant – in Committee Update reports.
	The Pension Board prepares and publishes an annual report which may include comment on compliance matters.	Compliant – included in the 2020/21 Annual Report.
	The WPP Joint Governance Committee has a Breaches and Error Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.	Non-compliant.
Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success	All strategies and policies include reference to how objectives will be monitored.	Compliant.
	Ongoing monitoring against key objectives at Pension Fund Committee meetings.	Compliant – in Committee Update reports.
	Ongoing monitoring of business plan targets at Pension Fund Committee meetings.	Compliant – in Committee Update reports.
	Quarterly and annual updates against the WPP Joint Governance Committee's business plan and objectives are provided in accordance with the Inter Authority Agreement.	Compliant.
Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.	All information security breaches relating to data being issued insecurely by the Fund are recorded and reviewed.	Compliant – A number of member benefit statements contained membership data relating to other members. This was investigated and reported to the ICO, in line with the requirements.

Objective	Monitoring arrangements	Assessment against requirements
	All other incidents affecting confidentiality, integrity and accessibility of data, systems or services are recorded and reviewed.	Compliant
	The Fund has a cyber incident response plan in place.	Partially compliant – Work to produce this has begun and will be completed during the 2021/22 scheme year.
	The Fund has a business continuity plan and a testing schedule (including cyber incident testing) in place which is adhered to.	Partially compliant – Work to produce this has begun and will be completed during the 2021/22 scheme year.
	All Fund staff undertaken GDPR training in accordance with FCC's training programme.	Compliant
Risk Policy		
Understand and monitor risk, aiming to: • integrate risk management into the culture and day-to-day activities of the Fund • raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners) • anticipate and respond positively to change • minimise the probability of negative outcomes for the Fund and its stakeholders • establish and maintain a robust framework and procedures for	The Independent Governance Adviser will be commissioned to provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy.	Compliant – included in the 2020/21 Annual Report.

Objective	Monitoring arrangements	Assessment against requirements
identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice • ensure consistent application of the risk management methodology across all Pension Fund activities, including projects and partnerships.		
Conflicts of Interest Policy		
• The identification and management of potential and actual conflicts of interest is integral to us achieving our governance objectives (as outlined above)	All declarations should be collated and recorded on the Fund’s Register of Conflicts of Interests.	Compliant.
	In order for us to fulfil our obligations to manage and monitor potential conflicts of interests the Pension Fund Committee and the Pension Board must include an item on conflicts of interest at each meeting.	Compliant - This is a standing item for both the Committee and the Board.
	The Pension Board must also include an item on conflict of interest in its Annual Report.	Compliant – included in the 2020/21 Annual Report.
	The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the Head of the Clwyd Pension Fund.	Compliant – there have been no requests for this in 2021/22.
	Review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity.	Compliant.

Objective	Monitoring arrangements	Assessment against requirements
	Provide our findings to our Independent Adviser and ask them to include comment on the management of conflicts of interest in their annual report on the governance of the Fund each year.	Compliant – included in the 2020/21 Annual Report.
Breaches Policy		
Ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.	A report will be presented to the Pension Fund Committee on a quarterly basis setting out: • all breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates. • in relation to each breach, details of what action was taken and the result of any action (where not confidential) • any future actions for the prevention of the breach in question being repeated • new breaches which have arisen since the previous meeting.	Compliant – in Committee Update reports.
	This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).	Compliant – no requests received.
Training Policy		
• Ensure that the Clwyd Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and skills, and that this knowledge and expertise is maintained within the continually changing Local Government Pension	Compare and report on attendance at training based on the following:	Results included in the 2020/21 Annual Report. Additional reporting is provided in Committee Update reports.

Objective	Monitoring arrangements	Assessment against requirements
Scheme and wider pensions landscape. • Those persons responsible for governing the Clwyd Pension Fund have sufficient knowledge and skills to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest. • Those persons responsible for the management and governance of the Clwyd Pension Fund are expected to be committed to attending and engaging with suggested training in accordance with the Knowledge and Skills Policy.	• Individual Training Needs – ensuring a training needs analysis is carried out at least once every two years* which drives the content of the Fund's training plan. *in exceptional circumstances, such as a major change to the Committee membership where induction training is being carried out, a training needs analysis may be deferred to a later date.	Compliant – completed in Spring 2020.
	• Hot Topic Training – attendance by at least 75% of the required Pension Fund Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.	Partially Compliant – attendance ranged from 56 to 67%.
	• General Awareness – each Pension Fund Committee member, Pension Board member or senior officer attending at least one day each year of general awareness training or events.	Partially Compliant – 77% of Committee and Board members achieved the requirement.
	• Induction training – ensuring areas of identified individual training are completed within six months of appointment.	Partially Compliant – Delivered within six months for all but one member.
	Ask our Independent Adviser to provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy.	Compliant – in Committee Update reports.

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Clwyd Pension Fund

Training Plan 2020/21 to 2021/22 - as at 01 November 2021

External /CPF event	Title of session	Training Content	Timescale	Training Length	Audience	Complete
CPF	Governance update - Various	*The role and powers of **The Pensions Regulator and Codes of Practice** ***MIFID2** knowledge and skills requirements and The impact on The Fund around investment restrictions *Changes to be introduced as a result of The national **SAB good governance project**	Autumn 2021	Max 2 hours Webex/Teams	Committee, Pensions Board and Officers	
CPF	Governance considerations - Cyber Security	Cyber risk to the fund and how this is being assessed and controlled	October 2021 to January 2022 (ahead of PFC where Cyber discussed)	Max 2 hours Webex/Teams	Committee, Pensions Board and Officers	
External	LGA Fundamentals - London, Leeds, Cardiff or virtual (for London dates only)	Various topics covering the basics of most pension fund areas of responsibility	Day 1 - 12, 21, 26 October Day 2 - 9, 18, 23 November Day 3 - 2, 8, 15 December Dates relate to London, Leeds, Cardiff respectively	3 separate days - 9.30am to 4pm	New/nearly new Committee and Board members	
CPF	Governance considerations - Conflicts of Interest	Understanding the Fund's Conflicts of Interest Policy and examples of potential conflicts	03/11/2021	1 hour Webinar	Committee, Pensions Board and Officers	
External	LAPFF, Bournmouth	Annual Conference	8 - 10 Dec 2021	3 days (in person)	Chair plus Officer	
External	LGA	LGPS Governance Conference (Bournemouth)	20 - 21 Jan 2022	2 days (in person or virtual)	Committee, Pensions Board and Officers	
External	LGC	Investment Seminar (Carden Park)	24 - 25 Mar 2022	2 days (in person)	Committee, Pensions Board and Officers	
CPF	Administration considerations - Pension Scheme Taxation	Including lifetime allowance and annual allowance	TBC	30 mins - 1 hour est.	Committee, Pensions Board and Officers	
CPF	Administration considerations - £95k Cap	If applies to Wales, the new £95k cap and the impact on scheme members being given early retirement	TBC	Estimated at 30 mins	Committee, Pensions Board and Officers	
CPF	Administration considerations - Goodwin Case	Overview of Goodwin court case affecting widowers' pension entitlements retrospectively to 2005	TBC	Estimated at 30 mins	Committee, Pensions Board and Officers	
CPF	Investment considerations - Private Markets	All aspects of investing in Private Markets (addition to BP)	TBC	2 hours Webex	Committee, Pensions Board and Officers	
CPF	Investment considerations - investment strategy	Setting the strategy and delivery of Investment objectives	TBC	TBC	Committee, Pensions Board and Officers	
CPF	Investments considerations - Asset Classes	Risk and return characteristics	TBC	TBC	Committee, Pensions Board and Officers	
CPF	Governance considerations - Myners Principles	To include reviewing the effectiveness of the PF Committee	TBC	Estimated at 1 hour	Committee, Pensions Board and Officers	
Previous events						
External	CIPFA Local Pension Board Seminars	Spring Session	02/04/2020	1 day	Pensions Board	N
External	PLSA Local Authority Conference, Gloucestershire	Various - Held vertually over 5 days	18-20/05/2020	5 days	Committee, Pensions Board and Officers	N
External	SAB Webinar	Streamlining Data, Manging investment risks	01/06/2020	1 hour Webinar	Committee, Pensions Board and Officers	Y
External	CIPFA Local Pension Board Seminars	Annual Event	24/06/2020 - Webex	9.30 - 16.00	Pension Board	Y
External	Responsible Investing & Climate Risk	To frame the Funds response to Climate Risk and Responsible Investing and low carbon investments	25/06/2020	2 hours Webex	Committee, Pensions Board and Officers	Y
External	Room 151	Cost transparency/Stewardship/Green Energy	22/07/2020	2 hour Webinar	Committee, Pensions Board and Officers	Y
CPF	McCloud Reform	Background to the McCloud Reform and the programme of work to be undertaken	05/08/2020	2 hours Webex	Committee, Pensions Board and Officers	Y
CPF	McCloud -Impact for Employers	Specific training for Employers with regard to the impact of McCloud	11/08/2020	2 hours Webex	Officers, McCloud Steering Group (Pension Board and Scheme Member Rep - Committee)	Y
External	CIPFA McCloud Implementation Workshop	Impact on Administration and Members	19/08/2020 Webex	10 -13.00	Committee & Pensions Board	N

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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
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: 3363 cases completed / 50% (1697) were in breach. 2020/21 -Q1 - 442 cases completed / 55% (245) were in breach -Q2 - 1430 cases completed / 56% (799) were in breach -Q3 - 1329 cases completed / 29% (386) were in breach -Q4 - 739 cases completed / 15% (114) were in breach 2021/22 -Q1 - 789 cases completed / 15% (118) were in breach -Q2 - 769 cases completed / 25% (190) were in breach		
Possible effect and wider implications			- Late scheme information sent to members which may result in lack of understanding. - Potential complaints from members. - Potential for there to be an 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. 02/02/2021 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient. 14/10/2021 - Due to key staff members within this area leaving the Fund in this quarter, recruitment is underway to replace these staff members and new Modern Apprentices are being trained in this area.		
Outstanding actions (if any)			18/08/2021 Work to be done to analyse timescales in relation to (a) employers and reaching out to them to discuss delays and (b) internal in which case looking to reduce these. 14/10/21 Recruitment of staff to replace those that have left.		
Assessment of breach and brief summary of rationale			14/10/21 Number of cases completed remains consistent even with staff shortage and holiday period. Number of cases in breach has increased but remains lower than previous quarters so assessment of breach remains the same.		
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**	SB
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: 224 cases completed / 32% (71) were in breach 2020/21 -Q1- 59 cases completed / 19% (11) were in breach -Q2- 54 cases completed / 35% (19) were in breach -Q3- 56 cases completed / 29% (16) were in breach - Q4-55 cases completed / 20% (11) were in breach 2021/22 -Q1 - 76 cases completed / 62% (47) were in breach -Q2 -76 cases completed / 22% (17) 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			17/11/2020 - Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with in a more timely manner. 02/02/2021 - Training to continue. Complex area of work so training taking longer to complete. Training will continue through Q4. 21/05/2021 - Staff members attended external training course.		
Outstanding actions (if any)			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			14/10/2021 Number of cases completed has remained consistent and number in breach has reduced. Future improvements expected; retain as amber until improvements are seen.		
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: 1330 cases completed / 25% (326) 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 - Q3 - 331 cases completed / 19% (63) were in breach -Q4 - 350 cases completed / 19% (68) were in breach 2021/22 -Q1 - 329 cases completed / 16% (53) were in breach -Q2 - 388 cases completed / 16 %(64) 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 there to be an 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. 02/02/21 - Completed case numbers continue to increase whilst percentage in breach has reduced again this quarter. Improved engagement with employers via new monthly reporting process should assist in reducing the number of breaches further in future quarters. 21/05/2021 - New reports to employers will go live in June so expected improvement in future quarters.
Outstanding actions (if any)	- Identifying which employers are causing delays. 30/1/2020 Ongoing liaison with employers and rolling out monthly monitoring.
Assessment of breach and brief summary of rationale	14/10/2021 Increased number in cases being processed with the percentage in breach remaining consistent. A reduction in number in breach is required for assessment to change.
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: 165 cases completed / 28% (53) were in breach 2020/21 -Q1- 39 cases completed / 23% (9) were in breach -Q2- 52 cases completed / 38% (20) were in breach -Q3- 31 cases completed / 29% (9) were in breach -Q4- 73 cases completed / 21% (15) were in breach 2021/22 -Q1- 59 cases completed / 8% (5) were in breach -Q2 - 42 cases completed / 5% (2) 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 there to be an 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. 3/2/20 - Training of additional staff now complete. 18/8/21 - Further work completed identifying where the delay fell e.g. request or receipt of information to facilitate the calculation of benefits, and action taken to improve these issues.
Outstanding actions (if any)	
Assessment of breach and brief summary of rationale	14/10/2021 - Number of completed cases remains steady and the number in breach is reducing. Assessment level to remain with a view to closing breach if position improves further.
Reported to tPR	No

Ref	A20		**Date entered in register**		03/02/2021
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		Members not entered into LGPS		**Owner**	KW
Party which caused the breach			Employer		
Description and cause of breach			Number of employees entered into the Peoples' Pension, rather than the LGPS, by their employer (confidential until all employees are communicated with). Some employees did opt out of Peoples' Pension.		
Category affected			Active members		
Numbers affected			18 employees		
Possible effect and wider implications			- As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively. - Unclear if the employees who opted out, would have also opted out of the LGPS. - LGPS Contributions will need to be collected from employer and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period. - Employer will need to liaise with Peoples' Pension to reverse membership there.		
Actions taken to rectify breach			3/2/2021 - Liaising with employer to determine how best to put employees back in correct position. Letters sent to members to explain 21/05/2021 - Regular meetings held with employer and have an action plan in place. Exact number of 18 members have now been identified. 14/10/2021 - All active members have been communicated with and next steps agreed.		
Outstanding actions (if any)			14/10/2021 - Contact members who have left (4) that are outstanding. These members still need to be communicated with by the employer. No employee financial impact.		
Assessment of breach and brief summary of rationale			14/10/2021 - All active members have been communicated with but contact with 4 members who have left employment remains outstanding. Assessment of breach reduced to green as number of members impacted is low and as final members have left, no further contributions are being made.		
Reported to tPR			No		

Ref	A22		**Date entered in register**		21/05/2021
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		Members not entered into LGPS		**Owner**	KW
Party which caused the breach			Glyndwr		
Description and cause of breach			Number of employees entered into alternative pension schemes, rather than the LGPS, by Glyndwr.		
Category affected			Active members		
Numbers affected			6 employees		
Possible effect and wider implications			- As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively. - LGPS Contributions will need to be collected from employer and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period. - Employer will need to liaise with alternative provider to reverse membership there.		
Actions taken to rectify breach			21/05/2021- Liaising with employer to determine how best to put employees back in correct position and detailed plan of actions has been developed. Letters sent to members to explain 14/10/2021 - Letter to 5 outstanding employees requesting confirmation of next steps issued with close date of 31/10/21.		
Outstanding actions (if any)			14/10/2021 - Final part of action plan to be completed.		
Assessment of breach and brief			14/10/2021 - Assessment to remain amber until all follow up actions complete.		
Reported to tPR			No		

Ref	A23		**Date entered in register**		21/05/2021
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		Incorrect member contributions paid		**Owner**	KW
Party which caused the breach			Employer		
Description and cause of breach			When employees are stepping up from their substantive post to higher graded post, incorrect employee and employer contributions have been made. This is due to an incorrect recording on the payroll system.		
Category affected			Active and Deferred		
Numbers affected			20 current and previous employees		
Possible effect and wider implications			- As a result the employees may have less valuable pension rights, and so LGPS CARE pay and contributions will need to be checked and difference in contributions paid retrospectively. - LGPS Contributions will need to be collected from employer, and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period.		
Actions taken to rectify breach			21/05/2021- Process has been updated to ensure correct contributions/CARE pay going forward. - Liaising with employer to determine how best to put employees back in correct position retrospectively and letters to be sent to members to explain. 14/10/2021 Current employees contacted and all have agreed to pay outstanding contributions/payment plans agreed.		
Outstanding actions (if any)			14/10/2021 - Employees who have left employment to be contacted to discuss options and agree actions.		
Assessment of breach and brief summary of rationale			14/10/2021 - Members who have left employment are still to be contacted (9). Not all actions completed by employer therefore assessment of breach to remain as amber.		
Reported to tPR			No		

Ref	F46		**Date entered in register**		23 Aug 2021
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		No submission of contribution remittance advice		**Owner**	DF
Party which caused the breach			Marchwiel Community Council		
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 July 2021 were received within the legal timescales but no remittance advice was received.		
Category affected			Active members and employer		
Numbers affected			1 active member		
Possible effect and wider			Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach			- 23/08/21 emailed Employer to request remittance.		
Outstanding actions (if any)			22/10/21 - Continue to request remittance		
Assessment of breach and brief summary of rationale			Remittance still outstanding. No response from the Town Clerk. Payment is the same every month		
Reported to tPR			No		

Ref	F47		**Date entered in register**		23 Sep 2021
Status	Closed		**Date breached closed (if relevant)**		30 Sep 2021
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 August 2021 were not received within the deadline. Previous breach F41		
Category affected			Active members and employer		
Numbers affected			1 active member		
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			- 23/09/21 emailed Employer to request payment		

Outstanding actions (if any)	
Assessment of breach and brief	Payment received 30/09/2021
Reported to tPR	No

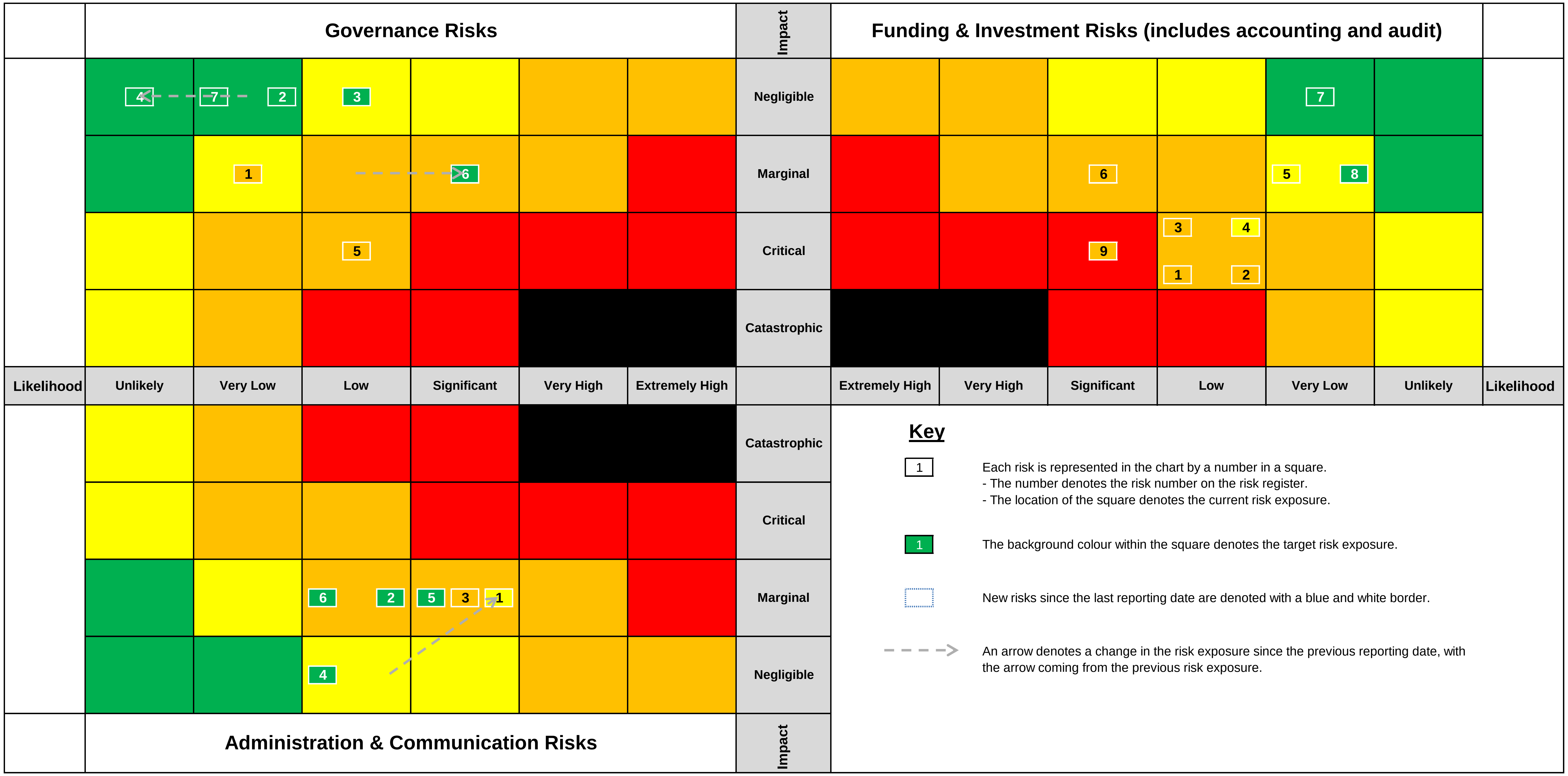
Ref	F48		**Date entered in register**		23 Sep 2021
Status	Closed		**Date breached closed (if relevant)**		21 Oct 2021
Title of Breach		No submission of contribution remittance advice		**Owner**	DF
Party which caused the breach			Hafan Deg (K L Care Ltd)		
Description and cause of breach			A remittance 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 2021 were received late on 30/09/2021 but no remittance advice was received. Previous breach F43		
Category affected			Active members and employer		
Numbers affected			1 active member		
Possible effect and wider			Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach			- 23/09/21 emailed Employer to request remittance.		
Outstanding actions (if any)					
Assessment of breach and brief			Remittance received 21/10/2021 (along with September remittance)		
Reported to tPR			No		

Ref	F49		**Date entered in register**		23 Sep 2021
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		No submission of contribution remittance advice		**Owner**	DF
Party which caused the breach			Marchwiel Community Council		
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 2021 were received within the legal timescales but no remittance advice was received. Previous breach F46		
Category affected			Active members and employer		
Numbers affected			1 active member		
Possible effect and wider			Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach			- 23/09/21 Fund emailed Employer to request remittance. - 22/10/2021 Deputy Head of Fund emailed Town Clerk. Email not acknowledged.		
Outstanding actions (if any)			22/10/21 - Deputy Head of Fund to try another means of contact.		
Assessment of breach and brief summary of rationale			Remittance still outstanding. No response from the Town Clerk. Payment is the same every month.		
Reported to tPR			No		

Month	Date	Day	Committee	Training	Pension Board	Location
2021						
April						
	07-Apr	Wed		Induction Training Investment Practice 2pm - 4pm		Virtual
	21-Apr	Wed		Flight Path Training Part I 10am - 12pm		Virtual
	21-Apr	Wed		Induction Training Administration 2pm - 4pm		Virtual
	21-Apr	Wed		WPP Training Private Markets/ Legal Structures 2pm - 4pm		Virtual
	28-Apr	Wed		Induction Training Accounting Audit & Procurement 2pm - 4pm		Virtual
May						
	05-May	Wed		Induction Training Communication 2pm - 4pm		Virtual
	12-May	Wed		Fossil Fuel Training 12.30pm - 2pm		Virtual
	18 - 19 May	Tues - Wed		PLSA LGPS Annual Conference		Virtual
	26-May	Wed		Responsible Investment Roadmap 2pm - 4pm		Virtual
June						
	09-Jun	Wed	9.30am - 11.30am			Virtual
	23-Jun	Wed		CIPFA Pension Board Event		Virtual
	24-Jun	Thu			9.30am - 3pm	Virtual
July						
	20-Jul	Tues		WPP RI Indices and Reporting		Virtual
	21-Jul	Wed		Flight Path Training Part II		Virtual
Sept						
	01-Sep	Wed	9.30am - 11.30am			Virtual
	9 - 10 Sept	Thur - Fri		LGC Investment Seminar		Leeds
	22-Sep	Wed		WPP Role of Operator (JGC only)		Virtual
	28-Sep	Tues		CIPFA Pension Board Event		Virtual
	28-Sep	Tues			9.30am - 3pm	Virtual
Oct						
	12 Oct 21 Oct 26 Oct			LGA Fundamentals Day 1		London Leeds Cardiff
	18-Oct	Mon		WPP Performance Reporting / Roles and Responsibilities ACS		Virtual

Month	Date	Day	Committee	Training	Pension Board	Location
Nov						
	03-Nov	Wed		Conflicts of Interest Training		Virtual
	10-Nov	Wed	9.30am - 11.30am			
	9 Nov 18 Nov 23 Nov			LGA Fundamentals Day 2		London Leeds Cardiff
	24-Nov	Wed		AJCM		Virtual
Dec						
	8 - 10 Dec	Wed - Fri		LAPFF Annual Conference		Bournemouth
	2 Dec 8 Dec 15 Dec			LGA Fundamentals Day 3		London Leeds Cardiff
2022						
Jan						
	20 - 21 Jan	Thurs - Fri		LGA LGPS Governance Conference		Bournemouth
Feb						
	09-Feb	Wed	9.30am - 11.30am			TBC
	17-Feb	Thur			9.30am - 3pm	TBC
Mar						
	16-Mar	Wed	9.30am - 11.30am			TBC
	24 - 25 Mar	Thurs - Fri		LGC Investment Seminar		Carden Park

All Fund Risk Heat Map and Summary of Governance Risks



01 November 2021

Clwyd Pension Fund - Control Risk Register

Governance Risks

Objectives extracted from Governance Policy (02/2020), Training Policy (09/2018) and Procedures for Reporting Breaches of the Law (11/2018)

G1 Act in the best interests of the Fund's members and employers
G2 Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
G3 Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
G4 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
G5 Understand and monitor risk
G6 Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
G7 Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
T1 Ensure that the Clwyd Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.
T2 Those persons responsible for governing the Clwyd Pension Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.
B1 Ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report.
B2 Assist in providing an early warning of possible malpractice and reduce risk.

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately considered (recognising that many risks can be identified but not managed to any degree of certainty)	All	Marginal	Very Low		1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to each PFC 3 - Advisory panel meets at least quarterly discussing changing environment etc 4 - Fundamental review of risk register annually 5 - TPR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Marginal	Low		☺			None	Head of CPF	31/01/2022	25/10/2021
2	Inappropriate or no decisions are made	Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	G1 / G2 / G3 / G4 / G5 / G6 / G7	Negligible	Very Low		1 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Annual check against TPR Code 4 - Knowledge and Skills Policy, plan, monitoring (regular self assessments) and induction training in place for PFC and PB members based on CIPFA Code/Framework 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PFC, PB and officers in their responsibilities, with formal Advisory Panel 6 - Terms of reference for the Committee in the Constitution allows for members to be on the Committee for between 4-6 years but they can be re-appointed 7 - Different categories of Committee and Board members have different end of term dates, to ensure continuity 8 - Approved schedule of officer delegations, including ability for urgent matters to be agreed outside of formal Committee (involving Chair of PFC) 9 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible	Negligible	Very Low		☺			1 - Further self assessment of training needs to be carried out in 2021/22 - deferred until post Welsh elections May 2022 (PL) 2 - Training for new Chief Executive and Senior Manager (HR & OD) to be arranged Q3/Q4 (PL) 3 - Induction training planned for any new members following May 2022 Welsh elections (PL)	Head of CPF	31/01/2022	25/10/2021
3	Our legal fiduciary responsibilities are not met	Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers	G1 / G2 / G4 / G6 / T2	Negligible	Low		1 - CPF Conflicts of Interest Policy focussed on fiduciary responsibility regularly discussed and reviewed 2 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 3 - All stakeholders to which fiduciary responsibility applies represented at PFC and PB 4 - Knowledge and Skills Policy, Plan, monitoring (regular self assessments) and induction training in place for PFC and PB members including training on fiduciary responsibility and the CPF Conflicts Policy 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PC, PB and officers in their responsibilities, with formal Advisory Panel 6 - Clear strategies and policies in place with Fund objectives which are aligned with fiduciary responsibility 7 - WPP Conflicts of Interests Policy in place	Negligible	Very Low		😐 Current likelihood 1 too high	26/01/2021	Dec 2021	1 - Ensure appropriate due diligence process for investments with potential conflict (Welsh or local) (PL) 2 - Training on conflicts for new Chief Executive and Senior Manager (HR & OD) to be arranged Q3/Q4 (PL)	Head of CPF	31/01/2022	25/10/2021
4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	G2 / G7	Negligible	Unlikely		1- Range of policies in place and all reviewed at least every three years 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored	Negligible	Unlikely		☺				Dep. Head of CPF	31/01/2022	25/10/2021
5	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such scheme change (e.g. McCloud and £95k cap), national reorganisation, cybercrime, Covid-19 and asset pooling	G1 / G4 / G6 / G7	Critical	Low		1 - Continued discussions at AP, PFC and PB regarding this risk 2 - Involvement of CEO / links to WLGA and WG 3 - Fund's consultants involved at national level/regularly reporting back to AP/PFC 4 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring) 5 - Asset pooling IAA in place 6 - Officers on Wales Pool OWG, and Pension Board Chair attending WPP LPB Chair meetings 7 - Ongoing monitoring of cybercrime risk by AP 8 - McCloud planning undertaken and full programme management in place 9 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible 10 - Covid-19 risk regularly considered including at AP	Marginal	Low		😐 Current impact 1 too high	28/02/2017	Mar 2022	1 - Regular ongoing monitoring by AP to consider if any action is necessary around asset pooling, cost cap, £95k cap and McCloud judgement (PL) 2 - Identify further actions to manage Cybercrime risk (PL) 3 - Refresh and document business continuity assessments/ procedures (KW)	Head of CPF	31/01/2022	25/10/2021
6	Services are not being delivered to meet legal and policy objectives	Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades.	G3 / G6 / G7 / T1	Marginal	Significant		1 - Fundamental review of succession planning and resources carried out over 2017 to 2020 and new structures put in place 2 - Ongoing task/SLA reporting to management AP/PFC/LPB to quickly identify issues 3 - Quarterly update reports consider resourcing matters 4 - Consultants provide back up when required 5 - Additional resources, such as outsourcing, considered as part of business plan 6 - Impact of potential or actual Covid absences being discussed regularly ensuring priority work continues unaffected 7 - Resourcing regularly considered as part of major projects (e.g. McCloud)	Negligible	Very Low		😐 Current impact 1 too high Current likelihood 2 too high	01/07/2016	Mar 2022	1 - Recruit to vacant governance and business role (PL) 2 - Ongoing consideration of business continuity including succession planning (PL) 3 - Ongoing consideration of how to fill vacant administration posts (KW)	Head of CPF	31/01/2022	25/10/2021
7	Legal requirements and/or guidance are not complied with	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches)	G3 / G6 / T1 / T2 / B1 / B2	Negligible	Very Low		1 - TPR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliance areas (relevant individuals provided with a copy and training provided) 4 - Knowledge and Skills policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures 7 - Strategies and policies often included statements or measures around legal requirements/guidance 8 - Wide range of advisers and AP in place 9 - Independent adviser in place including annual report which will highlight concerns 10 - Outstanding actions relating to TPR Code reviewed regularly	Negligible	Very Low		☺			1 - Further documented processes (as part of TPR compliance) e.g. contribution payment failure (DF)	Head of CPF	31/01/2022	25/10/2021

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10th November 2021
Report Subject	Administration and Communications Update
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

An administration and communications update is on each quarterly Committee agenda and includes a number of administration and communications related items for information or discussion. The last update report was provided at the September Committee meeting, therefore this update report includes matters since that date.

This update includes matters that are mainly for noting, albeit comments are clearly welcome.

The report includes updates on:

- Current Developments and News – this includes updates relating to the Prudential service issues.
- Day to day tasks and key performance indicators – showing the position to the end of September 2021.
- Communications – including an update on the usage of the Fund's Member Self-Service (MSS) facility, and details of employer engagement and communications sent.
- Update to the Fund's risk dashboard and changes to the administration and communications risks since the last meeting including the consideration of recent recruitment challenges.

RECOMMENDATIONS	
1	That the Committee consider the update and provide any comments.

REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS
	Business Plan 2021/22 Update
1.01	Progress against the business plan items for quarter two of this year is positive for the majority of items with some areas not yet due as illustrated in Appendix 1. Key items to note relating to this quarter's work are as follows: • A1 Implement Survivor Benefit Changes – This item continues to remain unchanged due to delays in information being issued by LGA and DLUHC. This area of work is as a result of the changes to the regulations in respect of the calculation of and entitlement to surviving partner pensions in respect of Civil Partners or same sex marriages and the outcome of Elmes versus Essex High Court Ruling. Deceased members who may have a surviving partner entitled to a benefit under the new rulings have been identified. Processes and letters have been drafted and we are still currently awaiting further guidance from the LGA on how to proceed with these cases. As mentioned in previous updates a further case, Goodwin versus the Department for Education, has highlighted that previous changes to regulation may now lead to further discrimination within the Teachers' Pension Scheme and other public service pension schemes (including the LGPS). The DLUHC consultation on the Goodwin changes is also still outstanding. As a result of these national delays the business plan has been updated to show that the work cannot commence in Q1 and Q2, and this will be re-evaluated as the year progresses. • A2 McCloud – An update is provided later in this report. • A9 Review of Scheme Member Communications and Processes – A full review is underway of the different types of communication/engagement opportunities we offer to members in conjunction with a review of the skills and expertise required for the vacant Communication Officer post. This work will assist with Communication Strategy update early 2022 and bring the Fund up to date in its communication approach whilst ensuring we attract the right skill set to the vacant post. • E1 Expand ELT to more employers – The Employer Liaison team has now concluded the transition of Coleg Cambria's processes and so are now processing notifications and i-Connect files on their behalf. • E2 McCloud ELT services - The main area of work currently relates to FCC. The collaborative working relationship between the Employer Liaison Team and FCC IT colleagues to develop the required data reports is progressing well. Test reports have been developed and data verified with anomalies having been identified. The process is now expanding to retrieve a full data set of information which will also meet ongoing requirements (and not just for the retrospective McCloud rectification).

	Current Developments and News
1.02	The following details developments and news in addition to business as usual *McCloud Programme update* An update on the progress of the Clwyd Pension Fund McCloud programme is attached as Appendix 2. The programme currently has an overall health status of green, meaning that it is largely on track. A recent review of the programme's risks has resulted in a change to the assessment of Risk 5 which relates to the recent challenge of appointing staff to vacant positions. *Other updates* • The Administration Team have collectively continued to work on the data improvement plan for 2020/21 in readiness for the annual review of common and scheme specific data for all pension schemes by The Pension Regulator (TPR). In addition to measuring and capturing the above data required by TPR, the Fund also developed a data improvement plan to capture any other elements of data that was considered to be inaccurate. The submission date for updated data scores to TPR is 10th November and therefore a verbal update will be provided at Committee of the latest position. • Prudential service issues – the Pension Administration Manager along with the Operations Team Leader and the Communications and Regulations Team Leader attended a meeting with the Head of Corporate Pensions at the Prudential to escalate the recent service issues. Whilst assurance was given that provisions had been made to improve the current service being provided, the Fund will continue to monitor and feedback any issues. The Committee are reminded that the service issues are national and therefore not just affecting the Fund. • As part of the Fund's ongoing commitment to increase engagement with its membership, the Fund in collaboration with Mercer recently held two successful Webinar sessions for those members that may exceed their Annual Allowance and Lifetime Allowance limit. Positive feedback has been received and it is intended that this will be an annual event going forward. Further individual sessions in November have also been offered which are proving very popular. • The Technical Team have successfully rebranded and uploaded all factsheets and guides onto the Fund website. These can be viewed here. All of the factsheets and guides also adhere to the Website Accessibility Standards. • The Technical Team have also launched an Employer specific tab on the Fund website which is password protected. This area of the website contains dedicated sections to a number of current developments and regulation requirements. This will be continuously reviewed and updated.
	Policy and Strategy Implementation and Monitoring
1.03	*Administration Strategy* The latest monitoring information in relation to administration is outlined below:

	<u>Day to day tasks</u> – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis to September 2021 since April 2018 as well as how this is split in relation to our three unitary authorities and all other employers. The number of tasks being completed by the team was consistently high April through to June, reducing in July and August which reflects key dates for annual leave that is typically taken at this time of year. The number of cases created rose significantly in September. This is a more accurate reflection of data being received on time through the i-Connect files in relation to new school starters. Historically this information would have been received gradually over the coming months. The number of cases completed returned to pre-holiday season levels. Priorities for the operations team going forward will be to manage challenging regulatory timescales for a significant number of cases. <u>Key performance indicators</u> – Appendix 4 shows our performance against the key performance indicators that are measured on a monthly basis up to September 2021. The new summary reports illustrate the number of cases that have been completed. There has been fluctuation across all indicators reflecting team productivity during the peak holiday season. An increase in the number of Leaver/ Transfer Out and Retirement cases completed shows the priority was to focus on cases where a payment is made either to an individual or a third party.
1.04	*Internal dispute resolution procedures (IDRP)* There is still one outstanding Stage One IDRP case for 2019/2020. This is ongoing due to COVID 19 delays. The IDRP relates to the tier of ill health awarded by the employer. The Stage One IDRP representative and employer are awaiting a medical report in order to make a final decision. A recent update from the employer suggests that this will be moving forward and a decision on the appeal should be able to be made soon. With regards to IDRP cases for 2020/2021, there are two Stage One appeals against employers that are still awaiting decisions to be made on the appeal outcomes. These appeals relate to ill health retirement issues. In relation to the cases for 2021/2022: • There are three Stage One appeals against employers. One is for non-award of redundancy pension when the member believes they have been made redundant. One is for non-award of ill health retirement. The third one is an appeal made by a member who is not being permitted to work more than 2 years beyond their flexible retirement date. One appeal is ongoing and two have been rejected. However, one of the appeals has been rejected as there is an ongoing employment tribunal and so the appeal cannot be reviewed by our stage 1 representative under those circumstances. • Currently, no Stage Two appeals have been made by any members.

	2020/2021			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	5	0	3	2
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	1	0	1	0
Stage 2 - Against Administering Authority	0	0	0	0
	2021/2022			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	3	0	2*	1
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	0	0	0	0
Stage 2 - Against Administering Authority	0	0	0	0

*One of these rejected cases relates to the employment tribunal case which cannot be reviewed.

There are no Fund cases that are currently with the Pensions Ombudsman.

1.05 *Communications Strategy*

The Communications Team has maintained regular engagement with employers and scheme members over recent months. The following communications have been provided since the last update:

- Seven emails have been sent to all employers providing information in relation to various matters including guidance notes for each type of benefit statement, information from the LGA relating to Shared Cost Additional Voluntary Contributions (SCAVCs) and information regarding the cost management consultation.
- Employers have also been asked to promote the 1-2-1 sessions that are being offered by the Fund over the coming months.
- LGA bulletins have been provided to employers with particular points of importance highlighted.

1.06 Other key points in relation to communications include:

- The Penpal and Deferred Diaries newsletters were issued to all members, including paper copies to those members who have not yet registered for Member Self Service (MSS). An activation key was included in the communication for those members to encourage registration and increase digital engagement with the Fund.
- The Principal Pensions Officer for the Communications team has attended the following virtual meetings;
    - Accessibility Working Group
    - LGA bulletin update meetings
    - Information Compliance Officer Group and Joint (LGPS) Communication Group meetings.

1.07 Appendix 5 provides an updated summary of Member Self Service (MSS) registered users, which illustrates that enrolment to Member Self Service continues to grow. A further 188 members have registered since the last update taking the total number of registered members to 12,886. During

	the reporting period, 201 members have requested a retirement pack for their deferred benefit via MSS as opposed to email/post/telephone. The benefit projector continues to be a very popular function with 9,750 benefit projections having been calculated using MSS functionality by members in this last period. There have also been 305 changes to member's Expression of Wish details on MSS.
1.08	**Delegated Responsibilities** The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegations have been used since the last Committee.

2.00	**RESOURCE IMPLICATIONS**
2.01	Following the approval of the McCloud budget for 2021/2022, recruitment is still underway to fill the two temporary positions. The roles were re-advertised in October and interviews will be completed by early November. The position of Communication Officer within the Communications and Regulations Team remains vacant whilst a review of the job description takes place. This will ensure the requirements of the role are still fit for purpose given the number of changes within this area in recent years. As mentioned in the last report, recruitment is also underway to fill temporary vacancies within both the Employer Liaison (two posts) and Operations Teams (two posts). Interviews will be completed early November. Staffing levels will be continuously reviewed within the McCloud, ELT and Administration teams, and consideration given in relation to potential peaks in workload as the McCloud Programme progresses.

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

4.00	**RISK MANAGEMENT**
4.01	Appendix 6 provides the dashboard and the extract of administration and communications risks. Key changes made to risks since the September Committee are as follows: • Risk number 1 - Unable to meet legal and performance expectations due to staff issues. This risk relates to the challenge of recruitment and having sufficient staff numbers to meet expectations. Difficulties have occurred in recruiting to recent vacancies. Concerns have been escalated, positions re-advertised and internal secondment

	opportunities have been offered to alleviate the current situation. The current impact has been increased from "negligible" to "marginal" and the current likelihood has been increased from "low" to "significant". It is hoped this can be brought back on target in the next few months. • Risk number 4 – Scheme members do not understand or appreciate their benefits due to communications being inaccurate, poorly drafted or insufficient. It is hoped that this risk can be decreased in due course due to the promotion of Member Self Service that we have just carried out. However the impact of this may take a few months and therefore the target date has been updated to March 2022. • Risk number 6 – Service provision is interrupted due to system failure or unavailability. Although the cyber risk assessment has been completed for Heywood (and noted accordingly in the internal controls), the risk assessment has not changed; this will be reviewed further when the FCC cyber assessment has been completed.
4.02	The key risks which are furthest from target relate to: • Risk number 5 – High administration costs and/or errors due to systems not being kept up to date or not utilised appropriately, or other processes being inefficient. • Risk number 6 - Service provision is interrupted due to system failure or unavailability.

5.00	**APPENDICES**
5.01	Appendix 1 – Business plan progress 2021/22 Appendix 2 – McCloud Programme update report Appendix 3 – Analysis of cases received and completed Appendix 4 – Key Performance Indicators Appendix 5 – Member Self Service update Appendix 6 – Risk register update

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• Report to Pension Fund Committee – Pension Administration Strategy (March 2021) • Report to March Pension Fund Committee - 2021/22 Business Plan (March 2021) **Contact Officer:** Karen Williams, Pensions Administration Manager **Telephone:** 01352 702963 **E-mail:** karen.williams@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) **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) **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) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF. (g) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC. (h) **DLUHC – Department of Levelling Up, Housing and Communities** – the government department responsible for the LGPS legislation.

Business Plan 2021/22 to 2023/24 – Q3 Update

Administration, Communications & Employer Liaison Team

Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
~~x~~	Original item where the period has been moved or task deleted since original business plan

Ref	Key Action – Task	2021/22 Period				Later Years	
		Q1	Q2	Q3	Q4	2022/23	2023/24
Essential Regulatory Driven Areas							
A1	Implement Survivor Benefits Changes	x	x	x	x	x	
A2	McCloud Judgement	x	x	x	x	x	x
Priority Fund Driven Projects							
A6	i-Connect	x					
A7	Review Administration & Communications Related Policies and Strategies	x				x	
Lower Priority Fund Driven Projects							
A9	Review of Scheme Member Communications and Processes	x	x	x	x	x	
Employer Liaison Team (ELT) Projects							
E1	Expand ELT to more employers	x	x	x	x		
E2	McCloud ELT Services	x	x	x	x		

Administration (including Communications) and Employer Liaison Team Tasks

Essential Regulatory Driven Areas

A1 – Implement Survivor Benefit Change:

Amendment LGPS Regulations & Elmes versus Essex High Court Ruling

What is it?

The LGPS (Miscellaneous Amendment) Regulations 2018 (SI2018/1366) came into force with effect from 10 January 2019. These included changes that impact on the calculation of and entitlement to surviving partner pensions in respect of Civil Partners or same sex marriages. As a result it is necessary for the Fund to carry out a major review to identify any cases who are affected and to ensure the correct benefits are paid. In addition, LGPS Funds need to action the outcome of the Elmes versus Essex case where it has been ruled in the High Court that in respect of any LGPS members leaving the scheme between 1 April 2008 and 31 March 2014, and who subsequently died leaving a Cohabiting Partner, that partner could have a survivors pension paid to them even without a completed nomination form in place so long as they still meet the eligibility criteria. Any potential cohabiting partners need to be contacted and surviving partner pensions put into payment if applicable. Guidance is awaited from LGA to finalise the work on these changes.

Further a June 2020 Employment Tribunal ruling (the "Goodwin ruling") relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The Chief Secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements. It is expected that MHCLG will consult on the changes required to the LGPS in relation to the Goodwin ruling during the summer of 2021. It is expected that it will be necessary to contact any female dependant members who were previously in a Civil Partnership to recalculate their benefits.

The work in relation to these changes commenced during 2019/20 and is expected to continue into 2021/22 and 2022/23.

Timescales and Stages

Tracing, contacting, verifying entitlement and recalculating affected surviving partners	2021/22 Q1 to Q4 and 2022/23

Resource and Budget Implications

This project is being absorbed by the Operations Team within Pensions Administration to ensure all surviving partners prior to regulation changes are reviewed and amended where applicable. Any new cases from the date of the amendment regulations are already being dealt with as per the amended legislation and will be treated as business as usual.

A2 – McCloud judgement

What is it?

The McCloud case has highlighted that the introduction of the new CARE schemes for Firefighters and Judges in April 2015 were unlawful. This will impact on other public service pension schemes including the LGPS (where the new CARE scheme from April 2014 included a statutory underpin for older members). MHCLG issued a consultation setting out its proposals for implementing the McCloud judgement in the LGPS in July 2020. This focused on remedies which will result in changes to scheme benefits some of which will be retrospective.

From an administrative perspective the impact of the court case is likely to result in a change to how benefits are calculated for a large number of scheme members including members who have left. This is likely to significantly impact on administration processes and systems as well as requiring a robust communication exercise with employers and scheme members. The additional resource requirements are likely to be significant and until the detail of the changes are known the focus is on:

- ensuring any existing backlogs or data cleansing are cleared
- fast-tracking training within the team to ensure wider and more senior work knowledge across the existing team members.

The Fund has established the McCloud programme to implement the remedy for Clwyd Pension Fund. This includes some team members who will be 100% dedicated to this work for the duration of the programme.

Timescales and Stages

Data collection from employers (commenced during 2020/21)	2021/22 Q1
Use of interface to upload data / data cleansing	2021/22 Q1 to Q3
Receipt of final regulations so benefit recalculations can commence	Estimated 2021/22
Verifying impact on members and benefit recalculations	TBC – expected to continue to 2022/23

Resource and Budget Implications

Although the work will be led and managed by a separate CPF McCloud programme team, it will impact across all of the Administration Team. An estimated allowance for additional resource has been included in the 2021/22 budget, which assumes 7.5 FTE internal posts, 2 of which are within ELT and therefore will be recharged to employers using that service. There are also additional costs relating to consultancy (including programme management which has been outsourced), incidentals such as postage and printing, and system costs. The budget for 2021/22 is £645k in total.

Priority Fund Driven Projects

A6 – i-Connect

What is it?

i-Connect is the on-line computer module that allows information to be submitted by employers more directly and efficiently into the pension administration system (Altair). This is being implemented on a phased basis by employer. We have currently on-boarded 97% of scheme members (75% of our employers) including Wrexham County Borough Council, Denbighshire County Council, Flintshire County Council and Coleg Cambria. The remaining employers to be on-boarded include:

- Glyndwr University and North Wales Fire, who will use the i-Connect file upload facility,
- The remaining Fund employers (approximately 10 smaller employers) who will use the i-Connect manual entry facility.

It was originally intended that all employers would be live on i-Connect by the end of 2020/21.

In addition, further data checks to identify issues with i-Connect data files are being developed. Initial work has highlighted some ongoing issues with the data being provided by Wrexham County Borough Council and work will continue to resolve this too.

Timescales and Stages

Onboard Glyndwr University and North Wales Fire	2021/22 Q1
Onboard other smaller employers	2021/22 Q1
Ongoing work with Wrexham County Borough Council to resolve issues with data file	2021/22 Q1
Introduction of improved checks on the monthly data supplied through i-Connect	2021/22 Q1

Resource and Budget Implications

There will be a time and resource commitment required from employers including CPF's Employer Liaison Team. All internal costs are being met from existing budget. The ongoing roll out of i-Connect will continue to involve significant internal resources which may impact on other day to day work.

A7 - Review Administration and Communication Related Policies and Strategies

What is it?

The CPF Administration Strategy and Communications Strategy were approved at the September 2019 PFC. They must be reviewed at least once every three years to ensure they remain relevant and up to date. The Administration Strategy is currently being reviewed given the move of most employers to i-Connect.

There are a number of other administration related policies that also need to be reviewed regularly as shown in the table below.

Timescales and Stages

Review of Administration Strategy (last approved September 2019)	2020/21 Q4 to 2021/22 Q1
Review of Communications Strategy (last approved September 2019)	2022/23
Review of Scheme Pays Policy (last approved April 2019)	2022/23
Review of Administration Discretionary Policy (last approved April 2019)	2022/23
Review of Under / Overpayment Policy (expected to be approved March 2021)	2023/24

Resource and Budget Implications

This will be led by the Pensions Administration Manager. All costs are being met from the existing budget.

Lower Priority Fund Driven Projects

A9 – Review of scheme member communications and processes

What is it?

Fund members often have questions, need information or require a process to be completed by the Fund. These points of engagement are the key time to improve the experience of being a member of the Fund. They also rely on efficient processes and data coming from employers.

This project will involve:

- Developing the Fund's brand for consistent use in all Fund communications which will ensure it is recognisable for scheme members, employers and other stakeholders. As part of this, the Fund is carrying out an ongoing review of all communications (website, forms, booklets, letters) to ensure consistency in look, feel and language used. The Fund will also be appointing a new braille supplier.
- Ensuring all standard communications are available in digital form where at all possible which is in-line with the Fund's communications objectives.
- Considering the success of new systems that have been implemented, including the new website, Member Self Service, i-Connect and TEC (the Technical Education Centre which provides on-line training), and decide if any further development or systems should be put in place.
- Developing a range of webcasts (for loading on the Fund's website) for employers and scheme members relating to various subject matters.
- Developing on-line processes including retirement processing and on-line forms - Currently scheme members who are retiring have a number of forms and declarations that they need to complete that are done via post. It would be more efficient and quicker for members if this could be done via an on-line process. This may include the need to seek legal advice to ensure that it is possible to implement a process without a written signature. Once this has been developed, it is hoped that the functionality can be developed for on-line processing and forms for other areas, such as transfer value elections, refund elections and notifying deferred benefits.
- Investigating the options for providing the member with more frequent updates as to the progress of their case, especially where these cases involve multiple steps and take a number of weeks, or sometimes months, to complete. This will include considering different media (emails, text messages, etc) and considering how this can also be automated.

