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To: Cllr Ted Palmer (Chair)

Councillors: Dave Hughes, Jason Shallcross, Sam Swash and Antony Wren

Co-opted Members:
Steve Hibbert, Cllr. Andrew Rutherford, Cllr Gwyneth Ellis and
Cllr Anthony Wedlake

15 June 2023

Dear Sir/Madam

NOTICE OF REMOTE MEETING
CLWYD PENSION FUND COMMITTEE
WEDNESDAY, 21ST JUNE, 2023 at 9.30 AM

Yours faithfully

Steven Goodrum
Democratic Services Manager

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 APPOINTMENT OF VICE CHAIR

Purpose: Appointment of Vice Chair and note that the Chair and Vice Chair are therefore appointed as Member and Deputy respectively of the Joint Governance Committee for the Wales Pension Partnership.

4 MINUTES (Pages 5 - 14)

Purpose: To confirm as a correct record the minutes of the last meeting held on the 29 March 2023.

5 POOLING UPDATE (Pages 15 - 82)

Purpose: To:
- approve the WPP objectives within the WPP Business Plan 2023/24 to 2025/26,
- approve the updated Delegation of Functions to Officers to recognise WPP's role in relation to investments within the pool and that Officer delegations are limited to investments outside of WPP, and to change the delegation for Voluntary Scheme Pays Policy to be consistent with other administration policies.
- provide Committee members with an update on other pooling matters, and
- receive a presentation from the WPP Operator and Investment Management Solution Provider.

6 GOVERNANCE UPDATE AND CONSULTATIONS (Pages 83 - 134)

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

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) 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 in withholding the information outweighs the interest in disclosing the information.

7 **GOVERNANCE UPDATE AND CONSULTATIONS (APPENDIX)** (Pages 135 - 136)

Purpose: (Confidential Appendix to Agenda item 6)

8 **PENSION ADMINISTRATION/COMMUNICATION UPDATE** (Pages 137 - 184)

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

9 **INVESTMENT AND FUNDING UPDATE** (Pages 185 - 242)

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

10 **ECONOMIC AND MARKET UPDATE AND INVESTMENT STRATEGY AND MANAGER SUMMARY** (Pages 243 - 278)

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

11 **FUNDING AND FLIGHT PATH UPDATE** (Pages 279 - 296)

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

12 **FUTURE MEETINGS**

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

Wednesday 30 August 2023
Wednesday 29 November 2023
Wednesday 28 February 2024
Wednesday 20 March 2024
Wednesday 19 June 2024

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CLWYD PENSION FUND COMMITTEE
29 MARCH 2023

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely via Zoom at 9.30am on Wednesday, 29 March 2023.

PRESENT: Councillor Dave Hughes (Vice-Chair).
Councillors: Jason Shallcross, Antony Wren, Sam Swash.

CO-OPTED MEMBERS: Councillor Andy Rutherford (Other Scheme Employer Representative), Councillor Gwyneth Ellis (Denbighshire County Council), Councillor Anthony Wedlake (Wrexham County Borough Council, present from item 8), and Mr Steve Hibbert (Scheme Member Representative, absent from mid item 7).

ALSO PRESENT (AS OBSERVERS): Phil Pumford (PFB Scheme Member Representative).

APOLOGIES. Councillor Ted Palmer (Chairman).

Advisory Panel comprising: Philip Latham (Head of Clwyd Pension Fund), Gary Ferguson (Corporate Finance Manager), Sharon Carney (Corporate Manager, People and Organisational Development), Karen McWilliam (Independent Adviser – Aon), Paul Middleman (Fund Actuary – Mercer), Steve Turner (Fund Investment Consultant – Mercer).

Officers/Advisers comprising: Karen Williams (Pensions Administration Manager), Alison Murray (Alternate Independent Adviser – Aon), Sandy Dickson (Investment Adviser – Mercer), Ieuan Hughes (Graduate Investment Trainee), and Morgan Nancarrow (Governance Administration Assistant – taking minutes).

Councillor Hughes, as the Vice-Chair of the Committee, explained that he would be chairing this Committee meeting as the Chairman, Councillor Ted Palmer, was unable to attend the meeting due to his attendance at the Wales Pension Partnership (WPP) Joint Governance Committee (JGC).

The Chair welcomed the new Lead Investment Consultant from Mercer, Mr Turner, and thanked Mr Harkin for his contribution and wished him well for the future.

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

The Chair invited attendees to declare any potential conflicts of interest that they may have in relation to the Fund, other than those already recorded in the Fund's register.

There were no declarations of interest.

47. **MINUTES 15 FEBRUARY 2023**

With reference to the survey mentioned on Page 4, Mrs McWilliam thanked the Committee for their responses, and noted the majority preference for meetings to be held in hybrid format. The Chair would take this up with the Council.

The minutes of the meeting of the Committee held on 15 February 2023 were agreed.

RESOLVED:

The minutes of 15 February 2023 were received, approved, and will be signed by the Chair.

48. **DRAFT WALES PENSION PARTNERSHIP BUSINESS PLAN 2023/24 TO 2025/26**

The Head of the Fund, Mr Latham, presented this item to the Committee. He explained that the WPP draft Business Plan was being taken to the JGC for approval today and further changes may be made at this stage. It would also be received by the eight constituent authorities to consider and approve. Any further changes will be agreed under delegation or brought back to Committee if significant.

Mr Latham guided the Committee through the report, highlighting paragraph 1.04 which identified areas with the most significant impact on the Fund over the next year, including procurement of an operator, transition of assets to the Global Sustainable Equity Fund, deploying WPP private market asset classes and engaging on ESG (Environmental, Social and Governance) and climate ambitions.

Mr Latham explained the reason for the increase to the budget and confirmed that the WPP Officer Working Group had reviewed the WPP objectives and no changes were recommended to the JGC.

RESOLVED:

The Committee approved the Draft WPP Business Plan including the budget and objectives, subject to approval by JGC.

49. **CLWYD PENSION FUND BUSINESS PLAN 2023/24 TO 2025/26**

The Chair handed over to Mr Latham and the Pensions Administration Manager, Mrs Williams, to introduce the Business Plan. Mr Latham explained that the business plan is designed to provide useful information for stakeholders, as well as being a critically important part of the Fund's governance and management arrangements.

Mr Latham talked through the structure of the business plan, highlighting key points including the staffing structure, the main strategies and objectives, and business as usual. The objectives were taken from the Fund's existing strategies/policies which had previously been approved.

Mr Latham explained the proposed key governance actions for the three years on Page 66, focusing on 2023-24. These included undertaking a training needs analysis, work on succession planning, business continuity and cyber risk, as well as external matters including responding to the Government's implementation of the Scheme Advisory Board (SAB) Good Governance Review and compliance with the Pension Regulator's (TPR) new General Code.

Mr Latham then discussed the proposed funding and investments actions for 2023-24, including further work on managing climate risk, the UK Stewardship Code, asset pooling, and external developments including DLUHC guidance and consultation exercises which may result in changes for the Fund.

The Chair handed over to Mrs Williams to present the second recommendation. Mrs Williams explained the background to the proposed changes to the Fund's staffing structure, which involved introducing a new Principal Pensions Officer role:

The recent recruitment drive in the administration team, while successful, had created a strain on resources while new staff were being trained. This alongside an increase in day-to-day business as usual tasks as well as project work, led to difficulty meeting legal and internal KPIs.

The recommendation for a Principal Pensions Officer for a new project team was intended to protect business as usual by separating smaller projects to allow the Operational team to focus on the day-to-day business as usual tasks. This would reduce the risk of backlogs occurring and the potential need to outsource work externally at higher cost.

The recommendation also formed part of business continuity planning, to assist with staff retention, succession planning and professional development. The role was intended to be appointed as a job share, which had been successful for the Principal Officer roles in the past, meaning two Lead Pension Officers would be trained by existing Principal Pensions Officers.

Mrs Williams then took the Committee through the proposed key actions for administration from page 81 focussing on 2023-24, highlighting the current focus on workloads and business as usual meaning few new items were being proposed. She highlighted retrospective calculations for CARE revaluation, the McCloud remedy, and other expected national changes.

Mr Latham presented the remainder of the Business Plan, including the proposed Fund's three-year cashflow and budget for 2023-24. Highlights included: The three-year cashflow showed the scheme maturing over time with total payments exceeding total income. This trend was expected to continue. The Fund's Private Markets commitments were expected to cover any shortfall in the coming year. The Rebalancing Portfolio row of the cashflow projection represented the potential need to consider taking cash from investments to fund pension benefits in future years.

Cashflow is monitored quarterly and reviewed annually, highlighting the ongoing difficulties in appointing a Fund accountant as a significant risk.

The Operating Budget for the year showed a reduction in governance expenses due to the Fund reducing its support from consultants, assuming all vacant posts were recruited. The proposed cost of advice on Private Markets had also reduced as the Fund would be transitioning these to WPP.
It was assumed an estimated 5% increase to the value of the Fund, when estimating fund management fees.

The Budget included the proposed administration staffing changes, subject to approval.

Mr Latham addressed the final points on the Business Plan:
The Risk Register on Page 60 - the investment risks were higher than target, due to the nature of investment markets these risks could never be insignificant while ensuring sufficient investment return.

The Training Plan on page 65 - the results of the Training Needs Analysis will be incorporated into the plan as required.

The Chair thanked both Mr Latham and Mrs Williams and commented that succession planning is vital especially given the age profile of senior Fund Officers.

Mr Latham thanked the Committee for their support with the Business Plan.

RESOLVED:

(a) The Committee approved the Fund's Business Plan including the budget for 2023/24
(b) The Committee agreed the proposed changes to the administration team's staffing structure at a total cost of just over £64k.

50. ANTI-FRAUD AND CORRUPTION STRATEGY

The Chair handed over to Ms Murray of Aon to present this item. She explained that the proposed Pension Fund Fraud Strategy had been developed as part of the Fund's risk management framework. As the Fund's Governance Advisers, Aon felt that putting a strategy in place would be best practice from a good governance perspective, and this was also included in the Fund's Business Plan for 2022/23.

The purpose of the proposed Strategy was to safeguard the Fund's data and assets. Page 104 identified the types of fraud addressed by the Strategy, with a wide scope including bribery, collusion, bank account access, anti-money laundering and pension scams. Pages 104-105 highlighted general definitions and relevant regulations and legislation.

The Strategy would apply to all persons involved in the management of the Fund including Committee Members, Officers, Advisers and the Board, as well as Scheme Employers, Fund Members, and suppliers. The Head of the Fund would be responsible for the requirements of the Strategy being met.

Ms Murray explained that Flintshire County Council has an existing Anti-Fraud and Corruption Strategy in place, so the principles of the proposed Fund's Strategy are aligned with the Council's. These three principles are identified on Page 106, and focus on:

- Deterrence, including:
  - Publicising counter-fraud measures to raise awareness, for example publishing this policy on the website,
  - Reporting fraudulent activity to the Committee and Board as part of business as usual;
- Prevention, by having internal controls in place including:
  - Participation in the National Fraud Initiative,
  - Regular review of tier-3 ill-health pensions,
  - Appropriate authorisation and verification procedures for changes to data affecting member benefits, and additional security for bank account details,
  - Verification process for verbal telephone requests,
  - Adoption of TPR guidance for pension scams,
- Detection of fraud and corruption including:
  - The Fund will always seek to recover lost funds in line with Council policy including involvement of internal audit,
  - Regular bank reconciliation.

Ms Murray also noted that pension scams were becoming a bigger threat. Part of the proposed Strategy aimed to protect members from this threat by encouraging them to protect their own personal information.

RESOLVED:

The Committee approved the Anti-Fraud and Corruption Strategy.

51. **GOVERNANCE UPDATE**

Mr Latham took the Committee through this quarterly update report, highlighting the following:

- Paragraph 1.02 on the spring budget discussed the Government intention to move to fewer pools, with assets in excess of £50bn. The WPP would be well below this new threshold. When pooling was first introduced, Wales was exempt from the previous threshold, however it was unclear if this exemption would apply to any new threshold.

- Regarding the training plan in paragraph 1.06, Mr Latham explained that the Pensions Regulator's General Code had been delayed and therefore the training scheduled for 26th April would either be cancelled or repurposed for investment governance training in which case in-person attendance would be preferred. The Committee would discuss this with officers following the meeting.

Mr Hibbert expressed concerns about the rationale for the changes in ratings in risk 3 relating to conflicts of interest and fiduciary responsibility in paragraph 4.02 of the report. He wanted to make it clear that since joining the Committee in 2014 he had been committed to acting in the interest of all scheme members. He noted his ongoing concerns around the perceived lack of appetite to divest where engagement is failing referencing the fact that some areas, he has previously highlighted relate to assets of less than £30m within the Tactical Asset Allocation Portfolio. His view was that using the risk of not meeting future liabilities as a reason for not doing certain things was inappropriate in many situations such as in relation to the TAA example. He considered that if the change in rating of risk was a direct criticism of his personal capabilities and integrity, he would have no choice but to resign from the committee. Mr Hibbert left the meeting at this point.

The Chair stated what a valuable member of Committee Mr Hibbert was and he would be truly sorry if he were to resign. He agreed with Mr Latham, the Head of Clwyd Pension Fund, that they would set up a meeting with Mr Hibbert to persuade him to stay on the Committee.

Mr Latham explained that he had not had any advance notice of Mr Hibbert's intentions. He referred to the points highlighted by Mr Hibbert and explained that there is training and a plan of action to look at how these points can be progressed. He agreed that Mr Hibbert was an extremely valuable member of the Committee would be disappointed if he did not continue to be a member. He particularly highlighted the value of Mr Hibbert being a voting scheme member representative.

Councillor Rutherford highlighted that he was a full-time officer for Unison but in another area and he had not been aware of Mr Hibbert's intentions. He also expressed his concern about Mr Hibbert not continuing to being a member of the committee noting Mr Hibbert was always passionate about his responsibilities and has added so much value to the fund with his input over the years.

Councillor Swash noted that he felt some of the concerns raised by Mr Hibbert were valid and he was also very sad at the turn of events. Cllr Swash also asked for clarification around the reasons for the change in risk in paragraph 4.02.

Mrs McWilliam agreed what a valuable member of the committee Mr Hibbert is and how disappointed she was at the fact he felt the conflict of interest risk change was directed at him which was not the case. She then went on to clarify that the change in the rating of the risk was aligned to a point made at the previous Committee meeting, where Committee members had recognised it was important to get proper advice before any decisions were made and particularly in relation to areas such as climate change. She reminded the Committee that the investment subject matters that were being discussed were extremely technical. If proper and clear advice is not provided, then there is a risk that the Committee do not fully understand changes being proposed and the implications of those changes, and therefore there is a risk that inappropriate decisions could be made. She highlighted that the risk is still low – it had been changed from very low to low and she expected that it would revert to very low after the decisions being made at the Committee in June, following the training in May. She finished by saying that it is important that risk registers are regularly updated to respond to situations as they arise.

[*Post meeting note – In a separate discussion after the Committee between Mr Hibbert, the Chair and Vice Chair, Mr Hibbert was able to discuss in greater depth his concerns and frustration with the format of virtual meetings. At the conclusion of that discussion, Mr Hibbert agreed to remain on the Committee.*]

RESOLVED:

The Committee noted the Governance update.

52. **PENSION ADMINISTRATION / COMMUNICATIONS UPDATE**

Mrs Williams presented this update on administration and communication progress since November. She presented the progress on Business Plan items for the 2022-23 year including:

- A6, the policies and strategies review, was behind plan due to workload and changes to pension tax allowances announced in the recent budget
- A9, the refreshed communications strategy - the new branding will be in use from 1st April. A notification of the change was distributed to members alongside the Member Satisfaction Survey with over 300 paper responses and over 500 electronic responses received to date. From the electronic responses, 44 volunteers had come forward for the Member Focus Groups with paper responses still being collated.

Mrs Williams highlighted recent developments including:

- An update on the McCloud Programme. The SAB had published guidance regarding how funds should proceed where data is not received from an employer, as well as guidance for data validation. Mrs Williams will be arranging a meeting for the McCloud steering group in May. Validation processes are already in place and these would be reviewed in light of the SAB guidance.

- CARE revaluation – The pensions increase of 10.1% was in the process of being applied to benefits from April. This was a substantial area of work.
- Workflow monitoring has been carried out for several years and helped the fund to identify pressure areas. Further analysis is being carried out to help predict future workflows and the results will be shared at Committee in June. However, due to increasing complexity of cases and additional steps involved, monitoring workflow on a like-for-like basis year on year is becoming more difficult.
- There was a very positive response to the recent recruitment drive to administration vacancies and the team identified more suitable candidates than there were vacancies. An urgent delegation was successfully put through to avoid missing the recruitment opportunity, resulting in an influx of diverse work experience within the team. Not all of the five additional positions were appointed to, so the remainder will be advertised as part of the project team review.

Cllr Swash commented in relation to the recent communications regarding the branding and Member Satisfaction Survey. He raised a concern about the cost and environmental impact of sending these out on paper and asked why some were sent on paper and others via email. Mrs Williams clarified that paper communications are sent only if this is the Member's recorded preference.

RESOLVED:

The Committee noted the update.

53. FUTURE MEETINGS

The Chair asked the Committee to note the following future Committee meeting dates:

- 21 June 2023

Future dates would be agreed at the Council's AGM in May.

RESOLVED:

The Committee noted the upcoming Committee date.

The Chairman thanked everyone for their attendance and participation. The next formal Committee meeting is on 21 June 2023. The Chair also took the opportunity to highlight two upcoming training sessions: The essential face-to-face training session on 26 April which would be discussed following the meeting, and an essential training session addressing the Tactical Asset Allocation and Responsible Investing on 3 May which will also be held face-to-face.

The meeting finished at 11:04am.

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Chairman

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 21 June 2023
Report Subject	Asset Pooling
Report Author	Deputy 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 hybrid WPP Joint Governance Committee (JGC) on 29 March 2023 held in Gwynedd County Council Offices. The draft minutes are appended for information which included the approval of the WPP Business Plan 2023-2026.

This agenda item includes:

- a presentation from the WPP Operator and Investment Management Solution Provider
- confirmation that future Private Market investments will be made through WPP
- proposed updates to the Delegation of Functions to Officers.

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 and various WPP sub-groups.

RECOMMENDATIONS	
1.	That the Committee approve the additional WPP objective within the WPP Business Plan 2023/24 to 2025/26.
2.	That the Committee approve the updated Delegation of Functions to Officers to: • recognise WPP's role in relation to investments within the pool, and that Officer delegations are limited to investments outside of WPP • change the delegation for Voluntary Scheme Pays Policy to be consistent with other administration policies.
3.	That the Committee note and discuss the update and agree any comments or questions for WPP.
4.	That the Committee receive a presentation from the WPP Operator and Investment Management Solution Provider.

REPORT DETAILS

1.00	**Pooling Investment in Wales**

1.01	**Joint Governance Committee (JGC)**
	
	There was a WPP JGC on 29 March 2023. The draft minutes of that meeting are attached (Appendix 1).
	
	In summary the JGC considered or approved the following:
	
	• An update from the Host Authority.
	
	• The WPP Training Plan 2023/24.
	
	• The WPP Business Plan 2023/24. (See para 1.02)
	
	• A risk register review which this quarter considered seven of the Governance and Regulation risks.
	
	• The annual review of the WPP Governance Matrix - following this review, the matrix has been updated to reference the relevant sections of the Inter Authority Agreement (IAA).
	
	• An update from the Operator including the assets within the pool which are £15.1bn (including passive investments) as at December 2022. The JGC also received an update on the current organisational issues relating to Link Fund Solutions Ltd.
	
	• An update on investment performance as at 31 December 2022. The relevant funds from a Clwyd Pension Fund point of view are the Global Opportunities Equity Fund (invested since February 2019), Multi Asset Credit Fund (Invested since August 2020) and the Emerging Market Equity Fund (invested since October 2021). The Global Equities Fund was ahead of benchmark at that date, but the Emerging Market Equity and Multi Asset Credit Funds remained behind their relevant benchmarks since inception.
	
	Further information on the above is available in the full public agenda which is available here.
	
	There were a further three items for which the public were excluded:
	
	• The Stock Lending Report was noted.
	
	• The quarterly Engagement report was received from Robeco.
	
	• Responsible Investment and Climate Risk reports were noted for the following sub funds:
	
	    • UK Credit
	
	    • Global Credit
	
	    • Global Government Bonds.

1.02	**WPP Business Plan 2023 - 2026** The WPP Business Plan for 2023 – 2026 was approved on 29 March 2023 by the Clwyd Pension Fund Committee, including the objectives of the Pool and the budget. However, this was subject to it also being recommended at the WPP JGC on 29 March 2023 and approved by the other Constituent Authorities. At the 29 March 2023 JGC, there was a recommendation to include a further WPP objective, related to responsible investment, which was agreed. The Committee are now asked to approve the additional objective within the WPP Business Plan which is as follows: "*To embed the delivery of long-term, sustainable investment outcomes into decision making, through capital allocation, the ongoing scrutiny of asset managers, and the exercise of the rights and responsibilities that arise as asset owners.*"
1.03	**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 29% of our assets are in private markets and because of the ambitions within the Fund's Responsible Investment including the Climate Risk objectives. The Head of Clwyd Pension Fund attends the quarterly meetings of the Risk sub-group. Both the Head and Deputy Head of Clwyd Pension Fund attend the Procurement (of the Operator contract) sub-group. All four groups report back to the Officer Working Group An update was provided by WPP's Oversight Adviser and the Host Authority to the Officer Working Group on 23 May 2023 on the work of these groups and other matters. The main items for discussion in line with the WPP Business Plan were: • An update on the plans for the launch of the Sustainable Active equity sub fund which has now been agreed for June 20 /21 2023. • An update on the Operator contract procurement. • Reports from Link/Russell on investments and performance. • Review of the further Governance and Regulation items on the risk register. • An RI sub-group update. • Reviews of several of the WPP Sub Funds. Appendix 2 details the latest update received from WPP in relation to the Link Group sale of the Fund Solutions business and the settlement with the Financial Conduct Authority (FCA). This has previously been shared with the Committee by email on 2 May 2023. Any further updates on the sale of Link Fund Solutions will be shared when they become available. The WPP provides training for officers, JGC and constituent authority

	committee and board members. There was a training session on 8 June which covered Private Markets and Levelling Up. There are further sessions planned, the next being in September which we will share with the Committee when further details are known.
1.04	**Private Markets Update** Further to the appointment of the WPP Allocators for Infrastructure, Private Equity and Private Credit, arrangements are underway for the first investments to be made. GCM Grosvenor, as the WPP Infrastructure allocator, have committed and deployed capital to two direct projects in Wales, one having three sites, the other having extensive operations in Wales. The Private Equity sub-group is currently working with bFinance to agree the tender specification documentation for the Property tender process which will commence later in the year. Previously for the Clwyd Pension Fund, all decisions in relation to investments into Private Market mandates and the selection, appointment and dismissal of Fund Managers were delegated to the Head of the Clwyd Pension Fund and either the Corporate Finance Manager or Corporate Manager – People and Organisational Development. This is not the case where mandates are appointed by the WPP and their Managers / Allocators. It is therefore proposed that the Delegation of Functions to Officers be updated to clarify that Officer delegations in relation to: • the selection, appointment and dismissal of Fund Managers and • investments into new mandates/emerging opportunities, are limited to investments outside of WPP. It is also proposed to update the delegation for Voluntary Scheme Pays Policy to be consistent with other administration policies (as referred to in the Administration and Communications Update report). The proposed updates are highlighted in Appendix 3 and the Committee is asked to approve these.
1.05	**Responsible Investment Update** The RI sub-group have met three times since last reported to the Committee; in February, April and May 2023. The next meeting is on 11 July 2023. The main areas of discussion at the previous meetings were: • An update on the All-Wales WPP Climate Report (explained further below). • Climate risk and ESG reports for the WPP Global Growth and Global Opportunities Equity funds and the UK Credit, Global Credit and Global Government Bond funds. • A failed engagement process, securities lending and a review of

	LAPFF voting.
	• Annual progress update of RI and Climate Risk policies.
	• Discussions around requirements for the new quarterly RI template for OWG and individual Constituent Authorities (explained further below).
	• RI training requirements for the OWG and JGC.
	
	Hymans Robertson, as the Oversight Advisor to WPP, are producing an all-Wales WPP climate report for the RI sub-group. This work is progressing. Data cleansing has taken considerable time but is now largely completed and it is expected that the initial report will be available in June 2023.
	
	Hymans Robertson are also working on a quarterly Responsible Investment Update for the OWG and Constituent Authorities. The purpose is to share details of recent activity across the WPP in addition to activity and information on each Sub-Fund. Areas which may be covered are:
	• Voting policy updates
	• Stewardship framework/ process
	• LAPFF alerts
	• Stock Lending
	• All Wales WPP Climate Change Report
	• Stewardship Code reporting
	• Reporting on WPP Sub-Funds - The key metrics to be included for each Sub-Fund may include:
	    • Climate metrics
	    • ESG metrics
	    • Top 10 holdings
	    • Voting summary with details of key votes
	    • Engagement summary with current progress
	
	The report should be available for inclusion in the Clwyd Pension Fund Committee papers for 30 August 2023.

1.06	**Operator Contract Procurement Update** The procurement for the Operator Contract is progressing and at the OWG meeting on 23 May 2023, officers were asked to discuss and agree the evaluation scoring criteria for the JGC on 19 July 2023 to recommend to individual Constituent Authorities. The approval of any evaluation or scoring criteria for any procurement of a replacement Operator is a matter reserved to the Constituent Authorities so this will be brought to the 30 August 2023 Committee for Members’

	approval.
1.07	**WPP Sustainable Global Equity Transition Update** The Fund is currently in the process of transitioning assets from the Global Opportunities Equity Fund to the Sustainable Global Active Equity Sub-Fund (see agenda item 9). As a reminder, the Sustainable Equity Fund will not be permitted to hold stocks in the following categories: • Thermal Coal • Controversial Weapons • Oil Sands, Artic Oil & Gas, Shale Energy • Tobacco, Gambling, Adult Entertainment • Palm Oil • Breaches of UN Global Compact.

1.08	**Presentation from the WPP Operator and Investment Management Solution Provider**
	
	Appendix 4 is the presentation from the WPP Operator, Link Fund Solutions and the Investment Management Solution Provider, Russell Investments.
	
	The presentation will cover:
	
	• An overview from Link Fund Solutions on their role and the current sale of the Fund Solutions business.
	• An update from Russell Investments to cover:
	    • Performance and overview of current Sub-Funds.
	    • Overview of the Sustainable Global Active Equity Fund.
	    • Where Next?

2.00	**RESOURCE IMPLICATIONS**
2.01	There is considerable time allocated by the Head and Deputy of the Clwyd Pension Fund in delivering and monitoring the WPP Business Plan which is not separately recognised in the Clwyd Pension Fund budget; however it does result in greater reliance on external advisors on local matters than would otherwise be the case.

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

4.00	RISK MANAGEMENT
4.01	How the Wales Pension Partnership operates is key in enabling the Fund to implement its investment strategy. If performance is not in line with the assumptions in the Fund's 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 Department for Levelling Up, Housing and Communities (DLUHC) shortly and the implications of that guidance are not yet known. The WPP risk register is included in the JGC agenda. The focus for the quarter to December 2022 was some of the Governance and Regulation risks. The remainder will be covered in the next quarter. Of the seven risks covered, five were on target. The two risks currently behind target are: • WPP fails to adhere to its pre agreed budget, and • WPP 's Operator fails to deliver on its contractual obligations or stops providing Operator services due to exiting the market or regulatory restrictions. The Head of Clwyd Pension Fund attends the WPP Risk sub-group.

5.00	APPENDICES
5.01	Appendix 1 – JGC 29 March 2023 draft minutes. Appendix 2 – Link Update April 2023. Appendix 3 – Delegation of Functions to Officers with proposed changes. Appendix 4 – Presentation from the WPP Operator and Investment Management Solution Provider.

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

(h) **Financial Reporting Council (FRC)** – an independent regulator in the UK and Ireland, responsible for regulating auditors, accountants, and actuaries, and setting the UK's Corporate Governance and Steward.

(i) **Financial Conduct Authority (FCA)** – The Financial Conduct Authority (FCA) regulates the financial services industry in the UK. Its role includes protecting consumers, keeping the industry stable, and promoting healthy competition between financial service providers.

(j) **Department for Levelling Up, Housing and Communities (DLUHC)** – The Department for Levelling Up, Housing and Communities supports communities across the UK to thrive, making them great places to live and work.

WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Wednesday, 29 March 2023

Ystafell Dafydd Orwig, Gwynedd County Council Offices, Caernarfon and remotely – 10:30am – 12:29pm

PRESENT: Councillor C. Weaver (Chair)

Councillors:
S. Churchman, T. Palmer, M. Lewis, P. Lewis, M. Norris, E. Williams, and N. Yeowell

O. Richards – Scheme Member Representative (Co-opted non-voting member)

The following officers were in attendance:
C. Moore – Joint Committee Section 151 Officer (CCC)
L. Rees-Jones – Joint Committee Monitoring Officer (CCC) (Virtual)
C. Lee – Corporate Director of Resources (CoC)
J. Dong – Deputy S151 Officer/ Chief Finance Officer (C&CS)
C. Hurst – Pension Fund Manager (PCC)
D. Morgan – Head of Finance (GCC)
P. Griffiths – Director Finance and Improvement (RCT)
D. Fielder – Deputy Head of Clwyd Pension Fund (FCC)
A. Bull – Head of Pensions (TCC)
A. Parnell – Treasury & Pensions Investment Manager (CCC)
T. Williams – Senior Financial Services Officer (CCC) (Virtual)
K. Evans – Assistant Democratic Services Officer (CCC) [Note Taker]
L. H. Evans – Democratic Services Officer (GCC)
R. Evans – Member Services Officer (GCC) [Assisting]
B.M. Evans – Simultaneous Translator (GCC)

Also in attendance to present reports:
A. Johnson – Hymans Robertson
R. Barrack – Hymans Robertson
K. Midl – Link Fund Solutions (Virtual)
J. Zealander - Link Fund Solutions
D. Armstrong – Northern Trust (Virtual)
A. Knell – Robeco (Virtual)
A. Samson– Robeco (Virtual)
J. Brown– Russell Investments
A. Quinn – Russell Investments

Also present as observers:
M. Falconer – Pension Manager (CoC) (Virtual)
D. Jones-Thomas – Investment Manager (GCC)
L. Grey – Graduate Pensions Officer (TCC)
K. Cobb – Senior Accountant (C&CS)

D. Edwards – Fund Director (GCC)
Cllr. Ioan Thomas (GCC)
I. Guy – Scheme Member Representative (Reserve) (Virtual)

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF INTEREST

Member	Agenda Item No.	Interest
Cllr. M. Lewis	All agenda items	He is a member of Swansea Pension Fund along with his wife.
Cllr. S. Churchman	All agenda items	He is a member of the Greater Gwynedd Pension Fund
Cllr. P. Lewis	All agenda items	He is a member of the Powys Pension Fund
Cllr. N. Yeowell	All agenda items	His father and two aunts are members of the Greater Gwent Pension Fund and is in the process of joining the Greater Gwent Pension Fund
Cllr. M. Norris	All agenda items	He is a member of the RCT Pension Fund
Cllr. T. Palmer	All agenda items	His partner and daughter are members of the Clwyd Pension Fund and is in the process of joining the Clwyd Pension Fund
Cllr. E. Williams	All agenda items	He is a member of the Dyfed Pension Fund
Cllr. C. Weaver	All agenda items	He is a member of the Cardiff & Vale 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 5 DECEMBER 2022

RESOLVED that the minutes of the Joint Governance Committee meeting held on 5th December, 2022 be signed as a correct record.

4. HOST AUTHORITY UPDATE

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, S. Churchman, M. Norris, 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.

UNANIMOUSLY RESOLVED that the Host Authority update be received.

5. WPP TRAINING PLAN 2023/24

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, S. Churchman, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received the Training Plan 2023/24.

This training plan is devised to supplement existing Constituent Authority training and will be relevant to the WPP's pooling activities. This training is primarily focussed on meeting the training needs of members of the OWG and JGC, however it may be extended to Pension Committee members, as well as Pension Board representatives, if relevant.

The 2023/24 training sessions will be held quarterly and will cover the following topics:

- Product Knowledge
- Reporting
- Responsible Investment
- Market Understanding & Regulatory Requirements

In response to a query, it was agreed to schedule an early session on the various opportunities and options of investing in sustainable energy and local/impact investments.

RESOLVED that the Training Plan 2023/24 be approved.

6. WPP BUSINESS PLAN 2023-2026

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, S. Churchman, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Business Plan for 2023-2026.

The JGC was advised that the purpose of the business plan was to:

- Explain the background and governance structure of the WPP
- Outline the priorities and objectives of the WPP over the next three years
- Introduce the WPP's policies and plans
- Outline the financial budget for the relevant Business Plan period
- Summarise the WPP's Investments & Performance Objectives

The plan will be constantly monitored and will be formally reviewed and agreed annually.

The meeting was advised that, following approval by the JGC, the Business Plan would be sent to all Constituent Authorities for approval in accordance with Section 6 of the Inter-Authority Agreement.

In response to a query, it was agreed to consider, prior to being sent to the eight constituent authorities, adding the following to the objectives:-

- responsible investment and effective climate risk mitigation.

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UNANIMOUSLY RESOLVED that the Business Plan be agreed and sent to all eight Constituent Authorities for written approval, subject to consideration of minor amendment.

7. RISK REGISTER Q1 2023 REVIEW

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, S. Churchman, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Risk Register Q1 2023 Review. Members were advised that the purpose of the WPP Risk Register is to:

- Outline the WPP's key risks and factors that may limit its ability to meet its objectives
- Quantify the severity and probability of the risk facing the WPP
- Summarise the WPP's risk management strategies.
- Monitor the ongoing significance of these risks and the requirement for further risk mitigation strategies.

The Officers Working Group (OWG) has carried out a quarterly review of the register, looking at the first half of the Governance and Regulation section, risks G.1 to G.6. The Sub-Group also reviewed Risk G.12.

Members were informed that the next review will take place in Q2 2023 and will focus on the remaining risks within the Governance & Regulation Risks section.

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

8. ANNUAL POLICY REVIEWS

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, S. Churchman, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Governance Matrix.

The JGC approved the Governance Matrix in December 2019 and was reviewed and updated in December 2020 and March 2022 respectively. This quarter the 2023 annual review of the matrix was undertaken and has been updated to reference the relevant sections of the Inter Authority Agreement (IAA).

The Governance Matrix will be updated on the WPP website.

UNANIMOUSLY RESOLVED that the Governance Matrix be approved.

9. OPERATOR UPDATE

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, S. Churchman, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a presentation 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 provided an updated 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

Also, a Corporate and Engagement update was received, which included the engagement protocol and key meeting dates.

UNANIMOUSLY RESOLVED that the Operator Update be received.

10. PERFORMANCE REPORTS AS AT 31 DECEMBER 2022

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, S. Churchman, M. Norris, 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 31 December 2022. Members were advised that the sub funds that had outperformed/underperformed their respective benchmarks, were as follows:

- Global Opportunities – outperformed by 1.58% gross / 1.29% net
- Global Growth – underperformed by 0.73% gross / 1.14% net
- Emerging Markets – underperformed by 1.00% gross / 1.31% net
- UK Opportunities – underperformed by 1.79% gross / 2.20% net
- Global Government Bond – outperformed by 1.93% gross / 1.70% net
- Global Credit – outperformed by 0.39% gross / 0.23% net

The MAC and ARB funds did not meet their targets.
The UK Credit fund exceeded its target.

RESOLVED that the Performance Reports of the following sub-funds as at 31 December 2022 be approved:

10.1. Global Opportunities Equity Fund;
10.2. Global Growth Equity Fund;
10.3. Emerging Markets Equity Fund;
10.4. UK Opportunities Equity Fund;
10.5. Global Government Bond Fund;
10.6. Global Credit Fund;
10.7. Multi Asset Credit Fund;
10.8. Absolute Return Bond Strategy Fund;
10.9. UK Credit Fund.

On behalf of the WPP JGC, the Chair thanked Dafydd Edwards, Fund Director with Gwynedd for all of his work in his role as a founding member of the group and extended best wishes for an enjoyable retirement.

11. EXCLUSION OF THE PUBLIC

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 item as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

12. GLOBAL SECURITIES LENDING REVIEW AS AT 31 DECEMBER 2022

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 11 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 M. Lewis, C. Weaver, P. Lewis, N. Yeowell, S. Churchman, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a report on Global Securities Lending Relationship and Performance Review for quarter ending 31 December 2022.

UNANIMOUSLY RESOLVED that the Global Securities Lending Review as at 31 December 2022 be noted.

13. ROBECO ENGAGEMENT SERVICE - Q4 2022 ENGAGEMENT REPORT

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 11 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 M. Lewis, C. Weaver, P. Lewis, N. Yeowell, S. Churchman, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received the Engagement Report for Q4 of 2022.

UNANIMOUSLY RESOLVED that the Engagement Report for Q4 of 2022 be noted.

14. RESPONSIBLE INVESTMENT & CLIMATE RISK REPORTS

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 11 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 M. Lewis, C. Weaver, P. Lewis, N. Yeowell, S. Churchman, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a report on the Responsible Investment & Climate Risk Reports for the following sub funds:-

- UK Credit
- Global Credit
- Global Government Bond

UNANIMOUSLY RESOLVED that the Responsible Investment and Climate Risk Reports, as above, be noted.

CHAIR **DATE**

LINK Group

Link Administration Holdings Limited
ABN 27 120 964 098

20 April 2023

ASX ANNOUNCEMENT

LINK GROUP SALE OF THE FUND SOLUTIONS BUSINESS AND SETTLEMENT WITH THE FCA

Link Administration Holdings Limited (ASX: LNK) (**Link Group**) refers to its announcement on 30 March 2023 providing an update in relation to the progress of the sale of the Fund Solutions business (**FS Business**) and ongoing negotiations with the UK Financial Conduct Authority (**FCA**) to settle the FCA investigation against Link Fund Solutions Limited (**LFSL**).

Link Group confirms that:

- Link Group and LFSL have reached a conditional agreement for the sale of the FS Business, excluding its Luxembourg and Swiss entities, and excluding Woodford related liabilities, on a debt and cash free and normalised working capital adjustments basis, to the Waystone Group for an aggregate consideration value of between £110 million and £140 million (the **Sale**).
- At the same time, Link Group and LFSL have reached a conditional agreement with the FCA to settle its investigation into LFSL in respect of LFSL's role as authorised corporate director (**ACD**) of the LF Woodford Equity Income Fund (now known as the LF Equity Income Fund) (**WEIF**), (the **Settlement**).
- The Settlement is conditional on, amongst other things, completion of the Sale and the English High Court sanctioning a scheme of arrangement proposed under Part 26 of the Companies Act 2006 addressing WEIF related redress and claims against LFSL (**Scheme**), as outlined below.
- The FCA has confirmed its intention to support the Scheme and intends to support its approval by WEIF Investors.
- As part of the Settlement and conditional on the Scheme, Link Group has agreed to contribute to LFSL all of the available consideration to be received from the Waystone Group under the Sale, meaning Link Group would receive no net proceeds of the Sale. There is no further contribution required of Link Group[1].
- The Scheme will provide that the payment of amounts to WEIF Investors, in accordance with the Scheme, will be in return for a full and final release from WEIF Investors to LFSL and the wider Group.
- The Sale is targeted to complete by October 2023 and is not contingent on the Scheme or the Settlement becoming unconditional.
- Further information on the Sale, the Settlement and the Scheme is set out below.
- Link Group re-affirms its FY23 guidance provided at the 1H FY23 results with expectations of Operating EBIT to be up 10%-12% on FY22.
- Link Group's liquidity position remains strong and after the completion of the Sale and the Scheme, Link Group's pro forma leverage ratio is expected to be at the top end of the guidance range of 2x – 3x as at June 2024.

Sale of the FS Business

On 20 April 2023, certain subsidiaries of Link Group, including LFSL, entered into sale agreements with entities within the Waystone Group pursuant to which Link Group companies have agreed to sell to the Waystone Group: (i) the business and certain assets of LFSL; (ii) the business and certain assets of Link Fund Manager Solutions (Ireland) Limited (**LFMS(I)L**); and (iii) the entire issued share capital of certain other subsidiaries of Link Group, which together with the business of LFSL and LFMS(I)L

[1] Link Group has agreed to pay £2.5m towards the cost of the Scheme.

comprise the FS Business (other than its Luxembourg and Swiss entities), but excluding Woodford related liabilities and, subject to normalised working capital adjustments, on a debt and cash free basis.

The Sale is conditional on various matters, including receipt of certain regulatory approvals, notices and consents from the FCA and the Central Bank of Ireland, anti-trust approval from the Competition and Consumer Protection Commission of Ireland and no in-depth investigation of the Sale by the UK Competition and Markets Authority. It is possible that Irish foreign investment approval may also be needed depending on whether a foreign investment regime is introduced in Ireland before completion of the Sale and the parties agree a filing is required.

The Sale is also conditional on contracts representing a significant majority of revenue in respect of LFSL's ACD business and LFMS(I)L's business being transferred to the Waystone Group and consent having been received from certain third parties in respect of the transfer of their business to the Waystone Group. The Waystone Group, LFSL and LFMS(I)L have agreed to work to achieve those and other conditions. The Sale is not contingent on the Scheme or the Settlement becoming unconditional.

Link Group and the Waystone Group have agreed consideration for the FS Business (excluding the Luxembourg and Swiss entities) of between £110 million and £140 million, subject to customary cash, debt and normalised working capital adjustments. The payment amount of between £110 million and £140 million will depend on the value of combined revenue in LFSL's ACD business and LFMS(I)L's business transferred by completion.

The Sale is targeted to complete by October 2023.

Link Group is proposing to pursue a separate sale of the Luxembourg and Swiss entities which form part of the FS Business.

Settlement with the FCA

The Link Group and LFSL have reached a conditional agreement with the FCA to settle the FCA's enforcement action against LFSL in respect of its role as ACD of WEIF. The terms of the Settlement provide that LFSL will pay, under the Scheme, a substantial contribution (**FCA Redress Contribution**) to relevant investors in WEIF who are entitled to redress based on the FCA's redress findings as set out in their Warning Notice. The maximum total redress under the FCA's findings depends on other distributions and contributions to WEIF investors (**WEIF Investors**) from time to time but at 12 September 2022 was disclosed by FCA as up to £306 million, and as at the date of this announcement is up to £298 million, (**FCA Redress Total**).

The FCA Redress Contribution from LFSL will be paid under the Scheme. If LFSL has any other WEIF related creditors their claims would also fall under the Scheme. The total to be paid under the Scheme by LFSL will be all of its available resources after ensuring LFSL remains solvent following completion of the Settlement and the Scheme.

The Settlement is conditional on the Sale completing. Subject to that and to the Scheme being approved by LFSL's WEIF related creditors and becoming effective (including approval by the English High Court), the parties expect LFSL's FCA Redress Contribution to be substantial and to satisfy a significant part of the outstanding FCA Redress Total in relation to LFSL. More detail in relation to LFSL's possible resources following completion of the Sale is set out below in relation to the Scheme.

Although the FCA investigation regarding WEIF relates only to LFSL, Link Group has agreed to contribute the available consideration it will receive from the Waystone Group for the sale of the rest of the FS Business (excluding the Luxembourg and Swiss entities) to resolve the FCA's enforcement action and to facilitate the Settlement. This will be an amount of up to approximately £60 million (subject to adjustments), representing all of the consideration payable by the Waystone Group to Link Group for the Sale over and above the amount of up to approximately £80 million to be paid direct to LFSL for the ACD business. In addition, Link Group has agreed also to contribute any available net consideration it receives if it completes a sale of the Luxembourg and Swiss entities which form part of the FS Business prior to the date on which the distribution under the Scheme takes place.

Without the Settlement and the approval of the Scheme the Link Group contributions referred to in the paragraph above will not be available to WEIF Investors.

The Settlement is subject to a number of conditions, including completion of the Sale and the Scheme becoming effective. LFSL is entering into the Settlement expressly on the basis that there is no admission of liability and LFSL's rights in respect of the Settlement are expressly and entirely reserved unless and until the Scheme becomes fully effective. As noted above, the terms of the Settlement require the continued solvency of LFSL following completion of the Scheme and the Settlement.

The FCA has made findings that a financial penalty would have been imposed on LFSL (at a level which is disputed by LFSL), but has not imposed a financial penalty in this case in order to maximise the amount available to WEIF Investors.

All parties believe that the terms of the Settlement, if it becomes unconditional, will materially enhance the amount of redress available for WEIF Investors, in comparison to the position had no settlement been reached.

In the event that the conditions to the Settlement are not satisfied, it is anticipated that the FCA would commence disciplinary action against LFSL and that LFSL would challenge any disciplinary action by way of reference to the Regulatory Decisions Committee and/or the Upper Tribunal.

Scheme of Arrangement

The Settlement is conditional on, and is to be implemented through, a scheme of arrangement. Pursuant to the proposed Scheme, it is intended that the FCA Redress Contribution from LFSL will be made available to relevant WEIF Investors. The WEIF Investors entitled to be paid under the Scheme will be more specifically described in the Scheme, but are proposed to include all creditors of LFSL with claims directly or indirectly arising out of LFSL's role in relation to WEIF.

The amounts to be paid by LFSL towards the FCA Redress Total (and any other WEIF related creditors), after discharging its other creditors and ensuring its continued solvency, will be out of its then net available resources. Its resources are expected to consist of:

- The net balance of its cash and regulatory capital resources. As at 31st December 2022, its gross cash and regulatory capital resources were £52.2 million;
- Any proceeds LFSL receives in respect of insurance in relation to redress. LFSL holds potentially relevant insurance cover and discussions with its insurers are ongoing;
- The net proceeds due to LFSL for the sale of the ACD business by it to the Waystone Group, expected to be up to approximately £80 million, depending on the level of revenue transferred by completion of the Sale; and
- Up to approximately £60 million (subject to adjustments) of additional contribution from Link Group, representing the whole of the available consideration to be paid to it by the Waystone Group pursuant to the Sale, and making (in aggregate) a contribution of a maximum of between £110 million and £140 million of sale proceeds paid by the Waystone Group to LFSL and to other Link Group companies, notwithstanding the fact that only LFSL is party to the FCA investigation.
- Any sale proceeds received by Link Group in respect of the Luxembourg and Swiss entities which form part of the FS Business prior to the date on which the distribution under the Scheme takes place.

In the event that the Scheme is sanctioned by the English High Court and becomes effective, the Settlement and the Scheme together will provide for the full and final settlement of the FCA's enforcement action against LFSL and it is proposed will provide for the full and final settlement of all WEIF-related exposures of LFSL including any such potential class actions. Specifically, the Scheme will provide that the payment of amounts to WEIF Investors, in accordance with the Scheme, will be in return for a full and final release from WEIF Investors to LFSL and the wider Group.

Subject to the progress of completion of the Sale, the current expectation is that further updates in relation to the Scheme proposal will be provided in June/July 2023, consistent with the current plan to circulate Scheme documentation in October 2023.

As part of the Settlement, FCA has confirmed its intention to support the Scheme and intends to support its approval by WEIF Investors. This recognises the significant additional contribution to be provided by Link Group towards redress, which would not otherwise be available.

Mr. Bhatia said, "Today's announcement is significant for Link Group. The sale of LFS significantly completes our simplification strategy including a conditional settlement with the FCA. Together with the sale of our BCM business and the in-specie distribution of Link Group's PEXA shareholding to Link Group shareholders, Link Group emerges as a simpler, more focused company driven by two market leading core businesses which continue to deliver strong operational and financial performance. This outcome creates greater clarity for our shareholders, providing a pathway to final resolution of the Woodford matters and further enabling the organisation to focus on the future growth of our core businesses."

Analyst Briefing

Link Group CEO & Managing Director, Vivek Bhatia, and Chief Financial Officer, Andrew MacLachlan, will host a briefing for analysts and investors at 9.30am today (AEST).

Participants need to pre-register for the call here: https://s1.c-conf.com/diamondpass/10030253-5pgvxf.html

FCA Media Release

The FCA will be issuing its own press release in relation to this matter, which will be available on the FCA's website.

The release of this announcement was authorised by the Link Group Board.

For further information:
Investor Relations Contact – Tariq Chotani, Link Group +61 407 498 868
Media Contact – Ben Wilson, GRACosway +61 407 966 083

About Link Group
Link Group connects millions of people with their assets, including equities, pension and superannuation, investments, property and other financial assets. Link Group partners with thousands of financial market participants to deliver services, solutions and technology platform that enhance the user experience and make scaled administration simpler. They help manage regulatory complexity, improve data management and provide the tools to connect people with their assets, leveraging analysis, insight and technology.

For more information, please visit: www.linkgroup.com.

ENDS

Delegation of Functions to Officers by Pension Fund Committee – June 2023

Key:

PFC – Pension Fund Committee	PAP - Pension Advisory Panel	HCPF – Head of Clwyd Pension Fund
CFM – Corporate Finance Manager	CMPOD - Corporate Manager – People and Organisational Development	PAM – Pensions Administration Manager
DHCPF – Deputy Head of Clwyd Pension Fund	IC – Investment Consultant	FA – Fund Actuary
IA – Independent Advisor	***WPP - Wales Pensions Partnership***	

Updates since last version are shown in ***highlighted bold and italics.***

Function delegated to PFC	**Further Delegation to Officer(s)**	**Delegated Officer(s)**	**Communication and Monitoring of Use of Delegation**
Investment strategy - approving the Fund's, Investment Strategy Statement including setting the Responsible Investment Policy and investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite. Monitoring the implementation of these policies and strategies on an ongoing basis.	Rebalancing and cash management Implementation of strategic allocation including use of both rebalancing and conditional ranges Short term tactical decisions relating to the 'best ideas' portfolio Risk Management Framework - Implementation of the agreed Risk Management Framework	HCPF (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
	- Setting of inflation and interest rate triggers and deciding action(s) to be taken when those triggers are reached within the existing constraints of the Investment Strategy		
	Risk Management Framework - Agreeing actions to be taken on 110% funding level trigger	HCPF following the process as outlined in the Appendix	The process as outlined in the Appendix
	Investment into new mandates / emerging opportunities ***(excluding WPP mandates)***	HCPF and either the CFM or CMPOD (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP
	Completion and submission of request to opt up to professional client status under the terms of MIFID II	HCPF	Ongoing reporting to PFC for noting, with more detailed monitoring by PAP
In relation to Wales Pooling Collaboration arrangements: • Nominating Flintshire County Council's officers to the Officer Working Group.	To be the CPF designated members of the Officer Working Group	HCPF and DHCPF	High level monitoring at PFC with more detailed monitoring by PAP
In relation to Wales Pooling Collaboration arrangements: • Delegating powers to Flintshire County Council's own officers and the Host Council where required.	All matters included in the Inter Authority Agreement as being responsibilities of officers and the Host Council	Officers – HCPF who may delegate to DHCPF subject to ongoing advice from CFM Host Council – Carmarthenshire County Council	High level monitoring at PFC with more detailed monitoring by PAP

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.	Ongoing monitoring of Fund Managers	HCPF and either the CFM or CMPOD (having regard to ongoing advice of the IC) and subject to ratification by PFC	High level monitoring at PFC with more detailed monitoring by PAP
	Selection, appointment and dismissal of Fund Managers ***(other than in relation to investments held within WPP)***	HCPF and either the CFM or CMPOD (having regard to ongoing advice of the IC) and subject to ratification by PFC	Notified to PFC via ratification process.
	Setting of objectives for investment related consultancy contracts in line with CMA requirements[1], and monitoring against those objectives.	HCPF and DHCPF	High level information provided to PFC following annual review.
Agreeing the terms and payment of bulk transfers into and out of the Fund.	Agreeing the terms and payment of bulk transfers into and out of the Fund where there is a bulk transfer of staff from the Fund. Exceptions to this would be where there is a dispute over the transfer amount or it relates to significant assets transfers relating to one employer or the Fund as a whole	HCPF and either the CFM or CMPOD after taking appropriate advice from the FA.	Ongoing reporting to PFC for noting

[1] In accordance with Investment Consultancy and Fiduciary Management Market Investigation Order 2019

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.	Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund including flexibility of exit payments and deferred debt arrangements[2].	HCPF and either the CFM or CMPOD after taking appropriate advice from the FA.	Ongoing reporting to PFC for noting
Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.	Working with the actuary in determining the appropriate level of employer contributions for each employer between formal actuarial valuations[3]	HCPF and either the CFM or CMPOD after taking appropriate advice from the FA.	Ongoing reporting to PFC for noting

[2] Note that any employer appeals to decisions made by officers relating to flexibility of exit payments and deferred debt arrangements are to be decided by the Pension Fund Committee.
[3] Note that any employer appeals to decisions made by officers relating to the rate of contributions between valuations are to be decided by the Pension Fund Committee.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Discretions – determining how the various administering authority discretions are operated for the Fund.	Approving administering authority discretions policy (including the ~~***Voluntary Scheme Pays Policy and***~~ Over/underpayments Policy) other than in relation to: • any key strategy/policies and • matters relating to admission bodies and bulk transfers as included in the preceding two rows.	HCPF and either CFM or CMPOD (having regard to the advice of the rest of the PAP)	Copy of policies to be circulated to PFC members once approved.
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PFC.	HCPF and either the CFM or CMPOD , subject to agreement with Chair and Vice Chair (or either, if only one available in timescale)	PFC advised of consultation via e-mail (if not already raised previously at PFC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PFC for noting.
Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the CIPFA Code of Practice[4]	HCPF	Regular reports provided to PFC and included in Annual Report and Accounts.

[4] CIPFA Code of Practice recommends each administering authority delegates responsibility for implementation to a senior officer.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund	Making minor changes to existing strategies, statutory compliance statements, policies and procedures. These will still be required to be considered by the PFC in line with the period stated in that document.	HCPF and either the CFM or CMPOD	Ongoing reporting to PFC for noting
	• Personal Data Retention Policy – • Policy for Administration and Communication of Tax Allowances to Scheme Members – • ***Voluntary Scheme Pays Policy***	PAM in consultation with HCPF	Ongoing reporting to PFC for noting Fundamental changes to this Policy will be highlighted to the Pension Fund Committee prior to its approval to allow the Committee to highlight any concerns.
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee.	Other urgent matters as they arise	HCPF and either CFM or CMPOD , subject to agreement with Chair and Vice Chair (or either, if only one is available in timescale)	PFC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PFC.
	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PFC and subject to monitoring agreed at that time.

Process for the actions to be taken following a breach of the 110% funding level trigger*[5]

The funding level be monitored daily using projected asset and liability values from the PFaroe platform. On breaching the 110% funding level, a notification will be sent to the Funding and Risk Management Group (FRMG) via email on that or the following Business Day;

- Mercer will then independently verify the asset and liability values over the following 10 Business Days (the length of this period reflects the timeframe to receive updated data from the Fund's investment managers) to confirm that the 110% trigger has indeed been breached;
- Mercer will conduct analysis of the funding position assuming that the trigger has been breached, and will circulate an advice note to the FRMG no later than 20 Business Days from the initial trigger notification;
- The FRMG will hold a call within 25 Business Days of the trigger notification to discuss the advice note and any recommendation made by the Fund's advisers to the FRMG.
- The Head of Clwyd Pension Fund will then consider the advice received relating to de-risking, and will report via email their intended decision on this matter to the Pension Fund Committee;
- The Committee will be invited to provide feedback over the following 5 Business Days and:
    - If, after receiving any comments, there are no outstanding issues for discussion (including where no comments have been received from the Committee) regarding the Head of Clwyd Pension Fund's proposed decision, if the decision is to de-risk, the FRMG will liaise with investment managers to agree documentation and instructions in line with the agreed actions within 35 Business Days from the initial trigger notification.
    - However, if there are any issues highlighted by PFC members that require discussion, a special Committee meeting will be called to consider the issues and at that meeting the Committee will be asked whether or not to endorse the Head of Clwyd Pension Fund's intended way forward (noting that this meeting will need to be scheduled as a matter of urgency).

[5] Agreed at 9 February 2022 Pension Fund Committee

- Following a decision to go ahead with the de-risking actions, the FRMG will work with investment managers to implement the agreed de-risking activity, which will then be reported to Committee at the next regular meeting.

Russell Investments

CLWYD PENSION FUND COMMITTEE

James Zealander
Senior Relationship Manager, Link Group

Aidan Quinn, CFA
Director, EMEA Client Team, Russell Investments

21 June 2023

EMBRACE THE POSS/BLE®

LINK FUND SOLUTIONS

WPP Operating Model

Wales Pension Partnership

Russell Investments

Investment Manager

LINK Group

Operator

NORTHERN TRUST

- Depositary*
- Custodian
- Securities Lending

NORTHERN TRUST

- Fund Administration
- Performance reporting
- Transfer Agent

Source: Russell Investments. For illustrative purposes only.

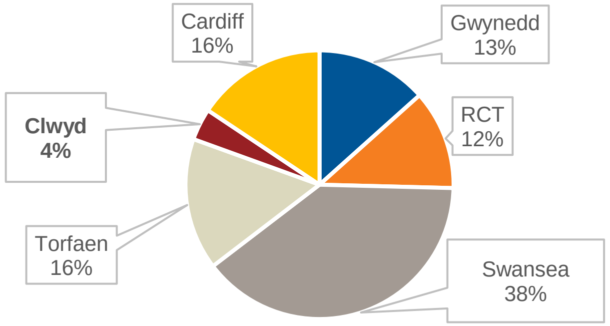
Market Updates

Proposed Acquisition

- As discussed since the last Joint Governance Committee on 29 March 2023;
- Below is the update in relation to the progress of the sale of the Fund Solutions business (FS Business) and ongoing negotiations with the UK Financial Conduct Authority (FCA) to settle the FCA investigation against Link Fund Solutions Limited (LFSL).
- Link Group announced on 20th April 2023 (Sydney time) that:
- Link Group and LFSL have reached a conditional agreement for the sale of the FS Business, excluding its Luxembourg and Swiss entities, and excluding Woodford related liabilities, on a debt and cash free and normalised working capital adjustments basis, to the Waystone Group for an aggregate consideration value of between £110 million and £140 million (the Sale).
- At the same time, Link Group and LFSL have reached a conditional agreement with the FCA to settle its investigation into LFSL in respect of LFSL's role as authorised corporate director (ACD) of the LF Woodford Equity Income Fund (now known as the LF Equity Income Fund) (WEIF), (the Settlement).
- The Settlement is conditional on, amongst other things, completion of the Sale and the English High Court sanctioning a scheme of arrangement proposed under Part 26 of the Companies Act 2006 addressing WEIF related redress and claims against LFSL (Scheme), as outlined below. The FCA has confirmed its intention to support the Scheme and intends to support its approval by WEIF Investors.
- As part of the Settlement, and conditional on the Scheme, Link Group has agreed to contribute to LFSL all of the available consideration to be received from the Waystone Group under the Sale, meaning Link Group would receive no net proceeds of the Sale. There is no further contribution required of Link Group'.
- The Scheme will provide that the payment of amounts to WEIF Investors, in accordance with the Scheme, will be in return for a full and final release from WEIF Investors to LFSL and the wider Group.
- The Sale is targeted to complete by October 2023 and is not contingent on the Scheme or the Settlement becoming unconditional.

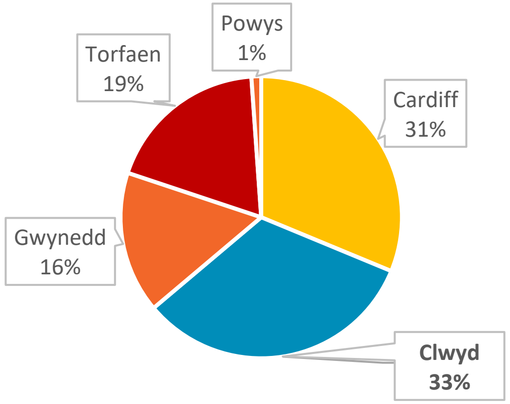
March 2023 Fund Snapshot

Global Opportunities

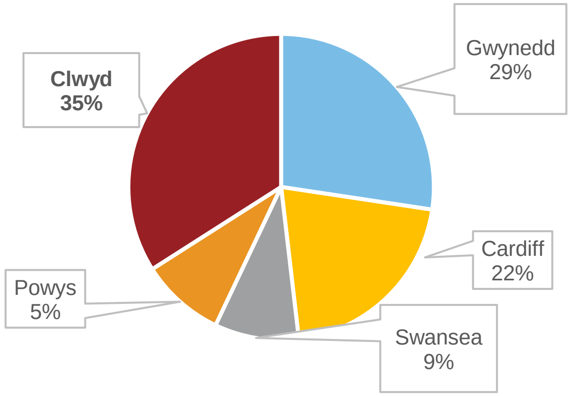


Fund	Fund AUM	Inception date	Clwyd – March 23 AUM
Global Opportunities	£3,269,124,129	6th Feb 2019	£130,027,219
Emerging Markets	£354,601,402	14th Feb 2019	£115,711,384
Multi Asset Credit	£655,191,299	19th Aug 2020	£230,688,013
Total Active Investments			**£476,426,616**
Total Investments	**£4,278,916,830**		**£476,426,616**

Emerging Markets



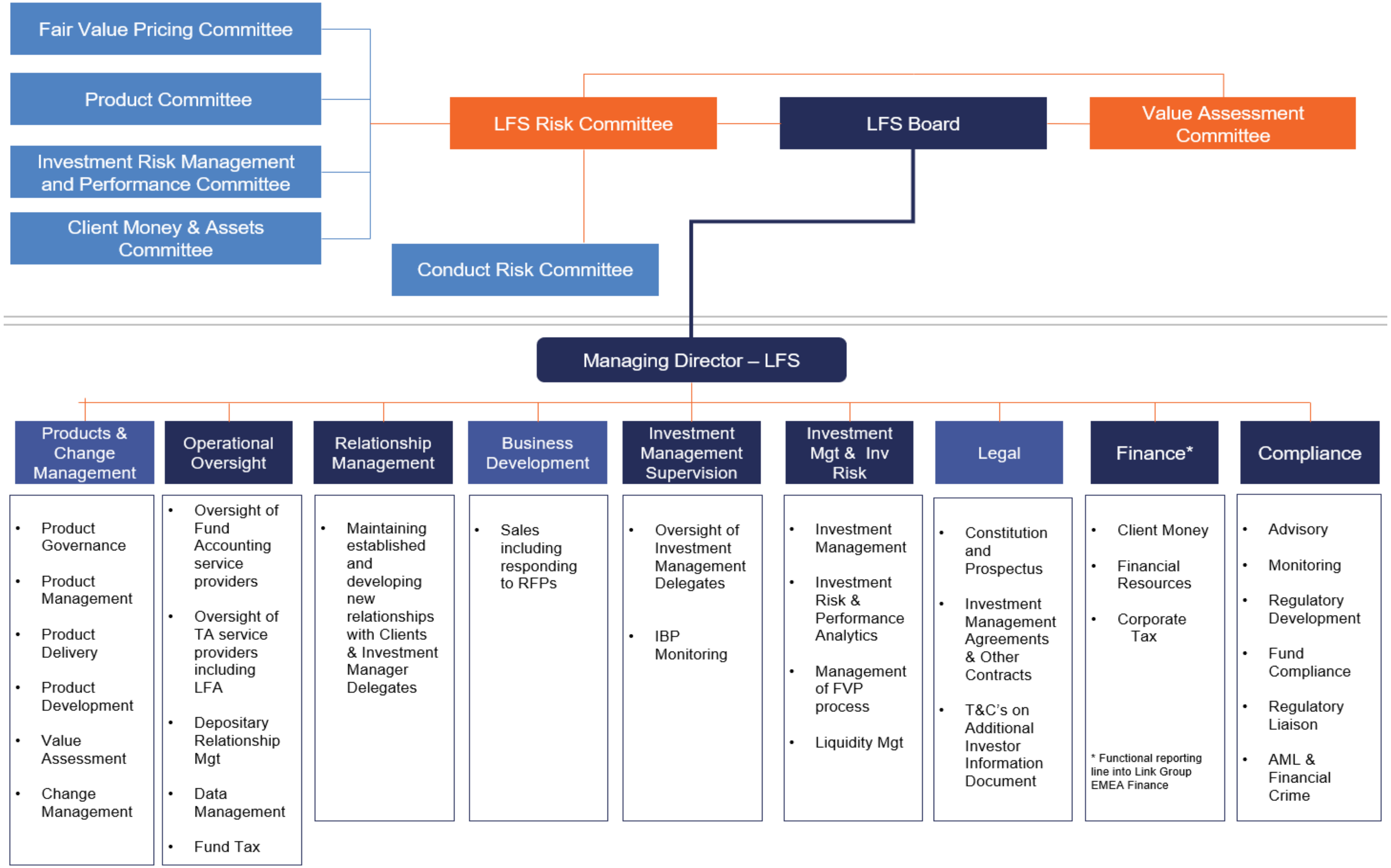
Multi Asset Credit



Key:
- Dyfed
- Powys
- Gwynedd
- RCT
- Torfaen
- **Clwyd**
- Swansea
- Cardiff

5

Governance Structure for Link Fund Solutions Ltd.



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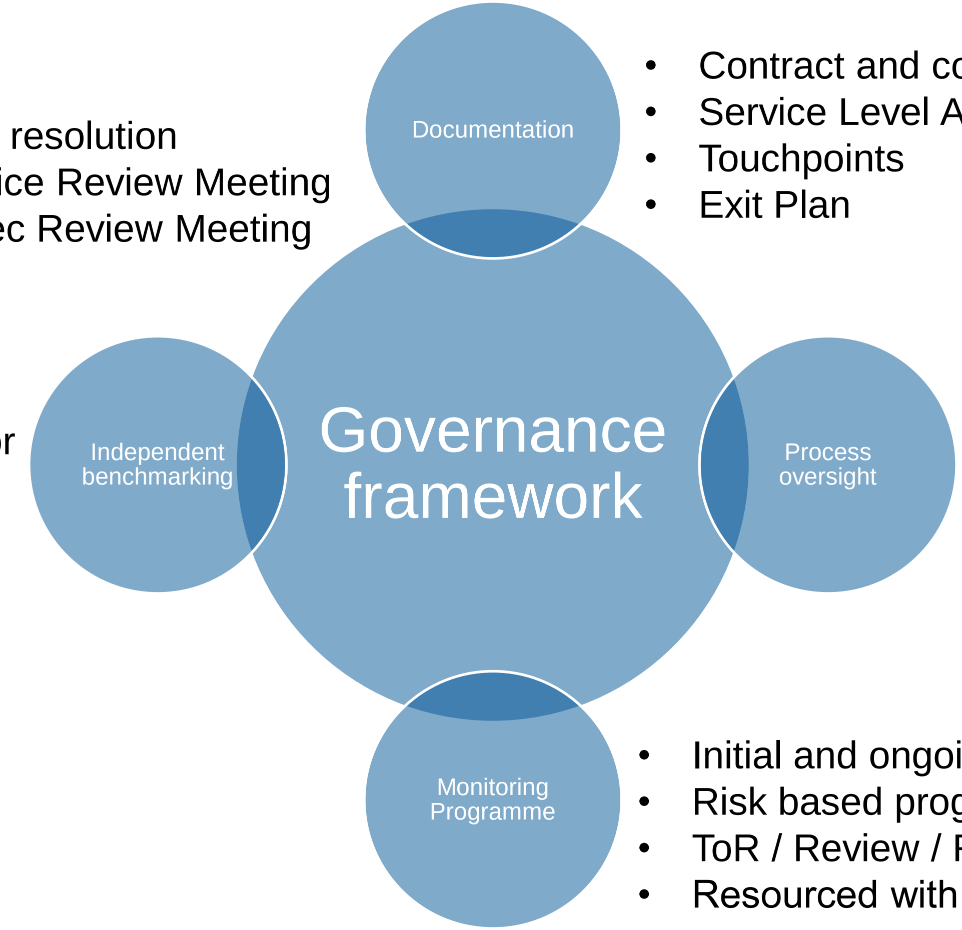
Operational Oversight – core principles

Weekly – Issue resolution
Monthly – Service Review Meeting
Quarterly – Exec Review Meeting



- Contract and commercial agreement
- Service Level Agreement
- Touchpoints
- Exit Plan

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- Monthly reporting
  - Fund Administrator
  - Custodian
- Whole of market

- Monitor key control points
- Error/Breach assessment

- Initial and ongoing Due Diligence
- Risk based programme
- ToR / Review / Report
- Resourced with SME’s and Risk experts

Sub-Funds Update

Fund Launches & Changes	Activity	Status	Commentary
Completed Fund Launches & Changes	N/a		N/a
Ongoing Fund Launches & Changes	Addition of Robeco to the Global Credit fund, removal of T Rowe Price	✓	New Investment Manager ‘Robeco’ to be implemented June 2023
	Establishment of a Sustainable Equities Fund	✓	Weekly Transition Calls ongoing with full working party and Legacy managers with launch date agreed for 20 June 2023

Status key:

- Completed or already in place
- On target;
- Delay Expected;
- Not Applicable

RUSSELL INVESTMENTS UPDATE

WPP Partnership

Significant progress made

Partneriaeth Pensiwn Cymru Wales Pension Partnership

Fund Platform Provider: LINK Asset Services

Investment Man. Partner: Russell Investments

Asset Servicer: Northern Trust

Early 2018
Appointment

February 2019
Global Equity Funds Launched

October 2019
UK Equity Fund Launched

June 2020
Global Equities converted to EPI

July 2020
Fixed Income Sub-funds Launched

July 2020
Decarbonisation Global Opps

Q4 2021
Emerging Market Equity Fund Launched

May 2022
Decarbonisation UK Opps

April 2023
Private Credit Programme Launch

Q2 2023
Sustainable Active Equity Fund Launch

For illustrative purposes only.

LF WPP GLOBAL OPPORTUNITIES EQUITY

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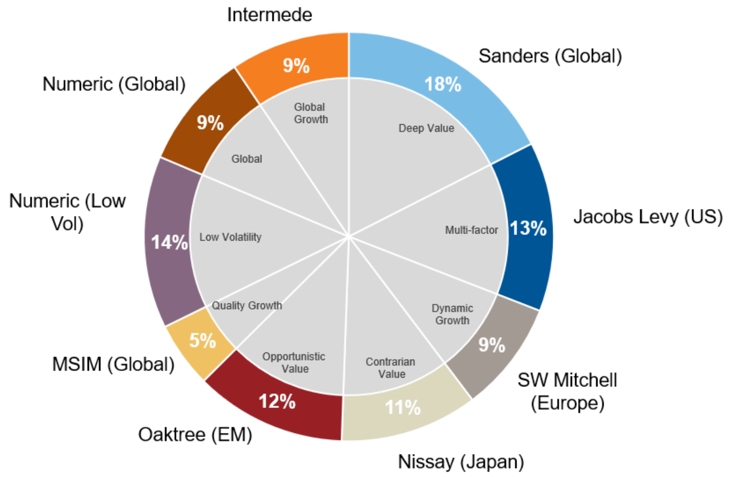
Global Opportunities Equity Fund

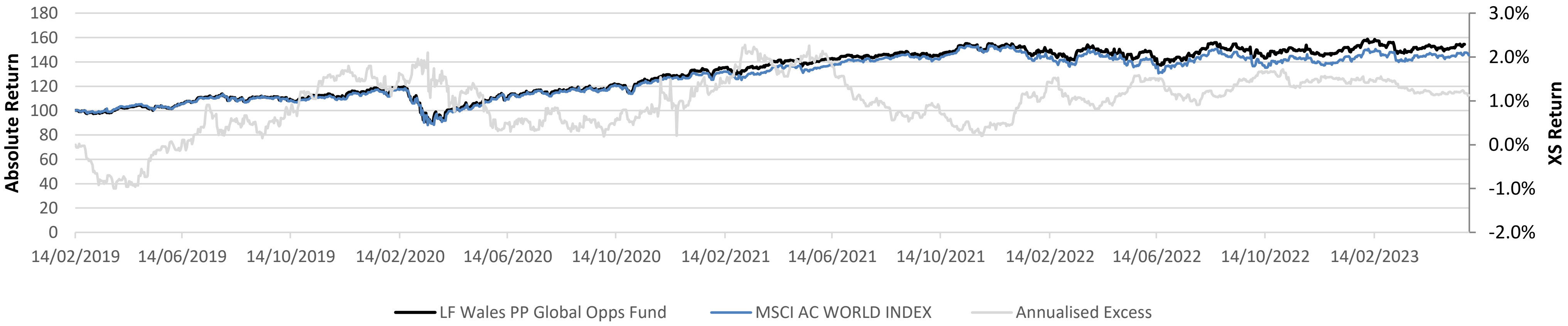
FUND DETAIL

	Inception	Current
AUM	£75.8 mln	£130.2 mln
Fees	27 bps	25 bps
Number of Strategies	7	9
Total value added	£36.8m	
Total value added over benchmark	~£2.4m	

ASSET ALLOCATION



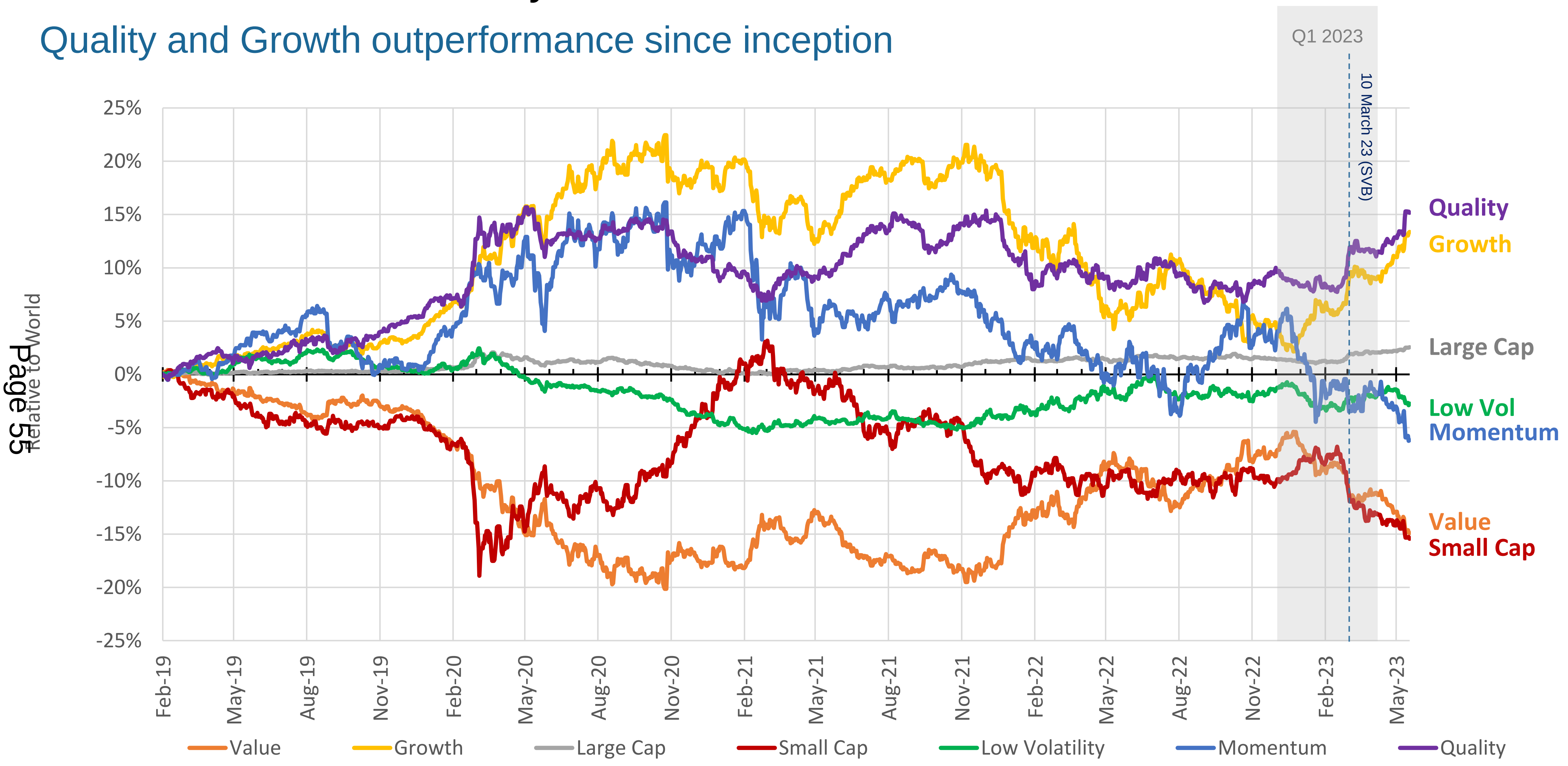
PERFORMANCE SINCE INCEPTION



Source: Russell Investments as at 31 May 2023. Inception on 14th February 2019.
Notes: Manager weights and current fees as at 31 March 2023 and exclude fund level cash and Overlay AUM stated in GBP. Value added numbers are an estimate based on cumulative returns.

Market Performance - Styles

Quality and Growth outperformance since inception



Notes: Weekly, All indices MSCI, Indexed to 100 at beginning of time window; Geometric excess return vs MSCI World, TR NET, USD. Source: Bloomberg and Russell Investments. Data as of 31 May 2023

LF WPP EMERGING MARKET EQUITY

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Emerging Markets

Key Characteristics

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"A developing economy that has not yet progressed to meet the criteria to be classified as a developed economy based on factors including economic development, size, liquidity and market access."

Favourable demographics	Economic Growth	Domestic consumption	Productivity gains	Increased Opportunities
Relatively younger and growing workforce & consumer base compared to developed market counterparts	• 2010: EM economies made up 35% of World GDP • 2020: estimated to represent 41%; a 17% increase. • Yet, EM's weight in MSCI ACWI is only ~11%[1]	Emerging markets make up 85% of the world's population, urbanisation and growing middle class.	Starting from a much lower point, EM markets have ample scope to improve productivity through infrastructure build out and technological advances.	Emerging markets offer a diverse and deep opportunity set: Stocks in the MSCI EM index currently stand at ~1370[1], a 66% increase from 2015.

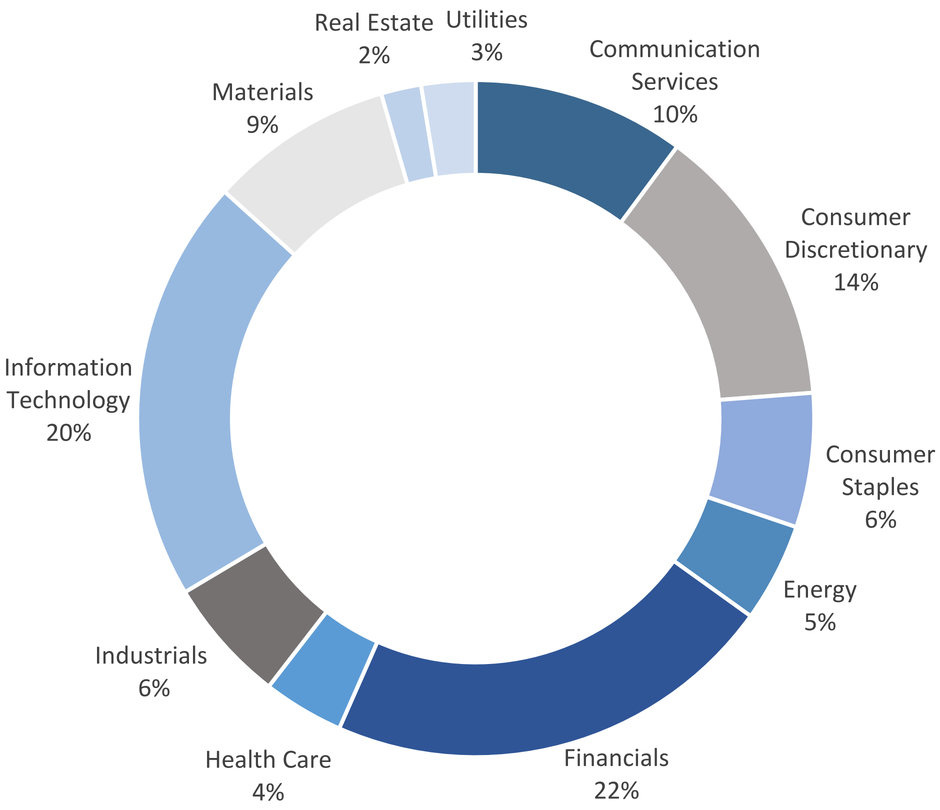
Emerging markets offer strong absolute and excess return potential & diversification benefits

Source: IMF, Bloomberg as of 31st January 2023.
[1] MSCI data as of 31st January 2023.

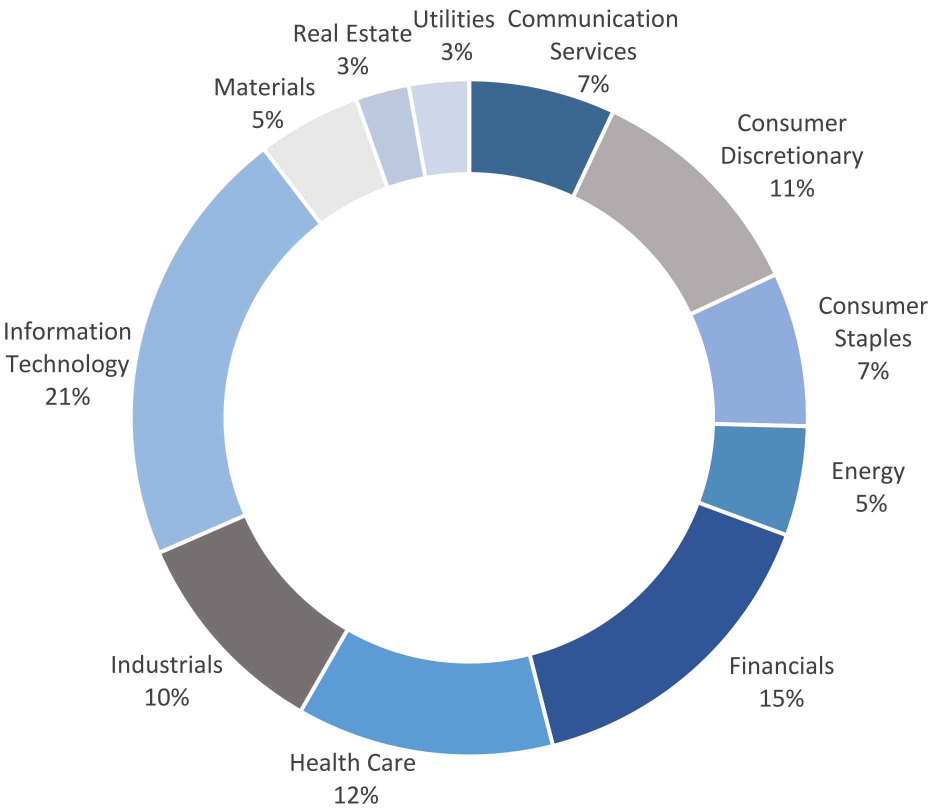
MSCI EM vs ACWI Index

Sector Allocation Breakdown

MSCI EM



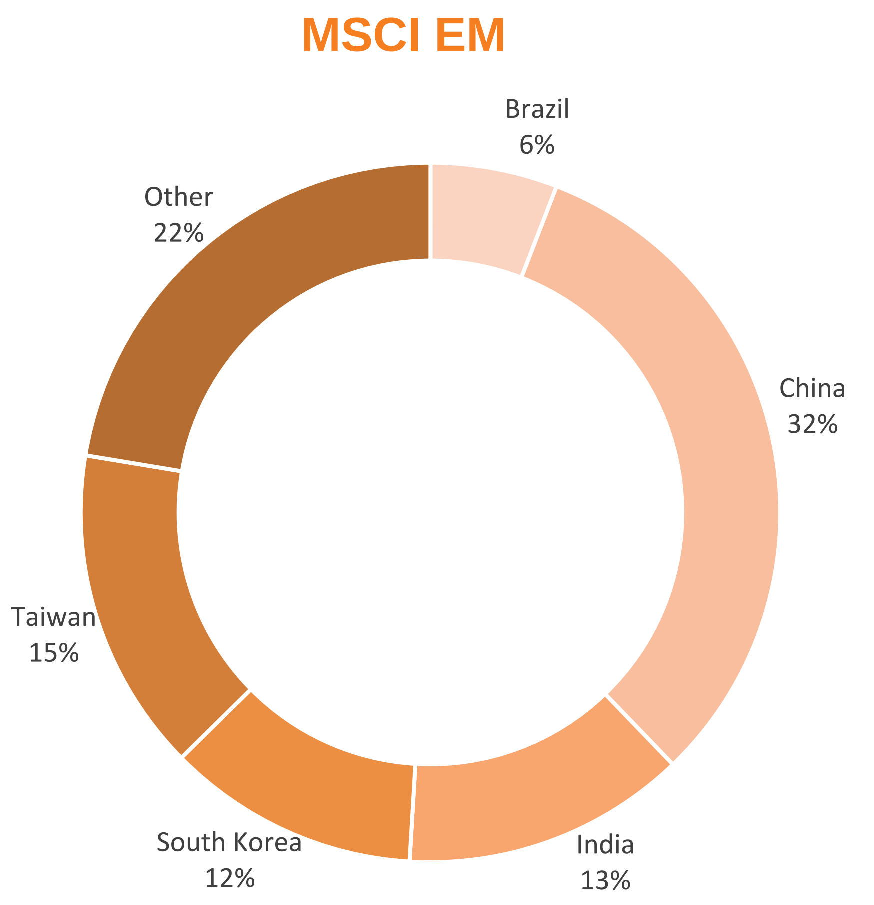
MSCI ACWI

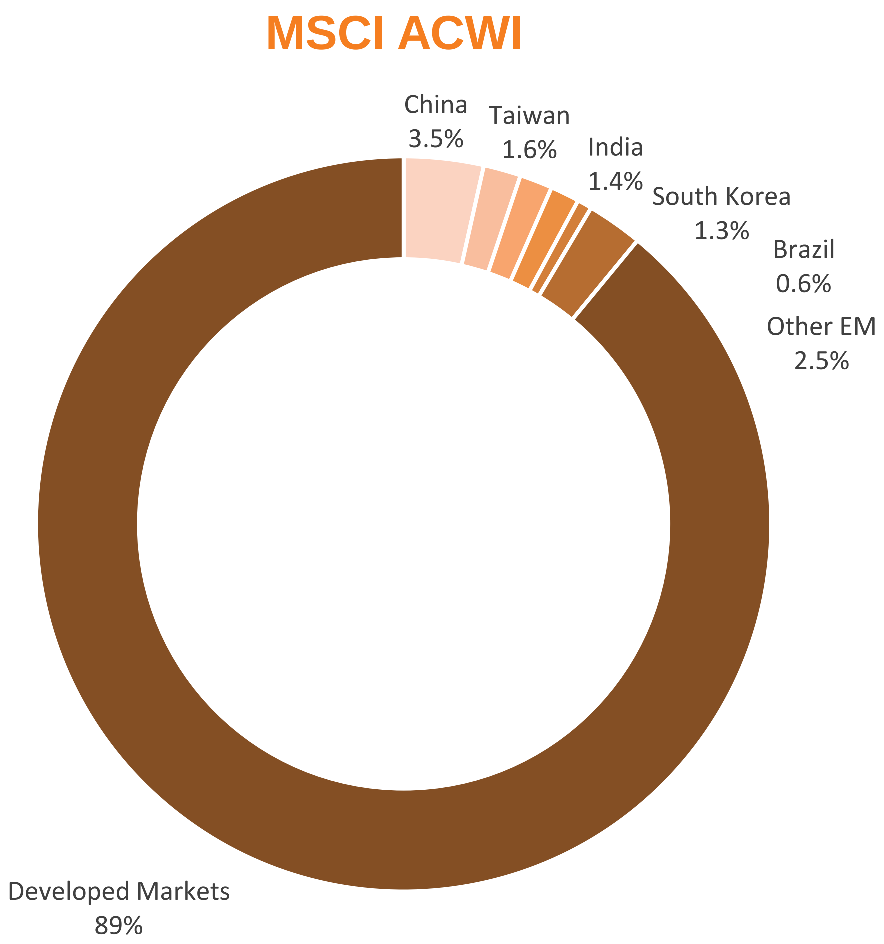


Source: MSCI Index as at 28th February 2023. Numbers may not sum to 100% due to rounding.

MSCI EM vs ACWI Index

Country Allocation Breakdown





Source: MSCI Index as at 28th February 2023. Numbers may not sum to 100% due to rounding.

Emerging Market Sub-Fund

Aim: To launch an EM sub-fund that can deliver **stable excess returns**, offer access to a range of complementary specialist managers, while **generating manager fee savings** compared to current arrangements

ENSURING LOW CORRELATIONS WITH GLOBAL OPPORTUNITIES

Providing deeper access to mid- and smaller capitalisation stocks compared to global opportunities

ADOPTION OF A CHINA SPECIALIST

China has an increasing weight in the EM index and is a broad market suitable for active management

IMPLEMENTING VIA EPI & DECARBONISATION

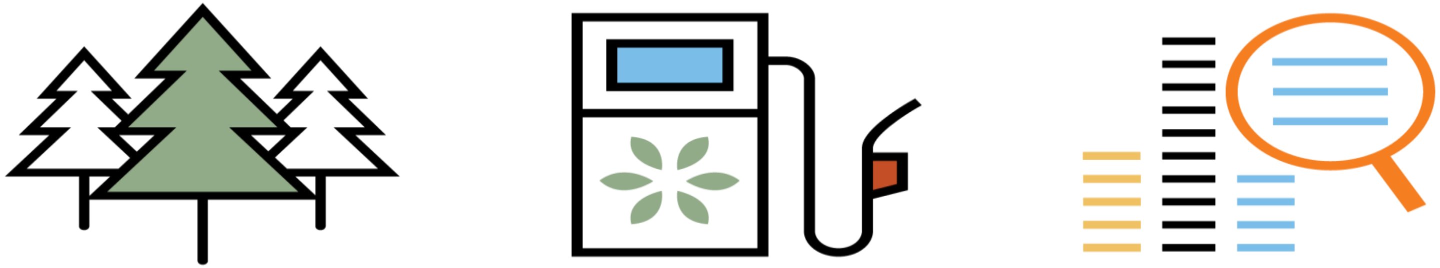
Using EPI framework:

- Trade efficiencies
- Manager access at competitive fees and below typical account size thresholds
- De-carbonisation from launch

Implementing Decarb for the WPP funds

Without compromising the underlying investment engine

DECARBONISATION



≥ 25% LOWER CARBON FOOTPRINT RELATIVE TO THE BENCHMARK

≥ 25% LOWER FOSSIL FUEL RESERVES RELATIVE TO THE BENCHMARK

TARGETED EXCLUSIONS OF COAL REVENUES GENERATING COMPANIES

- The three approaches above will be used on the Emerging Market and Global Opportunities Portfolios with an aim to maintain a low tracking error versus the managers
- Meaning both funds will help you achieve your decarbonisation goals while balancing manager alpha to still deliver you consistent positive returns

Source: Russell Investments, for illustrative purposes only.

Net-zero carbon emissions goal

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2050 net-zero carbon emissions for its investment portfolios globally

Member of the Net Zero Asset Managers Initiative

2030 carbon neutral for global business operations

Source: Russell Investments,

Emerging Markets Equity Fund

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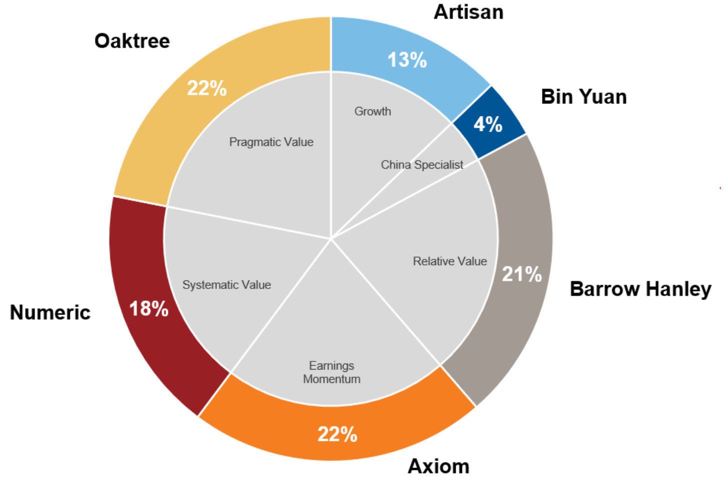
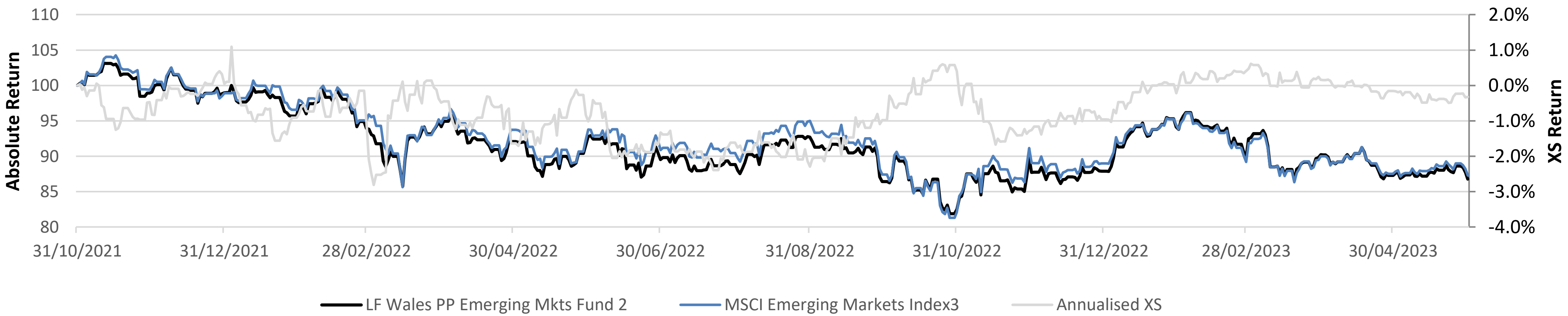
FUND PERFORMANCE

31 May 2023	YTD	1 YR Return	ITD (AR) Return
LF WPP Emerging Markets Equity Fund (Gross)	-1.2	-6.4	-8.5
LF WPP Emerging Markets Equity Fund (Net)	-1.3	-6.7	-8.8
MSCI Emerging Markets Net	-1.9	-6.9	-8.2
Excess Returns (Gross)	0.7	0.2	-0.6

ASSET ALLOCATION



PERFORMANCE SINCE INCEPTION



Source: Russell Investments as at 31 May 2023. Notes: Manager weights are as at 31 March 2023 and exclude cash and cash overlay.

LF WPP SUSTAINABLE ACTIVE EQUITY

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Mapping the landscape

Different types of products available

			RUSSELL INVESTMENTS ESG MANAGED UNIVERSE		
INVESTMENT APPROACH	TRADITIONAL	ESG INTEGRATED	SUSTAINABLE	THEMATIC	IMPACT
PRIMARY OUTCOME	Financial Emphasised				ESG Emphasised
IMPACT GOALS		Avoid harm and mitigate ESG risks			
			Benefit all stake holders		
				High impact solutions	
DEFINITION	Limited or no focus on ESG factors of underlying investment analysis and execution	Consider ESG criteria alongside financial analysis in the investment approach to identify risk and return opportunities	Emphasis on companies that consider diverse stakeholders and/or benefit from the transition to a sustainable world	Investing focused on themes and sectors positioned to solve global sustainability related challenges	Investing in companies delivering measurable positive social & environmental impacts alongside financial returns

Source: Russell Investments for illustrative purposes only

Sustainable Active Equity

Sub-fund structure at launch

30%
Sparinvest
Ethical Global Value

15%
Wellington
Global Stewards

10%
Artemis
Positive Futures

25%
Mirova
Global Sustainable Equity

20%
Neuberger Berman
Global Sustainable Equity

Benchmark	Target Return	All Net Zero Aligned	All Signatories to PRI
MSCI All Country World Index (ACWI)	**+2%**	✓	✓

Source: Russell Investments for illustrative purposes only. Target excess return Gross of fees.

Sustainable Active Equity

Example strategy – Mirova

Manager/ Strategy	Sustainability focus/summary	Net Zero Aligned	Signatory to PRI
Mirova Global Sustainable Equity	• Focus is sustainable companies that offer positive solutions to sustainability challenges • Selects companies they can reference to UN SDGs, and have a positive impact on their four long term transition themes: • Demographics, Technology, Environment,& Governance	✓	✓

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Established in 2012, Mirova is an asset management company dedicated to sustainable investing managing $25.5Bn in AUM.

Equity investment team supported by ESG Research Team

Bottom-up, Quality-growth style. Targeting companies with low ESG risk and the potential to compound growth as sources of excess return

Example stock: Vestas Wind systems

Source: Mirova. Russell Investments. As at 30th June 2022.

Case study - Vestas

Largest global wind turbine manufacturer

DESCRIPTION

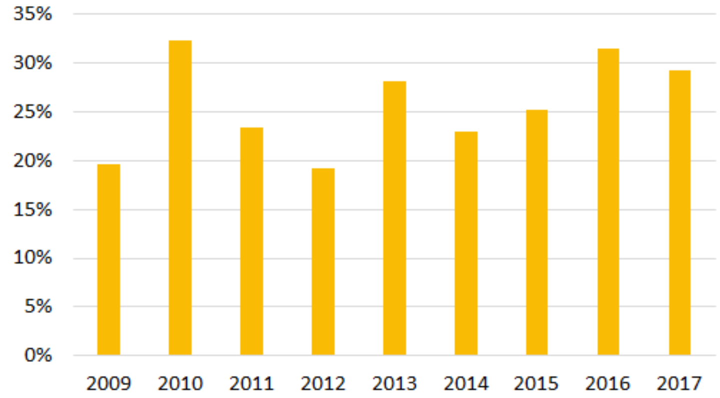
The company has a leading market share in onshore wind turbine manufacturing. Growth in onshore turbines is slowing, however the company has two alternative and growing earnings streams in the service and the offshore wind turbine business.

Vestas®

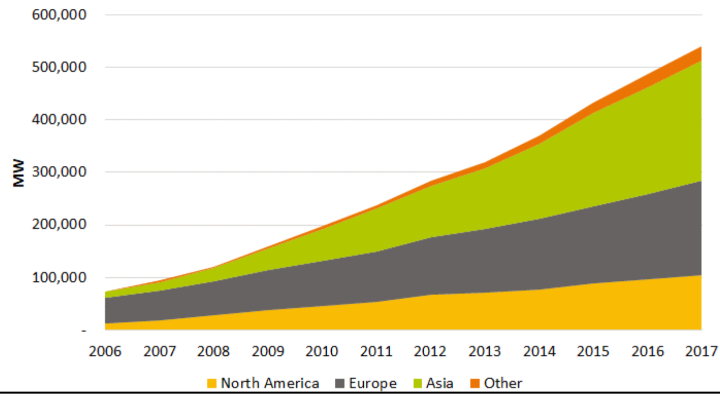
BUSINESS MODEL

- ✓ Legacy onshore wind turbines
- ✓ Growing service business
- ✓ Future offshore wind potential
- ✓ Dominant market position in onshore wind
- ✓ Strong balance sheet
- ✓ Proven track record of productivity

VESTAS MARKET SHARE (EXCL CHINA)



CUMULATIVE INSTALLED WIND GENERATION



Source: Sparinvest, Prudent Investments

Case study - ArcelorMittal

Sustainable steel production to meet the world’s underlying needs for steel

DESCRIPTION

As a market leading steel producer, ArcelorMittal is a global supplier to sectors like automobiles, construction, industrial machinery and household appliances. Within construction, ArcelorMittal is part of efforts to find less steel intense solutions – but the underlying need for steel remains. Steel also has a role to play in a low carbon and circular economy.

ArcelorMittal

BUSINESS MODEL

- ✓ Committed to becoming carbon neutral within Europe by 2050, with a 30% reduction target by 2030 - in line with the EU’s green deal.
- ✓ Using technology called ‘Smart Carbon’ – uses the principles of the circular economy to reduce the use of coking coal.
- ✓ Utilizes green hydrogen as an energy source in steel making

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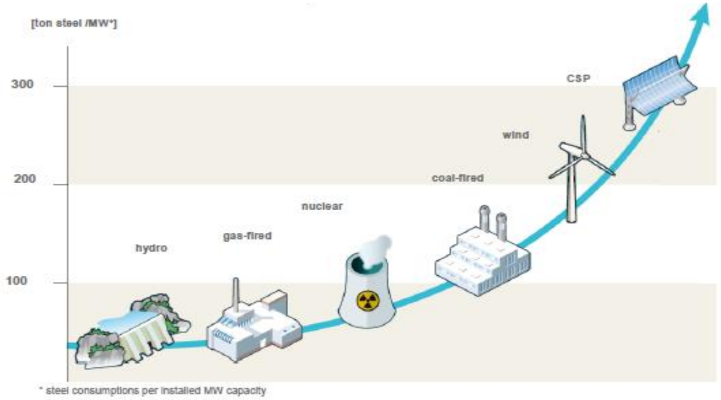
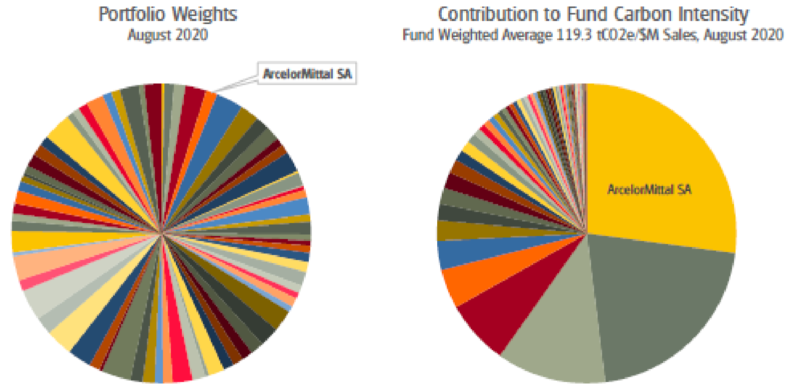
STEEL INTENSITY INCREASING WITH TRANSITION TO LOW CARBON SOURCES OF ENERGY GENERATION



ARCELORMITTAL WITHIN SPARINVEST’S ETHICAL GLOBAL VALUE FUND



Source: Sparinvest, Prudent Investments. ArcelorMittal

Net-zero goals

5yr from launch
>40% of assets to be Net Zero or Aligned to Net Zero

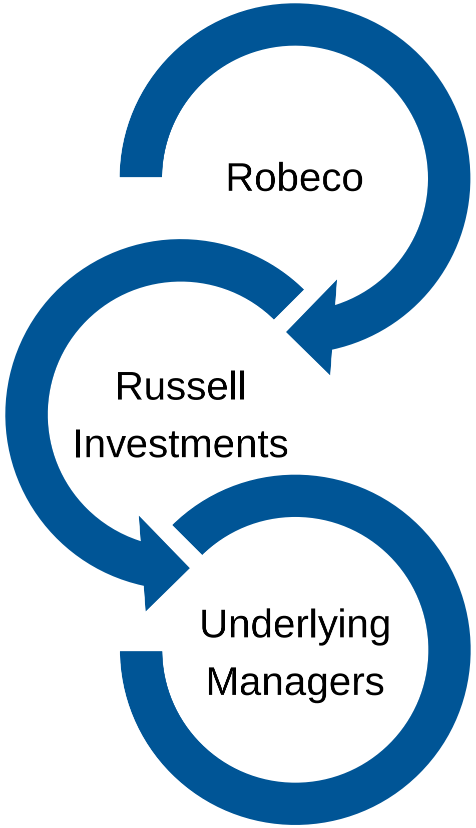
2030
50% Carbon Emissions reduction

2040
100% of assets to be Net Zero or Aligned to Net Zero

50% Carbon Emissions reduction for the portfolio (scope 1 and 2 emissions) vs benchmark, based on WACI approach.