Timescales and Stages

Appoint braille supplier	2021/22 Q1
Document and agree Fund's branding guidelines	2021/22 Q2 & Q3
Investigation, development and launch of first webcasts	2021/22 Q3 & Q4
On-line retirement processing and other on-line forms and processing	2021/22 Q2 & Q3 and 2022/23
Finalise review and update of website	2021/22 Q2 to Q4
Review and update of other literature (not website)	2021/22 Q2 to Q4
Review success of the new systems which have been implemented and any decided on any further development	2021/22 Q2 to Q4
Investigate options and roll-out solution to provide members with more frequent updates on the status of any pensions process which are ongoing	2021/22 Q3 to 2022/23

Resource and Budget Implications

These projects involve a mix of the various teams within the Administration Team. Internal costs are being met from the existing budget but there may be additional costs if external development work or additional systems are needed. The ability to deliver on these areas to these timescales will depend on whether specialist technical resource is instead required for other essential work (e.g. McCloud).

Employer Liaison Team Projects

Understanding the continuing pressure on resources and budgets for employers and the administering authority, the CPF offers assistance to Fund Employers in providing accurate and complete notifications to the Fund (and other Employer duties) in a timely manner. The Employer Liaison Team (ELT) mainly assists in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. It undertakes outstanding requests for information in order to cleanse the pension records. All ELT costs are recharged to employers through their employer contribution rate. Resources continue to be reviewed to meet demand depending on ongoing employer uptake. The total budget allocated for 2021/22 is £226k which will cover all of the following unless indicated otherwise.

E1 – Expand ELT to more employers

What is it?

Consider expanding the ELT service to a wider range of employers and generally making employers more aware of the facility that is available. Discussions are already underway with another medium sized employer who may be interested in using the ELT service.

Timescales and Stages

Ongoing discussions with other employers	2021/22 Q1 to 4

E2 – McCloud ELT Services

What is it?

Provide and continue developing ELT services in relation to data provision and other ongoing support to assist with the impact of the McCloud Judgement.

Timescales and Stages

Assisting employers with data collation for McCloud	2021/22 Q1 to 4

Clwyd Pension Fund

McCloud Programme Update

Prepared for: Pension Fund Committee
Prepared by: Aon
Date: 10 November 2021

High level Programme Plan

Key	Description
	Complete
	On track
	Overdue
	At risk
	Not started

Workstream /key deliverables	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22 to Mar-23	Apr-23
Regulations																					
i. Submit Fund response (milestone 1)	x																				
ii. Consultation response and draft regulations from MHCLG (milestone 2) - estimated															x						
iii. Ministerial statement								x													
iv. Regulations made (milestone 3) – estimated																				x	x
v. Regulations come into effect (milestone 4)																					x
Communications workstream																					
i. Pensions Saving Statements issued	x																				
ii. Pensions Extra issued	x																				
iii. Other McCloud communications (TBC)								x	x	x	x	x	x	x	x	x	x	x	x	x	x
Data workstream including Heywood data solutions																					
i. Data collection template, decision process and collection protocol & employer questionnaire	x	x	x	x	x	x	x	x													
ii. Employer engagement – pilots, 1to1s, monitor/manage timetables		x	x	x	x	x	x	x	x												
iii. Data collection from employers, review & validate data				x	x	x	x	x	x	x	x	x	x	x	x						
iv. Data decision protocol – flow chart / roadmap – draft, finalise							x	x	x	x	x	x	x	x	x						
v. Heywood confirm data solutions and timescales		x	x	x	x	x	x	x	x	x	x	x									
vi. Upload data, testing, final, further cleansing / manual input														x	x	x	x	x	x		
vii. Further data cleansing / manual input														x	x	x	x	x	x		
Funding, accounting and cashflows workstream																					
i. Agree plan with actuary regarding funding implications, contributions etc														x	x						
ii. Delivery - TBC																					
Ongoing administration																					
i. Scoping workstream												x	x	x	x	x					
ii. Delivery																	x	x	x	x	
Benefits rectification																					
i. Scoping workstream														x	x	x					
ii. Receive patch releases of Heywood solutions, testing														x	x	x	x	x	x		
iii. Delivery (other)																				x	x
Programme meetings																					
i. Workstream meetings including governance	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
ii. PMG / SG meetings		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

McCloud Programme Dashboard

Programme Health: (green)

Key	Description
(dark blue)	Complete
(green)	On track
(amber)	Overdue
(red)	At risk
(light blue)	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 June 2021 – 31 December 2021

Programme workstream deliverables / Description	Responsibility	Sign-off	Deadline	Notes	Status
1. Data collection – attend employer 1 to 1 sessions (all in scope employers)	Data workstream	n/a	June 2021	Meetings complete for all employers.	**Complete**
2. Data collection - checking and validations i. Data collection ii. Data checking and quality analysis (data validation procedure)	Data workstream	PMG	Ongoing	Data collected for 32 mostly smaller employers (includes Careers Wales and part data for Wrexham County Council). Data team to form a proposal around data validation process for PMG approval.	**In progress**
3. Heywood data solutions i. Data collection solution	Data workstream	PMG	September 2021?	Heywood data collection roll-out is complete.	**Complete**
ii. Heywood plans for benefits rectification and ongoing administration	Data workstream	PMG	December 2021	Ongoing discussions with Heywood around solutions and timescales.	**In progress**
4. McCloud communications i. PENPAL newsletter / ABS guidance notes ii. Deferred diaries DBS guidance notes	Communications workstream	PMG / SG	Aug / Sep 2021	Following ministerial statement, wording to be included in member communications.	**Complete**
5. Consultation outcome announcement / ministerial statement	n/a	n/a	TBC	Ministerial statement issued in May. Consultation announcement from MHCLG expected later in the year. PMG agreed to continue with programme as planned.	**Overdue**
6. Programme meetings i. Data workstream (fortnightly) ii. Communications workstream (2 per quarter) iii. Other workstreams (TBC) iv. PMG (2 per quarter) v. SG (quarterly)	Programme Manager	n/a	Ongoing	Agree appropriate time to commence other workstream meetings – ongoing administration commenced in September 2021 and benefits rectification workstream expected to commence shortly.	**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	Automation minimizes the impact on resources and SLAs/KPIs during implementation, rectification and ongoing administration
SC7	The programme is completed without unplanned disruption to business as usual and other Clwyd Pension Fund projects
SC8	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.
SC9	The additional costs falling to employers transpire to have been reasonably estimated at the 2019 actuarial valuation

Programme Risks (1 of 2) – current risks furthest from target

There are several risks that the programme's success criteria will not be achieved – these have been identified by CPF's programme management, are captured in a formal risk log and monitored on an ongoing basis. The current risks that are red and furthest from target are shown on in the table below. Some of the risks have been rated upward since the previous PFC meeting, based on the current position of the programme (see slide 6).

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
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. Risk covers inappropriate data format provided from employer as well as issues with uploading the data into the interface.	Data Workstream	SC1, SC2, SC8	Critical	Very High (65%)		1. Early engagement with Heywood on a one to one basis. 2. Initial virtual meeting and ongoing one-to one meetings with employers to highlight strict data requirements/formats. 3. Full instructions, including checklist provided to all employers at initial engagement stage. 4. Ongoing discussions around resourcing including upskilling and flexibility of employees.	Negligible	Unlikely (5%)	
30	Heywood toolkit – not fit for purpose or delay in provision or service	Inability to identify aggregation cases leading to inaccurate benefit calculations and / or delay to provision of toolkit resulting in programme delays or detrimental impact on programme resourcing	Data Workstream	SC2, SC3, SC8	Critical	Significant (50%)		1. Pressure on Heywood client manager to come up with a feasible solution 2. Stop deleting status 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 4. Work out overlapping cases.	Negligible	Unlikely (5%)	

Note some of the proposed controls have been expanded / updated since the previous update provided to the Clwyd Pension Fund Pension Board

Programme Risks (2 of 2) – red risks downgraded since previous PFC meeting

The risks shown in the table have been rated up since the previous PFC meeting and are now furthest from target based on the current position of the programme.

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Owner	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
5	Insufficient or inappropriate resources	Inability to source appropriate resources required to deliver the programme deliverables (including data uploading) in the required timescales	Programme Management Group	Karen Williams	SC8	Critical	Low (30%)		1. Thorough programme planning, scoping of work & recruitment programme (recruitment is currently underway at June 2020, and further recruitment from March 2021). 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. Refer all stakeholders to roles and responsibilities document to ensure resources are matched with correct roles alongside regular reminder at points throughout the programme. 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 Alicia Howells' team once more info on toolkit provided / Consider interface process being carried out in McCloud team (after training). 9. Consideration of external resource.	Negligible	Very Low (15%)	

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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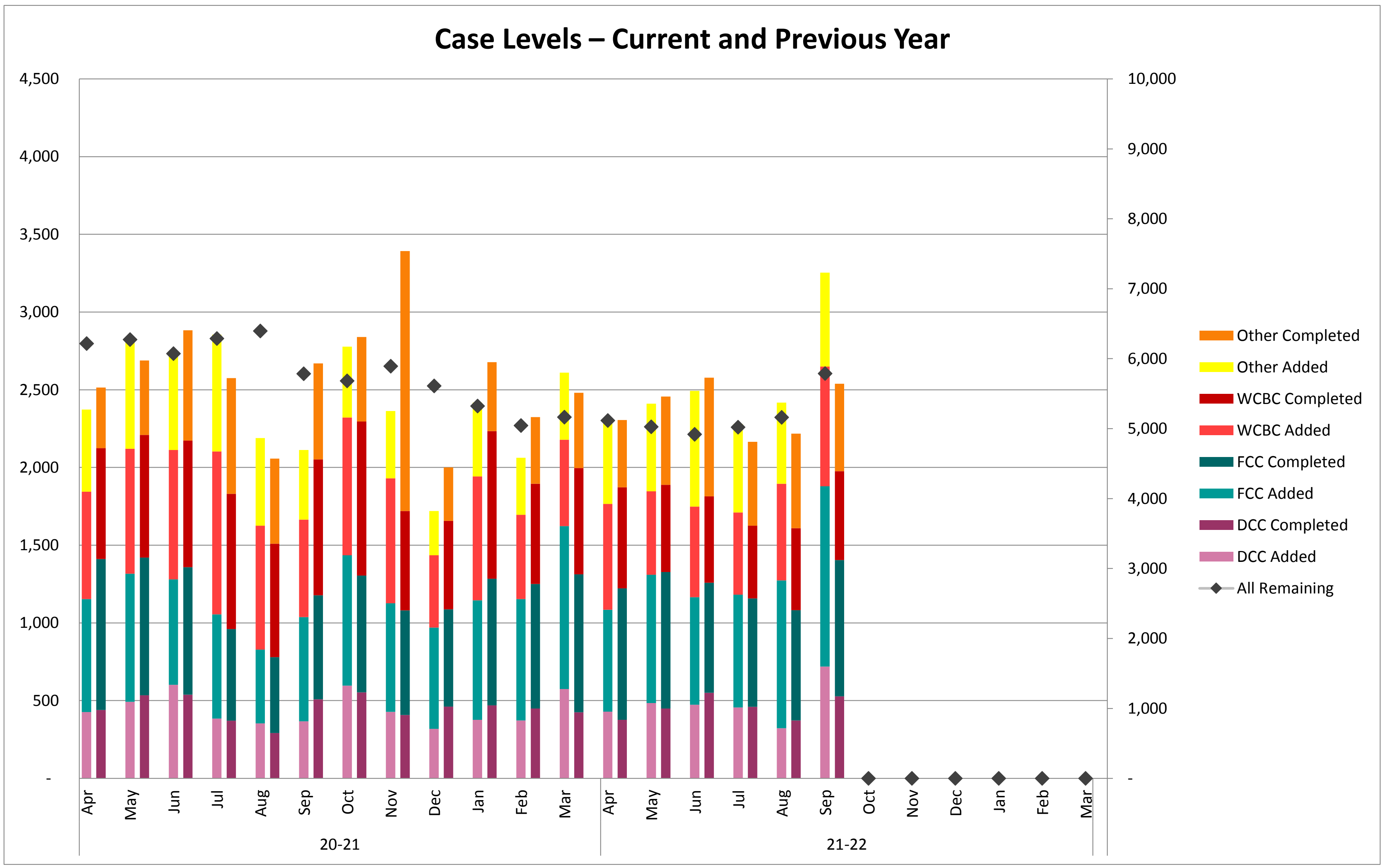
Case Levels – Current and Previous Year
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
20-21
21-22
Other Completed
Other Added
WCBC Completed
WCBC Added
FCC Completed
FCC Added
DCC Completed
DCC Added
All Remaining


Case Levels – Historical
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
18-19
19-20
Other Completed
Other Added
WCBC Completed
WCBC Added
FCC Completed
FCC Added
DCC Completed
DCC Added
All Remaining

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Key Performance Indicators

The following pages show the performance against the key performance indicators (KPIs) which have been agreed within Clwyd Pension Fund's Administration Strategy. They cover thirteen areas of work, and for each there is a KPI for each of the following:

- The legal timescale that must be met
- The overall timescale for the process (including any time taken by employers and/or scheme members)
- The timescale relating to the Clwyd Pension Fund administration team only

The KPIs are specific to each process (as set out in the Administration Strategy) and illustrated by the graphs are as follows:

		A	B	C
	Process	**Legal Requirement**	**Overall**	**CPF Administration element target**
1	To send a Notification of Joining the LGPS to a scheme member	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	46 working days from date of joining (i.e. 2 months)	30 working days from receipt of all information
2	To inform members who leave the scheme before retirement age 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)	46 working days from date of leaving	15 working days from receipt of all information
3	Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request	46 working days from date of request	20 working days from receipt of all information
4	Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate) 3 or within a reasonable period (cash transfer sum)	46 working days from date of request	20 working days from receipt of all information
5	Notification of amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age	23 working days from date of retirement	10 working days from receipt of all information
6	Providing quotations on request for retirements	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	46 working days from date of request	15 working days from receipt of all information
7	Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months to beneficiary from date of becoming aware of death, or from a date of request by a third party (e.g. personal representative)	25 working days from date of death	10 working days from receipt of all information
8	Calculate and Notify member of CETV for Divorce/Dissolution Quote	3 months from the date of request	46 working days from date of request	20 working days from receipt of all information
9	Calculate and Notify members of Actual Divorce Share	4 months from the date of the pension sharing order, or the date where all sufficient information is received to implement the order	46 working days from date of request	15 working days from receipt of all information
10	Calculate and pay a Refund of contributions	Not applicable	13 working days from receipt of request	10 working days from receipt of all information
11	Calculate and Pay retirement lump sum	Not applicable	Not applicable	15 working days from receipt of all information
12	Calculate and Notify member of Deferred Benefits	Not applicable	76 working days from date of leaving	30 working days from receipt of all information
13	Initial letter acknowledging death of member	Not applicable	Not applicable	3 working days from receipt of all information

Interpretation of graphs

One graph has been provided for each KPI in the table above.

This is illustrated further below.

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Gweinyddwyd gan Administered by Cyngor Sir y Fflint Flintshire County Council

Key Performance Indicators - Executive Summary - to September 2021

Joiners - Last 3 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	577	192	-10%	-20
OVERALL	577	192	-10%	-20
CPF	766	3	2%	-20

Joiners - Last 12 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	2,812	814	28%	-37
OVERALL	2,812	814	28%	-37
CPF	3,596	30	25%	-37

Leavers - Last 3 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	491	0	0%	173
OVERALL	256	235	9%	173
CPF	471	20	-3%	173

Leavers - Last 12 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	1,707	5	5%	134
OVERALL	721	991	13%	134
CPF	1,683	29	48%	134

Transfers In - Last 3 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	59	17	16%	0
OVERALL	59	17	16%	0
CPF	52	24	17%	0

Transfers In - Last 12 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	190	73	-4%	33
OVERALL	190	73	-4%	33
CPF	145	118	-17%	33

Transfers Out - Last 3 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	119	1	1%	26
OVERALL	118	2	5%	26
CPF	106	14	21%	26

Transfers Out - Last 12 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	356	5	-1%	3
OVERALL	348	13	-2%	3
CPF	273	88	-12%	3

Retirements - Last 3 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	324	64	0%	59
OVERALL	301	87	4%	59
CPF	314	74	-15%	59

Retirements - Last 12 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	1,151	247	7%	273
OVERALL	1,006	392	8%	273
CPF	1,272	126	-4%	273

Quotations - Last 3 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	192	0	1%	-76
OVERALL	192	0	1%	-76
CPF	162	30	-5%	-76

Quotations - Last 12 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	964	8	0%	61
OVERALL	964	8	0%	61
CPF	849	123	2%	61

Deaths - Last 3 months

	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	40	2	4%	-17
OVERALL	19	23	10%	-17
CPF	32	10	0%	-17

Deaths - Last 12 months

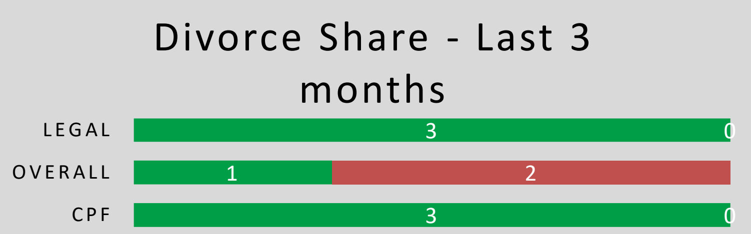
	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	175	30	12%	23
OVERALL	80	125	4%	23
CPF	163	42	15%	23

Divorce Quote - Last 3 months

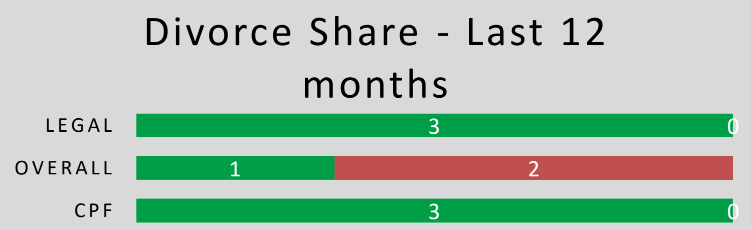
	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	21	1	-5%	-7
OVERALL	21	1	-5%	-7
CPF	21	1	-1%	-7

Divorce Quote - Last 12 months

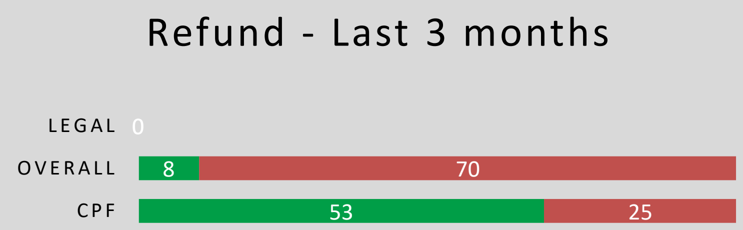
	Completed within KPI	Not within KPI	Change in % completed within KPI	Change in number completed
LEGAL	50	1	n/a	51
OVERALL	50	1	n/a	51
CPF	49	2	n/a	51



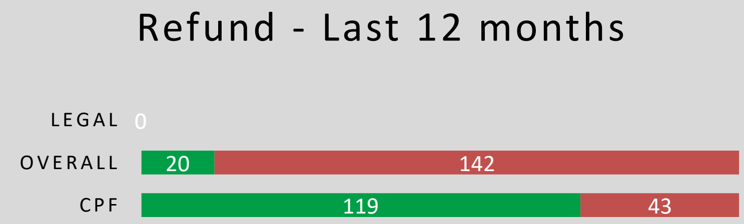
Change in % completed within KPI	Change in number completed
n/a	3
n/a	3
n/a	3



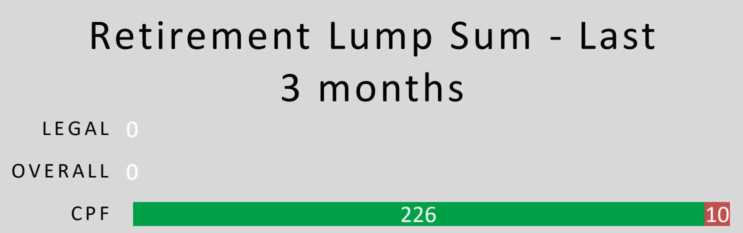
Change in % completed within KPI	Change in number completed
n/a	3
n/a	3
n/a	3



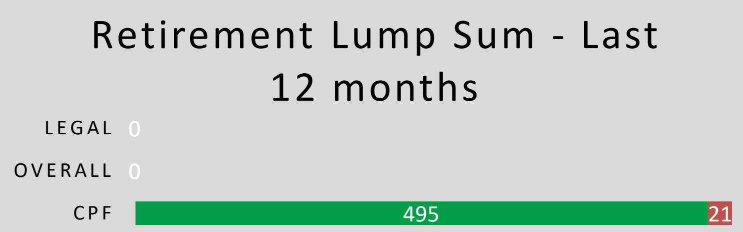
Change in % completed within KPI	Change in number completed
-4%	-6
-11%	-6



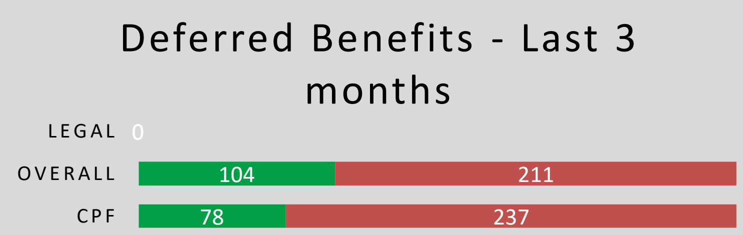
Change in % completed within KPI	Change in number completed
n/a	162
n/a	162



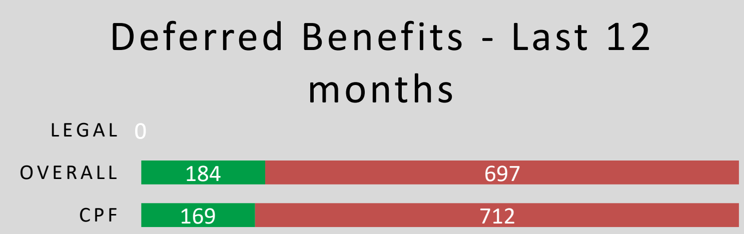
Change in % completed within KPI	Change in number completed
0%	-44



Change in % completed within KPI	Change in number completed
n/a	516



Change in % completed within KPI	Change in number completed
19%	-251
9%	-251



Change in % completed within KPI	Change in number completed
n/a	881
n/a	881

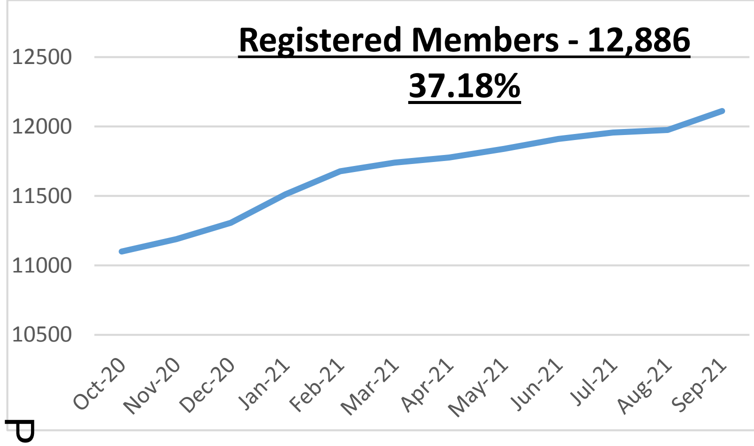
Change in % completed within KPI	Change in number completed
14%	-14

Change in % completed within KPI	Change in number completed
n/a	212

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Gweinyddwyd gan / Administered by Sir y Fflint / Flintshire

MEMBER SELF SERVICE: 01/08/2021 – 30/09/2021



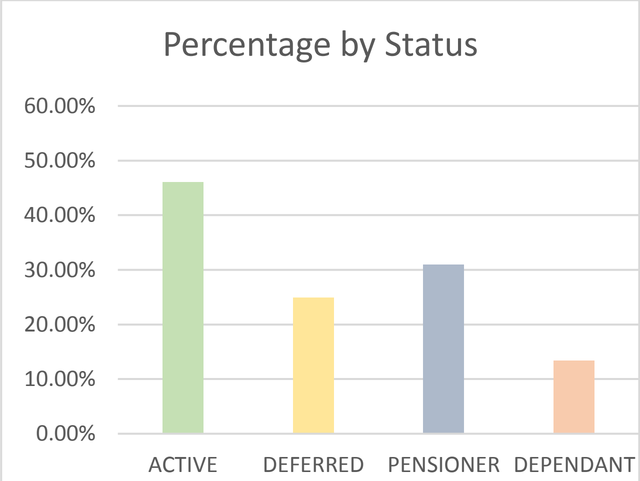
Update from 01/08/2021 to 30/09/2021

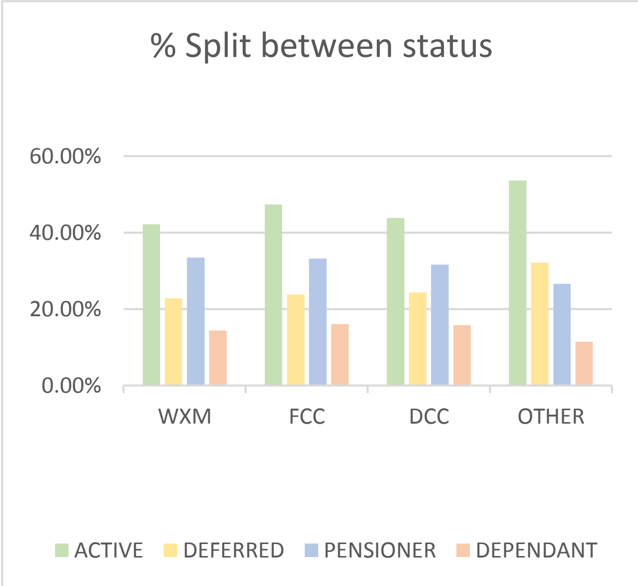
As at 30/09/2021, 37.18% of Clwyd Pension Fund membership has registered for MSS.

The Annual Benefit Statements were issued in August 2021 so this has seen a slight increase in members who have registered.

As mentioned in the previous MSS update, we have recently issued all members who have not registered for MSS, with a letter asking them to do so. These letters were issued at the start of October 2021 so the results of this promotional drive will be reflected in the next MSS update.

Between October 2021 and February 2022, Clwyd Pension Fund will be holding our annual member 121s. MSS will be promoted at these events too.





Statistics between

01/08/2021 to 30/09/2021 (61 days)

CONTACT US TASKS

473	***MSSKEY Key requests***
201	SSFCASE (pay deferred)
18	MSSENQ Enquiry tasks
4	MSSEST Estimate tasks
27	MSSRET Retirement tasks
6	MSSTVT Transfer tasks
256	**Contact Us 4.20 p/day)**
204	**MSSADD Address update**
3	**Bank details updated**

BENEFIT PROJECTIONS

9,750 BENEFIT PROJECTIONS CALCULATED

Avg 159.84 per day

EXPRESSION OF WISH

305 CHANGES OF EXPRESSION OF WISH

5.00 per day

ELECTED FOR POSTAL CORRESPONDANCE

2,087 – 6.02% of overall members

Members now have to choose between paper post or MSS

364	ACTIVE
132	DEFERRED
1,410	PENSIONER
181	DEPENDANTS

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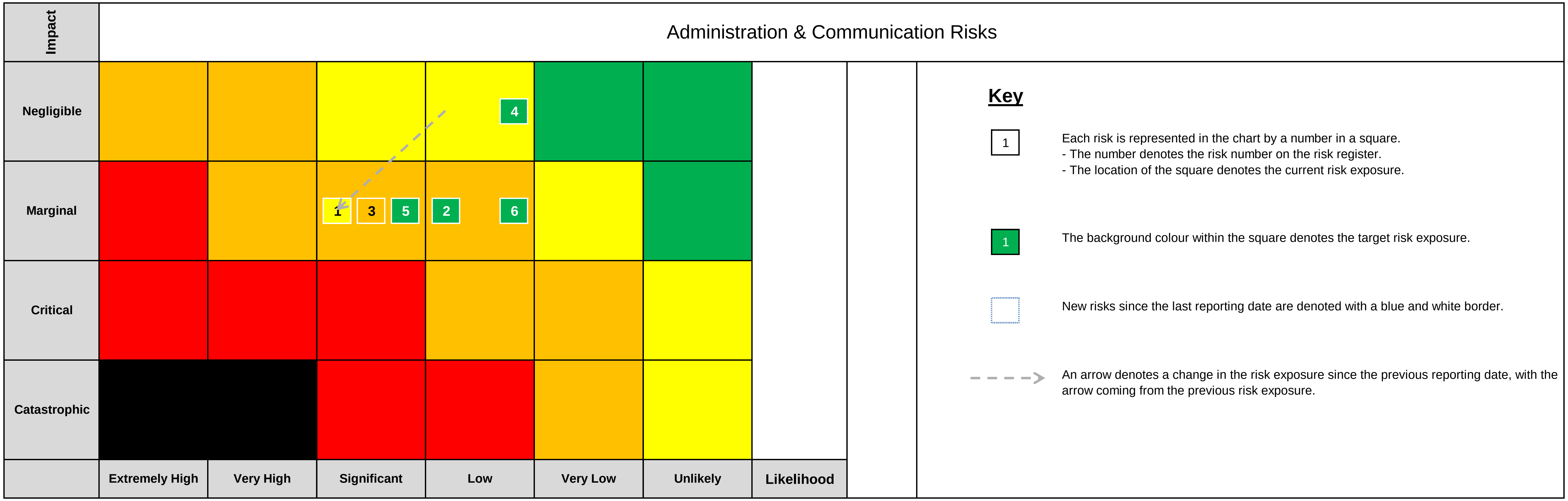
Administration and Communication Risks Heat Map and Summary



27 October 2021

Clwyd Pension Fund - Control Risk Register

Administration & Communication Risks

Objectives extracted from Administration Strategy (05/2021) and Communications Strategy (09/2019):

A1 Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
A2 Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
A3 Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
A4 Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
A5 Maintain accurate records and ensure data is protected and has authorised use only
C1 Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
C2 Communicate in a clear, concise manner
C3 Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders but with a default of using electronic communications where efficient and effective to do
C4 Look for efficiencies and environmentally responsible ways delivering communications through greater use of technology and partnership working
C5 Regularly evaluate the effectiveness of communications and shape future communications appropriately

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades (including due to Covid-19)	All	Marginal	Significant		1 - Training Policy, Plan and monitoring in place 2 - Benefit consultants available to assist if required 3 - Ongoing task/SLA reporting to management/AP/PC/LPB to quickly identify issues 4 - Data protection training, policies and processes in place 5 - System security and independent review/sign off requirements 6 - ELT established 7 - Temporary staff changed to permanent, and further resource increase/recruitment to new posts 8 - Ongoing monitoring of ELT and Ops resource/workload for backlogs 9 - Establishment of aggregation team 10 - Ongoing training within the team 11 - Impact of potential Covid absences being discussed at weekly Covid catch ups and plans in place for ensuring priority work continues unaffected/training of new Lead PO has been undertaken.	Negligible	Low		Current impact 1 too high Current likelihood 1 too high	31/10/2021	Mar 2022	1 - Continue discussions with HR about effective recruitment advertising (KW) 2 - Use internal secondment to officer role and then backfill with new pension assistants (KW)	Pensions Administration Manager	31/01/2022	31/10/2021
2	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters (including due to Covid-19)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Low		1 - Administration strategy updated 2 - Employer steering group established 3 - Greater engagement through Pension Board 4 - Backlog project in place 5 - Establishment of ELT 6 - Increased data checks/analysis (actuary and TPR) 7 - Implemented further APP data checks to identify issues 8 - Updated Admin Strategy to include a compliance declaration 9 - Increased engagement with employers as to how they are managing due to Covid, and ongoing CPF requirements, and also increased monitoring of employer data coming into CPF 10 - Developed and issuing monthly KPI reporting for employers 11 - Reviewed annual SLA communications with employers 12 - I-connect in place for majority of membership	Negligible	Very Low		Current impact 1 too high Current likelihood 1 too high	01/07/2016	Apr 2022	1 - After 2020/21 year end checks consider need to roll out APP training - in house and employers (KM) 2 - Identify other employer data issues (incl McCloud) and engage directly with employers on these (KM/AH)	Pensions Administration Manager	31/01/2022	31/10/2021
3	Unable to meet legal and performance expectations due to external factors	Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes including McCloud and £95k cap)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Significant		1 - Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues 2 - Benefit consultants available to assist if required 3 - Recruitment to new posts 4 - McCloud planning undertaken, including governance structure with Steering Group and PMG	Marginal	Low		Current likelihood 1 too high	27/08/2018	Apr 2022	1 - Ongoing consideration of resource levels post recruitment of new posts (KW) 2 - Ongoing consideration of likely national changes and impact on resource (KW) 3 - Ongoing consideration of £95k cap on processes etc (KW/KM) 4 - Engagement with Prudential to ensure remedial actions are carried out in a timely manner (KW)	Pensions Administration Manager	31/01/2022	31/10/2021
4	Scheme members do not understand or appreciate their benefits	Communications are inaccurate, poorly drafted or insufficient (including McCloud and £95k cap)	C1/ C2 / C3	Negligible	Low		1 - Communications Strategy in place 2 - Annual communications survey for employees and employers 3 - Specialist communication officer in team 4 - Website reviewed and relaunched (2017) 5 - Member self service in place 6 - Ongoing identification of data issues and data improvement plan in place	Negligible	Very Low		Current likelihood 1 too high	01/07/2016	Oct 2021	1 -Ongoing promotion of member self service (KM) and review success on MSS registration of issuing paper copies of PenPal and Deferred Diaries in Oct 2021 (KW/KM) 2 - Review of and update website during 2020/21 and 2021/22 (KM) 3 - Review of success of new website/iConnect/member self-service planned for 2021/22 (KM)	Pensions Administration Manager	31/01/2022	31/10/2021
5	High administration costs and/or errors	Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and £95k)	A2 / A4 / C4	Marginal	Significant		1 - Business plan has number of improvements (I-connect/MSS etc) 2 - Review of ad-hoc processes (e.g. deaths and aggregation) 3 - Participating as a founding authority on national framework for admin system 4 - Procurement of Altair on business plan 5 - Implementation of other Altair modules including Altair Insights (relating to TPR scores) 6 - Increased engagement with Heywood about change in their business model 7 - Increased engagement with Heywood re McCloud software enhancements 8 - IConnect in place for majority of scheme members 9 - Ongoing identification of data issues and data improvement plan in place	Negligible	Very Low		Current impact 1 too high Current likelihood 2 too high	01/07/2016	Mar 2022	1 - Review of and update website during 2020/21 (KM) 2 - Review of success of new website/iConnect/member self-service planned for 2021/22 (KM) 3 - Carry out CPF tender for pension admin system (KW) 4 - If delays in system upgrades, look for alternative solutions to administer regulatory changes (KW)	Pensions Administration Manager	31/01/2022	31/10/2021
6	Service provision is interrupted	System failure or unavailability, including as a result of cybercrime and Covid-19	A1 / A4 / C2	Marginal	Low		1 - Disaster recover plan in place and regularly checked 2 - Hosting implemented 3 - Implemented lump sum payments via pensioner payroll facility 4 - Regular communications carried out during pandemic with Heywood and FCC regarding areas of risk 5 - First risk review of cyber resilience with Heywood complete.	Negligible	Unlikely		Current impact 1 too high Current likelihood 2 too high	08/11/2019	Apr 2022	1 - Develop updated business continuity plan for CPF (KW) 2 - Review of cybercrime risk controls (KW/PL) 3 - Develop post Covid-19 approach to working arrangements (KW/PL)	Pensions Administration Manager	31/01/2022	31/10/2021

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10th November 2021
Report Subject	Investment and Funding Update
Report Author	Deputy Head, Clwyd Pension Fund

EXECUTIVE SUMMARY

An investment and funding update is on each quarterly Committee agenda.

There are separate agenda items on asset pooling in Wales, investment performance and the funding and flight path risk management framework. This update includes matters that are mainly for noting, albeit comments are clearly welcome.

This report provides updates on the following items:

- The Fund's interim funding review
- The Business Plan 2021/22 – all projects are currently on track
- Update on work ongoing in relation to climate analysis
- Risk register - there have been no changes to the current risks.
- Delegated responsibilities – this details the delegated responsibilities which have been completed by officers since the last Committee meeting.

RECOMMENDATIONS	
1	That the Committee consider and note the update, and provide any comments.

REPORT DETAILS

1.00	**INVESTMENT AND FUNDING RELATED MATTERS**
	Business Plan Update

1.01	Appendix 1 provides a summary of progress against the Investment and Funding section of the Business Plans for 2021/22. Key tasks F1 to F4 are mainly currently on target and further information is as follows:
	• F1 (Implement Responsible Investment Strategic Priorities) – the six areas highlighted in the business plan are all progressing. In particular:
	    o Work is now commencing on the Fund's application for the new Stewardship Code, which involves working with WPP to gather appropriate information.
	    o The WPP RI group is working with individual Fund Consultants, Hymans and Russell Investments to progress the inclusion of a Sustainable Active Equity Sub Fund for WPP
	    o Further investments are being identified and appraised in relation to local/impact opportunities.
	• F2 (Climate Change) – see the separate Responsible Investment Roadmap report.
	• F3 – Ongoing Asset Pooling Implementation and Transition – see separate Asset Pooling in Wales report. Key points to note are:
	    o MHCLG asset pooling guidance has still not yet been issued.
	    o WPP have produced their Annual Report
	    o The transition of assets to Emerging Markets was concluded in October 2021 as explained further in the Asset Pooling in Wales report.
	• F4 – Interim Funding Review – an update is provided in paragraph 1.06.

	Current Development and News
1.02	*Climate Analysis* The Fund Consultant, Mercer have now completed the analysis of the stocks held with our asset managers as at March 31 2021. This is covered in agenda item 11.
	Participation in Events
1.03	The Head of the Pension Fund has been invited to join discussions with HM Treasury and the Productive Finance working group, a group established in late 2020 to develop practical solutions to the barriers for Defined Contribution schemes to invest in long term, less liquid assets.
1.04	The Impact Institute invited the Deputy Head of the Pension Fund to participate in a panel at COP26 in Glasgow on November 3 2021. The panel discussed "Adopting a transitional mindset for a better future".
1.05	*Pensions for Purpose Awards* The Fund has been shortlisted for the new "Impact Investing Adopter Award" alongside Surrey Pension Fund and South Yorkshire Pension Fund at the Pensions for Purpose annual award ceremony on November 17 2021.

1.06	*Interim Funding Review* The purpose of the interim funding review is to provide assurance that the existing funding strategy is on track, and to provide the latest situation to employers to assist them in longer term budget setting. The Fund Actuary has now completed the 2021 funding review, which assessed the updated funding position as at 30 September 2021. For the purposes of more realistic modelling, some of the factors identified in the funding review (see below) had been partly allowed for in the separate monthly Funding, Flight Path and Risk management monitoring report (as included in agenda item 10). The impact of the updated membership data and legislative changes will be allowed for in these monthly report from October onwards. The main considerations and outcomes were as follows: **(i) Actuarial Assumptions** Expected future returns above inflation had fallen – principally due to increased inflation expectations – which (all other things equal) reduces the discount rate assumed which then increases the liabilities. Therefore at the next valuation, the Actuary is likely to propose that a reduction in the expected return over inflation of broadly 0.25% p.a. would be appropriate taking into account the reduced risk due to the Flightpath Framework which has improved the outcome as previously reported. This will be kept under review over the next few months, in particular due to the higher inflation predictions, as we move towards the 2022 valuation and the review of the Funding Strategy by the Committee. The Actuary also considered the latest life expectancy trends from the Continuous Mortality Investigation actuarial group. Whilst the overall trend is showing a further slowdown in life expectancy improvements, it was concluded that no allowance should be made for the impact of Covid-19 at this stage even though there is some evidence of higher deaths over 2019 to 2021 in the Fund data. This will be considered in more detail by the Actuary along with other assumptions in early 2022 as part of the review of the Funding Strategy and reported in more detail to the Committee. The latest trends could improve the funding level by 0.5% and could reduce the future service rate by 0.1% of pay. **(ii) Membership data and legislative impacts** At a total Fund level there has been no major shift in the membership profile that has affected the interim review outcomes, although salary increases to date were greater than expected versus that assumed in the last valuation which will affect the final salary related liabilities for service prior to 1 April 2014. On average over 2019 to 2021, full-time equivalent pay (including increments) had increased by 4.1% p.a. versus the 2% p.a. assumed, which will result in a reduction in the funding level of c1.2% in isolation. The level of future salary inflation going forward will be discussed with employers (as part of the next actuarial valuation process) given the inflationary pressures due to the fiscal outlook and labour shortages in some areas, which will then be factored into results. At the 2019 valuation employers could make provision for the potential

	impact of the remedy expected in relation to the McCloud Judgment even though it was unclear how this would be applied and for how long. Whilst the remedy has yet to be finalised it has become clearer that it will remain broadly as we expected but would not apply for service after 31 March 2022. As part of the interim review, the Actuary has estimated the impact of the expected remedy for the McCloud judgment directly in the funding position and removed the impact from the future service rate. For more accurate monitoring purposes, an approximate allowance for this has been included in the separate monthly reports and this has also now been updated for the latest membership information. As reported at the previous committee meetings it has been confirmed that Guaranteed Minimum Pensions (GMP) will be equalised by extending full inflation proofing for members who reach State Pension Age after 2016 and this was also considered in the funding review. Both these factors would reduce the funding level by 1.4% overall (when compared to the 2019 valuation). **(iii) Funding review outcome at 30 September 2021** Taking into account the factors in (i) and (ii) above the interim review suggests an average funding level of 103% and an average future service rate of 18.6% of pay. Overall, and subject to the review of the funding strategy as part of the 2022 valuation, this could mean a reduction in contributions for some employers could be justified if a similar outcome emerges at the 2022 valuation with any contribution change being effective from 1 April 2023. The Committee are reminded that individual employer circumstances mean employer contribution rates can vary substantially. In preparation for and throughout the 2022 actuarial valuation process, the Committee will receive further updates. The Deputy Head of CPF and the Actuary met with the Unitary Authorities at a Steering Group on 22 October 2021 to discuss the results of the interim review including the potential impact on individual Councils' budgets following the next valuation. This dialogue will continue in 2022 as the position becomes clearer on the potential 2022 valuation outcomes. Similar discussions will be offered to other Fund employers. The Actuary will also provide a high level update to all employers at the AJCM in November.
1.07	**Policy and Strategy Implementation and Monitoring** The Advisory Panel receive a detailed investment report from the Fund's Investment Consultants, Mercer, which shows compliance with the approved Investment Strategy Statement and reports on fund manager performance. A summary of this performance is shown in the Mercer report included in agenda item 9. The Advisory Panel also receive reports from the following Clwyd Pension Fund officer/adviser working groups: • Tactical Asset Allocation Group (TAAG) • Cash and Risk Management Group (CRMG)

	• Private Equity and Real Assets Group (PERAG) Any decisions arising from these meetings which have been agreed using delegated responsibilities will be detailed in Appendix 2 when finalised. *Private Markets* As reported to the June Committee, due to the WPP currently running a tender for Allocators to implement private markets, Mercer as the Fund's investment consultant have been working with officers to determine the Fund's requirements for infrastructure and private debt until they are transitioned to WPP. This work includes identifying potential managers on a sustainable basis. As part of this process, Mercer share relevant reports on their research views and full due diligence on any recommended managers for the Fund officers to consider and discuss. From there, meetings are conducted with the recommended managers and Fund officers to discuss the mandates in more detail and facilitate any further information the Fund may require. Since end September there have been 11 opportunities (£142m of commitments) considered and meetings held covering the following asset classes:

Asset Class	No of Managers	Total Commitments
Private Debt	2	£26m
Private Equity	5	£73m
Impact	2	£20m
Infrastructure	2	£23m

1.08	**Delegated Responsibilities** The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 updates the Committee on the areas of delegation used since the last meeting. To summarise: • Cash-flow forecasting continues to be monitored through the Cash and Risk Management Strategy. • Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG).

2.00	**RESOURCE IMPLICATIONS**
2.01	None directly as a result of this report.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	None directly as a result of this report.
4.00	**RISK MANAGEMENT**
4.01	Appendix 3 provides the dashboard and risk register highlighting the current risks relating to Investments and Funding matters.

4.02	There have been no additional risks added to the register since the last Committee and all of the risks have remained the same as reported to the September 2021 Committee. Of these, most remain on target and the remainder are one step away from the target impact or likelihood, which is mainly due to the uncertainty around markets. The risk which is furthest from target is risk four, which is that the value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions. The target for this risk is longer term and now that the Interim Funding review has been completed, this and other risks will be reassessed. The most significant risk (but still just one step away from target) is risk nine which is that the Fund's long-term Investment Strategy fails to deliver on its ambition or objectives as a responsible investor, due to either responsible investment not being properly considered or WPP does not provide the Fund with the tools to enable implementation of its RI policies. Whilst the Fund is addressing this in a number of ways, due to the magnitude of the risk, it is still not appropriate to consider this on target.

5.00	**APPENDICES**
5.01	Appendix 1 – 2021/22 Business plan update Appendix 2 – Delegated Responsibilities Appendix 3 – Risk dashboard and register – Investments and Funding

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	None. **Contact Officer:** Debbie Fielder, Deputy Head of Clwyd Pension Fund **Telephone:** 01352 702259 **E-mail:** Debbie.a.fielder@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) **TAAG – Tactical Asset Allocation Group** – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from JLT Employee Benefits, the Fund Consultant.

(e) **AP – Advisory Panel** – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.

(f) **PERAG – Private Equity and Real Asset Group** – a group chaired by the Clwyd Pension Fund Manager with members being the Pensions Finance Managers, who take specialist advice when required. Recommendations are agreed with the Fund's Investment Consultant and monitored by AP.

(g) **In House Investments –** Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments. The due diligence, selection and monitoring of these investments is undertaken by the PERAG.

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

(i) **ISS – Investment Strategy Statement** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.

(j) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund

(k) **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.

(l) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine 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.

(m) **Actuary -** A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.

(n) A full glossary of Investments terms can be accessed via the following link. **https://www.schroders.com/en/uk/adviser/tools/glossary/**

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Business Plan 2021/22 to 2023/24 – Q2 Update
Funding and Investments

Key Tasks

Key:

(green)	Complete
(light green)	On target or ahead of schedule
(yellow)	Commenced but behind schedule
(red)	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
~~x~~	Original item where the period has been moved or task deleted since original business plan

Funding and Investments (including accounting and audit) Tasks

Key Action – Task	2021/22 Period				Later Years	
	Q1	Q2	Q3	Q4	2022/ 23	2023/ 24
Implement Responsible Investment Strategic Priorities	x	x	x	x	x	x
Climate Change	x	x	x	x	x	
Ongoing Asset Pooling Implementation and Transition	x	x	x	x	x	x
Interim Funding Review and FSS policy update	x	x	x	x		

Funding and Investments (including accounting and audit) Task Descriptions

F1 –Implement Responsible Investment Strategic Priorities

What is it?

The Fund agreed its updated Responsible Investment policy in February 2020 with five key priorities which are as follows:

- Evaluate and manage carbon exposure
- Identify sustainable investment opportunities
- Improve public disclosure and reporting
- Active engagement on ESG risks
- Comply with the FRC Stewardship Code.

Alongside its Investment Strategy Review in 2019/20 the Fund reviewed and revised its Responsible Investment Policy. The Policy was split into a number of key areas setting out the Fund's approach to being a Responsible Investor. The Fund recognises that as a Responsible Investor there are a multitude of potential areas on which to focus, however it is not possible to do it all in one go. It has therefore decided to set the following strategic priorities for its work over the three years from 2020/1 to 2023/4:

- **Evaluate and manage carbon exposure**
  - This will include measuring the Fund's existing exposure to carbon within its investment portfolio, and once this has concluded, set targets to reduce this over the coming five years.
- **Identify sustainable investment opportunities**
  - The Fund's new Investment Strategy has an allocation to Social/Impact investments, or investments that aim to make a positive social or environmental impact. The Fund already has a number of investments in this area and will be looking to add to these.
- **Improve disclosure and reporting**
  - The Fund will be working to improve transparency and reporting. An analysis of the impact of Climate Change on the Fund's Investment Strategy will form part of this work.
- **Active Engagement on ESG risks**
  - To work proactively with WPP and LAPFF[1] to actively engage with the Fund's underlying investments.
- **FRC Stewardship Code**
  - The Fund is currently a signatory to the Code; however a new Code was launched in 2019. The aim is to assess the potential to remain a signatory.

In addition to these priorities, the Fund is aware that the Scheme Advisory Board and MHCLG will be issuing revised guidance on Responsible Investing in 2021, and it will be important to review the Fund's policy and update if necessary to ensure it is remains relevant and compliant.

[1] LAPFF is the Local Authority Pension Fund Forum, which aims to protect the long-term interests of beneficiaries through promoting high standards of corporate governance and responsibility.

Timescales and Stages

Continue to work on the Fund's strategic priorities for Responsible Investment	2021/22 to 2022/23
Identify sustainable investment opportunities relating to social/impact	2021/22 to 2023/24
Assess potential for investing locally – consider Regional Growth Bid	2021/22
Review and revise RI Policy when national guidance is issued	2021/22
Work with WPP to develop and submit application for new Stewardship Code	2021/22
Work with WPP to develop TCFD compliant reporting	2021/22 to 2022/23

Resource and Budget Implications

Estimated costs for the implementation are contained within existing plans/budgets including the costs of external consultants.

F2 – Climate Change

What is it?

As part of the Fund's revised Responsible Investment Policy there is a section where the Fund defines its approach to Climate Change. The Fund recognises the importance in addressing the financial risks associated with climate change through its investment strategy, and believes that:

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

As part of its desire to address the risk around Climate Change the Fund is planning to set out a roadmap to move from the current position to a more sustainable future strategy. This plan will include Carbon footprinting analysis and Climate Change scenario analysis which the Fund has commissioned from Mercer. The Roadmap could include considering a Net Zero Carbon emissions target.

This Roadmap and work program will be delivered over the coming years, and needs to be carried out in conjunction with the WPP plans.

Assessment of Carbon footprinting and Strategic Climate Change scenario analysis results	2021/22 Q1
Consult Committee with proposed roadmap	2021/22 Q2 & Q3
Assess how to implement Committee's views, in conjunction with WPP (including TCFD reporting)	2021/22 Q3 & Q4
Ongoing implementation and monitoring	2022/23

F3 – Ongoing Asset Pooling Implementation and Transition

What is it?

WPP was created to allow the pooling of assets across the Welsh LGPS Funds. The assets are continuing to be transitioned to WPP's Operator and further policies and procedures developed to ensure the proper management of WPP.

The Government (MHCLG) will be producing pooling guidance at some stage in 2021/22, and the Fund and WPP will need to be fully conscious of this, and ensure that it can remain compliant with its requirements.

Governance

WPP has developed a three-year business plan for 2021/2 to 2023/4 which includes the key areas of focus during that period. The Business Plan highlights a significant work program for the pool, and the Clwyd Pension Fund will be working with WPP to deliver these key milestones.

Implementation

COVID-19 related market volatility has affected WPP's transition plans. Market volatility could result in significant increased transition costs, and as such transitions were delayed in 2020/21. It is likely that future transitions may well be impacted.

The Fund will work with WPP to transition remaining assets in coming months and years.

Responsible Investment

The WPP has developed its own Responsible Investment Policy and will be working with the constituent authorities to develop this and implement it appropriately across the launched sub-funds. This will include looking at voting with Robeco as appointed engagement specialist. The Clwyd Pension Fund will look to work with WPP to ensure that WPP's Responsible Investment policies and strategies enable Clwyd's Pension Fund's Responsible Investment Policy to be implemented and enhanced.

Timescales and Stages

Governance	
Consider and implement MHCLG asset pooling guidance	2021/22 to 2022/23
To work with WPP to deliver all aspects of its Business Plan ensure that it remains on track	2021/22 to 2023/24
Provide views to host on WPP operator arrangements and oversight	2021/22
Provide input to preparation for operator market review and re-tender	2021/22 to 2022/23
Ongoing Establishment	
Transition of assets to newly launched sub-funds:	
▪ Emerging Markets	2021/22 Q2
▪ Private Markets	2021/22 to 2022/23
▪ Review and develop a mechanism to pool any suitable non-pooled asset e.g. Flight Path	2022/23 to 2023/24
Responsible Investment	
Work with WPP to ensure that it can support CPF in delivering its own Responsible Investment and Climate Change beliefs and requirements	2021/22 to 2023/24
Feed into development of WPP reporting including ESG and climate change	2021/22 to 2023/24

Resource and Budget Implications

2021/22 and future budgets will include CPF's share of the governance costs managing the pool, and also its share of fees relating to pooled assets. For 2021/22 the estimated cost of governance for CPF in relation to WPP is £130k, which includes an estimated share of the Host Authority costs (£23k), consultant and legal advice direct from WPP (£85k) and the estimated costs CPF expects to bear directly from its own consultants for advice in relation to the WPP (£22k). Any other costs relating to the WPP will be met from within existing budgets.

F4 – Interim Funding Review

What is it?

In advance of the 2022 actuarial valuation, the Actuary will assess the funding position as at 31 March 2021 in order to prepare the Fund and employers for the potential contribution outcomes from the 2022 valuation.

Due to the impact of COVID-19, a number of the Fund's employers will likely suffer impacts on budgets and therefore affordability of contributions in the short and long term. It will therefore be appropriate to consider the key funding metrics which will involve analysing the outlook for returns, the likelihood that average contributions would need to increase at the next valuation and the potential impact of Brexit. This will be crucial in quantifying the financial risk and market changes since the previous valuation. This analysis will assist the Fund to understand employer contribution affordability so that plans can be made considering the current funding position and the future outlook for returns. This is likely to mean earlier engagement than previously expected for some employers.

As part of the interim review, we will also consider the potential impact that COVID-19 has had on the life expectancy of the membership. This will then be built into the assessment.

Timescales and Stages

Monitoring of funding metrics and risk levels	2021/22 Q1 & Q2
Engagement with employers to assess impact of COVID-19	2021/22 Q3 & Q4
Carry out interim funding review	2021/22 Q3 & Q4
Results and discussion with employers via steering groups	2021/22 Q3 & Q4

Resource and Budget Implications

This exercise will be performed by the Fund Actuary. It is an important exercise for the Fund and will involve input from both the Clwyd Pension Fund Administration and Finance teams. An allowance has been made in the 2021/22 budget for the full interim review.

DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.08.1	Rebalancing and cash management	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Rebalancing Asset Allocation

Background

The Investment Strategy Statement (ISS) includes a target allocation against which strategic performance is monitored (Strategic Allocation). There are strategic ranges for each asset category that allow for limited deviation away from the strategic allocation as a result of market movements. In addition there is a conditional medium term asset allocation range (Conditional range) to manage major risks to the long term strategic allocation which may emerge between reviews of the strategic allocation.

The Tactical Asset Allocation Group (Investment Consultant & Officers) which meets each month consider whether it is appropriate to re-balance to the strategic asset allocation. Recommendations are made to the Head of the Clwyd Pension Fund who has delegated authority to make the decision. Re-balances or asset transitions may be required due to market movements, new cash into the Fund or approved changes to the strategic allocation following a strategic review.

Action Taken

In the period July to September 2021 there were no movements between assets. However, in October 2021, the Fund transitioned assets from the BlackRock (£82.4m) and Wellington (£147.4) Emerging Markets portfolios to the WPP Emerging Market Equity Sub Fund (£240.0m) The difference of £10.2m was funded from the Clwyd in house bank account to rebalance the portfolio to its strategic 10% target allocation.

Cash Management

Background

The Deputy Head of the Clwyd Pension Fund forecasts the Fund's 3 year cash flows in the Business Plan and this is monitored quarterly and revised on an annual basis. The bank account balance is monitored daily. The main payments are pension related, expenses and investment drawdowns. New monies come from employer and employee contributions and investment income or distributions. This cash flow management ensures the availability of funds to meet payments and investment drawdowns. The LGPS investment regulation only allow a very limited ability to borrow. There is no strategic asset allocation for cash, although there is a strategic range of +5% and a conditional range of +30% which could be used during times of major market stress.

Action Taken

The cash balance as at 30th September 2021 was £63.5m (£60.7m at 30th June). Whilst the net benefits and income was generally flat, the Fund continued to receive private market distributions in excess of drawdowns resulting in an uplift in cash. This will reverse in quarter 3 with additional cash invested with WPP and increased new commitments to private markets. The cash flow is monitored to ensure there is sufficient monies to pay benefits and capital calls for investments. Work is continuing with the Consultant and Actuary to monitor the cash-flow situation and be aware of any unforeseen issues. As part of the Investment Strategy Review, the new Cash Management and Risk Strategy can be utilised if this situation reverses. Monthly cash flows for the financial year to 2021/22 are shown graphically at the end of the delegations appendix.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.08.2	Short term tactical decisions relating to the 'best ideas' portfolio	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Tactical Asset Allocation Group (Investment Consultant and Officers) meet each month to consider how to invest assets within the ‘Best Ideas’ portfolio given the shorter term market outlook (usually 12 months). The strategic asset allocation is 11% of the Fund. The investment performance target is CPI +3 %, although the aim is to also add value to the total pension fund investment performance.

Action Taken

Since the previous report to Committee in June 2021 the transactions agreed within the portfolio were:

- Partial redemption Ninety One GNR - £12.0m (crystallised +12.4%)
- Partial Redemption BlackRock Emerging Market Equity - £8.0m (crystallised +7.8%)
- Invest £20.0m in LGIM Infrastructure
- Partial Redemption LGIM UK Equity -£12.5m (crystallised +6.8%)
- Partial Redemption BlackRock Emerging Market Equity -£12.5m (crystallised +3.5%)
- Partial Redemption LGIM US Equity -£12.5m (crystallised +33.2%)
- Partial Redemption BlackRock European Equity - £12.5m (crystallised -1.4%)
- Invest £50.0m in LGIM Sterling Liquidity Fund

The current allocations within the portfolio following the transactions are:

- US Equities (1.8%)
- Commodities (1.9%)
- Infrastructure (2.0%)
- European Equities (0.6%)
- UK Equity (0.9%)
- EM Equity (0.5%)
- Liquidity Fund (3.3%)

Detailed minutes of the Group identifying the rationale behind the recommendations made to the Head of the Clwyd Pension Fund and decisions made under this delegation are circulated to the Advisory Panel.

As at the end of September 2021, the Best Ideas portfolio 1 year performance was +18.2% against a target of +6.2% and the 3 year performance was +6.9% against a target of +4.8%.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.08.3	Investment into new mandates / emerging opportunities	PFM and either the CFM or CEO (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP

Background

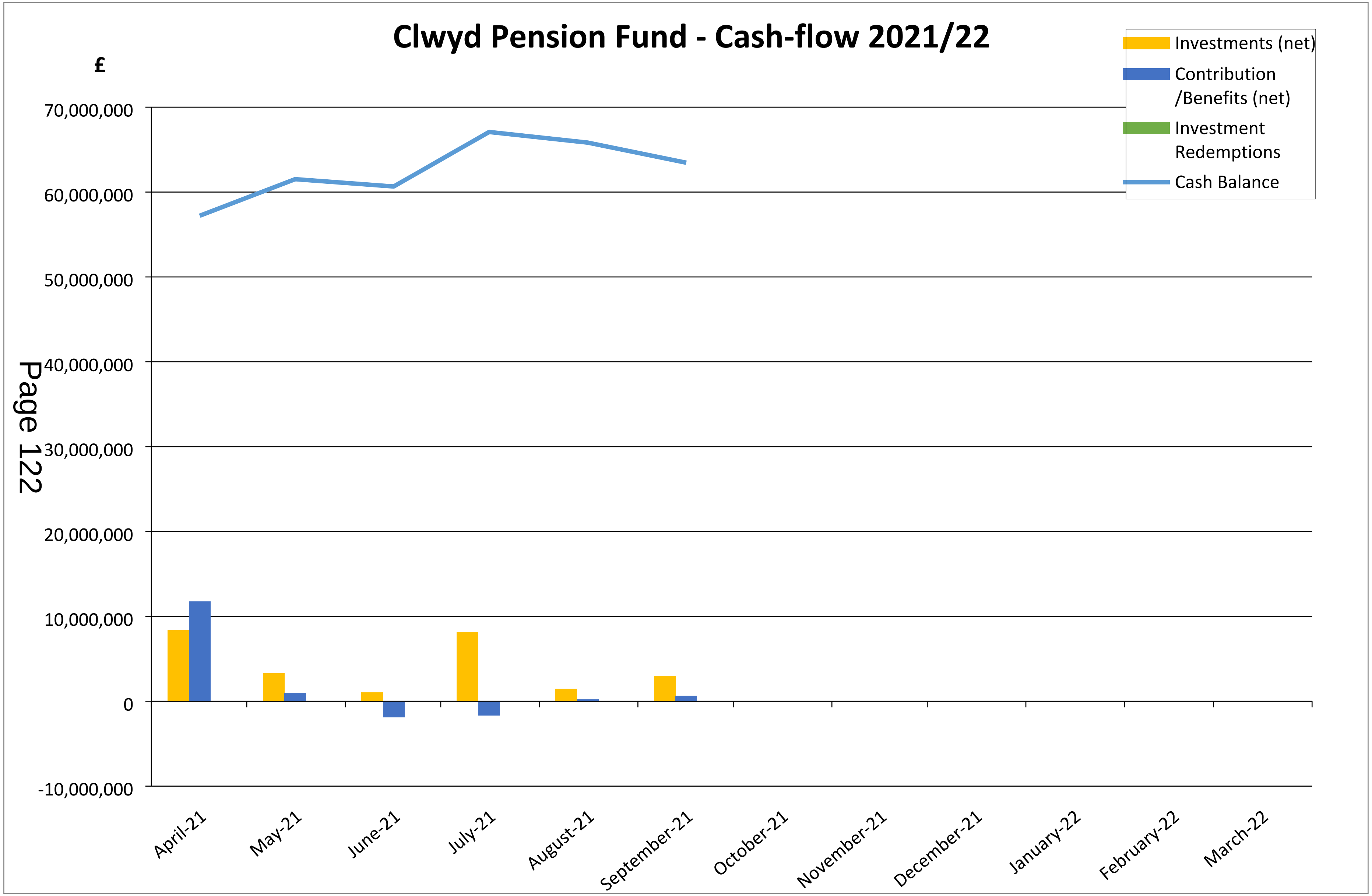
The Fund's current investment strategy includes a 27% asset allocation to private equity (8%), property (4%), infrastructure (including legacy timber and agriculture assets) (8%), private debt (3%) and impact / local investing (4%) These are higher risk investments, usually in limited partnerships, and as such, previously, these are smaller commitments in the range of £8m to £15m in each. Across these asset categories there are currently in excess of 60 investment managers, investing in 115+ limited partnerships or other vehicles.

The Private Equity & Real Estate Group (PERAG) of officers and Consultant meet at least quarterly and are responsible for implementing and monitoring the investment strategy and limited partnerships across these asset classes. The investments in total are referred to as the 'In-House portfolio'. There is particular focus on Environmental, Social and Governance (ESG), sustainability and impact aspects on the investments made.

A review has been being undertaken of the existing portfolio and future cash flows by the Consultants and the results determined the forward work plan. It is anticipated that when the Wales Pension Partnership (WPP) are able to accommodate commitments in these alternative areas, the Fund will commit any available monies through the WPP. The Fund Consultants and WPP will work closely to ensure the available sub funds are suitable for the Funds existing Private Market strategy. Until these asset classes are available through the WPP, the Fund will continue to work with Mercer recommendations to deploy capital and look for any opportunities which fulfil the current agreed strategy.

Action Taken

Due diligence is continuing to be completed by Mercer on several managers across several of the asset classes for recommendations to be made in the next few months. Whilst commitments have been agreed in principle, final legal review and completion of subscription documents need to be finalised before the commitments can be made public.


Clwyd Pension Fund - Cash-flow 2021/22
£
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
-10,000,000
April-21
May-21
June-21
July-21
August-21
September-21
October-21
November-21
December-21
January-22
February-22
March-22
Investments (net)
Contribution /Benefits (net)
Investment Redemptions
Cash Balance

Funding and Investment Risks (Including Accounting & Audit) Heat Map and Summary

Funding & Investment Risks (includes accounting and audit)

Impact						
Negligible					7	
Marginal			6		5, 8	
Critical			9	3, 4, 1, 2		
Catastrophic						
	Extremely High	Very High	Significant	Low	Very Low	Unlikely

Likelihood

Key

1 — Each risk is represented in the chart by a number in a square.
- The number denotes the risk number on the risk register.
- The location of the square denotes the current risk exposure.

1 — The background colour within the square denotes the target risk exposure.

New risks since the last reporting date are denoted with a blue and white border.

An arrow denotes a change in the risk exposure since the previous reporting date, with the arrow coming from the previous risk exposure.

27 October 2021

Clwyd Pension Fund - Control Risk Register

Funding & Investment Risks (includes accounting and audit)

Objectives extracted from Funding Strategy Statement (06/2021) and Investment Strategy Statement (02/2020):

F1 Achieve and maintain assets equal to 100% of liabilities within the 13 year average timeframe whilst remaining within reasonable risk parameters
F2 Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
F3 Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
F4 Strike the appropriate balance between long-term consistent investment performance and the funding objectives
F5 Manage employers' liabilities effectively through the adoption of employer specific funding objectives
F6 Ensure net cash outgoings can be met as/when required
F7 Minimise unrecoverable debt on employer termination.
F8 Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
I1 Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
I2 Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable longterm costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?		Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Employer contributions are unaffordable and/or unstable	An appropriate funding strategy can not be set	F1 / F2 / F3 / F4 / F5	Critical	Low		1 - Ensuring appropriately prudent assumptions on an ongoing basis 2 - All controls in relation to other risks apply to this risk 3 - Consider employer covenant and reasonable affordability of contributions for each employer as part of the valuation process and as part of the ongoing risk management framework.	Critical	Very Low		😐	Current likelihood 1 too high	07/05/2020	Dec 2021	1. Discussions with Employers to assess affordability as part of Interim Valuation review (DF)	Head of CPF	30/09/2021	21/01/2021
2	Funding level reduces, increasing deficit / reducing surplus	Movements in assets and/or liabilities (as described in 3,4,5) in combination, which leads to a reduction in funding level and increased contribution requirements in particular	F1 / F2 / F3 / F4 / F5 / F7	Critical	Low		See points within points 3,4 and 5	Marginal	Low		😐	Current impact 1 too high	31/03/2016	Mar 2033	1 - Equity Protection Strategy to be reviewed regularly (DF) 2 – In conjunction with Risks 3, 4 and 5 – overall return outlook will be considered in light of COVID-19 (PL) - See points within points 3, 4 and 5	Head of CPF	30/09/2021	09/08/2021
3	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented. - Black swan event e.g. global pandemic such as Covid-19 - Wales Pension Partnership (WPP) does not provide CPF with portfolios to deliver the Investment Strategy - Internal team do not have sufficient knowledge in order to challenge the investment managers on the advice given or understand the implications of all investment choices issues on the fund	F1 / F2 / F3 / F4 / F7	Critical	Low		1 - Use of a diversified portfolio (regularly monitored) 2 - Flightpath in place to exploit these opportunities in appropriate market conditions 3 - Monthly monitoring at Investment Day, FRMG and TAAG meetings 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee 5 - On going monitoring of appointed managers (including in house investments) managed through regular updates and meetings with key personnel 6 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of Investment opportunities available 7 - Consideration and understanding of potential Brexit implications. 8 - Equity Protection and Currency Hedging Strategy in place to protect equity gains and potentially reduce volatility of contributions. 9 – Assess impact of Covid-19 on markets and likelihood of achieving required outcomes as part of Interim Valuation review 10 - Officers work closely with the WPP to ensure that CPF has the ability to pool its assets in an efficient and effective manner	Critical	Low		🙂					Dep. Head of CPF	30/09/2021	21/01/2021
4	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates	F1 / F2 / F4 / F5 / F7	Critical	Low		1 - LDI strategy in place to control/limit interest and inflation risks. 2 - Use of a diversified portfolio which is regularly monitored. 3 - Monthly monitoring of funding and hedge ratio position versus targets. 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee. 5 - Consideration and understanding of potential Brexit implications. 6 – Consideration and understanding of potential Covid–19 implications. 7 -The level of hedging is being monitored and reported.	Marginal	Very Low		😐	Current impact 1 too high Current likelihood 1 too high	31/03/2016	Mar 2033	1 - Consider as part of Interim Valuation review (DF)	Dep. Head of CPF	30/09/2021	21/01/2021
5	Value of liabilities/contributions change due to demographics being out of line with assumptions	This may occur if employer matters (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	F1 / F2 / F5 / F7	Marginal	Very Low		1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases.	Marginal	Very Low		🙂				1 - Longevity assumption being considered in light of Covid-19 and as part of Interim Valuation review (DF)	Dep. Head of CPF	30/09/2021	21/01/2021
6	Investment and/or funding objectives and/or strategies are no longer fit for purpose	Legislation changes such as LGPS regulations (e.g. asset pooling), progression of Brexit and other funding and investment related requirements - ultimately this could increase employer costs	F1 / F2 / F3 / F4 / F5 / F6 / F7	Marginal	Significant		1 - Ensuring that Fund concerns are considered by the Pensions Advisory Panel and Committee as appropriate 2 - Employers and interested parties to be kept informed and impact monitored 3 - Monitor developments over time, working with investment managers, investment advisers, Actuary and other LGPS 4 - Participation in National consultations and lobbying 5. Costings performed in relation to the potential impact of McCloud on employers. Employers informed as part of the valuation regarding the potential contribution provision over 2020-23. Major employers agreed to include McCloud. 6. Fund policies updated to reflect latest flexibility Regulations on contribution rate reviews and deferred debt arrangements	Marginal	Low		😐	Current likelihood 1 too high	31/03/2016	Mar 2021	1 - Once the Govt provide clarity on final remedy, request funding for McCloud from employers who did not make a provision (DF)	Dep. Head of CPF	30/09/2021	09/08/2021
7	Insufficient cash or liquid assets to pay benefits	- Insufficient cash (due to failure in managing cash) or only illiquid assets available - longer term this will likely become a problem and would result in unanticipated investment costs. - Further risk presented with the introduction of exit credits for exiting employers in the 2018 Regulations update. - Covid-19 could also impact on cash-flow as employers may suffer cash-flow problems. - Private Markets distributions could dry up due to liquidity in markets.	F1 / F6	Negligible	Very Low		1 - Cashflow monitoring (including private markets) to ensure sufficient funds 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Holding sufficient liquid assets as part of agreed cashflow management policy 4 - Monitor cashflow requirements to ensure that they have enough liquid assets to pay the benefits when needed 5 - Cash management policy is documented to help monitor and manage cashflow 6 - Assessment of risk of Covid-19 on employers to help understand the impact that it will have on their ability to pay contributions (i.e. their covenant) and address any cashflow issues 7 - Employers have been informed to notify Fund of any significant restructuring exercises. 8 - Employers have been informed to notify Fund of potential contract end dates (incl. changes) in sufficient time to reduce risk of large payments (i.e. through a contribution rate review in advance of the contract end date)	Negligible	Very Low		🙂				1 – Continue with ongoing communications with employers to ensure they can continue to pay contributions in light of Covid-19 (DF)	Dep. Head of CPF	30/09/2021	09/08/2021
8	Loss of employer income and/or other employers become liable for their deficits	Employer ceasing to exist with insufficient funding (bond or guarantee)	F5 / F7	Marginal	Very Low		1 - Consider profile of Fund employers and assess the strength their covenant and/or whether there is a quality guarantee in place. 2 - When setting terms of new admissions require a guarantee or bond. 3 - Formal consideration of this at each actuarial valuation plus proportionate monitoring of employer strength. 4 - Identify any deterioration and take action as appropriate through discussion with the employer.	Marginal	Unlikely		😐	Current likelihood 1 too high	31/03/2016	Dec 2021	1 - Discussions with Employers to assess covenant risk after analysis of responses to covenant data request as and when received (DF)	Dep. Head of CPF	30/09/2021	21/01/2021
9	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.	1. Responsible Investment (including Climate Change) is not properly considered within the Fund's long-term Investment Strategy meaning it is not sustainable and does not address all areas of being a Responsible Investor 2. WPP does not provide CPF with the tools to enable implementation of RI policies	F1, F4, F8, F9	Critical	Significant		1. Fund has in place Responsible Investment (RI) Strategy 2. RI Policy has 5 Strategic RI Priorities 3. WPP has RI policy in place 4. Fund has adopted a 2050 Net Zero ambition for its Investment Strategy.	Critical	Low		😐	Current likelihood 1 too high	03/02/2020	Mar 2023	1 - Implement Strategic RI Priorities, including analysing the Fund's carbon Footprint, Analyse impact of Climate Change at a Strategic level. Identify sustainable investment opportunities and improve disclosure and reporting (DF) 2. Work with WPP to ensure the Fund is able to implement effectively via the Pool (DF)	Dep. Head of CPF	30/09/2021	09/08/2021

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10th November 2021
Report Subject	Asset Pooling in Wales
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the work undertaken by the Wales Pension Partnership (WPP) with pooling investments in Wales.

There was a WPP Joint Governance Committee (JGC) on 22 September 2021 and the draft minutes are appended for information.

WPP have also produced their Annual Report for 2020/2021 which is attached for information.

The Head and Deputy Head of Clwyd Pension Fund 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
- Risk sub group
- Responsible Investment sub group
- Private Markets sub group.

RECOMMENDATIONS	
1.	That the Committee note and discuss the JGC agenda and WPP Annual Report and agree any comments or questions for WPP.

REPORT DETAILS

1.00	**Pooling Investment in Wales**
1.01	**Joint Governance Committee (JGC) Agenda** There was a WPP JGC on the 22 September 2021. The draft minutes of that meeting are attached (Appendix 1). In summary the JGC considered or approved the following: • A progress update from the host authority. • A risk register review which this quarter considered training resources and communication risks. The next review in Q4 2021 will focus on Investment Risks. • An update from the operator including the assets within the pool which are now £15.1bn with emerging markets equity to transition 20 October 2021. • An update on investment performance as at 30 June 2021. From a Clwyd Pension Fund point of view, this is for the Global Opportunities Equity Fund and Multi Asset Credit Fund. Although both have relatively short track records they continue to be ahead of benchmark. Further information on the above is available in the full public agenda which is available here - Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 22nd September, 2021, 10.00 am There were a further three items for which the public were excluded: • The quarterly Global Securities Lending report was received. • A change to one of the fund managers in the Global Opportunities Equity Fund and the proposal to add an additional manager to the existing UK Opportunities Equity Fund were approved. • The quarterly Engagement report was received from Robeco.
1.02	**Officer Working Group & Sub Groups** The Deputy Head of Clwyd Pension Fund attends the Private Market sub-group and Responsible Investment (RI) sub-group. These are both complex areas and important for the Clwyd Pension Fund because 27% of our assets are in private markets and the ambitions within our Responsible Investment and Climate Risk policy. The Head of the Clwyd Pension Fund attends the quarterly meetings of the Risk Register group and all three groups report back to the Officer Working Group. As reported to the June Committee, the Private Market sub-group has been focussed on the current tender to appoint “Allocators” who will select “best in class” private market managers across separate asset classes. This exercise is due to be completed for approval by the JGC in March 2022 and is expected to command considerable input from those officers involved in the process including the Deputy Head of the Clwyd Pension Fund.

	The first stage of the procurement for Private Debt and Closed Ended Infrastructure Allocators and Open Ended Infrastructure managers went "live" on 1 October 2021 with a closing date for submissions of 5 November. The Sub Group continue to work with bFinance on the next stage of the process along with progressing the launch of the tender for the Private Equity Allocator. Since the last Committee the RI sub-group have met in September and October. The main areas of progress are: • Discussions and input to the draft Stewardship report for WPP. • An update from Robeco on voting and engagement highlights. • Discussions to progress the implementation of an Active Sustainable Equity Sub Fund including an initial presentation from Russell Investments for consideration by the Constituent Authorities.
1.03	**WPP Annual Report** The WPP Annual Report is attached for information (Appendix 2) and details the progress of the "Pool" and the policies and processes that have been implemented to date. It includes: • How WPP manage and monitor its risks and identifies the most significant risks. • 68% of assets were pooled as at 31 March 2021 which will increase to 70% in October 2021 with the transition of Emerging Market Equities. • The WPP financial statement for 2020/21Investment performance of the individual Sub Funds. • Costs and fee savings. • WPP approach to Responsible Investing • Communication and delivery of Training.
1.04	**Emerging Market Transition** The Emerging Markets Opportunities Fund launched on 20 October 2021 at approximately £505m from 5 partner Funds including the Clwyd Pension Fund. Clwyd Pension Fund transitioned £240m into WPP from legacy assets with BlackRock and Wellington (core and local mandates) over three tranches due to the various redemption requirements. To facilitate the transition and limit out of market exposure the individual Funds provided 10% of exposure in cash (£24m for Clwyd) on 21 October. The remainder of the transition for the majority of the Funds was settled on 25 October (£190m for Clwyd Pension Fund) with a final tranche of £26m for Clwyd Pension Fund settled on 27 October. The Clwyd Pension Fund now has all of its equity and fixed income assets (32%) held with the WPP.

2.00	RESOURCE IMPLICATIONS
2.01	None.

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

4.00	**RISK MANAGEMENT**
4.01	How the Wales Pension Partnership operates is key in enabling the Fund to implement its investment strategy. 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 DLUHC in the next few months and the implications of that guidance are not yet known. Given these points, this risk (risk number 3 on the funding and investment register) continues to be categorised as significant in the Fund's risk register. The WPP risk register is included in the JGC agenda. The focus was on the governance risks which are mainly on target. The Head of Clwyd Pension Fund attends the WPP Risk sub group.

5.00	**APPENDICES**
5.01	Appendix 1 – JGC 22 September 2021 draft minutes. Appendix 2 – WPP Annual Report.

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• Earlier Committee reports on the progress of the WPP. **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.

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WALES PENSION PARTNERSHIP
JOINT GOVERNANCE COMMITTEE

WEDNESDAY, 22ND SEPTEMBER, 2021

PRESENT: Councillor C. Weaver [Vice-Chair in the Chair]

Councillors: G. Caron, P. Downing (deputising for C. Lloyd), M. Griffiths (deputising for M. Norris), P. Jenkins, P. Lewis, T. Palmer and D.E. Williams.

The following officers were in attendance:
C. Moore - Joint Committee Section 151 Officer (CCC)
L. Rees-Jones - Joint Committee Monitoring Officer (CCC)
C. Lee - Corporate Director of Resources (CoC)
P. Griffiths - Service Director Finance and Improvement (RCT)
N. Aurelius - Assistant Chief Executive - Resources (TCC)
P. Latham - Head Clwyd Pension Fund (FCC)
J. Dong - Deputy S151 Officer/ Chief Finance Officer (C&CS)
D. Edwards - Chief Finance Officer (GCC)
A. Parnell - Treasury & Pension Investments Manager (CCC)
T. Williams - Senior Financial Services Officer (CCC)
M. Evans Thomas - Principal Democratic Services Officer (CCC) [Note Taker}
J. Owen - Democratic Services Officer (CCC) [Assisting]
R. Morris – Member Services Officer (CCC) [Webcasting]
S. Rees – Simultaneous Translator (CCC)

Also in attendance to present reports:
I. Colvin – Hymans Robertson
J. Wright - Hymans Robertson
E. Gough - Link Fund Solutions
K. Midl – Link Fund Solutions
R. Thornton - Link Fund Solutions
N. Round – Northern Trust
C. Hille – Robeco
A. Knell - Robeco
J. Leggate - Russell Investments
P. Egan – Russell Investments
T. Paik – Russell Investments
A. Quinn - Russell Investments

Also present as observers:
M. Falconer – Pension Manager (CoC)
D. Fielder - Deputy Head of Clwyd Pension Fund (FCC)
C. Hurst - Pension Fund Manager (PCC)
D. Jones-Thomas - Investment Manager (GCC)
G. Watkins - Revenue Services Manager (CoC)
Y. Keitch - Principal Accountant (RCT)
K. Cobb – Pension Fund Accounting & Investment Manager (C&CS)

Virtual Meeting : 10.00 am - 11.55 am

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Clive Lloyd (City & County of Swansea) and Cllr Mark Norris (Rhondda Cynon Taf County Borough Council).

2. DECLARATIONS OF INTEREST

Member	Agenda Item No.	Interest
Cllr. G. Caron	All agenda items	He is a paying and receiving member of the Greater Gwent Pension Fund, his wife is a receiving member and his son-in-law is a paying member
Cllr. P. Downing	All agenda items	His brother is a member of the City & County of Swansea Pension Fund
Cllr. M. Griffiths	All agenda items	She is a member of the Rhondda Cynon Taf Pension Fund
Cllr. P. Jenkins	All agenda items	He is a member of the Gwynedd Pension Fund
Cllr. P. Lewis	All agenda items	Member of the Powys Pension Fund
Cllr. T. Palmer	All agenda items	His daughter and partner are members of the Clwyd Pension Fund
Cllr. E. Williams	All agenda items	Member of the Dyfed Pension Fund

[Note: There is an exemption within the Code of Conduct for Members, which allows a member who has been appointed or nominated by their Authority to a relevant body to declare that interest but remain and participate in the meeting.]

3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 28TH JULY, 2021.

RESOLVED that the minutes of the Joint Governance Committee meeting held on 28th July, 2021 be signed as a correct record.

4. HOST AUTHORITY UPDATE

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a progress update in relation to the following key areas:-

- Governance;
- Ongoing establishment;
- Operator services;
- Communications and reporting;
- Training and meetings;
- Resources, budget and fees.

In response to a question regarding the commencement date for the scheme member representative, members were informed that discussions will be commencing shortly with the Pension Boards of the Constituent Authorities and it was hoped to appoint early next year.

Reference was made to staffing resources and vacancies which was one of the risk identified in the Risk Register and officers were asked if they had sufficient resources in place to undertake the large volume of work which needed to commence. Members were informed that there is currently one vacancy in the structure for a support officer. Officers were currently reviewing the resources available and will appoint to the vacant post if necessary. He reassured members that the current resources were sufficient.

UNANIMOUSLY RESOLVED that the Host Authority update be received.

5. RISK REGISTER Q3 2021 REVIEW

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Risk Register Q3 2021 Review. It was noted that during the last quarter a review was undertaken of training resources and communication risks. The review outcomes of each risk were summarised in an appendix to the report.

The next review will take place in Q4 2021 and will focus on the Investment Section Risks.

UNANIMOUSLY RESOLVED that the amendments to the WPP Risk Register, as detailed in the report, be approved.

6. OPERATOR UPDATE

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received an update on the progress of the Wales Pension Partnership in relation to the following key areas:

- Current Fund Holdings
- Fund Launch Progress
- Corporate Update and Engagement

The report also included a Corporate and Engagement update and provided an update on the progress and milestones of the following Sub Funds:-

• Tranche 1 – Global Equity
• Tranche 2 – UK Equity
• Tranche 3 – Fixed Income
• Tranche 4 – Emerging Markets

UNANIMOUSLY RESOLVED that the Operator Update be received.

7. PERFORMANCE REPORTS AS AT 30/06/21

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a presentation on the Performance Reports as at 30th June, 2021. It was noted that the sub funds had outperformed/ underperformed against their respective benchmarks, as follows:-

• Global Opportunities – outperformed by 1.71% gross / 1.35% net
• Global Growth – outperformed by 2.42% gross / 1.95% net
• UK Opportunities - outperformed by 3.07% gross / 2.63% net
• Global Government Bond – outperformed by 1.96% gross / 1.78% net
• Global Credit – outperformed by 1.54% gross / 1.40% net
• Multi Asset Credit – outperformed by 4.631% gross / 4.23% net
• Absolute Return Bond – outperformed by 0.55% gross / 0.20% net
• UK Credit – underperformed by 0.33% gross / 0.22% net

In response to a question asking whether any changes in markets were anticipated, members were informed that portfolios are built in such a way to ensure that they are all weather and take geopolitics into consideration.

Asked what investments are made in healthcare, members were informed that these related mainly to pharmaceutical companies.

UNANIMOUSLY RESOLVED that the Performance Reports of the Sub Funds, as detailed above, as at 30th June, 2021, be noted.

8. EXCLUSION OF THE PUBLIC

UNANIMOUSLY RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

9. SUB FUND MANAGER CHANGES

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 8 above, to consider

this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered a report proposing manager changes for two of its Sub Funds.

UNANIMOUSLY RESOLVED that the proposed manager changes, as detailed in the report, be approved.

10. GLOBAL SECURITIES LENDING REVIEW AS AT 30/06/21

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 8 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would adversely impact upon the Pension Fund by disadvantaging negotiations between the Investment Managers.

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Global Securities Lending Review, as at 30th June, 2021.

UNAIMOUSLY RESOLVED that the Global Securities Lending Review as at 30th June, 2021 be noted.

11. ROBECO ENGAGEMENT SERVICE - Q2 2021 ENGAGEMENT REPORT

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 8 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Engagement Report for Q2 of 2021, which ended on 30th June.

UNANIMOUSLY RESOLVED that the Engagement Report for Q2 of 2021 be noted.

CHAIR **DATE**

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Wales Pension Partnership Annual Report 2020/2021

Contents

Introduction

Firstly, please allow me to take this opportunity to thank you for taking the time to read our 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 Glyn Caron, 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 68% 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 34, if you have any questions or feedback.

Yours Sincerely,

Chris Moore

Section 151 Officer,

Carmarthenshire County Council

JGC Chair's Statement

Welcome to the second WPP Annual Report, which provides you with a review of the work that the WPP has undertaken over the past twelve months.

We could not have foreseen what an unique and surprising year it would be. The lockdown and travel restrictions put in place throughout the UK had the potential to seriously disrupt the WPP's activities, however the collaboration between the eight Constituent Authorities has been stronger than ever and this can be seen by the way that the pool has progressed over the last 12 months. I would like to take this opportunity to thank the Constituent Authorities for the time and energy that they have contributed, as well as their positivity and flexibility, during this uncertain period.

The launch of the WPP Fixed Income sub-funds was a key objective for 2020/21 and with the assistance once again of Link Fund Solutions, Russell Investments and Hymans Robertson, five Fixed Income sub-funds were launched with each Authority making use of at least one of these sub-funds. This has seen the WPP's % of pooled assets reach around 68%. Over the next twelve / eighteen months the WPP is looking at increasing the pooling % further with the launch of an Emerging Market equity sub-fund and the initial tranches of Private Markets sub-funds.

As well as the need to develop new sub-funds, the WPP is fully aware of the need to ensure that existing ones continue to be aligned to the needs of the Constituent Authorities, as a result we have adopted a highly innovative de-carbonisation mechanism to reduce the levels of carbon risk within some of the existing sub-funds and this is an area that we will continue to progress.

Responsible Investment ('RI') continues to be a key priority for the Welsh Constituent Authorities. The RI Policy was formulated in 2019/20 and over the last twelve months, we have continued with our objective to deliver on the commitments made in this Policy:

- A Climate Risk Policy has been formulated, which outlines WPP's unified Climate Risk beliefs and what measures we have adopted to manage Climate Risk within the WPP Sub-Funds.
- Voting and Engagement work is ongoing with Robeco. Robeco engage with investee companies on behalf of the WPP, on a broad range of matters, including matters relating to managing Environmental, Social, Governance (ESG) and climate related risks. WPP has adopted Robeco's voting policy.
- Reporting has developed over the last twelve months with detailed RI and Climate Risk monitoring reports being produced for each of the WPP's Sub-Funds and quarterly progress reports being received from Robeco.

Over 2020/21, we have seen WPP continue towards its objective of delivering a best-in-class governance framework for its stakeholders with a number of new policies being developed, including a Climate Risk Policy, Risk Policy and Risk Register, Training Policy and Conflict of Interest Policy. The WPP has also developed a Governance Manual that provides a detailed overview of the WPP's governance structure and framework, as well as articulating the roles, responsibilities and procedures that the WPP has put in place. All of the WPP policies are reviewed annually and can be found on the WPP website.

The next twelve months will see the WPP strengthen its governance arrangements further with additional policies being developed, such as a Rebalancing & Alteration Policy, a Responsibilities Matrix and a Whistleblowing Policy, together with the potential appointment of a Scheme Member Representative to the Joint Governance Committee. A detailed workplan can be found in the 2021-2024 Business Plan.

Training and communication is also critical to WPP's success and despite COVID 19, WPP's 2020/21 training plan was successfully completed with seven virtual training events being held over the year. These training events were open to all Pension Committee and Penson Board members, as well as officers and JGC members.

We are proud of the progress that we have been able to make this year, despite challenging circumstances, this year has seen a further strengthening of the relationships between the Welsh Constituent Authorities and evidenced the benefits of collaboration.

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. Clive Lloyd will be taking over the role for 2021/2022 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 Glyn Caron

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.

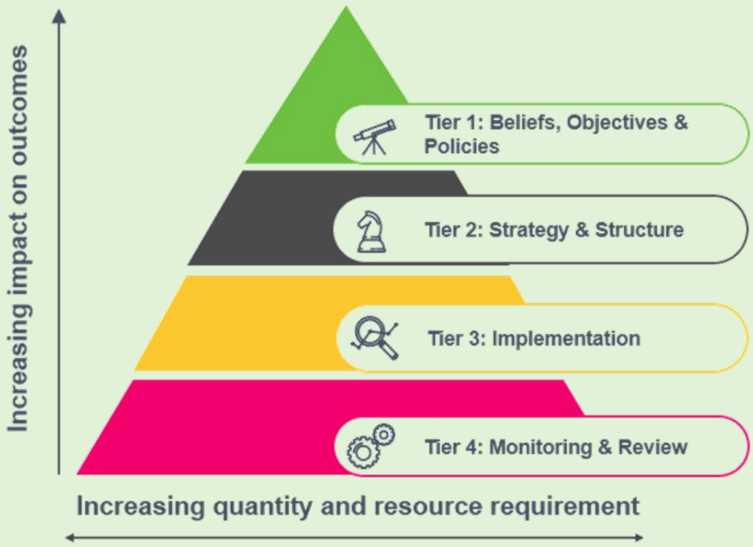
Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. 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 and effective Climate Risk mitigation strategies, 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.

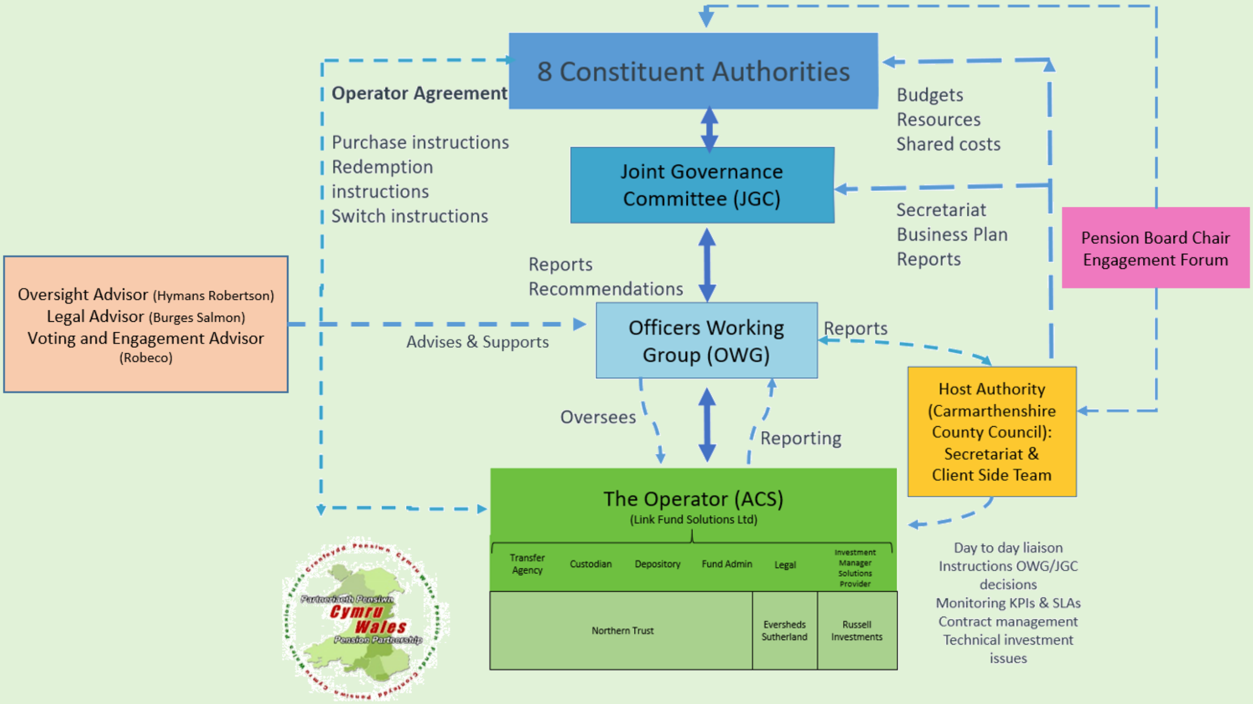
The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making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

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.

WPP Governance



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;

- Numerous checks and balances
- Various sources of opinions, expertise and advise
- A clear, transparent and democratic decision-making process

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 2020/21 the JGC has met virtually 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. In December 2020, the JGC approved a provision for a co-opted (non-voting) pension board scheme member representative on the JGC.

The Chair and Vice-chair are rotated on an annual basis. The chair during the course of 2020/21 was Cllr. Glyn Caron – Torfaen County Borough Council (Greater Gwent (Torfaen) Pension Fund) and the vice-chair was Cllr Clive Lloyd – City and County of Swansea Council (City and County of Swansea 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.

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. Due to Covid 19, all JGC meetings in 2020/21 have been held virtually. The JGC dates and attendance for 2020/21 are summarised in the table below:

JGC Date:	JGC Members in attendance:
17 July 2020	7 members, apologies from Cardiff
11 September 2020	7 members, apologies from Clwyd
10 December 2020	All 8 members
24 March 2021	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 virtually four times during 2020/21.

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 but due to Covid 19, all OWG meetings in 2020/21 have been held virtually.

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 advice 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-hour 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. 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 Risk Register Sub-Group – which is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the OWG and JGC on a quarterly basis.
- The Responsible Investment Sub-Group – which is responsible for overseeing all Responsible Investment matters within the WPP, including policy development and reviews, external reporting, and scrutiny / oversight.

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
- Link logoPerformance reporting
- Transition implementation
- Manager monitoring and fee negotiations
- Risk reporting

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 Authorities 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.

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.

Burges Salmon (Legal Advisor)

Burges Salmon provide Legal advice, as and when required. Burges Salmon's remit requires them to provide expertise in FCA regulated funds, tax, public sector procurement and local government. In addition, Burges 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 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. The Risk Policy outlines how we identify, manage and monitor risks.

In addition, we have developed a risk register to monitor and manage potential risks and a dedicated Risk Sub-Group (made up of Officers from the Constituent Authorities and WPP's Oversight Advisor, Hymans Robertson) has been established to maintain and evaluate the WPP's Risk Register on a quarterly basis.

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.

A detailed management strategy and action plan is in place to manage the risks. Two of the risks that were considered significant last year, "WPP fails to comply with relevant regulations and LGPS guidance" and 'WPP suppliers fail to deliver their contractual commitments' has been downgraded due to mitigating actions that have been carried out, including frequent and extensive engagement with suppliers and other stakeholders and through training sessions with WPP personnel.

At present, the WPP's most significant risks are:

- WPP Sub-Funds fail to achieve their target investment returns
- The WPP fails to facilitate investment solutions that enable the Constituent Authorities to meet their investment strategy and objectives
- WPP suppliers fail to enact the WPP's decisions in a timely and effective manner
- The WPP's Operator fails to deliver on its contractual obligations or stops providing Operator services due to exiting the market or regulatory restrictions
- The WPP fails to identify and take measures to remedy malpractice

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

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 • On-going management of the WPP manager Engagement Schedule , which includes Manager days hosted by the Operator/ the Investment Manager for OWG/Constituent Authorities Pension Fund Committees • Monitoring when and why rebalancing within Russell managed WPP Sub-funds has taken place via notification mechanisms.	The probability of Investment Manager underperformance needs to be reduced, this can be achieved via the following mechanisms: • Continued monitoring of investment performance & market developments and economic outlook • Continued engagement and communication with Investment Managers
The WPP fails to facilitate investment solutions that enable the Constituent Authorities to meet their investment strategy and objectives.	• The development of further sub-funds is a prioritised item within the WPP's business plan. • Frequent consultation with Constituent Authorities on their requirements • Consultation with the Constituent Authorities on the ongoing suitability of existing sub-funds. • Numerous advisors used in the formulation of sub-funds • Oversight advisor in place to oversee investment strategy and sub-fund design • Numerous checks and balances on the decision-making process and approval of invest strategy and sub-funds	The WPP needs to ensure that the feedback to the Constituent Authority questionnaire is effectively implemented into the WPP's workplan.
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 creation of WPP Sub-Groups has significantly reduced the probability of this risk occurring. However, the WPP believes that further action is required before the probability can be revised down from 3 to 2. The WPP will focus on effectively communicating the significance and required

	• Intensive engagement protocols with relevant suppliers • The monthly WPP Practitioners meeting is a forum in which any issues can be raised and then escalated at the Pool level • The addition of sub-groups to the WPP's governance arrangements has create additional forums in which the WPP has more time to challenge and follow up with suppliers	timeframes of a given request/ decision to its suppliers, with the intension of ensuring that critical decisions/ actions are effectively prioritised over the 'day to day' requests that suppliers are carrying out on behalf of WPP. In addition, the WPP is working with its Operator to improve the communication mechanisms for Sub-Fund launches.
The WPP's Operator fails to deliver on its contractual obligations or stops providing Operator services due to exiting the market or regulatory restrictions	• 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 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. The Host Authority, with support from its Operator Oversight Advisor, is continuing to have regular review meetings with the Operator. The main workstream currently being progressed during these review meetings is the formulation of an enhanced Operator Management Information Reporting Pack.
The WPP's fails to identify and take measures to remedy malpractice	• The WPP has adopted a governance framework with several checks and balances which are designed to limit the potential for malpractice to occur • Multiple means of communication are in place within the WPP with a view to encouraging information sharing and the ability to flag any potential concerns • Monitoring officer in place at the Host Authority • The WPP has a Conflict of Interest Policy in place	The WPP will: • Formulate a procedure that ensures that Personnel have the ability and means to flag any potential malpractice concerns • Produce a codified Whistleblowing Policy which outlines how the WPP will protect any who 'blows the whistle' , while also assuring that their job security is not impacted by their flagging/ highlighting of potential malpractice • Carry out ongoing training on identifying malpractice and how to safely raise any potential malpractice concerns • Ensure that there is enough resources and expertise available to investigate and deal with any potential cases of malpractice • Continue to encourage an environment in which all personnel are encouraged to speak freely and openly

The WPP Risk Policy and Risk Register are both publicly available on the WPP's website.

WPP Policies and Processes

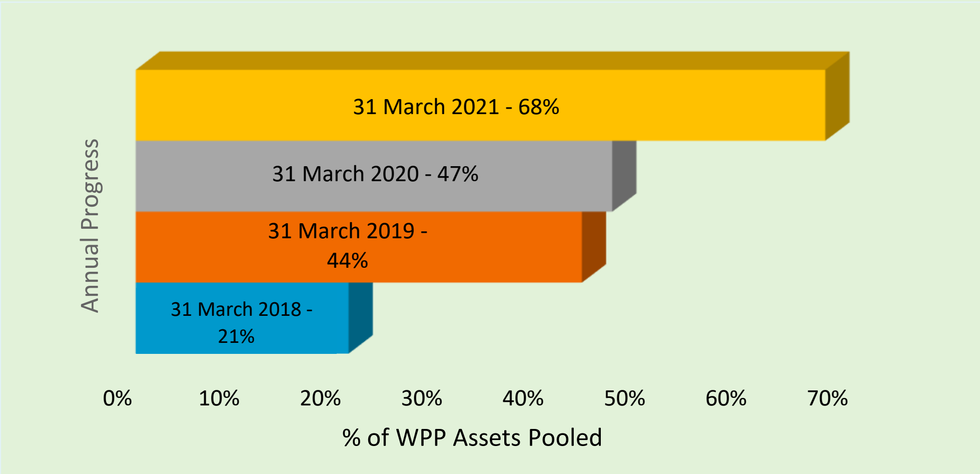
The WPP believes that good governance should lead to superior outcomes for the WPP's stakeholders. In recognition of this belief, the WPP has devoted resources to developing a robust and extensive governance structure and framework. A key part of WPP's governance structure is focused on developing policies 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

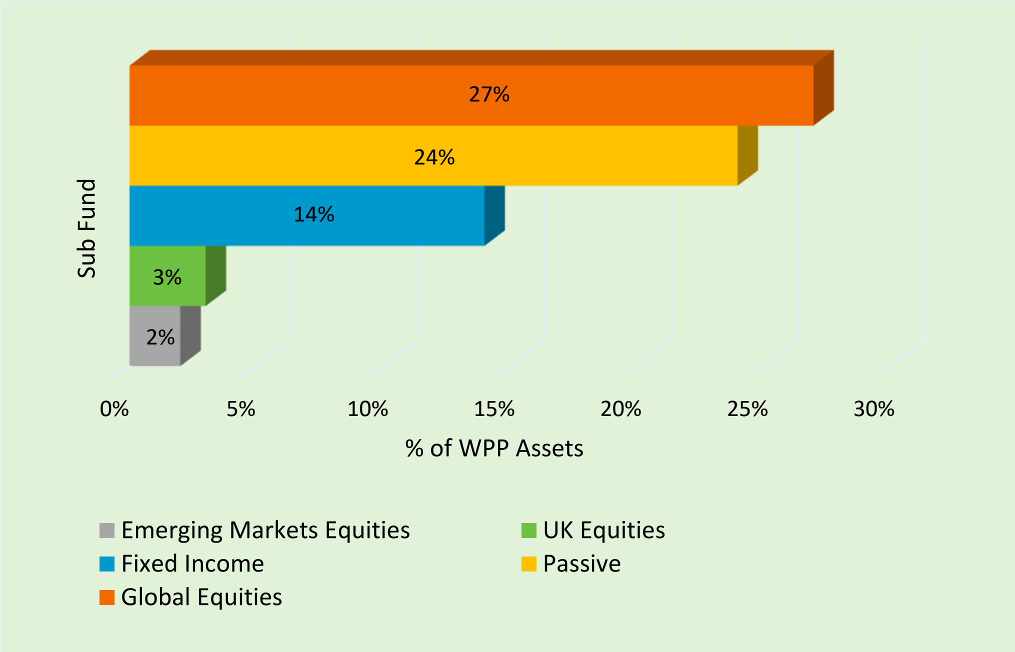
The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. We have made significant progress towards delivering on this objective. The launching of the WPP's three active equity sub-funds, five Fixed Income sub-funds alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 68% 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 over two-thirds 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 28 for more detail.