Sustainable Active Equity

Active ownership: Multi-layered approach



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- As the WPP's appointed proxy voting and engagement provider, Robeco, would conduct a similar role for this sub-fund
- Russell Investment's have developed a robust active ownership capability which would serve to augment and complement the role of Robeco
- We pursue a multi-channel approach to stewardship:
  1. Engaging with issuers directly
  2. Engaging through and with our sub-managers as partners, and
  3. Joining collaborative engagement efforts with third-party market participants
- As part of our stewardship activities, we engage with companies on overall business strategy, capital allocation, and environmental, social and governance practices while encouraging appropriate levels of risk mitigation.
- Focus on select issuers based on the materiality of the exposure and the issues in question
- Chosen sustainable managers will also execute their own programs in alignment with their stated sustainability and investment objectives.
- Under this "double active" scenario both Russell Investments and the managers will press for beneficial change in line with industry best practices.
- Russell Investments will monitor sub-fund activity internally through our "**enhanced oversight**" disciplines,

Source: Russell Investments for illustrative purposes only

FIXED INCOME UPDATE

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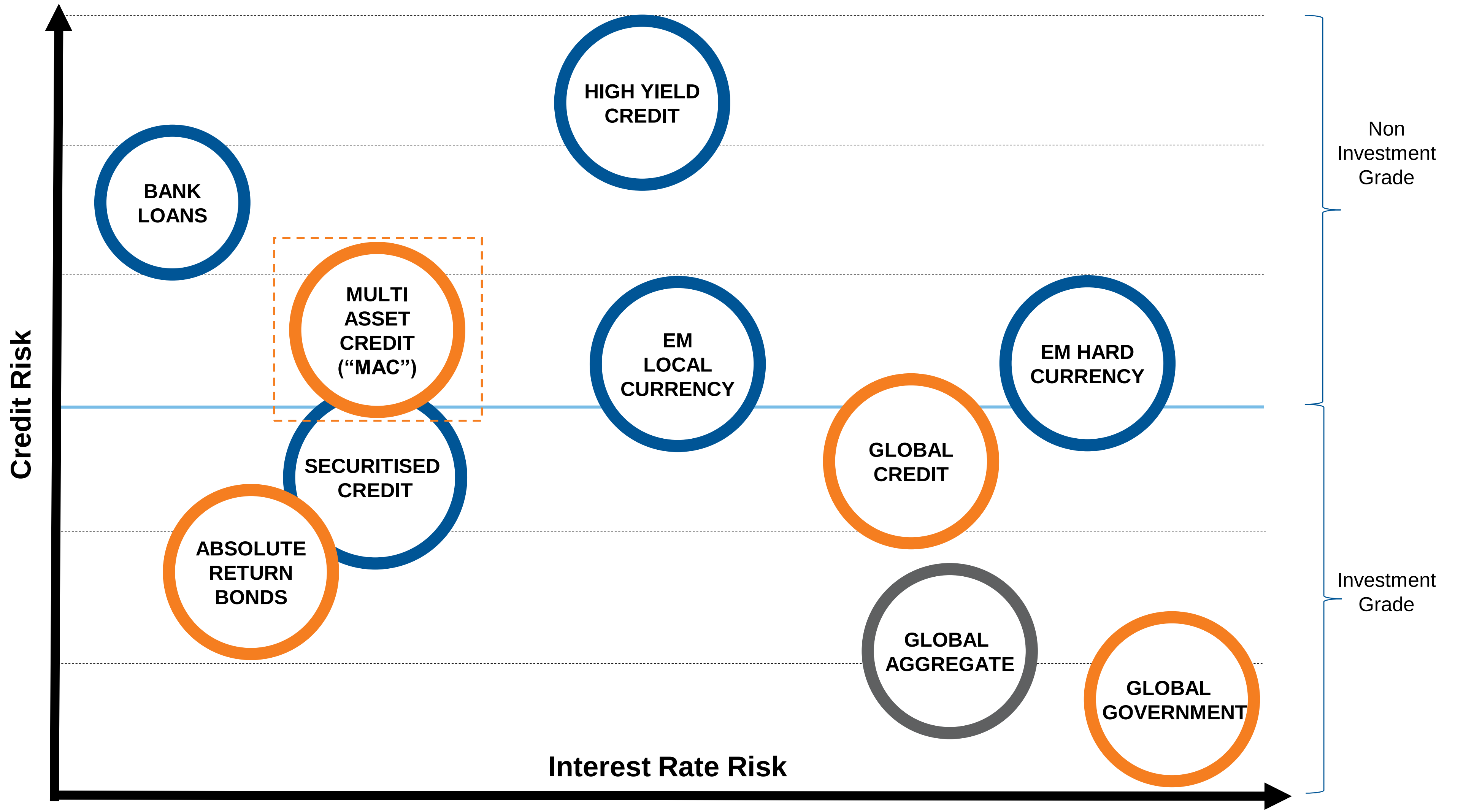
Understanding risks in fixed income

Multi Asset Credit



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For illustrative purposes only.

Multi Asset Credit Fund (MAC)

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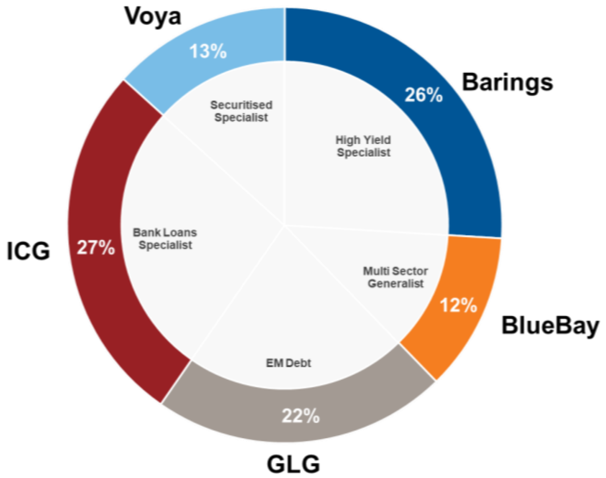
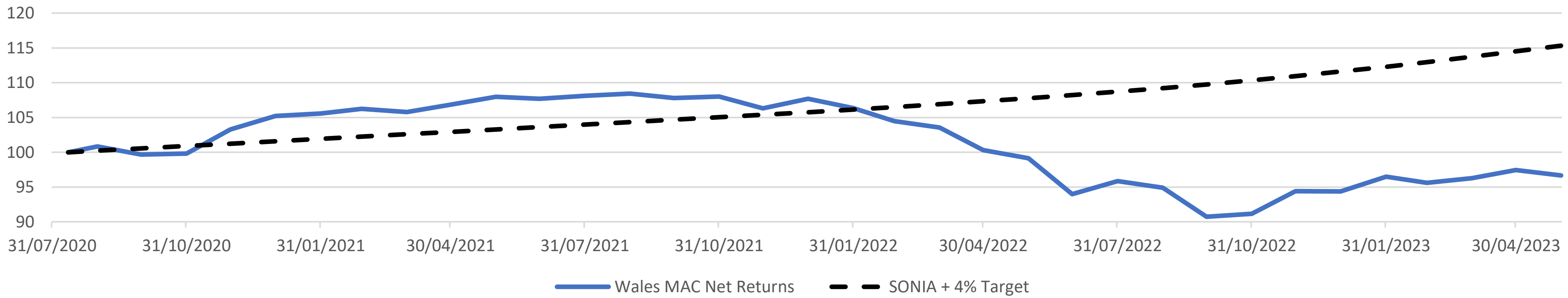
FUND PERFORMANCE

31 May 2023	YTD	1 YR Return	ITD (AR) Return
LF WPP Multi Asset Credit Fund (Gross)	2.5	-2.3	-0.9
LF WPP Multi Asset Credit Fund (Net)	2.3	-2.6	-1.2
GBP SONIA plus 4%	3.3	7.0	5.2

ASSET ALLOCATION



PERFORMANCE INCEPTION TO DATE



Source: Russell Investments as at 31 May 2023. Manager weights as at 31 March 2023.

WHAT'S NEXT?

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What's in the pipeline?

Sustainable fixed income

UNGC violator exclusion policy

Source: Russell Investments.

WPP Global Private Credit Fund

Vintage 1

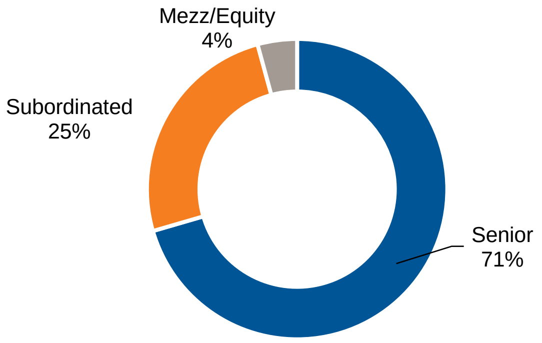
- Launched 13th April 2023
- Closed with £520m of committed capital across six constituent authorities
  - Cardiff
  - Clwyd
  - Gwynedd
  - Powys
  - Swansea
  - Torfaen
- 1% committed GP capital bringing total commitments to £525m for Vintage 1

Source: Russell Investments.

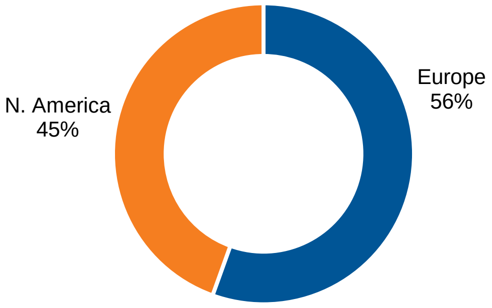
Indicative portfolio

Expected IRR: 8%+

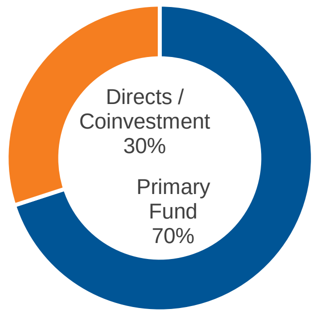
Strategy Exposures



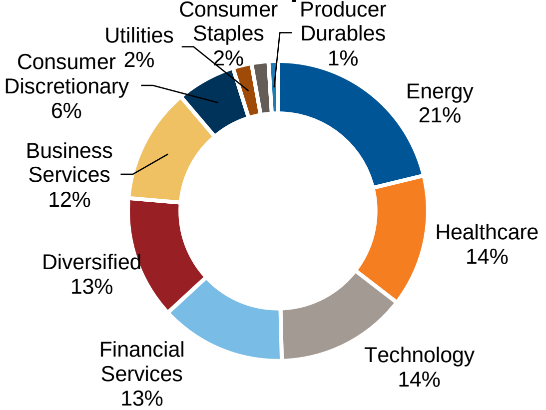
Geographic Exposures



Access Points



Sector Exposures



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Fund	Strategy	Focus	Geography	Portfolio Weight	Total Return Range	Investment Period*	Fund Term*	ESG	Impact
Hamilton Lane DC*	**Diversified**	**Diversified**	**US**	**30%**	**7 - 9%**	**2 Years**	**6 Years**	✓	
BX Green Credit III*	**Diversified**	**Impact - Energy**	**Global**	**15%**	**10 - 14%**	**5 Years**	**10 Years**	✓	✓
Pemberton Strategic Credit III	**Diversified**	**Diversified**	**Europe**	**15%**	**10 - 12%**	**4 Years**	**8 Years**	✓	
LOIM Sustainable PC	**Senior**	**Impact - Diversified**	**Global**	**10%**	**9 - 11%**	**2 Years**	**5 Years**	✓	✓
PC Manager 5	Senior	Diversified	Europe	10%	11 - 12%	3 Years	8 Years	✓	
PC Manager 6	Diversified	Diversified	Europe	10%	7 - 9%	4 Years	8 Years	✓	
PC Manager 7	Senior	Diversified	Europe	10%	7 - 9%	4 Years	8 Years	✓	
7 Managers	**Diversified**	**Diversified/Impact**	**Global**	**100%**	**8 - 10%**	**3 Years**	**8 Years**	-	-

Source: Russell Investments as of 5/12/2023. For illustrative purposes only. Any reference to specific money managers should not be taken as a recommendation. Any forecast, projection or target is indicative only and not guaranteed in any way. Return target is net of underlying managers fees. Fund term is the weighted average of investments.
* - Internal approvals for investment complete

APPENDIX

Universe Performance

Wales Global Opportunities vs Morningstar Global Large Cap Blend Equity

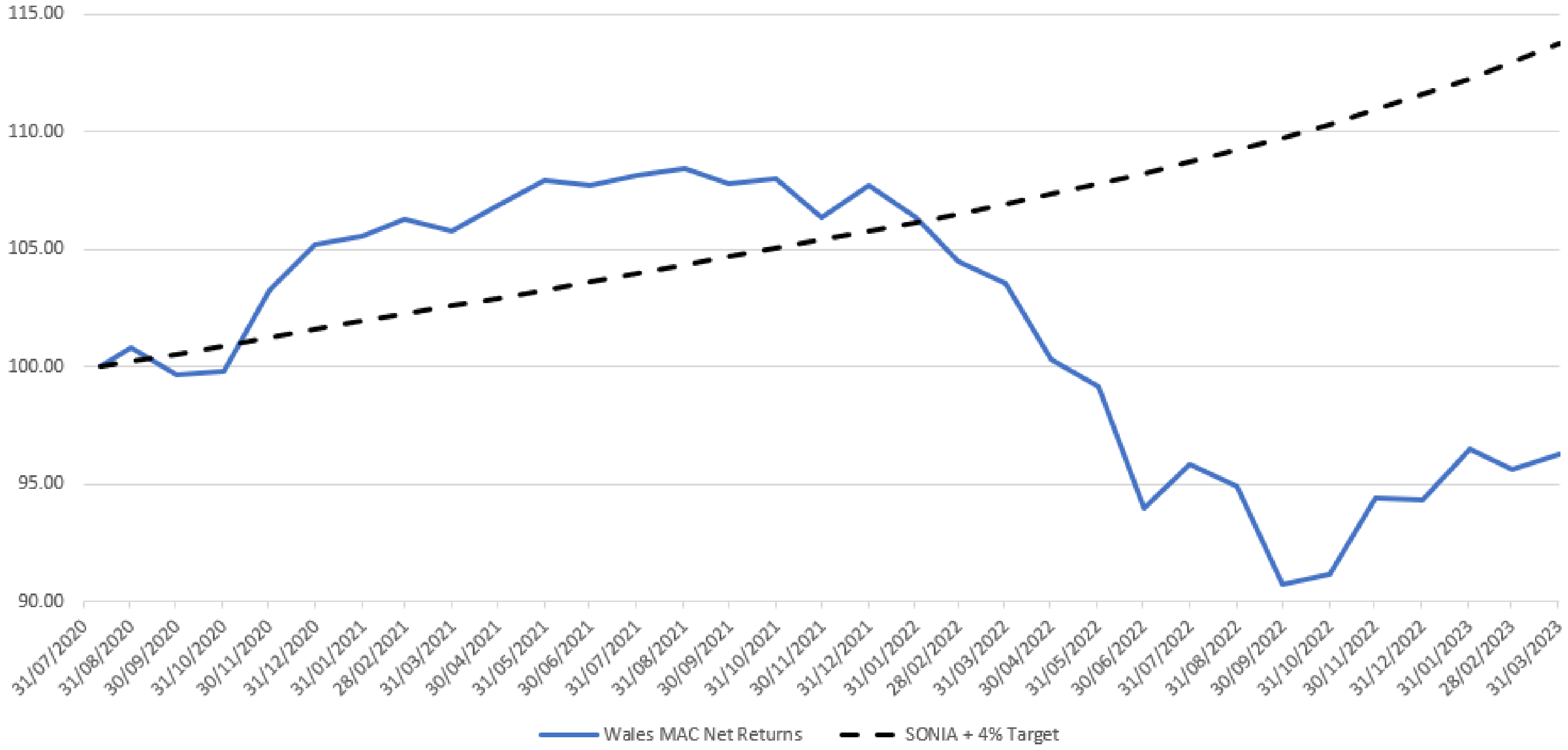
March 2023

	Wales Global Opp XS Ret (Net)	**Rank Percentile**	**Quartile**	**Sample size**
Q1	-1.03	59	3	759
1Yr	1.66	26	2	680
3Yr	0.92	16	1	518

Source: Morningstar, Russell Investments, 31 March 2023.
Note: Peer group universe is the Morningstar EAA OE Global Large-Cap Blend Equity universe, vs MSCI ACWI. Wales Global Opportunities Equity Fund vs MSCI ACWI. All performance data is NET of fees. Periods longer than a year are annualised

Multi Asset Credit Fund

Performance Through Time



Fund Characteristics	WPP MAC	
	31-Dec-2022	**31-Mar-2023**
Effective Duration	2.4	2.3
Yield to Worst	9.6%	9.9%
Avg Credit Rating	BB	BB

Period	Volatility (6-10% Budget)
Rolling 12m	8.9%
SI	6.5%

*Yield to Worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting.
Source: Russell Investments as of 31 March 2023. Notes: Inception: COB 11 August 2020. All performance figures greater than 1 Year are annualised. Any past performance is not necessarily a guide to future performance. Please refer to slide 46 which outlines the standard deviation disclosure.

Important information and disclosures

Unless otherwise specified, Russell Investments is the source of all data. All information contained in this material is current at the time of issue and, to the best of our knowledge, accurate. Any opinion expressed is that of Russell Investments, is not a statement of fact, is subject to change and does not constitute investment advice.

The value of your investments may fluctuate. Results achieved in the past do not offer any guarantee for the future.

Any past performance figures are not necessarily a guide to future performance.

Any data on past performance, modelling or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modelling or back-testing.

Any forecast, projection or target is indicative only and not guaranteed in any way.

Some investments/bonds may not be liquid and therefore may not be sold instantly. If these investments must be sold on short notice, you might suffer a loss. Securitised derivatives have a limited life and may (unless there is some form of guaranteed return to the amount being investing in the product) expire worthless if the underlying instrument does not perform as expected.

ESG integration is the practice of incorporating financially material environmental, social and governance (ESG) information or insights alongside traditional measures into the investment decision process to improve long term financial outcomes of portfolios and to identify investment opportunities. Unless otherwise stated in Fund documentation or included within the Fund’s investment objective, inclusion of this statement does not imply that the Fund has an ESG-aligned investment objective or strategy, but rather describes how ESG information is considered as part of the overall investment process. Russell Investments Sustainability Risks Policy can be found here https://russellinvestments.com/uk/about-us/responsible-investing .

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 21 June 2023
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

An update on LGPS governance matters and the impact on the Clwyd Pension Fund (CPF) are provided for discussion at each Committee, including updates on the Clwyd Pension Fund's governance strategy and policies. This update report includes developments since the last update report provided at the March 2023 Committee meeting.

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

The report includes:

- progress against the governance section of the 2023/24 to 2025/26 Business Plan
- updates on the membership of the Pension Board
- various national matters including on The Pension Regulator's Equality Diversity and Inclusion guidance
- 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
- forthcoming training and events, some of which are essential for Members
- advanced notice of a training needs analysis which will be issued.

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

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	**Business Plan Update** Usually the three main update reports at each Committee include the latest progress against the business plan. Given we are only 2 months into 2023/24, there are no update dashboards included for this meeting. In relation to the priorities in the governance section of the business plan, the key points to note are as follows: • *G1 – Committee and Board knowledge and skills:* A separate update on the planned training needs analysis is included in Knowledge and Skills Policy sections below. • *G2 – Appointment of Local Pension Board and Pension Fund Committee Members:* See the update in 1.03 below regarding the two pension board employer representatives' term of office. • *G3 – Review against TPR new General Code:* Although it was hoped that The Pension Regulator's new General Code was going to be laid before the Spring recess, that was not the case. Hopefully it will now materialise before the Summer recess. A training date for this will be agreed for later in the year (hopefully August or September). • *G4 - Ongoing developments in business continuity arrangements including managing cyber risk:* Please see the cybercrime update in 1.12 later in this report. The documenting of key processes is also making good progress. • *G5: Succession planning and ongoing resource requirements:* Work has been carried out that forecasts an ongoing future increase in administration tasks. The Pensions Administration Manager is considering this further, including the impact of succession planning and will bring proposals on the staffing structure to future meetings.
	Current Developments and News
1.02	*Format of Future Committee meetings* As advised in an email from the Governance Administration Assistant, it is hoped that future Pension Fund Committees will be hybrid meetings based in the Council Chamber at County Hall, with virtual attendance available, commencing from the meeting on Wednesday 30 August. Flintshire County Council will be making a decision in September regarding whether hybrid meetings should be made available to all Flintshire Committees in future. The August Pension Fund Committee is in place to test the waters for this, but ultimately the format of subsequent meetings will depend on the Council's decision. The Council will require Committee members and officers to receive training for the hybrid meeting, including a 'practice run' in-person in the Council Chamber before the meeting to ensure everyone is familiar with

	the format. This session will be part of our next face-to-face training day. This is on 2 August. The training day will run from 10am to approximately 3pm or 4pm (timing to be confirmed) which will include time for the practice run to take place. The Governance Administration Assistant will contact members unable to attend to discuss the arrangements separately. Even though the hybrid facility does provide the opportunity for virtual attendance, the Chair would encourage in person attendance at County Hall. The Head of Pension Fund will be ensuring that all officers and advisers will be in attendance at County Hall apart from in exceptional circumstances.
1.03	*Pension Board meetings* Pension Board membership Mr Steve Jackson and Mr Steve Gadd are the existing scheme employer representatives. Their terms of appointment are due to come to an end in July of this year, but are subject to a two year extension if agreed between the representatives and the Board secretary (the Head of Clwyd Pension Fund) as set out in the Board Protocol and FCC Constitution. Mr Steve Jackson has confirmed he would like to continue his role on the Pension Board for the length of two year extension. This has now been formally agreed by the Board Secretary. Mr Steve Gadd has changed his role at Denbighshire County Council which means he will not be continuing on the Pension Board. Work is being done to identify his replacement.
1.04	Pension Board minutes Following the update at the last Committee meeting, the minutes from the 1 March 2023 meeting are attached in Appendix 1 for information.
1.05	*LGPS Scheme Advisory Board (SAB) meetings* The LGPS SAB met on 20 February and the full summary of that meeting is attached at Appendix 2. Matters relating to the Fund covered at that meeting are separately covered within this Committee's agenda papers. The LGPS SAB also met on 22 May. At the point of writing the summary of this meeting was not published but papers and an agenda for the meeting are available here which includes updates from the various SAB committees. It has not yet been publicly announced when the next SAB meeting is scheduled to be held.
1.06	*The Pensions Regulator - guidance on Equality Diversity Inclusion* On 28 March 2023 The Pensions Regulator issued guidance to help improve pension schemes' equality, diversity and inclusion (EDI) which can be found here.

The guidance applies to public service pension schemes including the LGPS, of which CPF is part. It specifically refers to it applying to both Scheme Managers (i.e. the administering authority/Pension Fund Committee) and Pension Boards. Therefore it is assumed that references to “Chair” should be interpreted to be both the Chair of Pension Fund Committees and Chair of Pension Boards.

The Regulator’s view is that “harnessing diverse views can help governing bodies [administering authorities] weigh issues in more detail and openly consider aspects important to those impacted by their decisions. This enables all those involved to better understand and mitigate scheme risks, avoid unintended consequences, and learn from what is working and what is not.”

Whilst the guidance provides practical support and examples to help governing bodies and those who appoint individuals to Committees and Boards, it also recognises different types of schemes and sectors “may pose different challenges to achieving EDI”. The Regulator suggests there will be some quick steps schemes can make whilst acknowledging that some other steps to realise EDI ambitions “may need to be a medium to long-term aspiration”.

The guidance is advisory but best practice would suggest the Fund reviews its approach to EDI in light of the guidance (whilst also bearing in mind Flintshire County Council’s legal obligations and policies in this area). Key themes and recommendations from the guidance include:

- The Chair should play a key role in making boards more diverse and inclusive (which we believe applies to both the Local Pension Board and Pension Fund Committee).
- Schemes should have an EDI policy, covering an agreed definition of EDI, the scheme’s EDI aims and an EDI training plan.
- Assessments of the scheme manager’s performance should include how well EDI has been, and continues to be, embedded into processes, according to scheme objectives.
- Agreeing EDI goals and objectives, including ways to achieve a diverse and inclusive scheme manager.
- Regularly reviewing and assessing the board/committee’s diversity of life experiences, expertise and skills.
- Employers should consider widening the pool of candidates beyond senior management positions (which may have implications for employer representatives on the board and potential committee membership too).
- Considering fixed term appointments for member representatives to encourage change and bring new perspectives.
- Considering independent trustees to help address diversity gaps
- Making reasonable adjustments for those with disabilities, including as part of any selection process.
- Ensuring scheme communications consider the diverse range of backgrounds, need and vulnerabilities of members.
- Reminding scheme managers of their legal duties in relation to accessibility.

	There is additional guidance for scheme employers which also needs to be considered although its suggestions are likely to be more practical for single employer pension schemes in the private sector. CPF has already considered EDI in a number of areas, including its new Communication Strategy and within an Effectiveness Review completed by the previous Committee membership (in January 2022). The Head of Clwyd Pension Fund is further considering the Regulator's expectations in this guidance with the Independent Adviser and Flintshire County Council. As a minimum it is expected that a Fund policy on EDI will be developed for approval by the Committee.
1.07	*Cost management* DLUHC has published its response to the consultation on reforming the SAB cost management process which ended on 24 March 2023, together with new draft Regulations. The SAB cost control process takes place in addition to the HMT cost control mechanism (CCM) as set out in Regulation 116 of the Local Government Pension Scheme Regulations 2013. The response confirms that the SAB cost control process will be carried out every 4 years in future, to align with the HMT CCM. It also removes the requirement for the SAB to make recommendations to bring the cost exactly back to target if the cost is more than 2% above or below the target cost, introducing flexibility for the SAB to recommend changes which bring the cost towards the target cost. The response also re-iterates that the SAB process operates prior to the HMT process, i.e. changes implemented following the SAB's recommendation can be taken into account for the HMT CCM. Details of the new "economic check" in the HMT CCM are not yet available (Treasury Directions are still awaited) so it is not yet clear how the revised SAB process will link to the economic check. DLUHC's response sets out that they propose to consult the SAB when the draft directions are available.
1.08	*GAD Gender Pensions Gap Report* The Gender Pay Gap Information Regulations 2017 now require all employers with more than 250 employees to publish differences in pay between men and women. There has been some recent focus on extending this kind of analysis to cover pension equality as well as pay equality. There is a direct and obvious link between pay equality and pension equality. The LGPS SAB decided to analyse the gender pensions gap within the LGPS as, whilst they did not expect differences in pay at any particular point in time to be a complete explanation of differential pension incomes at retirement, there are a wider range of factors which could impact on pension benefits received by individuals. The SAB highlighted the following items in particular:

	• The cumulative effect of lower than expected pay • Career breaks and their effect on career progression • Differences in opt out rates and take up of the 50/50 scheme. Research into the extent of the gender pensions gap was completed by the Government Actuary's Department based on data from the 2020 LGPS scheme wide valuation. The initial findings of this report are startling with men having accrued pensions in the post 2014 CARE scheme which are 34.7% higher than women, and 46.4% higher than women in the pre-2014 final salary scheme. However, both GAD and SAB note that these results need to be interpreted with some caution, as there are a number of factors which affect this analysis such as the inclusion of non-teaching staff in schools, academies and local authorities (which is inconsistent with LGA employer gender pay analysis). The SAB will now be doing further work to understand the data and investigate causes, as well as considering possible next steps.
1.09	*SAB statement on Freedom of Information Act requests on climate advice and data* A number of funds have raised the number of requests for information about the responsible investment policies of administering authorities with the SAB. SAB note that these may come from interested scheme members or activist groups and can be "round robin" requests that are made to all LGPS funds with a view to collating information across the scheme (and making comparisons between funds' responses). The SAB are keen to remind funds that as public authorities, there are duties on all administering authorities to be open and transparent about their policies and actions. They do note, however, the resources available to deal with requests are not unlimited and so there will be times where cost, commercial sensitivity or other considerations will outweigh the public interest in releasing information. Further guidance on this is available from the Information Commissioner's Office. Support in how to respond to these requests, especially if they become onerous or vexatious, should be sought from the authority's legal and FOI advisers. The SAB also note that they would recommend that all funds consider having a proactive publication scheme in place for climate data, and their stewardship activities, to minimise the volume of ad hoc requests that they have to field. The Fund has already begun this process by publishing their TCFD reporting which was completed last year and further information will be provided on the Fund's new website in due course. For information, the Fund received 13 FOI requests in the last twelve months, mainly requesting private market investments information. There were two requests for the full holdings (not climate specific) and one relating to wider climate matters.
1.10	*Treasury statement on SCAPE rate reduction and response to 2021 SCAPE consultation* On 30 March 2023 the Government confirmed that the methodology used to set the Superannuation Contributions Adjusted for Past Experience

	(SCAPE) discount rate would continue to be based on long-term gross domestic product growth figures. It also announced that the SCAPE rate would therefore be reduced to the consumer price index (CPI) plus 1.7% p.a. from CPI plus 2.4% p.a.. The SCAPE rate is used to set the actuarial factors across all public sector schemes, including the LGPS. The Government Actuary's Department is currently reviewing the actuarial factors applying in the LGPS. The new rate is effective from 30 March 2023 and some non-club transfers and interfund calculations, and all cash equivalent transfer values for divorce purposes have been suspended until new factors are available (which is referred to in the Administration and Communications Update Report). The government also announced its aim to review the SCAPE discount rate once in every four years (in line with the unfunded schemes' valuation cycle) rather than every five years.
1.11	*AJCM* Every year CPF run the Annual Joint Consultative Meeting inviting employers, scheme member representatives, Committee members and Board members to hear presentations from the CPF management team and advisers. Traditionally this has been a nearly full day meeting and more recently (mainly driven by the pandemic) it has been virtual. This year officers are planning changes to the format to make it more engaging and accessible, in line with the new Communication Strategy that was agreed last year. It is proposed that the new format will involve a number of small videos of presentations from officers and advisers that can be watched at any point, in addition to an invitation to an "open morning" at the FCC offices to discuss CPF matters with the management team and advisers. Committee and Board members will of course be invited and any views in relation to this proposal are welcomed at the Committee meeting.
1.12	**Policy and Strategy Implementation and Monitoring** *Knowledge and Skills Policy and Training Plan* <u>Policy requirements</u> The Clwyd Pension Fund Knowledge and Skills Policy requires all Pension Fund Committee members, Pension Board members and Senior Officers to: • attend training on the key elements identified in the CIPFA Knowledge and Skills Framework as part of their induction and on an ongoing refresher basis • attend training sessions on "hot topic" areas, such as a high risk area or an area of change for the Fund and • attend at least one day each year of general awareness training or events.

Training Needs Analysis – As part of the CPF 2023/24 business plan, and in line with the requirements of the Knowledge and Skills Policy, it was agreed to carry out a training needs analysis early this year to identify any gaps in knowledge of Committee and Board members. This will then drive the ongoing training plan. The Head of Clwyd Pension Fund and Aon are currently developing the training needs analysis which will be issued to all Committee and Board members prior to the next meeting.

Training undertaken - Appendix 3 sets out the training plan for CPF showing training undertaken. There were no recent non-essential training events. Details of essential training sessions are set out in the tables below.

A summary of attendance at the Fund's essential training sessions (other than induction training) over 2022/23 is included below:

	Date	**Number of Committee attending (Proportion of total)**	**Number of Board attending (Proportion of total)**	**Number of Senior officers attending (Proportion of total)**
	Essential Training Sessions – Target attendance is 75%			
Communications Strategy Review	Jun-22	6 (100%)	4 (80%)	4 (80%)
Actuarial Valuation and Funding Strategy	Aug-22	7 (78%)	5 (100%)	5 (100%)
Investment Strategy	Oct-22	7 (78%)	4 (80%)	4 (80%)
Private Markets	Jan 23	7 (78%)	5 (100%)	5 (100%)
TCFD Reporting	Feb 23	7 (78%)	2 (40%)	3 (60%)
Total		**(82%)**	**(80%)**	**(84%)**

Over the year as a whole, the Fund has met the target attendance levels for Committee members, Pension Board members and Officers. This has been helped by Committee members in particular viewing recordings where they were unable to attend scheduled sessions.

A summary of attendance at the Fund's essential training sessions (other than induction training) over 2023/24 to date is included below:

	Date	Number of Committee attending (Proportion of total)	Number of Board attending (Proportion of total)	Number of Senior officers attending (Proportion of total)
Essential Training Sessions – Target attendance is 75%				
Governance of Pensions	April 23	7 (78%)	3 (60%)	4 (80%)
Tactical Asset Allocation and Responsible Investing	May 23	9 (100%)	3 (60%)	3 (60%)
Total		**(89%)**	**(60%)**	**(70%)**

Future training and events

Officers will continue to provide information on further training sessions and events as this becomes available. In the meantime, if any Committee or Board members wish to attend any of the following optional events that count as general awareness training, please contact the Deputy Head of Clwyd Pension Fund:

- SAB Code of Transparency workshop on 11 July in Manchester or 5 other locations on other dates.
- LGA Fundamentals training – this is particularly useful for new and nearly new members of Committee or Board and is run over three days (agendas attached in Appendix 4) and dates/venues are as follows:

  Day 1

  5 October Manchester Piccadilly Hotel
  12 October Westminster LGA Offices

  19/26 October Online

  Day 2

  2 November Westminster LGA Offices
  8 November Manchester Piccadilly Hotel
  16/23 November Online

  Day 3

  5 December Westminster LGA Offices
  13 December Manchester Piccadilly Hotel
  11/19 December Online

- LGA LGPS Governance conference on 18/19 January 2024 in York

	Committee members should note the following training sessions which are classed as **essential** for all Committee and Board members and senior officers. • Understanding proposed changes to CPF's Responsible Investment Policy – 2 August (10am to 3pm/4pm - tbc) – FCC, Mold (lunch will be provided) • The Pensions Regulator new General Code – August or September (tbc)
1.13	*Cybercrime Update* See Appendix 8 for the cybercrime update (exempt appendix).
1.14	*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 were three new breaches relating to late contributions or remittance advice, and these have all been resolved. There are no new administration breaches.
1.15	**Delegated Responsibilities** The Pension Fund Committee have delegated a number of responsibilities to officers or individuals. There have been no uses of delegated powers for governance matters since the last update report.
1.16	**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. Key dates to note are: • The next Committee meeting is on 30th August 2023 • The next Board meeting is on 5th September 2023, albeit there is expected to be shorter meeting prior to the next Committee.

2.00	**RESOURCE IMPLICATIONS**
2.01	As previously referred to there has been some difficulties in recruitment, which are impacting on services. The most critical area related to the absent Pension Fund Accountant position which has now been filled with the new accountant commencing on 24 June 2023. In addition, a trainee accountant will commence at the end of the summer holidays. The individual joining will be part of the graduate placement scheme for FCC trainees. As mentioned previously, increasing workloads mean there will be a review of resourcing requirements in the Administration Team. There are also likely to be a number of retirements over the next few years which

	could also impact on service delivery, and this is also being considered as part of an ongoing review.

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

4.00	**RISK MANAGEMENT**
4.01	Appendix 7 provides the risk 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 November.

4.02	The key changes relate to:
	• risk number 3 - decisions are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers, meaning our legal fiduciary responsibilities are not met. This risk is now on target. The changes that have been made are:
	    o The likelihood has been decreased from Low to Very Low. This is due to the productive and well attended recent training, including agreeing to implement a framework on which decisions relating to climate change/responsible investments will be made and which will include regulated advice.
	    o The target impact has been increased from Negligible to Marginal, which reflects that inappropriate decisions could have serious consequences, for example, in relation to asset returns. Officers and advisers consider that this now better reflects the potential impact if this risk occurred.
	• risk number 6 - Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile / FCC pay grades versus other LAs, asset pools, private sector / cost of living), meaning services are not being delivered to meet legal and policy objectives. The likelihood has been reduced from Significant to Low due to the appointment of a Fund accountant and trainee fund accountant. This risk is however expected to not reach target until next year, when work is likely to be fully completed reviewing the team structure, following investigations into increases in work levels and having regard to succession planning.
	Risk number 6 is also the risk furthest from target.

5.00	APPENDICES
5.01	Appendix 1 – Minutes of the Pension Board meeting on 1 March 2023 Appendix 2 – SAB Meetings – Summaries of 20 February meeting Appendix 3 – Training plan Appendix 4 – LGA Fundamentals Training Day Agendas Appendix 5 – Breaches log Appendix 6 – Calendar of future events Appendix 7 – Risk Register Appendix 8 – Cybercrime update (Part 2 / exempt item)

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee - 2023/24 Business Plan (March 2023) Full hyperlinks for referred to information: • 1.04 – LGPS Scheme Advisory Board meetings - https://lgpsboard.org/index.php/board-meetings • 1.05 – TPR guidance on equality, diversity and inclusion - https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/governing-body-detailed-guidance/equality-diversity-and-inclusion/governing-body-edi-guidance • 1.06 – Cost management response - https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process/outcome/changes-to-the-scheme-advisory-board-cost-management-process-government-response • 1.07 – GAD Gender pensions gap report - https://lgpsboard.org/images/Reports/2023/GADGenderPensionGapReport_Jan2023.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 DLUHC.

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

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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 at the offices of Flintshire County Council, Mold, on Wednesday 1 March at 10.00 am.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams

Employer Representatives: Mr Steve Jackson

Apologies:

Member Representatives: Mr Phil Pumford

Employer Representatives: Mr Steve Gadd

IN ATTENDANCE

Mr Phil Latham (Head of Clwyd Pension Fund and Secretary to the Board)
Mrs Karen Williams (Pension Administration Manager)
Mrs Debbie Fielder (Deputy Head of Clwyd Pension Fund)
Ms Morgan Nancarrow (Governance Administration Assistant)
Mr Chris Emmerson (Aon)

		Actions
1.	**APOLOGIES/ WELCOME**	
	Apologies were received from Steve Gadd and Phil Pumford prior to the meeting.	
	The Chair welcomed Morgan Nancarrow as the Fund's new Governance Administration Assistant who will be taking minutes & supporting the Fund from a governance perspective.	

2. DECLARATIONS OF INTEREST

There were no new declarations made or recorded, and it was noted that all Board declarations had been recently updated.

3. MINUTES AND MATTERS ARISING

The Chair asked for comments on the minutes of which there were none, and the draft minutes of the meeting held on the 30th September 2022 were confirmed as a correct record by all Board members.

4. ACTION TRACKER

The contents of the Action Tracker were discussed and it was noted that all the outstanding items (70, 77 and 124) were to be discussed as part of separate agenda items.

5. WORKFORCE UPDATE

Mrs K Williams has recruited the Communications Officer who has been in the role for six months. The Fund received approval for five additional pensions officers to support business as usual, and recruited 2.4 of these posts across six people with a range of ages and backgrounds and varied work experience. The new recruits have all started, with training underway.

The remaining 2.6 approved posts remain vacant, however as these were additional posts, the main structure is full. These vacancies will be picked up in a few months once the newest recruits have settled in. Additionally, a maternity leave in the team is expected in June, and this role will be backfilled temporarily by existing staff before external recruitment is opened.

The rewording of advertisements to remove the word “Pensions” and focus instead on “Administration Officer” appeared to have had a positive impact on interest in the roles and the Fund will continue with this approach.

All of the temporary contracts end on 31 March 2024 and consideration will be given to making some of these permanent as part of a structure review ahead of the 2024-25 budget.

Some of Flintshire CC’s officers from HR, IT, and Payroll who work directly with the CPF administration team are leaving the workforce which will have an impact.

Mrs Fielder has recruited to the Governance Administration Assistant role. The vacant accountant role had been advertised before Christmas at the original post grade but there were no suitable applicants. It is shortly being readvertised with a market supplement but Mrs Fielder is concerned that the pay will still be too low compared to similar roles in the private sector and other Councils.

Ideally, once this role is recruited, the vacancy for a trainee accountant would be advertised and the new trainee would shadow the qualified accountant. The Fund has requested a Graduate Trainee Accountant through the Flintshire County Council trainee scheme, however without a qualified accountant, Mrs Fielder would need to train this trainee herself.

Mr Jackson asked how the Finance team was coping with the vacancies and Mrs Fielder explained that she will be closing the Fund's accounts with support from Mercer, as they did in 2022. The roles are not expected to be filled before June 2023, and the Chair noted that the Board may wish to highlight their concerns to Committee if recruitment to the accountant role continues to be unsuccessful. Alternatives such as agency workers are not a viable option.

A discussion was had around alternative ways to draw in prospective applicants such as promoting the value of the pension scheme and enhancing the job advertisement. Mr Jackson noted that a person's interest in pension benefit typically increases with age. Mrs E Williams agreed, noting the additional impact of the cost of living crisis where for many people the immediate focus will be on having sufficient income rather than securing a retirement benefit.

Mr Latham noted a 'positive vibe' in the team which had been missed during remote working.

Mrs K Williams has been working on some succession planning and retention work for the Operations Team. Unfortunately, the qualification the Fund has always required for Team Leader roles in order to secure the appropriate pay grade is no longer available, as the course has been discontinued, and there is no alternative LGPS qualification which could cause a retention issue. 20% of the team who hold this qualification fall into the category of potentially retiring in the next five years.

Mrs Williams is looking to create a new project team (subject to Committee's approval) to protect the Administration Team's business as usual work, by supporting influx of work such as backdated pay awards and the Pensions Dashboard. The temporary Team Leader for the proposed project team would be a job-share between two officers who, once trained, could move into other full-time Team Leader roles if the roles become available.

Mrs Williams also noted there appears to have been an increase in workloads and work is being undertaken to forecast whether this is likely to continue, to help determine if the staffing structure needs to be increased, which would allow some or all temporary posts to be made permanent.

6. MANAGEMENT OF CASHFLOWS

The Board Secretary introduced this item. Cashflow Management goes on in the background, but is a key area of risk management ensuring that the Fund has enough money to pay the pensioner payroll as well as other expenditure. Typically, this should be managed by the Fund's accountant, however Mrs Fielder is currently managing this work. With pension payments increasing 10% due to inflation, and with employer contributions decreasing due to the funding position, the Fund faces new and more complex challenges and the possibility of a negative cashflow.

Mrs Fielder explained how she prefers to err on the side of caution particularly with the Fund's heavy investments in the Private Markets asset class which has a more volatile cashflow.

Mrs Fielder presented how the Fund manages its cashflow positions and explained the components of the cashflow including a breakdown of income and expenditure. As part of the Business Plan the Fund presents a three year rolling cashflow, which is updated annually to ensure the Fund's expenses, benefit payments and external commitments to private market managers can be met.

The Private Market commitments the Fund pays can vary from under £100k to £6m. Typically the Fund is given ten days' notice when a payment is due, however this is not always the case and payments can be called in at shorter notice. Last year the Fund made £200m in new commitments, and these can be drawn down at two days' notice. This income is unpredictable, so the Fund splits commitments over an even basis across 3 to 5 years, and expects some underspends and overspends each year. Meeting with investment managers to discuss their expectations for commitments helps the Fund to plan and adjust the cashflow accordingly and this is something the Fund's Trainee Graduate Investment Officer, Ieuan Hughes, will be doing going forward.

Mrs Fielder explained how the Fund's cashflow is monitored and updated using bank reconciliation data. The Fund has two bank accounts – a current account and a Special Interest Bearing Account (SIBA). The majority of the Fund's cash is held in the SIBA, and a daily automatic sweep clears the current account balance to £20k, keeping the SIBA at optimum balance for interest.

There are four officers with access to the Fund's bank account, and the processes involved are currently being documented with help from Mercer. On a daily basis, Finance Officers access the account to monitor, report and make payments. All payments are authorised by Senior Officers. Bank statements are received at least weekly and processed into the general ledger which is authorised by a Senior Officer.

The bank reconciliation takes place monthly and can take three to four days. The reconciliation is signed off by the Fund Accountant. Any anticipated cashflow problems are escalated.

Mr Latham noted that money is currently transferred between the Fund's account and Flintshire County Council's, and there is a long-term goal of separating some of these systems for the Fund to develop a more optimal model.

Mr Jackson noted the important role for the Fund Accountant in managing the cashflows and therefore the risk with that position still being vacant. The cashflows being negative make this even more critical. Board members all agreed the training had been extremely useful and thanked Mrs Fielder.

Action – The Board agreed that Mrs Fielder's presentation on cashflow management should be recorded in the training log and shared with the absent Board members. **Ms Nancarrow**

7. CLIMATE CHANGE UPDATE

The Chair noted that climate change issues are one of the biggest risks facing the Fund at the moment, and explained for context that Cllr Swash had proposed an additional climate target and the Committee voted to delay the approval of the Investment Strategy Statement for further advice to be received on his proposal. The Chair also noted that from a governance perspective the Committee challenging recommendations is an important aspect of their role, and their request for further advice before making any decisions was positive.

The Board Secretary discussed climate change as addressed in the Fund's strategies, explaining that a target for net zero by 2045 had been set along with interim targets. The Fund has begun voluntarily reporting into the public domain ahead of the TCFD requirements legally being implemented in the LGPS. This coincides with the Committee's stronger interest in climate change issues.

There is increasing pressure from external groups. In addition Flintshire County Council have a Climate Change Committee, which has motioned for an inquiry into the Pension Fund climate performance and targets.

As part of their inquiry, the Climate Change Committee may invite Officers and Committee members to give evidence. The Board noted that the list of people to be invited to provide evidence does not appear balanced and it excludes professional experts.

The Board Secretary explained the difficulty due to Welsh Government having clear climate targets but LGPS is not devolved and therefore the responsibility of DLUHC. While the Fund's approach has been focused on decarbonising, much of the focus is on divestment from fossil fuel extractors, as opposed to divesting from companies that use those fossil fuels. There is a concern within the UK Government that if responsible investors sell shares in carbon extraction, the states that buy them could take ownership of those companies and may not continue to push them in a renewable direction. This means there is a concern that the impact of divestment may be setting transition back rather than solving the wider climate change problem.

The Chair highlighted the need for the Committee to have complete and accurate information available to back up decisions. Mrs E Williams highlighted that fiduciary duty should ultimately take precedence over all other issues and education is vital.

The Secretary to the Board highlighted the Fund has relatively little invested in extraction companies so it is reasonable to assume this would not impact the fiduciary duty as divestment is unlikely to be of great financial consequence to the Fund. However, there are practical issues around deciding which companies to divest from and defining extractors versus renewable companies when many companies do both. With the Fund moving further into the pooled position, there is also a question of how to implement divestment, unless the whole of WPP agrees to it.

A training session is planned to be held on Wednesday 3 May to improve the Committee's understanding of the Tactical Asset Allocation, how it is managed and how the Fund can make it greener, as well as the implications and practicalities of doing so. The Board agreed that it would be beneficial to hold this training face-to-face, as this would encourage active participation in finding a middle ground between viewpoints to ultimately protect the Fund.

The Board was pleased to hear positive news of the Fund's achievements in responsible investing, including the recent success of the Stewardship Code submission, as well as being recognised in its capacity as an impact investor.

8. CARE REVALUATION CONSULTATION

Mrs K Williams delivered this item to the Board.

A consultation was published by DLUHC on 10 February 2023 to change the revaluation of CARE benefits from 1 April to 6 April. This aims to realign the revaluation date in accordance with tax calculations to limit the number of people hitting the annual allowance trigger.

This closed on 24 February leaving software providers with little time to make changes. Heywood are proposing a solution to be implemented in two phases, firstly to implement the changes and then a second phase for rectification.

The main issue relating to the CARE Revaluation Consultation is communicating this to members and the Fund will need to consider how best to deliver this. The Fund did not respond to the consultation as there was only a small time window to respond in, and the changes generally made sense. The LGA response highlighted some good practical points in their response.

9. ASSET POOLING

The Board Secretary discussed the recent announcement from Link Fund Solutions:

- Waystone Group is a company in same area of business as Link, and appears to be purchasing Link to add to their business portfolio, and while some risks persist, it does seem to be a positive development.
- There has been no explanatory note or update from the Host Authority and the actual impact on WPP.

Separately it was noted that the procurement process for the WPP Operator is ongoing, and officers will be attending an event to meet interested parties. WPP have also requested the Fund's involvement in meeting property managers.

The previous communications from WPP suggested any takeover would be a like-for-like change with no disruption to the Link Business. The Chair suggested that it would be unlikely for there to be absolutely no disruption during the transitional period, for example, whether they are sure the WPP and CPF business plan timescales will not be impacted. It was noted that WPP need to provide more information for the Funds to answer various operational questions including:

- Will there be any changes to fees payable to Link?
- Will the new provider continue the relationship with Russell?

Action – The Board requested that officers ask the Host Authority to provide a statement on the impact and implications of the sale on the Fund and the WPP's Business Plans.

Secretary to the Board

There is some uncertainty around the timing of commitments for Private Equities and Mercer are continuing to advise on this in the meantime. Eventually, Private Credit and Infrastructure will be available through the WPP, at which point Mercer's involvement with these investments will end.

10. BUSINESS PLAN 2023/24

The Officers gave an update on the 2023/4 to 2025/6 Business Plan.

Mrs K Williams explained that on the administration side, there was little new business with most of the focus being on business-as-usual and existing project work. Key areas included the national Pensions Dashboard, TPR new General Code of Practice and McCloud. There is also ongoing work implementing the communications strategy, including website redesign. Along with the satisfaction survey, the new branding and logo will be communicated to members to prevent confusion or suspicion of fraud, and Mrs K Williams thanked Mrs E Williams for her feedback on the planned letter. The first employer engagement session is planned for next week, replacing the networking aspect of the AJCM and providing opportunities for employer feedback.

The Board Secretary presented the key elements of the Funding and Investment update, including:

- The Investment Strategy Review which has yet to be approved by the Committee.
- Improvements in the Stewardship Code submission and TCFD report
- Other responsible investment and climate developments
- Pooling developments including the Operator procurement.

The Chair gave an update of governance topics which included the TPR General Code of Practice, the Good Governance review outcomes, work on succession planning, a training needs analysis and workloads/resource requirements. She noted that given the busy environment particularly due to external factors, the Fund is not looking to introduce many internal developments – the Board agreed with this sentiment.

11. ADMINISTRATION UPDATE

Mrs K Williams provided the administration update.

Due to the training of new staff recruited in January, KPIs have dropped slightly as expected but outstanding cases are down. She noted ongoing high levels of retirements recalculations and 600 leavers' forms from Denbighshire County Council due to data cleansing they had done.

The Chair was concerned with the retirements data for Wrexham Borough County Council and Mrs K Williams explained that the discrepancies were caused by resourcing issues and a missed deadline, so conversations were ongoing regarding how the Fund could support them in providing the data. It was felt that for those employers struggling to meet the legal and CPF timescales, resourcing tended to be the issue, rather than lack of engagement.

Additional data cleansing will be required in advance of the Pension Dashboard being launched. The Fund will be comparing data to other data sources such as credit rating agencies to ensure not only that the fields have been filled out, but also that the data is accurate and complete. The need to communicate well with members as part of this process was highlighted. The Board Secretary commented that the Fund appeared to be ahead of the other funds in this respect, and Mr Jackson highlighted how pleasing it was to see progress was being made.

Mrs K Williams also confirmed that there had been no pension scams, and shared the Fund's website analytics with the Board.

12. MCCLOUD REMEDY PROJECT

Mrs K Williams provided the McCloud project update. The Administration Team has received all of Flintshire's data and more recently much of Denbighshire's data with a plan in place to receive the rest although this may be affected by upcoming industrial action. The Employer Liaisons Team have started McCloud work for Flintshire, and Coleg Cambria was also looking positive. The progress with smaller employers was also positive.

The SAB is expected to issue guidance which will include information on treating data inaccuracies and inconsistencies. Mrs K Williams had no major concerns, but noted the need to continue engaging with Wrexham, who were managing McCloud themselves, to ensure all the necessary data is received.

The Board approved the wording for the McCloud article in the pensioners' newsletter, which would be issued along with the pension increase and rebranding announcement.

Action – The Chair requested that the McCloud article be sent to Mr Steve Hibbert for approval, given the rest of the McCloud Steering Group had now given their approval. **Mrs K Williams**

13. CYBER & BUSINESS CONTINUITY

Mrs K Williams provided an update on the Fund specific incident response plan and the next round of supplier assessments.

14. COMPLIMENTS AND COMPLAINTS (INCLUDING IDRP)

Mrs K Williams noted that the Fund had received a number of positive compliments and two complaints.

- The first complaint regarded the time taken to receive a stage 2 decision as part of an internal dispute resolution due to delays by the stage 2 appointed person (not a Fund officer). This could be escalated by the member to the Pensions Ombudsman. The Board discussed the option of compensation for distress.
- The second complaint related to a member who had retired in April but passed away before making their pension benefit elections. The LGA concluded that according to the regulations, the maximum conversion was not possible under the circumstances, and the Fund sought legal advice which came to the same conclusion that the regulations should be followed. The widower has expressed intention to raise an IDRP.

Action – It was requested that the Compliments and Complaints report be distributed to Board members as these were not circulated in advance. **Mrs K Williams**

15. RISK REGISTER

This was the standard item as presented to the Committee, noting that the risk register had a major review as part of the Business Planning process.

16. BREACHES LOG

The Breaches Log was sent to the November Committee and there were no new significant breaches since then to highlight. It was noted that a longstanding breaching employer would be re-joining Denbighshire in the coming months.

17. UPDATES FROM RECENT EVENTS ATTENDED BY BOARD MEMBERS

The Board had no comments on this area.

18. CONSIDERATION OF 23 NOVEMBER 2022 AND 15 FEBRUARY 2023 COMMITTEE PAPERS

The Board had no comments on this area.

19. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE

It was agreed to raise at the next meeting of the Advisory Panel the importance of the Fund's need to employ a Fund Accountant especially given the cashflow concerns discussed by the Board.

The Board agreed that the Business Plan paper had already identified the concerns regarding workforce.

20. FUTURE WORK PLANS

The Board noted the items on the future work plan on page 61 of the meeting pack, and agreed the additional items for the next agenda:

- The new TCFD report set to go out to Committee in September
- The TPR New General Code
- Good Governance Project
- Workflow resourcing analysis.

21. PENSION BOARD MEMBERSHIP

The Employer Representatives on the Board have been notified that their three year tenure on their membership is over, but that this can be extended for a further two years if they wish to and have the capacity to do so.

Mr S Jackson has agreed to the two year extension and the Head of the Fund approved this. The Fund has also raised this with Mr S Gadd, and await a response.

The Chair thanked Mr Jackson for his ongoing commitment to the Board and the extremely valuable contribution he has made through the years.

22. PENSION BOARD BUDGET

Mrs Fielder noted key points and invited questions from the Board. The 2022-23 budget had been updated, and a small underspend was expected by the year end. The proposed 2023-24 budget was presented to the Board for approval subject to being approved by the Committee. Mrs Fielder confirmed any further tweaks to the budget would be shared with the Board.

Mrs E Williams asked how the return to in-person events might affect the budget for events considering the addition of travel and accommodation expenses. Mrs Fielder explained that it was originally agreed not to remove travel expenses from the budget and this has instead been shown as an underspend over the past few years while virtual events were more common.