The WPP will continue to develop sub-funds for the benefit of the Constituent Authorities with the Emerging Markets sub-fund due to launch in October 2021.



WPP Statement of Accounts and Financial Performance

BUDGET

The following table shows the WPP's actual expenditure during 2020/21 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 12 March 2020.

Wales Pension Partnership 2020/21	Budget (£)	Actual (£)	Variance (£)
Gross Expenditure			
Employee costs [1]	80,000	59,454	20,546
Host Authority costs [2]	23,874	13,556	10,318
Host Authority Support Services [3]	77,063	77,063	0
Total Host Authority Gross Expenditure [4]	**180,937**	**150,073**	**30,864**
External Consultants [5]	580,000	556,177	23,823
Total Gross Expenditure	**760,937**	**706,250**	**54,687**

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 £55k for the year, which was mainly due to:

- Employee costs – Assistant Accountant not appointed
- Host Authority Costs – No staff travelling, staff training or subsistence and meeting expenses due to COVID-19
- External Consultants – Voting services has not been in place for the full year resulting in only part year costs.

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.

2019/20 (£)	Description	2020/21 (£)
	Expenditure	
56,138	Employee costs	59,455
21,250	Host Authority costs	13,556
146,673	External Advisor costs *	556,177
75,000	Host Authority Support Service costs	77,063
299,062	**Total Operating Expenditure**	**706,251**
	Income	
(299,062)	Constituent Authority Recharges **	(706,251)
(299,062)	**Total Operating Income**	**(706,251)**
0	**Total Comprehensive Income and Expenditure**	**0**

* The budget for External Advisor costs increased in 2020/21

** These costs are funded equally by all eight LGPS Funds and are recharged on an annual basis.

BALANCE SHEET

The Balance Sheet shows the assets and liabilities of the WPP as at 31 March 2021.

31st March 2020 (£)	Description	31st March 2021 (£)
	Current Assets	
367,489	Short Term Debtors	381,767
367,489	**Total Current Assets**	**381,767**
	Current Liabilities	
(223,716)	Cash and Cash Equivalents	(188,185)
(143,773)	Short Term Creditors	(193,582)
(367,489)	**Total Current Liabilities**	**(381,767)**
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.

2019/20 (£)	Description	2020/21 (£)
	Cashflow from operating activities	
0	Net (surplus) / deficit on the provision of services	0
	Adjustments for:	
(228,978)	(Increase) in trade and other debtors	(14,278)
132,841	Increase in trade and other creditors	49,809
(96,137)	**Net Cash from operating activities**	**35,531**
	Net (Increase) / Decrease in cash and cash equivalents	
(127,579)	Cash & Cash Equivalents as at 1 April	(223,716)
(223,716)	Cash & Cash equivalents as at 31 March	(188,185)
(96,137)	**Cash and cash equivalents as at 31 March**	**35,531**

NOTES TO THE ACCOUNTS

Statement of Accounting Policies

General

The Statement of Accounts summarises the transactions of the Wales Pension Partnership (WPP) for the 2020/21 financial year and its position at the year ended 31 March 2021. 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

2019/20 (£)	Description	2020/21 (£)
365,616	Constituent Authorities	380,854
1,873	Prepayments	913
367,489	**Total Short-Term Debtors**	**381,767**

Short Term Creditors

2019/20 (£)	Description	2020/21 (£)
69,130	Trade Creditors	103,500
74,643	Accruals	90,082
143,773	**Total Short-Term Creditors**	**193,582**

Audit Costs

In 2020/21 the WPP incurred the following fees relating to financial audit and inspection, payable to the Wales Audit Office.

2019/20 (£)	**Description**	**2020/21 (£)**
8,558	Audit Fees	2,590
8,558	**Total External Audit Fees**	**2,590**

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 be impaired or influenced by another party's ability to transact with the Committee.

During 2020/21 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 2020/21 and the debtor balances outstanding as at 31 March 2021.

2019/20 (£)	**Description**	**2020/21 (£)**
52,383	Cardiff & Vale of Glamorgan Pension Fund	88,281
32,383	Clwyd Pension Fund	88,281
32,383	Dyfed Pension Fund	88,281
32,383	Gwynedd Pension Fund	88,281
32,383	Powys Pension Fund	88,281
32,383	Rhondda Cynon Taf (RCT) Pension Fund	88,281
32,383	City and County of Swansea Pension Fund	88,281
52,383	Greater Gwent (Torfaen) Pension Fund	88,281
299,062	**Total Related Party Transactions**	**706,251**

2019/20 (£)	Description	2020/21 (£)
72,170	Cardiff & Vale of Glamorgan Pension Fund	52,583
52,170	Clwyd Pension Fund	52,583
19,787	Dyfed Pension Fund	0
52,170	Gwynedd Pension Fund	52,583
32,383	Powys Pension Fund	52,583
52,170	Rhondda Cynon Taf (RCT) Pension Fund	52,583
32,383	City and County of Swansea Pension Fund	65,356
52,383	Greater Gwent (Torfaen) Pension Fund	52,583
365,616	**Related Party Transactions outstanding at year end**	**380,854**

Carmarthenshire County Council charged the WPP for administration and support services during 2020/21. Invoices have also been received from Gwynedd County Council for services they have provided in the form of translation services. The table below shows the value of these services and the creditor balances outstanding as at 31 March 2021.

Related Party Transactions - Creditors	Value of services provided during 2020/21 £	Balance outstanding as at 31 March 2021 £
Carmarthenshire County Council	137,655	0
Gwynedd County Council	7,999	1,717
Total	**145,654**	**1,717**

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 2020/21.

Investments and Performance

The WPP's Constituent Authorities have total assets of circa £21.6bn (as at 31 March 2021), £9.4bn of which are invested in WPP's existing sub-funds, outlined in the table below.

Sub Fund	Asset Value	Managed by	Performance Benchmark	Participating Funds **	Underlying Investment Managers
Global Growth	£3.061 bn	Link Fund Solutions	MSCI ACWI ND	RCT 52% Dyfed 28% Gwynedd 15% Powys 5%	Baillie Gifford, Veritas and Pzena
Global Opportunities	£2.624 bn	Russell Investments	MSCI ACWI ND	Swansea 47% Torfaen 19% Gwynedd 16% RCT 14% Clwyd 4%	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ and Oaktree
UK Opportunities	£0.674 bn	Russell Investments	FTSE All Share	Cardiff 66% Torfaen 34%	Majedie, Lazard, Baillie Gifford, Ninety-One and Liontrust
Global Credit	£0.791 bn	Russell Investments	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Torfaen 35% Dyfed 33% Powys 28% Cardiff 4%	Western, Logan Circle, Fidelity and T Rowe Price
Global Government	£0.527 bn	Russell Investments	FTSE World Government Bond Index (GBP Hedged)	Torfaen 52% Cardiff 48%	Bluebay and Colchester
Multi-Asset Credit	£0.714 bn	Russell Investments	ICE BofA SONIA + 4% p.a.	Clwyd 35% Gwynedd 25% Cardiff 22% Powys 9% Swansea 9%	ICG, Man GLG, BlueBay, Barings and Voya
UK Credit Fund	£0.551 bn	Link	ICE BofA ML Eur-Stg plus 0.65%	RCT 100%	Fidelity
Absolute Return Bond Fund	£0.456 bn	Russell Investments	ICE BofA SONIA + 2% p.a.	Gwynedd 67% Powys 19% Swansea 14%	Wellington, Putnam, Aegon and Insight

* Asset Under Management (AUM) value as at 31 March 2021
** % holdings as at 31 March 2021

During 2021/22, the WPP will be launching an Emerging Markets sub-fund.

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

Constituent Authority	Asset Value as at 31/3/21	% of each Constituent Authorities' assets
Cardiff & Vale of Glamorgan	£0.676 bn	27%
Clwyd	£0.197 bn	9%
Dyfed	£1.280 bn	42%
Gwynedd	£0.682 bn	27%
Powys	£0.238 bn	32%
RCT	£0.574 bn	13%
Swansea	£0.776 bn	30%
Greater Gwent (Torfaen)	£0.811 bn	23%
Total	£5.233 bn	

Investment Performance

The investment performance of the existing sub-funds was particularly pleasing over the year, see table below.

	WPP 12-month performance to the 31 March 2021 (Net of Fees)			
	Inception Date	Fund %	Benchmark%	Relative%
Equity sub-funds				
Global Growth	6 February 2019	48.95	38.94	10.01
Global Opportunities	14 February 2019	42.21	38.94	3.27
UK Opportunities	11 October 2019	41.01	26.71	14.30
Fixed Income sub-funds				
UK Credit *	19 August 2020	(0.63)	(0.41)	(0.22)
Global Government Bond *	19 August 2020	(0.91)	(2.62)	1.71
Global Credit *	20 August 2020	(0.09)	(1.21)	1.12
Multi-Asset Credit Fund *	11 August 2020	5.91	2.58^	
Absolute Return Bond *	30 September 2020	2.04	1.02^	

* Please note that the performance is since inception.

^ These represent the performance targets of the Mutil-Asset Credit and Absolute Return Bond Funds

Markets bounced back strongly after the global economy was hit by the pandemic in Q1 2020. The continued support of monetary policy and a further expansion of fiscal stimulus drove a rapid recovery throughout the world and equities rallied as a result. With lockdown restrictions easing from the end of Q2, investor confidence built up in July and August which favoured equity markets. Collectively this drove strong returns over the first half of the period for the WPP Global and UK equity funds. Over the second half of the period, we saw global markets surge adding to the positive performance of the WPP Global and UK equity funds. This was a result of major Covid-19 vaccine breakthroughs, a finalised Brexit deal between the UK and the EU and political certainty in the US with Joe Biden's presidential election victory. The positive sentiment boosted global economic growth prospects for 2021 resulting in investors rotating into stocks and market sectors which had been out of favour. The WPP Global and UK equity funds were positioned to take advantage of this finishing the period ahead of their benchmarks.

The WPP fixed income funds were launched during Q3 2020. The more positive outlook and significant monetary and fiscal stimulus provided by governments was a benefit across a variety of fixed income sectors. Although positive, this sentiment resulted in government bonds selling off. However, the positioning of the WPP fixed income funds which have government bond exposure meant they fared well over the period. Higher exposure to UK government bonds however was a detractor from performance as yields rose near the end of the period. The improvement in market sentiment saw investors looking for exposure to riskier assets. This benefitted the more credit orientated WPP fixed income funds as their positioning in corporate credit markets allowed them to take advantage of the increasing prices. Corporate high yield credit spreads also tightened leading to increased prices, a positive for the WPP fixed income funds who have exposure to these bonds. Securitised bonds also benefitted from record fiscal stimulus and robust housing markets. Although a short period, overall the WPP fixed income funds performed well.

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.

The OWG is also looking at ways to develop investment performance monitoring mechanisms with a key focus on ESG and Climate Risk metrics. Working closely with the Pool's Oversight Advisor, Hymans Robertson, the Responsible Investment Working Group have been reviewing Climate Risk and ESG reports to establish what metrics the OWG would like to see reported on going forward. Initially just focussing on the active equity Sub-Funds, the reporting has now been expanded to include the Fixed Income Sub-Funds. The reports draw on third party climate and ESG data to allow the RI Working Group to scrutinise present portfolio positioning, benchmark portfolios against index comparators and determine the actions that need to be taken.

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 transition costs for the sub funds which have been pooled as at 31 March 2021 are shown in the table below:

Sub-Funds	Explicit £000's	Implicit £000's	Total Transition Costs £000's	Year charge occurred
Global Equities	2,197	15,009	17,206	2018/19
UK Equities	1,080	3,580	4,660	2019/20
Fixed Income	817	7,566	8,383	2020/21

The total annual running costs for 2020/21 equates to £4,045k

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, UK Opportunities Equity Sub-Fund and Fixed Income Sub-Funds:

	Asset Value as at 31/3/21 £000's	Gross Annual Savings * £000's	Savings as a % of Asset Value
Global Equities	5,685,813	7,133	0.13%
UK Equities	674,460	273	0.04%
Fixed Income **	3,039,900	145	0.01%

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

** Part year – funds were launched in July and September 2020, see table on page 25

The data above shows that although there are high initial costs for transitioning individual fund's assets into the pool, the annual savings far outweighs the annual running costs, £3,506k in 2020/21 (excluding transition costs).
.
Passive Investments, as detailed on page 27 also provide a total fee saving of c£2m per annum.

Responsible Investment

Responsible Investment, alongside consideration and evidential management of Environmental, Social and Governance issues has been a key priority for the WPP since we were established in 2017. Various activities have been carried out over the year to embed Responsible Investment practices in all that we do which we believe will result in better outcomes for the Pool's stakeholders. To showcase our commitment to RI and Stewardship activities, the Pool is preparing to submit its first annual report to become a signatory of the FRC's UK Stewardship Code for the reporting year to 31 March 2021.

We are very proud of the progress we have made during the year which has included:

- Establishment of the RI Sub-Group
- Adoption of a de-carbonisation mechanism to reduce the levels of carbon risk within some of the Pools sub-funds.
- Embedding Robeco as a dedicated stewardship specialist and implementing a voting policy for the Pool.
- Introducing focused reporting on ESG and climate risk across sub-funds to embed the ongoing scrutiny of portfolios and activity.

Following the appointment of Robeco in 2020 as the Pool's Voting and Engagement Provider, we have worked closely with them to agree our Engagement Principles. Going forward Robeco will help ensure these Principles are met and continue to be in keeping with the Welsh Constituent Authorities' membership of the Local Authority Pension Fund Forum ('LAPFF'). Robeco has taken on responsibility for implementing the Voting Policy across WPP's £5bn active equity portfolio as well as reporting to WPP and the underlying Funds. Details of these voting policies and figures will be published in our UK Stewardship Report submission for the reporting period.

In 2020 the WPP Responsible Investment Sub-Group was created. The role of the Group is to support the development and implementation of the responsible investment and climate change policies of the Wales Pension Partnership (WPP). Over the reporting period the group carried out various activities including:

- Formulating an Annual WPP Responsible Investment Workplan that allows the WPP to progress its RI objectives;
- Working with WPP's appointed investment managers, Voting and Engagement provider, advisers, and other service providers to ensure that WPPs responsible investment and climate change policies are effectively implemented;

- Developed practices for monitoring and reporting on responsible investment issues to fulfil WPP's obligations to its stakeholders;
- Monitoring responsible investment activity, including ESG metrics and voting and engagement records and provide or direct challenge as necessary;
- Considering market and regulatory developments to ensure that evolving best practice can be taken into account by WPP;
- Engaging with LGPS Funds, LGPS Pools, the Cross Pool Responsible Investment Group, Asset Owners and other parties as necessary to achieve WPP's goals on collaboration;
- Representing the WPP on RI matters, which will include acting as a spokesperson in external forums.

The RI Sub-Group has already demonstrated its effectiveness and efficiency by delivering on one of the main commitments made in both the WPP's RI and Climate Risk Policies – the development of reporting that allows the WPP to monitor and manage RI and Climate Risk risks. The Sub-Group have started receiving detailed RI and Climate Risk monitoring reports for its active equity Sub-Funds and are looking at how these reports can be developed going forward.

The past year has also seen the launch of a highly innovative de-carbonisation mechanism to reduce the levels of carbon risk within some of the existing sub-funds. This carbon reduction overlay on the existing active equity sub-funds will significantly reduce the WPP's exposure to carbon emissions.

As a culmination of the groups RI activities over the year, the Pool will be publishing its first Responsible Investment Stewardship Report, with the view of becoming a signatory of the FRC Stewardship Code.

Communications & Engagement

Improving the WPP's communication has continued to be a key priority over the last 12 months, building on the work carried out in 2019/2020. The WPP website is regularly updated and remains 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/

WPP also has a LinkedIn page which is regularly updated:
https://www.linkedin.com/company/wales-pension-partnership-wpp/

In December 2020 we held a second communication workshop and following this workshop, we developed our Communication Policy further, ensuring it remains appropriate, up to date and meets the needs of key stakeholders. The updated WPP's Communication Policy is available on the WPP website Please do continue to check both our website and LinkedIn page to receive updates on all of our endeavours.

Communication has been challenging over the past year, with COVID-19 restriction meaning that face to face meetings have not been possible. However, all planned engagement meetings have progressed as planned through the use of virtual meeting. All Constituent Authorities, suppliers and other stakeholders have embraced this new way of engagement, and this has enabled important work and priorities to progress.

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP ensures that the meetings of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers are also made publicly available. Local Pension Board engagement days are also being held regularly as a means of fostering stakeholder engagement. During the year, we continued to deliver against our engagement protocols which ensures 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
Manager Performance Meetings/ Calls	Quarterly
Training Events	Quarterly
OWG Engagement	Every 2/3 Months
Bi-Weekly Meetings	Every 2 Weeks
Annual Shareholder Day	Annual
Pension Fund Committees	Annual
Manager Engagement Days	Annual
Member Communications	Annual
Pension Board Engagement	Every 6 Months
Engagement via the website & LinkedIn	Continuous
Constituent Authority Annual Requirements & Ambitions Questionnaire	Annual

The WPP will continue to develop its communication and engagement methods.

Training

During 2020/21, the WPP formulated its own training policy which sets out the WPP's approach to training and requirements. The policy outlines the strategy that WPP has put in place to ensure that its Personnel and decision makers have the required knowledge base to fulfil their roles and make decisions that will deliver the best possible outcomes for the WPP's stakeholders. WPP's training policy and annual training plans are designed to supplement existing Constituent Authority training, it is not intended to replace or override the need for and importance of local level training. Local level training needs will continue to be addressed by the Constituent Authorities while the WPP will offer training that is relevant to the WPP's pooling activities.

Despite COVID 19, we were able to fully deliver on the 2020/21 WPP Training Plan. We hosted seven virtual training events over the year, most of which were open to Constituent Authority Pension Committee and Pension Board members, as well as Officers and Joint Governance Committee (JGC) members, with over seventy attendees present at some of the sessions. The topics covered during 2020/21 were:

- Robeco – Voting and Engagement
- Managing Conflict of Interest
- Performance Metrics
- Asset classes – Alternatives
- Progress of other LGPS pools
- Collaboration Opportunities
- Decision Logging
- Identifying lessons to be learnt
- Transparency Requirements
- Enacting guidance and regulation
- Climate Risk
- Operator monitoring

In December 2020 a training requirements questionnaire/ assessment was issued to all JGC members and Officers, the responses were analysed and a list of future training topics identified which was then used to develop the 2021/22 WPP training plan.

During 2021/2022 the WPP will facilitate training on the following topics

- Product Knowledge - Private Market Asset Classes & Implementation / Fund Wrappers & Governance
- Responsible Investment - Indices and Solutions / Reporting
- Investment Performance and Risk Management - Performance Reporting & Manager Benchmarking / Roles & Responsibilities within the ACS
- Guidance, Regulatory Requirements and Best Practice - Good Governance / Cost transparency
- Market Understanding - Progress of other LGPS pools / Collaboration Opportunities

The Training Policy and full WPP Training Plan for 2021/2022 can be found on the WPP website.

Conclusion

As you can see the WPP has had another very productive year. With Covid19 we faced some unexpected challenges initially with offices being closed and travel restrictions in place but we are pleased to say that with the move to working from home and virtual meetings, we quickly adapted and successfully delivered on our 2020/21 workplan.

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 also 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 2021/22 has been developed and forms part of our 2021-2024 business plan which is available on our website.

Particular highlights over the next year will include:

- Lauching the Emerging Market sub-funds
- Developing the WPP's Private Market Sub-funds
- Become a signatory to the UK Stewardship Code
- Development of Investment Manager performance reporting, including ESG metrics and climate change risk
- Development of a WPP Rebalancing & Alteration Policy and a Responsibilities Matrix for WPP Sub-Funds

We hope you enjoyed our second Annual Report and 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:

Postal Address - Wales Pension Partnership

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 and LinkedIn page can be found here:

https://www.walespensionpartnership.org/

https://www.linkedin.com/company/wales-pension-partnership-wpp/

CYNGOR Sir y Fflint Flintshire COUNTY COUNCIL

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10th November 2021
Report Subject	Economic and Market update and Performance Monitoring report
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to update the Committee on the Economy and Markets, and the Performance of the Fund's investments. The reports cover periods ending 30 September 2021, and are attached as appendices to this report.

Key points to note:

Economy and Markets

- The quarter saw low positive returns across major equity markets
- Signs of a Global economic slowdown were seen in the quarter lead by the Chinese economy, with inflation concerns a key threat
- Supply chain constraints were an important driver of both weakening growth and high inflation.
- Central banks indicated that they may look to increase interest rates sooner than previously expected.

Performance Monitoring Report

- Over the three months to 30 September, the Fund's total market value increased by £56.2m to £2,382.6m
- Fund Performance over 3 months, 12 months and 3 years; +2.6%, +19.3% and +8.1% p.a. respectively
- Fund Performance is ahead of Composite benchmark over all periods, and well ahead of the Strategic target and Actuarial targets over all periods
- All asset classes are broadly in line with strategic target weight

Performance of the Fund is reviewed monthly by the Fund's Officers and advisers.

RECOMMENDATIONS

1.	That the performance of the Fund over periods to the end of September 2021 are noted along with the Economic and Market update which effectively sets the scene.

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 key sections: • **Economic and Market Background** – an overview of markets in the quarter, including commentary on key economic indicators • **Equity Market Review** – information on the performance of equity markets during the quarter and key drivers of markets • **Bond Market (Fixed Income) Review** – provides an update on bond yield movements and interest rates for the period • **Currencies, Commodities and Alternatives Review** – provides an update on the performance of Sterling against other currencies as well as highlighting movements in major commodity and alternatives asset classes for the period
1.02	The quarter was another generally positive one, with most major markets seeing positive returns. That is not to say that there are concerns in a number of areas: • Pressure on supply chains due to COVID-19 related transport disruption • Inflation concerns in some areas, albeit most commentators felt that this was more due to the COVID-19 effect in the previous year Positive returns (+1.5%) were seen in Global equities over the quarter, with UK equities also performing well; returning +2.2%. In the UK, Government Bond yields rose after falls in the previous quarter, resulting in negative returns of -2.8%. Sterling fell slightly against the US Dollar and the Yen, whilst it was flat against the Euro. Commodities markets continued their strong performance in the quarter, returning 7.8%, resulting in a rise of 51.8% for the year. A verbal update will be provided to Committee on market movements since the writing of this report.
1.03	**Performance Monitoring report** Over the 3 months to 30 September 2021, the Fund's total market value increased by £56.2m to £2,386.2m. This means that the Total Fund has increased in value by £260.8m in the calendar year 2021.
1.04	It is appropriate to measure performance at a Total Fund level by comparing to a number of different targets:

- The first of these is the assumed return that the Actuary includes within the triennial valuation - **Actuarial Target.** This is the most crucial target as actual performance needs to be ahead of this to ensure that the Fund maintains, or improves its funding level. This currently set at CPI (Consumer Price Index) +1.75% p.a. for past service liabilities and CPI + 2.25% for future service liabilities.
- The second performance measure is the overall assessment of potential return when the Fund reviews and sets its investment strategy – **Strategic Target.** (This is currently CPI +3.4% p.a.)
- The final target is the composite benchmark – **Total Benchmark.** This is a composite of each of the individual manager benchmarks, weighted by strategic target allocation. For most investment managers the benchmark does not include an expectation of outperformance, with the exception of Wellington Emerging Market equities and WPP Global Opportunities equity.

The performance against all benchmarks is shown on Page 6 of the report, and repeated below:

	Quarter (%)	**1 Yr (%)**	**3 Yrs (%)**
Total	**2.6**	**19.3**	**8.1**
Total Benchmark	1.2	14.3	7.9
Strategic Target (CPI +3.4% p.a.)	1.3	5.5	5.5
Actuarial Target – Past Service Liabilities (CPI +1.75% p.a.)	0.9	3.8	3.8
Actuarial Target – Future Service Liabilities (CPI +2.25% p.a.)	1.1	4.3	4.3

The table shows strong outperformance by the Fund against all measures over 3 months, 1 year, and 3 years.

1.05 The strongest absolute returns over the quarter came from the Cash and Risk Management Framework (CRMF) and Private Markets. The CRMF returned +4.1% and Private markets returned +7.4%.

Within Private Markets the strongest returns were seen in the Local/Impact and Infrastructure portfolios with returns of +12.1% and +9.9% respectively.

It is also positive to note the strong performance seen in the BlackRock ESG Equity portfolio in the quarter (+3.9%).

In the 12 months to 30 September 2021 the best returns came from the CRMF, Total Equity and the Tactical Allocation (Best Ideas) portfolio. The CRMF returned +34.2%, with Total Equity and the Tactical Allocation portfolio returning +18.8% and +19.3% respectively.

The performance of individual managers is shown in the report and is regularly reviewed by Officers and advisers, and at this stage there are no concerns that need addressing, however all positions are being monitored closely.

1.06	The transition of assets in the summer of 2020 brought most asset classes in line with the target strategic weights. Due to strong performance of listed equities in the quarter Global and Emerging Market equity remain marginally overweight. As a result the Private Markets assets are now nearly 4% under target weight, although this is well within the agreed strategic tolerance, and a work plan is in place to bring this in line over the next couple of years. All other asset classes are well within the agreed strategic ranges.

2.00	**RESOURCE IMPLICATIONS**
2.01	None directly as a result of this report.

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

4.00	**RISK MANAGEMENT**
4.01	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.
4.02	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
4.03	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.

5.00	**APPENDICES**
5.01	Appendix 1 - Economic and Market Update – 30 September 2021 Appendix 2 – Performance Monitoring Report – 30 September 2021

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Economic and Market Update and Investment Strategy and Manager Summary 30 September 2021. **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 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 cash flows (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 cash flows. (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 cash flows. (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 cash flows. **A comprehensive list of investment terms can be found via the following link:** https://www.schroders.com/en/uk/adviser/tools/glossary/

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Clwyd Pension Fund

Economic and Market Update
Q3 2021

welcome to brighter

Mercer

Monthly Capital Market Monitor (UK)

September 2021

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Global slowdown, tapering lead to equity weakness

Global equity markets had negative returns over the month due to a confluence of factors weighing on investor sentiment, including the global slowdown, worsening supply chain stress and the Evergrande crisis in China. The US slightly underperformed global equity markets. Emerging market equities performed in line with global equities. Negative performance was driven by China. Credit spreads widened at the riskiest end of the spectrum as markets went into risk-off mode. The US dollar strengthened and energy prices soared, while performance for non-energy commodities was more mixed.

The global growth slowdown that started earlier in summer continued as purchasing manager indices ('PMI') fell from very high levels across the developed world, although they remained in expansionary territory. For China, however, one of the manufacturing PMIs unexpectedly contracted.

Supply chain woes worsened. Container ship queues at US west coast terminals lengthened, shipping rates reached new highs and a shortage of truck drivers needed to supply gas stations led to a 1970s – style run on fuel in the UK. These supply constraints kept inflation high across the developed world.

Central bankers, while still maintaining the view that the inflation surge is transitory, have started to gradually wind down the ultra-lose policies introduced in early 2020. The Federal Reserve has confirmed that tapering of asset purchases will likely start later in 2021 and an increasing number of board members believe that rates could rise as early as 2022. The Bank of England has hinted at a possible rate increase later in 2021, while Norway's central bank was the first among major western peers to actually increase rates in September. A large number of emerging market central banks also increased rates.

US Congress remains in gridlock over passing the proposed infrastructure package and the $3.5 trillion budget that Republicans and some moderate Democrats deem excessive for an economy that is already running hot. While Congress passed a stopgap measure funding the Federal government through December, the debt ceiling standoff remains unresolved and could begin to impact government funding in mid-October. The UK became one of the first major developed countries to increase taxes rather than continue funding government spending via more national debt.

10-year yields rose considerably across most developed countries as markets priced in a tighter monetary policy outlook.

Elections in Canada and Germany had a limited impact on markets. The AUKUS agreement[1] was major geopolitical news as the US sent a clear signal that it is now shifting its focus to the Indo Pacific region following its withdrawal from Afghanistan. In Japan, Prime Minister Suga resigned and will be replaced by Fumio Kishida.

Risk-off sentiment benefited the US dollar which strengthened against most developed and emerging market currencies. Soaring energy prices triggered the onset of energy crises in the UK and Europe. The performance for other commodities was mixed driven by the ongoing slowdown in China's large property market of which the ongoing Evergrande crisis is a reminder.

[1] *A trilateral security pact between Australia, the United Kingdom and the United States, announced on 15/09/21.*

At a Glance

Market Returns in % as of end of Sept. 2021 in GBP

Major Asset Class Returns	1M	YTD	1Y
MSCI ACWI	-2.1	12.7	22.2
S&P 500	-2.7	17.5	24.6
FTSE All Share	-1.0	13.6	27.9
MSCI World ex-UK	-2.2	15.0	24.0
MSCI EM	-2.0	0.1	13.3
Bloomberg Barclays Global Aggregate	0.3	-2.7	-5.0
ICE Bank of America Sterling Non-Gilt index	-2.1	-3.4	-0.3
Bloomberg Barclays High Yield	1.9	5.8	6.8
FTSE WGBI	-0.2	-4.6	-7.3
FTA UK Over 15 year gilts	-6.5	-12.2	-11.2
FTA UK 5+ year ILG's	-4.8	-1.1	0.2
NAREIT Global REITs	-3.8	16.9	25.4
Bloomberg Commodity TR	7.1	30.9	36.4

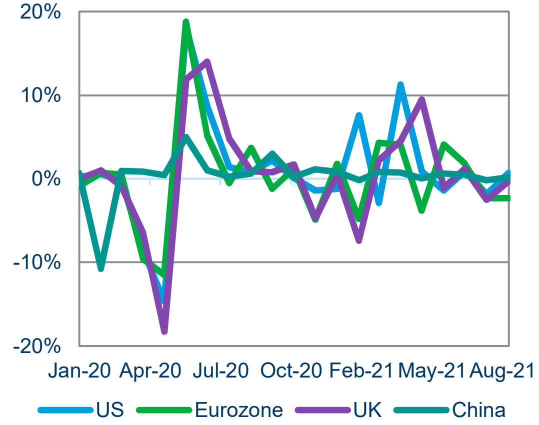
Source: Thomson Reuters Datastream

Economy, policy and market drivers

Economy still slowing, inflation remains high, policy uncertain

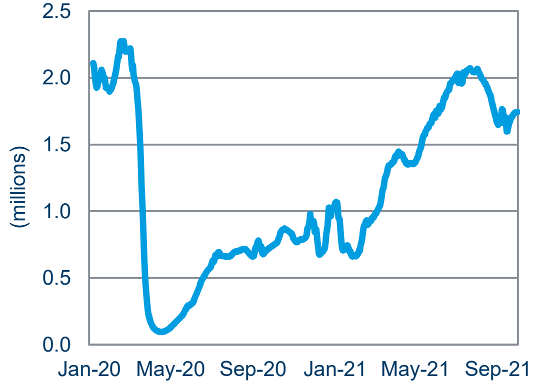
- The global economic slowdown that started earlier in the summer is still ongoing. Purchasing Manager Indices (PMI) have fallen short of expectations, albeit from very high levels. PMIs have generally remained well in expansionary territory, except for China where one of the manufacturing PMIs contracted for the first time since early 2020. US nonfarm payrolls have also disappointed. However, business surveys such as the Empire State survey for example perked back up in September. US retail sales surprised on the upside in spite of softening consumer sentiment, raising hopes that the slowdown is less severe than feared.
- Inflation remained high in major developed regions, but started to soften in the US. Meanwhile, inflation readings in China missed expectations, reflecting their more pronounced slowdown.
- Supply chain constraints are still an important driver of both weakening growth and high inflation. Cargo vessels are queuing outside major US ports as retailers scramble to secure goods ahead of the holiday season. A skills mismatch in labour markets is exacerbating supply issues. The UK witnessed a fuel buying panic with almost a third of petrol stations still out of fuel at month end due to a shortage in truck drivers.
- Covid-19 developments also put a dent on growth, hitting consumer sentiment and delaying travel and return to office plans. Governments continued to push hard to increase vaccination rates.
- The scramble in the US to pass the budget and infrastructure package has brought into question the Biden administration's ability to implement their economic agenda with a thin majority in Congress. A stopgap measures will keep the government funded until early December, but the US could hit the debt ceiling in mid-October.
- Less consequential for markets was an inconclusive election in Germany which is expected to lead to protracted coalition negotiations. Elections in Canada had little impact on the existing balance of power and a new prime minister was appointed in Japan.
- The AUKUS agreement heralded a new era of increased US engagement in the Indo-Pacific region to rein in China.
- The Federal Reserve reiterated its intention to taper later in 2021 and signaled that interest rate increases may also come earlier than expected. The Bank of England also announced that an interest rate increase may be imminent as early as this year. Central banks in Norway, Korea and Hungary lifted interest rates as monetary support introduced last year is gradually wound down.

Retail Sales (MoM, SA)



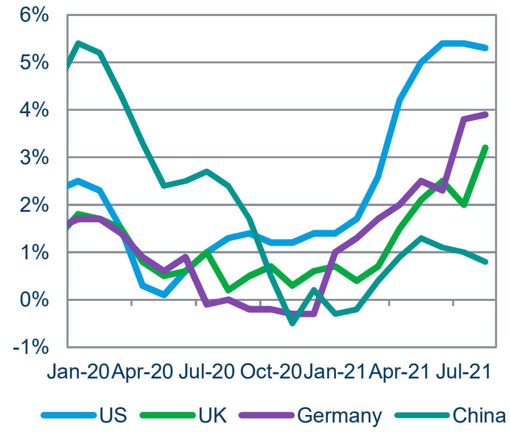
Source: Bloomberg; as of 31/08/21

TSA Total Traveler Throughput (7D Avg.)



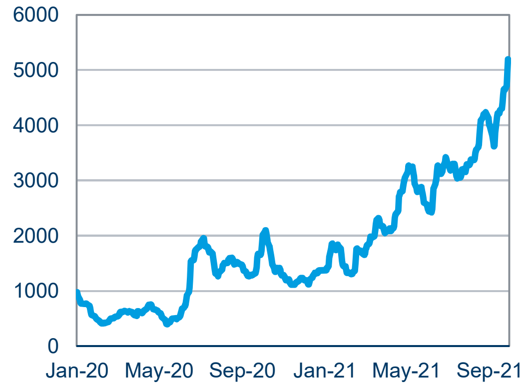
Source: Bloomberg; as of 30/09/21

Consumer Price Index (Year-over-Year)



Source: Bloomberg; as of 31/08/21

Baltic Exchange Dry Index

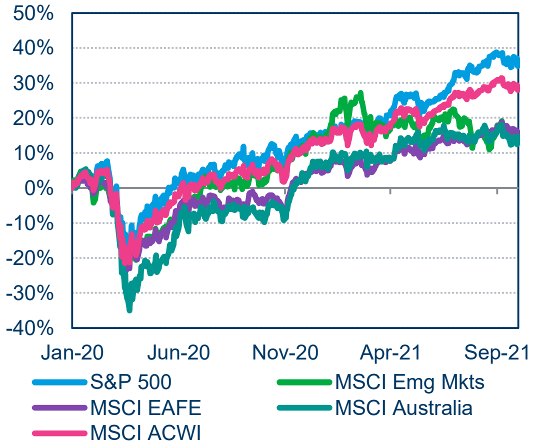


Source: Bloomberg; as of 30/09/21

Equities
Major indices fall over growth and tapering fears

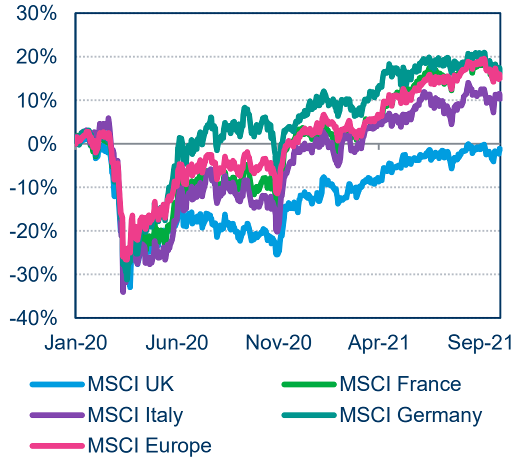
- The MSCI All Country World Index returned -2.1% for the month. The index declined on evidence of a cooling global economy suffering from supply constraints. Additionally, major central banks announced slowdowns in their asset purchases and in some cases rate increases.
- The sell-off intensified over the second half of September when large Chinese property developer Evergrande appeared to be on the brink of default. Investors feared wider contagion across China's property sector, which amounts to a large share of GDP. Given the size of Evergrande, there were also concerns over the impact of its failure on China's financial system and the ramifications for the global economy.
- The sell-off impacted most sectors led by IT, healthcare and industrials. Energy was unsurprisingly the only sector with strong positive returns as producers benefited from higher prices.
- Value stocks outperformed growth stocks over the month due to their higher exposure to energy as well as the perceived negative impact of higher interest rates on growth stocks, which discount cashflows over longer periods of time.
- On a country level, the US slightly underperformed the global index while Australia, the UK and most of Europe did slightly better. Germany underperformed due to its greater cyclical exposure to global trade, especially China. Japan stood out as the only major developed market with positive returns.
- Emerging markets performed in line global equities. China, Taiwan and Korea all posted mid-single digit negative returns due to concerns over Evergrande, electricity shortages in China and the feared impact of a broader slowdown in developed countries on exports. Russia was the best performer within emerging markets due to higher energy prices. India was up slightly for the month. Brazil stood out as the worst performer with a -11% return. This was driven by political populism ahead of next year's election, including the introduction of a financial transaction tax to pay for a welfare scheme and skepticism over the central bank's willingness to tackle inflation.

Global Equity Performance (GBP)



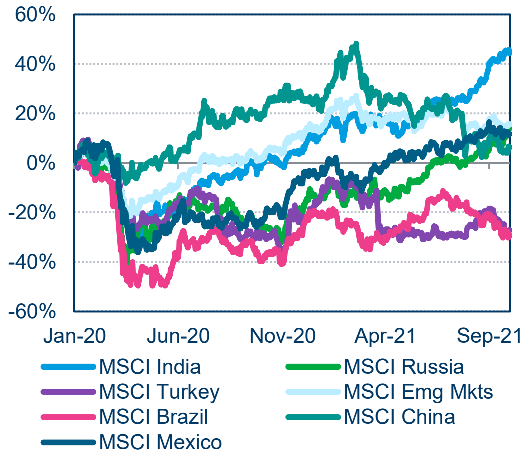
Source: Databank, Data as at 30/09/2021

European Equity Performance (GBP)



Source: Databank, Data as at 30/09/2021

Emerging Market Equity Performance (GBP)



Source: Databank, Data as at 30/09/2021

China Equity Performance (GBP)

Source: Databank, Data as at 30/09/2021

Performance figures in GBP unless stated otherwise.

Fixed income

Yields rise as markets position for tighter monetary policy

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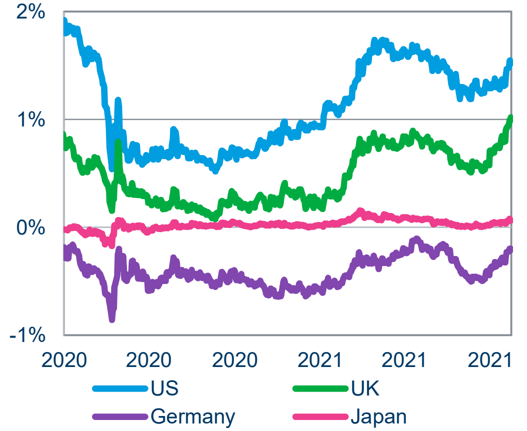
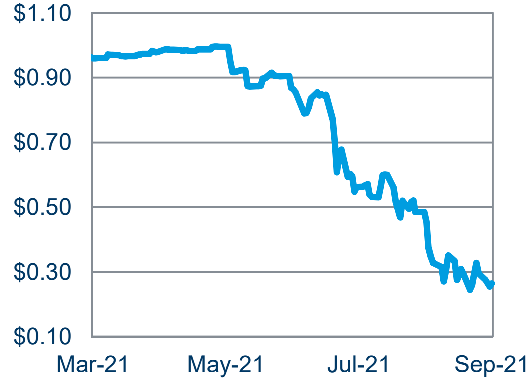
- 10-year government yields rose considerably over the month for all major developed economies except Japan, where they increased only marginally. Markets priced in tapering and the possibility of sooner than expected rate increases.
- UK gilt yields rose sharply as the Bank of England surprised markets by bringing forward their expectations for rate increases. Markets are pricing a potential hike as early as late 2021. Subsequently the UK 10-year and 30-year gilt yields increased by 30 and 31 basis points, respectively. The 10-year yield rose above 1% for the first time since May 2019.
- After the rate cutting cycle in 2020, central banks are gradually reversing easy monetary policy, predominantly in emerging markets where the impact of inflationary pressures on currencies are harder to ignore. The outlook for developed markets is also starting to change as persistently high inflation is beginning to worry some central bankers.
- Market based measures of inflation expectations, in the form of breakeven inflation, shifted upwards. The move was trigged by soaring energy prices over the month. The UK 10-year breakeven rate rose 17bps to 3.8% - the highest level since the 2008 Financial Crisis.
- US investment grade spreads fell marginally while high yield spreads rose more substantially, reflecting the risk-off market environment. In spite of high yield spreads rising, research by Deutsche Bank shows that close to 85% of US high yield bond yields are below US CPI inflation, as nominal yields remain near record lows at roughly 4% and inflation has reached a multi-decade high.
- Local currency emerging market debt returned -3.4% (USD) in September. The Evergrande saga and associated fears of wider contagion was a key driver for negative sentiment along with expected tighter US monetary policy and a stronger US dollar.

10-Year Government Bond Yields



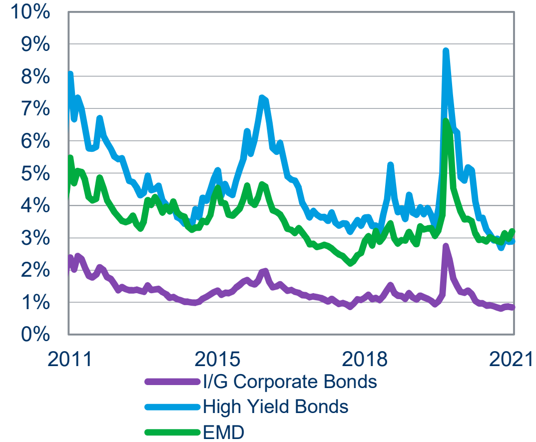
Source: Bloomberg; as of 30/09/21

Evergrande Mar-22 Bond Price



Source: Bloomberg; as of 30/09/21

Credit Spreads



Source: Bloomberg; as of 30/09/21

UK Inflation Breakeven Rates

Source: Bloomberg; as of 30/09/21

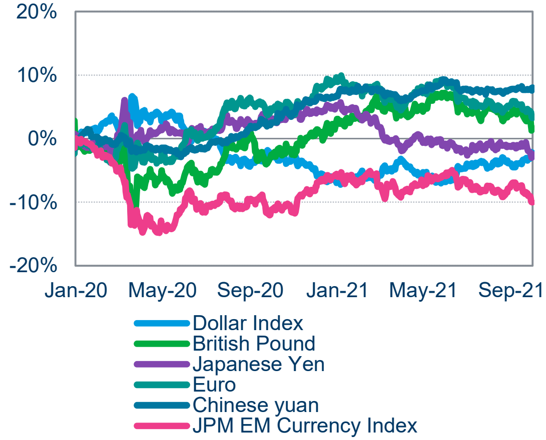
Performance figures in GBP unless stated otherwise.

Currencies, commodities and alternatives
Weaker sterling amid soaring energy prices

Page 182

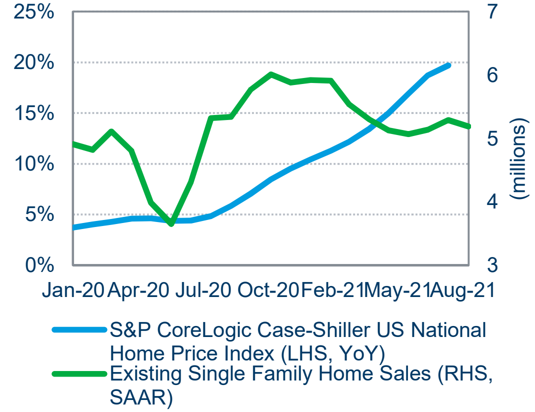
- Pound sterling weakened against most currencies of major developed and emerging economies as the country battled with a petrol shortage and rising energy prices. Further to this, the broader risk-off sentiment was more favourable for safe haven currencies such as the US Dollar and the Japanese Yen.
- Energy prices soared over the month with oil up by 11.8%. Much of America's oil and gas production facilities in the Gulf of Mexico have not returned to operating at full capacity yet as the region continues to recover from Hurricane Ida.
- The UK and Europe saw the onset of an energy crisis with natural gas futures soaring to new peaks. The situation is exacerbated by a massive reduction in power generation capacity from fossil fuels over the last few years which has made the energy grid less flexible and resilient. In the UK, a large number of small energy suppliers went out of business as price caps prevented them from fully passing through costs to end users right away and even larger supplier have sought government aid.
- Performance across other commodities was mixed. The weakening in China's large property market had a negative impact on iron ore prices, while a coup in Guinea led to a rally in aluminum prices earlier in the month. The S&P North American Natural Resources Index returned 6%.
- Gold fell by around -1% as real yields rose over the month.
- US property prices hit a new record high in July with the highest rate of annual house price growth as measured by the Case Shiller index in decades. There were some signs that the price growth is beginning to ease as price increases for three large metropolitan areas came in below expectations.
- Cryptocurrencies generally declined in September, as Chinese regulators made all transactions in such currencies illegal. Meanwhile, El Salvador was the first country to adopt bitcoin as legal tender.
- Hedge funds, measured by the HFRX equal weighted strategies index, returned -0.3% during September. Performance was negative for all sub-categories except for event-driven.

Currency Returns



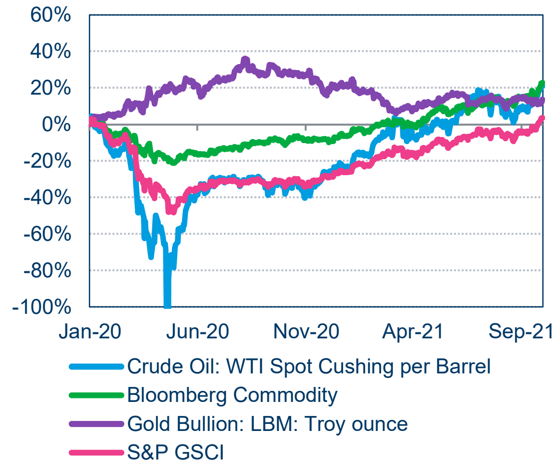
Source: Bloomberg; as of 30/09/21

US Housing



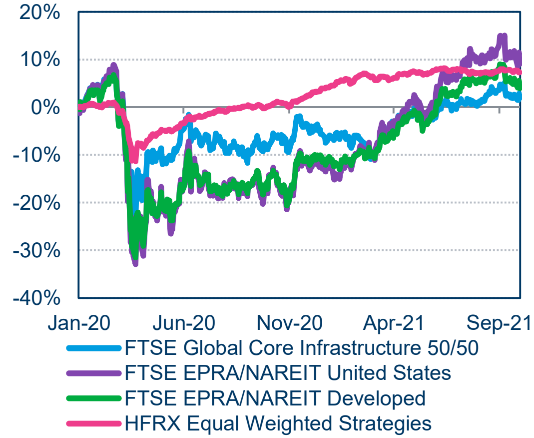
Source: Bloomberg; as of 30/09/21

Commodities



Source: Databank, Data as at 30/09/2021

REITs, Hedge Funds, Infrastructure



Source: Databank, Data as at 30/09/2021

Performance figures in GBP unless stated otherwise.