The Board approved the proposed Pension Board Budget, and the Chair will take this as recommended unless Mr Gadd or Mr Pumford have any further feedback.

23. FUTURE DATES

At the previous Pension Board, it was requested that the spacing of Board meetings be considered to allow a more even spacing throughout the year. It was suggested to move the original schedule of February, June and November to April, early September and December. This would also involve cancelling the proposed June Board meeting. The Board was happy to trial this arrangement recognising that "mini-meetings" could be requested at any point, subject to the approval of the Board Secretary.

The Board agreed the proposed meeting dates for 2023-24, which were:

- 5 September 2023 – Northop (if hybrid required) or FCC (if all face to face)
- December 2023 – TBC*
- April/early May 2024 – TBC*

*TBC once Committee Dates confirmed in May

The next Board meeting would be held face-to-face unless any objections were raised by the other Board members. Mr Jackson noted his preference for the face-to-face format, as did the Chair.

The Board were further asked to note other meetings and training including the essential training taking place on 26 April covering the TPR Single Code, and the TAA and RI training to be held in person on 3 May which was scheduled to begin from 10.00am.

The CIPFA Annual Pension Board Conference would take place in Birmingham on 18 May which Mr Jackson and Mrs E William noted that they would be unable to attend. The Chair felt that it would be ideal to have an attendee from the Board, and noted that she may be able to attend if the remaining Board Members are unavailable. Mr Jackson would be attending the LGC Investment Conference at Carden Park on 30-31 March.

24. ANY OTHER BUSINESS

There was no other business raised by the Board.

It was noted that by September, hybrid meeting facilities may be available at County Hall, and Mr Jackson suggested that he may be able to host a Board meeting with hybrid facilities at Northop Business School should the need arise.

Action – The Chair will confirm whether a hybrid meeting at an external venue would be in line with protocol. **Chair**

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Scheme Advisory Board – summary note of recent meetings

Summary note of (hybrid) meeting held on 20th February 2023

Full details of the meeting and agenda papers can be found on the board meetings page.

The minutes of the meeting on 5th December were approved.

The main points arising from the meeting are shown below:

SAB 2022/23 Workplan and Budget - The Board approved a draft budget and workplan for 2023-24. The budget would be a substantial increase from last year, largely due to the Secretariat's absorption of the CIPFA Pensions Panel's work, work to improve cost transparency and expenditure associated with running the Scheme Cost Assessment. This last item is a one-off cost paid every four years in line with the quadrennial scheme valuation cycle. The Board agreed to look into whether it was possible to smooth its annual budget profile so that these cyclical costs were spread.

Fund Valuation Reports - With emerging fund valuation reports increasing surpluses, the Board agreed to consider at its next meeting what opportunities and challenges that might bring for administering authorities in the future. Work continued to collect and analyse data from fund annual reports and valuation reports, for aggregation at scheme level. The Scheme Annual Report for 2021/22 was expected to be released in May and the Scheme Valuation Report (collating 2022 fund valuation reports) later in the summer.

DLUHC Update - The Board received an update from officials at the Department of Levelling Up, Housing and Communities (DLUHC) on its proposed consultations and work to develop the detail of the McCloud remedy. The Board was told that the second consultation on McCloud would potentially be pushed back beyond local government elections in May. Final regulations were now due to be published in September 2023 with the regulations coming into effect from 1st October 2023. On Climate Risk Reporting, DLUHC was yet to issue its response to the consultation which closed on 24th November 2022. Their target date for publishing the regulations implementing the reporting requirements was now "before summer recess". Progress on other workstreams was moving more slowly than anticipated.

The Board received a briefing on the proposed LGPC response to the consultation on changing the revaluation date, which closed on 24th February. The consultation document set out that anywhere between 20,000 and 13,000 members of the LGPS would be prevented from breaching the annual allowance in 2023/24 if the proposed changes were implemented – depending on the assumed pay increase.

Audit Issues - On local audit issues, the Board received an update on work to explore the separation of pension fund accounts from administering authority accounts. Meetings had been held with the PSAA, FRC and Audit Wales to evidence the benefits of pension fund audit separation. The Minister has responded positively to the Board's request for separation and officials confirmed that a suitable statutory vehicle to implement the change was being sought. The Board also agreed to convene a discussion between fund practitioners, auditors and actuaries to explore how to improve assurance and ways of working. This has been arranged for 20 April.

Knowledge and Understanding - The Board also approved a survey of funds, aimed at collecting information on the current standards of knowledge and understanding, as well as provision of training in pension funds. The information collected from the survey would assist in the development of a new Knowledge and Skills framework.

Gender Pensions Gap - The Board agreed to publish the initial findings of the Gender Pensions Gap and commissioned GAD to undertake some additional analysis. It was noted that the new Pensions Minister, Laura Trott, had recently committed to undertaking work on the gender pensions gap in the private sector. The Board expressed its desire for this kind of analysis to become part of the standard output of fund valuations in future.

Sharia Compliance - The Board approved the procurement of a report to consider whether there is any contradiction between the principles of sharia law and membership of the Local Government Pension Scheme for a Muslim local government employee in the UK. The report will also consider the governance and investment practice of the Scheme.

Code of Transparency - The Board agreed that it was necessary to improve the awareness and communications of both the Code and associated on-line reporting system that had been developed. It asked the Secretariat to arrange a series of workshops around the country to brief local pension committee board members and officers about the importance of this issue.

AOB (Bob Holloway Retirement) - The Board's Chair, Councillor Roger Phillips thanked Bob Holloway for his contributions to the Scheme and the Board over the length of his career ahead of his retirement on 24th February 2023.

Date of Next Meeting – 22nd May 2023

Training Plan as at 21 June 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
External	Desirable	PLSA Local Authority Conference	Includes investment outlook, operational sustainability, communications, ESG, pension dashboards and levelling up.	26 Jun 2023	21		3 day event
External	Desirable	Scheme Advisory Board - the Board's Code of Transparency (CoT)	An explanation of the purpose and background of the Board's Code of Transparency	11 Jul 2023	3		Various sessions across UK with various dates
Internal	Essential	CPF Responsible Investment Policy	Understanding proposed changes to CPF's Responsible Investment Policy, including divestments	02 Aug 2023	5.5	Committee members, Board members, Senior Officers, Officers	
External	Desirable	LGC Investments and Pensions Summit	Covering the critical issues and challenges facing the LGPS, including various investment matters, sustainability, cashflows, diversity and inclusion	07 Sep 2023	12		2 day event
External	Desirable	LGA Fundamentals Training programme 2023	The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS.	05 Oct 2023	18		Various sessions across UK with various dates Taking place over three days with options to attend online and in person
External	Desirable	LGPS Governance conference	Governance conference (York)	18 Jan 2024	6		Lunchtime 18th to lunchtime 19th. In person or virtual
External	Desirable	WPP - Pooling Guidance	An overview of the updated pooling guidance	TBC	TBC		Q4
External	Desirable	WPP - LGPS pools & Collaboration Opportunities	An update on the Progress of other LGPS pools & Collaboration Opportunities	TBC	TBC		Q4
External	Desirable	WPP - RI	within the WPP sub funds	TBC	TBC		Q3
External	Desirable	WPP - Voting & Engagement	An overview of the WPP Voting and engagement	TBC	TBC		Q3
External	Desirable	WPP - Reporting Performance reporting	Performance reporting	TBC	TBC		Q2

Training Plan as at 21 June 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
External	Desirable	WPP - Reporting	TCFD Reporting	TBC	TBC		Q2
Internal	Essential	Investment Considerations - TNFD	An overview of the Taskforce on Nature-related Financial Disclosures (TNFD) including opportunities for investments	TBC	TBC	Committee members, Board members, Senior Officers	
Internal	Essential	Investment Considerations - various	To include the expected new Pooling Guidance, levelling up and any other investment related developments.	TBC	TBC	Committee members, Board members, Senior Officers	
Internal	Essential	Administration considerations	Overview of Goodwin court case affecting widowers	TBC	0.5	Committee members, Board members, Senior Officers	
Internal	Essential	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	TBC	2	Committee members, Board members, Senior Officers	
Internal	Essential	Governance considerations - Myners Principles	To include reviewing the effectiveness of the Pension Fund Committee	TBC	0.5	Committee members, Board members, Senior Officers	

Previous Events

External	Desirable	WPP - Private markets and levelling up/development opportunites	Product knowledge (private markets)	08 Jun 2023	2.5		
External	Desirable	LGA Employer role training	0	01 Jun 2023	6		Various sessions across UK with various dates
External	Essential	CIPFA - Annual Local Pensions Board Conference	Pension Board Event - CIPFA's Annual Local Pensions Board Conference	18 May 2023	6	Board members	Held at KPMG Birmingham

Training Plan as at 21 June 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
External	Essential	Best Ideas tactical asset allocation portfolio	Best Ideas tactical asset allocation portfolio	03 May 2023	4	Committee members, Board members	
Internal	Essential	CPF Training on Governance of Investments	Governance of Investments	26 Apr 2023	3	Committee members, Board members, Senior Officers	10am to 12.30pm - Clwyd Committee Room, Flintshire County Council, Mold
External	Desirable	LGC Investment Conference	LGC Investment Conference (Carden Park, Chester)	30 Mar 2023	15		
Internal	Desirable	Cashflow management	0	01 Mar 2023	0.5		PB training
External	Desirable	WPP LGPS pools and collaboration	Progress of other LGPS Pools / Collaboration Opportunities	27 Feb 2023	2		
External	Desirable	WPP stock lending	0	13 Feb 2023	1.5		
External	Essential	TCFD Reporting (Mercer)	TCFD Reporting Training	01 Feb 2023	1.5	Committee members, Board members, Senior Officers	
External	Desirable	LGPS Governance conference	Governance conference (Cardiff)	19 Jan 2023	6		Jan 19th - Jan 20th
Internal	Essential	Investment considerations - Private markets (Mercer)	All aspects of investing in Private Markets	18 Jan 2023	2	Committee members, Board members, Senior Officers	
External	Desirable	LGA Annual Conference	0	01 Jan 2023	6		
External	Desirable	AJCM	Annual Joint Committee Meeting	13 Dec 2022	5		
External	Desirable	LAPFF – Making Transition Just	0	09 Dec 2022	0.5		
External	Desirable	LAPFF – S in ESG	0	08 Dec 2022	0.5		
External	Desirable	LAPFF – Levelling Up Panel	0	08 Dec 2022	0.5		
External	Desirable	LAPFF Annual conference	LAPFF Annual conference (Bournemouth)	07 Dec 2022	16		
External	Desirable	LGC – Net Zero Infrastructure	0	06 Dec 2022	2		
External	Desirable	RI for WPP / Stewardship Code / TCFD Reporting	Responsible Investments for WPP / Stewardship Code / TCFD Reporting	05 Dec 2022	2.5		
External	Desirable	CIPFA/Isio Local Pension Board Training Event	CIPFA/Isio Local Pension Board Training Event (Webinar)	08 Nov 2022	3		
Internal	Desirable	Mercer – Remember the 23rd Sept	0	01 Nov 2022	1		
External	Desirable	BlackRock Evolving Portfolios	0	01 Nov 2022	1		
External	Desirable	BrightTALK /Triodos – Outlook	0	01 Nov 2022	1		
External	Essential	Pension Fund Cyber Security	Pension Fund Cyber Security Induction Training	28 Oct 2022	1.5	Committee members (Induction), Board members (induction)	

Training Plan as at 21 June 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
External	Desirable	WPP Governance & Administration / Roles & Responsibilities	WPP Governance and Administration, and Roles and Responsibilities within the WPP	19 Oct 2022	2.5		Start time 9.30 am
External	Desirable	LGA Fundamentals Training Programme 2022	Fundamental Training - scheme overview, covering current issues in relation to administration, investments and governance of the LGPS.	18 Oct 2022	18		Taking place over three days with options to attend online and in person (in Westminster LGA Offices and Birmingham Eversheds Offices)
External	Essential	Investment considerations - investment strategy review including asset classes	Setting the strategy and delivery of Investment objectives, including the risk and return characteristics of the asset classes	05 Oct 2022	2.5	Committee members, Board members, Senior Officers	
External	Desirable	BlackRock Investment Forum	0	01 Oct 2022	4		
External	Essential	Actuarial/Funding, Accounting, Audit & Procurement	Actuarial/Funding, Accounting, Audit & Procurement Induction Training	28 Sep 2022	1.5	Committee members (Induction), Board members (induction)	
External	Essential	Responsible Investment / Climate Training	Pension Fund Responsible Investment/ Climate Induction Training	23 Sep 2022	2	Committee members (Induction), Board members (induction)	
External	Desirable	WPP Private Market Allocators/ Active Sustainable Equities	Sustainable Equities: Private Credit / Infrastructure Asset classes and role of Allocator	22 Sep 2022	2.5		Start time 9.30 am
External	Desirable	LGC Conference September 2022	LGC Investments and Pensions Summit (Leeds)	08 Sep 2022	12		
External	Desirable	National Pensions Dashboard	Pension dashboard training	31 Aug 2022	0.5		
External	Essential	Funding Considerations - the valuation	Actuarial valuation and Funding Strategy Statement (FSS)	24 Aug 2022	2	Committee members, Board members	
External	Essential	Administration and communications	Administration and communications induction	10 Aug 2022	1.5	Committee members (Induction), Board members (induction)	

Training Plan as at 21 June 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
External	Desirable	Room 151(Housing - Income Strategies/ Inflation/ Build to Rent/ Impact)	Room 151(Housing - Income Strategies/ Inflation/ Build to Rent/ Impact)	26 Jul 2022	2		
External	Essential	Investments & Flightpath training	Investments Induction Training	20 Jul 2022	1.5	Committee members (Induction), Board members (induction)	
External	Essential	Governance Training	Governance Induction Training	24 Jun 2022	1.5	Committee members (Induction), Board members (induction)	
External	Desirable	Barnet Waddingham Pension Board Event	Pension Board Event	22 Jun 2022	6.5		
External	Desirable	PLSA Conference June 2022	PLSA Local Authority Conference 2022	13 Jun 2022	14		
Internal	Essential	Communications Strategy Review	Communications Strategy Review Training	08 Jun 2022	2	Committee members, Board members	
External	Desirable	Room 151 (Property- Sustainability/ Levelling up)	Room 151 (Property- Sustainability/ Levelling up)	26 May 2022	2		
External	Essential	CIPFA	Pension Board Event	18 May 2022	6	Board members	
External	Desirable	CIPFA Annual Conference LB	CIPFA Annual Conference LB (Barnett Waddingham)	01 May 2022	7		
External	Desirable	Unison Forum	Unison Forum	20 Apr 2022	2		

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lgps | Local Government Pension Scheme

Fundamentals 2023

Day one

9:30 Registration and coffee

9:55 Chair's introduction to the day

10:00 Duties and responsibilities of Pension Committees and Boards

- The legislative framework
- Governance arrangements
- Oversight bodies

11:30 Coffee break

11:45 Benefit structure

- The basis of the LGPS
- Final salary v CARE schemes
- A tour of the 2014 scheme

13:00 Lunch

13:45 The legal landscape

- LGPS specific duties and responsibilities
- Common problem areas
- Wider duties and responsibilities
- What happens when things go wrong?

15:15 Coffee break

15:30 Good governance

- What does good governance look like?
- Mandatory and desirable policies in the LGPS
- How strategies and policies assist the scheme manager

16:15 Close

lgps | Local Government Pension Scheme

Fundamentals 2023
Day two

9:30 Registration and coffee

9:55 Chair's introduction to the day

10:00 Investment framework

- The Management and Investment of Fund Regulations
- Investment Strategy Statement including approach to asset pooling
- Funding strategy statement

10:45 Investment basics – part one

- The different types of investment classes and how they work

11:30 Coffee break

11:45 Investment basics – part two

- Risk and return
- Sustainability

13:00 Lunch

13:45 Responsible investment

- Drivers of responsible investing
- Climate change
- Other sustainability linked themes
- How to respond as an investor

15:00 Coffee break

15:15 The crystal ball challenge

- What is growth?
- The outlook for opportunities and risk over the medium and long term

16:05 Close

Fundamentals 2023

Day three

9:30 Registration and coffee

9:55 Chair's introduction to the day

10:00 Being a responsible asset owner

- Stewardship
- Cost transparency

11:00 Coffee break

11:15 Working together

- How the local pension board assists the pension manager to meet the administration challenge

12:00 A view from the bridge

- The role of the responsible government department
- Issues on the radar

12:45 Lunch

13:30 Valuations

- The purpose of an actuarial valuation
- Assets and liabilities
- How liability calculations work
- The assumptions used

14:30 Coffee break

14:45 Funding

- The importance of a funding strategy
- Different employers – different characteristics and objectives
- Employer covenants

15:45 Close

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. 14/2/22 Previous issues no longer relevant. Current situation is purely due to magnitude of cases being received and potentially employer delays. 31/10/2022 Staff member doing this process had internal secondment, so vacancy now needs to be filled, and then trained. 10/3/2023 New staff member is now being trained so will continue to have impact until fully up to speed.			
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: 3940 cases completed / 39% (1544) were in a breach 2021/22 -Q1 - 789 cases completed / 15% (118) were in breach -Q2 - 769 cases completed / 25% (190) were in breach -Q3 - 1444 cases completed / 15% (190) were in breach -Q4- 1070 cases completed / 12% (128) were in breach 2022/23 -Q1 - 947 cases completed / 5% (50) were in breach -Q2 - 968 cases completed / 12% (112) were in breach -Q3 - 1437 cases completed / 20% (286) were in breach -Q4 - 947 cases completed / 15% (140) 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. Actions prior to 2022 not shown, but recorded on the breaches log. 14/02/2022 - Appointed to vacant positions and Modern Apprentices trained in this area. 22/05/2022 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient. 12/08/2022 - Number of breaches fallen as expected due to completion of training. Recent staff vacancies will impact on this measure going forward as vacancies are filled and training starts again. 31/10/2022 - Number of breaches has increased this quarter. Staff vacancies have been advertised, shortlisting and interviews planned in the coming weeks. Prioritising workloads will be key so the number of cases in breach do not continue to rise. 03/03/2023 - Vacant positions filled and training underway. 24/05/2023 - Training continues and staff members attained a KPI presentation to fully understand implications if timescales not met.			
Outstanding actions (if any)		22/05/22 - Analyse new employer reports and escalate to individual employers if required. Continually review resource requirements to meet KPI. 10/3/2023 - Ensure training of new staff member is finalised.			
Assessment of breach and brief summary of rationale		24/05/2023 - Number of cases completed has reverted back to normal levels, Number in breach has reduced but assessment will remain Amber until further improvements are made following completion of training for new recruits.			
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. 31/10/2022 New regulatory requirements have resulted in additional steps having to be taken, which makes process longer and more complex.		
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: 224 cases completed / 25% (57) were in breach 2021/22 -Q1 - 76 cases completed / 62% (47) were in breach -Q2 -76 cases completed / 22% (17) were in breach -Q3 - 91 cases completed / 15% (14) were in breach -Q4 - 66 cases completed / 14% (9) were in breach 2022/23 -Q1 - 98 cases completed / 9% (9) were in breach -Q2 - 104 cases completed / 19% (20) were in breach -Q3 - 66 cases completed / 12% (8) were in breach -Q4 - 118 cases completed / 17% (20) 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. 08/03/2022 - Have investigated how much of the delay is due to external schemes. 22/05/2022 - Additional checks required in transfer process. Schemes taking longer to process therefore knock on effect. Expect this to reduce as industry adjusts to new processes. 12/8/2022 - Ensure team is up to date with legislative and procedural changes. Some of this requirements are out of the Funds control so need to ensure required timescales are communicated effectively. 31/10/2022 - A review of this process is being undertaken as additional steps are now required. 03/03/2023 - Process has been reviewed and improvements expected in the next quarter results. 24/05/2023 - Completed training for required staff members		
Outstanding actions (if any)					
Assessment of breach and brief summary of rationale			24/05/2023 - Improvements to process have streamlined workload and numbers completed has increased significantly this quarter. Assessment to remain Amber until number in breach reduces further.		
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. - temporary large increases in work due to retrospective pay award recalculations 31/10/2022 Also seeing general increase in number of retirements.
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: 1127 cases completed / 24% (269) were in breach 2021/22 -Q1 - 329 cases completed / 16% (53) were in breach -Q2 - 388 cases completed / 16% (64) were in breach -Q3 - 444 cases completed / 14% (64) were in breach -Q4- 373 cases completed / 11% (41) were in breach 2022/23 -Q1 - 413 cases completed / 19% (81) were in breach -Q2 - 442 cases completed / 18% (81) were in breach -Q3 - 419 cases completed / 14% (58) were in breach -Q4 - 358 cases completed / 18% (66) 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. Actions prior to 2022 not shown, but recorded on the breaches log. 12/08/2022 - Staff members leaving and re-calculation of benefits following a retrospective pay award have negatively impacted the performance in this area. Recruitment drive to fill vacant positions and review of resource in this area to tackle number of required recalculations should improve performance following necessary training. 31/10/2022 - Recalculation of benefits still impacting this area with additional recalculations due in relation to retrospective 2022 pay award. Vacancies advertised and shortlisting and interviews planned in the coming weeks. Assessment of workload and staffing in this area is underway to determine appropriate staffing levels for the continued increase in number of cases. 03/03/2023 - New staff have been appointed but will not be fully trained for a number of months. 24/05/2023- Training of new staff continues. New project team is being established to remove non KPI/ad hoc pressures from Operations which impacts on workload. Improvements will be made over a period of months.
Outstanding actions (if any)	22/05/22 - Analyse new employer reports and escalate to individual employers if required. Complete all recalculations so all appropriate staff can focus on retirements. 31/10/2022 - Assessment of changes in workloads to determine any additional resource requirements. 10/3/2023 - Training of new staff to be able to carry out retirements. 24/05/2023 - Transfer non KPI/ad hoc cases of work to project team.
Assessment of breach and brief summary of rationale	24/05/2023 - Number in breach remains too high to amend assessment. Recalculation of benefits due to late pay award and training new staff within this area continue to impact this KPI. Improvements will be over a number of months whilst training is undertaken, project team bedded in and recalculations completed.
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. 31/10/2022 More staff now trained on deaths but they are impacted due to increases in other workloads.		
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: 195 cases completed / 27% (53) were in breach 2021/22 -Q1- 59 cases completed / 8% (5) were in breach -Q2 - 42 cases completed / 5% (2) were in breach -Q3 - 52 cases completed / 17% (9) were in breach -Q4 - 54 cases completed / 19% (10) were in breach 2022/23 -Q1- 59 cases completed / 17% (10) were in breach -Q2 - 37 cases completed / 22% (8) were in breach -Q3 - 51 cases completed / 39% (20) were in breach -Q4 - 43 cases completed / 28% (12) 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. 31/10/2022 - Due to pressures of other processes and vacancies within the team, key staff responsible for this process are stretched. Vacancies advertised, shortlisting and interviews planned within coming weeks. 03/03/2023 - Vacant positions have now been filled and training is underway.		
Outstanding actions (if any)	10/3/23 Ensure all training continues as quickly as possible to free up people to refocus on death cases.		
Assessment of breach and brief summary of rationale	24/05/2023 - Number in breach has reduced but remains too high to amend assessment. Recalculation of benefits due to late pay award and training of staff continue to impact this KPI. Improvement may not be seen until all recalculations and training is complete.		
Reported to tPR	No		

Ref	A22	**Date entered in register**	21/05/2021
Status	Closed	**Date breached closed (if relevant)**	24/05/2023
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. 14/2/2022 - Employer being chased by CPF. 22/05/2022 - CPF continuing to work with employer to resolve individual cases once employee responds with preferred action. Three outstanding cases remain. 12/08/2022 - As above, two outstanding cases remain. 31/10/2022 - All employees have now responded. Breakdown of contributions received by employer and member records to be amended. 10/3/2023 - All CPF member records have now been updated. 24/5/2023 Contributions now confirmed as to be paid imminently and therefore breach is closed."
Outstanding actions (if any)	
Assessment of breach and brief summary of rationale	24/05/2023 - Agreed with employer for outstanding contributions to be paid with next remittance. Breach to be closed.
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	Aura			
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. 14/02/2022 - CPF Pensions Administration Manager has been chasing for final cases to be resolved. 22/05/2022 - Employer and Payroll provider being chased by CPF. Escalated to Payroll Team Leader. 12/08/2022 - Financial figures have now been provided by payroll department to the employer. Letters to the nine members that have left employment have been issued with a response date of the 16/9/22. 31/10/2022 - One member has now paid the difference in contributions and eight remaining are still due. Employer contributions to be paid in November. 10/3/2023 - Employer contributions were paid in November for the one member. For eight remaining members, Aura has written to them and has sent reminders to them but responses are still awaited. 24/5/2023 Remaining employer contributions now paid. Emailed to instruct Aura to settle member contributions either themselves or FCC, if not reimbursed by members.			
Outstanding actions (if any)	03/03/2023 - Once responses have been received from the final eight members, outstanding contributions are to be paid by both employer and employee and member records can be updated (if applicable). CPF to liaise with Aura to conclude this matter by paying the correct contributions to the Fund.			
Assessment of breach and brief summary of rationale	24/05/2023 - Still awaiting response from 8 members that are deferred. Once response received, any outstanding contributions can be paid and member records updated.			
Reported to tPR	No			

Ref	A25	**Date entered in register**			12/08/2022
Status	Closed	**Date breached closed (if relevant)**			24/05/2023
Title of Breach	Members entered into LGPS in error			**Owner**	KW
Party which caused the breach	North Wales Fire				
Description and cause of breach	Number of employees entered into LGPS by employer instead of alternative pension schemes.				
Category affected	Active members				
Numbers affected	18 employees				
Possible effect and wider implications	- As a result the employees may have different pension rights, and so LGPS membership will need to be deleted and membership to correct scheme applied retrospectively. - LGPS Contributions will need to be collected and returned to employer and employee/employer Contributions paid into the correct scheme in relation to retrospective period. - employer will need to liaise with alternative provider to create membership there.				
Actions taken to rectify breach	12/08/2022- Liaising with employer and finance department to determine how best to put employees in correct position and detailed plan of actions is being developed. 10/3/2023 - All employees have now been notified and CPF records have been updated. Contributions have been returned from CPF to North Wales Fire. Two of three transfers that were paid out have been returned and sent to NWF. All transfers have now been completed and all records have been updated appropriately. Breach can be closed.				
Outstanding actions (if any)					
Assessment of breach and brief	24/05/2023 - All records now correct. Breach can be closed.				
Reported to tPR	No				

Ref	F102	**Date entered in register**			20 Mar 2023
Status	Closed	**Date breached closed (if relevant)**			17 Apr 2023
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. The remittance advice relating to January 2023 was not received within the deadline. Multiple breaches between 2019 and Feb 2022 (21 breaches in total). Previous breaches in 22/23 are F82, F84, F86, F88, F89 & F94.				
Category affected	Active members and employer				
Numbers affected	2 active members				
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.				
Actions taken to rectify breach	23/2/2023 Chased employer for remittance. 15/03/2023 Emailed employer to request all outstanding payments and advices.				
Outstanding actions (if any)					
Assessment of breach and brief	Remittance received 17/04/2023				
Reported to tPR	No				

Ref	F103	**Date entered in register**			20 Mar 2023
Status	Closed	**Date breached closed (if relevant)**			23 Mar 2023
Title of Breach	No submission of contribution remittance advice			**Owner**	DF
Party which caused the breach	Ruthin Town 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. A remittance advice relating to January 2023 was not received within the deadline. Previous breaches F45, 55, 63, 64, 74, 75, 78, 79; last breach related to contributions paid in May 2022.				
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	23/02/2023 Spoke to new clerk and they are unaware of how to complete process. CPF sent previous remittance advice to help them understand process. Since then have been a couple of phone calls to help the clerk understand process.
Outstanding actions (if any)	
Assessment of breach and brief	Payment received 23/03/2023
Reported to tPR	No

Ref	F104	**Date entered in register**		30 May 2023
Status	Closed	**Date breached closed (if relevant)**		27 Mar 2023
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 February 2023 were not received within the deadline. Multiple breaches between 2019 and Feb 2022 (21 breaches in total). Previous breaches in 22/23 are F83, F85, F87, F93, F101,			
Category affected	Active members and employer			
Numbers affected	2 active members			
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.			
Actions taken to rectify breach	15/03/2023 Emailed employer to request all outstanding payments and advices.			
Outstanding actions (if any)				
Assessment of breach and brief summary of rationale	Payment received 27/03/2023 Multiple repeat breaches, however services are being transferred to DCC 1 April so confident that this has been resolved.			
Reported to tPR	No			

Ref	F105	**Date entered in register**		30 May 2023
Status	Closed	**Date breached closed (if relevant)**		17 Apr 2023
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. A remittance advice relating to February 2023 was not received within the deadline. Multiple breaches between 2019 and Feb 2022 (21 breaches in total). Previous breaches in 22/23 are F82, F84, F86, F88, F89, F94 & F102.			
Category affected	Active members and employer			
Numbers affected	2 active members			
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.			
Actions taken to rectify breach	15/03/2023 Emailed employer to request all outstanding payments and advices.			
Outstanding actions (if any)				
Assessment of breach and brief summary of rationale	Remittance received 17/04/2023 Multiple repeat breaches, however services are being transferred to DCC 1 April so confident that this has been resolved.			
Reported to tPR	No			

Ref	F106	**Date entered in register**		30 May 2023
Status	Closed	**Date breached closed (if relevant)**		28 Mar 2023
Title of Breach	Late payment of contributions		**Owner**	DF
Party which caused the breach	North Wales Valuation Tribunal			
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 February 2023 were not received within the deadline. No previous breaches.			
Category affected	Active members and employer			
Numbers affected	3 active members			

Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.
Actions taken to rectify breach	21/03/2023 Chased employer for payment. Received notification that payment arranged for 28/03/2023.
Outstanding actions (if any)	
Assessment of breach and brief	Payment received 28/03/2023
Reported to tPR	No

CLWYD PENSION FUND - CALENDAR OF EVENTS

Month	Date	Day	Committee	Other Events	Pension Board	Location
2023						
Mar						
	29-Mar	Wed	9.30am - 12.30pm			Virtual
Apr						
May						
Jun						
	21-Jun	Wed	9.30am - 12.30pm			Virtual
Jul						
Aug						
	30-Aug	Wed	9.30am - 12.30pm			Hybrid
Sep						
	05-Sep	Tues			10am - 3pm	Hybrid
Oct						
Nov						
	29-Nov	Wed	9.30am - 12.30pm			Hybrid - tbc
Dec						
	06-Dec	Wed			10am - 3pm	TBC
2024						
Jan						
Feb						
	28-Feb	Wed	9.30am - 12.30pm			Hybrid - tbc
Mar						
	20-Mar	Wed	9.30am - 4.30pm			Hybrid - tbc
Apr						
May	01-May (TBC)	Wed			10am - 3pm	TBC
Jun						
	19-Jun	Wed	9.30am - 12.30pm			Hybrid - tbc

All Fund Risk Heat Map and Summary of Governance Risks

Governance Risks

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

Funding & Investment Risks (includes accounting and audit)

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

Administration & Communication Risks

Impact \ Likelihood	Unlikely	Very Low	Low	Significant	Very High	Extremely High
Catastrophic						
Critical				3, 1		
Marginal		5	6, 2			
Negligible			4			

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.

12 June 2023

<u>Clwyd Pension Fund - Control Risk Register</u>

Governance Risks

Objectives extracted from Governance Policy (03/2023), Knowledge and Skills Policy (09/2021) and Procedures for Reporting Breaches of the Law (03/2022)

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		☺				Head of CPF	31/08/2023	02/06/2023
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	Marginal	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, rolling training plan, monitoring (regular self assessments and attendance) 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 and AP training held virtually, hybrid or face to face depending on importance and to maximise attendance, with recordings of training circulated thereafter. 10 - PFC and PB effectiveness surveys completed to ensure that PFC and PB meetings are as effective as possible	Negligible	Very Low		😐 Current impact 1 too high Current likelihood 1 too high	05/05/2022	Sep 2023	1 - Carry out training needs analysis after induction training (PL)	Head of CPF	31/08/2023	02/06/2023
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	Marginal	Very 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, rolling training plan, monitoring (regular self assessments and attendance) 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 PFC, 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 8 - Framework in place for investment decisions relating to climate/RI, which includes regulated advice from Investment Consultant.	Marginal	Very Low		☺			1 - Ensure WPP due diligence process is being following in all cases for investments with potential conflict (e.g. local/Welsh) (PL) 2 - Ongoing monitoring of FCC Climate Committee motion situation	Head of CPF	31/08/2023	02/06/2023
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	31/08/2023	02/06/2023
5	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such as scheme change (e.g. McCloud, potential exit cap, Pensions dashboard, national reorganisation, cybercrime, asset pooling, levelling up and boycotts / divestments / sanctions, Climate lobbying, Operator contract with WPP)	G1 / G4 / G6 / G7	Critical	Significant		1 - Continued discussions at AP, PFC and PB regarding this risk 2 - Fund's consultants involved at national level/regularly reporting back to AP/PFC 3 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring) 4 - Asset pooling IAA in place 5 - Officers on Wales Pool OWG, and Pension Board Chair attending WPP LPB Chair meetings 6 - Business Continuity and Cyber Security Policy in place 7 - Ongoing monitoring of cybercrime risk by AP 8 - McCloud planning undertaken and full programme management in place 9 - Pensions dashboard planning currently underway	Marginal	Low		😐 Current impact 1 too high Current likelihood 1 too high	28/02/2017	Mar 2024	1 - Deliver final aspects of cybercrime risk mitigations into BAU (PL) 2 - Refresh and document business continuity assessments/ procedures (KW) 3 - Establish formal project for Pensions Dashboard (KW) 4 - Ongoing engagement with WPP in relation to the WPP Operator 5 - Ongoing consideration of resource requirements to meet external demands	Head of CPF	31/08/2023	02/06/2023
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 / FCC pay grades versus other LAs, asset pools, private sector / cost of living.	G3 / G6 / G7 / T1	Critical	Low		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/PB 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 vacancies and/or other 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 2 too high Current likelihood 1 too high	01/07/2016	Mar 2024	1 - Recruit to vacant administration roles. (PL) 2 - Ongoing consideration of business continuity including succession planning (PL) 3- Action plan being developed for recruitment, retention, succession planning including consideration of future work levels (PL)	Head of CPF	31/08/2023	02/06/2023
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	31/08/2023	02/06/2023

By virtue of paragraph(s) 18 of Part 4 of Schedule 12A
of the Local Government Act 1972.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 21 June 2023
Report Subject	Administration and Communications Update
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

The last update report including items for information or discussion relating to administration and communications was provided at the March 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 Year End and Pension Increase
- The McCloud programme including draft regulations and a consultation from DLUHC
- Day to day tasks and key performance indicators – showing the position to the end of May 2023
- Resource – including an update on recruitment and retention and the recent movement within the Administration Team

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

REPORT DETAILS

1.00	**ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS**
	Business Plan 2022/23 Update

1.01	Usually, the three main update reports at each Committee include the latest progress against the business plan. Given we are only two months into 2023/24, there is no update dashboard included for this meeting. The dashboard will be provided at the next meeting. In relation to the priorities in the administration and communications section of the business plan, the key points to note are as follows:
	
	• A1 - Change to CARE revaluation and changes affecting pensions tax and A7 - Review Administration & Communications Related policies and strategies – A review of relevant processes in relation to changes announced in the recent budget is complete and staff training has been provided by Mercer. Changes to relevant policies to reflect these changes are underway and will be agreed under the relevant delegation. Further information is provided in section 1.10 of this report.
	• A2 – McCloud judgement – as usual an update on this programme is included later in this report, including draft regulations and a consultation that has been issued by DLUHC.
	• A3 – National Pensions Dashboard – Following the recent written statement from the Pensions Minister announcing delays to the delivery of Pensions Dashboards, the Pensions Dashboard Programme (PDP), who are responsible for driving this forward at a national level, confirmed that work is progressing well, and more information will be released ahead of parliamentary recess in July. The Pensions Administration Manager continues to attend regular meetings with both Heywood (the administration software provider) and the Pension and Lifetime Savings Association (PLSA) as part of a PLSA project team. A further update on national developments is included in section 1.03.
	• A8 - Implement the new Communications Strategy –
	    o The new Clwyd Pension Fund logo and branding design was successfully launched on the 1st April across all communication platforms. A review of the structure and content of the Fund's website is on-going to ensure clear and concise language is being used.
	    o Satisfaction surveys were issued to all members and employers and a summary of the responses is attached as Appendix 1 of this report. It is pleasing to see that the number of responses from members was slightly higher than the industry benchmark of 5%. Improvement is required to engage with employers to increase the number of completed surveys received including ensuring the survey is being sent to the most appropriate person. Both surveys provided positive results.
	    o As part of the satisfaction survey, scheme members were asked to provide their details if they would like to volunteer to be part of a Communications Focus Group. A total of 73 members volunteered covering all types of membership. Acknowledgement letters have been issued with details of the

	first focus group action (if applicable to their type of membership). o A telephony service to help monitor calls and improve user experience is being investigated in line with the FCC current internal upgrade programme. E1 – McCloud Employer Liaison Team (ELT) Services – Good progress continues to be made with the provision of data for those employers using the liaison team. Work continues to ensure deadlines are met successfully.
1.02	**Current Developments and News** The following details developments and news in addition to business as usual *McCloud update* CPF 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. The McCloud Team are continuing to engage and work with employers regarding the submission of their data. The process to validate the data had previously been agreed and approved by the Programme Management Group (PMG) and is now a regular agenda item for the data workstream meetings to ensure the process is reviewed regularly and remains stringent and fit for purpose. Following receipt of the data the McCloud team will then work towards validating the data. The Scheme Advisory Board has issued guidance on McCloud data collection, outlining appropriate methods to obtain/estimate data where it cannot be reliably obtained from an employer. The guidance also covers data validation, and the McCloud Team are considering the guidance, although it is not expected to impact the agreed validation approach. A link to a recent DLUHC member McCloud factsheet will be included in the deferred annual benefit statements (ABS) to be issued in June. Consideration will be given to the active ABS once work commences in July 2023. The McCloud team continues to engage with the software supplier to implement changes to the scheme rules from 1 October 2023 and to carry out the review of leavers benefits, which can commence once the regulations come into force. McCloud Regulatory Update - Draft regulations and a further consultation have been published (on 30 May 2023). This additional consultation is to obtain further views in some areas and to seek views where the initial consultation did not address an issue. DLUHC is seeking general views on how the McCloud remedy will work for scheme members with multiple periods of LGPS membership (“aggregation”), previous membership with another public service scheme, flexible retirement, pension sharing on divorce and injury allowances. DLUHC is also seeking technical comment on areas where the policy approach has now been determined in relation to excess teacher service, compensation and interest on McCloud related

	payments. The consultation runs until 30 June 2023 and the McCloud programme team is considering its response. Due to the Committee date, the Fund's draft consultation response is not ready for approval at Committee. There is a delegation that allows consultation responses to be approved by the Head of Clwyd Pension Fund and either the Chief Finance Manager or Corporate Manager of People and Organisational Development, subject to agreement with the Chair, where a consultation timescale does not provide sufficient time for a draft response to be approved by the Committee. It is therefore intended to make use of this delegation in this situation, particularly given the response will likely be very technical in nature. Following this consultation, the regulations are expected to be made in early September 2023 before the coming into force date of 1 October 2023. The delay to the regulatory timetable puts pressure on the programme but the team is closely monitoring the situation and will consider its approach to processing casework around this period. In addition, HMRC has published a consultation on The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023. This is a technical consultation on draft tax regulations which sets out changes to how pensions tax rules will apply as a result of the public service pensions remedy. They make changes to how individuals are treated for tax purposes if, as a result of the McCloud remedy, they are subject to tax charges.
1.03	*Other updates* • National Pensions Dashboard - The National Pensions Dashboard is being implemented to allow all pension savers in the UK access to view the values of all their pension pots, including state pension, through one central platform. All pension schemes must connect to the dashboard infrastructure by their “staging date” as determined by the Department for Work and Pensions (DWP) with the dashboards made publicly available shortly after schemes have onboarded. The staging date for all public sector pension schemes including the LGPS was 30 September 2024. However, in March 2023, the Pensions Minister announced delays to the delivery of Pensions Dashboards. On 8 June the Minister issued a statement setting out further details of the delay. Details are set out below. o Legislation will be updated to set an overall connection deadline for all schemes, which will be 31 October 2026. o The individual connection deadlines for schemes will be set out in guidance, and will be before the final deadline of 31 October 2026. DWP is planning to collaborate with the industry this year before publishing this guidance. o The date that Dashboards will go live to the public (Dashboards Available Point) has not been announced yet, but the Minister has said that this could be earlier than 31 October 2026. This indicates that Public Sector Schemes will have an earlier staging date than 31 October 2026. The Pensions Regulator has set out guidance on what schemes need to do to prepare and this was updated on 8 June. There is an expectation that schemes should continue with their Dashboard preparations despite the potential changes to staging dates, which is what officers of the Fund are doing (see section 1.01).

	• Annual Pensions' Increase - The Technical and Payroll Team have successfully completed the application of the 2023 Pension Increase award, processing the annual inflationary increase to all pensioners and dependents (10.1%), and sending a communication confirming the increase. The Fund's policy is to only send hard copy letters notifying of the pensions increase to pensioners/dependants who have requested paper as their communication preference; the remaining are all loaded onto MSS and where an email address is held, a notification of the letter being uploaded is sent. There is a likelihood that many of those letters are not being looked at where the Fund does not hold an email address. As a result of on-going work to ensure scheme members are aware of communications, an additional 1,781 pensions increase letters/emails were sent to home addresses or accessed via MSS this year due to those members confirming their communication preference including providing an email address if they chose MSS. This is evidence that more members are now engaging with the Fund and receiving information about their benefits in a format of their choice. Currently 12,201 members which represents over 70% of the pensioner and dependant members are receiving information in a format of their choice. • Year-end process and data cleansing - The Technical and Payroll Team are nearing completion of the Year End process ensuring all active members have up to date pay, contributions and other information on their CPF records. A small number of employers have yet to respond to some outstanding queries which will be escalated if necessary. The Administration Team has worked hard to reduce data anomalies as part of the Data Improvement Plan. The process is now more streamlined because of the on-going improvements to member data and the fact employers now submit data monthly via the i-Connect digital facility. • CARE revaluation annual update date change - Following the regulation changes to the date CARE revaluation is applied, which was to reduce the number of members of the LGPS potentially being exposed to an Annual Allowance charge (as detailed in the March update), both ELT and the Operations Team have been gathering member data in preparation for manual calculations. Given the short time scale, it is unlikely software providers will be able to respond fully to the changes so some manual intervention is expected. A further update including the impact this change has had on the team's workloads will be provided at the next Committee meeting. • Key Performance Indicators (KPI) and Employer Reports - As a result of improved functionality in relation to producing reports on the administration system, a review of the current KPI and Employer Reports has been undertaken and is near completion. It is hoped that the production of monthly reports will be more streamlined, and the output of information will be clearer with less manual intervention required, allowing more time to be spent on analysis and forward planning.
1.04	**Policy and Strategy Implementation and Monitoring** *Administration Strategy* The latest monitoring information in relation to administration is outlined below:

	<u>Day to day cases</u> – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis up to and including May 2023 since April 2020, as well as how this is split in relation to our three unitary authorities and all other employers. The number of cases completed by the team in March up to and including May was 8,515 compared to 11,660 in the same reporting period last year. The number of incoming cases was 8,515 compared to 11,619 for the same period. The difference between years mainly relates to an increase in cases in 2022 due to a bulk exercise to update the communication preferences for Pensioner and Dependant members in preparation for the distribution of the Pensioner Increase letter and the Clwyd Catch Up information booklet. The number of open cases has remained consistent, being 5,872 at the end of February and 5,587 at the end of May. It is hoped that as the training of new staff members progresses, the number of open cases will continue to reduce.
1.05	<u>Key performance indicators</u> – Appendix 4 shows our performance against the KPIs that are measured on a monthly basis up to and including May 2023. The summary reports illustrate the number of cases that have been completed over either 3 months or 12 months, as well as the proportion completed within the agreed KPI target timescales. As can be seen, across three months and twelve months, there are several KPIs where the number of completed cases has reduced. Key points to note are: • In relation to the Joiners KPI, all joiner cases have been completed, and the performance against the KPI is similar to previous periods. However there have been fewer new joiners to process in the last quarter compared to previous months, although 820 is still a significant number of new joiners to the scheme in a 3 month period. • Transfer factors have recently been received from GAD to enable the processing of those transfers that had been on hold. A reduction in numbers processed reflects the fact that not all transfers have been able to be completed, due to the outstanding GAD guidance. Work is now underway to catch up on those cases previously being held. • The key processes that previously caused some concerns due to the impact of the recalculation of benefits due to the retrospective 2022 pay award, these being retirements, leavers and deaths have generally improved over the last quarter. Resource is constantly being reviewed in these areas as the same staff members are responsible for these areas as well as recalculations relating to the retrospective pay awards. The numbers relating to recalculations due to pay awards are not included in the KPIs. Staff members continue to work additional hours, if possible, and the priority for the Operations Team continues to be cases where a payment is made either to an individual or a third party. The management of challenging regulatory timescales for significant numbers of cases will

	continue to be difficult whilst new staff are being trained and appointed, following the recent successful recruitment campaign. Resourcing is considered further later in this report.
1.06	**Internal dispute resolution procedures (IDRP)**

In relation to the cases for 2022/2023:

- There are nine Stage One appeals against employers. Four have been rejected, one has been upheld and four are still ongoing.
    - All four that have been rejected relate to non-award of ill health retirement
    - For the one that has been upheld, the member has now been awarded tier 1 ill health retirement
    - The four outstanding appeals relate to either non award of ill health retirement or the member disagreeing with the tier of ill health retirement that they have been awarded.
- One Stage Two appeal was submitted against the employer. The member appealed that they were only awarded tier 2 ill health retirement. This appeal was rejected.

In relation to cases for 2023/2024:
We have not received any Stage One or Stage Two appeals so far for this scheme year.

	2022/2023			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	9	1	4	4
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	1	0	1	0
Stage 2 - Against Administering Authority	0	0	0	0
	2023/2024			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	0	0	0	0
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

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

1.07 *Communications Strategy*
The latest information in relation to communication is outlined below:

- The Technical and Communications teams have worked together to produce and upload a video to the Fund's website explaining the registration process for Member Self Service (MSS). It can be viewed here - https://mss.clwydpensionfund.org.uk/home/help/guidance-videos/. Work is now underway to produce further videos explaining the annual Deferred and Active member benefit statements.

1.08	The Communications Team has maintained regular engagement with employers and scheme members over recent months. Other key points in relation to communications include: • A bespoke session for Glyndwr University was arranged allowing 30 members the opportunity for a 1-2-1 session. Going forward, it is hoped that alternative means of engaging with scheme members, such as videos explaining the content of benefit statements and what options members have, will reduce the number of labour intensive 1-2-1 sessions. However, should a member request such a session this will, of course, be provided. • Nine emails have been sent to all employers providing information in relation to various matters including the Employer Survey for completion, confirmation of the successful rebranding exercise including the new logo, the LGA bulletin and updated LGA training resources available to employers. A new style Leaver form, Amendment form and rebranded ill health certificates have also been circulated.
1.09	Appendix 5 provides an updated summary of MSS registered users, which illustrates that enrolment to MSS has increased slightly with the total number of members that have registered being over 52% of the scheme membership. The number of members that have opted for paper correspondence has remained static with approximately 17% of the scheme membership opting for this method of communication. For those members that are registered on MSS, use of the facilities within MSS continues to increase. During the three month reporting period: • 158 members have requested a retirement pack for their deferred benefit via MSS • the benefit projector continues to be a very popular function with 14,698 benefit projections having been calculated using MSS functionality • there have also been 517 changes to member's expression of wish details, 457 address updates and 18 bank account changes.
1.10	**Delegated Responsibilities** The Pension Fund Committee have delegated a number of responsibilities to officers or individuals. The approval of any updates to the following CPF policies are delegated due to their technical nature in relation to administration of pensions tax matters: • Voluntary Scheme Pays Policy • Policy for Administration and Communications of Tax Allowances to Scheme Members Both are currently being updated and agreed using the delegated procedure. There are no strategic changes proposed in these policies, and the majority of the changes relate to the Government's review of how pension arrangements are taxed which was announced in the 2023 Spring Budget, and in particular changes to the Annual and Lifetime Allowances.

	Appendices 6 and 7 show the delegation requests that are waiting for final approval. The policies will be on the Fund's website in due course, but if any members would like to see the changes that have been made, please let the Pensions Administration Manager know.
1.11	It is proposed that a minor change is made to the Scheme of Delegation to ensure that the approval for both policies is consistent, by changing the approval relating to the Voluntary Scheme Pays Policy to be by the Pensions Administration Manager in consultation with the Head of Clwyd Pension Fund. A copy of the Scheme of Delegation is included with the Pooling Update report and the recommendation to update it is included as part of that report.

2.00	**RESOURCE IMPLICATIONS**
2.01	Since the last update, following approval at the March Committee, a new temporary Principal Pensions Officer has been appointed to lead a project team that will focus on ad-hoc project work. It was intended for the role to be occupied on a job share basis by two internal Lead Pension Officers, with succession planning in mind. However, one of the successful candidates has accepted an alternative role within Heywood (pension software provider) and will be leaving the Fund early July. Due to resource implications of appointing a further member from the operations team, it has been decided to give the position to one individual on a full-time basis. Another member of staff from ELT has also now left the Fund to work for FCC Employment Services. This role will be advertised shortly along with the remaining 2.6 Pension Officer vacancies. The two Lead Pension Officer vacancies have been advertised internally; following appointment to these roles, any other vacancies that may come about if internal promotion opportunities prove successful will also be advertised. An update will be provided at the next meeting. As mentioned in previous updates, if recruitment to a Pension Officer grade is unsuccessful, it is proposed that any remaining vacant Pension Officer positions are recruited at the lower Pension Assistant grade. Although recruitment is likely to be easier, it is recognised this will result in a greater level of training with the successful candidate(s). Again, due to the significant recruitment of new staff members, training requirements will continue to be very labour intensive, and improvements in KPI performance will be over a number of months. Staffing levels will be continuously reviewed within the McCloud, ELT and Operations Teams.

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

4.00	**RISK MANAGEMENT**
4.01	Appendix 8 provides the dashboard and the extract of administration and communications risks. There have been no key changes made to it since the March Committee although several additional actions have been added and all target dates reviewed and amended, if necessary, for example due to the ongoing uncertainty around the national pensions dashboard. The key risks which are furthest from target continue to be: • Risk number 1 - Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues. • Risk number 2 - Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues. • Risk number 3 - Unable to meet legal and performance expectations due to big changes in employer numbers or scheme members or unexpected work increases. • Risk number 6 – Service provision is interrupted due to system failure or unavailability.

5.00	**APPENDICES**
5.01	Appendix 1 – Satisfaction Survey results 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 & 7 – Urgent Delegations Appendix 8 – Risk register update

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• Report to Pension Fund Committee – Pension Administration Strategy (March 2021) • Report to Pension Fund Committee – Communications Strategy (June 2022) • Report to Pension Fund Committee - 2023/24 Business Plan (March 2023) **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.

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Satisfaction Survey Results

Introduction

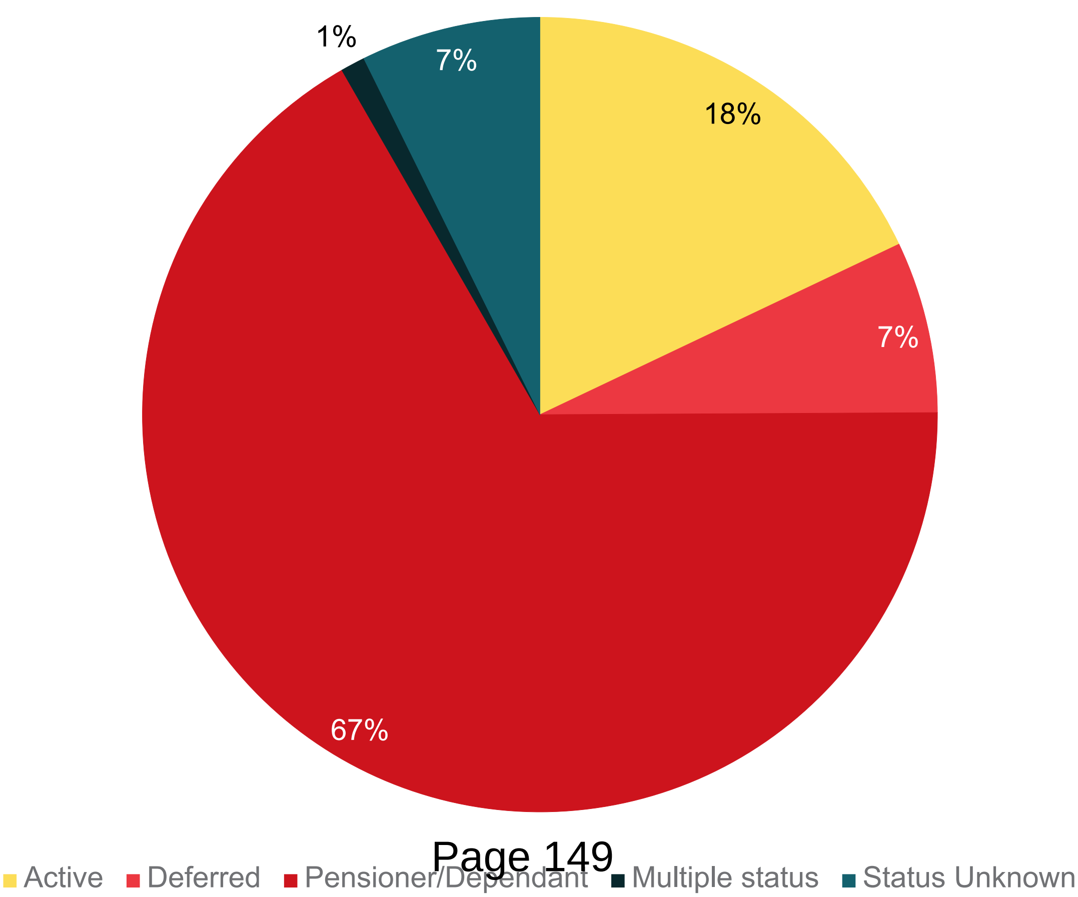
Every year the Fund carries out a satisfaction survey with members and employers to supply feedback on whether it is achieving its aims and objectives as set out within the Fund's Administration and Communication Strategies. The results for surveys completed in 2023 are shown in the charts below.

These charts have been produced by Aon for the Pensions Administration Manager of Clwyd Pension Fund based on excel files supplied by the Fund setting out the underlying survey results. We have relied on the accuracy of those files in generating the charts below.

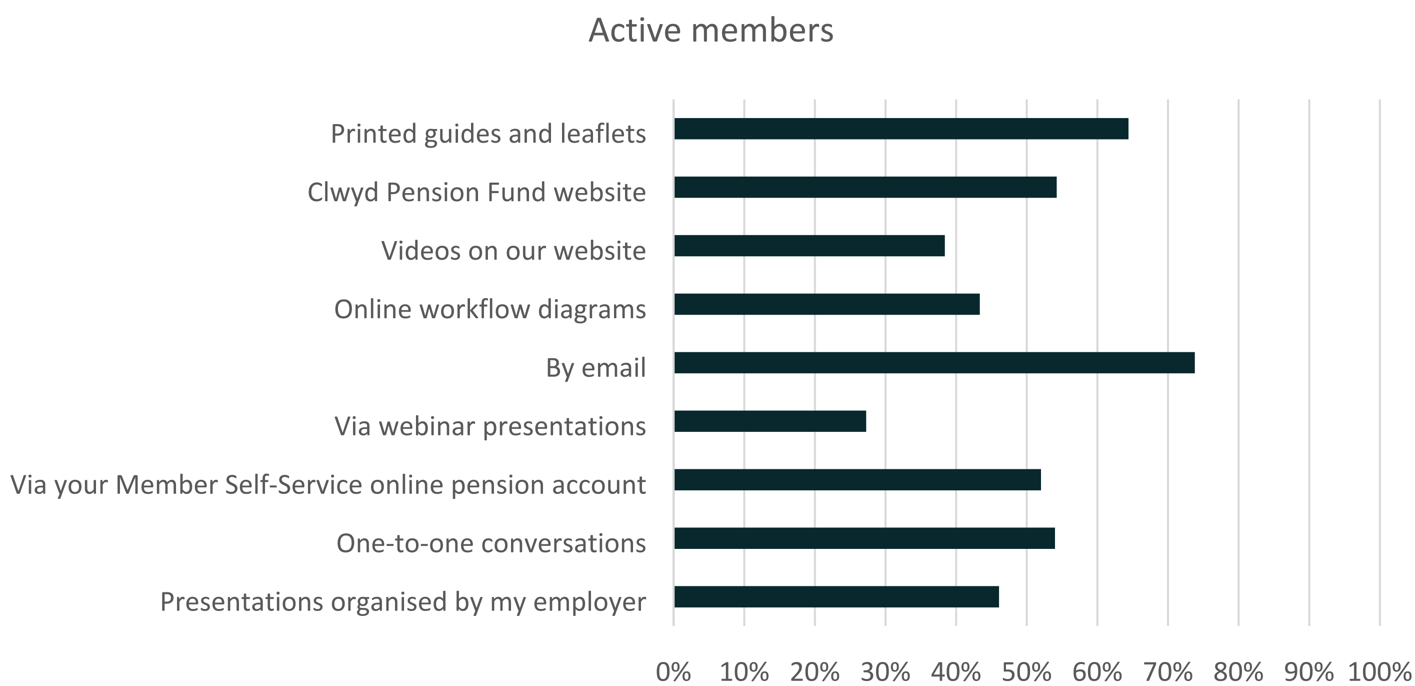
Member Survey Results

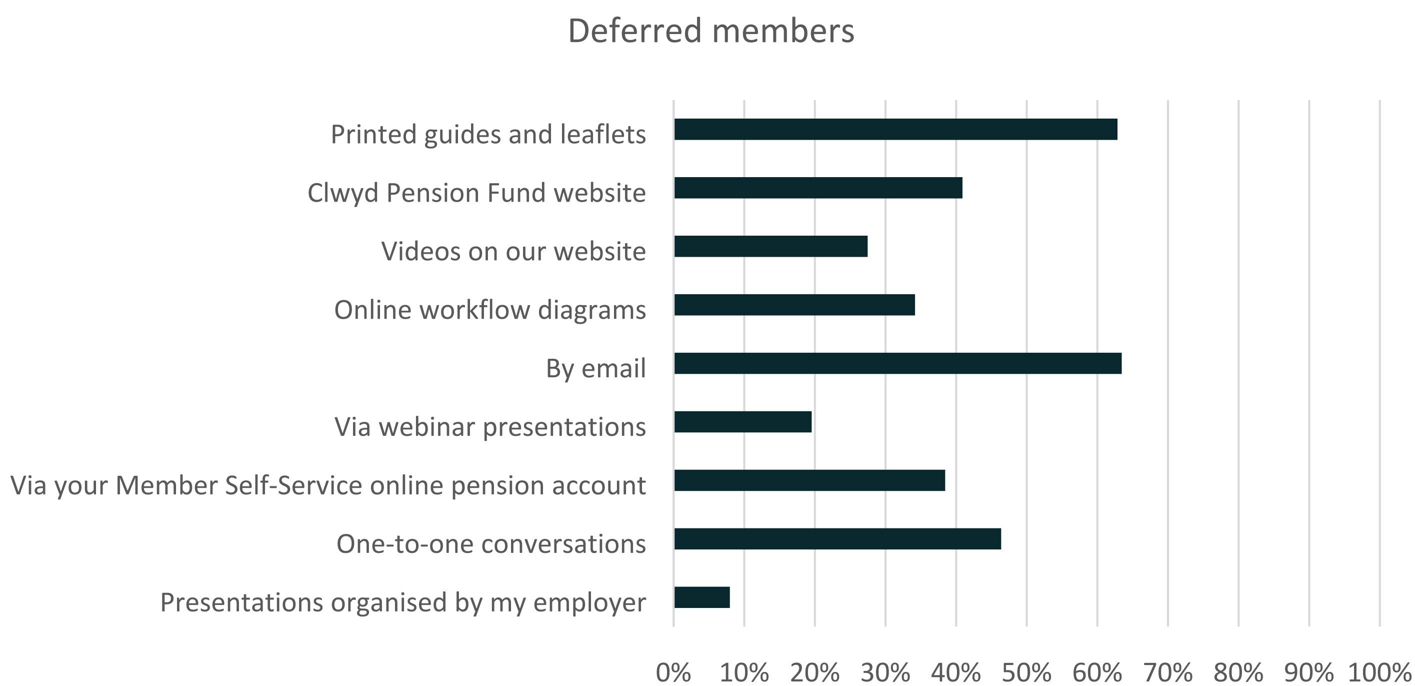
	Posted	Emailed	Total
Sent out	23,175	17,075	40,250
Responses received	1,693	517	2,210
Percentage responses	7.3%	3.0%	5.5%

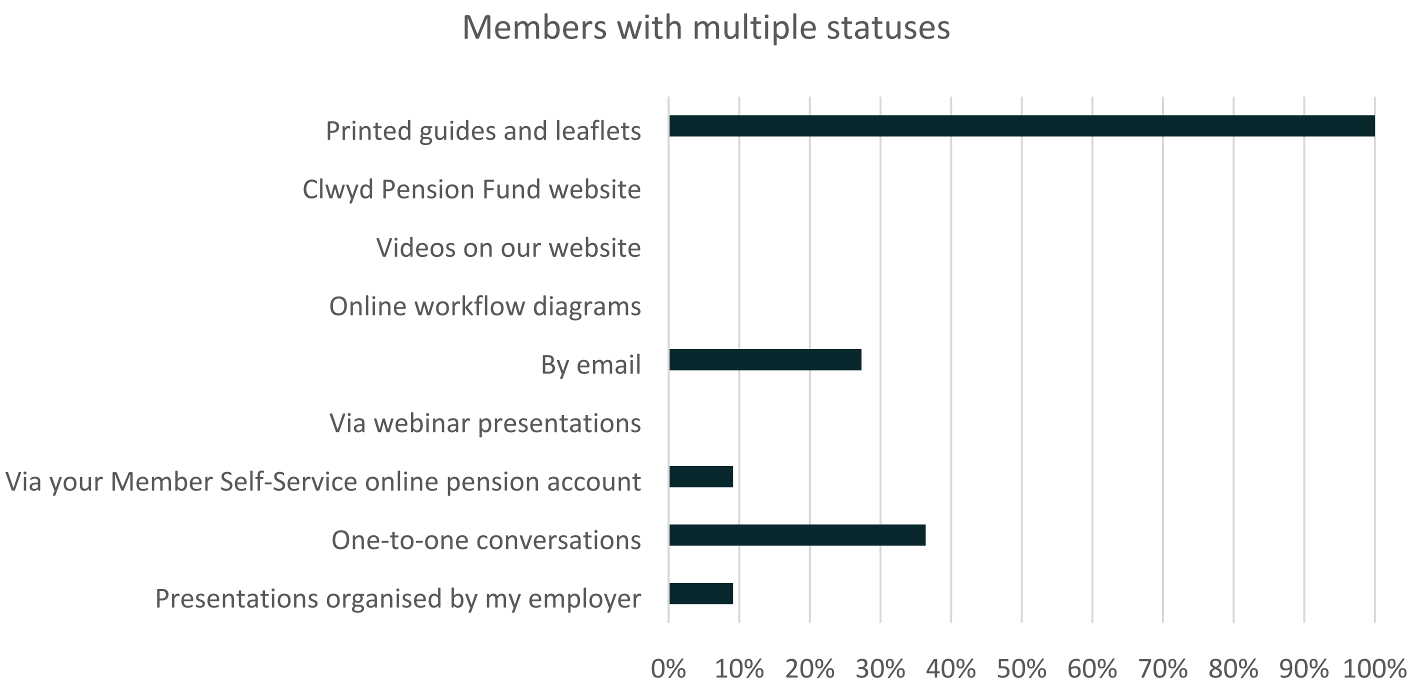
Q1: As a member of the Clwyd Pension Fund, are you:

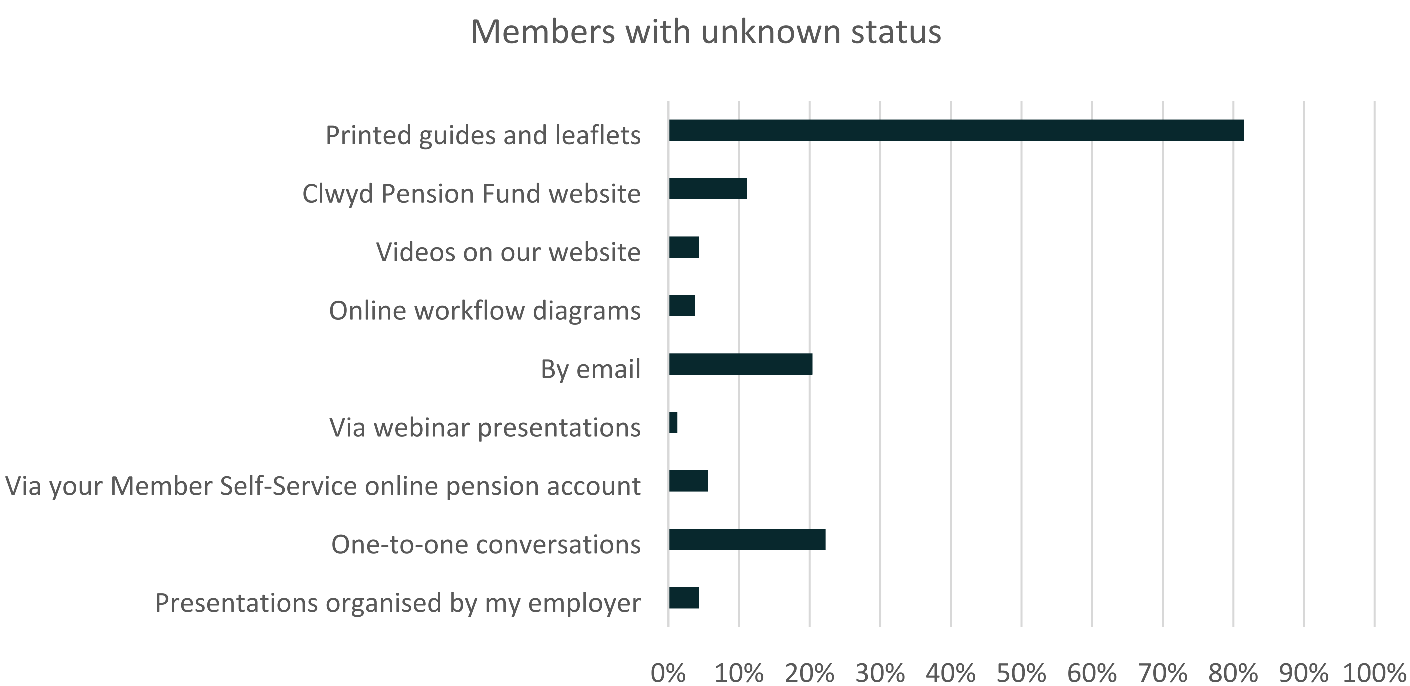


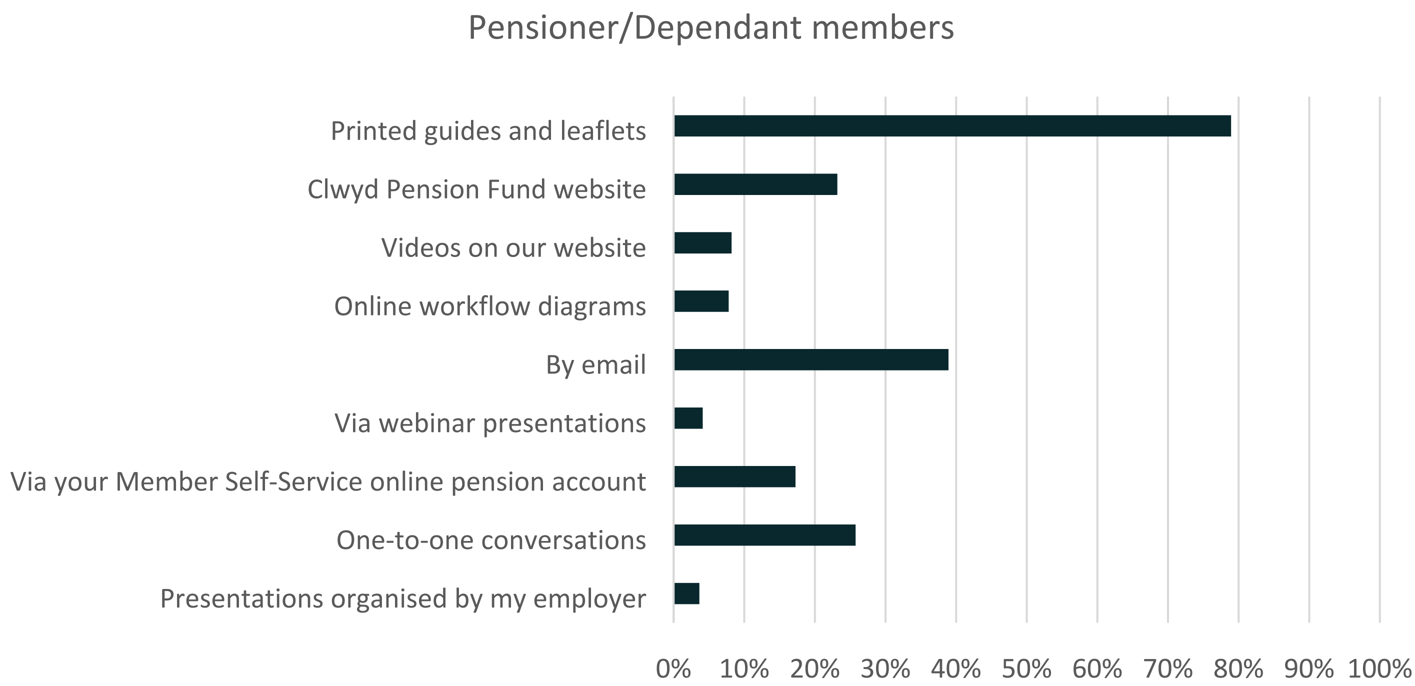
Q2. How would you like to receive information about your pension?





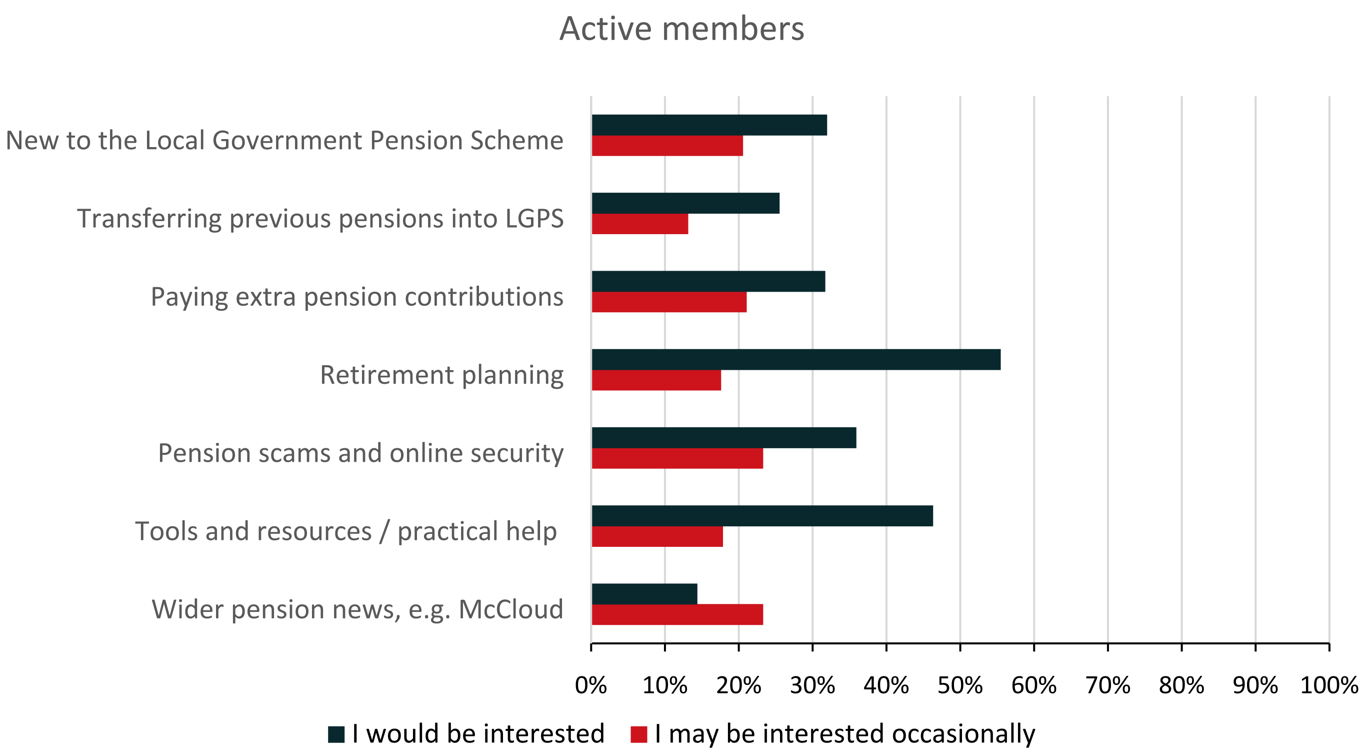

Members with multiple statuses
Printed guides and leaflets
Clwyd Pension Fund website
Videos on our website
Online workflow diagrams
By email
Via webinar presentations
Via your Member Self-Service online pension account
One-to-one conversations
Presentations organised by my employer
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%

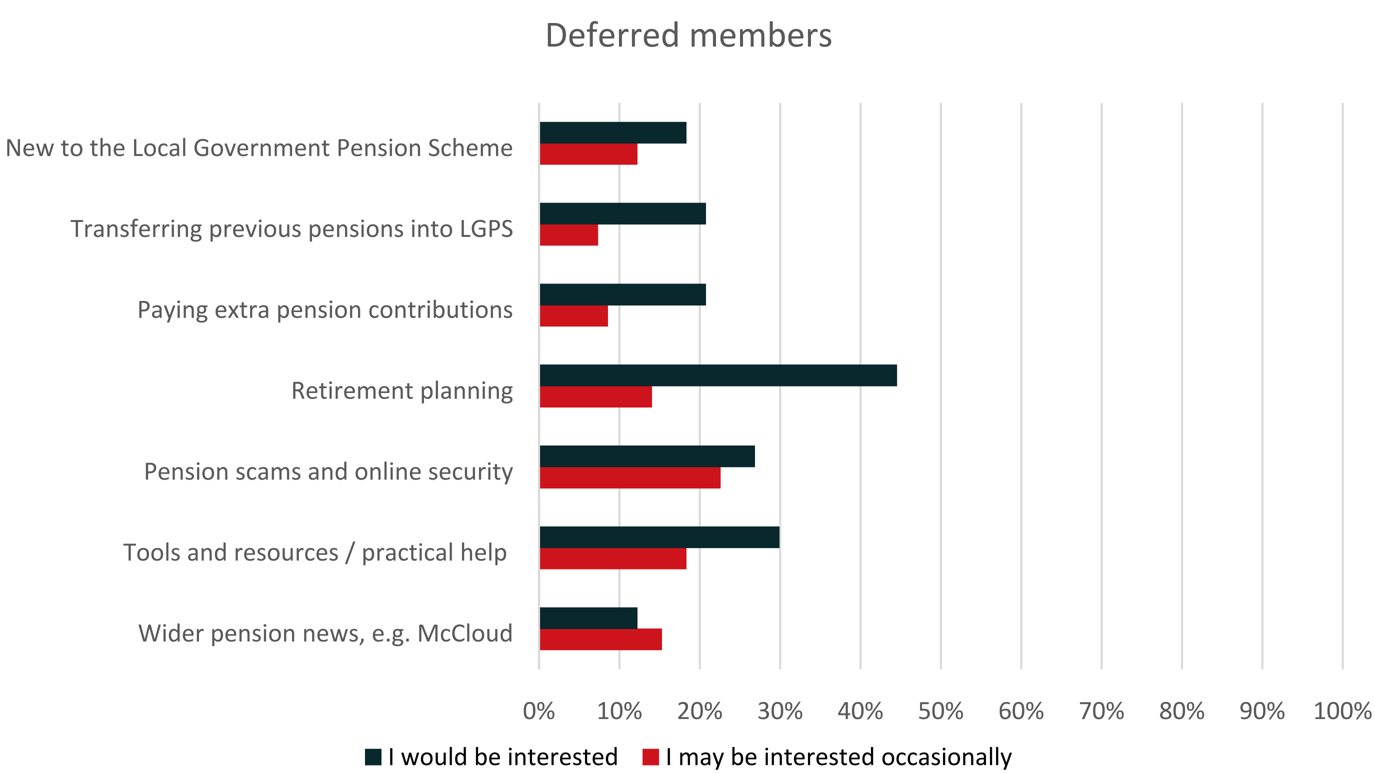

Members with unknown status
Printed guides and leaflets
Clwyd Pension Fund website
Videos on our website
Online workflow diagrams
By email
Via webinar presentations
Via your Member Self-Service online pension account
One-to-one conversations
Presentations organised by my employer
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%

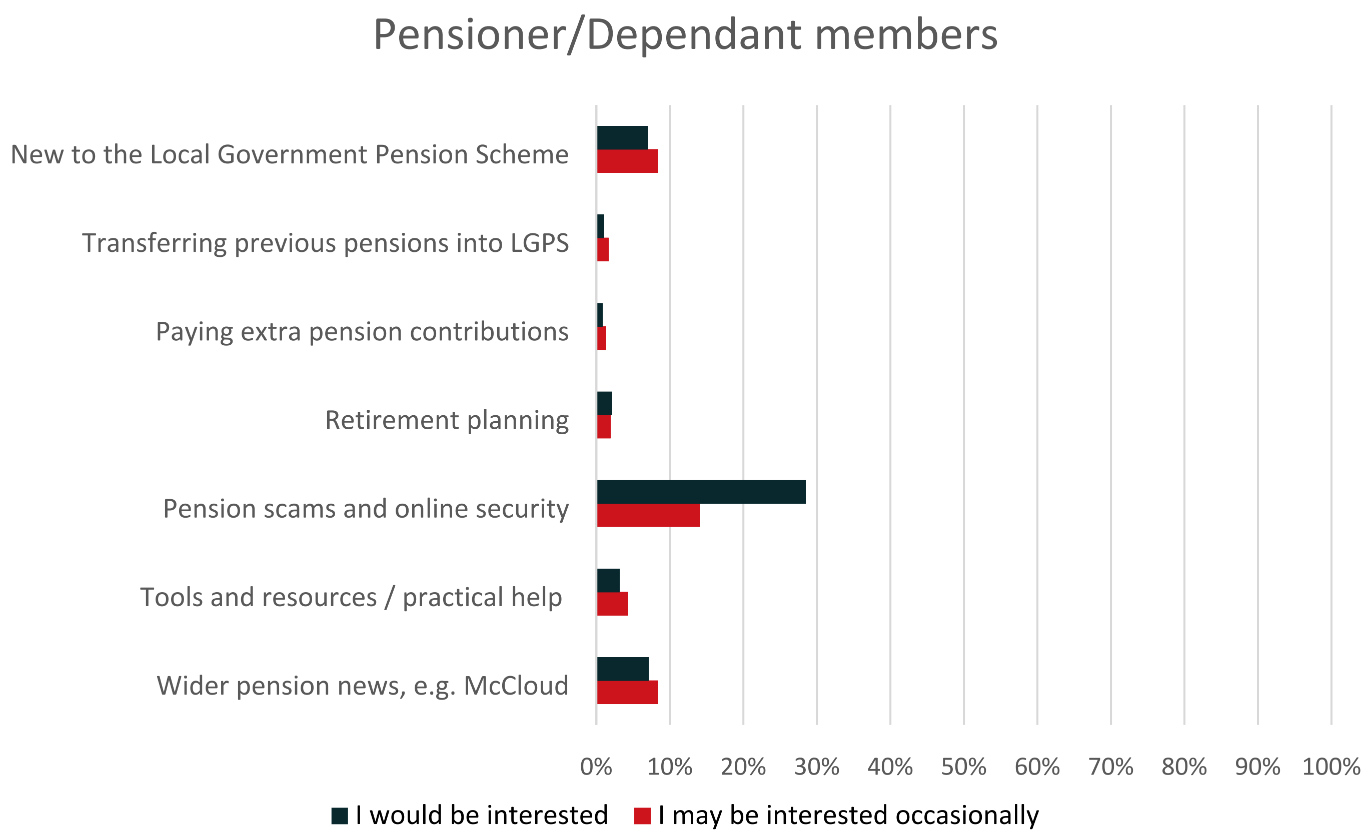


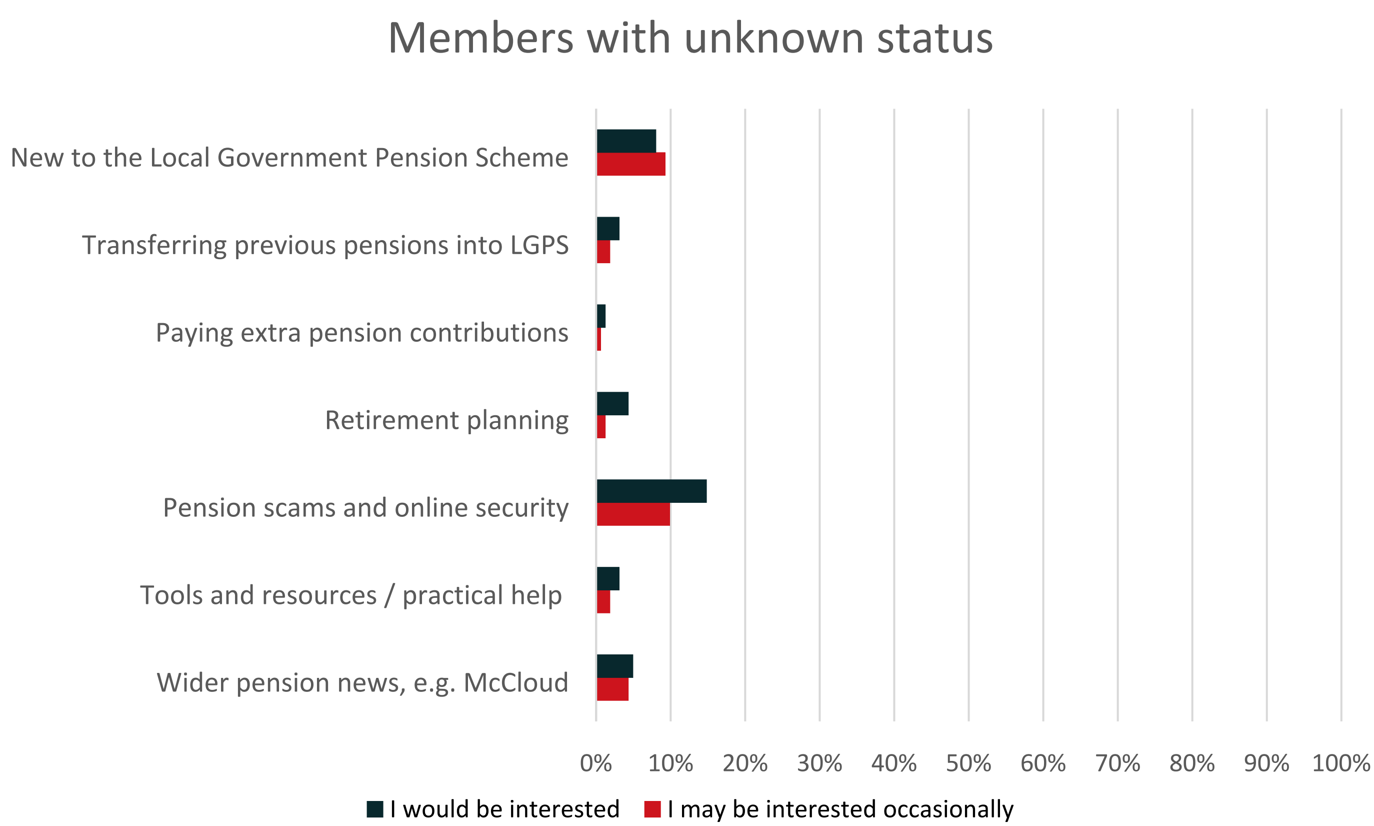
Note: charts exclude those who didn't answer, i.e. they only show positive responses

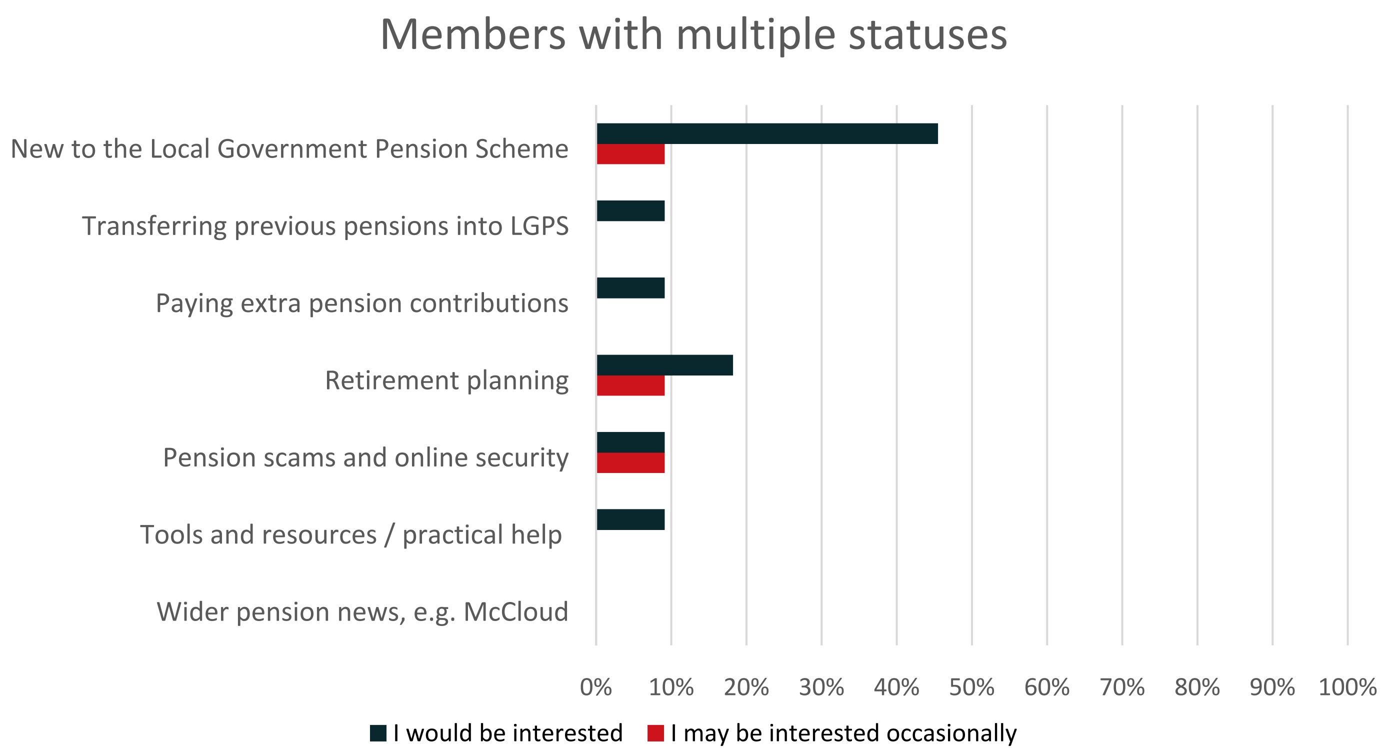
Q3. What topics are you interested in receiving information about?






Pensioner/Dependant members
New to the Local Government Pension Scheme
Transferring previous pensions into LGPS
Paying extra pension contributions
Retirement planning
Pension scams and online security
Tools and resources / practical help
Wider pension news, e.g. McCloud
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
I would be interested
I may be interested occasionally

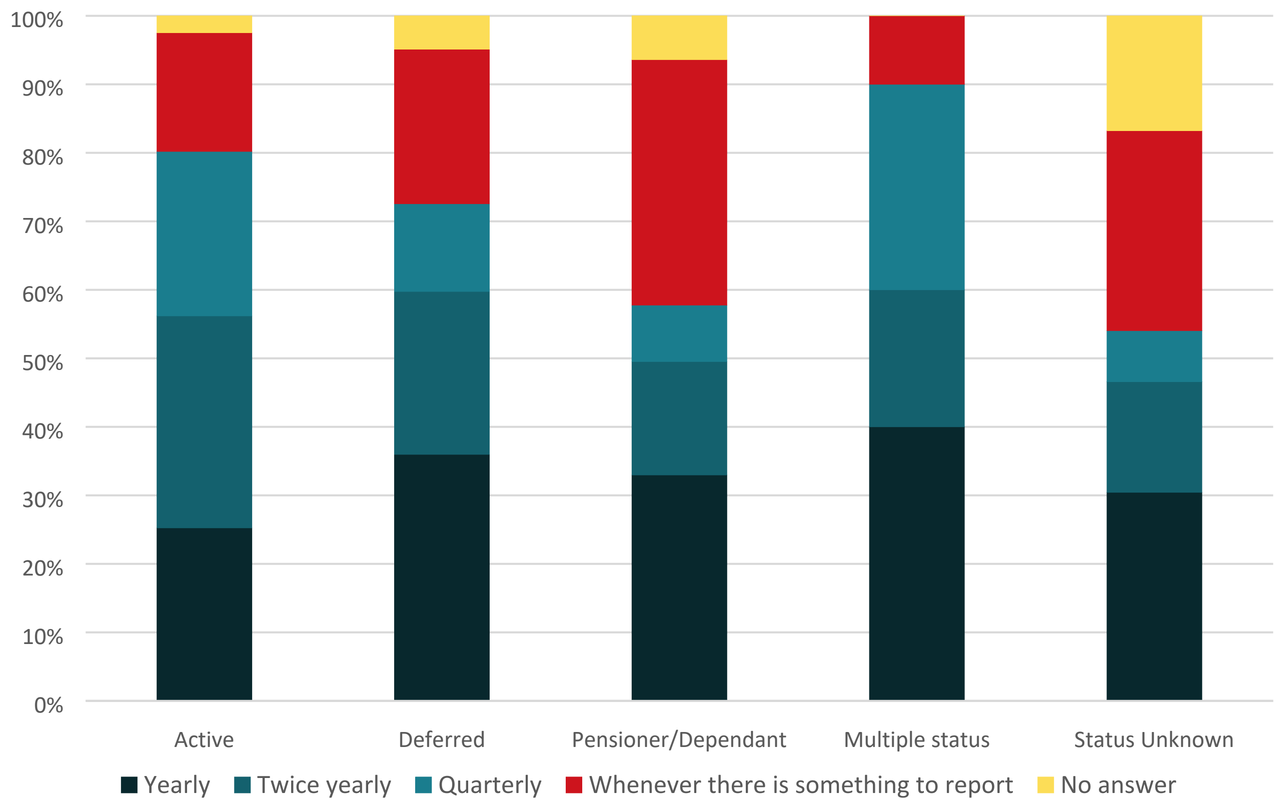

Members with unknown status
New to the Local Government Pension Scheme
Transferring previous pensions into LGPS
Paying extra pension contributions
Retirement planning
Pension scams and online security
Tools and resources / practical help
Wider pension news, e.g. McCloud
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
I would be interested
I may be interested occasionally



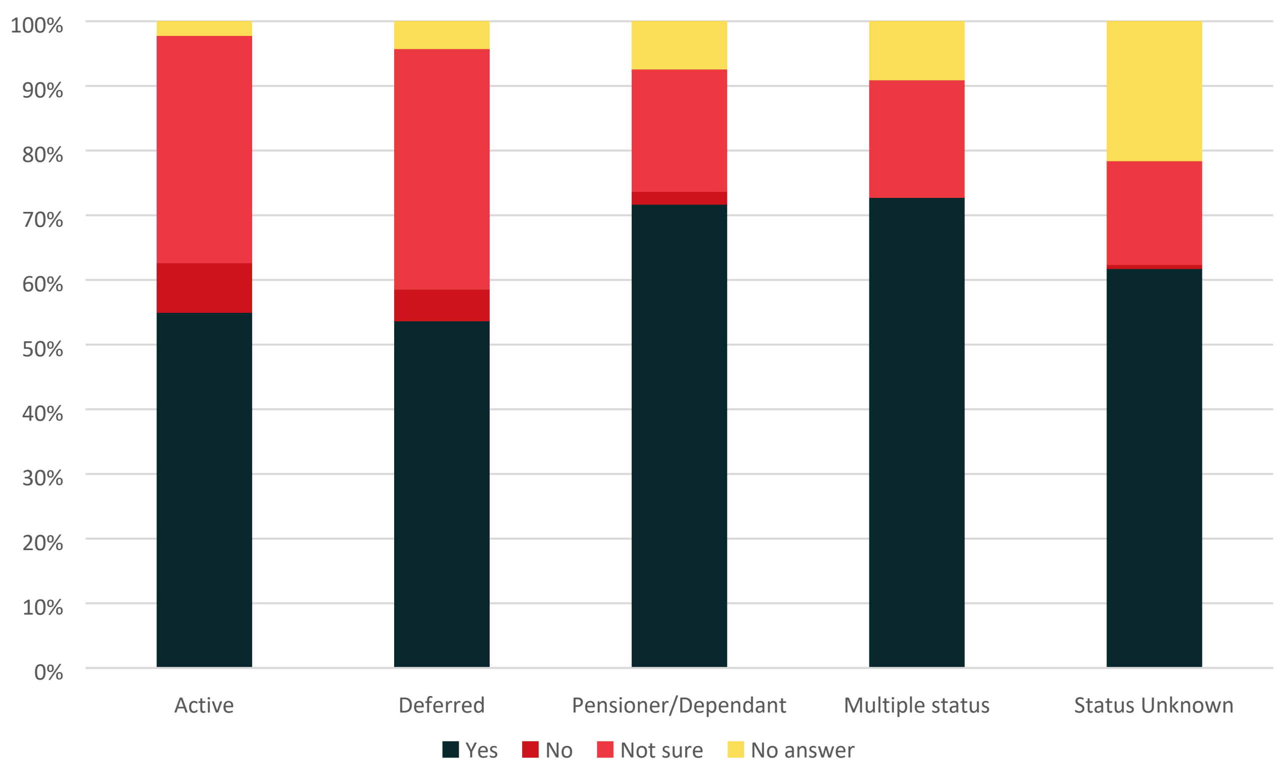
Notes:

- *The charts exclude those who didn't answer*
- *Other response options not included in the charts above: I wouldn't be interested, Not relevant and N/A*

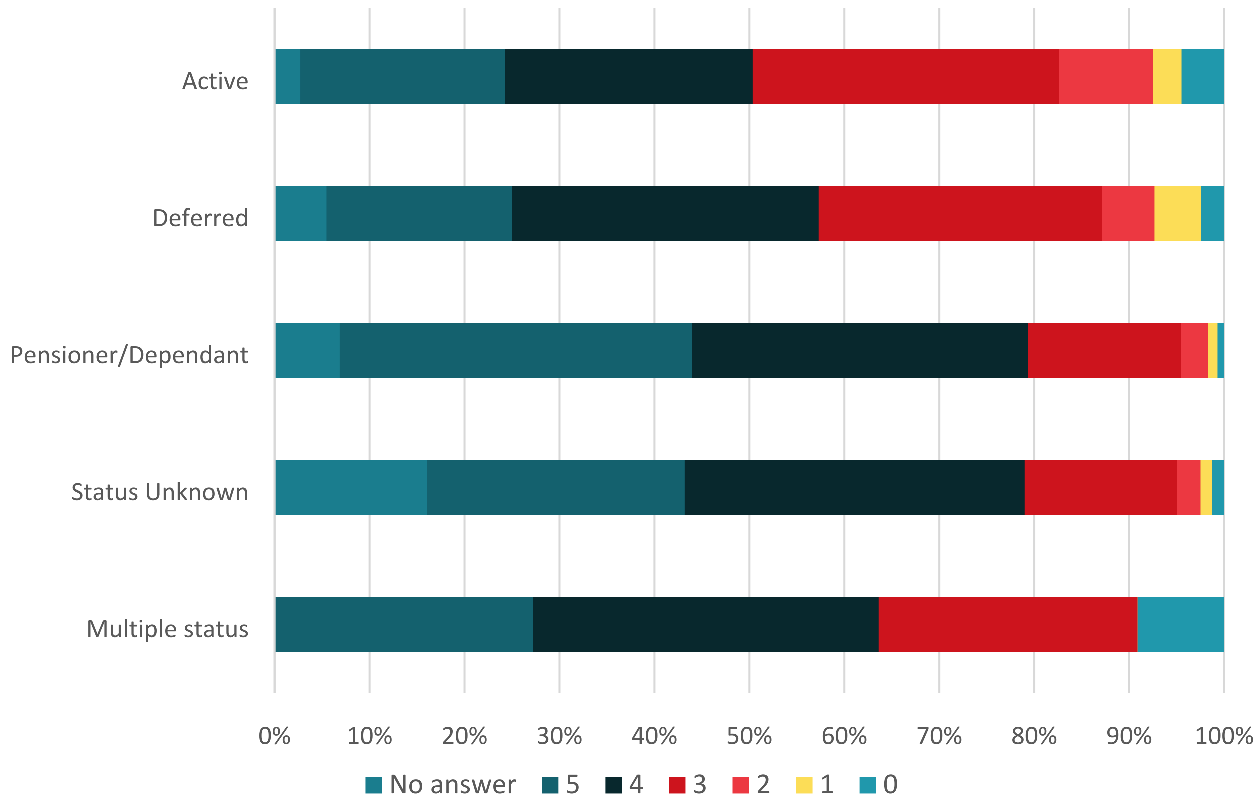
Q4. How often would you like to receive news about your LGPS benefits?



Q5. If you had a question about your LGPS benefits, are you confident that the Clwyd Pension Fund would assist you to find your answer?



Q6. On a scale of 0 to 5, where 0 is poor and 5 is great, how would you rate your overall experience with Clwyd Pension Fund communications?

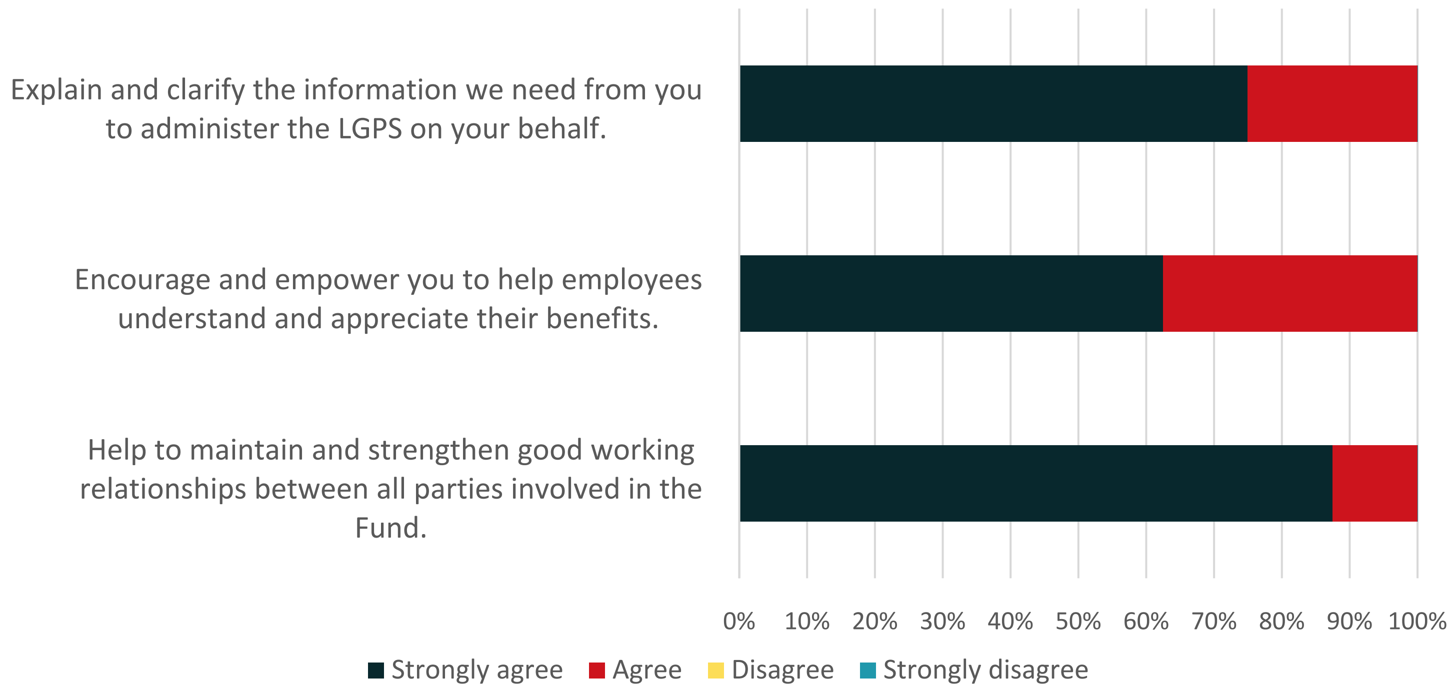


Note: 2 pensioner members responded "4 or 5" and a further 2 responded "3 or 4". Their responses have been included within 4 and 3 respectively.

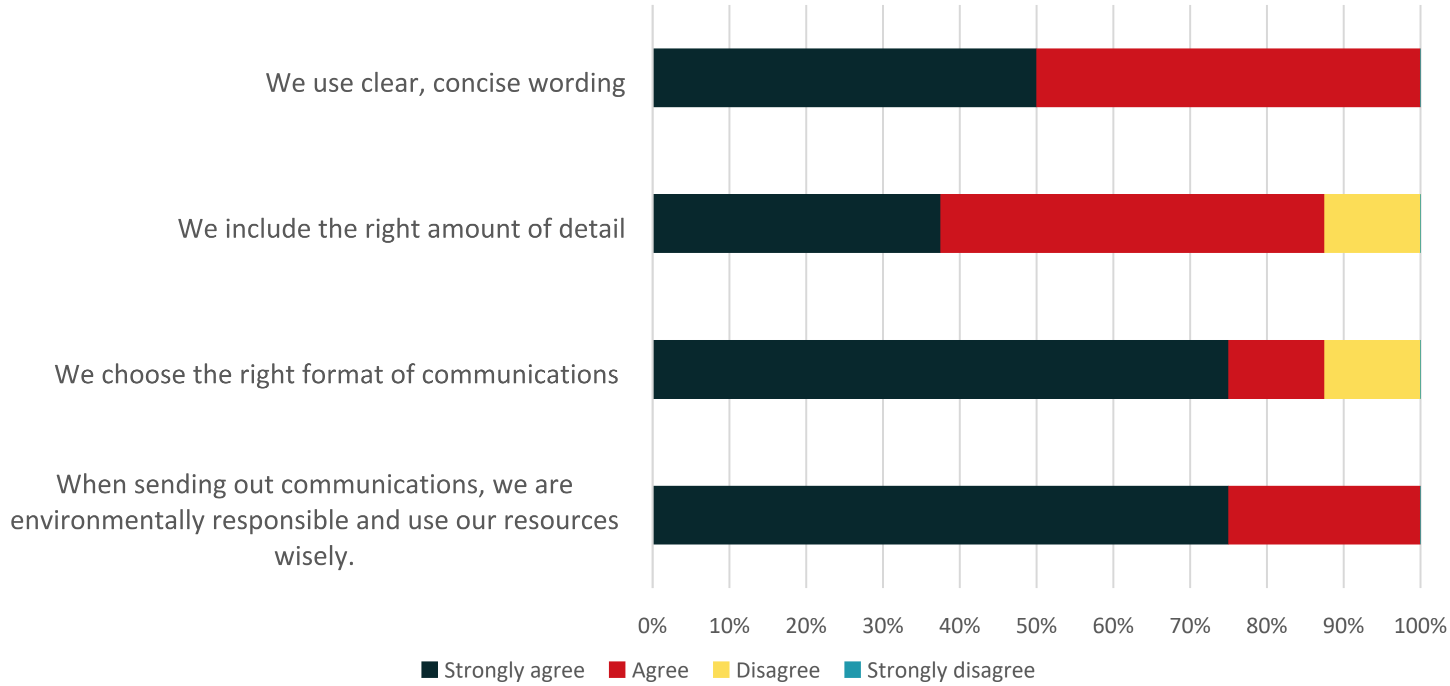
Employer Survey Results

Sent out	115
Responses received	8
Percentage responses	7%

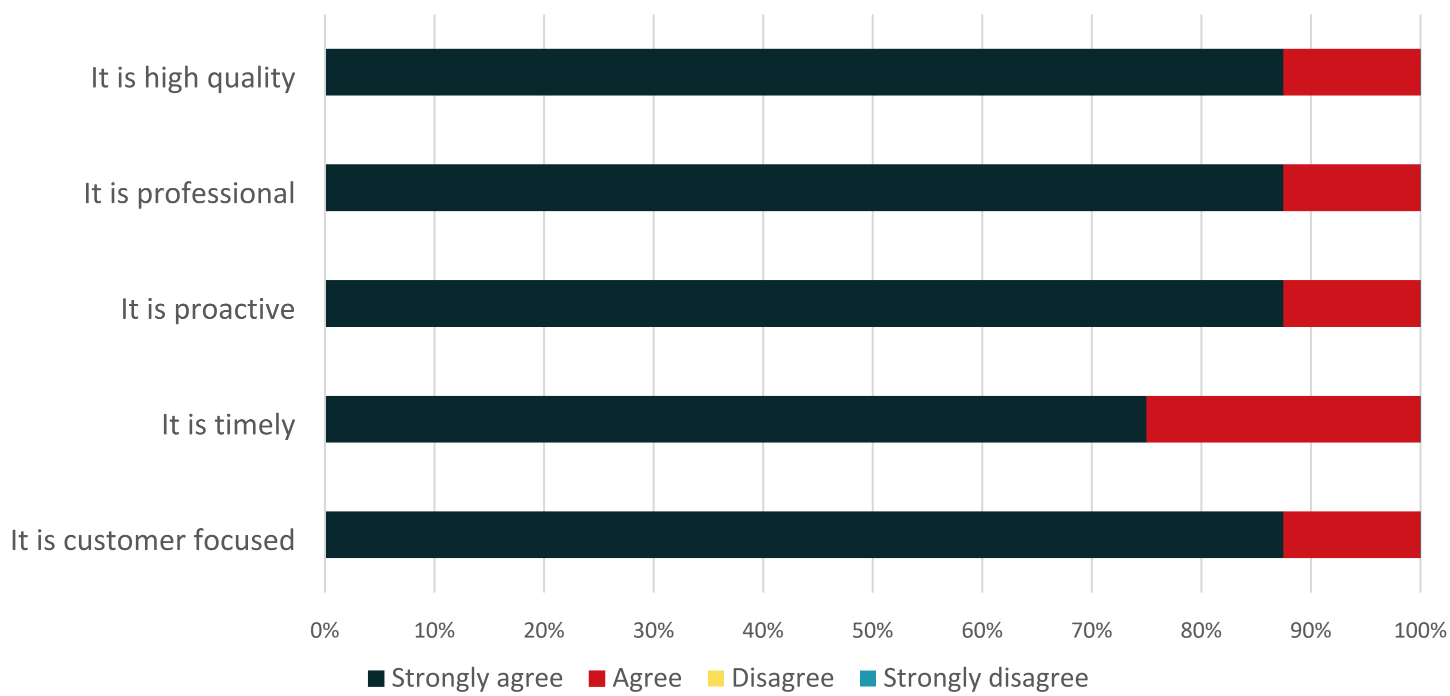
Q1. The materials we send you…



Q2. What do you think of the way we communicate?