Valuations and yields
Ending 30 September 2021

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Valuations

FTSE ALL-Share	30/09/2021	30/06/2021	31/03/2021	31/12/2021
Index Level	8027.1	7852.4	7435.6	7068.6
P/E Ratio (Trailing)	23.9	88.8	111.6	-
CAPE Ratio	19.1	19.0	17.8	15.6
Dividend Yield	3.7	3.1	3.1	3.0
P/B	1.8	1.8	1.7	1.6
P/CF	7.6	5.6	5.3	5.1
MSCI World ex-UK	**30/09/2021**	**30/06/2021**	**31/03/2021**	**31/12/2021**
Index Level	8969.6	8969.2	8318.5	7932.7
P/E Ratio (Trailing)	23.6	29.5	33.3	32.1
CAPE Ratio	31.3	31.1	29.1	27.4
Dividend Yield	1.7	1.6	1.7	1.8
P/B	3.2	3.3	3.1	3.1
P/CF	13.7	13.3	12.7	12.6
MSCI EM	**30/09/2021**	**30/06/2021**	**31/03/2021**	**31/12/2021**
Index Level	616.4	670.6	638.4	624.1
P/E Ratio (Trailing)	15.1	18.7	21.5	21.7
CAPE Ratio	15.2	17.2	16.4	15.9
Dividend Yield	2.2	1.9	1.9	2.0
P/B	1.9	2.1	2.1	2.0
P/CF	9.4	9.1	11.9	12.5

Source: Bloomberg, Thomson Reuters Datastream

Yields

Global Bonds	30/09/2021	30/06/2021	31/03/2021	31/12/2021
Germany – 10Y	-0.20	-0.21	-0.29	-0.57
France - 10Y	0.16	0.13	-0.05	-0.34
US - 10Y	1.49	1.47	1.74	0.91
Switzerland – 10Y	-0.16	-0.22	-0.28	-0.55
Italy – 10Y	0.86	0.82	0.67	0.54
Spain 10Y	0.46	0.41	0.34	0.05
Japan – 10Y	0.07	0.06	0.10	0.02
Euro Corporate	0.35	0.33	0.36	0.24
Euro High Yield	3.16	2.97	3.22	3.40
EMD ($)	5.11	4.89	5.26	4.53
EMD (LCL)	5.49	5.04	5.09	4.26
US Corporate	2.13	2.04	2.28	1.74
US Corporate High Yield	4.04	3.75	4.23	4.18
UK Bonds	**30/09/2021**	**30/06/2021**	**31/03/2021**	**31/12/2021**
SONIA	0.05	0.05	0.05	0.04
10 year gilt yield	1.02	0.72	0.85	0.20
30 year gilt yield	1.36	1.21	1.37	0.72
10 year index linked gilt yield	-2.77	-2.63	-2.59	-2.91
30 year index linked gilt yield	-2.10	-2.05	-1.92	-2.32
AA corporate bond yield	1.29	1.16	1.27	0.80
A corporate bond yield	1.56	1.40	1.51	0.97
BBB corporate bond yield	1.99	1.81	1.96	1.53

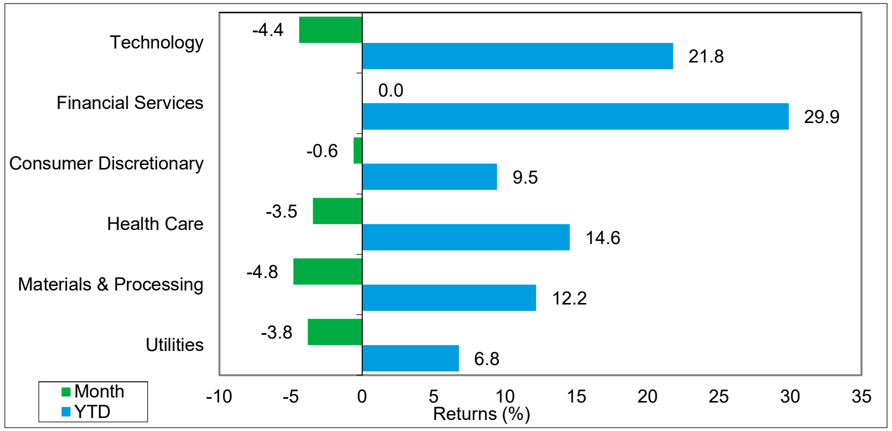
Source: Bloomberg, Thomson Reuters Datastream

Performance Summary

Style and sector equity performance ending 30 September 2021

Style and Capitalization Market Performance

Russell 1000 Sector Performance



Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
S&P 500	-2.7	3.1	17.5	24.6	17.0	14.7	16.0	17.1	18.3	10.0	14.7	26.4	1.6	11.3	33.5
Russell 3000	-2.5	2.4	16.6	26.4	17.7	14.7	16.0	17.0	18.3	10.3	17.2	26.0	0.6	10.6	34.5
Russell 3000 Growth	-3.5	3.2	15.1	22.3	26.0	19.9	21.4	21.3	21.1	11.5	34.0	30.6	4.0	18.4	28.1
Russell 3000 Value	-1.4	1.5	18.2	31.0	8.5	8.7	10.1	12.3	15.1	8.9	-0.3	21.4	-2.9	3.4	41.2
Russell 1000	-2.6	2.7	16.8	25.6	17.8	15.1	16.2	17.1	18.5	10.3	17.2	26.4	1.1	11.2	33.7
Russell 1000 Growth	-3.6	3.6	15.9	22.1	26.5	20.7	21.9	21.7	21.4	11.5	34.2	31.1	4.6	18.9	27.7
Russell 1000 Value	-1.5	1.7	17.7	29.4	8.3	8.9	10.1	12.2	15.2	8.8	-0.4	21.7	-2.6	3.8	40.0
Russell Midcap	-2.1	1.5	16.8	32.4	14.9	13.0	13.5	15.1	17.2	11.9	13.5	25.5	-3.4	8.3	35.7
Russell Mid Growth	-2.9	1.7	11.1	25.1	21.2	17.8	18.4	18.5	19.3	12.5	31.4	30.2	1.2	14.4	28.0
Russell Mid Value	-1.7	1.4	19.9	36.5	9.8	9.1	9.8	12.5	15.6	11.2	1.7	22.2	-6.8	3.5	43.1
Russell 2500	-1.1	-0.3	15.4	39.1	16.4	11.2	13.4	15.2	16.9	11.6	16.3	22.8	-4.4	6.7	40.3
Russell 2500 Growth	-1.8	-1.2	6.3	26.5	22.0	14.7	17.3	18.0	18.9	12.1	36.1	27.5	-1.7	13.7	30.9
Russell 2500 Value	-0.7	0.3	21.8	48.0	11.0	7.7	9.7	12.4	15.0	10.7	1.6	18.8	-6.9	0.8	49.3
Russell 2000	-0.9	-2.0	14.0	41.6	16.4	9.3	12.6	14.9	16.3	10.8	16.3	20.7	-5.5	4.7	44.7
Russell 2000 Growth	-1.8	-3.3	4.2	27.8	18.7	10.5	14.5	16.2	17.4	11.0	30.5	23.5	-3.7	11.6	32.8
Russell 2000 Value	0.0	-0.6	24.6	57.2	12.9	7.4	10.2	13.1	14.9	10.3	1.4	17.7	-7.4	-1.5	57.1
Russell 1000 Technology	-4.4	4.7	21.8	29.9	35.8	27.2	28.2	26.8	24.7	14.1	42.2	41.5	4.9	26.4	36.1
Russell 1000 Financial Services	0.0	5.5	29.9	51.8	16.3	16.0	17.4	17.7	19.8	7.7	3.9	28.6	-2.4	11.0	39.0
Russell 1000 Consumer Discretionary	-0.6	1.9	9.5	19.7	22.4	18.2	19.4	20.2	21.6	12.4	38.5	24.2	6.1	13.4	26.8
Russell 1000 Health Care	-3.5	4.0	14.6	17.3	17.5	12.1	14.1	15.9	19.4	10.1	13.4	16.8	13.2	11.5	15.8
Russell 1000 Energy	10.8	0.3	42.3	74.6	-3.1	-7.8	-2.2	-1.6	3.3	5.9	-33.0	6.5	-13.5	-9.7	50.2
Russell 1000 Producer Durables	-4.1	-1.7	11.6	22.5	9.3	8.7	12.5	14.6	17.2	9.9	8.4	25.7	-6.9	12.1	42.4
Russell 1000 Materials & Processing	-4.8	-2.5	12.2	21.2	12.5	11.1	11.5	12.4	14.7	9.8	13.9	21.6	-11.1	13.1	43.1
Russell 1000 Consumer Staples	-1.6	0.9	6.5	8.0	3.8	8.4	5.6	10.8	12.6	10.0	3.8	19.3	-4.1	0.3	25.9
Russell 1000 Utilities	-3.8	4.1	6.8	8.0	-1.1	8.1	6.8	11.2	11.6	6.6	-3.2	21.3	6.1	-3.0	43.6

Data Source: Thomson Reuters Datastream

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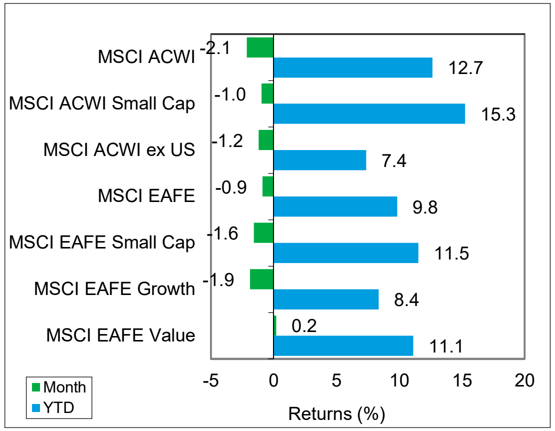
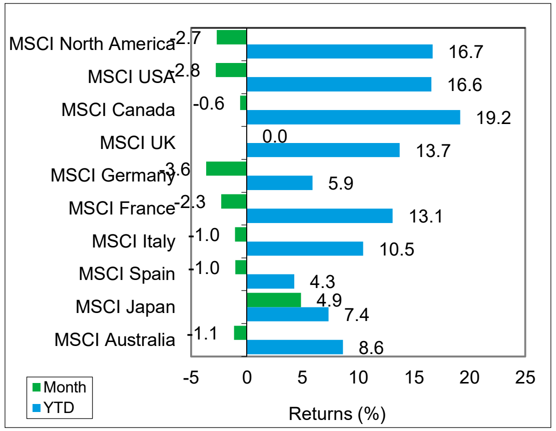
Performance Summary
Global equity ending 30 September 2021

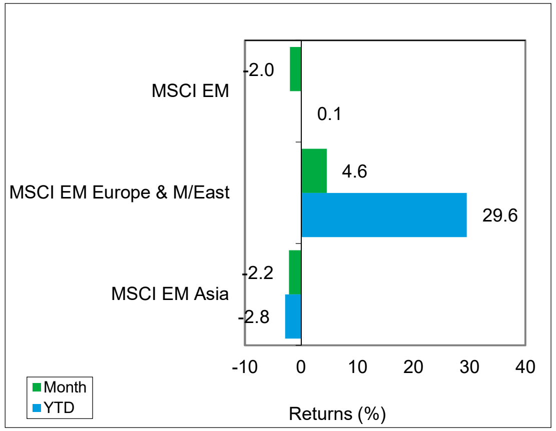
International Equity Performance



Developed Country Performance



Emerging Market Performance



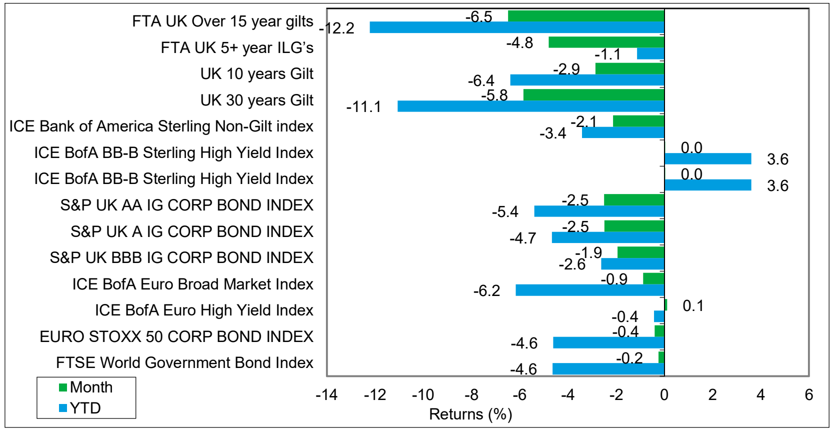
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
MSCI ACWI	-2.1	1.4	12.7	22.2	13.4	11.3	12.4	12.9	13.5	8.6	12.7	21.7	-3.8	13.2	28.7
MSCI ACWI IMI	-2.0	1.4	13.3	24.1	14.1	11.7	12.8	13.5	14.2	9.6	13.2	22.1	-4.0	13.8	30.0
MSCI ACWI Small Cap	-1.0	0.9	15.3	34.8	15.2	9.9	11.4	13.1	14.0	11.4	12.7	19.8	-9.1	13.1	33.1
MSCI ACWI ex US	-1.2	-0.6	7.4	18.8	8.0	6.8	8.1	8.5	9.0	7.6	7.2	16.8	-8.9	16.2	24.6
MSCI EAFE	-0.9	2.0	9.8	20.6	7.5	6.4	8.0	8.6	9.7	7.0	4.5	17.3	-8.4	14.2	20.5
MSCI EAFE Growth	-1.9	2.5	8.4	15.9	11.9	10.7	10.6	11.6	11.7	7.9	14.6	23.0	-7.4	17.7	15.6
MSCI EAFE Value	0.2	1.5	11.1	25.3	2.6	1.9	5.2	5.5	7.5	6.0	-5.6	11.6	-9.5	10.9	25.3
EM	-2.0	-5.8	0.1	13.3	9.3	7.4	8.4	8.4	7.6	11.4	14.7	13.8	-9.3	25.4	32.6
North America	-2.7	2.6	16.7	24.8	17.1	14.5	15.4	16.1	17.1	9.4	16.2	25.7	0.1	10.4	33.1
Europe	-2.8	0.9	11.6	22.0	7.4	6.6	8.0	7.9	9.7	6.9	2.1	19.0	-9.6	14.6	18.8
EM Europe & M/East	4.6	10.4	29.6	40.1	8.2	9.3	9.2	6.0	4.3	8.9	-10.4	14.6	-2.2	5.8	45.8
EM Asia	-2.2	-7.4	-2.8	9.2	12.5	8.8	9.9	10.7	10.1	12.2	24.4	14.6	-10.2	30.5	26.6
Latin America	-8.5	-11.1	-4.3	22.1	-9.3	-2.5	1.1	0.6	0.4	9.5	-16.5	12.9	-0.8	13.0	56.3
USA	-2.8	2.8	16.6	24.6	17.6	14.8	15.8	16.6	17.8	9.4	17.0	25.8	0.9	10.7	32.3
Canada	-0.6	-0.1	19.2	28.4	8.9	8.9	8.6	7.3	7.4	9.2	2.1	22.6	-12.1	6.0	48.6
Australia	-1.1	-0.6	8.6	26.3	5.4	7.6	8.0	8.4	8.7	11.0	5.4	18.2	-6.5	9.6	32.9
UK	0.0	2.2	13.7	25.8	0.5	1.2	4.0	4.5	6.9	5.4	-13.2	16.4	-8.8	11.7	19.2
Germany	-3.6	-1.9	5.9	11.7	8.2	4.8	6.5	7.8	10.1	7.6	8.1	16.1	-17.3	16.6	22.6
France	-2.3	0.4	13.1	28.8	7.3	6.2	10.2	9.9	10.9	6.9	0.9	20.9	-7.3	17.6	25.1
Italy	-1.0	1.4	10.5	27.9	4.7	6.4	9.7	5.2	6.9	3.4	-1.3	22.4	-12.6	17.3	6.8
Spain	-1.0	-0.9	4.3	25.9	-2.6	-1.1	2.8	1.1	3.6	5.6	-7.7	7.7	-11.0	16.0	18.1
Japan	4.9	7.1	7.4	17.0	9.2	6.4	8.5	10.9	9.9	6.0	10.9	15.0	-7.5	13.3	22.1
Brazil	-11.2	-18.2	-10.5	16.0	-13.6	-0.3	1.9	1.5	-0.1	10.8	-21.5	21.4	5.7	13.4	98.3
China	-3.1	-16.2	-15.5	-11.2	6.4	4.8	8.3	10.4	10.3	12.6	25.5	18.7	-13.8	40.7	20.4
India	2.7	15.3	28.2	46.8	18.6	16.0	12.4	12.2	10.8	14.9	12.0	3.4	-1.5	26.7	17.6
Russia	8.5	12.2	32.9	52.8	10.6	15.2	15.7	13.1	8.2	12.2	-15.2	45.1	5.8	-3.9	84.7

Data Source: Thomson Reuters Datastream

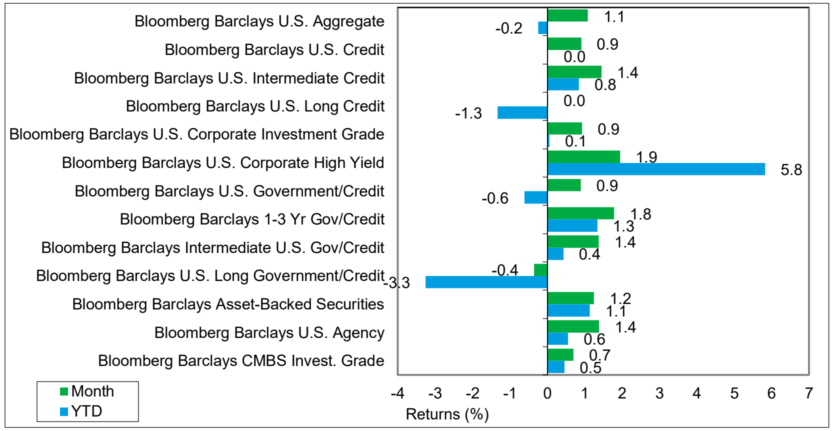
Performance Summary

Fixed Income ending 30 September 2021

Bond Performance by Duration



Sector, Credit, and Global Bond Performance



Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
FTA UK Over 15 year Gilts	-6.5	-2.8	-12.2	-11.2	-3.4	4.7	1.8	6.3	6.3	6.4	13.9	12.0	0.3	3.3	18.5
FTA UK 5+ year ILG's	-4.8	2.3	-1.1	0.2	0.3	6.6	3.3	7.6	7.5	7.6	12.4	6.8	-0.4	2.5	27.4
UK 10 years Gilt	-2.9	-2.0	-6.4	-6.1	-1.6	2.7	1.1	3.7	3.6	5.3	6.6	5.2	2.0	2.7	9.3
UK 30 years Gilt	-5.8	-2.5	-11.1	-10.2	-2.8	5.1	1.6	6.3	6.4	6.5	13.8	11.7	0.4	3.1	17.7
ICE Bank of America Sterling Non-Gilt index	-2.1	-1.0	-3.4	-0.3	1.8	4.5	2.7	4.5	5.5	5.6	8.0	9.5	-1.6	4.3	10.6
ICE BofA BB-B Sterling High Yield Index	0.0	0.8	3.6	9.8	6.3	6.7	6.2	6.8	9.8	10.5	6.1	13.8	-1.4	8.2	10.5
S&P UK AA IG CORP BOND INDEX	-2.5	-1.1	-5.4	-2.9	0.4	3.3	1.8	4.1	4.8	5.3	7.7	7.3	-0.3	3.2	12.7
S&P UK A IG CORP BOND INDEX	-2.5	-1.1	-4.7	-1.8	1.2	4.6	2.3	4.7	5.7	5.7	8.4	10.4	-1.5	3.6	12.6
S&P UK BBB IG CORP BOND INDEX	-1.9	-0.8	-2.6	1.6	3.0	5.5	3.5	5.0	6.3	6.4	8.7	11.6	-2.6	5.5	11.3
ICE BofA Euro Broad Market Index	-0.9	0.1	-6.2	-6.2	-1.7	1.6	1.1	3.6	3.7	5.9	9.9	0.1	1.6	4.7	19.7
ICE BofA Euro High Yield Index	0.1	0.8	-0.4	3.6	2.7	3.3	4.3	5.9	7.5	9.9	8.6	5.1	-2.5	11.0	26.3
EURO STOXX 50 CORP BOND INDEX	-0.4	0.1	-4.6	-4.6	-0.8	1.0	1.0	3.1	3.3	--	8.5	-0.9	0.1	5.5	19.5
FTSE World Government Bond Index	-0.2	1.2	-4.6	-7.3	-2.9	2.6	0.6	4.5	2.5	1.4	6.7	1.8	5.3	-1.8	21.2
Bloomberg Barclays U.S. Aggregate	1.1	2.4	-0.2	-4.7	-1.4	4.2	2.2	5.7	4.3	4.6	4.3	4.6	5.8	-4.9	20.9
Bloomberg Barclays U.S. Credit	0.9	2.3	0.0	-2.6	0.0	5.9	3.6	7.1	6.0	5.7	6.0	9.4	3.7	-2.7	24.8
Bloomberg Barclays U.S. Intermediate Credit	1.4	2.4	0.8	-2.9	-0.7	4.4	2.7	6.1	5.1	5.0	3.8	5.4	5.9	-4.9	22.5
Bloomberg Barclays U.S. Long Credit	0.0	2.2	-1.3	-2.0	1.1	8.9	5.3	9.2	8.0	7.6	9.8	18.6	-1.1	2.7	30.5
Bloomberg Barclays U.S. Corporate Investment Grade	0.9	2.4	0.1	-2.3	0.3	6.2	3.8	7.3	6.2	5.9	6.5	10.2	3.3	-2.5	25.4
Bloomberg Barclays U.S. Corporate High Yield	1.9	3.2	5.8	6.8	2.6	5.7	5.7	8.4	8.6	8.2	3.9	10.0	3.6	-1.3	37.3
Bloomberg Barclays U.S. Government/Credit	0.9	2.4	-0.6	-5.0	-1.0	4.8	2.5	6.1	4.6	4.8	5.6	5.6	5.4	-4.6	21.6
Bloomberg Barclays 1-3 Yr Gov/Credit	1.8	2.3	1.3	-3.5	-2.1	1.8	1.2	4.1	2.7	2.9	0.4	0.3	7.2	-7.1	18.5
Bloomberg Barclays Intermediate U.S. Gov/Credit	1.4	2.3	0.4	-4.3	-1.4	3.5	1.8	5.2	3.9	4.1	3.2	2.8	6.7	-6.2	20.3
Bloomberg Barclays U.S. Long Government/Credit	-0.4	2.5	-3.3	-6.8	0.2	8.9	4.4	8.8	7.2	7.3	12.5	15.0	1.1	1.4	26.3
Bloomberg Barclays CMBS Invest. Grade	0.7	1.6	0.5	-2.4	0.1	4.5	2.5	4.9	4.5	4.4	5.2	4.9	4.7	-2.7	14.9
Bloomberg Barclays U.S. Mortgage Backed Securities	1.6	2.4	0.6	-4.3	-2.3	2.7	1.4	5.0	3.7	4.3	0.8	2.4	6.9	-5.9	19.8
Bloomberg Barclays Municipal Bond	1.1	1.9	2.0	-1.3	-0.8	3.9	2.5	5.9	5.0	4.6	2.2	3.6	6.8	-2.8	17.1

Data Source: Thomson Reuters Datastream

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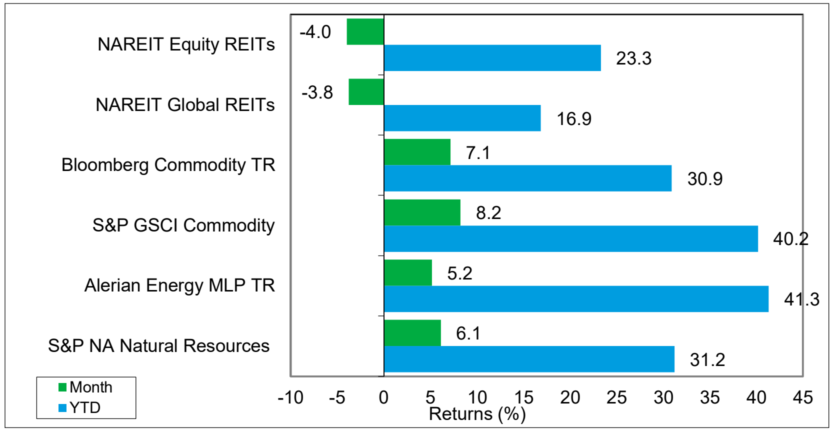
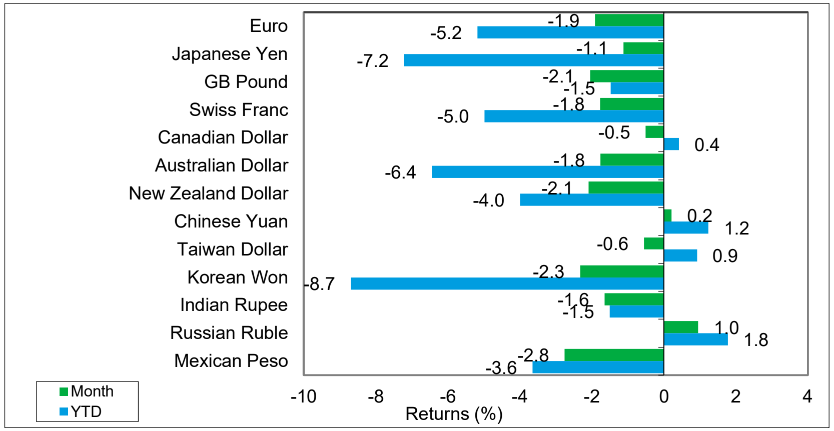
Performance summary
Alternatives ending 30 September 2021

Real Asset Performance



Performance of Foreign Currencies versus the US Dollar



Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
NAREIT Equity REITs	-4.0	2.7	23.3	26.1	2.8	10.5	7.6	13.0	13.8	11.1	-8.1	23.7	1.9	-0.7	29.6
NAREIT Global REITs	-3.8	1.7	16.9	25.4	-0.7	6.0	4.7	9.5	10.9	9.8	-11.0	18.3	1.2	1.8	25.2
Bloomberg Commodity TR	7.1	9.2	30.9	36.4	9.3	5.7	3.8	1.1	-1.2	2.0	-6.1	3.5	-5.7	-7.1	33.3
S&P GSCI Commodity	8.2	7.8	40.2	51.8	2.2	-2.6	2.9	-4.3	-3.4	-0.3	-26.1	13.1	-8.5	-3.4	32.8
Alerian Energy MLP TR	5.2	-3.4	41.3	77.0	-6.6	-5.4	-3.1	-4.4	2.7	8.1	-30.9	2.4	-7.0	-14.6	41.1
Oil	11.8	4.6	56.8	78.9	12.6	-0.3	8.4	-0.1	0.9	6.4	-23.0	29.3	-20.2	2.7	73.0
Gold	-1.4	1.6	-6.0	-11.1	4.4	12.4	5.1	8.3	2.3	9.8	20.6	14.3	3.9	3.8	29.6
S&P NA Natural Resources	6.1	-0.1	31.2	47.6	1.5	-3.0	-0.1	0.2	3.3	6.3	-21.5	13.1	-16.2	-7.5	56.1
Euro	-1.9	-2.3	-5.2	-1.2	3.1	-0.1	0.6	-1.2	-1.4	1.2	8.9	-2.3	-4.4	14.1	-3.2
Japanese Yen	-1.1	-0.2	-7.2	-5.3	-1.4	0.7	-1.9	-0.2	-3.6	0.4	5.2	0.9	2.8	3.7	2.9
GB Pound	-2.1	-2.6	-1.5	4.3	4.7	1.1	0.8	-2.6	-1.4	-0.4	3.1	3.9	-5.6	9.5	-16.3
Swiss Franc	-1.8	-0.7	-5.0	-1.1	3.5	1.8	0.8	0.4	-0.3	2.8	9.3	1.4	-0.7	4.5	-1.6
Canadian Dollar	-0.5	-2.2	0.4	5.1	2.2	0.6	0.7	-1.8	-1.9	1.1	2.0	5.0	-7.8	6.8	3.0
Australian Dollar	-1.8	-4.2	-6.4	1.4	3.3	-0.1	-1.1	-2.7	-3.0	1.9	9.9	-0.7	-9.5	7.8	-1.0
New Zealand Dollar	-2.1	-1.2	-4.0	4.3	5.0	1.4	-1.1	-1.8	-1.0	2.7	6.6	0.3	-5.2	2.0	1.7
Chinese Yuan	0.2	0.2	1.2	5.3	5.3	2.1	0.7	-0.7	-0.1	1.3	6.7	-1.2	-5.4	6.7	-6.5
Taiwan Dollar	-0.6	0.3	0.9	3.9	5.6	3.1	2.4	1.3	0.9	1.1	6.5	2.2	-3.0	9.4	1.1
Korean Won	-2.3	-4.5	-8.7	-2.3	0.6	-2.3	-1.6	-1.7	-0.1	0.4	5.7	-3.3	-4.3	13.3	-2.4
Indian Rupee	-1.6	0.3	-1.5	-0.8	-2.4	-0.8	-2.1	-2.5	-4.1	-2.2	-2.3	-2.5	-8.2	6.4	-2.6
Russian Ruble	1.0	0.6	1.8	6.8	-5.6	-3.4	-2.9	-8.3	-7.8	-4.4	-16.3	12.6	-17.3	6.4	19.0
Brazilian Real	-5.4	-8.7	-4.6	3.1	-12.6	-9.4	-9.7	-10.8	-10.1	-3.5	-22.6	-3.4	-14.7	-1.7	21.7
Mexican Peso	-2.8	-3.4	-3.6	7.1	-2.2	-3.2	-1.2	-6.0	-3.9	-3.8	-4.8	3.8	0.0	5.5	-17.1
BofA ML All Convertibles	0.4	2.0	7.8	22.1	23.6	18.9	16.5	16.2	16.0	10.1	41.7	18.4	6.4	3.9	32.1
60%S&P 500/40% Barc Agg	-1.2	2.8	10.4	12.9	9.6	10.5	10.5	12.5	12.7	7.8	10.6	17.7	3.3	4.8	28.5

Data Source: Thomson Reuters Datastream

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Clwyd Pension Fund

Monitoring Report Quarter to 30 September 2021

Nick Buckland

November 2021

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- The value of investments can go down as well as up and you may not get back the amount you have invested. In addition investments denominated in a foreign currency will fluctuate with the value of the currency.
- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

Nick Buckland

Contents

Overview

Executive Dashboard

Page 5 — Asset Allocation

Assets are broadly in line with their strategic target weights. Cash and Risk Management Framework remains slightly overweight (25.4%), but within range. Total Private Markets continues to be marginally underweight (24.2%), largely due to the underweight allocation to Infrastructure, which is outside the tolerance range, and an underweight allocation to Local/Impact and Private Credit.

Signal
Previous Qtr ●
Current Qtr ●

Asset Allocation

Within acceptable ranges. Plans are in place to bring Private Markets closer to target weights.

Page 9 — Investment Performance

The Fund returned 2.6% over the quarter against a target of 1.2%. Over the 1 year and 3 year periods to 30 September 2021, the Fund returned 19.3% and 8.1% p.a. against a target of 14.3% and 7.9% p.a., respectively.

Signal
Previous Qtr ●
Current Qtr ●

Performance vs Benchmark

One year and three year performance is ahead of the strategic target and the actuarial past service and future service liabilities targets.

Page 10 — Manager Research

No significant news to report over the quarter.

Signal
Previous Qtr ●
Current Qtr ●

Additional Comments

The Fund continues to work with the Wales Pension Partnership (WPP) with a view to transitioning Emerging Markets equity assets during 2021/22.

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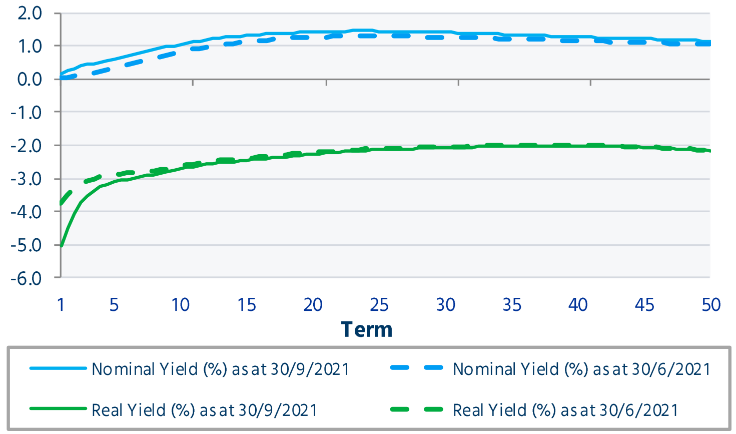
Market Conditions

	Yields at (%)		Change in Yields (%)		
Change in Yields	**30 Sep 21**	**30 Jun 21**	**3 Months**	**12 Months**	**3 Years**
Over 5 Year Index-Linked Gilts	-2.21	-2.16	-0.05	-0.03	-0.72
Over 15 Year Fixed Interest Gilts	1.33	1.18	0.15	0.62	-0.52
Over 10 Year Non-Gilts	2.43	2.25	0.17	0.25	-0.83
	£1 is worth		**£ Appreciation**		
Exchange Rates	**30 Sep 21**	**30 Jun 21**	**3 Months %**	**12 Months %**	**3 Years % p.a.**
US Dollar ($)	1.348	1.381	-2.4	4.3	1.1
Euro (€)	1.163	1.165	-0.1	5.5	1.2
100 Japanese Yen (¥)	1.504	1.533	-1.9	10.3	0.5



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Source: Thomson Reuters DataStream. Returns are shown in Sterling if the investment is generally expected to be on a non-currency hedged basis. Where non-Sterling exposure is expected to be hedged, returns are shown in local currency terms. Local currency returns are an approximation of a currency hedged return.
LC: Local Currency; HC: Hard Currency.

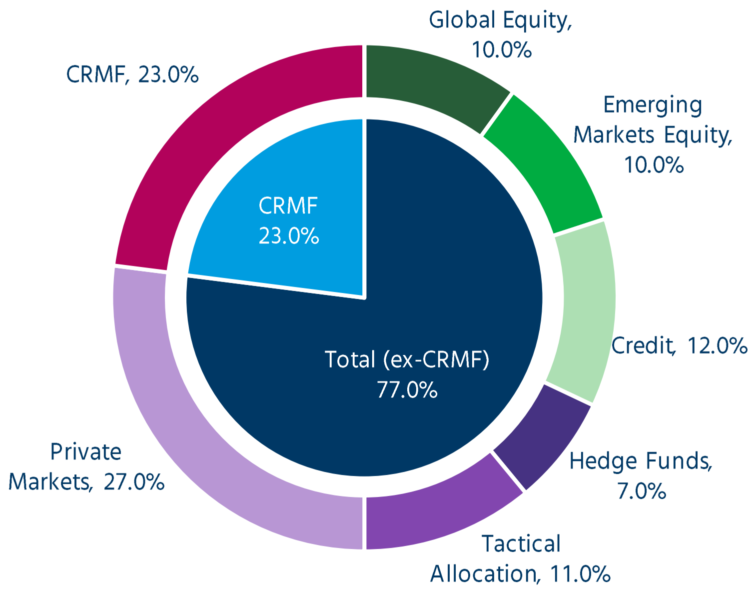
Strategy Monitoring

Asset Allocation

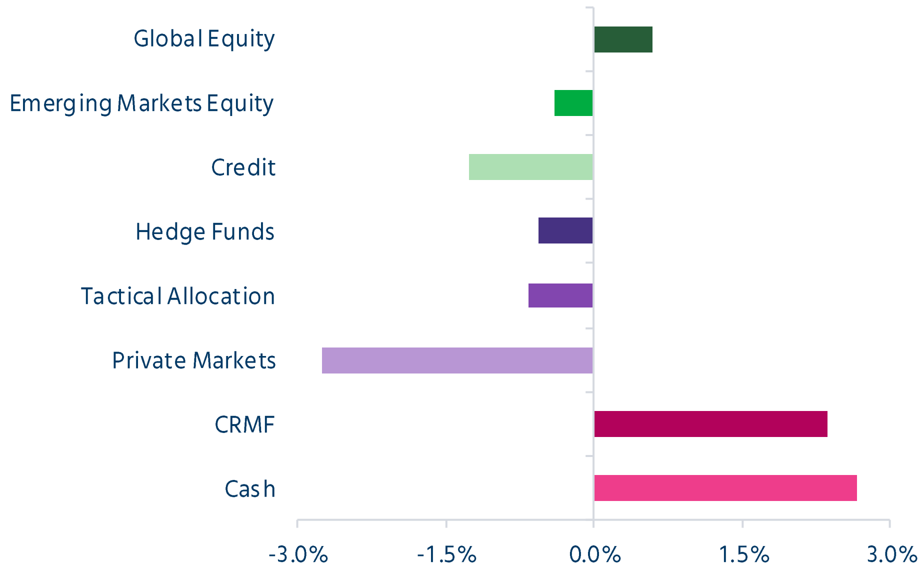
	30/06/2021 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/09/2021 Market Value (£M)	30/06/2021 Allocation (%)	30/09/2021 Allocation (%)	30/09/2021 B'mark (%)	30/09/2021 B'mark Range (%)
Total	**2,326.4**	**-3.5**	**59.7**	**2,382.6**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-CRMF)	1,685.5	-6.3	35.7	1,714.9	72.5	72.0	77.0	--
Total CRMF	580.2	--	24.0	604.2	24.9	25.4	23.0	10.0 - 35.0
Cash	60.7	2.8	--	63.5	2.6	2.7	0.0	0.0 - 5.0

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.

Benchmark Asset Allocation as at 30 September 2021



Deviation from Benchmark Asset Allocation

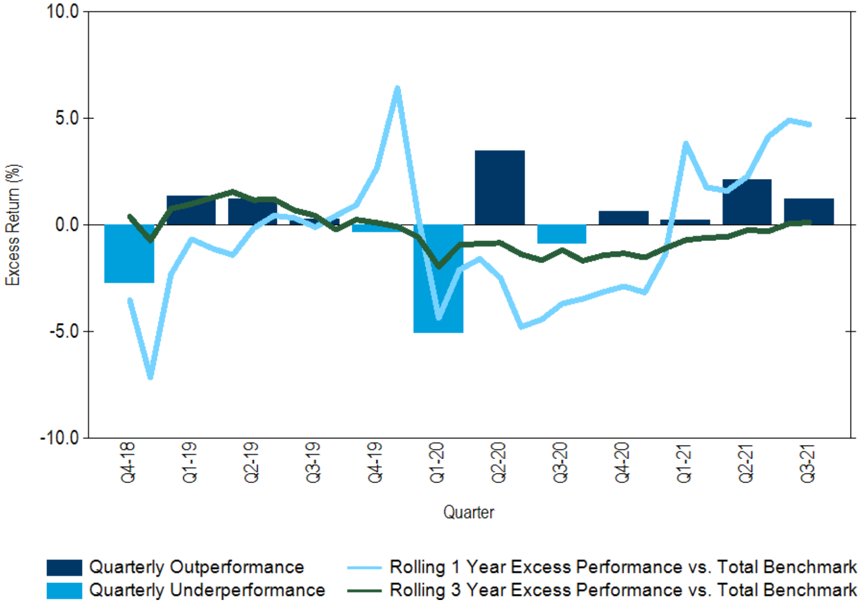


Investment Performance

	2021 Q3 (%)	1 Yr (%)	3 Yrs (%)
Total	**2.6**	**19.3**	**8.1**
Total Benchmark	1.2	14.3	7.9
Strategic Target (CPI +3.4% p.a.)	1.3	5.5	5.5
Actuarial Target - Past Service Liabilities (CPI +1.75% p.a.)	0.9	3.8	3.8
Actuarial Target - Future Service Liabilities (CPI + 2.25% p.a.)	1.1	4.3	4.3

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

Relative Performance



Investment Manager Summary

Manager Allocation

	Investment Manager	30/06/2021 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/09/2021 Market Value (£M)	30/06/2021 Allocation (%)	30/09/2021 Allocation (%)	30/09/2021 B'mark (%)	30/09/2021 B'mark Range (%)
Total		**2,326.4**	**-3.5**	**59.7**	**2,382.6**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-CRMF)		**1,685.5**	**-6.3**	**35.7**	**1,714.9**	**72.5**	**72.0**	**77.0**	**--**
Total Equity		**490.2**	**--**	**-9.0**	**481.2**	**21.1**	**20.2**	**20.0**	**10.0 - 30.0**
Global Equity		**247.2**	**--**	**5.4**	**252.5**	**10.6**	**10.6**	**10.0**	**5.0 - 15.0**
WPP Global Opportunities	Russell	124.5	--	0.5	125.0	5.4	5.2	5.0	--
World ESG Equity	BlackRock	122.6	--	4.9	127.5	5.3	5.3	5.0	--
Emerging Markets Equity		**243.1**	**--**	**-14.4**	**228.7**	**10.4**	**9.6**	**10.0**	**5.0 - 15.0**
Emerging Markets (Core)	Wellington	82.7	--	-5.4	77.3	3.6	3.2	3.0	--
Emerging Markets (Local)	Wellington	73.8	--	-4.0	69.8	3.2	2.9	3.0	--
Emerging Markets Equity	BlackRock	86.6	--	-5.0	81.5	3.7	3.4	4.0	--
Total Credit		**255.9**	**--**	**0.0**	**255.9**	**11.0**	**10.7**	**12.0**	**10.0 - 14.0**
WPP Multi-Asset Credit	Russell	255.9	--	0.0	255.9	11.0	10.7	12.0	--
Total Hedge Funds		**151.9**	**--**	**1.6**	**153.6**	**6.5**	**6.4**	**7.0**	**5.0 - 9.0**
Hedge Funds	Man	151.5	--	1.6	153.1	6.5	6.4	7.0	5.0 - 9.0
Hedge Funds (Legacy)	Man	0.4	--	0.0	0.4	0.0	0.0	--	--
Total Tactical Allocation		**243.4**	**--**	**3.2**	**246.6**	**10.5**	**10.4**	**11.0**	**9.0 - 13.0**
Best Ideas	Various	243.4	--	3.2	246.6	10.5	10.4	11.0	9.0 - 13.0
Total Private Markets		**544.1**	**-6.3**	**39.9**	**577.7**	**23.4**	**24.2**	**27.0**	**15.0 - 37.0**
Property	Various	132.0	-0.6	4.0	135.5	5.7	5.7	4.0	2.0 - 6.0
Private Equity	Various	186.5	-6.2	17.2	197.4	8.0	8.3	8.0	6.0 - 10.0
Local / Impact	Various	55.5	5.0	6.5	67.0	2.4	2.8	4.0	0.0 - 6.0
Infrastructure	Various	106.1	-1.6	10.5	115.0	4.6	4.8	8.0	6.0 - 10.0
Private Credit	Various	47.5	-2.1	1.4	46.8	2.0	2.0	3.0	1.0 - 5.0
Timber/ Agriculture	Various	16.5	-0.8	0.3	16.0	0.7	0.7	--	--
Total CRMF		**580.2**	**--**	**24.0**	**604.2**	**24.9**	**25.4**	**23.0**	**10.0 - 35.0**
Cash and Risk Management Framework (CRMF)	Insight	580.2	--	24.0	604.2	24.9	25.4	23.0	10.0 - 35.0
Cash		**60.7**	**2.8**	**--**	**63.5**	**2.6**	**2.7**	**0.0**	**0.0 - 5.0**
Cash		60.7	2.8	--	63.5	2.6	2.7	0.0	0.0 - 5.0

Source: Investment Managers and Mercer. Figures may not sum to total due to rounding. Net cashflows exclude the reinvestment of income.
Emerging Markets Core and Local valuations are converted from USD to GBP using closing price exchange rates. Hedged Funds (Legacy) valuation includes the Liongate portfolios.

Manager Performance

	Investment Manager	2021 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)
Total		**2.6**	1.2	**19.3**	14.3	**8.1**	7.9
Total Equity		**-1.8**	-1.4	**18.8**	19.6	**9.2**	10.7
WPP Global Opportunities	Russell	0.6	1.9	24.3	24.6	--	--
World ESG Equity	BlackRock	3.9	3.8	25.0	24.5	--	--
Emerging Markets (Core)	Wellington	-6.6	-5.6	16.6	14.5	11.3	8.5
Emerging Markets (Local)	Wellington	-5.4	-5.2	8.5	15.9	6.7	9.9
Emerging Markets Equity	BlackRock	-5.8	-5.8	13.4	13.3	--	--
Total Credit		**0.1**	1.0	**8.1**	3.9	**2.5**	2.6
WPP Multi-Asset Credit	Russell	0.1	1.0	8.1	4.1	--	--
Total Hedge Funds		**1.1**	0.9	**8.3**	3.6	**1.6**	4.0
Hedge Funds	Man	1.1	0.9	8.4	3.6	2.2	4.0
Hedge Funds (Legacy)	Man	2.5	0.9	-6.2	3.6	-36.4	4.0
Total Tactical Allocation		**1.7**	-0.2	**19.3**	5.3	**7.2**	4.5
Best Ideas	Various	1.7	-0.2	19.3	5.3	7.3	4.5
Total Private Markets		**7.4**	1.8	**18.6**	6.5	**8.8**	5.2
Property	Various	3.1	4.6	8.2	13.4	5.1	4.3
Private Equity	Various	9.3	1.2	30.6	5.1	14.4	5.5
Local / Impact	Various	12.1	1.2	--	--	--	--
Infrastructure	Various	9.9	1.2	8.2	5.1	5.3	5.5
Private Credit	Various	2.9	1.8	-0.6	7.5	2.6	7.5
Timber/ Agriculture	Various	2.2	1.2	3.4	5.1	0.4	5.5
Total CRMF		**4.1**	4.1	**34.2**	34.2	**13.2**	13.2
Cash and Risk Management Framework (CRMF)	Insight	4.1	4.1	34.2	34.2	13.2	13.2

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Thomson Reuters Datastream.
For periods over one year the figures in the table above have been annualised.
Prior to 30 September 2020, performance for all portfolios and sub-totals/total was estimated based on MWRR approach.
Performance benchmark for WPP Global Opportunities and Wellington Emerging Markets portfolios include an outperformance target.
Performance for hedge funds, best ideas and private markets portfolios has been estimated by Mercer.
Private Credit benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

Manager Ratings

Investment Manager	Asset Class	12m Perf	3yr Perf
Russell	WPP Global Opportunities	🔴	--
BlackRock	World ESG Equity	🟢	--
Wellington	Emerging Markets (Core)	🟢	🟢
Wellington	Emerging Markets (Local)	🔴	🔴
BlackRock	Emerging Markets Equity	🟢	--
Russell	WPP Multi-Asset Credit	🟢	--
Man	Hedge Funds	🟢	🔴
Various	Property	🔴	🟢
Various	Private Equity	🟢	🟢
Various	Local / Impact	--	--
Various	Infrastructure	🟢	🔴
Various	Private Credit	🔴	🔴
Various	Timber/ Agriculture	🔴	🔴
Insight	Cash and Risk Management Framework (CRMF)	⚫	⚫

		Active Funds , Target Specified	Active Funds , Target Not Specified	Passive Funds
🟢	Meets criteria	Target or above performance	Benchmark or above performance	Within tolerance range
🟡	Partially meets criteria	Benchmark or above performance, but below target	--	--
🔴	Does not meet criteria	Below benchmark performance	Below benchmark performance	Outside tolerance range
⚫	Not applicable	--	--	--

Appendix

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Appendix A

Benchmarks

Name	Investment Manager	B'mark (%)	Performance Benchmark
Total		**100.0**	**-**
Total (ex-CRMF)		**77.0**	**-**
Total Equity		**20.0**	**Composite Weighted Index**
WPP Global Opportunities	Russell	5.0	MSCI AC World (NDR) Index +2.0% p.a.
World ESG Equity	BlackRock	5.0	MSCI World ESG Focus Low Carbon Screened Midday Index
Emerging Markets (Core)	Wellington	3.0	MSCI Emerging Markets Index +1.0% p.a.
Emerging Markets (Local)	Wellington	3.0	MSCI Emerging Markets Index +2.0% p.a.
Emerging Markets Equity	BlackRock	4.0	MSCI Emerging Markets Index
Total Credit		**12.0**	**Composite Weighted Index**
WPP Multi-Asset Credit	Russell	12.0	3 Month LIBOR Index +4.0% p.a.
Total Hedge Funds		**7.0**	**3 Month LIBOR Index +3.5% p.a.**
Hedge Funds	Man	7.0	3 Month LIBOR Index +3.5% p.a.
Hedge Funds (Legacy)	Man	--	3 Month LIBOR Index +3.5% p.a.
Total Tactical Allocation		**11.0**	**UK Consumer Price Index +3.0% p.a.**
Best Ideas	Various	11.0	UK Consumer Price Index +3.0% p.a.
Total Private Markets		**27.0**	**Composite Weighted Index**
Property	Various	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	3 Month Sterling LIBOR +5.0% p.a.
Local / Impact	Various	4.0	3 Month Sterling LIBOR +5.0% p.a.
Infrastructure	Various	8.0	3 Month Sterling LIBOR +5.0% p.a.
Private Credit	Various	3.0	Absolute Return Composite Weighted Index
Timber/ Agriculture	Various	--	3 Month Sterling LIBOR +5.0% p.a.
Total CRMF		**23.0**	**Composite Liabilities & Synthetic Equity**
Cash and Risk Management Framework (CRMF)	Insight	23.0	Composite Liabilities & Synthetic Equity

Figures may not sum to total due to rounding.
Performance benchmark for WPP Global Opportunities and Wellington Emerging Markets portfolios include an outperformance target.
Private Credit benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.
Cash & Risk Management Framework benchmark is assumed equal to fund performance for calculation purposes.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10th November 2021
Report Subject	Funding, Flightpath and Risk Management Framework Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

This report provides the Committee with the estimated funding position at a recent date and details to enable the monitoring of the Risk Management Framework.

The estimated funding position at the end of September 2021 of 107% is around 14% ahead of the expected position from the 2019 actuarial valuation although uncertainty remains. This is below the 110% threshold that was agreed by the Funding and Risk Management Group ("FRMG") to prompt discussions on potential de-risking actions, analysing the impact these changes would have on employer contributions and risk. The allowance for updated membership data and other experience factors from the interim funding review will be incorporated in the October report (see Investment and Funding report for further details).

The objectives and update on the various parts of the Risk Management Framework is included in the Appendix and shows the management of:

- Interest rate and inflation risk
- Equity market risk
- Currency risk
- Liquidity and collateral risk

The synthetic equity and equity protection strategy was rolled on 23 May 2021, crystallising a gain of c. £129m, and the total gain since inception of the equity protection strategy to 30 September 2021 is c. £130m. The currency hedging positions have made a gain of £5.8m in total since inception to 30 September 2021 due to strengthening of sterling over that period.

The strong performance of the flightpath has meant excess collateral can potentially be released and consideration is being given to how that will be utilised as part of future Private Market investments. It will be held with Insight until a decision is made on how it is deployed. Overall the framework is currently operating as expected in the current market conditions and this is regularly reviewed, most recently through an annual strategic healthcheck that was discussed at the 4 September FRMG meeting. Overall, the FRMG were comfortable that no strategic changes were required at this stage.

RECOMMENDATIONS	
1	That the Committee note and consider the contents of the report.

REPORT DETAILS

1.00	FUNDING, FLIGHTPATH AND RISK MANAGEMENT STRUCTURE UPDATE
1.01	**Update on funding and the flightpath framework** The monthly summary report as at 30 September 2021 from Mercer on the funding position and an overview of the risk management framework is attached in Appendix 1. It includes a “traffic light” of the key components of the Flightpath and hedging mandate with Insight. The report will be presented at the meeting including a reminder of the principle objectives of the framework.
1.02	The estimated funding level is 107% at 30 September 2021, which is 14% ahead of the expected position when measured relative to the 2019 valuation expected funding plan. Uncertainty continues to be prevalent in the investment environment due to the potential economic impact of the COVID-19 pandemic. This means that the likelihood of achieving the assumed discount rate/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.103% with a corresponding decrease in surplus of £90m to £64m. As a reminder, the Funding and Risk Management Group (“FRMG”) considered the potential for a change in the investment strategy following the breach of the soft funding level trigger of 100% on 9 July 2021. A new soft trigger of 110% has been put in place to prompt future FRMG de-risking discussions after it was agreed that no de-risking actions should be taken at the current time. The funding level is below this soft trigger currently but if breached, this would prompt further analysis on whether the Fund can take de-risking actions to provide more certainty for employers without inadvertently putting upwards pressure on contributions ahead of the 2022 actuarial valuation. This trigger will also be considered at the next FRMG in light of the outcome of the interim funding review.
1.03	The level of hedging was approximately 20% for interest rates and 40% for inflation at 30 June 2021. The hedging implemented to date provides access to a lower risk investment strategy but maintaining a sufficiently high real yield/return expectation to achieve the funding and contribution targets. Triggers are in place to purchase additional interest rate or inflation hedging at an affordable level, currently the cost to purchase gilts in order to further increase the hedging is felt too prohibitive at the current time and therefore none of the interest rate triggers have been breached since they were re-structured in September 2017. No inflation triggers have been breached since May 2020. In September 2020, the inflation hedge was rebalanced back to the current strategic target 40% from 20% to reduce the risk that inflation will increase due to central bank and government intervention in managing the COVID-19 pandemic and the related market volatility. Following the annual strategic healthcheck of the risk management strategy, it was decided to maintain the current interest rate and inflation

	hedge ratios as well as the trigger levels. However, the Liability Benchmark Portfolio ("LBP") that provides Insight with a snapshot of the underlying liability characteristics for the Fund as been updated as part of the healthcheck to allow for accrual and changes in market conditions since the previous LBP. Mercer and Insight are in the process of implementing the updated LBP. This ensures that if trigger are hit, for example, Insight will be hedging based on a more accurate representation of the Fund's liabilities. The LBP will continue to be updated on an annual basis as well as following an actuarial valuation.
1.04	Based on data from Insight, our analysis shows that the management of the Insight mandate is rated as "green" meaning it is operating in line within the tolerances monitored by Mercer who are also the Fund's strategic risk advisors. The Cash Plus Fund is rated "amber" following underperformance since inception because of increased credit spreads driven by the economic impact of the COVID-19 pandemic. However, the Cash Plus Fund outperformed the benchmark over Q2 2021. Collateral is within the agreed constraints, and the efficiency of the collateral position has been improved following the implementation of a collateral waterfall framework with Insight. Overall, the collateral waterfall has generated an additional £8.8m return from inception at 31 January 2019 to 30 June 2021. No further action is therefore recommended at this point, although given the healthy collateral position, some of the excess has been earmarked to fund Private Market drawdowns as and when required (see 1.08 below) which is being considered further.
1.05	**Update on Risk Management framework** (i) Synthetic equity and equity protection strategy The Fund gains exposure to equity markets via derivatives and protects this exposure against potential falls in the equity markets via the use of an equity protection strategy. This provides further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall although it is recognised it will not protect the Fund in totality. It should be noted that, having an equity protection policy in place will protect from any large changes in equity markets. Importantly over the longer-term the increased security allows the Actuary to include less prudence in the Actuarial Valuation assumptions; this translated into lower deficit contributions at the 2019 valuation, whilst maintaining the equity exposure supports a lower cost of accrual than under traditional de-risking methods. The Fund's synthetic equity and equity protection strategy is implemented through a Total Return Swap ("TRS") contract with JP Morgan, held within the Insight QIAIF (the fund that implements the risk management

	strategies on the Fund's behalf). The TRS contract is for a fixed term of 3 years, and was due to expire on 23 May 2021. The Head of Clwyd Pension Fund, advised by the FRMG, decided under delegated powers that it was appropriate to maintain this exposure, and therefore a new TRS contract was put in place for another 3 years. This reset the market value back to zero, crystallising the positive c. £129m gain (as at 23 May 2021) into the Insight QIAIF. Further, Mercer and the Officers were able to negotiate a 50% reduction (c. £1m p.a.) in the ongoing transaction costs with JP Morgan. As at 30 September 2021, the total performance since inception of the synthetic equity and equity protection strategy in May 2018 was an increase of c. £130m. Relative to investing in passive equities (and assuming no costs to do so), the strategy has underperformed by c. £56m since inception. The underperformance is largely driven by the rise in equity markets since inception of the strategy meaning the meaning the protection has become less valuable.
1.06	(ii) <u>Collateral update</u> By rolling the equity protection strategy, the mark-to-market value of the TRS was reset to zero. As the existing contract had a positive market value of c. £129m (as at 23 May 2021), this amount was released into the wider collateral pool within the Insight QIAIF as part of the rolling of the contract. Mercer's analysis shows that there is sufficient collateral available within the QIAIF to allow a disinvestment of c. £100m upon rolling the equity protection strategy. On the advice of FRMG, the Head of Clwyd Pension Fund agreed to retain this amount within the Insight QIAIF for the time being awaiting further analysis of the Private Market drawdowns before considering how this will be utilised and this is still the position pending further discussion. The excess collateral amount was invested as follows: • £50m invested in the High Grade ABS fund • Remainder held as cash The High Grade ABS a "Tier 2 fund"; a liquid daily dealing fund that provides return above cash on excess collateral that isn't required on a daily basis. This ensures the risk management framework is operating efficiently. Once the timing of the Private Market drawdowns are better understood, some of the proportion of the excess collateral held as cash may be invested into the Tier 2 funds. This will be considered at a future FRMG meeting.
1.07	(iv) <u>Currency hedging gain</u> The currency risk associated with the market value of the synthetic equity strategy is hedged and has made a loss of £3.6m since inception on 8

	March 2019 to 30 September 2021 due to the weakening of sterling over that period. The Fund's overseas developed market physical equity holdings are currency hedged and has made an offsetting gain of c. £9.4m since inception of the strategy due to the strengthening of sterling over that period. Overall the action to hedge the Fund's developed equity currency risk has resulted in a gain of £5.8m since inception of the strategies.

2.00	**RESOURCE IMPLICATIONS**
2.01	None directly as a result of this report

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

4.00	**RISK MANAGEMENT**
4.01	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
4.02	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. Hedging the currency risk of the developed market physical equity exposure will mitigate the risk of a strengthening pound.

5.00	**APPENDICES**
5.01	Appendix 1 - Monthly monitoring report – September 2021

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• Report to Pension Fund Committee – Flightpath Strategy Proposals – 8 November 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation and Funding/Flightpath Update – 27 September 2016 and Report to Pension Fund Committee – Funding and Flightpath Update – 22 March 2016. • Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview. **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) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund (f) **Actuary -** A professional advisor, specialising in financial risk, who is appointed by Pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise. (g) **ISS – Investment Strategy Statement** The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund Further terms are defined in the Glossary in the report in Appendix 1

Mercer

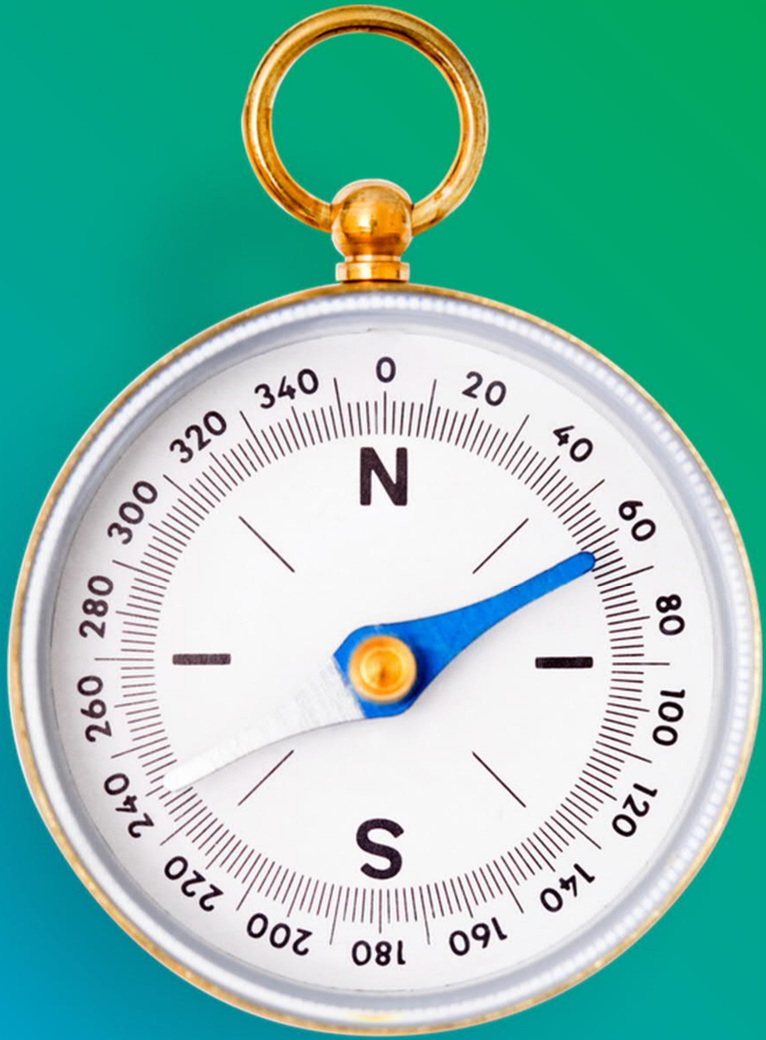
Risk management framework

Monthly monitoring report: 30 September 2021

Clwyd Pension Fund
October 2021

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?

Executive summary

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

Overall funding position at 30 September 2021

- Ahead of existing recovery plan
- New funding level trigger introduced at 110%

The funding position is 107% which is ahead of the target by around 14%. There is continuing uncertainty in the outlook for future returns and inflation which could impact on the future funding requirements.

Liability hedging mandate at 30 June 2021

- Insight in compliance with investment guidelines
- Outperformed the benchmark marginally over Q2 2021

No triggers breached over Q2 2021.

Synthetic equity mandate at 30 June 2021

- Insight in compliance with investment guidelines
- Underperformed the benchmark over Q2 2021

A dynamic protection structure was implemented in late May 2018, with refinements made in November 2020. The TRS structure rolled on 23 May 2021 with no further changes to the strategy. No action required.

Currency hedging at 30 September 2021

Currency hedging overlay implemented in the QIF in August 2019

- As at 30 September 2021, the market value of the currency hedge since inception on 22 August 2019 was £9.4m

No action required.

Cash Plus Funds, collateral and counterparty position at 30 June 2021

- The Cash Plus Fund has underperformed the benchmark since inception, but the collateral waterfall outperformed over Q2 2021. We will continue to monitor performance.
- The Insight QIF can sustain at least a 3.0% rise in interest rates or 1.9% fall in inflation without eliminating all headroom.

Overall, the collateral waterfall has returned £8.8m at 30 June 2021 since implementation at 31 January 2019 versus the previous structure.

The Fund has sufficient collateral as at 30 June 2021. No action required.

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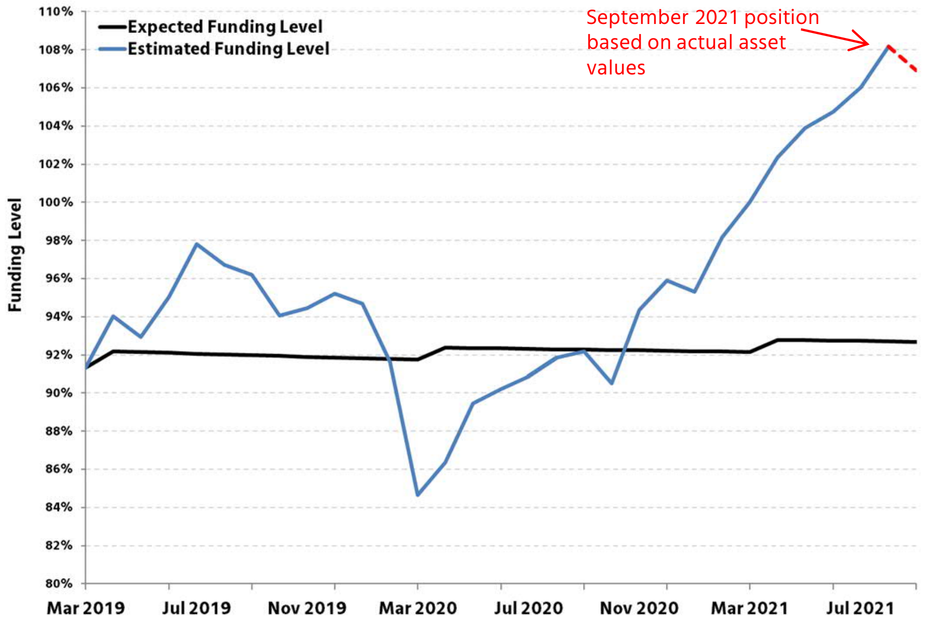
Funding level monitoring to 30 September 2021

Estimated funding position since 31 March 2019



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

Funding Level Triggers

Following a breach of the 100% soft trigger, it was concluded at the FRMG on 9 July 2021 that the funding level was not currently sufficiently high to warrant de-risking in a traditional sense via a change in long term strategy.

It was agreed that a new trigger will be put in place to prompt FRMG discussions regarding potential actions as the funding level approaches 110% on the current funding basis. This funding level will be monitored approximately by Mercer on a daily basis.

**Asset values based on assets provided by Mercer investment consultants as at 30 September 2021.*

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 2021 was around 93%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2019 to 31 August 2021. The **red dashed line** shows the progression of the estimated funding level over September 2021. At 30 September 2021, we estimate the funding level and surplus to be:

107% £154m*

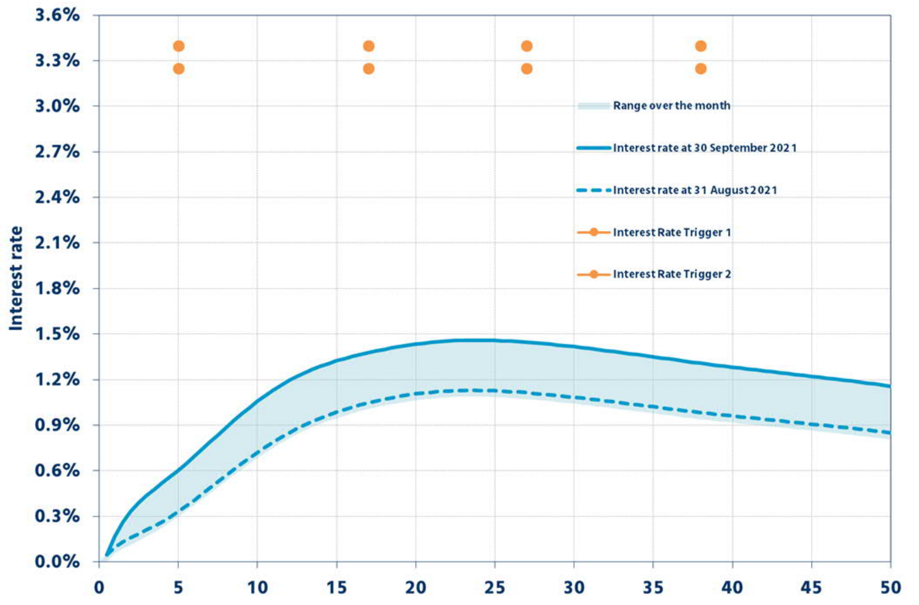
This shows that the Fund's position was ahead of the expected funding level at 30 September 2021 by around 14% on the current funding basis. This ignore the impact of updated membership and other factors considered at the 2021 funding review. This will be incorporated in the October report.

Uncertainty continues to be prevalent in the markets and economy in relation to inflationary pressures. This means that the likelihood of achieving the assumed real returns (CPI + 1.65% p.a. at this update) 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.103% with a corresponding decrease in surplus of £90m to £64m. This will be kept under review in light of changing market conditions and the economic outlook.

Mercer

Update on market conditions and triggers

Change in interest rates



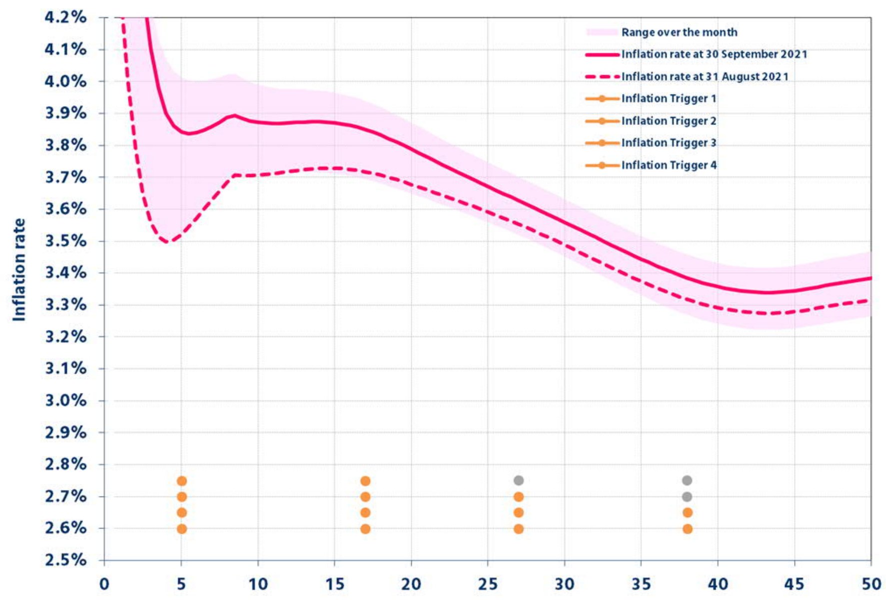
Date	Band 1	Band 2	Band 3	Band 4	Actual
30 June 2021	18.25%	18.61%	21.05%	27.56%	22.6%

Comments

Over the month of September, interest rates rose materially across the curve, with an average change of c. 0.3% p.a.

Based on market conditions as at 30 September 2021, yields would need to rise by c. 1.8% 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 2021	35.02%	21.36%	30.01%	62.81%	39.9%

Comments

Over the month of September, inflation expectations increased at all durations, with the largest increases seen at earlier durations.

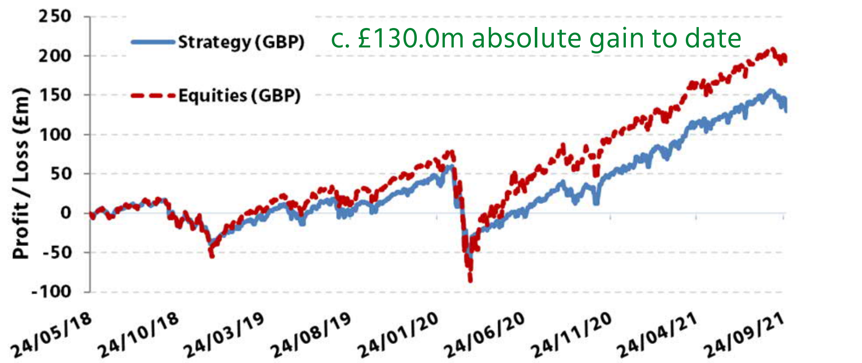
The target hedge ratios for the portfolio are 20% for interest rates and 40% for inflation expectations. No triggers were breached in August.

Mercer

Hedge ratios calculated with reference to 2019 valuation cash flow analysis and relying on a discount rate of gilts + 3.5% p.a..

Update on equity protection mandate

Strategy versus equity index

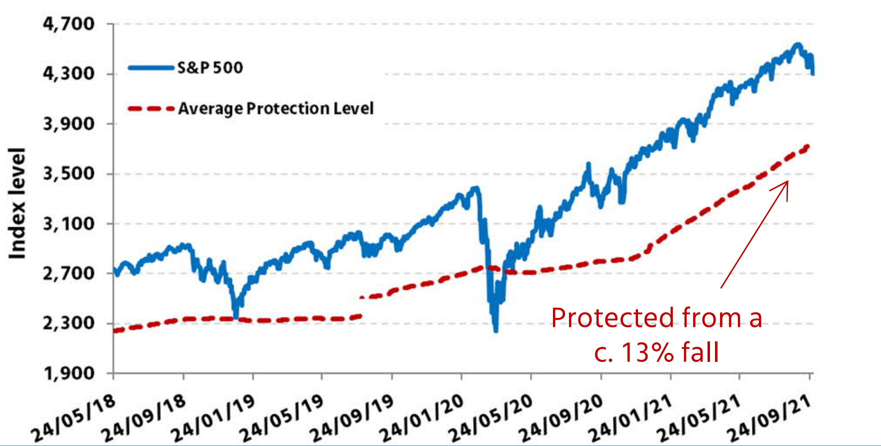


GBP returns	Equity return	Hedging return	Financing return	Costs	Overall return	Relative return
MTD	(5.1%)	0.5%	0.0%	(0.0%)	(4.7%)	0.5%
YTD	19.7%	(2.9%)	0.1%	(0.3%)	16.5%	(3.1%)
SI (per annum)	15.6%	(3.3%)	(2.1%)	(0.5%)	9.7%	(5.9%)

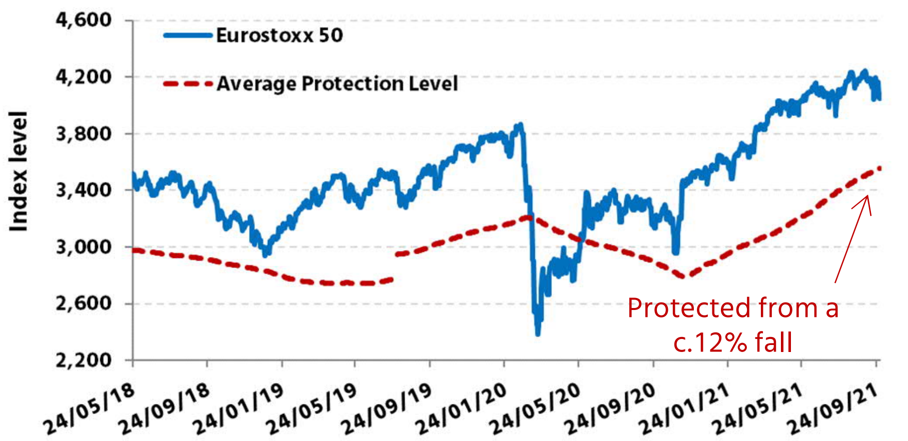
Comments

- The Fund implemented a dynamic equity protection strategy on 24 May 2018 with exposure of £362m. The equity protection strategy was revised in Q4 2020, increasing the call frequency to two weekly. This ensures that the Fund can participate in more upside as equity markets rise. The TRS structure was extended for a further 3 years on 23 May 2021 with no further changes to the strategy.
- Negative equity returns over September meant that the strategy performed negatively, though outperformed the benchmark following a positive return from the hedging leg of the strategy. As at 30 September 2021, there was a gain of c. £130.0 m on the equity strategy since inception, relative to a c. £186.1m gain had the Fund invested in passive equities (with no frictional costs).
- From inception on 8 March 2019 to 30 September 2021, the currency hedge of the market value of the synthetic equity mandate has resulted in a c. £3.6m loss relative to an unhedged position, as sterling has weakened at an overall level since inception.

US equity exposure



European equity exposure (note different scale)



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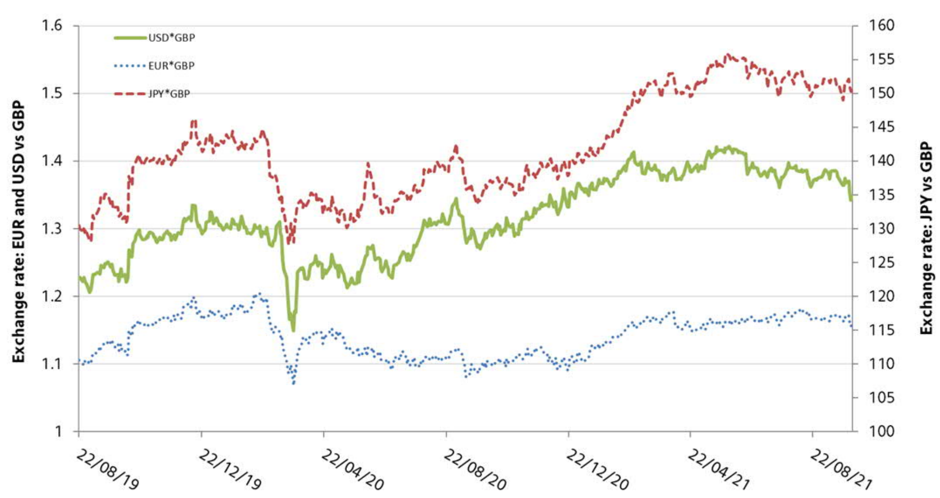
Mercer

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 2021, the market value of the currency hedge since inception on 22 August 2019 was £9.4m.
- The market value of the currency hedge has decreased over September due to a weakening of sterling against all three major currencies.

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	Currency basket weight	FX performance (since inception*)	FX change in performance since 31 August 2021
EUR	15%	£1.6m	(£0.5m)
JPY	8%	£2.5m	(£0.1m)
USD	77%	£5.3m	(£3.1m)
	100%	**£9.4m**	**(£3.7m)**

*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.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10th November 2021
Report Subject	Responsible Investment Roadmap
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

At the meeting of the Committee in June 2021, it was agreed to adopt a 2050 net zero ambition for the Fund's investment strategy. The Committee also agreed the high level net zero work plan, or roadmap, and that more detailed analysis of the portfolio was necessary to develop a credible implementation plan.

It was agreed that setting a net zero plan was the best way to decarbonise the investment portfolio and manage carbon risks as the world transitions to a low carbon economy. The role of the Wales Pension Partnership (WPP) was also recognised as key to this transition, and the development of an active sustainable global equity portfolio an important part of this.

This report and its attached appendices look to set decarbonisation targets and considers the high level implementation plan to achieve them. The report contains a number of proposals, the key one being that the Fund targets net zero by 2045 (rather than 2050) with a 50% total portfolio carbon reduction by 2030. This report also addresses the roadmap and key milestones that will take place along the way.

The Fund's Investment Strategy Statement (ISS) will need to be updated to reflect these commitments. It is intended that the ISS will be updated after the Committee meeting to reflect the proposals, subject to agreement, and the Fund will then consult with Employers on these changes ahead of the next meeting of the Committee in February 2022.

RECOMMENDATIONS

1.	That the Committee consider the analysis in light of the previously agreed net zero target by 2050.
2.	That the Committee consider and agree each of the proposals in paragraph 1.08 of this report, specifically, targeting net zero by 2045 - a more ambitious timeline.
3.	That the Committee agree that the Investment Strategy Statement is updated to reflect these commitments for consultation with the Fund's Employers.

REPORT DETAILS

1.00	Responsible Investment Roadmap and Net Zero investing
1.01	**Background** The Clwyd Pension Fund has a fiduciary duty is to act in the best interests of its members and employers. The Fund recognises that ESG issues, including climate change, create risk and opportunity to its financial performance, and will contribute to the risk and return characteristics. The Fund believes, therefore that these factors should be taken into account in its Funding and Investment Strategies and throughout the decision making process. **Climate Change** The Fund recognises the importance in addressing the financial risks associated with climate change through its investment strategy, and believes that: • Climate change presents a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers and all of the holdings in the Fund's investment portfolio. • Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund, but is also consistent with the long term nature of the Fund. The Fund's investments need to be sustainable to be in the best interests of all key stakeholders. • Engagement is the best approach to enabling the change required to address the Climate Emergency, however selective risk-based disinvestment is appropriate to facilitate the move to a low carbon economy. • As well creating risk, it also presents opportunities to make selective investments that achieve the required returns, whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.
1.02	**Why investors are adopting a Net Zero Commitment** Globally we must reduce greenhouse gas emissions by 45% by 2030 (on 2010 levels) to achieve net zero by 2050, according to the Intergovernmental Panel on Climate Change (IPCC). This will create the greatest probability to limit warming to below 2^{o}C, ideally no more than 1.5^{o}C, compared to pre-industrial temperatures. There are a number of key elements coming together for a transition to a low carbon economy. For example technology developments and price disruption in the energy sector is already evident through the falling cost of renewable energy generation and storage. Markets are recognising climate in pricing already and investors should make sure they are positioning their portfolios manage the risks and opportunities. For example, companies with business models reliant on fossil fuels (such as

	oil and gas majors) may increasingly be viewed and priced differently by the market compared to renewable energy companies. Momentum is growing with respect to a low carbon transition and investors are on the move. Investors who have been early to adopt best practice climate change disclosure frameworks, such as the Task Force on Climate-related Financial Disclosures, are increasingly now moving their focus to also incorporate Net Zero commitments. Investors are not alone as countries, local governments, cities, universities and companies are also adopting net zero targets. The framework, tools and methodologies are now available for the first time for investors not only to make these commitments but also develop credible implementation plans to underpin them.
1.03	To build on its commitment to Responsible Investment, in February 2020 the Committee agreed a number of responsible investment strategic priorities for inclusion in the Fund's Investment Strategy Statement. These included: • Evaluating and managing carbon exposure – including measuring and understanding its carbon exposure, and setting carbon reduction targets. As part of this work, at the meeting in June 2021, the Committee agreed to adopt a 2050 net zero ambition for the Fund's investment strategy, noting this may be revised to target an earlier date following further consideration and analysis. When the Committee agreed the Net Zero commitment, they also agreed a high level work plan, or roadmap, which set out the steps required for a credible implementation plan. A key element of this work plan was to undertake further analysis to set key short, medium and long term targets for carbon reduction. This report considers this analysis and sets out a number of proposals the Committee are recommended to adopt for Clwyd Pension Fund. Explanations of terms used in this report and the appendices are included in the glossary to this report.
1.04	The work plan agreed in June set out the approach that the Fund could take to align portfolios to the agreed net zero outcome by 2050, or potentially earlier. This approach involved four steps: 1. **Calculate the baseline** – this includes current emissions, transition capacity and green exposures. One output is to split the portfolio into three areas: • "Grey" – these are the stocks with high carbon intensity and low transition capacity (this is expected to include fossil fuel companies). • "Green" – these are the stocks that have low carbon intensity and high transition capacity. • "In between" – these are stocks that have varying carbon intensity and transition prospects.

	2. **Analyse portfolio possibilities** for implementing a portfolio wide transition by asset class. 3. **Set measurable targets** for reducing emissions and growing transition capacity, tested against different scenario pathways (for example a 2050 net zero target). 4. **Implement a plan,** drawing on outputs from each step.
1.05	**Roadmap** At the meeting in June 2021 the Committee also agreed the following high level roadmap:

Roadmap Item	Timeframe
Listed equity The work would cover four areas: 1. Baseline emissions intensity assessment – this analysis would highlight what is driving the Fund's carbon exposure across mandates, geographies and sectors. 2. Net zero 2050 (or earlier) target setting with interim targets to 2025 and 2030: • Analyse potential 2050 (or earlier) net zero targets. • Analyse interim targets to 2025 and 2030 consistent with a net zero pathway to 2050 (or earlier) using carbon emissions pathway curves. 3. Grey/transition/green transition analysis (see 1.06 for more detail) – analyse the portfolio's transition capacity, including stocks most at risk of climate change and those accessing green opportunities. 4. Set a detailed implementation plan across three areas: integration, stewardship and green investments. This will incorporate additional, more granular targets across each of these areas.	July - October 2021
Present results. Agree 2050 (or earlier) net zero targets and implementation plan at Pension Fund Committee meeting.	November 2021 PFC meeting
Update Investment Strategy Statement for net zero ambition and targets. Communicate approach to key stakeholders.	November / December 2021
Property, infrastructure, private equity and private debt Commence work on carbon footprinting and setting net zero targets for these additional asset classes.	H1 2022

	Listed equity Monitor progress against targets and update implementation plan. — H2 2022 The roadmap sets out that at the meeting of the Committee in November the results of detailed analysis of the portfolio would be presented along with a proposal for a firm commitment to adopting net zero by 2050 or sooner with an implementation plan. This report and its appendices present that analysis and implementation plan, with a number of key proposals. The analysis will presented at the meeting and is included in the appendices.
1.06	**Analytics for Climate Transition (ACT)** The Appendices to this report set out the detailed analysis of the portfolio. The analysis has been undertaken to assess the potential of the Fund's investments to transition to a low-carbon economy. There are a number of reasons for focussing on a transition to a low-carbon economy: • **Risk Management –** Climate Change presents a significant risk and opportunity over the short, medium and long term. • **Climate Policies and targets** are being set by governments, companies, regulators and investors • **Technology development** in the renewable energy sector is already evident • **Markets** are recognising climate change and are already pricing in, and investors need to remain ahead of the curve The analysis being considered in this paper recognises risks, opportunities and fiduciary duty, and looks at how investors can achieve the desired outcomes. **A low carbon transition plan answers key questions:** • How to reduce emissions and meet investment objectives? • How to deliver emission reductions without just divesting high intensity companies? • How to set a target that can be implemented and monitored? The analysis is consistent with the work of the Institutional Investors Group on Climate Change (IIGCC) Net Zero Framework and the requirements of the Taskforce for climate related financial disclosures (TCFD) reporting, that the Fund will be looking to comply with in 2022. The results of this analysis reflect the current global position in that there are many companies that are not ready to transition, however we expect that this will change rapidly in coming months.

1.07	To understand the current position of the listed equity portfolio the analysis considers a number of measures. These measures are then used to assess the transition alignment of the Fund's listed equity portfolio to understand the which assets are well aligned ("green"), or not well aligned ("grey"), and those that lie in between ("yellow"). Absolute Emissions, a measure used to understand the Fund's emissions based on the amount invested in underlying companies, is used as the basis for listed equity target setting. This metric is useful for targeting real world emissions. The key findings from the analysis are: **Total Fund** • The Fund can credibly adopt a 2045 net zero target. • The Fund could also set a low carbon and sustainable allocation target of 30% by 2030 **Listed Equity portfolio** • The baseline of Scope 1 and 2 absolute emissions for the CPF's current listed equity portfolio is currently 46,126 tCO2e, as at 31 March 2021. • To achieve this **target** the Fund should target 36% reduction by 2025 (i.e. target 29,520 tCO2e), and 68% reduction by 2030 (i.e. target 14,760 tCO2e). • The results of the transition analysis are shown on Page 8 of Appendix 1 and highlights the significant proportion of assets that are currently shown as "in-between".
1.08	The detailed analysis (Appendix 1) will be presented at the meeting and results in a number of proposals. The proposals have been extracted from the presentation and are detailed below:

Summary of proposals for consideration

	Scope	Main Proposal	Detailed/interim proposal
1	Total Fund	**The Fund targets net zero by 2045. Adopt a total Fund target of 50% carbon reduction by 2030.**	Communicate decarbonisation targets to WPP and listed equity managers, and consider setting individual manager targets. Review reporting metrics for each of the proposals and prepare a TCFD report for stakeholders.
2	Total Fund	**Set total Fund low carbon and sustainable allocation target of 30% by 2030.**	Continue to identify and allocate to climate mitigation/ adaptation opportunities within private market mandates, as a priority, followed by understanding what is possible in other asset classes.
3	**Total Fund**	**Expand net zero target setting to incorporate synthetic equity, multi**	Develop emissions baseline for the Fund's asset classes, in order to build total portfolio baseline/targets 2022/23.

		asset credit, TAA, property, private markets and hedge funds over 2022/23	
4	**Listed Equity Portfolio**	**Net zero transition trajectory: consider adopting listed equity portfolio carbon reduction targets of 36% by 2025 and 68% by 2030, versus 2021 baseline position**	Achieve c.27.6% of emissions reduction by 2023 (vs 2021 baseline). Incorporate Scope 3 within emissions reduction efforts by 2023.
5	**Listed Equity Portfolio**	**Consider setting equity Fund target of at least 30% green and sustainable assets by 2030**	Within the listed equity portfolio, achieve c.12% of the shift to green and sustainable companies by 2023.
6	**Listed Equity Portfolio**	**Fossil Fuel targets: within the equity portfolio the Fund should target a reduction in potential emissions. These should be 70% by 2025 and 90% by 2030 for Oil & Gas. For coal the targets should be 90% reduction by 2025 and 95% by 2030.**	Monitor fossil fuel exposures and ensure they are reducing.
7	**Listed Equity Portfolio**	**Stewardship target:** • **70% of financed emissions in key sectors* aligned to net zero or subject to engagement by 2025.** • **90% of financed emissions in key sectors* aligned to net zero or subject to engagement by 2030.**	Conduct annual stewardship monitoring, going forward. Consider an initial focus on the Emerging market mandates, as well as top grey companies identified, for engagement within the listed equity portfolio. Identify the top 10-20 key climate change holdings and work with managers, WPP and Robeco to understand actions and outcomes from engagement.

1.09 **Next Steps**

The Committee will be aware that the Fund has long established approach to sustainable investing, and these targets and proposals look to build on this work and develop a long term approach. There will be a number of specific areas for the Fund to focus on over the coming months and years to deliver these ambitious targets and deliver on the targets:

- Update the Fund’s Investment Strategy Statement to reflect the ambitions and targets, and consult with Employers;
- Work with the Wales Pension Partnership to develop a sustainable Global Equity portfolio which will deliver in a number of key areas;
- Continue to look for opportunities within the Private Markets portfolio to invest in sustainable and Impact investments;

	• Expand analysis of Fund to cover all of the Fund's other asset classes; • Develop reporting in line with TCFD requirements which will help the Committee and other key stakeholders to monitor progress; • Continue to develop targets and ambitions in line with national and international developments and initiatives.
2.00	**RESOURCE IMPLICATIONS**
2.01	The net zero recommendations will lead to increased annual monitoring requirements. The monitoring requirements will need to be supported by the internal team with support from the Fund's advisers. There will also need to be in depth discussion with the WPP to support the Fund's ambitions.
3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	The Fund will consult with Employers on the changes to the Investment Strategy Statement as a result of these ambitions/proposals.
4.00	**RISK MANAGEMENT**
4.01	Funding and Investment Risk 9 – The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor. – Setting these ambitions and targets and the necessary supporting work will help the Fund manage this risk.
5.00	**APPENDICES**
5.01	Appendix 1 – Analytics for Climate Transition – presentation Appendix 2 - Analytics for Climate Transition - detailed analysis and methodology Appendix 3– Analytics for Climate Transition – Analysis and methodology (exempt section)
6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• Investment Strategy Statement • Fossil Fuel Investments briefing paper – May 2021 **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	**What is Responsible Investment (RI)?** This is an investment approach that incorporates environmental, social and corporate governance (ESG) factors and broader systemic issues — for example, climate change and sustainable development — along with active ownership (stewardship). These considerations can have a material impact on financial performance, and their inclusion is more likely to lead to sustainable investment outcomes.

	What is an Investment Strategy Statement? All LGPS funds are required to produce an Investment Strategy Statement (ISS). This contains the investment policy approach of the Fund. The Clwyd Pension Fund's latest ISS includes the Fund's Responsible Investment Policy and can be found here: https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-policies/ **What are the main approaches to Responsible Investment?** Mercer views Responsible Investment as having four main approaches: ***1. Integration:*** Incorporating ESG factors into the investment process for risk/return reasons. ***2. Stewardship:*** Voting and engagement with underlying companies and/or investment managers and engagement with policymakers for risk/return reasons. ***3. Investment:*** Themed investing — funds that focus on the risk and return opportunities in ESG / sustainability themes, typically related to sustainability solution trends. Impact investments – seek to balance financial return with a positive impact on society and/or the environment. ***4. Screening/divestment*** Excluding investments in companies that are perceived to have a negative impact on society, where investors do not want to profit from the product or activity for reputational or ethical reasons. **What is Fiduciary Duty?** The obligation on those that look after or manage other people's money, to act in the best interest of beneficiaries, rather than serving their own interests. This duty extends to Committee members of the Fund. There is now widespread recognition that adopting a Responsible Investment approach is consistent with fiduciary duty. **What are key Climate Change investment risks?** Anthropogenic climate change refers to change in climate caused by human activity. Investors increasingly recognise that climate change poses a systemic risk given the low carbon transition (see definition below) and physical impacts of different climate outcomes (for example reduced resource availability and increased severity of natural catastrophes such as wildfires, droughts and hurricanes). **What do we mean by decarbonisation?** Described as the process under which countries, individuals or other entities aim to achieve reduced or zero carbon emissions, or businesses and investors aim to achieve reduced or zero carbon emissions in their operations and investments. It is often most closely linked to a reduction of the carbon emissions associated with the energy/electricity, industry and transport sectors.

What is a Low Carbon Transition?
The decarbonisation of the global economy, and in particular, the decarbonisation of the global energy and transport sectors. A successful transition would see an economy based on low carbon power sources that therefore have a minimal output of carbon emissions into the atmosphere. The Paris Agreement, which aims to limit warming to 2ºC or below, is consistent with a low carbon transition. Policy and technology developments are expected to play an important role in a low carbon transition.

What do we mean by Net Zero?
Net zero refers to achieving net zero carbon dioxide emissions by balancing carbon emissions with carbon removal (often through carbon offsetting) or eliminating carbon emissions altogether. The UK government has set itself a legally 2050 binding net zero target and leading asset owners are starting to set their own net zero targets.

What are Stranded Assets (Fossil Fuels)?
These are assets that turn out to be worth less than expected as a result of changes associated with the low carbon energy transition. This could include assets that have suffered from unanticipated or premature write-down or devaluations. For example, investment in fossil fuel-based assets that as a result of changes brought about by climate change policy (or competing technology) do not recover all or part of their investment during the time they are operational.

What are Absolute Carbon Emissions?
A measure of a portfolio's absolute exposure to greenhouse gas emissions, expressed in tons $C0_2e$. Formula: Carbon emissions (Metric tons) * (investment value/company enterprise value).

What is Weighted Average Carbon Intensity (WACI)?
A measure of a portfolio's exposure to carbon intensive companies, expressed in tons CO_2e/$M revenue. Formula: Carbon emissions (Metric tons) / $ Million sales * portfolio weights.

What are Scope1, Scope 2 and Scope 3 greenhouse gas emissions?
Greenhouse gas emissions are categorised into three groups or 'Scopes' by the most widely used international accounting tool, the Greenhouse Gas (GHG) Protocol.

Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain.

Scheme Advisory Board – A-Z of Responsible Investment
To support members of LGPS funds, the Scheme Advisory Board has also put together an A-Z of Responsible Investment, which can be found here: ***https://ri.lgpsboard.org/items***

Mercer

Clwyd Pension Fund

Analytics for Climate Transition (ACT) Appendix 1

October 2021

welcome to brighter

Outline

Executive Summary

Purpose of this Analysis

- This report is addressed to the Committee of the Clwyd Pension Fund (the “Fund”).
- This report provides the Fund with an understanding of the listed equity portfolio’s transition capacity using the Mercer Analytics for Climate Transition (ACT) tool.
- The aim of the Mercer ACT tool is to:
  - Set Total Fund net zero targets.
  - Understand the transition capacity of the Fund’s listed equity portfolio. Use this to:
    - Set decarbonisation targets with net zero emissions by 2050 or earlier (2045 is a realistic ambition that we highlight later in the document), and interim targets to 2025 and 2030 based on ***absolute*** emissions reduction.
    - Develop an implementation plan for the listed equity portfolio.
  - Set a timetable for incorporating further asset classes over time.
  - Help Wales Pension Partnership (WPP), Robeco as the pool’s voting and engagement provider and managers to deliver on the Fund’s ambition. Work with managers to instil a long-term decarbonisation focus, and explore green opportunities.
  - Report the Fund’s position to members and wider stakeholders. The analysis is consistent with TCFD reporting requirements.
- We focus primarily on detailed targets for listed equity in this report which represent c20% of assets, with the aim to incorporate further asset classes in future years.

The aim of this analysis is to understand the listed portfolio low carbon transition alignment, set decarbonisation targets consistent with net zero by 2050 or earlier, and provide analysis to form the basis of engaging with WPP and reporting.

Summary of Fund proposals for consideration

	Scope	Proposal	Rationale	Comments
1	Total Fund	**The Fund targets net zero by 2045. Adopt a total Fund target of 50% carbon reduction by 2030.**	• Setting a net zero target is consistent with fiduciary duty as climate change represents a material, systemic financial risk.	• The Fund will need to work with, and engage, WPP and partner funds as well as other investment managers across asset classes and strategies to help achieve objectives.
2	Total Fund	**Set total Fund low carbon and sustainable allocation target of 30% by 2030.**	• Supports overall proposed objective to be net-zero by 2045 and sustainability ambitions of the Fund.	• Green taxonomies are currently being developed so this target would be high level in nature to begin with. • Commitments already being made to sustainable allocations in private markets, with a 4% allocation to local / impact opportunities.
3	Total Fund	**Expand net zero target setting to incorporate synthetic equity, multi asset credit, TAA, property, private markets and hedge funds over 2022/23**	• Consistent with IIGCC Net Zero Framework and other investors targeting a 'Total Fund' approach.	• Different asset classes will require different methodologies and approaches. IIGCC working groups are currently focusing on developing frameworks for expanding set of asset classes.
4	Listed Equity Portfolio	**Net zero transition trajectory: consider adopting listed equity portfolio carbon reduction targets of 36% by 2025 and 68% by 2030, versus 2021 baseline position**	• Overall proposed objective is to be net-zero by 2045. • Intermediate targets needed to achieve and monitor ongoing progress.	• The Fund will need to work with, and engage, WPP, to help achieve objectives.

Summary of Equity portfolio proposals for consideration

	Scope	Proposal	Rationale	Comments
5	Listed Equity Portfolio	**Consider setting equity Fund target of at least 30% green and sustainable assets by 2030**	• Provides practical milestones and granular targets against which to measure progress.	• Collaborate with other Partner funds on this implementation plan in order to feed into WPP discussions. • Fund currently has a c.3.2% allocation to green companies within the equity portfolio.
6	Listed Equity Portfolio	**Fossil Fuel targets: within the equity portfolio the Fund should target a reduction in potential emissions. These should be 70% by 2025 and 90% by 2030 for Oil & Gas. For coal the targets should be 90% reduction by 2025 and 95% by 2030.**	• Supports sustainability ambitions of the Fund.	• Collaborate with other Partner funds on this implementation plan in order to feed into WPP discussions.
7	Listed Equity Portfolio	**Stewardship target:** • **70% of financed emissions in key sectors* aligned to net zero or subject to engagement by 2025.** • **90% of financed emissions in key sectors* aligned to net zero or subject to engagement by 2030.**	• Focusing stewardship on most carbon intensive emitters will have biggest potential impact. • Lays the groundwork for any potential selective divestment, as appropriate.	• Collaborate with other Partner funds on this implementation plan in order to feed into WPP discussions. • This approach should be developed with Robeco to ensure active, collaborative engagement.

*Utilities, energy, materials

Clwyd Pension Fund
Summary – Decarbonisation of the Listed Equity Portfolio

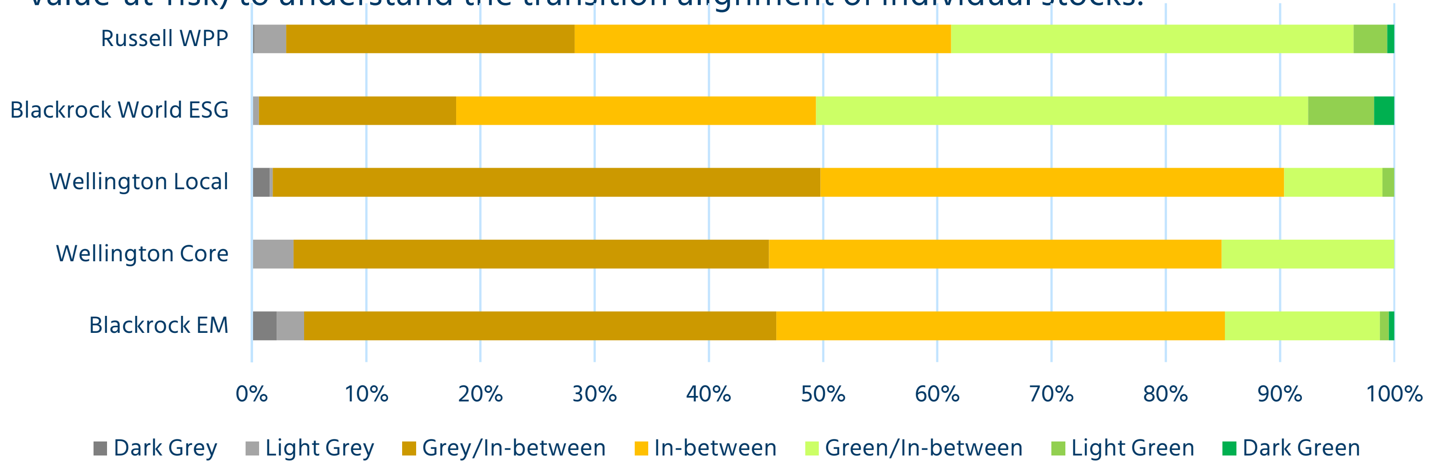
2045 Target Setting

- This report provides the Clwyd Pension Fund with a baseline of emissions, in order to help plan the decarbonisation journey for the post-2021 period.
- **The baseline of Scope 1+2 absolute emissions for the listed equity portfolio is currently 46,126 tCO2e, as at 31 March 2021.**
- **In line with a 2045 net zero target, we recommend the Fund considers:**
  - **By 2025: further c.36% reduction from the 2021 baseline**
  - **By 2030: further c.68% reduction from the 2021 baseline**
- The focus on absolute emissions for decarbonisation target setting enables a focus on real world emissions reductions, needed for the world to reach net zero and stop global warming.
- We do however also provide the Fund with an understanding of its emissions intensity (Weighted Average Carbon Intensity "WACI", and Carbon Footprint). The listed equity portfolio's WACI and Carbon Footprint is **175.1** tCO2e/$million sales and **77.4** tCO2e/$million invested, respectively. Compared to MSCI ACWI this is c.**-9.2%** and c.**-31.6%,** below the benchmark metrics.

Clwyd Pension Fund

Summary – Transition Alignment of the Listed Equity Portfolio

- **Transition Alignment**
- **We also present the transition alignment of the listed equity portfolio,** to understand exposure to assets that are well aligned ("green") or not well aligned ("grey") with the low carbon transition.
- We analysed 14 metrics in total, including backward looking metrics (e.g. carbon intensity and exposure to green revenues) as well as forward-looking metrics (e.g. transition strategy and future value-at-risk) to understand the transition alignment of individual stocks.



- The chart shows currently, **94.2% of the listed equity portfolio's assets are invested in in-between assets** ("yellow", including "grey/in-between" and "green/in-between")**, as compared with 3.2% invested in light and dark "green" assets. Only 2.6% are invested in light and dark grey assets.***
- Following on the transition results **we recommend a target of 30% of the listed equity portfolio in sustainable and green assets by 2030.**

*Numbers pro rated up to 100% based on 95.5% coverage

Introduction

Why the Focus on the Transition? A Summary

A "well below 2°C" scenario is in long-term investors' best interests

Risk management for short, medium and long term

Regulation

Employees are asking and employers need to answer

Transition to a low-carbon economy is already happening

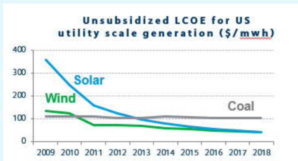
Climate policies and targets set by governments, companies and investors **are growing in quantity and quality.**

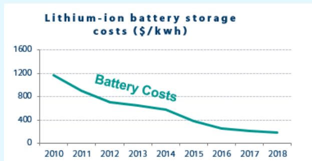
RACE TO ZERO

25% of global CO2 emissions

50% of global GDP

Technology development and price disruption in the energy sector **is already evident**; costs have meaningfully fallen.





Markets are recognising climate **in pricing already** and investors want to be on ahead of the curve.

(1) Climate Action Tracker (http://climateactiontracker.org/) - last updated September 2020; (2) United Nations Framework Convention on Climate Change Race to Zero Campaign; (3) Lazard; (4) Bloomberg New Energy Finance. (5) Bloomberg, 2020

Methodology

Analytics for Climate Transition
A Framework

Investing for <2°C recognises the risks, opportunities and fiduciary duty in changes happening now and in the future. A low carbon transition plan answers key questions: How to reduce emissions and meet investment objectives? How to deliver emission reductions without just divesting high intensity companies? How to set a target that can be implemented and monitored?