Q3. What do you think of our administration service?



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Cronfa Bensiynau CLWYD Pension Fund

Clwyd Pension Fund

McCloud Programme Update

Prepared for: Clwyd Pension Fund Pension Fund Committee
Prepared by: Aon
Date: 6 June 2023

AON

Key	Description
	Complete
	On track
	Overdue
	At risk
	Not started

High level Programme Plan

Workstream /key deliverables	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Regulations														
i. Submit Fund response (milestone 1)	x													
ii. Consultation response & draft regulations from DLUHC (milestone 2)										x	x			
iii. Ministerial statement			x											
iv. Regulations made (milestone 3) – estimated												x		
v. Regulations come into force (milestone 4)*													x	
Communications workstream														
i. Pensions Saving Statements issued	x													
ii. Pensions Extra issued	x													
iii. Other McCloud communications			x	x	x	x	x	x	x	x	x	x	x	x
Data workstream including Heywood McCloud data solutions														
i. Data collection template, decision process and collection protocol & employer questionnaire	X	x	x											
ii. Employer engagement – pilots, 1to1s, monitor/manage timetables		x	x	x										
iii. Data collection from employers, review & validate data		x	x	x	x	x	x	x	x	x	x			
iv. Data validations protocol, draft, approval						x	x	x	x	x	x			
v. Heywoods' tools - New Insights report, Interface & McCloud data views								x	x	x	x			
vi. Upload data to Altair, testing, final										x	x			
vii. Further data cleansing / manual input										x	x			
Funding, accounting and cashflows workstream														
i. Agree plan with actuary on funding implications, conts etc										x	x			
ii. Delivery - TBC										x	x	x	x	x
Ongoing administration														
i. Scoping workstream								x			x			
ii. Delivery								x	x	x	x	x	x	x
Benefits rectification														
i. Scoping workstream								x	x	x	x			
ii. Receive further details and patch releases of initial Heywood functionality, testing					x	x	x	x	x	x	x			
iii. Delivery (other)								x	x	x	x	x	x	x
Programme meetings														
i. Workstream meetings including governance	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

Latest update suggests that regulations could come into effect as late as October 2023 (previously April 2023)

McCloud Programme Dashboard

Programme Health:

Key	Description
	Complete
	On track
	Overdue
	At risk
	Not started

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

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

Key deliverables 1 September 2022 – 30 June 2023

Programme workstream deliverables / Description	Responsibility	Sign-off	Deadline	Notes	Status
1. Data collection – checking, validations & uploading i. Data collection ii. Data checking and quality analysis (data validation procedure) iii. Data uploading to Altair	Data workstream	PMG	March 2024	McCloud team to formed a proposal around data validation process – PMG approval provided in October 2022. Data collection expected to be complete by end September 2023 for all of the in scope membership. Following this, data validation process will commence in September 2023 and loaded to Altair and fully validated by end March 2024, however these targets are currently under review. PMG sign off required before upload commences	**In progress**
2. Heywoods' tools i. New Insights report (uploads check), Interface & McCloud data views	Data workstream	PMG	July 2023	Discussions with Heywoods taking place around the new Insights report, Interface and McCloud data views. CPF have confirmed their requirements around the Insights report.	**In progress**
3. McCloud communications i. Combined DBS / newsletter - McCloud wording ii. ABS / newsletter – McCloud wording	Comms workstream	PMG / SG	June 2023 August 2023	Various communications including wording in respect of McCloud.	**In progress**
4. Consultation outcome announcement / ministerial statement / regulations	n/a	n/a	Autumn 2022 to Autumn 2023	Consultation announcement from DLUHC which was expected in 2022, now expected Spring 2023. It is expected to provide clarity in a number of areas and will be followed by a consultation on a further set of draft regulations and other areas for consideration. The LGPS regulations will be made later in 2023 and come into force on 1 October 2023 (noting previously this was "on" 1 April 2023). Guidance is also expected from SAB/DLUHC.	**In progress**
5. Programme meetings i. Data workstream (every 3 weeks) ii. Communications workstream (2 per quarter) iii. Ongoing administration workstream (frequency to be agreed) iv. PMG (2 per quarter) v. SG (bi-annually)	Programme Manager	n/a	Ongoing	Ongoing administration workstream meetings commenced late 2022, with regular meetings to be scheduled over 2023 once regulations are available. Benefits rectification workstream expected to commence in Q3 / Q4 2023 Update reports provided to SG where full meetings are not deemed required.	**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 – 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.

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
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	Jayne Taylor	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%)	
13	Final regulations	Regulations are delayed, do not meet objectives or are subject to further challenge, leading to programme delays (including delay in toolkit production) and impact on budgets	Programme Management Group	Karen Williams	SC7, SC8	Critical	Extremely High (80%)		1. Thorough project planning. 2. Attendance of VB & KM on working groups allowing stakeholders to keep abreast of developments. 3. Ongoing engagement with Heywood, volunteered as testing site. 4. Manual uploads with some of the smaller employers.	Critical	Very Low (15%)	

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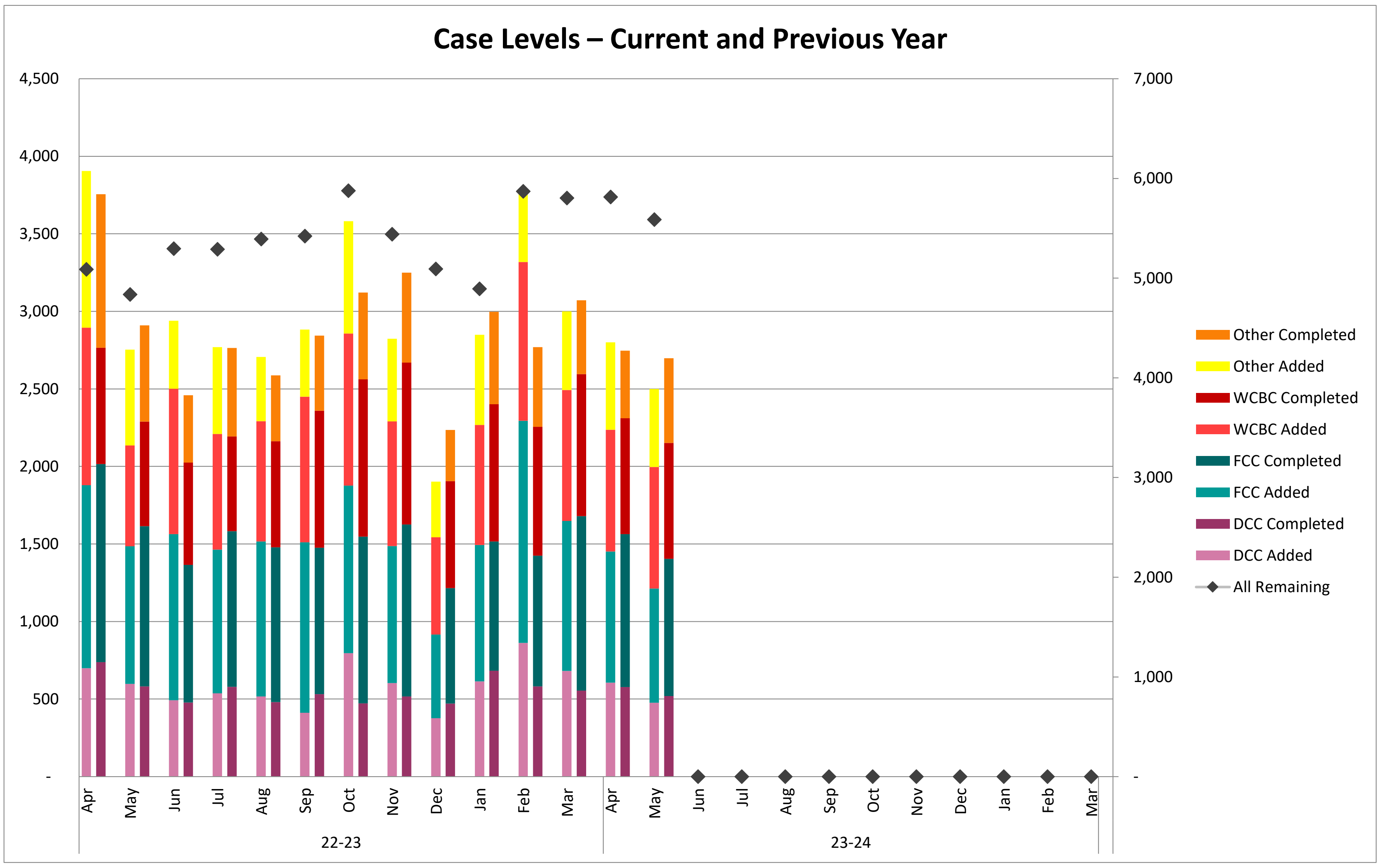
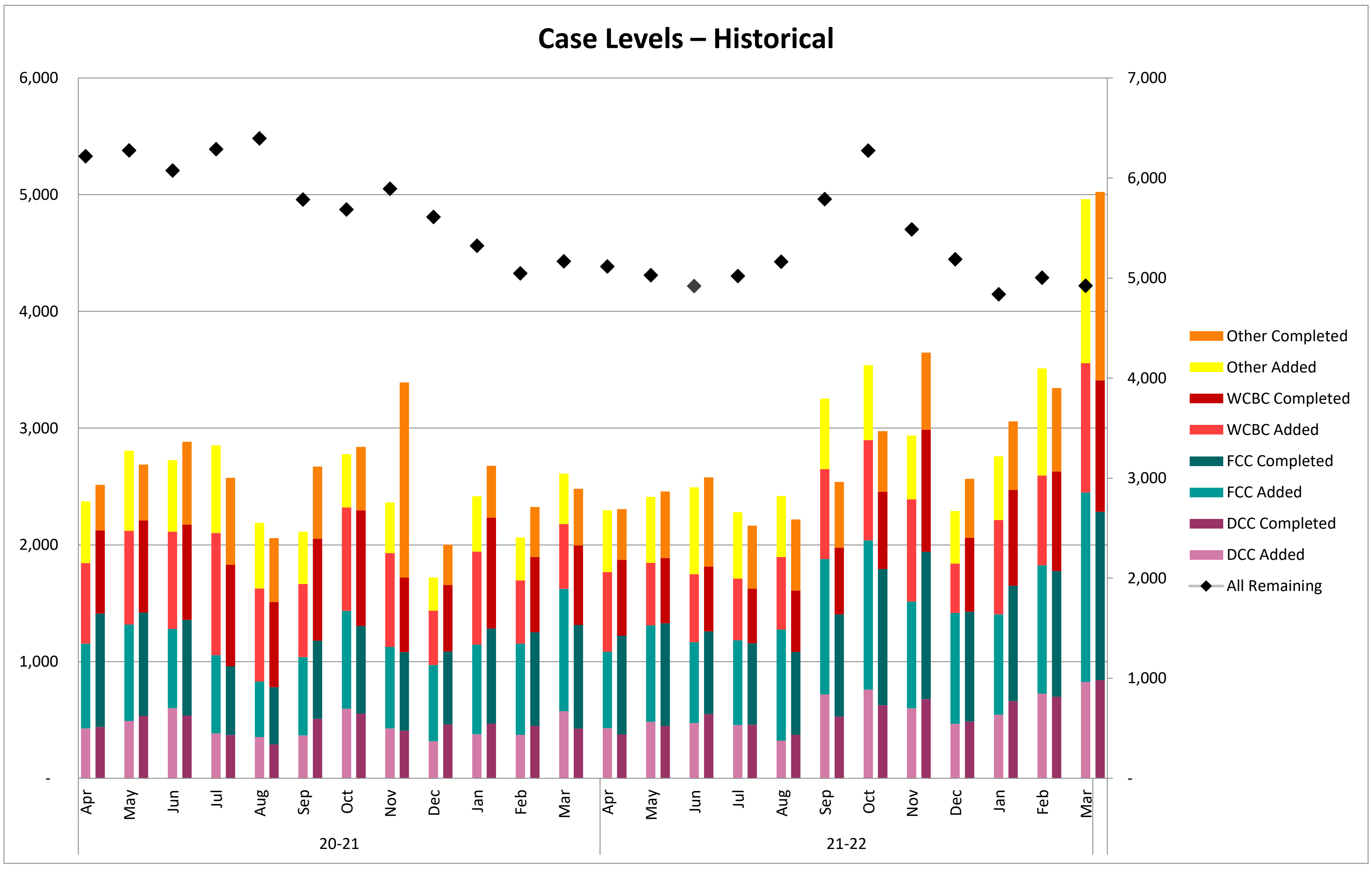

Case Levels – Current and Previous Year
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
22-23
23-24
Other Completed
Other Added
WCBC Completed
WCBC Added
FCC Completed
FCC Added
DCC Completed
DCC Added
All Remaining


Case Levels – Historical
6,000
5,000
4,000
3,000
2,000
1,000
-
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

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 May 2023

Joiners - Last 3 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	713	107	3%	-220
OVERALL	713	107	3%	-220
CPF	792	28	-2%	-220

Joiners - Last 12 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	3,450	614	-1%	-202
OVERALL	3,450	614	-1%	-202
CPF	4,020	44	0%	-202

Leavers - Last 3 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	773	1	0%	230
OVERALL	307	467	-9%	230
CPF	514	260	-33%	230

Leavers - Last 12 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	2,328	4	0%	265
OVERALL	1,237	1,095	-4%	265
CPF	2,065	267	-10%	265

Transfers In - Last 3 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	52	27	-26%	-5
OVERALL	52	27	-26%	-5
CPF	54	25	6%	-5

Transfers In - Last 12 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	275	63	-1%	6
OVERALL	275	63	-1%	6
CPF	256	82	0%	6

Transfers Out - Last 3 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	82	2	0%	-7
OVERALL	77	7	-5%	-7
CPF	52	32	-13%	-7

Transfers Out - Last 12 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	488	5	1%	-24
OVERALL	474	19	0%	-24
CPF	405	88	-1%	-24

Retirements - Last 3 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	355	64	0%	109
OVERALL	332	87	1%	109
CPF	398	21	-2%	109

Retirements - Last 12 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	1,350	268	-1%	21
OVERALL	1,203	415	2%	21
CPF	1,525	93	5%	21

Quotations - Last 3 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	235	3	-1%	-27
OVERALL	235	3	-1%	-27
CPF	210	28	-6%	-27

Quotations - Last 12 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	831	14	-1%	20
OVERALL	831	14	-1%	20
CPF	739	106	-2%	20

Deaths - Last 3 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	26	13	-6%	-5
OVERALL	10	29	1%	-5
CPF	20	19	-33%	-5

Deaths - Last 12 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	125	55	-18%	-20
OVERALL	41	139	-12%	-20
CPF	114	66	-15%	-20

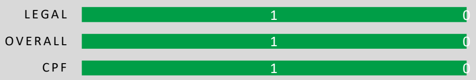
Divorce Quote - Last 3 months

	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	10	0	0%	-15
OVERALL	10	0	0%	-15
CPF	10	0	0%	-12

Divorce Quote - Last 12 months

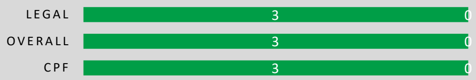
	Green	Red	Change in % completed within KPI	Change in number completed
LEGAL	89	0	1%	-25
OVERALL	89	0	1%	-25
CPF	84	0	4%	-27

Divorce Share - Last 3 months



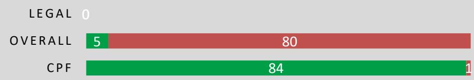
	Change in % completed within KPI	Change in number completed
LEGAL	0%	0
OVERALL	0%	0
CPF	0%	0

Divorce Share - Last 12 months



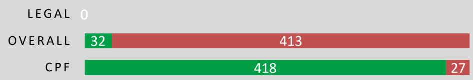
	Change in % completed within KPI	Change in number completed
LEGAL	0%	-3
OVERALL	33%	-3
CPF	0%	-3

Refund - Last 3 months



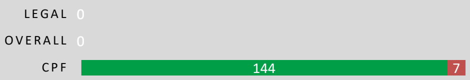
	Change in % completed within KPI	Change in number completed
OVERALL	-2%	-3
CPF	2%	-3

Refund - Last 12 months



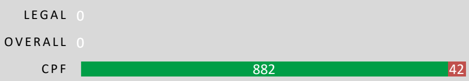
	Change in % completed within KPI	Change in number completed
OVERALL	-4%	93
CPF	15%	93

Retirement Lump Sum - Last 3 months



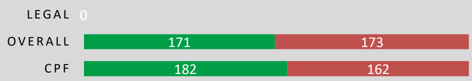
	Change in % completed within KPI	Change in number completed
CPF	-1%	-12

Retirement Lump Sum - Last 12 months



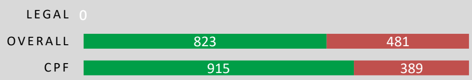
	Change in % completed within KPI	Change in number completed
CPF	0%	-106

Deferred Benefits - Last 3 months



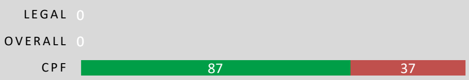
	Change in % completed within KPI	Change in number completed
OVERALL	-10%	60
CPF	-19%	60

Deferred Benefits - Last 12 months



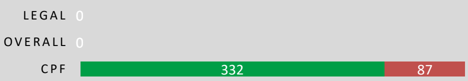
	Change in % completed within KPI	Change in number completed
OVERALL	16%	-331
CPF	27%	-331

Death Acknowledgment - Last 3 months



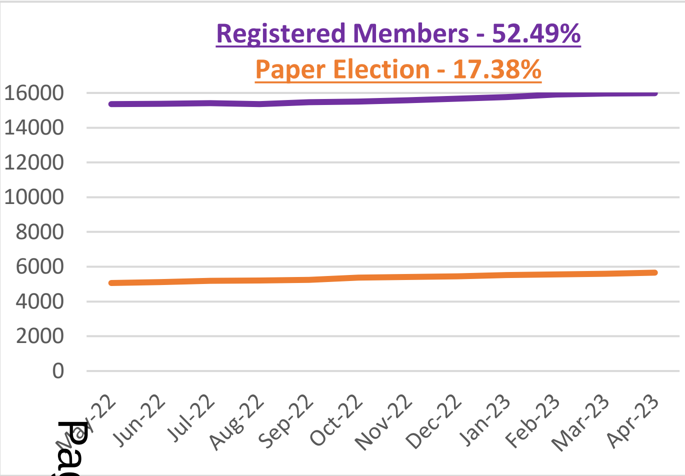
	Change in % completed within KPI	Change in number completed
CPF	-10%	34

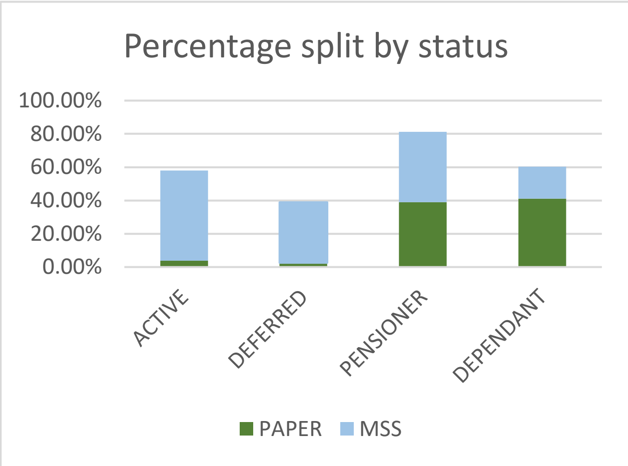
Death Acknowledgment - Last 12 months

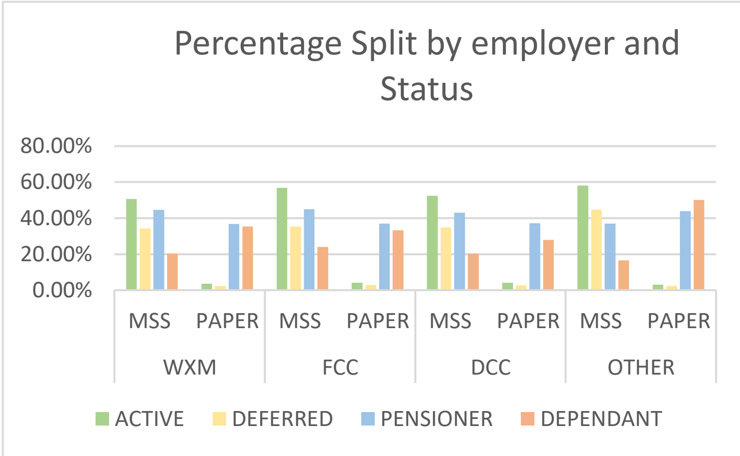


	Change in % completed within KPI	Change in number completed
CPF	-1%	-31

Member Self-Service: 01/02/2023 – 30/04/2023







Update from 01/02/2023 – 30/04/2023

As at 30/04/2023 52.49% of our members have registered for MSS. This means that the percentage of registered members has increased by 0.91% since our last update.

As at 30/04/2023 17.38% of our members have opted for paper correspondence. This percentage has increased by 0.38% since our last update.

The new process for MSS registration has now gone live. A video, that has been created in-house by Clwyd Pension Fund staff, has also been uploaded onto our website. The video explains how to register to use the online portal. This should reduce the number of calls we receive asking for help to register for MSS.

The next main project is the issuing of Deferred Benefit Statements (DBS). These will be issued either by post or electronically depending on members' communication preference. They are due to be issued at the end of June 2023. This year, we will be creating an in-house DBS guidance video to help members understand the information on their pension statement.

(Statistics between 01/02/2023 – 30/04/2023: (89 days)

Contact Us Tasks

559	**MSSKEY Key requests**
158	SSFCASE (pay deferred)
85	MSSENQ Enquiry tasks
6	MSSEST Estimate tasks
33	MSSRET Retirement tasks
26	MSSTVT Transfer tasks
308	**Contact Us 3.46 p/day)**
457	**MSSADD Address update**
18	**Bank details updated**

Benefit Projections

14,698 benefit projections calculated

Avg 165.15 per day

Expression of Wish

517 changes of expression of wish

5.81 per day

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Clwyd Pension Fund: Scheme of Delegation

The Clwyd Pension Fund has certain functions which are delegated to the Chairman, Vice-Chairman and/or Officers of the Fund by the Pension Fund Committee. This paper outlines the decision made, the powers under which it is made, when the decision was taken, and by whom.

DELEGATED POWERS BEING USED (extracted from agreed PFC delegations):	**Delegation:**	Approving administering authority discretions policy (including the Voluntary Scheme Pays Policy and Over/underpayments Policy) other than in relation to: • any key strategy/policies and • matters relating to admission bodies and bulk transfers as included in the scheme of delegation.
	Delegated Officer(s):	HCPF and either the CFM or CMPOD (having regard to the advice of the rest of the PAP)
	Communication and Monitoring of Use of Delegation	Copy of policies to be circulated to PFC members once approved.

BACKGROUND:
This request asks for the approval of minor changes to the CPF Voluntary Scheme Pays Policy. It includes the changes to Annual Allowance announced in the Government's Spring Budget on 15 March 2023.

Scheme Pays Policy

Annual Allowance is one of the limits set by the Government in relation to the level of an individual's pension savings, known as pension input, before a tax charge becomes due to HM Revenue and Customs (HMRC).

Scheme members are normally required to pay their tax charges directly to HMRC, however, where the member exceeds the standard annual allowance (currently £60,000) and their annual allowance charge in a tax year exceeds £2,000, members are entitled to elect to meet some or all of the tax charge from their future pension benefits. This is known as the Mandatory Scheme Pays (MSP) option. This option requires the Pension Fund to pay the tax charge on the member's behalf and then to reduce their future pension benefits accordingly.

Local Government Pension Scheme (LGPS) administering authorities also have the power to grant a member's request to pay their annual allowance charge even if they do not meet the criteria for MSP; this mechanism has become known as Voluntary Scheme Pays (VSP).

Voluntary Scheme Pays can apply where the member does not have an entitlement to MSP, and the member may ask the Pension Fund to pay their annual allowance tax charge on a voluntary basis via the Voluntary Scheme Pays option with a corresponding reduction to their LGPS benefits. This would include those members adversely affected by HMRCs tapering rule (i.e. members with taxable income in excess of £260,000 in any year which is likely to mean they have an annual allowance of less than £60,000) and could also be used where the member's tax charge is less than £2,000. This, however, is subject to the Administering Authority's approval which is discretionary. There are a number of other circumstances where voluntary scheme pays would be permitted.

The Fund put in place a VSP policy in 2019 to allow voluntary scheme pays in circumstances where it will not result in a major amount of additional work for the CPF Administration Team and where the charge purely relates to membership in CPF (i.e. not also relating to other pension arrangements). It is considered this approach is fair to the scheme member and the exceptions are justifiable.

This policy permits voluntary scheme pays in the following circumstances:

- A member is subject to the Tapered Annual Allowance or the Money Purchase Annual Allowance and has a tax charge of more than £2,000 relating to input in the Clwyd Pension Fund, and the irrevocable election is received by 30th November following the end of the tax year in which the input arises .
- A member meets all the criteria for Mandatory Scheme Pays but was unable to meet the 31st July deadline due to an administrative error or omission by the Clwyd Pension Fund, (i.e. the member was not notified of their pension input in time for them to meet the deadline). In these circumstances the application for Voluntary Scheme Pays should be made within 2 months of the member receiving notification of their pension input.

The policy also outlines some situations where voluntary scheme pays should not be permitted. In particular it is not considered practical to allow voluntary scheme pays where charges are partly due to pensions growth in other schemes, as this could result in complications and a large amount of administration compared to CPF only cases. The excluded scenarios are as follows:

- The member's tax charge relating to pension input in the LGPS in England & Wales is less than £2,000, but they have applied for Voluntary Scheme Pays because their total tax charge when taking input from other arrangements into account is more than £2,000.
- The member has a Mandatory Scheme Pays right in respect of pension input in the LGPS in England and Wales, but has also asked the Fund to pay a tax charge relating to input in a separate pension arrangement.
- The member's tax charge is less than £2,000.
- A member did not meet the 31st July deadline for applying for Mandatory Scheme Pays and this failure to meet the deadline was **not** due to any administrative error or omission by Clwyd Pension Fund.

The VSP Policy is subject to review every three years and so was due for review during 2022. Due to competing priorities it has been delayed slightly.

Officers have now considered the policy and a small number of changes are recommended to be made as shown with tracked changes in the attached draft updated version. The main changes are:

- Ensuring all references to financial thresholds and dates are up to date
- Adding a new item to the list of exceptions where VSP cannot be used which is where "All of a member's retirement benefits have been put into payment."
- Adding references to where there has been a change relating to a Pension Input Period to clarify that the deadline for applications for Voluntary Scheme Pays is within 2 months of the notification of the amended pension input
- Other small changes to grammar
- To annual allowance thresholds as announced in the Government's Spring Budget.

RECOMMENDATION:
To agree to the tracked changes to the Fund's Voluntary Scheme Pays Policy as shown on the attached version.

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Clwyd Pension Fund: Scheme of Delegation

The Clwyd Pension Fund has certain functions which are delegated to the Chairman, Vice-Chairman and/or Officers of the Fund by the Pension Fund Committee. This paper outlines the decision made, the powers under which it is made, when the decision was taken, and by whom.

<table>
<tr><td rowspan="3">DELEGATED POWERS BEING USED (extracted from agreed PFC delegations):</td><td>Delegation:</td><td>Determining the Pension Fund’s aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund.

Making minor changes to existing strategies, statutory compliance statements, policies and procedures. These will still be required to be considered by the PFC in line with the period stated in that document.

• Policy for Administration and Communication of Tax Allowances to Scheme Members</td></tr>
<tr><td>Delegated Officer(s):</td><td>PAM in consultation with HCPF</td></tr>
<tr><td>Communication and Monitoring of Use of Delegation</td><td>Ongoing reporting to PFC for noting Fundamental changes to this Policy will be highlighted to the Pension Fund Committee prior to its approval to allow the Committee to highlight any concerns</td></tr>
</table>

BACKGROUND:
This request asks for the approval of minor changes to the CPF Policy for Administration and Communication of Tax Allowances to scheme members, mainly due to the changes to the thresholds for Annual Allowance and Lifetime Allowance announced in the Government's Spring Budget on 15 March 2023.

<u>Background to the Policy</u>

The Annual Allowance and Lifetime Allowance are limits set by the Government in relation to ensuring that pension scheme members pay tax charges where they benefit from large pension savings, either on an annual basis (the Annual Allowance or AA) or at the point of retirement or another crystallisation (the Lifetime Allowance or LTA). Originally very few pension scheme members were impacted by the thresholds, however the amount of the AA and LTA thresholds have decreased significantly. As a consequence, year on year, more members are brought into scope of a potential tax charge.

Given the complexity of calculations and rules as to how benefits are compared with the thresholds, the Fund previously developed this policy to clarify how this complex area of pensions will be communicated to scheme members and how the Pensions Administration team will support the members of the Fund.

The policy's key purpose is to provide a clear framework setting out how the Fund will communicate information relating to tax allowances to scheme members.

The ultimate objectives of the Policy are to:

- provide regular information to all scheme members on the AA and LTA thresholds, including where further information may be found
- identify specific groups of individuals who may be impacted by either of the thresholds in the near future, and highlight this risk to them
- communicate with individuals where it appears that they have exceeded either of the thresholds, providing information beyond the minimum legal responsibilities to assist the scheme member in fully understanding the impact on them.

The Policy outlines principles for how communications will be made to scheme members mainly focussed on the following three areas:

- Generic communications to all scheme members, via the website/newsletters/alerts and on Annual Benefit Statement (ABS) for all active members
- Targeted communications for those members at risk of breaching an allowance including letters with the offer of workshops and one-to-one guidance sessions, and
- For those members that do exceed a threshold and therefore may be subject to a tax charge, the communications they will receive highlighting what has happened and how to deal with it.

The Policy clearly highlights that members of staff employed by the Fund are not financial advisers and they cannot provide financial advice.

Policy review

The Policy for Administration and Communications of Tax Allowances to scheme members is subject to review every three years and so was next due for review during 2025. However, due to the changes to tax thresholds announced in the March 2023 budget it has been reviewed earlier following this. The relevant changes announced in the Government's Spring Budget that impact the Policy include:

- The Lifetime Allowance is due to be abolished altogether from 2024, but still exists for 2023/24 but the tax charge has fallen away. However, generally speaking the action required by the Fund in 2023/24 is still the same, i.e. the LTA still needs to be calculated.
- The Annual Allowance was increased from £40,000 to £60,000 from 6 April 2023
- The Tapered Annual Allowance (a reduced allowance for members with higher earnings) was increased from £4,000 to £10,000 (with a rise in the "adjusted income threshold", which is used to assess those to whom the tapered allowance might apply, to £260,000).

The recommended updates incorporating these changes are shown with tracked changes in the attached draft updated version. In addition, there are other small changes to grammar and wording.

RECOMMENDATION:
To agree to the tracked changes as shown on the attached version of the Fund's Policy for Administration and Communications of Tax Allowances to scheme members.

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Administration and Communication Risks Heat Map and Summary

Administration & Communication Risks

Impact	Extremely High	Very High	Significant	Low	Very Low	Unlikely
Negligible				4		
Marginal				2 6	5	
Critical			1 3			
Catastrophic						
						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.

12 June 2023

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.	All	Critical	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 where appropriate, and further resource increase/recruitment to new posts 8 - Establishment of aggregation team 9 - Ongoing training within the team 10 - Impact of potential or actual vacancies and/or other absences being discussed regularly ensuring priority work continues unaffected 11 - Reviewed wording of job descriptions to ensure fit for purpose	Negligible	Low		😐 Current impact 2 too high Current likelihood 1 too high	31/10/2021	Dec 2023	1 - Ongoing recruitment of vacant posts (PL/KW) 2 - Action plan being developed for recruitment, retention, succession planning including consideration of future work levels and review of team structure (PL) 3 - Ongoing training of recent recruits (KW)	Pensions Administration Manager	23/08/2023	08/06/2023
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 - Establishment of ELT 5 - Increased data checks/analysis (actuary and TPR) 6 - Implemented further APP data checks to identify issues 7 - Increased engagement with employers as to how they are managing due to Covid, and ongoing CPF requirements, and introduced monthly monitoring of employers 8 - Developed and issuing monthly KPI reporting for employers 9 - I-connect in place for all Fund employers 10 - Monthly meetings with Employers to discuss any ongoing data issues and provide training where required. 11 - Employer group engagement meetings established.	Negligible	Very Low		😐 Current impact 1 too high Current likelihood 1 too high	01/07/2016	Oct 2023	1 - Implement new process for employers relating to service standards (KW/AH/KyleW)	Pensions Administration Manager	23/08/2023	08/06/2023
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, Pensions Dashboards and potential exit cap, backdated pay awards)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Critical	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 5 - The Pension Administration Manager sits on PLSA working group for Pensions Dashboards 6 - The Fund has volunteered to test the integration of the Administration system and Pensions Dashboard 7 - Pensions dashboard planning currently underway	Marginal	Low		😐 Current impact 1 too high Current likelihood 1 too high	27/08/2018	Oct 2023	1 - Ongoing consideration of the impact on resources of backdated pay awards, likely national changes and Pensions Dashboards (KW) 2 - Implement and move non BAU to temporary project team	Pensions Administration Manager	23/08/2023	08/06/2023
4	Scheme members do not understand or appreciate their benefits	Communications are inaccurate, poorly drafted, insufficient or not received (including McCloud and potential exit cap)	C1/ C2 / C3	Negligible	Low		1 - New Communications Strategy - focussed on digital engagement - approved June 2022 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 7 - Address tracing exercise undertaken for members who have not set a communication preference 8 - A Member self service activation key has been re-issued in 2022 to all members who do not have a communication preference set and other initiatives for black hole members.	Negligible	Very Low		😐 Current likelihood 1 too high	01/07/2016	Dec 2023	1 - Implement new communications strategy in line with 2022/23+ business plan (KM/KW)	Pensions Administration Manager	23/08/2023	08/06/2023
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 potential exit cap)	A2 / A4 / C4	Marginal	Very Low		1 - I-connect and MSS implemented 2 - Review of ad-hoc processes (e.g. deaths and aggregation) 3 - Review of admin system/reappointment of Heywood in 2023 (following being founding authority on national framework for admin systems). 4 - Implementation of other Altair modules including Altair Insights (relating to TPR scores) 5 - Ongoing engagement with Heywood about software enhancements including timeliness of upgrade 7 - Ongoing identification of data issues and data improvement plan in place	Negligible	Very Low		😐 Current impact 1 too high	01/07/2016	Oct 2023	1 - Appoint pension dashboard ISP in line with new national dashboard timetable (KW)	Pensions Administration Manager	23/08/2023	08/06/2023
6	Service provision is interrupted	System failure or unavailability, including as a result of cybercrime or resourcing constraints	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 - Data/asset mapping complete and cyber strategy in place 6 - Ongoing cycle of supplier cyber assessments	Negligible	Unlikely		😐 Current impact 1 too high Current likelihood 2 too high	08/11/2019	Oct 2023	1 - Develop updated business continuity plan for CPF (KW) 2 - Implement remaining elements of cyber strategy (KW)	Pensions Administration Manager	23/08/2023	08/06/2023

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 21 June 2023
Report Subject	Investment and Funding Update
Report Author	Graduate Investment Officer Trainee

EXECUTIVE SUMMARY

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

There are separate agenda items on investment performance and the funding and flight path risk management framework.

This update includes matters that are for noting which include.

- Progress with the items on the Business Plan 2023/24.
- Wales Pensions Partnership (WPP) Stewardship and Securities Lending.
- Risk register - there have been no changes to risk levels this quarter.
- 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
1.01	**Business Plan Update** Usually, the three main update reports at each Committee include the latest progress against the business plan. Given we are only two months into 2023/24, there is no update dashboard included for this meeting. The dashboard will be provided at the next meeting. In relation to the priorities in the Funding and Investments (including accounting and audit) section of the business plan, the key points to note are as follows: • F1 (Investment Strategy Implementation) – The fund transitioned its listed equity holdings from WPP Global Opportunities Fund to WPP Sustainable Global Active Equity Fund. This is on-going. See 1.06. • F2 (Climate Change, TCFD and TNFD) and F3 (UK Stewardship Code) – This work has commenced.
1.02	**Current Development and News** *Climate risk reporting in the private sector – Review of the first year reports* TPR have published a review of climate-related disclosures by occupational pension schemes. The paper sets out TPR's preliminary observations and feedback to industry, based on their review of a selection of climate-related disclosures published by occupational pension schemes. The review relates to private pensions schemes but contains observations which may be useful for LGPS funds ahead of the implementation of TCFD reporting. The full article can be found here.
1.03	*Actuarial Valuation Report* The 31 March 2022 actuarial valuation report and certificate were signed off on 30 March 2023, and the new employer contribution rates were effective 1 April 2023. A copy of the valuation report was also sent to DLUHC in line with requirements under the LGPS Regulations. A copy of the valuation report can be found on Clwyd Pension Fund's website.
1.04	*Briefing Session on Responsible Investing* Briefing sessions were held on April 26th and May 3rd covering the Governance of Pensions, Tactical Asset Allocation (Best Ideas) and Responsible Investing. A further briefing session is scheduled to be held on 2 August 2023 which will focus on Carbon Metrics and Measurement after which, it is planned to take the Investment Strategy Statement to the August 30th committee for approval.
1.05	**Wales Pension Partnership (WPP)** The following liquid investments are currently made through WPP. (Current Nav as at May 2023)

Mandate	Current NAV	Inception
WPP Global Opportunities Equity	c.£130m	Feb 2019
WPP Multi Asset Credit	c.£232m	Aug 2020
WPP Emerging Market Equity	c.£111m	Oct 2021

In addition, the following commitments have been agreed for the first biennial Private Market vintages with the WPP Allocators from April 2023.

Allocator	Asset Class	Committed
Russel Investments	Private Credit	£50m
GCM Grosvenor	Infrastructure	£64m
Schroders	Private Equity	£80m

The WPP Allocators will be responsible for appointing private market managers. Since February's committee, GCM Grosvenor, as the WPP Infrastructure Allocator, have committed and deployed capital to two direct projects in Wales. One having three sites, the other having extensive operations in Wales.

The role of monitoring the engagement, voting and securities lending carried out by Robeco and Northern Trust on behalf of WPP lies with the WPP Joint Governance Committee (JGC), rather than the Clwyd Pension Fund Committee. However, WPP's role is to deliver the RI policies of all the Constituent Authorities.

1.06 *Transition of Assets*

During the quarter to March 2023 there were no transition of assets between mandates. However, as a result of the Investment Strategy Review, the following transitions were implemented on 21 June 2023.

Mandate	Redemption	Investment
WPP Global Opportunities Equity	c.£130m	
WPP Sustainable Global Active Equity		c.£195m*

*The additional £65m was sourced from the in-house cash holdings

Further tranches to the WPP Sustainable Global Active Equity will be implemented during 2023/24.

1.07 *Wales Pension Partnership (WPP) Responsible Investing Update*

The Fund's key priorities within its Responsible Investment (RI) policy included enhanced reporting on RI matters. Work is close to completion with WPP to produce a template for each of the Welsh Pension Fund Committees to receive information on voting, engagement and securities lending. Until the template is finalised, the Fund will provide publicly available documentation.

1.08 As an asset owner, there are opportunities to engage with companies, and also vote at Annual General Meetings, with a view to helping improve company policies in relation to environmental, social and governance matters. As WPP own stocks on behalf of the Constituent Authorities

	(including Clwyd Pension Fund), they carry out voting and engagement on their behalf. WPP have appointed Robeco as the Voting and Engagement provider. The Deputy Head of the Clwyd Pension Fund, as part of the WPP RI sub group, has been working with Robeco to create suitable reports for Constituent Authorities showing the voting and engagement that has taken place.
1.09	Appendix 1 highlights the engagement work that has been carried out on behalf of WPP from December to March 2023. This quarter provides information and case studies on the following areas of engagement: • Lifecycle Management of Mining • Acceleration to Paris • Proxy Voting • Labour Practices in a Post Covid-19 World It is important to note that the lists of stocks in the engagement report are for the WPP as a whole and may or may not be in sub funds the Clwyd Pension Fund is invested in. This is one of the areas of enhancement that is ongoing. Appendices 2 and 3 provide summary details for the proxy voting reports for the Global Opportunities and Emerging Market Equity Funds in which the Fund is invested. The reports cover the number of meetings and votes cast for the period to March 2023 and some of the voting highlights.
1.10	Securities lending involves the owner of shares or bonds transferring them temporarily to a borrower. In return, the borrower transfers other shares, bonds or cash to the lender as collateral and pays a borrowing fee. Stock lending can, therefore, be used to incrementally increase fund returns for investors. WPP have appointed Northern Trust to lend securities, which are held within the WPP sub-funds, on their behalf. Quarterly Securities Lending reports are presented at each WPP Joint Governance Committee (JGC). The results below were presented to the JGC in March 2023. The total amount of WPP net revenue received for securities lending in the quarter to December 2022 was £264,263. The Clwyd Pension Fund is only invested in 3 funds which generated the revenue as shown in the following table.

Sub Fund	WPP Net Revenue £	CPF Net Revenue £
Global Opportunities Equity (4%)	110,257	4,410
Emerging Markets Equity (33%)	5,790	1,911
Multi Asset Credit (35%)	11,385	3,985
Total	127,432	10,306

1.11	**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 existing approved Investment Strategy, as well as reports on fund manager performance. A summary of this performance is shown in the Mercer report included in agenda item 10. The Advisory Panel also receive verbal updates from key matters considered at the following Clwyd Pension Fund officer/adviser working groups: • Tactical Asset Allocation Group (TAAG) • Funding and Risk Management Group (FRMG) • Private Equity and Real Assets Group (PERAG) Any decisions arising from these meetings which have been agreed using delegated responsibilities are detailed in Appendix 4.
1.12	**Delegated Responsibilities** The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 4 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). • There have been no Private Market commitments agreed since the February Committee.
1.13	**Private Market Allocations** As reported to previous Committees, due to the WPP currently appointing Allocators to implement private markets, Mercer as the Fund's investment consultant will continue to work with officers to determine the Fund's requirements for local and impact opportunities.
1.14	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. The Fund and Mercer continue to be busy considering new allocations for 2023/24.

2.00	**RESOURCE IMPLICATIONS**
2.01	The successful candidate for the Principal Accountant vacancy will commence on 24 June 2023. A proportion of the work of the team continues to be outsourced to the Fund’s consultants. This is a temporary measure while training is undertaken. The recruitment for the Graduate Trainee Accountant is underway and is expected to be appointed by late summer.

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

4.00	RISK MANAGEMENT
4.01	Appendix 5 provides the dashboard and risk register highlighting the current risks relating to investments and funding matters.
4.02	Some risks relating to Funding levels and Investment targets remain just ahead of target due to current market uncertainty. In addition, work continues on the Fund's RI Policy to bring this closer to target over time (F9) and includes additional actions relating to the RI Plan and Framework.

5.00	APPENDICES
5.01	Appendix 1 – WPP Engagement Report Q1 2023 Appendix 2 – WPP Global Opportunities Summary Voting Q1 2023 Appendix 3 – WPP Emerging Market Equity Summary Voting Q1 2023 Appendix 4 – Delegated Responsibilities Appendix 5 – Risk dashboard and register – Investments and Funding

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. **Contact Officer:** Ieuan Hughes, Graduate Investment Officer Trainee, Clwyd Pension Fund **E-mail:** Ieuan.Hughes@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 Mercer, 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) **WPP – Wales Pensions Partnership** – 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. WPP has appointed an Operator to manage assets collectively for the eight Wales LGPS funds. A proportion of the Clwyd Pension Fund assets are invested via WPP.

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

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

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

(l) **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.

(m) **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.

(n) **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.

(o) **Department for Levelling Up, Housing & Communities (DLUHC)** – supports communities across the UK to thrive, making them great places to live and work.

	(p) **Financial Reporting Council (FRC)** – an independent regulator in the UK and Ireland, responsible for regulating auditors, accountants and actuaries, and setting the UK's Corporate Governance and Steward. (q) **OECD Countries** – Organisation for Economic Co-operation and Development; 38 Member countries from North and South America to Europe and Asia-Pacific. A full glossary of Investments terms can be accessed via the following link. **https://www.schroders.com/en/uk/adviser/tools/glossary/**

ROBECO
The Investment Engineers

ROBECO I 01.01.2023 - 31.03.2023

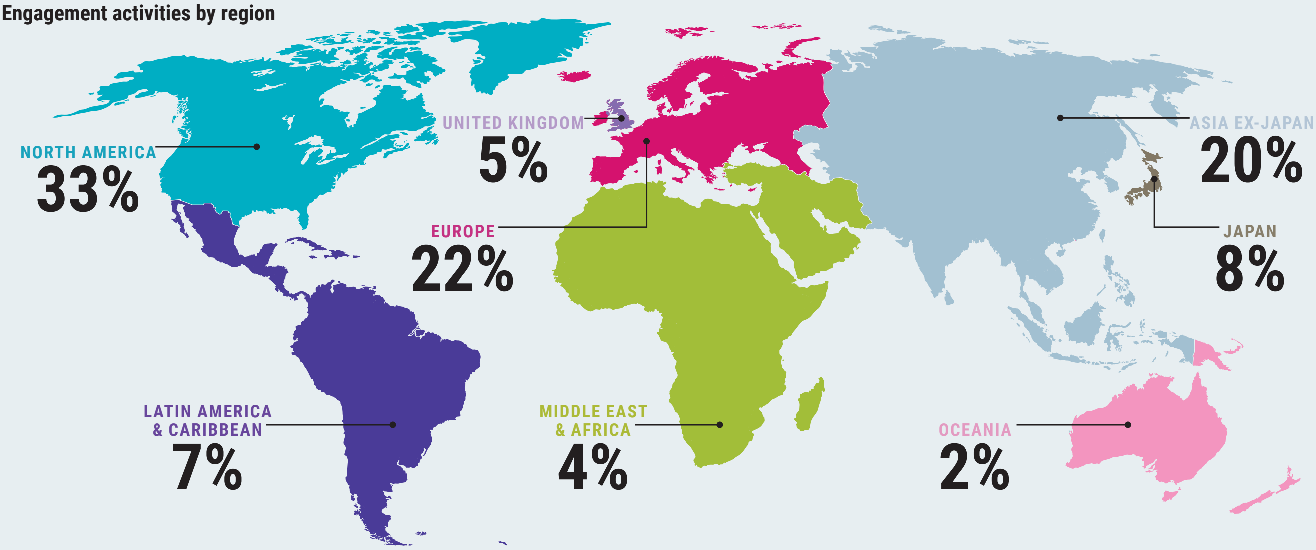
Active ownership report

Partneriaeth Pensiwn Cymru Wales Pension Partnership

Sustainable Investing Expertise by ROBECOSAM

Q1|23 figures engagement

Engagement activities by region



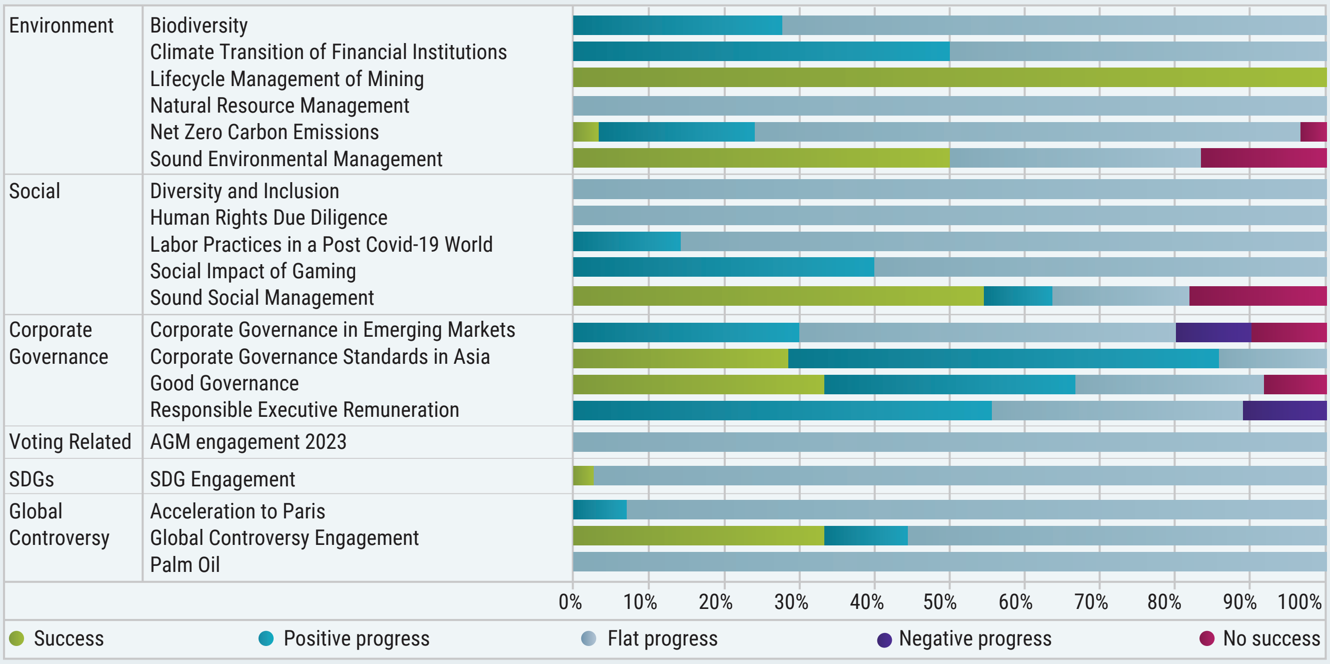
Number of engagement cases by topic*

	Q1	Q2	Q3	Q4	YTD
Environment	48				48
Social	17				17
Corporate Governance	20				20
Voting Related	9				9
SDGs	24				24
Global Controversy	20				20
Total	**138**				**138**

Number of engagement activities per contact type

	Q1	Q2	Q3	Q4	YTD
Meeting	4				4
Conference call	93				93
Written correspondence	129				129
Shareholder resolution	0				0
Analysis	16				16
Other	1				1
Total	**243**				**243**

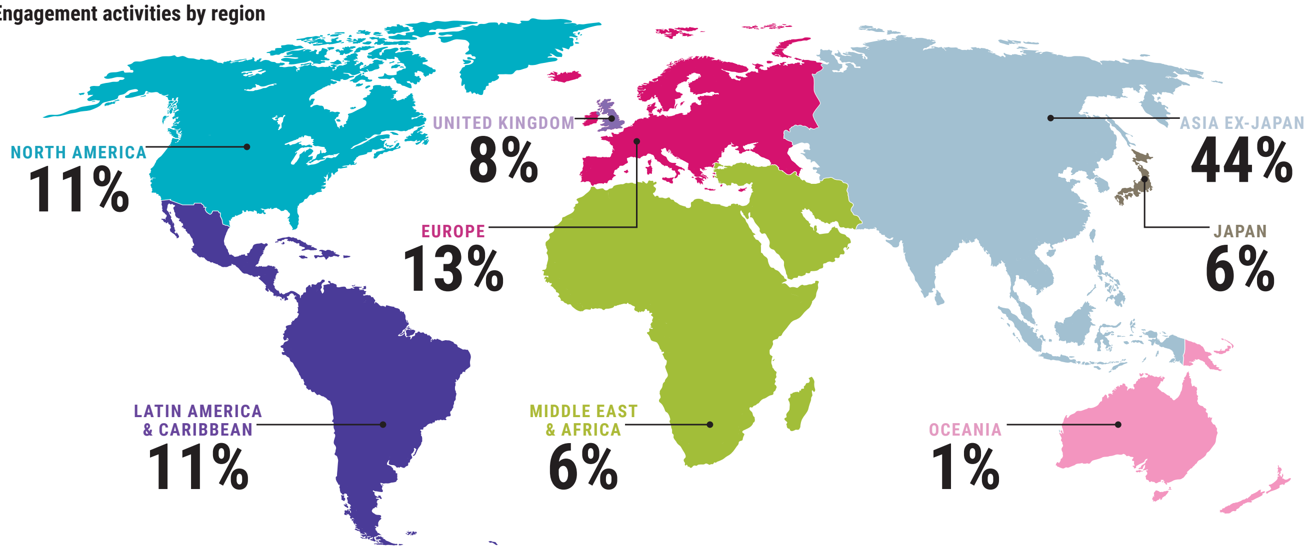
Progress per theme



* For more information on Robeco's approach to engagement please refer to the appendix at the end of the report.

Q1|23 figures voting

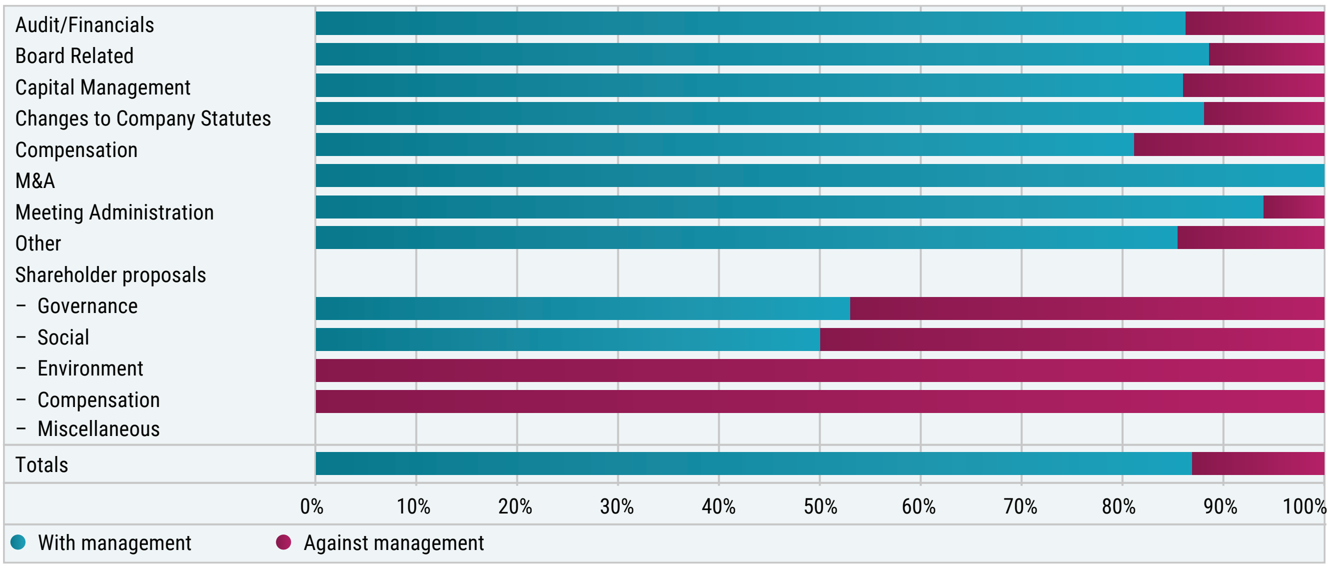
Engagement activities by region



Voting overview

	Q1	Q2	Q3	Q4	YTD
Total number of meetings voted	171				171
Total number of agenda items voted	1,868				1,868
% Meetings with at least one vote against management	64%				64%

Progress per theme



Contents

Introduction

In times of geopolitical and economic uncertainty, shareholder advocacy is as important as ever, ensuring companies' long-term focus on sustainability does not come at the cost of short-term financial volatility. The first quarter of 2023 continues to put companies to the test, as competing pressures showcase the importance of having sustainability embedded in one's business model.

It's been a busy three months for the Active Ownership team dealing with a number of high-profile engagement themes. We closed the 2020-initiated Lifecycle Management of Mining theme, touching on one of the core pillars of the energy transition, sustainable metals and minerals. Over the three years of the engagement, we closed 90% of the cases successfully, with almost all companies having strengthened their water management policies and improved their water use efficiency and recycling. They have also pledged to uphold the Global Industry Standard on Tailings Management to avoid a recurrence of past tailing dam breaches. However, to create an industry free from fatalities and environmental pollution, a systemic and long-term collaboration with the sector is needed. This prompted Robeco to join the 'Mining 2030' global investor initiative, working towards a consensus across the finance and corporate world for a reformed mining sector by the end of this decade.

Meanwhile, we reflect on our Acceleration to Paris theme, putting pressure on some of our portfolios' worst polluters to meet the Paris Agreement. Supported by government initiatives such as the US Inflation Reduction Act which provides subsidies to support clean energy production, even some of the worst laggards have started their journey to Paris. While keeping the pressure high, we reflect on some of the largest achievements of these first 18 months, from companies strengthening net-zero emission targets, to cancelling upcoming thermal coal power projects.

Reflective of the government actions taken on the climate side, regulators around the world have started tightening their requirements for disclosure on corporate environmental, social and governance (ESG) issues. We dive into the US Securities and Exchange Commission's new rules, which will define US companies' disclosure and board's accountability in the future. From the introduction of Pay Versus Performance Disclosure Requirements, putting a halt on inconsistent CEO pay-outs, to mandatory climate governance disclosures, the new rules force companies to review their practices and form the building blocks for a more sustainable economy.

On the social side, we reflect on the last three years since Covid-19 was proclaimed a global pandemic. Our Labor Practices in a Post Covid-19 World engagement theme aims to support companies in their recovery from the pandemic, building back stronger, with their core asset at the center of their business model: workers. The first positive steps have been seen, from initial fair wage assessments for gig workers to an increasing focus on employee engagement. However, the complexity of labor markets ownership structures and responsibility, such as those created by hotels' franchising, hinder companies from taking appropriate action, requiring them to become more creative.

We are pleased with the progress made in the first quarter of 2023 and look forward to another year of meaningful engagement to help guide companies through our turbulent times.

Carola van Lamoen
Head of Sustainable Investing

LIFECYCLE MANAGEMENT OF MINING

Closing the mine

Sylvia van Waveren – Engagement specialist

Mining activities often have negative impacts on landscapes, disrupt ecosystems, and divert scarce water resources from local communities. However, the sector is becoming more important because of the increasing demand for clean technologies such as solar panels, wind turbines and electric vehicles requiring metals and minerals. As investors in the mining industry, we launched an engagement program in 2020 with the objective of encouraging mining companies to mitigate their impacts on the environment. After three years of engagement, we are now closing the program and present our results.

Engagement summary

9 out of 10 closed successfully

Significant progress recorded across the peer group

From 2020 to 2023, Robeco engaged with 14 mining companies located across four continents. The engagement targeted the largest mining companies and aimed to improve water management, increase the safety management of tailing dams, and improve asset retirement planning, including financial surety, liquidity and accessibility. The dialogues were centered around nine objectives, three of which targeted water risk management, three assessed tailings risks management, and three looked at asset retirement issues.

Of the 14 companies, the engagement with four of them was halted for various reasons. The Russia-Ukraine conflict prevented us from continuing our engagement with two companies, while one case was transferred to the Controversies Engagement program as a result of a severe environmental breach. The fourth case was transferred to the Sustainable Development Goals theme where the engagement objectives were expanded to also cover social and governance issues. Of the 10 remaining companies, we closed nine cases successfully. We will now present the engagement achievements related to water, tailings and asset retirement respectively[1].

Water management is greatly improving

Almost all companies under engagement significantly improved their water risk management. They are doing so through better water policies, actions at the asset level, and having a relevant focus on water consumption and quality. The majority have adopted adequate water management policies (90% of companies) and are disclosing the performance of their operations on water-related metrics (80%).

Given the context of European regulations, enhancing performance on reducing water consumption and mitigating adverse impacts on water quality is as relevant as ever. We encouraged the companies to set targets and report progress on their performance on water use efficiency, water recycling and safe reuse. More attention is needed for setting targets though. Only 60% of companies have set targets to improve water use efficiency, while two others are planning to do so in the near future.

Tailings management: gains in transparency and adoption of best practices

When we look at the issue of tailings safety, we see that the industry has responded positively to the global call for enhanced disclosures after two major tailing dam breaches in Brazil; Samarco in 2015 and Brumadinho in 2019. The Investor Mining and Tailings initiative let by the Church of England, has played an important role in bringing this topic to the attention of top management across all mining companies. In our peer group, eight companies now disclose all their tailings storage facilities under operation to the Global Tailings Database. Moreover, nine companies have committed to implement the Global Industry Standard on Tailings Management, which sets best practice on integrating environmental, social and technical considerations.

Our objective on phasing out high-risk tailing storage structures has seen less traction, with only two companies committing to developing dry-tailings storage for any new facilities, and five considering measures to mitigate safety risks from dams classified as high-risk. To guarantee environmental and human safety, each company is expected to set targets for the phasing out, or decommissioning, of its high-risk tailings dams.

CASE STUDY

BARRICK GOLD
Barrick Gold, a Canadian gold mining company, started off with some concerns around the awareness and management of their water risks and their end-of-life mines.

Throughout the engagement we pushed Barrick Gold on the ambitiousness of their water management targets and water accounting, as well as sent a letter to encourage stronger Asset Retirement Planning.

The engagement was closed successfully after Barrick set, among others, a group target on the percentage of recycled water to be used (at least 80%), and providing data on water accounting at the facility level. Furthermore, the company establishes closure plans for all its mines before construction begins, including rehabilitation of the surrounding area and protection of water resources.

Asset retirement issues remain under target

Our engagement results on the topic of asset retirement were less successful than for water and tailings. We expected the companies to integrate closure activities into their mine business plan, including the short, medium, and end-of-life planning processes. Furthermore, the financial assurances for mine closure must cover the operator's cost of reclamation and closure as well as redress any impacts that a mining operation causes to wildlife, soil and water quality. In addition, financial assurance should be liquid and accessible. The accessibility of the financial surety should be safeguarded through legal

[1] The outcomes presented within this article reflect the results of the overall engagement theme by Robeco and thus might differ slightly for individual clients, for detailed information on which companies were engaged on please refer to the chapter "Companies under engagement" at the back of the report.

instruments or sums of money that are earmarked for reclamation and closure, and releasable only with a regulatory authority's specific consent.

Our results were mixed, with only one company scoring well on the three sub-targets on asset retirement issues. In general, we found that the financial assurances for mine closure need to be much better disclosed in their annual reports.

Next steps – launch of Mining 2030

In January 2023, a group of investors including Robeco launched a global initiative called Mining 2030 to raise sustainability standards by the end of this decade. Mining 2030 will develop an ambitious agenda to ensure that growth in mineral demand does not harm people or the environment. It will address key systemic risks that challenge the mining sector's ability to meet increasing mineral demand for the low-carbon transition.

Focus areas of the initiative include the impact of mining on biodiversity and climate change, corruption in the industry, the legacy of mining and rehabilitation, water risk management, seabed mining and many other material issues. We expect to play an active role in the initiative, which will lead to the identification of global best practice standards and disclosures in the sector.

> “ *The industry has responded positively to the global call for enhanced disclosures after two major tailing dam breaches in Brazil*
>
> Sylvia van Waveren

ACCELERATION TO PARIS

Paving the road

Nick Spooner – Engagement specialist

It has been a little over a year since we initiated the Acceleration to Paris engagement program. The expansion of the scope of companies that we engage with on managing climate-related risks and opportunities reflects our continued concern about the systemic risks that global warming poses to the economy and society. While it is still early in the overall timeline for the engagement program, this article looks back at the progress that has been made, and the changes we have seen during this time.

Engagement summary

14 companies, 3 cases have registered first positive progress

Since the start of the Acceleration to Paris program, there have been a number of events that are material to our engagement with companies. The most significant are the passing of the Inflation Reduction Act (IRA) in the US, a law which allocates significant attention and capital towards scaling clean energy, as well as the invasion of Ukraine by Russia. Both have had dramatic, long-term impacts on the energy transition, and subsequently how companies should respond to managing these risks and opportunities going forward.

In the case of the IRA, whilst the final dollar commitment by the US government is lower than originally pronounced, the financial incentive that the bill offers to companies to invest in the energy transition is highly material, and we have already seen companies pivoting to take advantage of these subsidies. This has also catalyzed action by other jurisdictions, such as the EU, to match these subsidies and also promote investment in their regions. And while the potential impact is difficult to quantify, it will certainly benefit the speed at which low-carbon technologies come down in price.

The Russian invasion of Ukraine is more difficult to interpret and has caused a fragmentation of oil and gas markets that have not previously been seen. Nevertheless, actions taken by the EU to reduce exposure to the importation of Russian fossil fuels has forced an acceleration in the deployment of low-carbon technologies and the sourcing of natural gas from other regions. Due to the high energy price volatility resulting from these events, the International Energy Agency expects demand for these highly polluting commodities to fall at a faster rate in the region. However, there is a risk that the current high commodity price environment incentivizes investment in oil and gas development, which is not compatible with longer-term decarbonization goals.

These events create added impetus for companies to appropriately manage their climate-related risks and opportunities, and it supports the need for continued, targeted engagement with companies that are failing to do so. Acceleration to Paris differs from other climate-related engagement programs for two reasons. Firstly, it is classified as an enhanced engagement program, and, as such, we intend to take a more proactive approach to escalation throughout the engagement. This ultimately leads to the potential for divestment if we do not see significant progress. Secondly, we have been using our proprietary Paris-alignment tool to identify the companies that are the greatest laggards, thereby selecting those which we see have the greatest potential for impact through our engagement. In this process, we aim to achieve a balance of sectoral and regional exposure to prevent an excessive focus on companies from emerging markets, which generally face lower levels of political and social pressure.

One of the steps that we implemented in 2022 was to create greater synergies between our climate performance assessment and our related voting approach. As such, we amended our climate voting policy to stipulate that we would vote against the re-election of the chair for companies rated as 'misaligned' in our traffic light assessment. This includes all those within the Acceleration to Paris program. Unless we see significant progress in company performance, we will retain this policy for future years.

An area of focus for the engagement program is thermal coal power. As the most polluting fossil fuel, and one which has economically available low-carbon substitutes in the form of wind and solar, it is critical that no more unabated thermal coal power generation units are constructed. This is also a lens that was applied in company selection. The focus of our engagement is to limit new construction of coal-fired power plants and ensure that companies put in place transition plans for phasing out their exposure to these assets. We encourage companies to close down thermal coal assets and transition into low-carbon power sources, utilizing the benefits that the site offers in terms of grid connections and access to water. We have seen positive progress so far from a number of companies in cancelling thermal coal power projects and clarifying the timelines for phasing out their exposure to these assets.

The emergence of Just Energy Transition Partnerships (JETPs), particularly in

> *“ The US Inflation Reduction Act and the Russian invasion of Ukraine create added impetus for companies to appropriately manage their climate-related risks and opportunities*
>
> Nick Spooner

Indonesia and Vietnam, have been helpful in creating a policy framework to accelerate the decommissioning of thermal coal assets. We are encouraged by the fact that the first few Acceleration to Paris companies have publicly stated their commitment to work with the governments of these countries on the potential for the accelerated decommissioning of assets. Nevertheless, further investment in renewable energy sources is required, as, despite increases in the deployment of renewable energy sources, we continue to fall short of what is required to meet the Paris goal of limiting warming to 1.5°C above pre-industrial levels. The JETPs that have been announced, with others also expected, should help to facilitate this investment, coupled with the expected reforms to the World Bank and other multi-lateral development banks, which seek to take a more aggressive approach to facilitating investments in low-carbon technologies in emerging markets.

As we continue to monitor companies on their climate performance, we expect that we will continue to expand the Acceleration to Paris program. As such, we have added several new cases to the theme over the last months. While it is still early in program, we are pleased by the results we have seen, including several companies setting new greenhouse gas targets.

CASE STUDY

POSCO

POSCO, the South Korean steel-making company, has been expanding its steel production using coal-fired plants, which is one of the main topics of our engagement.

As part of our engagement, we sent a letter to the Chair of POSCO's ESG Committee, who also sits on its board, and followed up with the company's investor relations team over a call, to explain the relevance to investors of stopping coal investments.

In 2022, POSCO sold its coal business in Vietnam and has instead applied to construct a lower-emissions Liquified Natural Gas plant. It continues construction of its coal-fired plant in Korea because of contractual agreements but has indicated it will exit that business after completion, which we intend to monitor.

NIPPON STEEL

The Japanese company Nippon Steel is one of the world's largest steel producers. Japan's steel industry had only been offered 10% of the country's Green Innovation Fund subsidies aimed to finance the climate transition. During our engagement with the company, we encouraged Nippon Steel to lobby for more policy support in its transition. During our engagement with the company, we encouraged Nippon Steel to lobby for more policy support in its transition.

The company is now part of the industry lobbying for more government support. And although Japan has announced a larger transition fund to include subsidies for increased energy costs and production –expanding on the scope of its Green Innovation Fund – the amount designation for the steel industry has not yet been confirmed.

PROXY VOTING - MARKET INSIGHT

Corporate governance reform in the US

Diana Trif – Engagement specialist

Investors are increasingly looking beyond balance sheets to understand a company's 'double materiality' impact on the wider world. To reinforce this, regulators around the globe including the US Securities and Exchange Commission (SEC) are tightening their requirements for disclosure on corporate environmental, social and governance (ESG) issues.

While the focus on ESG has massively gained in importance, there is broad consensus that there are still shortcomings in the quality, consistency and comparability of issuers' ESG reporting, and investors often lack the appropriate tools to voice their concerns regarding a company's ESG performance.

Against this backdrop, 2022 saw SEC adopt a host of new rules which will improve the quality of US companies' disclosure and enhance a board's accountability to shareholders. In this article, we look back at five of the most relevant regulatory initiatives rolled out in the US in 2022.

1. Universal proxy cards: A new era of proxy fights

One of the major changes introduced was the SEC's adoption of new rules requiring the use of 'universal proxy cards' (UPCs) for any meetings involving contested elections. These rules mark a major development in overhauling the mechanisms by which US proxy contests have been carried out.

Previously, shareholders voting by proxy were unable to 'mix and match' nominees put forward by the incumbent board and the dissident shareholder, as they could if they were voting in person. They were therefore faced with a binary choice – to vote for one slate or the other, opting for no change or sweeping change. Now they will be provided with a slate including the names of all dissident and registrant nominees, thereby being able to choose nominees from either side.

An equal footing

We welcome this change. First, it places investors voting in person or by proxy on an equal footing. Second, the new rules strengthen the means by which shareholders can hold companies accountable for poor governance. While there has been no shortage of speculation regarding the potential consequences of UPCs, one thing is certain: individual board candidates will be more vulnerable to replacement, and will therefore face more scrutiny from shareholders and other stakeholders.

In light of this, a major advantage of the new rules is that they will likely force companies to bolster their disclosure on board composition, refreshment, and the process for director nominations, as well as making them carry out an effective evaluation of the board to withstand this growing scrutiny.

2. Revamp of the shareholder proposal rule

In a separate initiative, the SEC proposed changes to the process by which shareholder proposals are included in a company's proxy statement. Under rule 14a-8, a company may omit a shareholder proposal from its proxy statement if it falls within one of 13 substantive bases for exclusion.

The proposed amendments would revise three of these criteria – 'substantial implementation', 'duplication' and 'resubmission' – in an effort to "improve the shareholder proposal process and promote consistency".

In recent years, the existing rules drew criticism over concerns that the standards for exclusion were not being consistently implemented, thereby leading to unpredictable outcomes. The amendments, if adopted as proposed, would address these concerns by ensuring a clearer framework for the rule's application.

Important means of engagement

We support the changes and stated our position by taking part in the SEC's public consultation on the issue. We view the shareholder proposal process as being one of the most important means of engagement between companies and shareholders, and believe that an effective process is crucial in ensuring that a variety of ESG issues reach ballots, with the aim of instilling corporate governance reform.

It is worth noting that the shareholder proposal process is currently under scrutiny in various jurisdictions across the world. In Germany, a lawsuit filed in 2022 against a car manufacturer will test whether a German company has the right to refuse to table a shareholder proposal. In Australia, the inability of shareholders to propose an advisory resolution or a shareholder vote to express an opinion unless permitted by the company's constitution continues to draw significant criticism. Against this backdrop, the US model is widely perceived as striking a balance between protecting issuers from being swamped by frivolous proposals, and in facilitating shareholder suffrage.

3. Link between pay and performance

In 2022, the SEC introduced the most substantial change to US executive compensation rules since 2006 – the adoption of the Pay Versus Performance Disclosure Requirements. The new rules

> "*Compliance should not be viewed as merely a box-ticking exercise. Instead, companies should ensure that they take a structured and systematic approach to addressing ESG issues.*
>
> Diana Trif

require registrants to clearly illustrate the relationship between executive compensation and the financial performance of the company by providing certain disclosures in a tabular format, accompanied by narrative and/or graphical disclosure.

This information will supplement the compensation discussion and analysis disclosures and must include a new measure: the 'executive compensation actually paid'. This figure must be calculated based on a prescribed formula and represents total compensation as reported in the summary compensation table, but adjusted to reflect changes in the value of stock awards and pension benefits.

Having appropriate remuneration

Both in our engagement and voting , we place great emphasis on whether companies have an appropriate remuneration program for executives. This is because we believe that a company's executive remuneration policy is one of the main instruments with which to guide, evaluate and reward the behavior and achievements of executives.

Hence, we welcome the new rules, as they will aid investors in their evaluation of companies' remuneration policies and practices. In addition, the new disclosure requirements will likely incentivize issuers to re-evaluate and strengthen the link between executive pay and performance.

4. The long-awaited clawback rule

The SEC's adoption of new rules implementing the clawback provisions of the Dodd-Frank Act was another noteworthy improvement. The rules direct national securities exchanges to adopt listing standards requiring issuers to adopt and apply a written clawback policy, and to meet related reporting obligations.

The clawback policy must provide for the recoupment, upon either a 'big R' or a 'little r' accounting restatement, of incentive-based compensation received by current or former executive officers, based on erroneously reported financial information. The policy must apply irrespective of whether the executive engaged in misconduct or not, with the rules requiring registrants to provide detailed disclosure regarding actions to recover erroneously awarded compensation.

Enhancing transparency

We support the new rules as they will strengthen a board's accountability to shareholders and enhance the transparency of companies' disclosures. Notably however, some argue that companies may resort to increasing the ratio of fixed, time-based or discretionary pay, so as to shield executives from the prospect of recoupment, given that the new rules solely cover compensation tied to the achievement of a financial reporting measure.

We are strong proponents of pay-for-performance and consider that a significant portion of the executives' pay should be linked to the achievement of relevant objectives that are aligned with the firm's long-term strategy. Hence, we will oppose any changes which we assess would weaken the alignment between pay and performance.

5. Climate disclosure amidst ESG backlash

Finally, in 2022, the SEC proposed new climate-related disclosure requirements for registrants in an effort to "provide investors with consistent, comparable, and decision-useful information for making their investment decisions, and (…) provide consistent and clear reporting obligations for issuers".

Under the new rules, companies would be required to provide disclosure on, *inter alia*, the governance of climate-related risks, Scope 1 and 2 greenhouse gas emissions, and Scope 3 emissions if these are material. They also apply if the registrant has set an emissions reduction target that includes Scope 3, as well as various other qualitative and quantitative climate risk disclosures.

We expressed our support for the proposed rules in our response to the SEC consultation and consider that the new requirements will provide investors with climate-related information that is essential for appropriately pricing climate risks.

A driver of change

Moreover, we view the proposed requirements as more than just a call for greater disclosure, but as a driver of change. The new rules, if adopted as proposed, will force companies to review their policies and practices with regards to climate risk, and to evaluate whether their board members display sufficient climate-related expertise.

While the climate rule faces notable resistance given the growing US debate over sustainable investing and what critics refer to as 'woke capitalism', we strongly believe that the adoption of the rules will benefit investors and issuers alike.

The new regulations will require companies to step up their efforts by enhancing their disclosure, policies and practices. Achieving compliance should not be viewed as merely a box-ticking exercise. Instead, companies should ensure that they take a structured and systematic approach to addressing ESG issues material to their business.

LABOR PRACTICES IN A POST COVID-19 WORLD

The forgotten everyday hero

Claire Ahlborn – Engagement specialist

Low wages, missing sick pay, and still a smile on their faces. The pandemic highlighted deep flaws in the global labor market, yet the struggles of the 'everyday heroes' who continued to deliver essential services throughout the crisis seem quickly forgotten. Reflecting on the first one and a half years of our engagement on labor practices in a post Covid-19 world, we see companies struggling to balance robust labor practices with going back to business as usual.

Engagement summary

7 companies, 3 companies show positive progress on 'Wages and benefits'

It has been three years since the World Health Organization declared the coronavirus outbreak a global pandemic, halting international travel, triggering global supply shortages, and leaving many people confined to their homes. The pandemic put frontline workers and their labor conditions at the center of public attention, from widespread furloughs across the closed hospitality sector, to unprecedented pressure on frontline workers, from medical staff to supermarket employees.

In many cases, the labor issues that surfaced were an amplification of existing, yet often hidden industry characteristics, from seasonal demand spikes at hotels and low wages at food retailers, to unprotected worker contracts within the online food delivery sector. While the world seems to have moved on from the pandemic fright, the aftermath of the global lockdown and the labor issues they highlighted continue to mark low-wage earners' lives, especially as costs of living are rising.

In 2021, we launched our engagement on 'Labor practices in a post Covid-19 world', focusing on those sectors where working conditions were put into the spotlight throughout the pandemic, whether due to extreme pressures on them, or a complete halting of operations. As such, we began to engage with companies from across the hotel, food retail and online food delivery sectors to encourage them to address the systemic labor risks highlighted throughout the times of crisis.

Business case for happy staff

As economies opened up, companies started to recognize the operational advantages of maintaining strong worker relationships, especially in labor-intensive and service-oriented industries. Investing in human capital, employee growth and worker satisfaction can have a positive impact on corporate performance. Worker loyalty and readiness can strengthen not only corporate resilience to external shocks, but also reduce long-term costs such as staff turnover, training and health-related costs. With the service sector having let go of millions of workers, the reopening of the economy has triggered fierce competition for workers, giving a head start to employers with strong labor practices and a good reputation.

However, current accounting rules continue to consider wages to be a cost on the corporate balance sheet, which they should minimize, rather than an investment.

Online food delivery: the public policy race

Since 2020, the online food delivery sector has grown threefold, having been the only route for many restaurants to overcome the lockdowns, for people to receive groceries, and for furloughed workers to make ends meet. However, the pandemic also highlighted core risks across this innovative, app-based employment model, from missing sick pay and not being paid while waiting for orders, to their high dependency on algorithms defining delivery routes, pressures and wages.

Nevertheless, many countries recognize the enormous economic and social potential of the gig sector and are starting to (semi-)formalize it, creating structures to appropriately allocate responsibilities. The Chinese government, for instance, has started to stipulate minimum accident protections for online food delivery workers, and is seeking ways to hold employers accountable for their working conditions. Meanwhile, Europe's rapidly advancing Directive on Platform Work sets forward clear rules to define not just gig workers' employment status, but also concrete requirements for algorithmic management.

To ensure their business model remains viable, companies need to engage with workers and policy makers on developing mutually sustainable employment models. While at the core of many companies' labor strategies, our engagements highlighted how lobbying activities are lacking transparency and safeguards ensuring compliance with core labor rights. Beyond relying on regulation, we furthermore encouraged companies to find ways to proactively fill existing gaps. As such, first gig companies have started conducting fair pay assessments and setting up health insurance partnerships for delivery riders.

Hotels: franchising labor practices

The recent trend across the hotel sector in shifting to an asset-light model and thus leaving the actual ownership and management of hotels to third parties

> *"Companies need to assume responsibility, start seeing workers as an asset, and embed responsible labor practices within core business structures, from risk management to contracting clauses.*
>
> Claire Ahlborn

creates similar challenges around oversight and accountability. As competition laws in many countries prohibit hotel brands from imposing minimum labor requirements or gathering employee information from their franchisees or their sub-contractors, such as data regarding their cleaning or security staff, ensuring responsible labor practices on the ground becomes a legal minefield.

Our engagements focus on how hotel brands can overcome this legislative limitation, encouraging them to set up incentive systems, engage franchisees and, where allowed, conduct social audits. Yet, proactive assumption of responsibility, concrete awareness of labor risks on the ground, and the embedding of responsible labor practices in franchising contracts remains limited, despite the main brands' high reputational risks.

Supermarkets: paying for inflation

Despite having a more centralized employment model, the food retail sector is feeling the realities of the post Covid-19 world probably the most. Supermarkets are battling with soaring food prices and falling demand, as inflation and energy shortages are defining our economy, and as consumers are free to eat out instead.

Inflated prices impact not only supermarket customers, but also their employees, highlighting the living wage gap that exists across the sector. In the UK, for instance, the Living Wage Foundation found that 45% of supermarket employees earned below living wages in 2020. As a response, in 2021 the shareholder advocacy group, ShareAction, filed the first-ever shareholder proposal in the UK calling upon British supermarket Sainsbury's to commit to paying a living wage to all its workers. Although it wasn't passed at the AGM, the resolution put forward a template for other investors to tackle living wages across the food retail sector.

Across sectors, the search for economic efficiency has created a complex and fissured labor market, often leaving responsibilities and costs with those who are the most vulnerable. Companies need to assume responsibility, start seeing workers as an asset, and embed responsible labor practices within core business structures, from risk management to contracting clauses.

CASE STUDY

WALMART

US food retail company Walmart Inc. has for a long time been under severe scrutiny for its low starting wages.

Our dialogue has been focused on the company conducting a living wage assessment and adapting minimum wages appropriately.

Over the last year, Walmart has engaged in simple payment restructuring following employee feedback, such as integrating bonus payouts in hourly pay instead of quarterly payouts, as well as raised minimum wages by 17%, from USD 12 to USD 14 per hour in March 2023. While not yet meeting living wages and continuing to fall behind peers, these amendments do showcase first considerations towards helping to meet employees' rising cost of living.

Companies under engagement in 2023

ENVIRONMENT

Biodiversity
Archer-Daniels-Midland Co
Axfood AB
Barry Callebaut AG
Bridgestone Corp
Bunge Ltd
Cie Generale des Etablissements Michelin SCA
Cranswick PLC
Hershey Co/The
JBS S/A
Leroy Seafood Group ASA
Marfrig Global Foods SA
Mondelez International Inc
Ryohin Keikaku Co Ltd
Sappi Ltd
Suzano SA
Top Glove Corp Bhd
Unilever PLC
VF Corp

Climate Transition of Financial Institutions
Australia & New Zealand Banking Group Ltd
Bank of America Corp
Barclays PLC
BNP Paribas SA
Citigroup Inc
DBS Group Holdings Ltd
HSBC Holdings PLC
ING Groep NV
JPMorgan Chase & Co
Sumitomo Mitsui Financial Group Inc

Lifecycle Management of Mining
Anglo American PLC
Barrick Gold Corp
BHP Group Ltd
First Quantum Minerals Ltd

Natural Resource Management
Ambev SA
Callon Petroleum Co
CF Industries Holdings Inc
Continental Resources Inc/OK
Diageo PLC
OCI NV
PepsiCo Inc
Sappi Ltd
Severn Trent PLC
Tronox Holdings PLC
United Utilities Group PLC

Net Zero Carbon Emissions
Anglo American PLC
ArcelorMittal SA
Berkshire Hathaway Inc
BHP Group Ltd
BlueScope Steel Ltd
BP PLC
CEZ AS
Chevron Corp
China National Building Material Co Ltd
CRH PLC
Ecopetrol SA
Enel SpA
Exxon Mobil Corp
HeidelbergCement AG
Hyundai Motor Co
JFE Holdings Inc
LyondellBasell Industries NV
Marathon Petroleum Corp
Petroleo Brasileiro SA
Phillips 66
PTT Exploration & Production PCL
Rio Tinto PLC
Saudi Arabian Oil Co
Shell PLC
Valero Energy Corp
Vistra Corp
WEC Energy Group Inc

Sound Environmental Management
Alexandria Real Estate Equities Inc
Guangdong Investment Ltd
Hangzhou First Applied Material Co Ltd
LONGi Green Energy Technology Co Ltd

SOCIAL

Diversity and Inclusion
Eli Lilly & Co
Netflix Inc
Oracle Corp
Taiwan Semiconductor Manufacturing Co Ltd
Thermo Fisher Scientific Inc

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas
Bharat Electronics Ltd
Booking Holdings Inc
Cemex SAB de CV
Fast Retailing Co Ltd
HeidelbergCement AG
Industria de Diseno Textil SA
PTT Exploration & Production PCL
Sinotruk Hong Kong Ltd
SolarEdge Technologies Inc
Wacker Chemie AG

Labor Practices in a Post Covid-19 World
Accor SA
Delivery Hero SE
InterContinental Hotels Group PLC
Marriott International Inc/MD
Meituan
Uber Technologies Inc
Walmart Inc

Social Impact of Gaming
Activision Blizzard Inc
NCSoft Corp
NetEase Inc
Take-Two Interactive Software Inc
Tencent Holdings Ltd

Sound Social Management
Bayerische Motoren Werke AG
Post Holdings Inc
Tencent Holdings Ltd
Tesco PLC

GOVERNANCE

Corporate Governance in Emerging Markets
CCR SA
Cosan SA
Coway Co Ltd
CPFL Energia SA
ENN Energy Holdings Ltd
Haier Smart Home Co Ltd
Hyundai Motor Co
Midea Group Co Ltd
Samsung Electronics Co Ltd

Corporate Governance Standards in Asia
Inpex Corp
Resonac Holdings Corp
Rohm Co Ltd
Shin-Etsu Chemical Co Ltd
SK Hynix Inc

Good Governance
Adyen NV
Arcadis NV
Heineken Holding NV
Koninklijke Ahold Delhaize NV
Koninklijke DSM NV
Signify NV
Unilever PLC

xxxxxxxx
Airbus SE
Boeing Co/The
Cheniere Energy Inc
Deutsche Bank AG
Hana Financial Group Inc
Morgan Stanley
NextEra Energy Inc
Prysmian SpA
Wells Fargo & Co

Responsible Executive Remuneration
Aspen Technology Inc
Booking Holdings Inc
Henkel AG & Co KGaA
Linde PLC/old
NIKE Inc
Schneider Electric SE
Tesco PLC
WALT DISNEY CO/THE
Wolters Kluwer NV

VOTING RELATED ENGAGEMENTS

AGM Engagement 2023
Airbus SE
Boeing Co/The
Cheniere Energy Inc
Deutsche Bank AG
Hana Financial Group Inc
Morgan Stanley
NextEra Energy Inc
Prysmian SpA
Wells Fargo & Co

SDGS

SDG Engagement
Adobe Inc
Alphabet Inc
Amazon.com Inc
Amgen Inc
Apple Inc
Banco BTG Pactual S.A
Bank of Montreal
Capital One Financial Corp
CBRE Group Inc
CCR SA
Deutsche Boerse AG
eBay Inc
Elanco Animal Health Inc
Electronic Arts Inc
Elevance Health Inc
F5 Inc
Grupo Bimbo SAB de CV
Jeronimo Martins SGPS SA
L'Oreal SA
Meta Platforms Inc
Mr Price Group Ltd
Nasdaq Inc
Neste Oyj
Novartis AG
OTP Bank Nyrt
Rio Tinto PLC
Salesforce Inc
Salmar ASA
Samsung Electronics Co Ltd
Sandvik AB
Sony Group Corp
STMicroelectronics NV
TotalEnergies SE
Union Pacific Corp
United Parcel Service Inc
Volvo AB

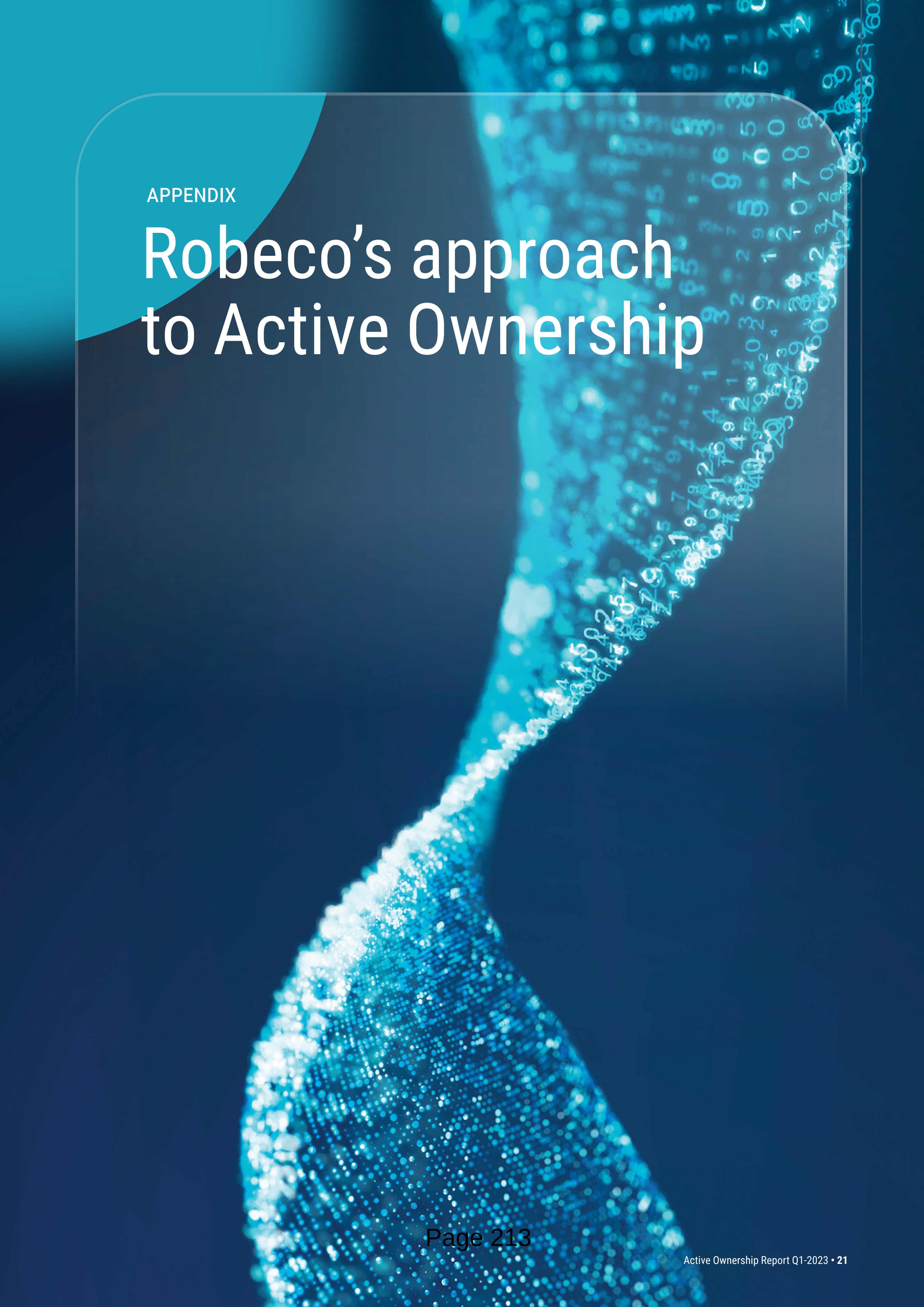
Global Controversy Engagement
Acceleration to Paris
African Rainbow Minerals Ltd
Anhui Conch Cement Co Ltd
Caterpillar Inc
Formosa Plastics Corp
ITOCHU Corp
Marubeni Corp
Mitsubishi Corp
Mitsui & Co Ltd
Nippon Steel Corp
POSCO Holdings Inc
SAIC Motor Corp Ltd
Sumitomo Corp
Toyota Industries Corp
WH Group Ltd

Palm Oil
MP Evans Group PLC
REA Holdings PLC
Wilmar International Ltd

Global Controversy Engagement
Currently, 9 companies are under engagement based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

APPENDIX

Robeco’s approach to Active Ownership



ROBECO'S ENGAGEMENT POLICY

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. We believe improvements in sustainable corporate behavior can result in an improved risk return profile of our investments. Robeco engages with companies worldwide, in both our equity and credit portfolios. Robeco carries out three different types of corporate engagement with the companies in which we invest;

Value engagement

a proactive engagement approach focusing on long-term environmental, social or corporate governance issues that are financially material or are causing adverse sustainability impacts. Engagements typically last for three years, after which progress against initially set objectives are evaluated, with unsuccessful closures being communicated to clients and investment teams but no divestment decision to follow.

Voting Related AGM engagement: Voting at the Annual General Meetings (AGM) of shareholders offers shareholders the opportunity to provide direct feedback to a company - either in advance or after a company's AGM. These dialogues are not recurring long-term engagements, but unique opportunities to amplify the impact of our voting decisions. Corporate governance as well as other sustainability topics that may arise during a shareholder meeting are covered under this section, if they are not covered in other parts of the engagement program.

SDG engagement

a proactive engagement approach focusing on driving clear and measurables improvements in a company's contribution to one or multiple of the Sustainable Development Goals. The engagement, lasting for three to five years, has its starting point within Robeco's SDG framework, identifying companies with the potential to meet key societal needs and works with timebound milestones to fulfil this potential.

Enhanced engagement

a reactive engagement approach, focusing on companies that severely and structurally breach minimum behavioral norms in areas such as human rights, labor, environment, biodiversity and business ethics, as defined by the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises. If after two to three years, the enhanced engagement does not lead to the desired change, exclusion from the investment universe may be a potential option. Clients may use their own discretion on whether to exclude a company from their investment universe. In all three types of engagement, Robeco aims to improve a company's behavior on environmental, social and/or corporate governance (ESG) related issues with the aim of improving the long-term performance of the company and ultimately the quality of investments for our clients.

More information on our engagement policy is available here: https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf

Robeco adopts a holistic approach to integrating sustainability. We view sustainability as a long-term driver of change in markets, countries and companies which impacts future performance. Based on this belief, sustainability is considered as one of the value drivers in our investment process, like the way we look at other drivers such as company financials or market momentum.

More information is available at: https://www.robeco.com/en-int/sustainable-investing/influence.

THE UN GLOBAL COMPACT

One of the principal codes of conduct in Robeco's engagement process is the United Nations Global Compact. The UN Global Compact supports companies and other social players worldwide in stimulating corporate social responsibility. The Global Compact became effective in 2000 and is the most endorsed code of conduct in this field. The Global Compact requires companies to embrace, support and adopt several core values within their own sphere of influence in the field of human rights, labor standards, the environment and anti-corruption measures. Ten universal principles have been identified to deal with the challenges of globalization.

Human rights

1. Companies should support and respect the protection of human rights as established at an international level
2. They should ensure that they are not complicit in human-rights abuses.

Labor standards

3. Companies should uphold the freedom of association and recognize the right to collective bargaining
4. Companies should abolish all forms of compulsory labor
5. Companies should abolish child labor
6. Companies should eliminate discrimination in employment.

Environment

7. Companies should adopt a prudent approach to environmental challenges
8. Companies should undertake initiatives to promote greater environmental responsibility
9. Companies should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Companies should work against all forms of corruption, including extortion and bribery.

More information can be found at: https://www.unglobalcompact.org/

OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries, and are another important framework used in Robeco's engagement process. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards.

The Guidelines' recommendations express the shared values of the governments of countries from which a large share of international direct investment originates and which are home to many of the largest multinational enterprises. The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide.

More information can be found at: http://mneguidelines.oecd.org/

INTERNATIONAL CODES OF CONDUCT

Robeco has chosen to use broadly accepted external codes of conduct in order to assess the ESG responsibilities of the entities in which we invest. Robeco adheres to several independent and broadly accepted codes of conduct, statements and best practices and is a signatory to several of these codes. Next to the UN Global Compact, the most important codes, principles, and best practices for engagement followed by Robeco are:

- International Corporate Governance Network (ICGN) statement on
- Global Governance Principles
- United Nations Global Compact
- United Nations Sustainable Development Goals
- United Nations Guiding Principles on Business and Human Rights

- OECD Guidelines for Multinational Enterprises
- Responsible Business Conduct for Institutional Investors (OECD)

In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices. In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices.

ROBECO'S VOTING POLICY

Robeco encourages good governance and sustainable corporate practices, which contribute to long-term shareholder value creation. Proxy voting is part of Robeco's Active Ownership approach. Robeco has adopted written procedures reasonably designed to ensure that we vote proxies in the best interest of our clients. The Robeco policy on corporate governance relies on the internationally accepted set of principles of the International Corporate Governance Network (ICGN). By making active use of our voting rights, Robeco can, on behalf of our clients, encourage the companies concerned to increase the quality of the management of these companies and to improve their sustainability profile. We expect this to be beneficial in the long term for the development of shareholder value.

COLLABORATION

Where necessary, Robeco coordinates its engagement activities with other investors. Examples of this includes Eumedion; a platform for institutional investors in the field of corporate governance and the Carbon Disclosure Project, a partnership in the field of transparency on CO_2 emissions from companies, and the ICCR. Another important initiative to which Robeco is a signatory is the United Nations Principles for Responsible Investment. Within this context, institutional investors commit themselves to promoting responsible investment, both internally and externally.

Robeco's Active Ownership Team

Robeco's voting and engagement activities are carried out by a dedicated Active Ownership Team. This team was established as a centralized competence center in 2005. The team is based in Rotterdam, the Netherlands, and Hong Kong. As Robeco operates across markets on a global basis, the team is multi-national and multi-lingual. This diversity provides an understanding of the financial, legal and cultural environment in which the companies we engage with operate. The Active Ownership team is part of Robeco's Sustainable Investing Center of Expertise headed by Carola van Lamoen. The SI Center of Expertise combines our knowledge and experience on sustainability within the investment domain and drives SI leadership by delivering SI expertise and insights to our clients, our investment teams, the company and the broader market. Furthermore, the Active Ownership team gains input from investment professionals based in local offices of the Robeco around the world. Together with our global client base we are able leverage this network to achieve the maximum possible impact from our Active Ownership activities.

ROBECO

Robeco Institutional Asset Management B.V. (Robeco) is a pure play international asset manager founded in 1929. It currently has offices in 15 countries worldwide and is headquartered in Rotterdam, the Netherlands. Through its integration of fundamental, sustainability and quantitative research, Robeco is able to offer institutional and private investors a selection of active investment strategies, covering a range of asset classes.

Sustainability investing is integral to Robeco's overall strategy. We are convinced that integrating environmental, social and governance (ESG) factors results in better-informed investment decisions. Further we believe that our engagement with investee companies on financially material sustainability issues will have a positive impact on our investment results and on society.

More information can be found at:
https://www.robeco.com

Important information

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I www.robeco.com

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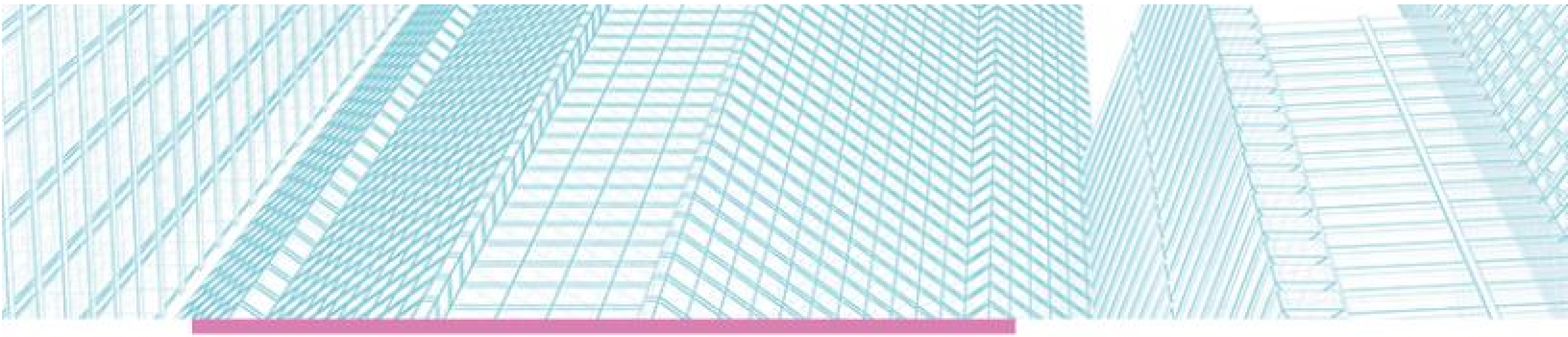
Wales Pension Partnership
GLOBAL OPPS EQUITY FUND

ROBECO
The Investment Engineers



Proxy Voting Report

Period: January 01, 2023 - March 31, 2023

Votes Cast	987	Number of meetings	75
For	877	With management	889
Withhold	4	Against management	98
Abstain	0		
Against	94		
Other	12		
Total	**987**	**Total**	**987**

In 52 (69%) out of 75 meetings we have cast one or more votes against management recommendation.

General Highlights

Board quality in focus
Recent years have dramatically altered the corporate governance landscape as public company directors faced unique challenges including the COVID-19 pandemic, Russia's invasion of Ukraine, soaring energy prices, and a cost-of-living crisis. This shift placed a renewed focus on board quality, as both investors and regulators directed significant scrutiny towards the directors' efforts to navigate these turbulent times. Against this backdrop, regulators rolled out several initiatives aimed at strengthening board composition and director accountability.

In the US, proxy fights entered a new era of universal proxy cards. The new rules adopted by the Securities and Exchange Commission enable shareholders voting remotely in contested elections to vote for a combination of candidates from the competing slates put forward by the dissident shareholder and the incumbent board, as they could if voting in person. The ability of shareholders voting by proxy to cherry-pick candidates will overhaul the mechanisms by which proxy fights were carried out in the US thus far, rendering individual board members more susceptible to removal and placing them under increased scrutiny.

On the other side of the Atlantic, the collapse of financial service provider Wirecard prompted Germany to adopt the Act on Strengthening the Financial Market Integrity, which sets stricter requirements for the governance of listed firms. Most notably, it requires that audit committees comprise two financial experts, one with expertise in accounting and one with expertise in auditing. Furthermore, the new rules also provide that management board members may attend meetings between the auditor and the supervisory board or its committees only if their attendance is deemed essential.

In the UK, we see a continued push for more robust board diversity. In April 2022, the country's Financial Conduct Authority released new rules "to boost disclosure of diversity on listed company boards". These rules require companies to annually disclose whether they meet a set of three specified targets on a "comply or explain" basis. In line with the new provisions, women should make up at least 40% of the board and should hold at least one of the senior board positions, while at least one member of the board should come from an ethnic minority background.

At the same time, Asian markets are witnessing a trend of increased focus on board quality as well. Recently, in January 2023, the Monetary Authority of Singapore amended the country's corporate governance code to limit the tenure of independent directors to nine years. Before this change, directors could continue to be deemed independent after having served on the board for nine years if their appointment was approved via a two-tier vote from all shareholders, as well as from all shareholders excluding the company's directors, CEO and their associates. The regulator noted that the two-tier vote mechanism had been heavily used to retain long-serving independent directors, "inhibiting board renewal and progress on board diversity."

Market Highlights

Corporate governance reform in the US

Investors are increasingly looking beyond balance sheets to understand a company's 'double materiality' impact on the wider world. To reinforce this, regulators around the globe including the US Securities and Exchange Commission (SEC) are tightening their requirements for disclosure on corporate environmental, social and governance (ESG) issues.

While the focus on ESG has massively gained in importance, there is broad consensus that there are still shortcomings in the quality, consistency and comparability of issuers' ESG reporting, and investors often lack the appropriate tools to voice their concerns regarding a company's ESG performance. Against this backdrop, 2022 saw SEC adopt a host of new rules which will improve the quality of US companies' disclosure and enhance a board's accountability to shareholders. In this article, we look back at five of the most relevant regulatory initiatives rolled out in the US in 2022.

1. Universal proxy cards: A new era of proxy fights

One of the major changes introduced was the SEC's adoption of new rules requiring the use of 'universal proxy cards' (UPCs) for any meetings involving contested elections. These rules mark a major development in overhauling the mechanisms by which US proxy contests have been carried.

Previously, shareholders voting by proxy were unable to 'mix and match' nominees put forward by the incumbent board and the dissident shareholder, as they could if they were voting in person. They were therefore faced with a binary choice – to vote for one slate or the other, opting for no change or sweeping change. Now they will be provided with a slate including the names of all dissident and registrant nominees, thereby being able to choose nominees from either side.