Manage 'Grey' Risks
High carbon intensity, low transition capacity

Steward the 'In-between'
Varying carbon intensity and transition prospects

Target 'Green' Solutions
Low carbon intensity, high transition capacity

2020 — 2030 — 2050

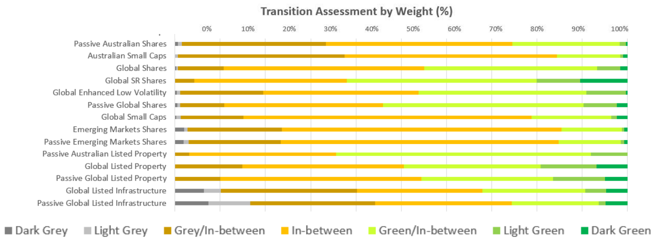
1. Current emissions baseline

Calculations complete, dashboard drafted – total portfolio

	Mercer Single Sector Funds	Coverage	Weighted Average Carbon Intensity	Metric By Asset Class	Dark Grey %	Light Grey %	Grey/ In-between %	In-between %	Green/ In-between %	Light Green %	Dark Green %
Public – Liquid	Australian Shares		189.7	T CO2e / $M Rev	0.4	0.5	30.9	40.0	22.6	1.6	0.2
	Australian Shares Plus		185.9	T CO2e / $M Rev	0.4	0.3	33.3	41.8	21.7	1.6	0.2
	Australian SR Shares		148.3	T CO2e / $M Rev	0.1	0.8	30.4	38.3	25.2	1.2	0.8
	Australian Tax Exempt		197.1	T CO2e / $M Rev	0.4	0.6	34.1	37.3	24.7	0.8	0.4
	Passive Australian Shares		218.3	T CO2e / $M Rev	0.7	0.8	31.7	41.0	23.6	1.5	0.3
	Australian Small Caps		145.1	T CO2e / $M Rev	0.0	0.6	30.7	39.2	11.6	0.6	0.8
	Global Shares		86.0	T CO2e / $M Rev	0.3	0.3	9.7	42.1	36.4	4.9	1.5
	Global SR Shares		73.6	T CO2e / $M Rev	0.0	0.0	4.1	31.8	39.6	9.2	9.8
	Global Enhanced Low Volatility		219.0	T CO2e / $M Rev	0.4	0.7	17.6	32.8	35.5	8.3	0.4

2. Portfolio possibilities

Analysis complete on 'grey, green and in-between' transition capacity



3. Target and timing

Setting decarbonisation targets:

- 2030 and interim targets e.g. to 2025
- Net zero targets to 2050, or earlier/later

4. Transition plan for implementation

Integration
- Climate change scenario analysis
- Monitor developments and prices

Stewardship
- Engage with companies
- Utilise voting rights

Investment
- Allocate to innovation and solutions
- Monitor developments and prices

Screening
- Restrict high carbon solutions where needed

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Mercer

Low Carbon Transition
Portfolio Metrics Summary

Measures of 'current' emissions intensity

Weighted Average Carbon Intensity (WACI)	Carbon Footprint
• Operational carbon emissions • **Carbon emissions (Metric tons) / $ Million sales * portfolio weights** • Measures the portfolio's exposure to emissions-intensive companies	• Operational carbon emissions • **Carbon emissions (Metric tons) / $ Million investment * portfolio weights** • Measures carbon intensity of the portfolio per $ million invested

Used for listed equity decarbonisation target setting

Measure of 'current' absolute emissions

Absolute Emissions
• Absolute emissions attributed based on the value of investments • **Carbon emissions (Metric tons) * (investment value/company enterprise value)** • Real world impact in terms of emissions

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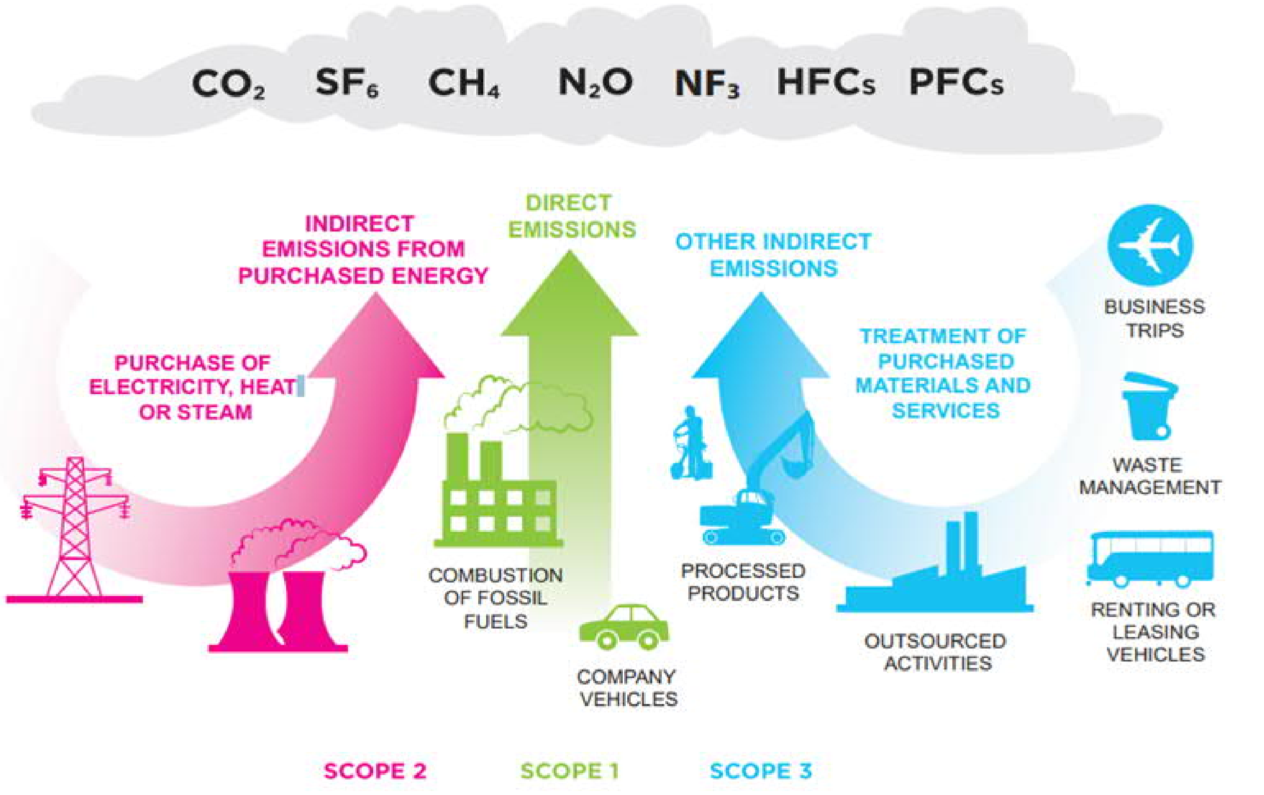
Emissions Data
Understanding the Scopes

- **Carbon footprinting** is an analysis that shows the **amount of greenhouse gas emissions an entity produces** directly through it's day-to-day operations and indirectly through its utility usage and wider supply chains.
- The analysis focuses currently on carbon dioxide equivalent emissions, **Scope 1 and Scope 2 emissions**

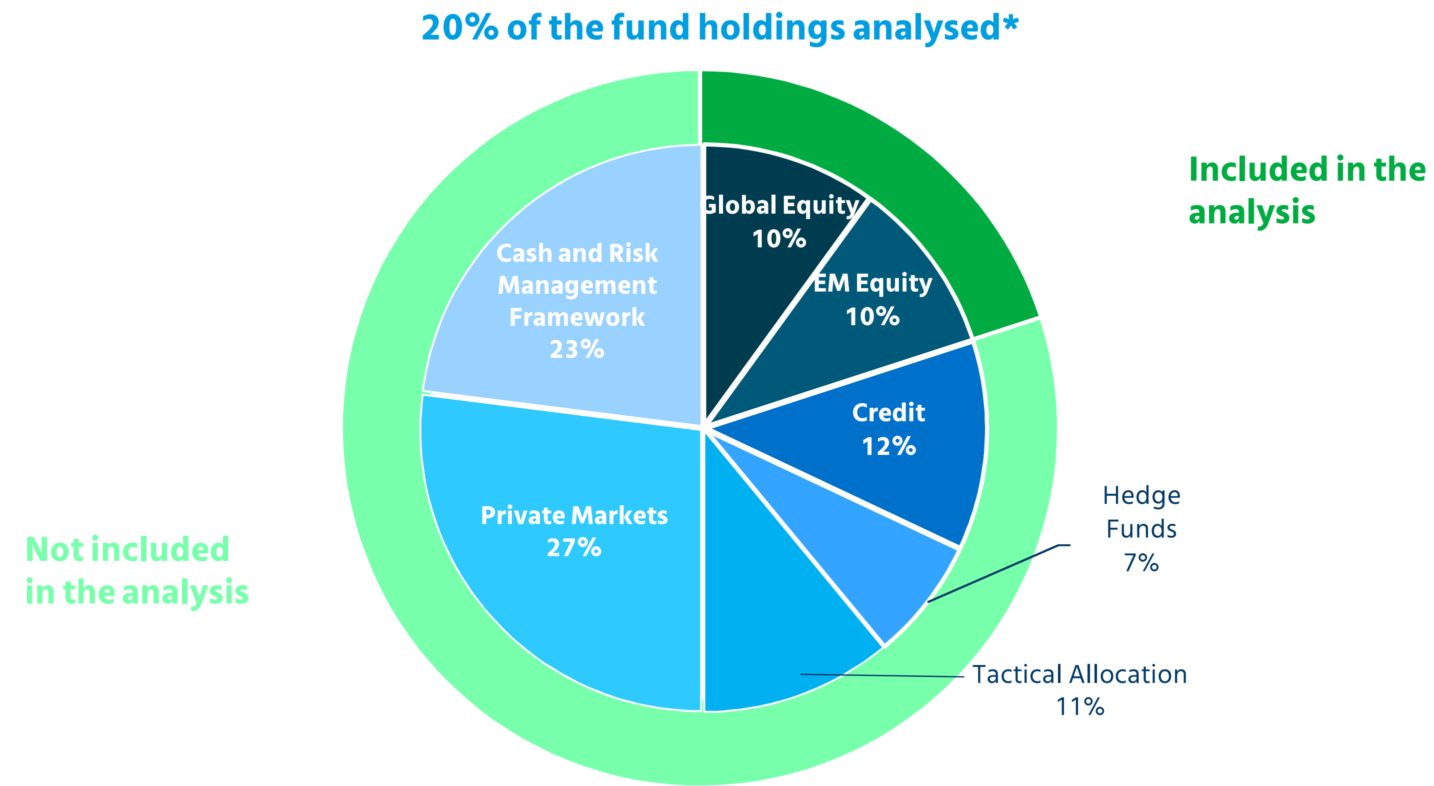


Results

Calculate the Baseline And Understand Portfolio Possibilities

1

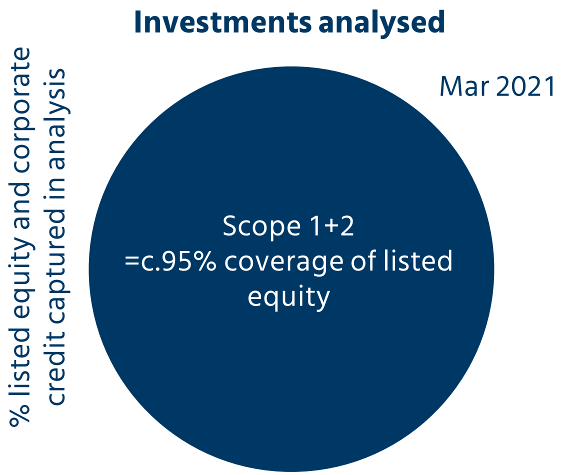
Clwyd Pension Fund
Proportion of Holdings Analysed

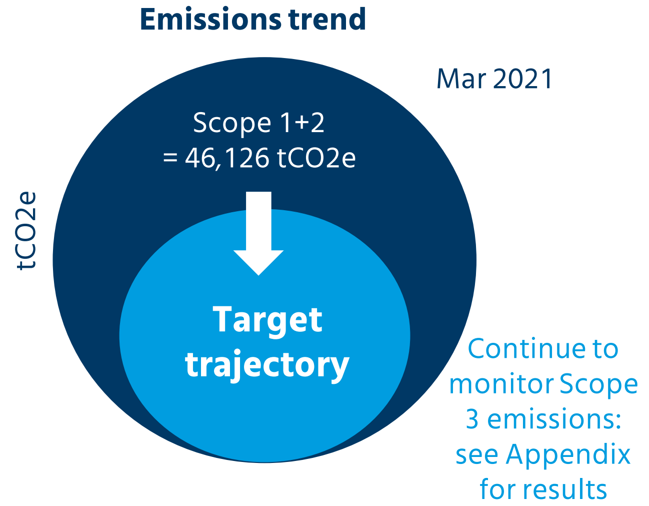


Fund Asset allocation as at 31 March 2021

Notes: *The data analysed excludes e.g. cash and derivative allocations within the funds analysed.

Setting the Baseline
Absolute Emissions – Listed Equity





c.10 wind turbines to offset

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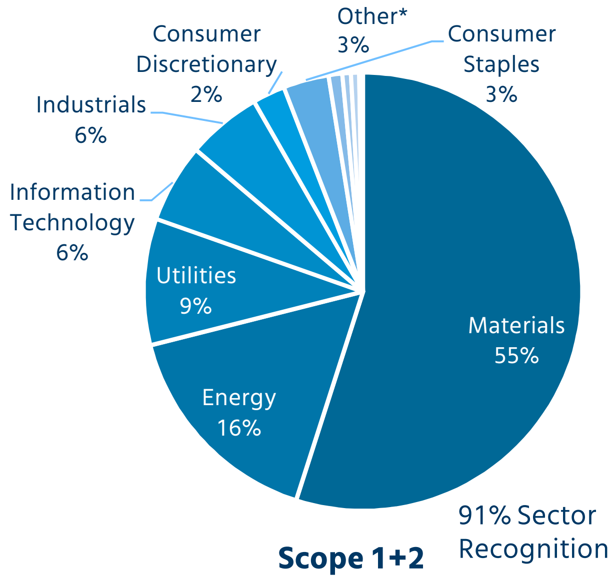
- We analysed listed equity allocations. Whilst Scope 1, 2 and 3 data has been analysed, Scope 3 data quality concerns and current consensus (IIGCC) suggests total portfolio target setting based on Scopes 1 & 2 only (see right hand chart). Scope 3 details can be found in the appendix.
- **Whilst emissions intensity give very valuable carbon risk and decarbonisation information, in order to create "real world" impact the Fund should reduce absolute emissions. Current Scope 1+2 emissions are 46,126 tCO2e,** which would require 10 average sized wind turbines to offset.*
- Data coverage for this analysis is c.95%, we assume companies not covered are represented *within* the range of companies that have been covered in the analysis.

Source: US EPA GHG Equivalencies Calculator. *2.32 $_{\text{MWaverage capacity}}$ x 0.34 x 8,760 hours/year x 1,000 kWh/MWh x 6.6204 x 10^{-4} metric tons CO_2/kWh reduced = 4,632 metric tons CO_2/year/wind turbine installed.

Mercer

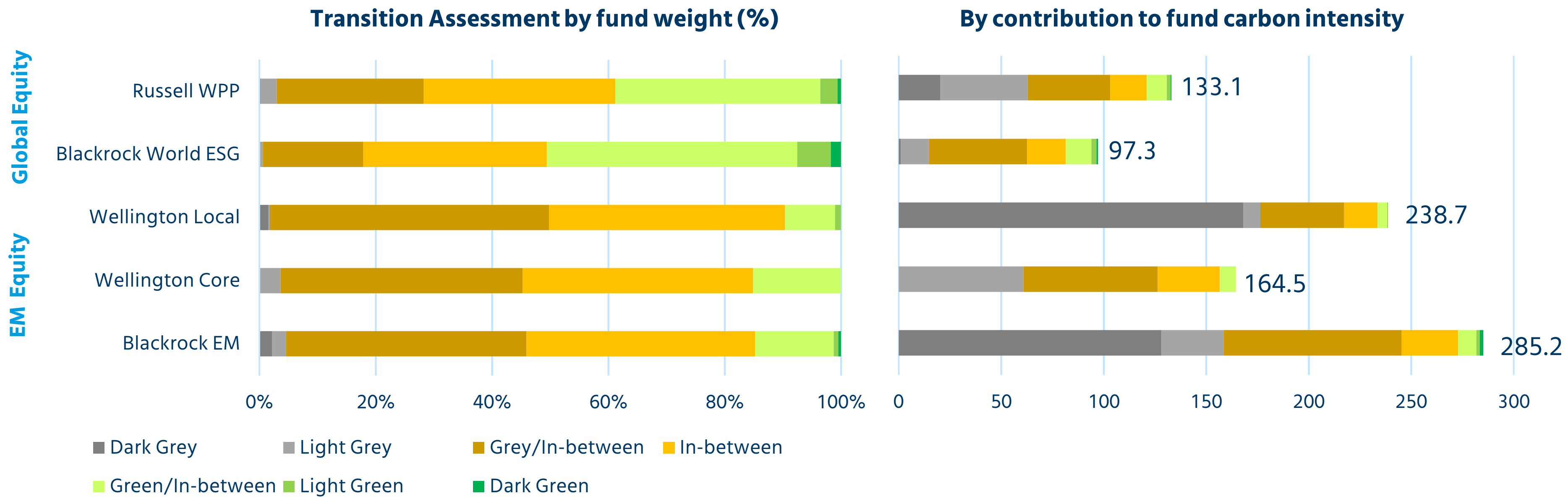
Decarbonisation – Absolute Emissions
Sector Assessment (Listed Equity Portfolio)



- Materials, Energy, and Utilities contribute the highest proportion across Scope 1+2 emissions.
- With a focus on Scope 1+2 absolute emissions, Materials, Energy, and Utilities account for c.80% of total absolute emissions.

Notes: Figures may not sum due to rounding. Analysis of listed equity allocations only. Analysis captures carbon dioxide equivalent emissions (see Appendix on limitations). Data coverage of c.95%. *includes Financials, Healthcare, Real Estate and Communication Services sectors.

Clwyd Transition Alignment
Fund Assessment (Listed Equity Portfolio)



- The listed equity portfolio is composed primarily of **in-between assets**, including **green/in-between** and **grey/in-between** assets.
- The highest proportion of **grey assets** are found within the **BlackRock EM** fund. This is mostly due to allocations to **Materials** (i.e. **China Resources Cement**) **and Energy** (i.e. **Coal India**) sectors.
- The fund with the highest proportion of **green assets** is **BlackRock World ESG** , in part due to allocations to electric Automobile Manufacturers (i.e. **TESLA INC.**) industry classified as **dark green**.
- The fund with the highest carbon intensity is the **BlackRock EM**, largely driven by exposure to utilities (main driver **Saudi Basic Industries Corporation SJSC**) and materials (main driver **ULTRATECH CEMENT LIMITED**) sector.
- The **BlackRock World ESG and Russell WPP** are the least carbon intensive funds.

Setting targets

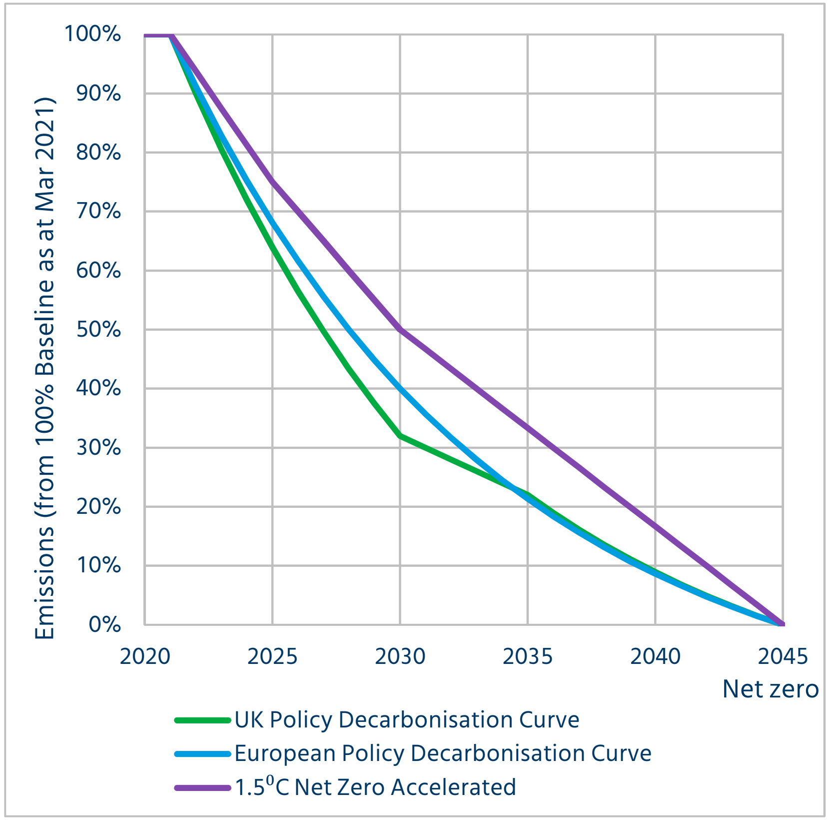
2

Clwyd Pension Fund
Decarbonisation Methodology (Scope 1+2)

Three different "decarbonisation curves" to set targets to 2025, 2030, **with net zero by 2050 or earlier**:

- **1.5^{0}C Net Zero Accelerated:** This targets a 50% reduction by 2030 and is more ambitious than the Intergovernmental Panel on Climate Change's (IPCC) 1.5^{0}C scenario that requires emissions to fall by 45% by 2030.
- **European Policy Curve:** aligning with the EU objective of a 60% emissions reduction to 2030, and objective to achieve climate neutrality in 2050. The EU Policy curve is not necessarily aligned with a specific scientific target, but does set out to align with the Paris Agreement of "well below 2^{0}C" scenario.
- **UK Policy Curve:** aligning with the UK Objective of a 68% emissions reduction to 2030, and achieve climate neutrality in 2050. The UK Policy curve is not necessarily aligned with a specific scientific target, but does set out to align with the Paris Agreement of "well below 2^{0}C" scenario.

Note: 2050 is the average net zero target year cited to achieve a 1.5^{0}C scenario, according to the 90x 1.5^{0}C scenarios analysed by the IPCC.



Notes: Analysis captures carbon dioxide equivalent emissions (see Appendix on limitations).

Implement a Transition Plan

3

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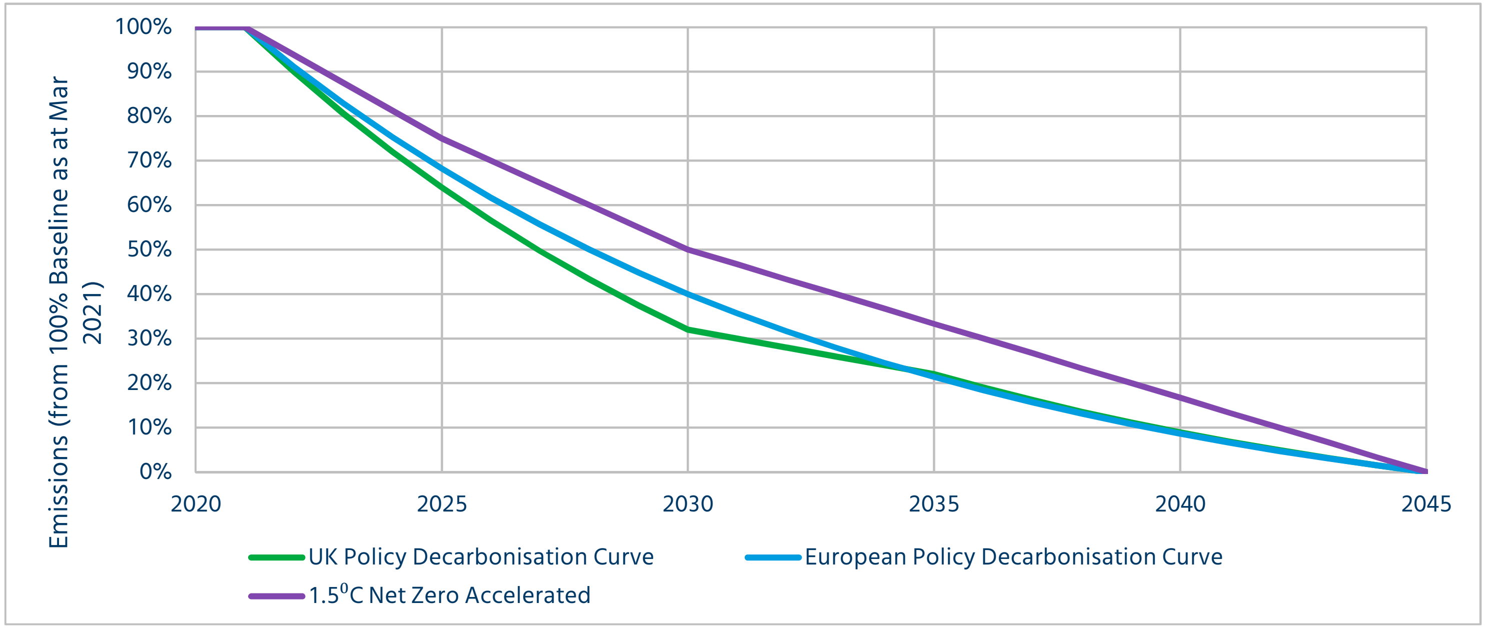
Target Setting - Listed Equity
Recommended Targets

- **Set a long-term total portfolio target: we recommend adopting the UK Policy Targets as the route to net zero by 2045.**

Emissions Reduction (%) needed to 2045 Net Zero	UK Policy Targets	European Policy Targets	1.5^{0}C Net Zero Accelerated
2025	36%	32%	25%
2030	68%	60%	50%



Listed Equity Portfolio
Summary Recommendations

	Integration (Risk Reduction)	Stewardship (Transition Support)	Investment (Solutions)
2030 + 2025	**Decarbonise the portfolio** • **Emissions Reduction Target**: 36% reduction by 2025 and 68.0% reduction by 2030 (vs 2021 baseline). **Decrease allocation to high carbon portfolio exposures.** **Fossil Fuel Reduction Targets:** • 70% by 2025 and 90% by 2030 for oil & gas. • 90% reduction by 2025 and 95% by 2030 for coal.	**Continual improvement in asset alignment with the low carbon transition.** **Focused Engagement**: A targeted focus on the top holdings identified across the material sectors of energy, utilities, materials, industrials sectors and emerging market allocations identified in this analysis - in proactive voting and engagement. Working in conjunction with WPP and Robeco target: • 70%* of financed emissions in material sectors aligned to net zero or subject to engagement by 2025. • 90%* of financed emissions in material sectors aligned to net zero or subject to engagement by 2030. • **Transition Improvement Target**: Shift all grey exposures into other transition categories by 2030.	**Increase allocation to low-carbon / sustainability-themed exposures, including transformative solutions.** For example, introduce an allocation to sustainable global equities. • **Green Solutions Target:** Target 30% of the listed equity portfolio in green and sustainable companies by 2030. Refine this to include a target allocation to climate solutions. Other asset classes: The Fund already has a 4% target asset allocation to local / impact investments which are likely to include low carbon sustainability themed investments.

*in terms of financed emissions. These are GHG emissions that result from activities in the real economy financed by an investor's lending and investment portfolios.

Listed Equity Portfolio
Summary Recommendations

	Integration (Risk Reduction)	Stewardship (Transition Support)	Investment (Solutions)
2022 – 2023	• For the listed equity portfolio, achieve c.27.6% of emissions reduction by 2023 (vs 2021 baseline). • Monitor fossil fuel exposures and ensure they are reducing. • Incorporate Scope 3 within emissions reduction efforts. Other asset classes: Develop emissions baseline for private market assets, in order to build total portfolio baseline/targets.	• Conduct annual stewardship monitoring, going forward. • Consider an initial focus on the Emerging market mandates, as well as top grey companies identified, for engagement within the listed equity portfolio. • Identify the top 10-20 key climate change holdings and work with managers, WPP and Robeco to understand actions and outcomes from engagement.	• Within the listed equity portfolio, achieve c.12% of the shift to green and sustainable companies by 2023. Other asset classes: Continue to identify and allocate to climate mitigation/ adaptation opportunities within private market mandates, as a priority, followed by understanding what is possible in other asset classes.
2021/ 22	• Communicate decarbonisation targets to WPP and listed equity managers, and consider setting individual manager targets. • Review reporting metrics for each of the components above and prepare a TCFD report for stakeholders.		

Notes: Further analysis will be required to understand what is feasible within private markets.

Incorporating other asset classes
Taking a whole of portfolio approach

- We set out a suggested timeline below for when asset classes will be covered by the ACT analysis.
- For a number of the asset classes the initial focus may be on disclosure over measurement, or the use of proxies to estimate emissions.

Asset class	Year
Listed Equity	2021
TAA	2022
Synthetic Equity	2022
Multi Asset Credit	2022
Property	2022
Infrastructure	2022/23
Private Equity	2022/23
Private Debt	2022/23
Hedge Funds	2022/23

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Clwyd Pension Fund

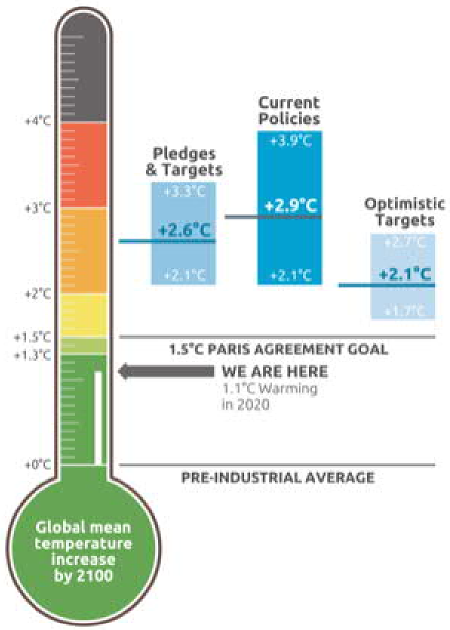
Analytics for Climate Transition (ACT) Appendix 2

October 2021

welcome to brighter

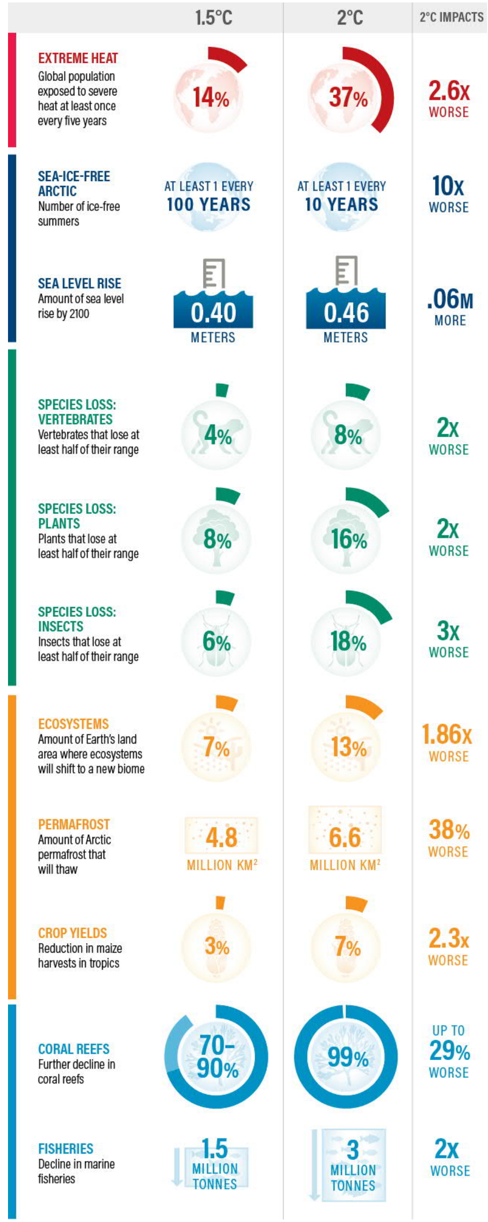
Background and Industry developments

Climate Change Scenarios
Commitments and the Science



- **Paris Agreement Aim: "**well below 2°C"
- **Global implementation of policies and pledges:** ~2.6°C to ~2.9°C
- **Business as usual (RCP 8.5):** ~2.6°C to ~4.8°C

- What the low carbon scenarios mean in practice:
  - For a c.50-67% chance of achieving a **1.5°C scenario**:
    - a 45% emissions reduction is required from 2010 levels to 2030 and the net zero target year is ~2050.
  - For a c.50-66% chance of achieving a **2°C scenario:**
    - a 25% emissions reduction is required from 2010 levels to 2030 and the net zero target year is ~2070.
  - The diagram (right) illustrates the difference **0.5°C** can make



Sources: Climate Action Tracker (December 2020 http://climateactiontracker.org/); IPCC - https://www.ipcc.ch/sr15/; WRI (2018) "8 Things You Need to Know About the IPCC 1.5^{0}C Report"; IPCC (2018) "Global Warming of 1.5^{0}C"

Low Carbon Transition targets
Definitions

Paris Alignment

Bringing investments in line with the objectives of the Paris Agreement.

To hold the mean surface temperature increase to “well below 2^{0}C above preindustrial levels and to pursue efforts to limit the increase to 1.5^{0}C”.

Net Zero

Bringing investments to a carbon neutral target.

In September 2020, the UN noted that 22 regions, 452 cities, 1,101 businesses, 549 universities and >45 of the biggest investors had net zero commitments.

The United Nations-Convened Net-Zero Asset Owner Alliance

Aiming to achieve net zero by 2050, representing $5.5 trillion of AUM and align portfolios with a 1.5 ^{0}C scenario.

IIGCC

“Paris Aligned Investor Initiative - PAII”. Committing to a goal of net zero emissions 2050 or sooner. The framework was developed by 70 investor representing $16 trillion of AUM.

Emerging but strong net zero target industry movement, regulatory direction and existing practice make target setting possible and targets achievable.

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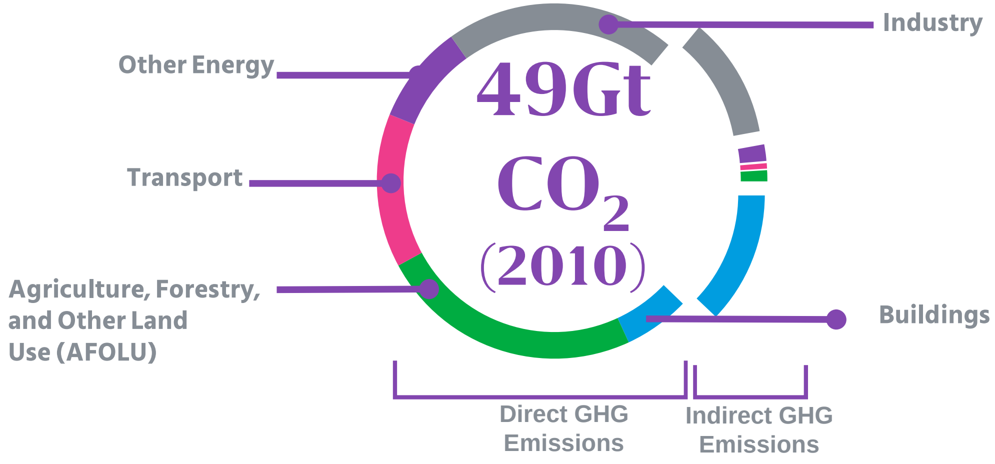
Sources: UNFCCC; IIGCC; Net Zero Asset Owner Alliance

Carbon Data
Sources of Greenhouse Gas Emissions

Greenhouse Gas Emissions by Economic Sectors (IPCC):

55%
Energy

45%
Industry / Materials
Agriculture / Land Use



Note: expressing emissions in carbon dioxide equivalents helps for consistent reporting across GHGs.
Source: IPCC (2018) "Global Warming of 1.5^{0}C"; *Scope 3 suffers from double counting issues, however the EU * and UK Regulations suggest this should not prevent investors from beginning to track such data. EU TEG report (2019) focus on Scope 3 as a proxy for risk, with double counting not presenting an issue, given decarbonisation is relative.

Baseline - further information

Transition Alignment and Emissions Baseline
For Annual Monitoring

	Fund	SAA Weight %	Implied Temperature Rise (°C)
Global Equity	Russell WPP	5.0%	**2.5**
	BlackRock World ESG	5.0%	**2.3**
EM Equity	Wellington Core	3.0%	**2.7**
	Wellington Local	3.0%	**2.3**
	BlackRock EM	4.0%	**2.8**

	Fund	SAA Weight %	Cove-rage	Absolute emissions (tCO2e based on value of investment)	WACI (tCO2e/$million sales)	Carbon Footprint (tCO2e/$million investment)
				Scope 1 + 2	Scope 1 + 2	Scope1 + 2
Global Equity	Russell WPP	5.0%		**8,523**	**133.1**	**61.2**
	BlackRock World ESG	5.0%		**5,435**	**97.3**	**36.2**
EM Equity	Wellington Core	3.0%		**7,813**	**164.5**	**89.2**
	Wellington Local	3.0%		**8,230**	**238.7**	**93.1**
	BlackRock EM	4.0%		**15,056**	**285.2**	**128.5**

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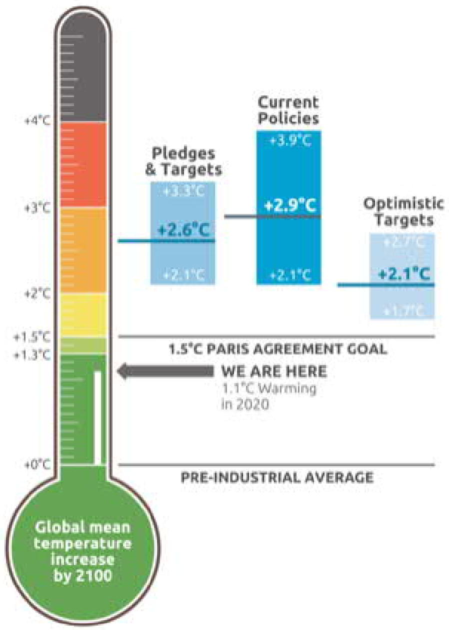
Good coverage

Some coverage and/or use of proxies

Not measured

Implied Temperature Rise
Important context

- The listed equity portfolio is currently on a 2.5°C pathway, on a weighted average basis. This compares to a 2.4°C pathway of the investable universe of listed global equities.
- All market stakeholders need to do more to achieve a 2.0°C, or lower, pathway.



- The Implied Temperature Rise, as based on MSCI metrics, analyses the "warming potential" or the contribution of a company's activities towards climate change.*
- It provides a temperature value that signifies which warming scenario (e.g., BAU, 3°C, 2°C, 1.5°C etc.) the company's activities are currently aligned with. Thereafter, a "portfolio warming potential" is calculated as a weighted aggregate of the company-level warming potential.
- Not many companies are currently aligned with a 2050 (or earlier) net zero pathway.
- However this is anticipated to change in the future.

Sources: Climate Action Tracker (December 2020 http://climateactiontracker.org/); IPCC - https://www.ipcc.ch/sr15/; WRI (2018) "8 Things You Need to Know About the IPCC 1.5°C Report"; IPCC (2018) "Global Warming of 1.5°C" *Calculating this metric relies on estimated data, models and numerous assumptions. Methodologies and results vary between data providers.

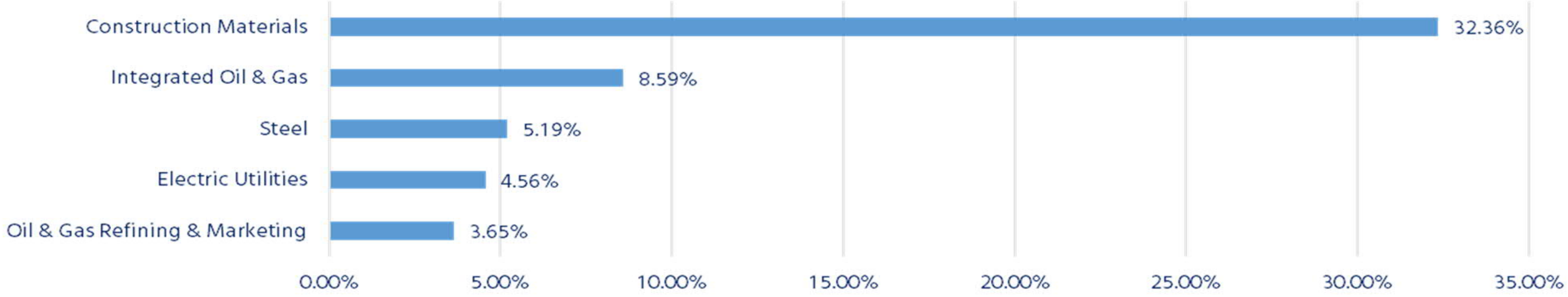
Potential Emissions Baseline – Fossil Fuel for Annual Monitoring

	Fund	SAA Weight %	Potential Emissions (MtCO2e) based on $ Billion of investment
Global Equity	Russell WPP	5.0%	**1,432,090**
	BlackRock World ESG	5.0%	**656,601**
EM Equity	Wellington Core	3.0%	**1,540,134**
	Wellington Local	3.0%	**6,465**
	BlackRock EM	4.0%	**4,977,629**
Listed Equity			**1,749,689**

Scope 1+2 further analysis

Decarbonisation – Absolute Emissions

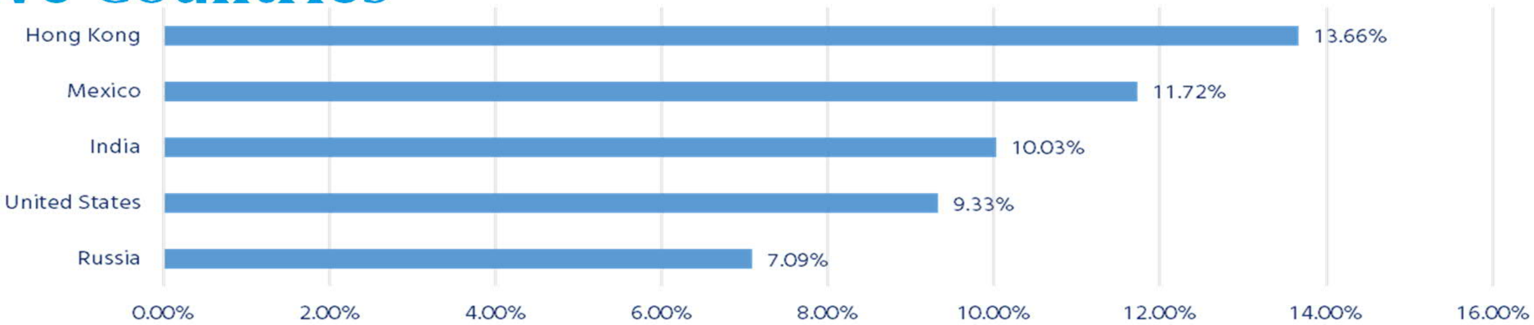
Top Five Sub-Industries



Scope 1+2

91% Sub-Industry Recognition

Top Five Countries



Scope 1+2

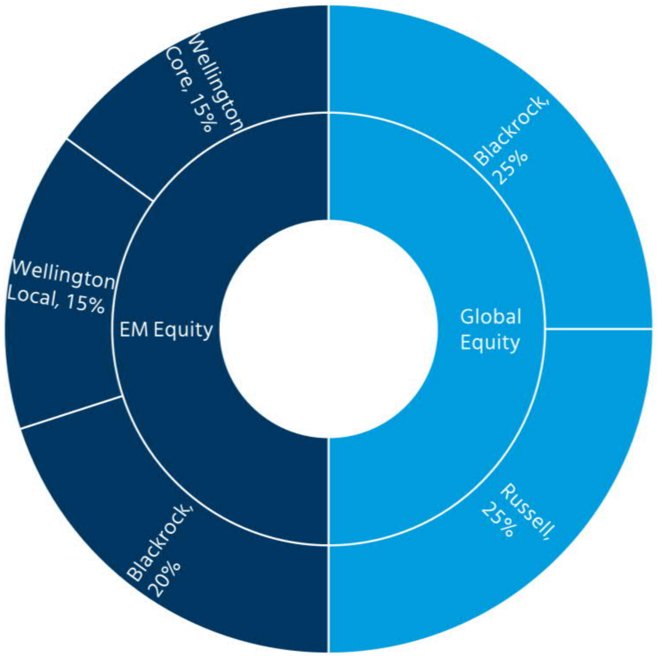
99% Country Recognition

Notes: Figures may not sum due to rounding. Analysis of listed equity allocations only. Analysis captures carbon dioxide equivalent emissions (see Appendix on limitations). Data coverage of c.95%.

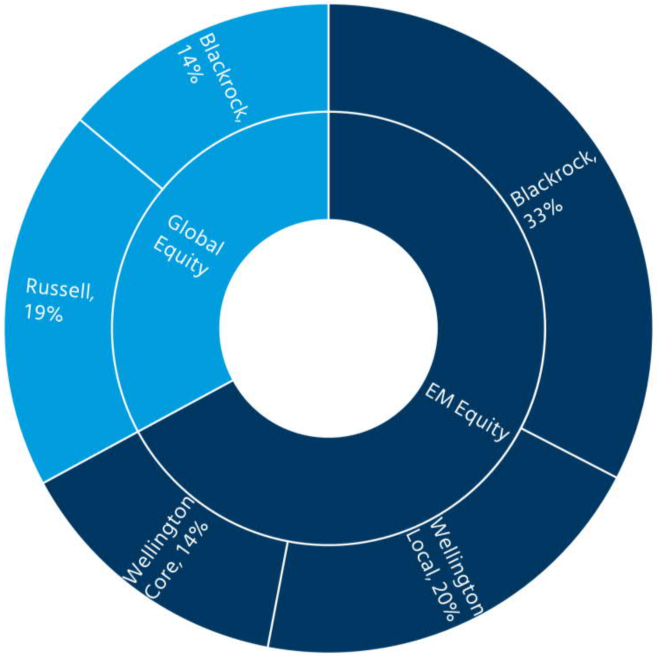
Setting the Baseline
WACI – Listed Equities

The charts compare the Clwyd Pension Fund strategic asset allocation for listed equities covered in this analysis, with the WACI of the mandates. The BlackRock EM equities account for c.33% of the portfolio´s WACI, while corresponding to 20% of the equities analysed.

Clwyd´s Strategic Asset Allocation (SAA) (%)



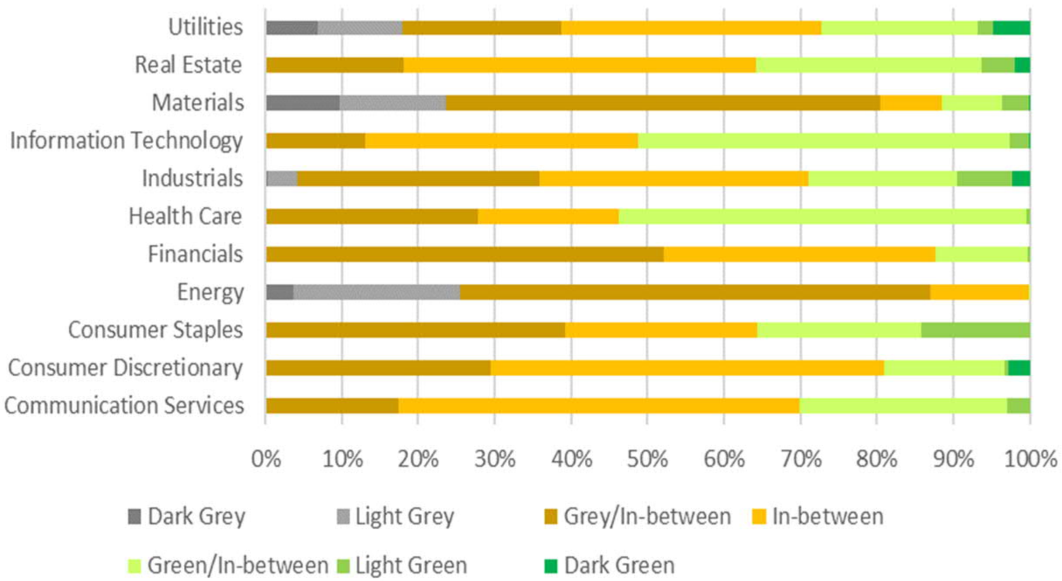
WACI contribution by Fund (%, Scope 1+2)



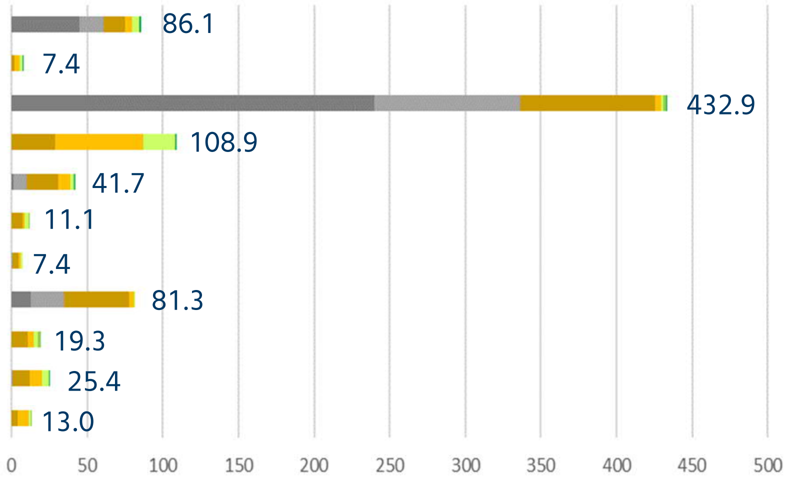
Notes: The asset allocation excludes absolute return and cash, not analysed in this report.

Clwyd Transition Alignment
Sector Assessment (Listed Equity Portfolio)

Transition Assessment by sector weight (%)

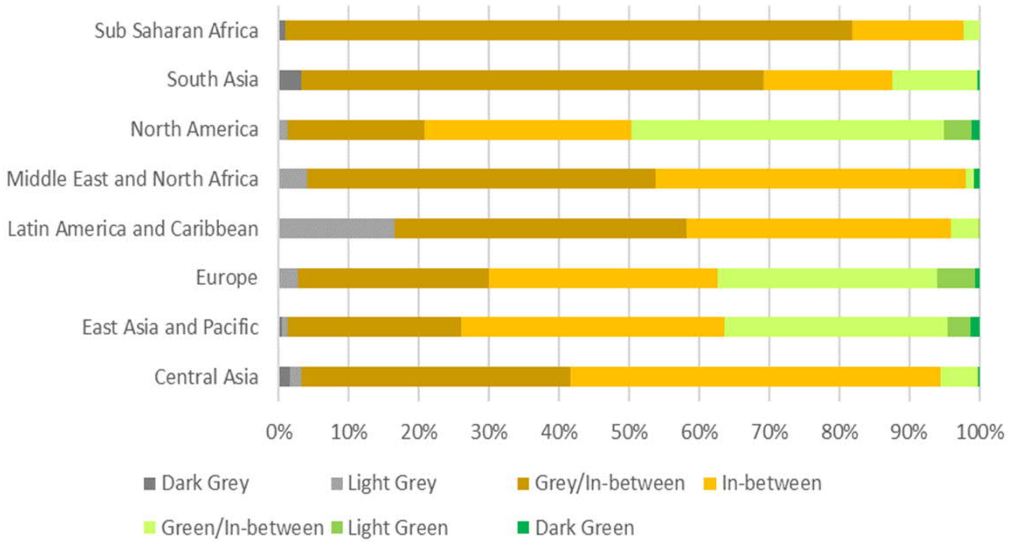


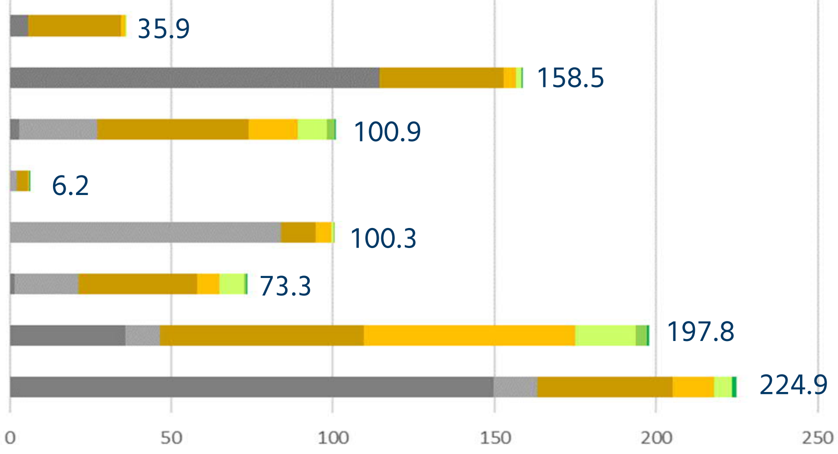
By contribution to sector carbon intensity



- **Grey assets** are concentrated primarily within **Materials and Energy.**
- The largest proportion of **dark green assets** sit within **Utilities** (Renewable Electricity account for the large proportion of materials exposure by weight), followed by **Consumer Discretionary** (with exposure to electric Automobile Manufacturers).
- **Materials** carbon intensity is mainly driven by Construction Materials. Materials accounts for just c.4.7% of the mandate's exposure, but 47.1% of the carbon intensity. With the greatest contribution coming from **China Resources Cement Holdings Limited**.

Clwyd Transition Alignment
Region Assessment (Listed Equity Portfolio)





- There is some exposure to **Dark grey assets** within **Central Asia and South Asia regions**, the main companies responsible for this are **China Resources Cement Holdings Limited and Ultratech Cement Limited** in each corresponding region.
- The largest proportion of **dark green assets** sits within **North America** and **East Asia and Pacific**, in terms of region weight, given exposures to Automobile Manufacturers and Consumers Electronics.
- In terms of carbon intensity, the greatest carbon intensity is found for **Central Asia,** as well as **East Asia and Pacific** (driven by exposure to the Constructions Materials and Semiconductors).
- Conversely, emissions intensity is lowest in **Middle East and North Africa and Sub Saharan Africa.**

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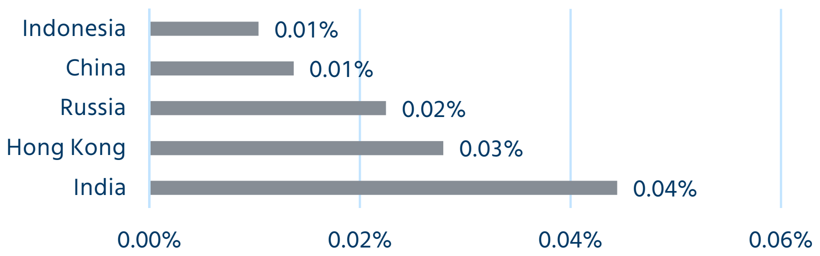
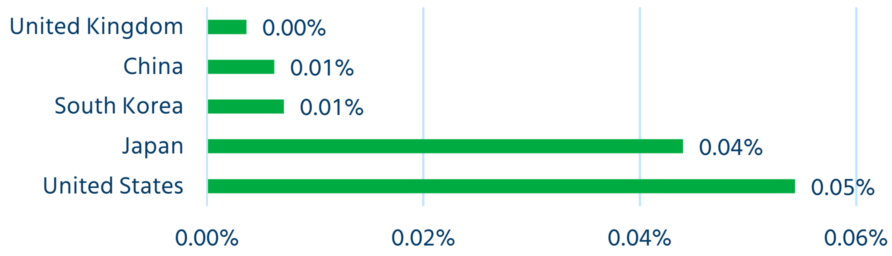
Clwyd Transition Alignment

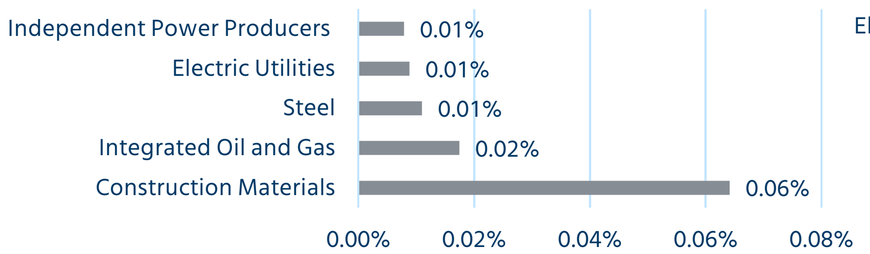
Countries - Top Grey and Green

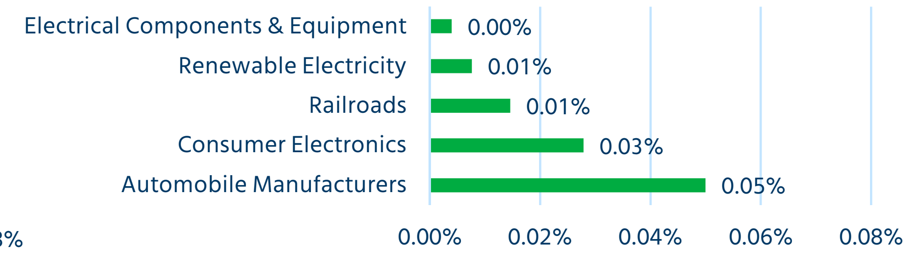




- In terms of countries, the country with the highest proportion of **dark grey assets** is **India.**
- As for **green assets**, the largest proportion sits within **United States**. This indicates a push towards low carbon solutions and markets within the listed portfolio.

Sub-Industries - Top Grey and Green





- Within the Sub industry sectors, **dark grey** assets are concentrated primarily within the Construction Materials sub-industry, however these account for a small proportion of the total portfolio.
- As for **green assets**, **Automobile Manufacturers** is the sub-industry leading the path.

Mercer Transition Assessment Category
Listed Equity Portfolio – March 2021

Top 20 worst companies by Mercer Transition Assessment Score

Company	Sector	Portfolio Weight (%)	Investment Value (£)	Mercer Transition Assessment Score	Mercer Transition Assessment Category
NTPC LIMITED	Utilities	0.00%	69,292	-15.2	Dark Grey
SASOL LIMITED	Materials	0.00%	84,109	-13.3	Dark Grey
PT Semen Indonesia (Persero) Tbk	Materials	0.01%	176,231	-13.0	Dark Grey
Saudi Electricity Company SJSC	Utilities	0.00%	51,860	-12.7	Dark Grey
VEDANTA LIMITED	Materials	0.00%	65,806	-12.5	Dark Grey
CHINA RESOURCES CEMENT HOLDINGS LIMITED	Materials	0.00%	563,925	-12.5	Dark Grey
CHINA HONGQIAO GROUP LIMITED	Materials	0.00%	25,059	-12.5	Dark Grey
China Shenhua Energy Company Limited	Materials	0.00%	86,288	-12.0	Dark Grey
COAL INDIA LTD	Energy	0.00%	27,455	-12.0	Dark Grey
ANHUI CONCH CEMENT COMPANY LIMITED	Materials	0.01%	111,317	-11.5	Dark Grey
BBMG Corporation	Materials	0.00%	5,448	-11.5	Dark Grey
SDIC Power Holdings Co., Ltd.	Utilities	0.00%	11,113	-11.3	Dark Grey
KOREA ELECTRIC POWER CORPORATION	Utilities	0.00%	52,514	-11.2	Dark Grey
INTER RAO YEES PAO	Utilities	0.00%	26,584	-11.1	Dark Grey
PT Indocement Tunggal Prakarsa Tbk	Materials	0.00%	17,432	-11.0	Dark Grey
JSW STEEL LIMITED	Materials	0.00%	62,537	-11.0	Dark Grey
NOVOLIPETSK STEEL PAO	Materials	0.00%	38,786	-11.0	Dark Grey
ULTRATECH CEMENT LIMITED	Materials	0.03%	550,198	-11.0	Dark Grey
Saudi Cement Company SJSC	Materials	0.00%	16,125	-10.5	Dark Grey
SHREE CEMENT LIMITED	Materials	0.00%	46,195	-10.5	Dark Grey
Total		**0.10%**			

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Mercer Transition Assessment Category
Russell WPP – March 2021

Top 10 worst companies by Mercer Transition Assessment Score

Company	Sector	Fund Weight (%)	Mercer Transition Assessment Score	Mercer Transition Assessment Category
PT Semen Indonesia (Persero) Tbk	Materials	0.1430%	-13.0	Dark Grey
ULTRATECH CEMENT LIMITED	Materials	0.0091%	-11.0	Dark Grey
NRG ENERGY, INC.	Utilities	0.0408%	-9.7	Dark Grey
CANADIAN NATURAL RESOURCES LIMITED	Energy	0.0211%	-9.6	Dark Grey
APA CORPORATION	Energy	0.1021%	-8.8	Light Grey
EREGLI DEMIR VE CELIK FABRIKALARI TURK ANONIM SIRKETI	Materials	0.1109%	-8.5	Light Grey
PINNACLE WEST CAPITAL CORPORATION	Utilities	0.0911%	-8.2	Light Grey
OCCIDENTAL PETROLEUM CORPORATION	Energy	0.1309%	-7.5	Light Grey
Japan Airlines Co., Ltd.	Industrials	0.3910%	-7.5	Light Grey
WEC ENERGY GROUP, INC.	Utilities	0.1031%	-7.5	Light Grey
Total		**1.14%**		

Mercer Transition Assessment Category
BlackRock World ESG – March 2021

Top 10 worst companies by Mercer Transition Assessment Score

Company	Sector	Fund Weight (%)	Mercer Transition Assessment Score	Mercer Transition Assessment Category
CF INDUSTRIES HOLDINGS, INC.	Materials	0.02%	-10.5	Dark Grey
EVRAZ PLC	Materials	0.01%	-10.0	Dark Grey
CENTERPOINT ENERGY, INC.	Utilities	0.02%	-8.5	Light Grey
HeidelbergCement AG	Materials	0.03%	-8.0	Light Grey
ArcelorMittal SA	Materials	0.04%	-8.0	Light Grey
SOUTHWEST AIRLINES CO.	Industrials	0.02%	-8.0	Light Grey
INPEX CORPORATION	Energy	0.01%	-7.8	Light Grey
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	Utilities	0.06%	-7.5	Light Grey
OCCIDENTAL PETROLEUM CORPORATION	Energy	0.05%	-7.5	Light Grey
Japan Airlines Co., Ltd.	Industrials	0.01%	-7.5	Light Grey
Total		**0.26%**		

Mercer Transition Assessment Category
Wellington Core – March 2021

Top 10 worst companies by Mercer Transition Assessment Score

Company	Sector	Fund Weight (%)	Mercer Transition Assessment Score	Mercer Transition Assessment Category
GRUPA LOTOS SPOLKA AKCYJNA	Energy	0.95%	-8.0	Light Grey
CEMEX, Sociedad Anonima Bursatil de Capital Variable	Materials	1.52%	-7.3	Light Grey
NK LUKOIL PAO	Energy	0.96%	-7.0	Light Grey
PTT EXPLORATION AND PRODUCTION PUBLIC COMPANY LIMITED	Energy	0.46%	-5.5	Grey/In-between
PAREX RESOURCES INC.	Energy	0.90%	-5.5	Grey/In-between
ALPEK, S.A.B. DE C.V.	Materials	0.52%	-5.0	Grey/In-between
HARMONY GOLD MINING COMPANY LIMITED	Materials	0.61%	-5.0	Grey/In-between
TURK TELEKOMUNIKASYON ANONIM SIRKETI	Communication Services	0.46%	-4.8	Grey/In-between
Gold Fields Limited	Materials	0.60%	-4.5	Grey/In-between
TAL EDUCATION GROUP	Consumer Discretionary	0.38%	-4.5	Grey/In-between
Total		**7.35%**		

Mercer Transition Assessment Category
Wellington Local – March 2021

Top 10 worst companies by Mercer Transition Assessment Score

Company	Sector	Fund Weight (%)	Mercer Transition Assessment Score	Mercer Transition Assessment Category
CHINA RESOURCES CEMENT HOLDINGS LIMITED	Materials	0.81%	-12.5	Dark Grey
ULTRATECH CEMENT LIMITED	Materials	0.67%	-11.0	Dark Grey
CEMEX, Sociedad Anonima Bursatil de Capital Variable	Materials	0.25%	-7.3	Light Grey
RELIANCE INDUSTRIES LIMITED	Energy	0.80%	-5.2	Grey/In-between
CP All Public Company Limited	Consumer Staples	0.39%	-5.0	Grey/In-between
MINTH GROUP LIMITED	Consumer Discretionary	0.63%	-5.0	Grey/In-between
YDUQS Participacoes S.A.	Consumer Discretionary	0.51%	-4.5	Grey/In-between
NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.	Consumer Discretionary	1.02%	-4.5	Grey/In-between
TAL EDUCATION GROUP	Consumer Discretionary	0.25%	-4.5	Grey/In-between
TUBE INVESTMENTS OF INDIA LIMITED	Materials	1.84%	-4.5	Grey/In-between
Total		**7.18%**		

Mercer Transition Assessment Category
BlackRock EM – March 2021

Top 10 worst companies by Mercer Transition Assessment Score

Company	Sector	Fund Weight (%)	Mercer Transition Assessment Score	Mercer Transition Assessment Category
NTPC LIMITED	Utilities	0.08%	-15.2	Dark Grey
SASOL LIMITED	Materials	0.10%	-13.3	Dark Grey
PT Semen Indonesia (Persero) Tbk	Materials	0.03%	-13.0	Dark Grey
Saudi Electricity Company SJSC	Utilities	0.06%	-12.7	Dark Grey
VEDANTA LIMITED	Materials	0.07%	-12.5	Dark Grey
CHINA RESOURCES CEMENT HOLDINGS LIMITED	Materials	0.04%	-12.5	Dark Grey
CHINA HONGQIAO GROUP LIMITED	Materials	0.03%	-12.5	Dark Grey
China Shenhua Energy Company Limited	Materials	0.09%	-12.0	Dark Grey
COAL INDIA LTD	Energy	0.03%	-12.0	Dark Grey
ANHUI CONCH CEMENT COMPANY LIMITED	Materials	0.12%	-11.5	Dark Grey
Total		**0.66%**		

Potential Emissions – Fossil Fuel
Russell WPP – March 2021

Top companies by Thermal Coal Potential Emissions

Company	Sector	Fund Weight (%)	Thermal Coal Potential Emissions (MtCO2e)
BHP GROUP PLC	Materials	0.51%	1,302
BHP GROUP LIMITED	Materials	0.02%	1,302
VALE S.A.	Materials	0.48%	390
MITSUI & CO., LTD.	Industrials	0.39%	125
No more contributors			
Total		**1.40%**	

Top companies by Natural Gas Potential Emissions

Company	Sector	Fund Weight (%)	Natural Gas Potential Emissions (MtCO2e)
BP P.L.C.	Energy	0.48%	2,369
TotalEnergies SE	Energy	0.52%	2,160
ROYAL DUTCH SHELL PLC	Energy	0.03%	1,457
NK LUKOIL PAO	Energy	0.05%	1,195
GMK NORIL'SKIY NIKEL' PAO	Materials	0.26%	466
Total		**1.34%**	

Top companies by Oil Potential Emissions

Company	Sector	Fund Weight (%)	Oil Potential Emissions (MtCO2e)
NK LUKOIL PAO	Energy	0.05%	4,946
CANADIAN NATURAL RESOURCES LIMITED	Energy	0.02%	4,929
BP P.L.C.	Energy	0.48%	4,559
Petroleo Brasileiro S.A. (Petrobras)	Energy	0.32%	3,197
TotalEnergies SE	Energy	0.52%	2,696
Total		**1.39%**	

Potential Emissions – Fossil Fuel
BlackRock World ESG – March 2021

Top companies by Thermal Coal Potential Emissions

Company	Sector	Fund Weight (%)	Thermal Coal Potential Emissions (MtCO2e)
GLENCORE PLC	Materials	0.08%	2,971
ITOCHU Corporation	Industrials	0.09%	570
MITSUI & CO., LTD.	Industrials	0.07%	125
Mitsubishi Corporation	Industrials	0.07%	64
BERKSHIRE HATHAWAY INC.	Financials	0.69%	32
Total		**0.99%**	

Top companies by Natural Gas Potential Emissions

Company	Sector	Fund Weight (%)	Natural Gas Potential Emissions (MtCO2e)
BP P.L.C.	Energy	0.17%	2,369
TotalEnergies SE	Energy	0.23%	2,160
CHEVRON CORPORATION	Energy	0.39%	2,053
EXXON MOBIL CORPORATION	Energy	0.47%	2,047
ENI S.P.A.	Energy	0.06%	1,097
Total		**1.32%**	

Top companies by Oil Potential Emissions

Company	Sector	Fund Weight (%)	Oil Potential Emissions (MtCO2e)
BP P.L.C.	Energy	0.17%	4,559
EXXON MOBIL CORPORATION	Energy	0.47%	3,859
CHEVRON CORPORATION	Energy	0.39%	3,007
TotalEnergies SE	Energy	0.23%	2,696
ENI S.P.A.	Energy	0.06%	1,487
Total		**1.32%**	

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Potential Emissions – Fossil Fuel
Wellington Core – March 2021

Top companies by Thermal Coal Potential Emissions

Company	Sector	Fund Weight (%)	Thermal Coal Potential Emissions (MtCO2e)
ANGLO AMERICAN PLC	Materials	2.29%	467
No more contributors			
Total		**2.29%**	

Top companies by Natural Gas Potential Emissions

Company	Sector	Fund Weight (%)	Natural Gas Potential Emissions (MtCO2e)
NK LUKOIL PAO	Energy	0.96%	1,195
PTT EXPLORATION AND PRODUCTION PUBLIC COMPANY LIMITED	Energy	0.46%	252
GRUPA LOTOS SPOLKA AKCYJNA	Energy	0.95%	4
PAREX RESOURCES INC.	Energy	0.90%	2
No more contributors			
Total		**3.27%**	

Top companies by Oil Potential Emissions

Company	Sector	Fund Weight (%)	Oil Potential Emissions (MtCO2e)
NK LUKOIL PAO	Energy	0.96%	4,946
PTT EXPLORATION AND PRODUCTION PUBLIC COMPANY LIMITED	Energy	0.46%	125
PAREX RESOURCES INC.	Energy	0.90%	46
GRUPA LOTOS SPOLKA AKCYJNA	Energy	0.95%	26
No more contributors			
Total		**3.27%**	

Potential Emissions – Fossil Fuel
Wellington Local – March 2021

Top companies by Thermal Coal Potential Emissions

Company	Sector	Fund Weight (%)	Thermal Coal Potential Emissions (MtCO2e)
No more contributors			
Total		**0.00%**	

Top companies by Natural Gas Potential Emissions

Company	Sector	Fund Weight (%)	Natural Gas Potential Emissions (MtCO2e)
RELIANCE INDUSTRIES LIMITED	Energy	0.80%	144
No more contributors			
Total		**0.80%**	

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Top companies by Oil Potential Emissions

Company	Sector	Fund Weight (%)	Oil Potential Emissions (MtCO2e)
RELIANCE INDUSTRIES LIMITED	Energy	0.80%	27
No more contributors			
Total		**0.80%**	

Potential Emissions – Fossil Fuel
BlackRock EM – March 2021

Top companies by Thermal Coal Potential Emissions

Company	Sector	Fund Weight (%)	Thermal Coal Potential Emissions (MtCO2e)
COAL INDIA LTD	Energy	0.03%	21,980
Shaanxi Coal Industry Company Limited	Energy	0.01%	15,002
China Shenhua Energy Company Limited	Materials	0.10%	11,013
NTPC LIMITED	Utilities	0.08%	7,306
Yanzhou Coal Mining Company Limited	Materials	0.02%	5,002
Total		**0.24%**	

Top companies by Natural Gas Potential Emissions

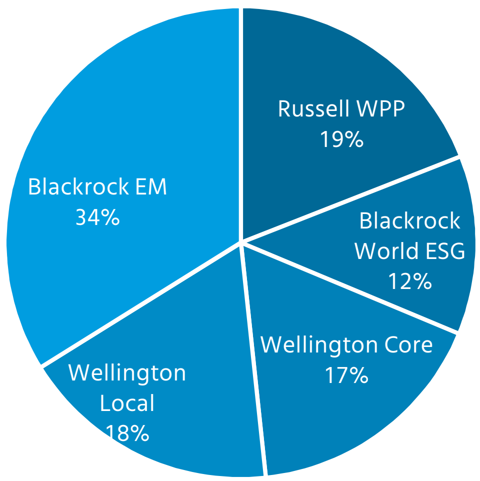
Company	Sector	Fund Weight (%)	Natural Gas Potential Emissions (MtCO2e)
GAZPROM PAO	Energy	0.44%	36,701
Saudi Arabian Oil Company	Energy	0.26%	10,059
NOVATEK PAO	Energy	0.22%	4,749
NK ROSNEFT' PAO	Energy	0.11%	4,150
PetroChina Company Limited	Energy	0.10%	4,122
Total		**1.13%**	

Top companies by Oil Potential Emissions

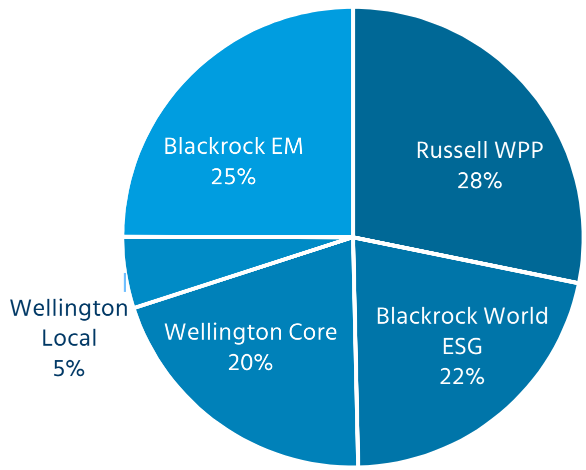
Company	Sector	Fund Weight (%)	Oil Potential Emissions (MtCO2e)
Saudi Arabian Oil Company	Energy	0.26%	94,781
NK ROSNEFT' PAO	Energy	0.11%	10,920
NK LUKOIL PAO	Energy	0.42%	4,946
GAZPROM PAO	Energy	0.44%	4,773
Petroleo Brasileiro S.A. (Petrobras)	Energy	0.43%	3,197
Total		**1.66%**	

Scope 1, 2+3 further analysis

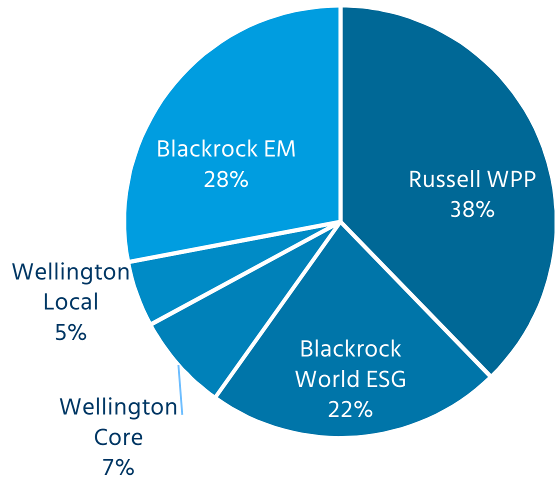
Decarbonisation – Absolute Emissions
Fund Assessment (Listed Equity Portfolio)



Scope 1+2



Scope 3 Downstream

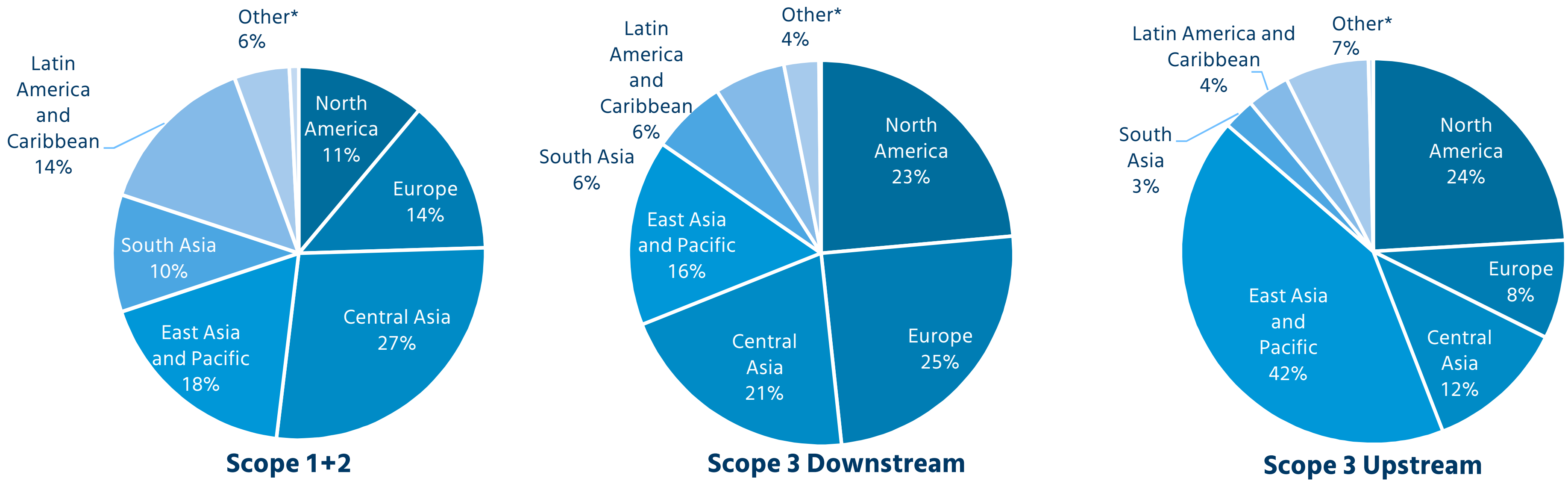


Scope 3 Upstream

- BlackRock EM fund is the source of the majority of Scope 1+2 Emissions (c.34%).
- The value of investments has an impact on absolute emissions attribution (i.e. relative ownership of assets). However the listed equity fund with the second lowest investment value - BlackRock EM - accounts for a high proportion of absolute emissions (c.34%) for Scope 1+2 emissions .

Notes: Figures may not sum due to rounding. Analysis of listed equity allocations only. Analysis captures carbon dioxide equivalent emissions (see Appendix on limitations). Data coverage of c.95%.

Decarbonisation – Absolute Emissions
Region Assessment (Listed Equity Portfolio)



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- The three key regions most responsible for absolute emissions, across all scopes, are Central Asia, North America, and East Asia and Pacific (c.56-78% of emissions across scopes), suggesting the presence of regional value chains.

Notes: Figures may not sum due to rounding. Analysis of listed equity allocations only. Analysis captures carbon dioxide equivalent emissions (see Appendix on limitations). Data coverage of c.95%. *includes Sub Saharan Africa and Middle East and North Africa regions.

Transition Alignment and Emissions Baseline for Annual Monitoring

	Fund	SAA Weight %	Implied Temper-ature Rise (°C)
Global Equity	Russell WPP	5.0%	**2.5**
	BlackRock World ESG	5.0%	**2.3**
EM Equity	Wellington Core	3.0%	**2.7**
	Wellington Local	3.0%	**2.3**
	BlackRock EM	4.0%	**2.8**

	Fund	SAA Weight %	Cove-rage	Absolute emissions (tCO2e based on value of investment)			WACI (tCO2e/$million sales)			Carbon Footprint (tCO2e/$million investment)		
				Scope 1 + 2	Scope 3 upstre-am	Scope 3 downs-tream	Scope 1 + 2	Scope 3 upstre-am	Scope 3 downs -tream	Scope 1 + 2	Scope 3 upstr e-am	Scope 3 down s-tream
Global Equity	Russell WPP	5.0%		**8,522.8**	27,592.3	40,132.8	**133.1**	263.1	399.8	**61.2**	134.3	208.4
	BlackRock World ESG	5.0%		**5,434.7**	16,014.5	30,200.6	**97.3**	208.1	304.8	**36.2**	80.1	151.3
EM Equity	Wellington Core	3.0%		**7,812.9**	5,431.3	29,729.0	**164.5**	191.3	475.4	**89.2**	96.2	326.8
	Wellington Local	3.0%		**8,229.5**	3,707.4	7,377.3	**238.7**	186.0	392.6	**93.1**	53.6	83.5
	BlackRock EM	4.0%		**15,055.6**	20,315.8	35,270.4	**285.2**	393.0	563.2	**128.5**	108.2	326.8

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Good coverage

Some coverage and/or use of proxies

Not measured

Methodology

Low Carbon Transition
Potential Emissions in Detail

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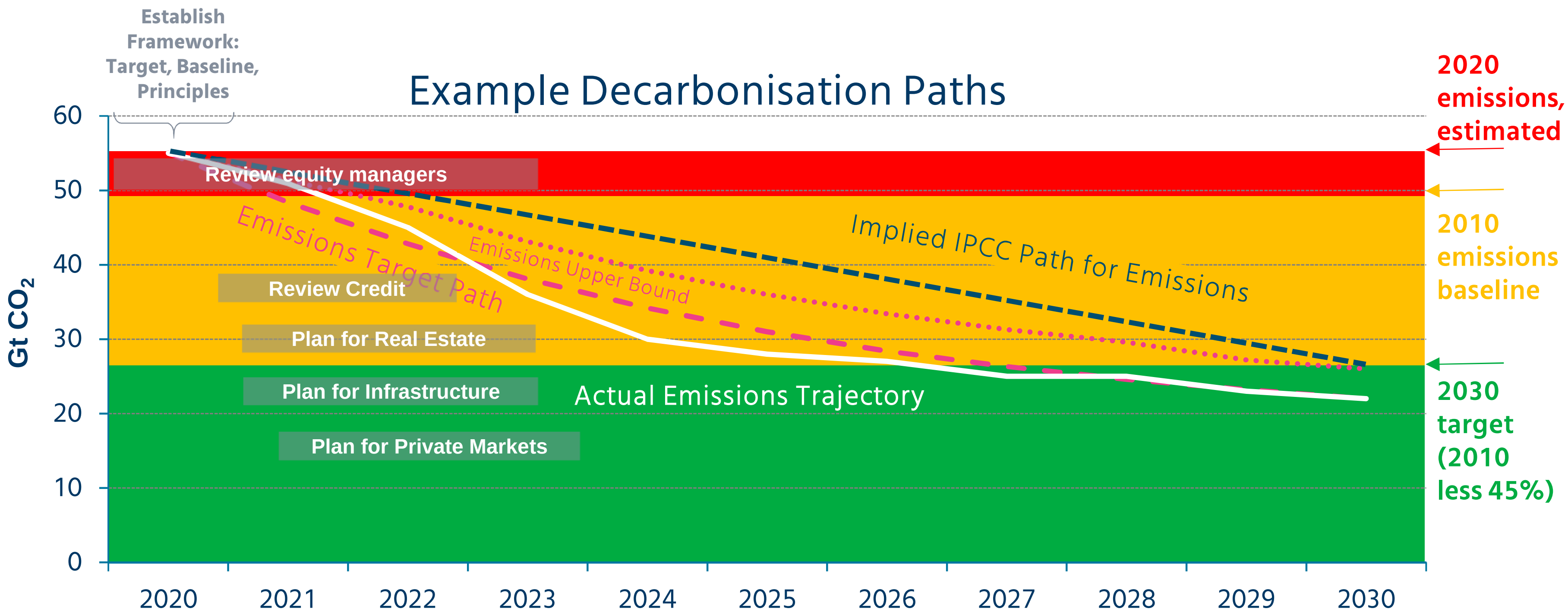
Measure of possible 'future' emissions

Potential Emissions from Fossil Fuel Reserves
• Potential emissions from fossil fuel reserves • **Carbon emissions (Metric tons), based on $ Billion of investment** • Measures the portfolio's exposure to fossil fuel reserves, as a proxy for stranded asset risk

Planning the Path
Total Portfolio Decarbonisation Target Setting

- **Markets anticipate change; the portfolio should decarbonise before the planet does**
  There is evidence that markets are already recognising climate change considerations.
- **Prioritise 'easy wins': high emitting, liquid strategies, with investable alternatives**
  It is pragmatic to prioritise areas of the portfolio where change is feasible.
- **Decarbonisation-at-the-Right-Price; build dynamism into the strategic plan**
  Market trends create excesses, which may inform the timing of transitions away from high emission stocks.



Clwyd Pension Fund
Manager engagement guidance 2021-2022

- **Example questions when engaging with managers:**

  Which are the priority managers to engage with – further analysis to uncover the exact approach .

  - Do the managers agree with the Clwyd's decarbonisation conclusions?
  - Do the managers' decarbonisation ambitions align with those of the Fund? Has the manager made a 2050 net zero commitment? Does the manager have decarbonisation ambition and decarbonisation targets for the next 5 years and 10 years, respectively? If not, why not? If so, are the 2025 and 2030 targets sufficiently ambitious?
  - In line with the latest UK Regulatory Guidance "Taking Action on Climate Risk", does the manager analyse absolute emissions, emissions intensity and additional metrics, regularly, to inform fund decision-making?
  - Does the manager regularly provide reporting to the Fund on emissions and low carbon transition alignment?
  - Does it also provide a summary on those companies that are leading or lagging on decarbonisation efforts? Does it set out stewardship action plans for engaging those companies on the low carbon transition?
  - Where grey/carbon intensive exposures remain, can the manager justify these as the only option for delivering the stated investment objective?

Decarbonisation Curve
European Policy

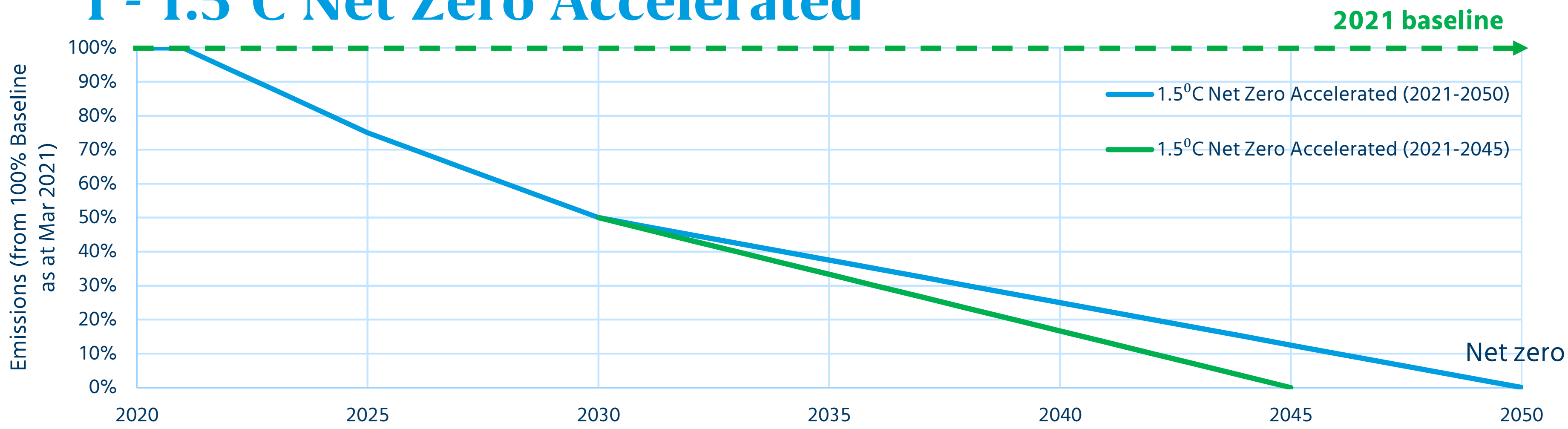
Using a 2021 baseline:	Emissions reduction to 2030 (%)	Emissions reduction to 2050 (%)
Policy scenario	-60%	*Net zero*

- In this approach, we focus on the policy ambitions of the European Union. The European Parliament has voted in favour of achieving a -60% emissions reduction to 2030, based on 1990 levels, towards achieving climate neutrality by 2050. Note: this differs, and is more ambitious than, the European Commission's target of a -55% emissions reduction to 2030 based on 1990 levels.
- We integrate the -60% emissions reduction assumption to 2030 into the listed equity portfolio emissions trajectory to develop decarbonisation targets, founded within European policy.
- **Advantage:** The European rhetoric on decarbonisation ambition is likely to centre on European policy, with this approach helping to tie the Fund into the wider policy landscape, including regulations (e.g. SFDR), and best practice (e.g. European Union Paris Aligned Benchmark).
- **Disadvantage:** The European policy landscape adopts a 1990 baseline, whilst Mercer adopts a 2021 baseline given the lack of data availability for 1990. The European data shows that the European Union has decarbonised by c.-23% over the past three decades (1990-2018).

Source: Europa website; https://ec.europa.eu/clima/news/eu-greenhouse-gas-emissions-down_en

Decarbonisation Targets (Scope 1+2)

1 - 1.5^{0}C Net Zero Accelerated

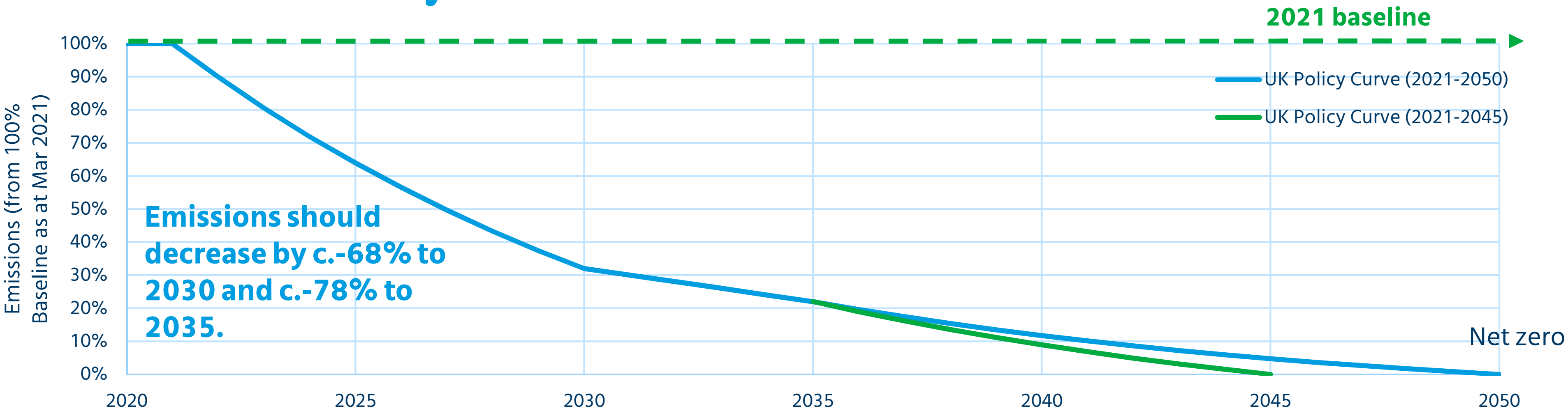


	2045 Net Zero		2050 Net Zero	
	Absolute emissions (tCO2e), Scope 1 and Scope 2	*Percentage reduction from 2021 baseline (%)*	Absolute emissions (tCO2e), Scope 1 and Scope 2	*Percentage reduction from 2021 baseline (%)*
2021	46,126	-	46,126	-
2025	34,595	-25.0%	34,595	-25.0%
2030	23,063	-50.0%	23,063	-50.0%
2035	15,375	-66.7%	17,297	-62.5%
2045	Net zero		5,766	-87.5%
2050	-	-	Net zero	

- We do not analyse net negative assumptions in this report, however the complete decarbonisation of the listed portfolio may require net negative approaches and technologies, in the future, by companies and/or investment managers.
- We assume the 2021 carbon emission value as the baseline, accounting Listed Equity.
- For the decarbonisation required to achieve net zero, the Fund's listed portfolio needs to **reduce emissions by c.-5.6% a year from 2022-2030**. From 2030, and towards a net zero target by 2050, emissions reductions would be equivalent to c.-2.5% p.a., as compared with c.-3.3% p.a. for a 2045 net zero target.

Notes: The coverage is c.95%, we therefore assume companies not covered by the analysis are represented *within* the range of companies that have been covered in the analysis. Analysis captures carbon dioxide equivalent emissions (see Appendix on limitations).

Decarbonisation Targets (Scope 1+2)
2 – UK Policy Curve

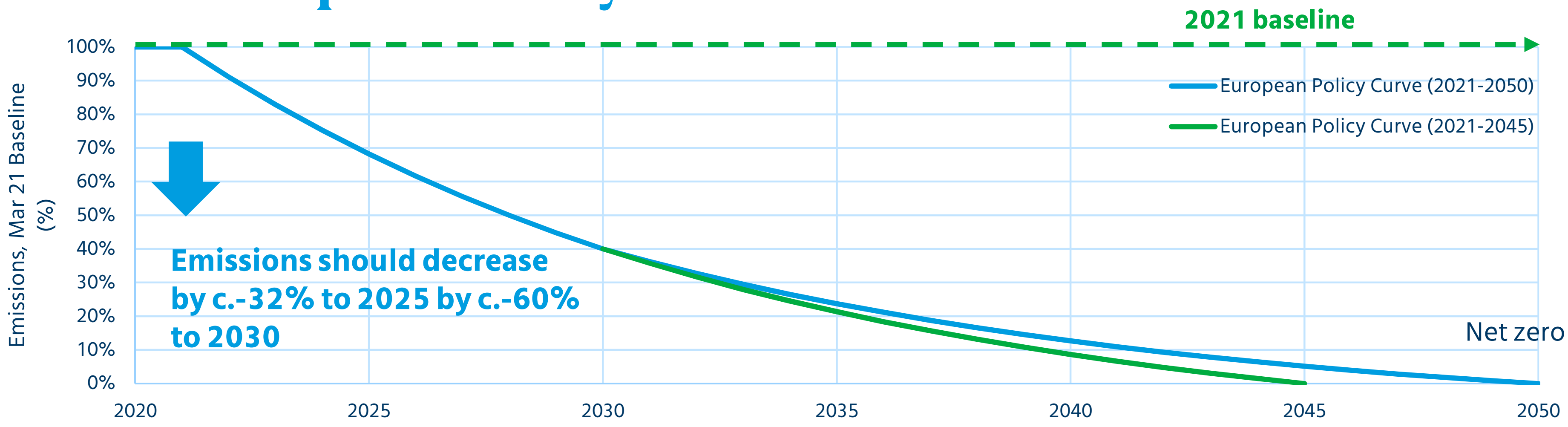


	Listed Equity (2050 Net zero)		*Listed Equity (2045 Net zero)*	
	Absolute emissions (tCO2e), Scope 1 and Scope 2	*Percentage reduction from 2021 baseline (%)*	Absolute emissions (tCO2e), Scope 1 and Scope 2	*Percentage reduction from 2021 baseline (%)*
2021	*46,126*	-	*46,126*	-
2025	*29,494*	-36.1%	*29,494*	-36.1%
2030	*14,760*	-68.0%	*14,760*	-68.0%
2035	*10,148*	-78.0%	*10,148*	-78.0%
2045	*2,192*	-95.2%	*Net Zero*	
2050	*Net Zero*		-	

- As with all targets analysed, the focus is on strong upfront action in the easier to mitigate sectors and asset classes. The UK Policy Curve targets a c-68.0% reduction by 2030.
- For the decarbonisation required to achieve net zero, the Fund's listed portfolio needs to **reduce emissions by c.-7.6% a year from 2022-2030**. From 2035, and towards a net zero target by 2050, emissions reductions would be equivalent to c.-1.5% p.a., as compared with c.-2.2% p.a. for a 2045 net zero target.
- Net negative assumptions are not analysed, however the carbon neutrality may require net negative approaches, by companies and/or investment managers.

Notes: The coverage is c.95%, we therefore assume companies not covered by the analysis are represented *within* the range of companies that have been covered in the analysis. Analysis captures carbon dioxide equivalent emissions (see Appendix on limitations). Source data: UK enshrines new target in law to slash emissions by 78% by 2035 - GOV.UK (www.gov.uk)

Decarbonisation Targets (Scope 1+2)
3 - European Policy



	Listed Equity (2050 Net zero)		*Listed Equity (2045 Net zero)*	
	Absolute emissions (tCO2e), Scope 1 and Scope 2	*Percentage reduction from 2021 baseline (%)*	Absolute emissions (tCO2e), Scope 1 and Scope 2	*Percentage reduction from 2021 baseline (%)*
2021	*46,126*	-	*46,126*	-
2025	*31,451*	*-31.8%*	*31,451*	*-31.8%*
2030	*18,450*	*-60.0%*	*18,450*	*-60.0%*
2035	*10,945*	*-76.3%*	*9,842*	*-78.7%*
2045	*2,364*	*-94.9%*	*Net zero*	
2050	*Net zero*		-	

- Adopting the European policy pathway recommends for a **c.-8.0% p.a. reduction to 2025, c.-6.7% p.a. to 2030 and c.-5.5% p.a. reduction to 2035**. We adopt accelerated action to the 2030 -60% target, followed by accelerated action post-2035, equivalent to a c.-1.6% p.a. reduction towards a 2050 net zero target, this compares to c.-2.1% p.a. in an accelerated path to net zero by 2045.
- As with the previous targets analysed, net negative assumptions are not analysed, however the carbon neutrality may require net negative approaches, by companies and/or investment managers.

Notes: The coverage is c.87%, we therefore assume companies not covered by the analysis are represented *within* the range of companies that have been covered in the analysis. Analysis captures carbon dioxide equivalent emissions (see Appendix on limitations).

Recommended Pathways
Decarbonisation Curves

Year	UK Policy Curve (%)	Year-on-year emissions reduction (%)
Mar 2021	100.0	-10.1
2022	89.9	-9.3
2023	80.6	-8.6
2024	71.9	-8.0
2025	63.9	-7.4
2026	56.5	-6.9
2027	49.7	-6.4
2028	43.3	-5.9
2029	37.4	-5.4
2030	32.0	-2.0
2031	30.0	-2.0
2032	28.0	-2.0
2033	26.0	-2.0
2034	24.0	-2.0
2035	22.0	-3.0
2036	19.0	-2.8
2037	16.2	-2.6
2038	13.5	-2.4
2039	11.1	-2.2
2040	8.9	-2.1
2041	6.8	-1.9
2042	4.9	-1.8
2043	3.2	-1.6
2044	1.5	-1.5
2045	0.0	0.0

- **Annual decarbonisation targets for the listed portfolio.**
- Potential basis for annual reporting aligned with the latest UK regulation (TCFD), manager engagement and forthcoming UK implementation of sustainability disclosures regulation.
- The accelerated action in early years focus on the easier to mitigate assets, followed by e.g. property and infrastructure, with action in the later years in the harder to mitigate asset (e.g. private debt).
- Commit to continuing to monitor Scope 3 emissions, and consider targets once data is deemed to be robust.

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Decarbonisation – Absolute Emissions
Notes on the Analysis

- The analysis focuses on the listed portfolio, including listed equity, showing contributions to Fund emissions. Data coverage for the analysis was c.95% of the listed portfolio allocations.
- Caution should be exercised in interpreting individual data points, as in reality, emissions may differ, given the data coverage in the analysis is less than 100%. We assume companies not covered by the analysis are represented *within* the range of companies that have been covered in the analysis.
- Emissions are likely underestimated as Scope 3 emissions are not included in the portfolio level targets. Though we do present an overview of the attribution of Scope 3 emissions by fund, sector and region.
- The IPCC climate science cites just a c.50-67% likelihood of achieving 1.5^{0}C based on their modelled scenarios (with their assumptions integrated in both the IPCC and SBTi Decarbonisation Curves). The IPCC is set to release a new synthesis report in 2022, which may shift the climate change science understanding underpinning these decarbonisation curves.
- The European Policy curve is not necessarily aligned with a specific scientific target, but the region does set out to align with the Paris Agreement in their decarbonisation ambitions. The 2050 net zero target is also compatible with a 1.5^{0}C scenario under the IPCC. The interim decarbonisation targets are however more stringent than the science-based targets which is prudent given these set out just a c.50-67% chance of meeting a 1.5^{0}C scenario.

Decarbonisation – Absolute Emissions
Understanding the Limitations

- We assess carbon dioxide "equivalent" curves. This means we do not take account of how other GHG emissions, such as methane, may behave differently from a climatic warming perspective, and which may be particularly important in sectors such as agriculture. Other GHG emissions will therefore have different net zero assumptions which are not assessed in the current Mercer approach.

- Many of the IPCC's scenarios are reliant on net zero (or net negative) assumptions later this century. This can include the deployment of mitigation technologies, such as carbon capture and storage, as well as ecosystem approaches, such as land and forest conservation and restoration. There has been some scepticism as to whether such technologies and approaches are viable, at the required scale. Mercer will look to integrate further assumptions around net zero emissions in due course, as science and technology evolves. The decarbonisation curves will, in the meantime, put clients on aggressive emissions reduction pathways.

- The focus of these decarbonisation curves is currently on Scope 1 and Scope 2 emissions. Mercer will however seek to integrate such considerations, as methodologies improve towards incorporating Scope 3 emissions.

- The approach to weighted average carbon intensity (WACI) calculation can lead to relatively large swings in the data results over time. For example, the WACI statistic is easily impacted by shifting sales trends over time, with sales acting as the denominator of the WACI calculation. The WACI statistic may therefore fluctuate regardless of emissions. It is possible to integrate assumptions around growth in sales, for example of 3% on an annual basis in line with long-run economic growth prospects. Given these WACI limitations, however, Mercer has developed an approach to the decarbonisation curves using absolute emissions. The approach will try to understand an individual's investor's contribution (or value of £ investment) in a company, and allocate responsibility for emissions based on the proportion of debt and/or equity owned. This measure is impacted by the scale of investments.

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Agenda Item 12

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