An equal footing

We welcome this change. First, it places investors voting in person or by proxy on an equal footing. Second, the new rules strengthen the means by which shareholders can hold companies accountable for poor governance. While there has been no shortage of speculation regarding the potential consequences of UPCs, one thing is certain: individual board candidates will be more vulnerable to replacement, and will therefore face more scrutiny from shareholders and other stakeholders.

In light of this, a major advantage of the new rules is that they will likely force companies to bolster their disclosure on board composition, refreshment, and the process for director nominations, as well as making them carry out an effective evaluation of the board to withstand this growing scrutiny.

2. Revamp of the shareholder proposal rule

In a separate initiative, the SEC proposed changes to the process by which shareholder proposals are included in a company's proxy statement. Under rule 14a-8, a company may omit a shareholder proposal from its proxy statement if it falls within one of 13 substantive bases for exclusion.

The proposed amendments would revise three of these criteria – 'substantial implementation', 'duplication' and 'resubmission' – in an effort to "improve the shareholder proposal process and promote consistency".

In recent years, the existing rules drew criticism over concerns that the standards for exclusion were not being consistently implemented, thereby leading to unpredictable outcomes. The amendments, if adopted as proposed, would address these concerns by ensuring a clearer framework for the rule's application.

Important means of engagement

We support the changes and stated our position by taking part in the SEC's public consultation on the issue. We view the shareholder proposal process as being one of the most important means of engagement between companies and shareholders, and believe that an effective process is crucial in ensuring that a variety of ESG issues reach ballots, with the aim of instilling corporate governance reform.

It is worth noting that the shareholder proposal process is currently under scrutiny in various jurisdictions across the world. In Germany, a lawsuit filed in 2022 against a car manufacturer will test whether a German company has the right to refuse to table a shareholder proposal. In Australia, the inability of shareholders to propose an advisory resolution or a shareholder vote to express an opinion unless permitted by the company's constitution continues to draw significant criticism. Against this backdrop, the US model is widely perceived as striking a balance between protecting issuers from being swamped by frivolous proposals, and in facilitating shareholder suffrage.

3. Link between pay and performance

In 2022, the SEC introduced the most substantial change to US executive compensation rules since 2006 – the adoption of the Pay Versus Performance Disclosure Requirements. The new rules require registrants to clearly illustrate the relationship between executive compensation and the financial performance of the company by providing certain disclosures in a tabular format, accompanied by narrative and/or graphical disclosure.

This information will supplement the compensation discussion and analysis disclosures and must include a new measure: the 'executive compensation actually paid'. This figure must be calculated based on a prescribed formula and represents total compensation as reported in the summary compensation table, but adjusted to reflect changes in the value of stock awards and pension benefits.

Having appropriate remuneration

Both in our engagement and voting, we place great emphasis on whether companies have an appropriate remuneration program for executives. This is because we believe that a company's executive remuneration policy is one of the main instruments with which to guide, evaluate and reward the behavior and achievements of executives.

Hence, we welcome the new rules, as these will aid investors in their evaluation of companies' remuneration policies and practices. In addition, the new disclosure requirements will likely incentivize issuers to re-evaluate and strengthen the link between executive pay and performance.

4. The long-awaited clawback rule

The SEC's adoption of new rules implementing the clawback provisions of the Dodd-Frank Act was another noteworthy improvement. The rules direct national securities exchanges to adopt listing standards requiring issuers to adopt and apply a written clawback policy and to meet related reporting obligations.

The clawback policy must provide for the recoupment, upon either a 'big R' or a 'little r' accounting restatement, of incentive-based compensation received by current or former executive officers, based on erroneously reported financial information. The policy must apply irrespective of whether the executive engaged in misconduct or not, with the rules requiring that registrants provide detailed disclosure regarding actions to recover erroneously awarded compensation.

Enhancing transparency

We support the new rules as they will strengthen a board's accountability to shareholders and enhance the transparency of companies' disclosure. Notably however, some argue that companies may resort to increasing the ratio of fixed, time-based or discretionary pay, so as to shield executives from the prospect of recoupment, given that the new rules solely cover compensation tied to the achievement of a financial reporting measure.

We are strong proponents of pay-for-performance and consider that a significant portion of the executives' pay should be linked to the achievement of relevant objectives that are aligned with the firm's long-term strategy. Hence, we will oppose any changes which we assess would weaken the alignment between pay and performance.

5. Climate disclosure amidst ESG backlash

Finally, in 2022, the SEC proposed new climate-related disclosure requirements for registrants in an effort to "provide investors with consistent, comparable, and decision-useful information for making their investment decisions, and (...) provide consistent and clear reporting obligations for issuers."

Under the new rules, companies would be required to provide disclosure on, inter alia, the governance of climate-related risks, Scope 1 and 2 greenhouse gas emissions, and Scope 3 emissions if these are material. They also apply if the registrant has set an emissions reduction target that includes Scope 3, as well as various other qualitative and quantitative climate risk disclosures.

We expressed our support for the proposed rules in our response to the SEC consultation and consider that the new requirements will provide investors with climate-related information that is essential for appropriately pricing climate risks.

A driver of change

Moreover, we view the proposed requirements as more than just a call for greater disclosure, but as a driver of change. The new rules, if adopted as proposed, will force companies to review their policies and practices with regards to climate risk, and to evaluate whether their board members display sufficient climate-related expertise.

While the climate rule faces notable resistance given the growing US debate over sustainable investing and what critics refer to as 'woke capitalism', we strongly believe that the adoption of the rules will benefit investors and issuers alike.

The new regulations will require companies to step up their efforts by enhancing their disclosure, policies and practices. Achieving compliance should not be viewed as merely a box-ticking exercise. Instead, companies should ensure that they take a structured and systematic approach to addressing ESG issues material to their business.

Voting Highlights

Costco Wholesale Corp - 01/19/2023 - United States
Proposals: Board Elections and Shareholder Proposal regarding Report On Risks From State Policies Restricting Reproductive Health Care.

Costco Wholesale Corporation, together with its subsidiaries, engages in the operation of membership warehouses in the United States, Puerto Rico, Canada, the United Kingdom, Mexico, Japan, Korea, Australia, Spain, France, Iceland, China, and Taiwan.

In the 2023 Annual General Meeting (AGM) of the company, the usual corporate governance agenda items were up to vote, and one shareholder proposal. We voted Against the Chair of the Nomination Committee, since, currently, the board is 27.3% gender diverse, below our 30% threshold for publicly traded companies in the US. We believe that it is the responsibility of the Nomination Committee to promote diversity and disclose additional information regarding the gender/race/ethnicity diversity of the directors, which would allow shareholders to understand board diversity policies and considerations on nominations from underrepresented communities.

The shareholder proposal that made it to the ballot requested the company to report any known or potential risks and costs to the company caused by enacted or proposed state policies severely restricting reproductive rights and detailing any strategies beyond litigation and legal compliance that the company may deploy to minimize or mitigate these risks. Since last year, with the Roe VS. Wade overturned by the US Supreme Court, many employees have been facing more significant challenges accessing abortion care, which can potentially harm company's efforts on the topic of diversity and inclusion. We believe that the proposal will increase transparency on a material issue. The resolution received 13.3% support from shareholders.

Metro Inc - 01/24/2023 - Canada
Proposals: Shareholder Proposals regarding the Adoption of Emission Reduction Targets in line with Paris and a Human Rights Impact Assessment.

Metro Inc. operates as a retailer, franchisor, distributor, and manufacturer in the food and pharmaceutical sectors in Canada.

Besides the regular governance-related agenda items like the election of Board directors, the appointment of the auditor and an advisory vote on Executive compensation, the 2023 Annual General Meeting (AGM) of Metro Inc. included two shareholder proposals. The first shareholder proposal requested the company to adopt near- and long-term science-based greenhouse gas emissions reduction targets, including Scope 3 emissions from its full value chain. These targets should align with the Paris Agreement's 1.5°C goal requiring net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030. After analyzing the proposal, we decided to vote in favor of it, as we believe it is a reasonable request which allows sufficient latitude to the board while making sure the company prepares and plans for mitigating environmental risks.

The second shareholder proposal requested the company to publish a report, at reasonable cost and omitting proprietary information, with the results of an independent Human Rights Impact Assessment identifying and assessing the actual and potential human rights impacts on migrant workers from the Company's business activities in its domestic operations and supply chain in Canada. In this case, Robeco's general approach applies to support shareholder proposals requesting reporting on company's compliance with international human rights standards.

While support rates for both proposals were around 28.5%, neither got approved by a majority of shareholders.

Visa Inc - 01/24/2023 - United States
Proposals: Advisory Vote on Executive Compensation, Election of Directors, and a Shareholder Proposal regarding the Separation of Chair And CEO Roles.

Visa Inc. operates as a payments technology company worldwide. The company operates VisaNet, a transaction processing network that enables authorization, clearing, and settlement of payment transactions.

As customary at the company's Annual General Meeting (AGM), this year's AGM saw the company's executive compensation up for shareholder approval, along with other usual management proposals, and a shareholder proposal requesting the separation of chair and CEO roles.

Similarly to previous years, we were not able to support this year's advisory vote on executive compensation. After reviewing the proposal, we determined that the total height of the CEO's remuneration was excessive and bore a significant cost for shareholders. Additionally, we held concerns regarding the largely discretionary nature of the short-term incentives and short performance period of the long-term incentives. Robeco has had repeated concerns regarding the company's remuneration practices, which resulted in votes Against remuneration proposals for more than three years in a row. Our continuous opposition towards the company's compensation practices has been escalated through our vote Against the re-election of the Chair of the Compensation Committee, as we deem the director most responsible for the persistent remuneration issues.

Lastly, the shareholder proposal included in the agenda requested that the Chair of the Board of Directors be an independent member of the Board. Robeco agrees with the merit of the resolution and we are generally supportive of the separation of the Chair and CEO roles. However, further analysis of the reasoning behind the proposal revealed that it aimed at diminishing the CEO's decision-making powers due to the proponent's criticism of the company's recent ESG efforts. Consequently, Robeco deemed this proposal as an attempt to frustrate the company's ESG ambitions, and we were unable to support it.

Accenture plc - 02/01/2023 - United States
Proposals: Election of Directors, Advisory Vote on Executive Compensation.

Accenture plc, a professional services company, provides strategy and consulting, interactive, industry X, song, and technology and operation services worldwide.

Unlike previous years, at the company's 2023 Annual General Meeting (AGM) we voted Against the re-election of two directors due to concerns regarding their external commitments. Both directors hold executive roles at public companies, while also serving on two public company boards. We believe that the time commitment required from the combination of executive duties and multiple board directorships may inhibit these directors from fulfilling the responsibilities required from them.

Additionally, we voted Against this year's Say-on-Pay proposal due to concerns with the total height of the CEO's compensation, which we deemed excessive and of significant cost to shareholders. Moreover, upon reviewing the proposed remuneration plan we identified multiple concerning structural elements. Firstly, the short-term incentives were largely discretionary, which can contribute to executive payouts that are not aligned with the company's performance. Secondly, the long-term incentives allow for vesting below median TSR performance, which results in awards granted for underperformance relative to peers. Lastly, a significant portion of long-term incentive awards vests over a period shorter than three years, with some of these vesting as quickly as one month after the grant date. This is the second year in a row where we are unable to support the company's remuneration proposal, so we will continue to monitor these issues carefully until next year's AGM, where we will decide whether to escalate our concerns.

Novartis AG - 03/07/2023 - Switzerland
Proposal: Amendments to Articles – Virtual General Meetings.

Novartis AG researches, develops, manufactures, and markets healthcare products worldwide. The company operates through two segments, Innovative Medicines and Sandoz.

Since January 1, 2023, the revised Swiss Code of Obligations allows companies to convene virtual-only general meetings "if the articles of association so permit". As a consequence, the first quarter of 2023 saw several Swiss companies, such as Novartis, seek shareholder approval to amend their articles of association to allow general meetings to be held virtually, in line with the new regulatory changes.

Robeco believes that the use of electronic means combined with a physical venue to convene hybrid general meetings is beneficial to shareholder rights. This enables participation from shareholders who are otherwise unable to attend the meetings in person, while also preserving the option to attend physically. On the other hand, we believe that virtual-only meetings can harm shareholder participation rights, hence we generally oppose their implementation. The amendments proposed by Novartis did not alleviate our concerns, given that these do not restrict the ability to hold virtual-only meetings under exceptional circumstances only, and do not sufficiently address our concerns that the virtual-only meeting format would lead to a deterioration in minority shareholder rights.

Apple Inc - 03/10/2023 - United States
Proposals: Advisory Vote on Executive Compensation, Shareholder Proposal regarding Median Gender and Racial Pay Equity Report, and Anti-ESG Shareholder Proposals.

Apple Inc. designs, manufactures, and markets smartphones, personal computers, tablets, wearables, and accessories worldwide. It also sells various related services.

Similarly to previous years, at the company's Annual General Meeting (AGM), among the usual management proposals, like approval of remuneration report and board elections, there were also five shareholder resolutions focusing on social and governance topics.

Robeco decided to vote Against the executive remuneration report because we are concerned with the significant height of the total compensation. Additionally, we identified issues with the structure of the remuneration package since the Long term incentive (LTI) plan is overly reliant on only one relative metric (TSR). This would result in vesting to occur for below-median performance since Performance Stock Units (PSUs)would be capped at target, even when TSR is negative. The say-on-pay proposal received 89% support from shareholders.

On the shareholder resolutions front, this year, we voted Against two anti-ESG shareholder resolutions that made it to the ballot. The proposals requested the company to commission and publish an audit analyzing its impacts on civil rights and non-discrimination, and to report on corporate operations with China. Though at first sight, the proposals seem supportable, by closely examining the proponents' supporting statements, we concluded that they aim to inhibit the company's actions on their respective focus areas. Both resolutions received below 5% support from shareholders.

Lastly, we supported the shareholder proposal focusing on promoting gender and racial pay equity, by increasing disclosure and transparency. Specifically, the proposal requested the company to report on median pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. Almost 34% of shareholders supported this resolution, indicating the importance of this social topic.

SK Hynix Inc - 03/29/2023 - South Korea
Proposals: Financial Statements and Election of Audit Committee Member.

SK Hynix Inc., together with its subsidiaries, engages in the manufacture, distribution, and sale of semiconductor products worldwide. The company offers memory semiconductor products, including DRAM, NAND flash, multi-chip package, etc.

In the 2023 Annual General Meeting (AGM) of the company, as customary to most Korean companies, and similar to previous years, there was a bundled proposal related to the financial statements and the allocation of profits and dividends. The company provided evidence regarding their published audited financial statements during an engagement call we had a few days before the AGM. Nevertheless, we decided to vote Against the bundled resolution, advising the company to publish the audited financial accounts at least 21 days before the meeting, allowing for sufficient time for investors and proxy advisors to assess them.

During the call, we also discussed the nomination of a new independent director who is an external consultant at a law firm which has a professional services relationship with the company. The company remarked that the candidate is not a practicing lawyer, but a part-time advisor at the law firm. Moreover, an independent director of the board nominated her, based on her qualifications and the fact that her appointment would improve the board’s diversity. We decided to classify her as independent and we supported her election as an Audit Committee member.

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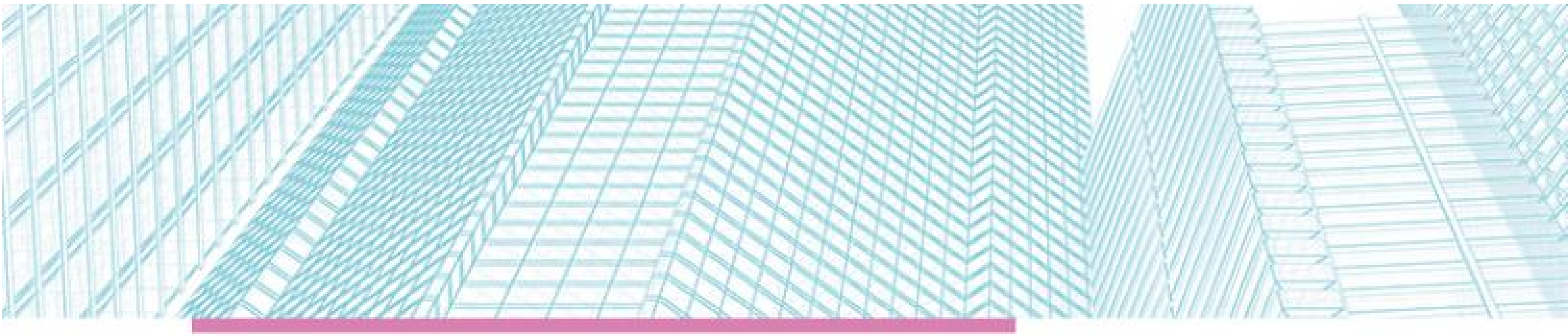
Wales Pension Partnership
Emerging Markets Fund

ROBECO
The Investment Engineers



Proxy Voting Report

Period: January 01, 2023 - March 31, 2023

Votes Cast	880	Number of meetings	105
For	687	With management	692
Withhold	1	Against management	188
Abstain	0		
Against	192		
Other	0		
Total	**880**	**Total**	**880**

In 65 (62%) out of 105 meetings we have cast one or more votes against management recommendation.

General Highlights

Board quality in focus

Recent years have dramatically altered the corporate governance landscape as public company directors faced unique challenges including the COVID-19 pandemic, Russia's invasion of Ukraine, soaring energy prices, and a cost-of-living crisis. This shift placed a renewed focus on board quality, as both investors and regulators directed significant scrutiny towards the directors' efforts to navigate these turbulent times. Against this backdrop, regulators rolled out several initiatives aimed at strengthening board composition and director accountability.

In the US, proxy fights entered a new era of universal proxy cards. The new rules adopted by the Securities and Exchange Commission enable shareholders voting remotely in contested elections to vote for a combination of candidates from the competing slates put forward by the dissident shareholder and the incumbent board, as they could if voting in person. The ability of shareholders voting by proxy to cherry-pick candidates will overhaul the mechanisms by which proxy fights were carried out in the US thus far, rendering individual board members more susceptible to removal and placing them under increased scrutiny.

On the other side of the Atlantic, the collapse of financial service provider Wirecard prompted Germany to adopt the Act on Strengthening the Financial Market Integrity, which sets stricter requirements for the governance of listed firms. Most notably, it requires that audit committees comprise two financial experts, one with expertise in accounting and one with expertise in auditing. Furthermore, the new rules also provide that management board members may attend meetings between the auditor and the supervisory board or its committees only if their attendance is deemed essential.

In the UK, we see a continued push for more robust board diversity. In April 2022, the country's Financial Conduct Authority released new rules "to boost disclosure of diversity on listed company boards". These rules require companies to annually disclose whether they meet a set of three specified targets on a "comply or explain" basis. In line with the new provisions, women should make up at least 40% of the board and should hold at least one of the senior board positions, while at least one member of the board should come from an ethnic minority background.

At the same time, Asian markets are witnessing a trend of increased focus on board quality as well. Recently, in January 2023, the Monetary Authority of Singapore amended the country's corporate governance code to limit the tenure of independent directors to nine years. Before this change, directors could continue to be deemed independent after having served on the board for nine years if their appointment was approved via a two-tier vote from all shareholders, as well as from all shareholders excluding the company's directors, CEO and their associates. The regulator noted that the two-tier vote mechanism had been heavily used to retain long-serving independent directors, "inhibiting board renewal and progress on board diversity."

Market Highlights

Corporate governance reform in the US

Investors are increasingly looking beyond balance sheets to understand a company's 'double materiality' impact on the wider world. To reinforce this, regulators around the globe including the US Securities and Exchange Commission (SEC) are tightening their requirements for disclosure on corporate environmental, social and governance (ESG) issues.

While the focus on ESG has massively gained in importance, there is broad consensus that there are still shortcomings in the quality, consistency and comparability of issuers' ESG reporting, and investors often lack the appropriate tools to voice their concerns regarding a company's ESG performance. Against this backdrop, 2022 saw SEC adopt a host of new rules which will improve the quality of US companies' disclosure and enhance a board's accountability to shareholders. In this article, we look back at five of the most relevant regulatory initiatives rolled out in the US in 2022.

1. Universal proxy cards: A new era of proxy fights

One of the major changes introduced was the SEC's adoption of new rules requiring the use of 'universal proxy cards' (UPCs) for any meetings involving contested elections. These rules mark a major development in overhauling the mechanisms by which US proxy contests have been carried.

Previously, shareholders voting by proxy were unable to 'mix and match' nominees put forward by the incumbent board and the dissident shareholder, as they could if they were voting in person. They were therefore faced with a binary choice – to vote for one slate or the other, opting for no change or sweeping change. Now they will be provided with a slate including the names of all dissident and registrant nominees, thereby being able to choose nominees from either side.

An equal footing

We welcome this change. First, it places investors voting in person or by proxy on an equal footing. Second, the new rules strengthen the means by which shareholders can hold companies accountable for poor governance. While there has been no shortage of speculation regarding the potential consequences of UPCs, one thing is certain: individual board candidates will be more vulnerable to replacement, and will therefore face more scrutiny from shareholders and other stakeholders.

In light of this, a major advantage of the new rules is that they will likely force companies to bolster their disclosure on board composition, refreshment, and the process for director nominations, as well as making them carry out an effective evaluation of the board to withstand this growing scrutiny.

2. Revamp of the shareholder proposal rule

In a separate initiative, the SEC proposed changes to the process by which shareholder proposals are included in a company's proxy statement. Under rule 14a-8, a company may omit a shareholder proposal from its proxy statement if it falls within one of 13 substantive bases for exclusion.

The proposed amendments would revise three of these criteria – 'substantial implementation', 'duplication' and 'resubmission' – in an effort to "improve the shareholder proposal process and promote consistency".

In recent years, the existing rules drew criticism over concerns that the standards for exclusion were not being consistently implemented, thereby leading to unpredictable outcomes. The amendments, if adopted as proposed, would address these concerns by ensuring a clearer framework for the rule's application.

Important means of engagement

We support the changes and stated our position by taking part in the SEC's public consultation on the issue. We view the shareholder proposal process as being one of the most important means of engagement between companies and shareholders, and believe that an effective process is crucial in ensuring that a variety of ESG issues reach ballots, with the aim of instilling corporate governance reform.

It is worth noting that the shareholder proposal process is currently under scrutiny in various jurisdictions across the world. In Germany, a lawsuit filed in 2022 against a car manufacturer will test whether a German company has the right to refuse to table a shareholder proposal. In Australia, the inability of shareholders to propose an advisory resolution or a shareholder vote to express an opinion unless permitted by the company's constitution continues to draw significant criticism. Against this backdrop, the US model is widely perceived as striking a balance between protecting issuers from being swamped by frivolous proposals, and in facilitating shareholder suffrage.

3. Link between pay and performance

In 2022, the SEC introduced the most substantial change to US executive compensation rules since 2006 – the adoption of the Pay Versus Performance Disclosure Requirements. The new rules require registrants to clearly illustrate the relationship between executive compensation and the financial performance of the company by providing certain disclosures in a tabular format, accompanied by narrative and/or graphical disclosure.

This information will supplement the compensation discussion and analysis disclosures and must include a new measure: the 'executive compensation actually paid'. This figure must be calculated based on a prescribed formula and represents total compensation as reported in the summary compensation table, but adjusted to reflect changes in the value of stock awards and pension benefits.

Having appropriate remuneration

Both in our engagement and voting, we place great emphasis on whether companies have an appropriate remuneration program for executives. This is because we believe that a company's executive remuneration policy is one of the main instruments with which to guide, evaluate and reward the behavior and achievements of executives.

Hence, we welcome the new rules, as these will aid investors in their evaluation of companies' remuneration policies and practices. In addition, the new disclosure requirements will likely incentivize issuers to re-evaluate and strengthen the link between executive pay and performance.

4. The long-awaited clawback rule

The SEC's adoption of new rules implementing the clawback provisions of the Dodd-Frank Act was another noteworthy improvement. The rules direct national securities exchanges to adopt listing standards requiring issuers to adopt and apply a written clawback policy and to meet related reporting obligations.

The clawback policy must provide for the recoupment, upon either a 'big R' or a 'little r' accounting restatement, of incentive-based compensation received by current or former executive officers, based on erroneously reported financial information. The policy must apply irrespective of whether the executive engaged in misconduct or not, with the rules requiring that registrants provide detailed disclosure regarding actions to recover erroneously awarded compensation.

Enhancing transparency

We support the new rules as they will strengthen a board's accountability to shareholders and enhance the transparency of companies' disclosure. Notably however, some argue that companies may resort to increasing the ratio of fixed, time-based or discretionary pay, so as to shield executives from the prospect of recoupment, given that the new rules solely cover compensation tied to the achievement of a financial reporting measure.

We are strong proponents of pay-for-performance and consider that a significant portion of the executives' pay should be linked to the achievement of relevant objectives that are aligned with the firm's long-term strategy. Hence, we will oppose any changes which we assess would weaken the alignment between pay and performance.

5. Climate disclosure amidst ESG backlash

Finally, in 2022, the SEC proposed new climate-related disclosure requirements for registrants in an effort to "provide investors with consistent, comparable, and decision-useful information for making their investment decisions, and (...) provide consistent and clear reporting obligations for issuers."

Under the new rules, companies would be required to provide disclosure on, inter alia, the governance of climate-related risks, Scope 1 and 2 greenhouse gas emissions, and Scope 3 emissions if these are material. They also apply if the registrant has set an emissions reduction target that includes Scope 3, as well as various other qualitative and quantitative climate risk disclosures.

We expressed our support for the proposed rules in our response to the SEC consultation and consider that the new requirements will provide investors with climate-related information that is essential for appropriately pricing climate risks.

A driver of change

Moreover, we view the proposed requirements as more than just a call for greater disclosure, but as a driver of change. The new rules, if adopted as proposed, will force companies to review their policies and practices with regards to climate risk, and to evaluate whether their board members display sufficient climate-related expertise.

While the climate rule faces notable resistance given the growing US debate over sustainable investing and what critics refer to as 'woke capitalism', we strongly believe that the adoption of the rules will benefit investors and issuers alike.

The new regulations will require companies to step up their efforts by enhancing their disclosure, policies and practices. Achieving compliance should not be viewed as merely a box-ticking exercise. Instead, companies should ensure that they take a structured and systematic approach to addressing ESG issues material to their business.

Voting Highlights

Samsung SDI Co. Ltd. - 03/15/2023 - South Korea
Proposals: Director Elections and the Approval of the Financial Statements and Allocation of Profits/Dividends.

Samsung SDI Co., Ltd. manufactures and sells batteries in South Korea, Europe, China, North America, and internationally. The company operates through two segments, Energy solutions and Electronic Materials.

Samsung SDI's 2023 AGM agenda included a series of items routinely encountered on Korean company ballots. One resolution was of particular importance, namely the approval of the financial statements and the allocation of profits/dividends, which were bundled in one proposal.

The company had not released audited financial statements at the time of our initial review of the meeting materials. Notably, submitting unaudited financials for approval is not uncommon for Korean companies. This is widely perceived as being prompted by a much-criticized particularity of the country's regulations, whereby the deadline for submitting the audited financials is set 7 days after the deadline for dispatching the meeting notice and circular. That said, we expect companies to disclose the audited financial statements ahead of the meeting to provide shareholders with reliable, accurate and transparent financial information. We were satisfied that the company subsequently released the audited financial statements at least 21 days prior to the meeting date, prompting us to vote For the resolution.

SK Hynix Inc - 03/29/2023 - South Korea
Proposals: Financial Statements and Election of Audit Committee Member.

SK Hynix Inc., together with its subsidiaries, engages in the manufacture, distribution, and sale of semiconductor products worldwide. The company offers memory semiconductor products, including DRAM, NAND flash, multi-chip package, etc.

In the 2023 Annual General Meeting (AGM) of the company, as customary to most Korean companies, and similar to previous years, there was a bundled proposal related to the financial statements and the allocation of profits and dividends. The company provided evidence regarding their published audited financial statements during an engagement call we had a few days before the AGM. Nevertheless, we decided to vote Against the bundled resolution, advising the company to publish the audited financial accounts at least 21 days before the meeting, allowing for sufficient time for investors and proxy advisors to assess them.

During the call, we also discussed the nomination of a new independent director who is an external consultant at a law firm which has a professional services relationship with the company. The company remarked that the candidate is not a practicing lawyer, but a part-time advisor at the law firm. Moreover, an independent director of the board nominated her, based on her qualifications and the fact that her appointment would improve the board's diversity. We decided to classify her as independent and we supported her election as an Audit Committee member.

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DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.12.1	Rebalancing and cash management	HCPF (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

June 2023 Redeem c.£130m WPP Global Opportunities Equity Fund
Invest £195m WPP Sustainable Active Equity Fund

Since the February committee, the Fund has transitioned its WPP Global Opportunities Equity Fund assets to the WPP Sustainable Active Equity Fund. As mentioned in section 1.06 (*Transition of Assets)* of the covering report, additional funding has been sourced from the Fund's cash holdings.

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 31st March 2023 was £98.2m (£103.6m at 31st December 2022). Private Market drawdowns exceeded distributions by £1.8m during the quarter. The overall 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. Monthly cash flows for the financial year 2022/23 are shown graphically at the end of the delegations appendix.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.12.2	Short term tactical decisions relating to the 'best ideas' portfolio	HCPF (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 February 2023 the following transactions were agreed within the TAA (Best Ideas) Portfolio.

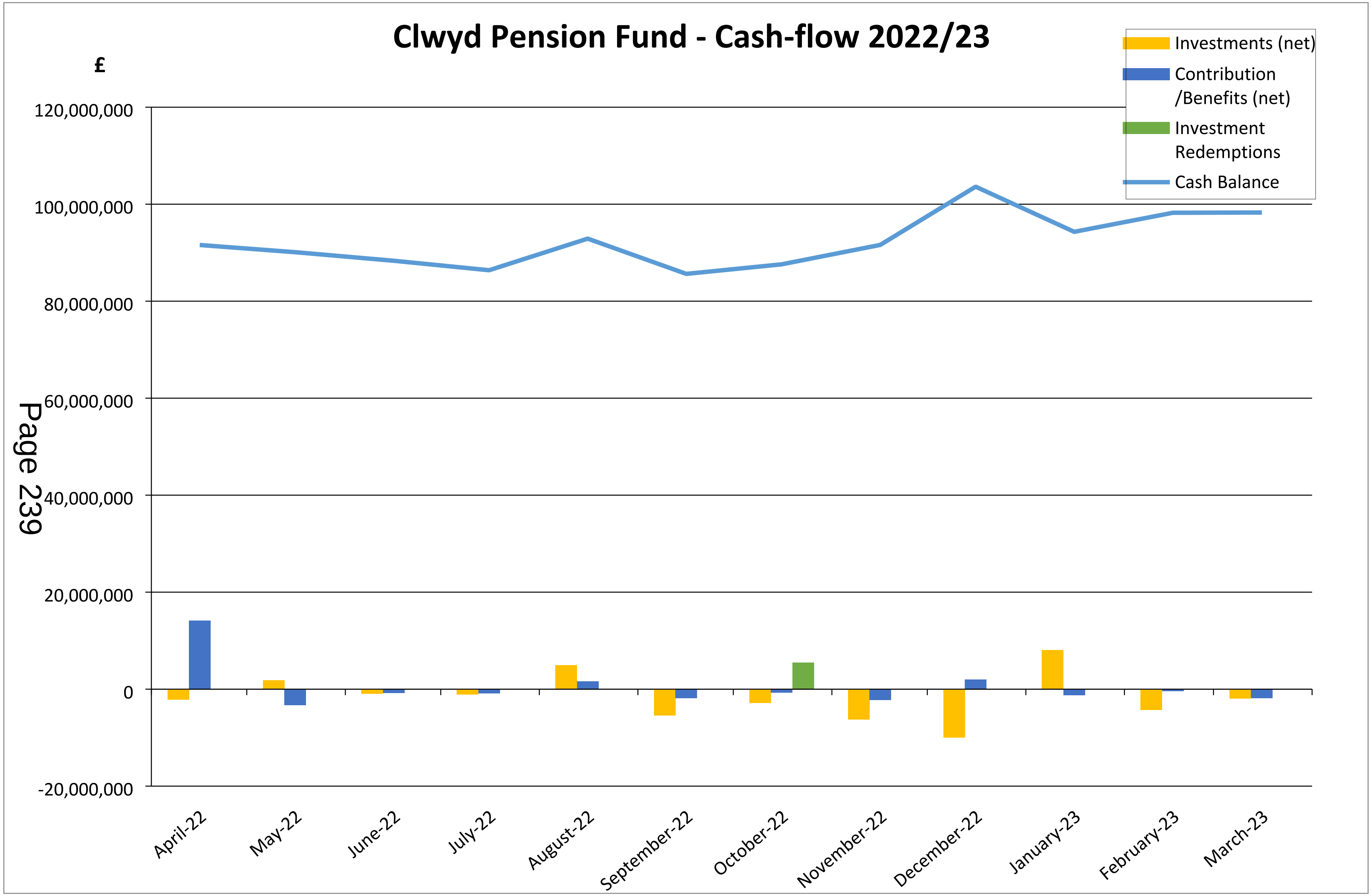
- Full redemption LGIM UK Equity Fund – £15.9m (crystallisation +5.7%)
- Full redemption LGIM Commodity Index Fund – £20.1m (crystallisation +20.2%)
- Invest £15.9m in LGIM Future World Europe (ex UK) Equity Index Fund
- Invest £20.1m in LGIM High Yield Fund
- Full redemption Ninety One Global Natural Resources Fund – £20.8m (crystallisation +16.0%)
- Invest £6.2m in LGIM High Yield Fund
- Invest £13.1m in LGIM Future World Japan Equity Index Fund
- Partial redemption BlackRock US Opportunities Fund – £12.7m
- Invest £10.3m in LGIM Future World Europe (ex UK) Equity
- Invest £13.1m in LGIM Future World Japan Equity Fund
- Invest £13.2m in LGIM Emerging Markets Passive Local Currency Government Bond Fund
- Partial redemption LGIM Sterling Liquidity Fund – £24m

The current allocations within the portfolio following the transactions are:

- US Equities (1.9%)
- European Equity (1.1%)
- Japanese Equity (1.1%)
- Infrastructure (1.6%)
- High Yield Bonds (1.1%)
- Short Dated Bonds (2.2%)
- Emerging Markets Government Bonds (0.6%)
- Liquidity Fund (1.4%)

As at the end of March 2023, the Best Ideas portfolio 1 year performance was -3.8% against a target of +13.3% and the 3 year performance was +12.2% against a target of +8.2%.

- The Fund has made no new commitments during the quarter.


Clwyd Pension Fund - Cash-flow 2022/23
£
120,000,000
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
0
-20,000,000
Investments (net)
Contribution /Benefits (net)
Investment Redemptions
Cash Balance
April-22
May-22
June-22
July-22
August-22
September-22
October-22
November-22
December-22
January-23
February-23
March-23

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

Funding & Investment Risks (includes accounting and audit)

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

12 June 2023

Clwyd Pension Fund - Control Risk Register

Funding & Investment Risks (includes accounting and audit)

Objectives extracted from Funding Strategy Statement (02/2023) and Investment Strategy Statement (03/2022):

F1 Achieve and maintain assets equal to 100% of liabilities within the 12 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	Very 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		☺				Head of CPF	31/03/2025	21/06/2023
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	Sep 2023 (market dependant)	1 - Continue to monitor market conditions and respond through the trigger framework (DF) 2 - In conjunction with Risks 3, 4 and 5 – overall market conditions are monitored continuously (DF) - See points within points 3, 4 and 5	Head of CPF	30/08/2023	21/06/2023
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	Significant		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 factors impacting inflation. 8 - Equity Protection and Currency Hedging Strategy in place to protect equity gains and potentially reduce volatility of contributions. 9 - 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		😐 Current likelihood 1 too high	02/08/2022	Sep 2023 (market dependant)	1 - Continue to monitor market conditions, underlying asset classes and investment managers either directly or via WPP (DF) 2 - Ongoing consideration of officer succession planning, including maintaining local inestment knowledge (PL)	Dep. Head of CPF	30/08/2023	21/06/2023
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 - The level of hedging will increase as triggers continue to be hit, the level of hedging continues to be monitored and reported.	Marginal	Very Low		😐 Current impact 1 too high Current likelihood 1 too high	31/03/2016	Sep 2023 (market dependent)	1 - Continue to monitor market conditions and respond through the trigger framework (DF) 2 - In conjunction with Risks 3 and 5 – overall market conditions are monitored continuously (DF)	Dep. Head of CPF	30/08/2023	21/06/2023
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 - Consider as part of Triennial Actuarial Valuation (DF)	Dep. Head of CPF	30/08/2023	21/06/2023
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), 2022 consultation and other funding and investment related requirements - ultimately this could increase employer costs	F1 / F2 / F3 / F4 / F5 / F6 / F7/I1	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 - Potential legislative agenda for ambitious net zero is an ongoing point of focus 6 - Continue with the monitoring of Link via the Host Authority in terms of performance and ability to continue to provide polling services 7 - 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	June 2024 (subject to consultation dates)	1 - Actively participate in the procurement of the WPP operator (DF) 2 - Respond to Government consultations on investments including updated pooling guidance and levelling up when released (DF)	Dep. Head of CPF	30/08/2023	21/06/2023
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. - 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 issues 6 - Employers have been informed to notify Fund of any significant restructuring exercises. 7 - 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 - Ongoing monitoring of cashflow and collateral in the context of new valuation contributions (DF)	Dep. Head of CPF	30/08/2023	21/06/2023
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	Unlikely		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		☺			1 - Ongoing monitoring and consideration (DF)	Dep. Head of CPF	30/08/2023	21/06/2023
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, I1, I2	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 Net Zero ambition by 2045 for its Investment Strategy.	Critical	Low		😐 Current likelihood 1 too high	03/02/2020	Sep 2023	1 -Implement the responsible investment plan as outlined in the business plan including a review of the current carbon reduction targets, and initial training on nature related financial disclosures. (DF) 2 - Work with WPP to ensure the Fund is able to implement the Fund's RI Policy and ambitions effectively via WPP (DF) 3- Developed an RI framework to assist the Committee in its assessment of implementing the Fund's overall RI objectives (DF)	Dep. Head of CPF	30/08/2023	21/06/2023

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 21 June 2023
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 31 March 2023 and are attached as appendices to this report.

Economy and Markets

- Inflation and central bank policy were once again key market drivers over the quarter, as both the Federal Reserve and the Bank of England raised interest rates.
- Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained more elevated than expected.
- Resilient growth, receding inflation and expectations of banking distress not becoming systemic for now led to overall positive equity and bond performance over the quarter.
- Global equities posted strong returns over the quarter returning +4.3% (+7.0% local currency terms).

Performance Monitoring Report

- Over the three months to 31 March 2023, the Fund's total market value increased in value by £80.9m to £2,289.2m.
- Fund Performance over 3 months, 12 months and 3 years; +3.7%, -6.4% and +9.5% p.a., respectively.
- Performance over the 12 month period was largely driven by rises in gilt yields.
- Fund Performance is ahead of the composite benchmark for the 3 year period, though behind in relation to the 3 month and 12 month periods.
- Physical equity positions are underweight to target allocations, however an implementation plan is in place to increase the Fund's developed equity exposure towards the recently agreed 15% target. The CRMF remained overweight to its target, however, all positions are within target ranges as at quarter end.

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 March 2023 are noted along with the Economic and Market update.

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	Investors welcomed the new year, following the worst year for equity and bond returns for over 150 years. However, the first quarter did not lack headlines. The demise of Silicon Valley Bank (SVB), the second largest US bank failure in history, and UBS's shotgun takeover of Credit Suisse were the major events of the quarter. Developed market central banks continued raising rates through the quarter as overall growth momentum remained robust. Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained more elevated than expected. Resilient growth, receding inflation and expectations of banking distress not becoming systemic, for now, led to overall positive equity and bond performance over the quarter. US GDP expanded by 2.7% over Q4 2022 quarter-on-quarter (annualised) and a similar figure is expected for Q1 2023. Headline US CPI moderated over the quarter falling to 6.0% in February 2023 from 6.5% at the end of December 2022. Core US inflation has also begun to decline in recent months but at a slowing rate. The Federal Reserve ('Fed') remained steadfast and increased rates by an additional 0.25% over Q1 2023, as it deemed the banking distress to be idiosyncratic and manageable through liquidity provisions. As at quarter end, the Fed economic forecasts show short term rates peaking at 5.125% in 2023, which implies another increase of 0.25% this year. However, the swaps market is pricing a lower peak, as well as cuts later in 2023. Quarter-on-quarter GDP growth was flat for the Eurozone in Q4 2022, strength in net exports were offset by a decline in investment spending. Energy prices in Europe continued their sharp decline which led to a further moderation in inflation during Q1 2023, even if core inflation rose.

	Nevertheless, the European Central Bank erred on the side of caution, raising rates from 2.5% to 3.5% and giving hawkish forward guidance. In the UK, quarter-on-quarter GDP was flat to the end of December 2022 (non-annualised) after declining 0.2% in the previous quarter. Inflation surprised to the upside in February after falling in January. Headline CPI inflation fell to 10.4% (year-on-year) at the end of February 2023, from 10.5% at the end of December 2022. The budget did not contain major surprises and progress was made in trade negotiations with the EU. The Bank of England increased rates from 3.5% to 4.25% but slowed the pace of rate increases from 50bps to 25bps at the March 2023 meeting. A verbal update will be provided to Committee on market movements since the writing of this report.
1.03	**Performance Monitoring report** Over the three months to 31 March 2023, the Fund's total market value increased in value by £80.9m to £2,289.2m. The Total Fund has decreased in value by £167.9m in 12 months to 31 March 2023. Movement over the 12 month period was largely driven by the rising gilt yields, impacting the CRMF portfolio as well as a slight detraction in Emerging Market Equities and Multi-Asset Credit. Since the end of Q4 2022, gilt yields have fallen and the portfolio has returned value. Further information on the CRMF mandate is provided in 1.04 below.
1.04	**Cash and Risk Management Framework (CRMF)** Over the 12 month period to 31 March 2023, performance of the framework has been down -34.8% as interest rates have risen and equity market volatility has increased. Though inflation protection has reduced the funding strain from the increase in actual and expected inflation since early 2022, the rise in gilt yields to date has resulted in a fall in value. This performance is in line with expectations and will have served to reduce volatility in the funding level and reduce risk, since the Fund's liabilities also decreased over the period. As a result of the increase in gilt yields, the Fund's CRMF has enabled the Fund to lock-in to attractive levels of return due to the interest rate trigger framework in place. The framework's equity protection mandate has also served to reduce funding level volatility relative to holding unprotected equities. As equity exposure is achieved synthetically, the addition of this mandate has increased risk-adjusted returns for the Fund (noting that absolute returns added are less than would have been achieved if investing in more volatile vanilla synthetic equity). For further information on the framework please refer to the Funding, Flightpath and Risk Management Framework Update, in particular sections 1.03 and 1.06.

1.05	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 is 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. The performance against all benchmarks is shown on Page 11 of the report, and repeated below:

Total	Quarter (%)	1 Year (%)	3 Years (%)
Total Scheme	**+3.7**	**-6.4**	**+9.5**
Total Benchmark	+4.5	-4.6	+7.5
Strategic Target (CPI +3.4% p.a.)	+2.2	+13.8	+9.4
Actuarial Target – Past Service Liabilities (CPI +1.75% p.a.)	+1.8	+12.0	+7.7
Actuarial Target – Future Service Liabilities (CPI +2.25% p.a.)	+1.9	+12.5	+8.2

Note the above targets will change from next quarter to represent the new Actuarial Past and Future Service Liabilities Targets.

1.06	The strongest absolute returns over the quarter came from the Cash and Risk Management Framework (+11.6%), Timber/Agriculture (+6.0%), WPP Emerging Market Equity Fund (+5.7%) and WPP Global Opportunities Fund (+3.4%). The liability hedging portfolio performed positively (+11.6%) over the quarter to 31 March 2023, as real yields fell and equity markets generated positive returns. Local/ Impact and WPP MAC Fund also generated positive returns of +3.3% and +1.9%, respectively. Over the 12 months to 31 March 2023, the Private Market portfolio generated the strongest returns (+10.1%). Within the Private Market portfolio, Timber/Agriculture, Local/ Impact and Infrastructure generated the highest returns of +29.2%, +22.9% and +19.6%, respectively. The performance of individual managers is shown in the report and is

	regularly reviewed by Officers and advisers. At this stage there are no concerns that need addressing, however all positions are being monitored closely.
1.07	All portfolio allocations held sit within the agreed strategic tolerance with the exception of Infrastructure within Private Markets, which is marginally underweight.

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 generate 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 – 31 March 2023 Appendix 2 – Performance Monitoring Report – 31 March 2023

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Economic and Market Update and Performance Monitoring Report 31 December 2022. **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/

welcome to brighter

Clwyd Pension Fund

Economic and Market Update – Q1 2023

A business of Marsh McLennan

Monthly capital market monitor

Mostly positive performance despite banking stress

Risk assets returns were mixed but mostly positive and defensive duration assets had also positive returns as markets digested financial sector developments in the US and Europe.

Financial distress at a California-based regional bank culminated in the second biggest US bank failure in history with two more regional banks in other states going into administration as well. Outside the US, investors had to digest UBS's shotgun takeover of Credit Suisse and subsequent turmoil in bond markets after Swiss authorities led creditors take losses before equity holders. Ambiguous statements on deposit protection by US fiscal and monetary authorities added to volatility. Some calm returned after UK and Eurozone regulators distanced themselves from the Swiss approach and a consortium of large banks rescued another troubled regional bank.[1] While these issues were seen as idiosyncratic and down to poor management of individual banks, there is a pattern of the weakest and least sound businesses increasingly struggling amid high interest rates and liquidity being drained out of the system.

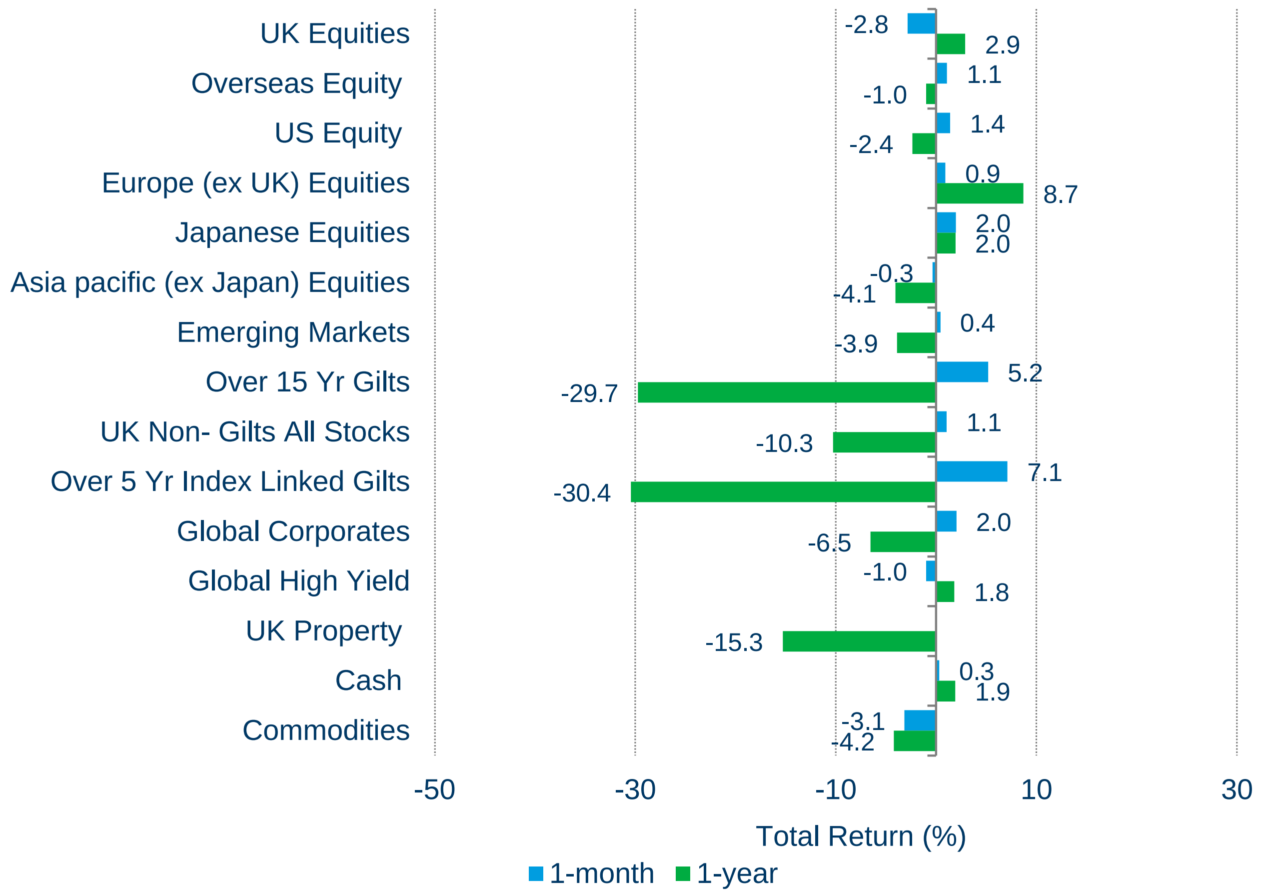
Employment and activity data continued to be resilient in the US with signs of recovery emerging from the UK and Europe. Inflation in the US continued to trend down but, in the Eurozone, it fell by less than expected and rose again in the UK. Central banks therefore hiked rates by 25 bps in the US and Eurozone and 50 bps in the UK.

The geopolitical situation around Russia, Ukraine and China remained tense. There was an encounter between a Russian jet and a US spy drone over Ukraine, the International Criminal Court issued an arrest warrant against Vladimir Putin and China reiterated its support of Russia while simultaneously brokering a reestablishment of diplomatic relations between Saudi Arabia, Syria and Iran.

Equity returns ranged from single digit increases to negative, depending on exposure to banks and cyclical sectors. Bonds returns were mostly positive as a sharp drop in 10-year yields in developed countries by 20-50 basis points drove positive returns for defensive sectors and offset rising credit spreads. Inflation expectations in the UK, as measured by the 10-year break-even rate, rose from 3.62% to 3.78% as central banks continued to hike rates despite the banking stress which led markets to expect that it may precipitate the dreaded recession and thus lead to a slowdown in demand.

The US dollar did not benefit from a classic safehaven demand effect this month. It depreciated against almost all major developed and emerging currencies.

Commodities at a headline level were negative but underling components had a mixed month. Oil briefly fell to its lowest level since mid 2021, wheat was slightly higher while gold a fear asset tested the $2,000 mark during the banking turmoil.



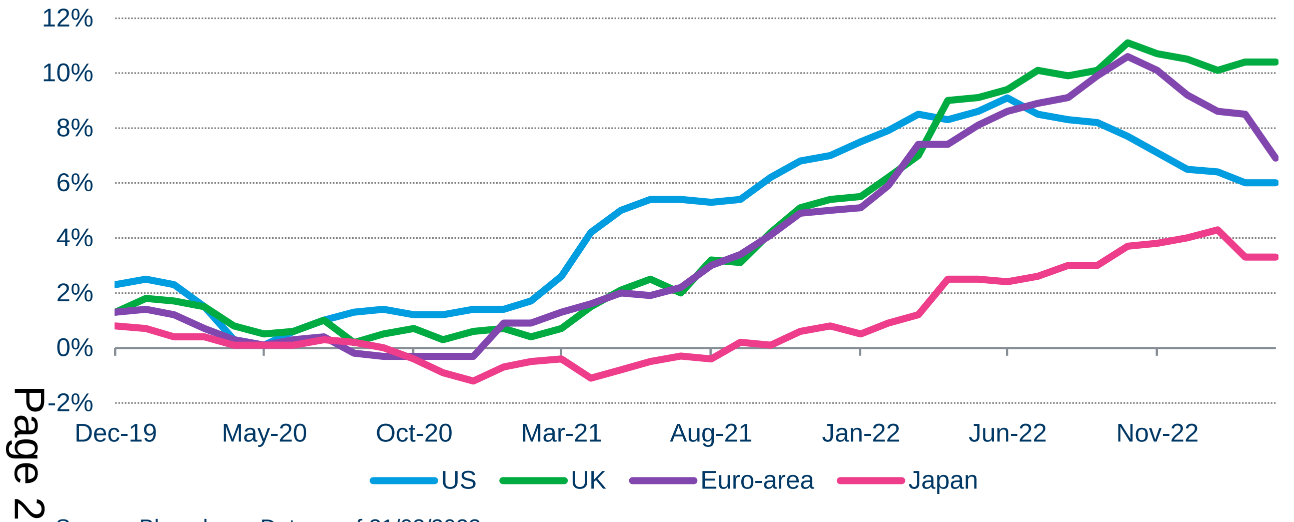
Source: Refinitiv. Data as of 31/03/23. 1-year UK property returns are shown as 11-month return to 28/02/2023.

[1] Mercer (2023) '*The Silicon Valley Bank Collapse: Navigating the fallout*' (podcast)
[2] Mercer (2022) '*The Future of Globalization*'

Macroeconomic drivers

Inflation remains firm amid financial distress among banks

Global year-on-year consumer price inflation



Source: Bloomberg. Data as of 31/03/2023

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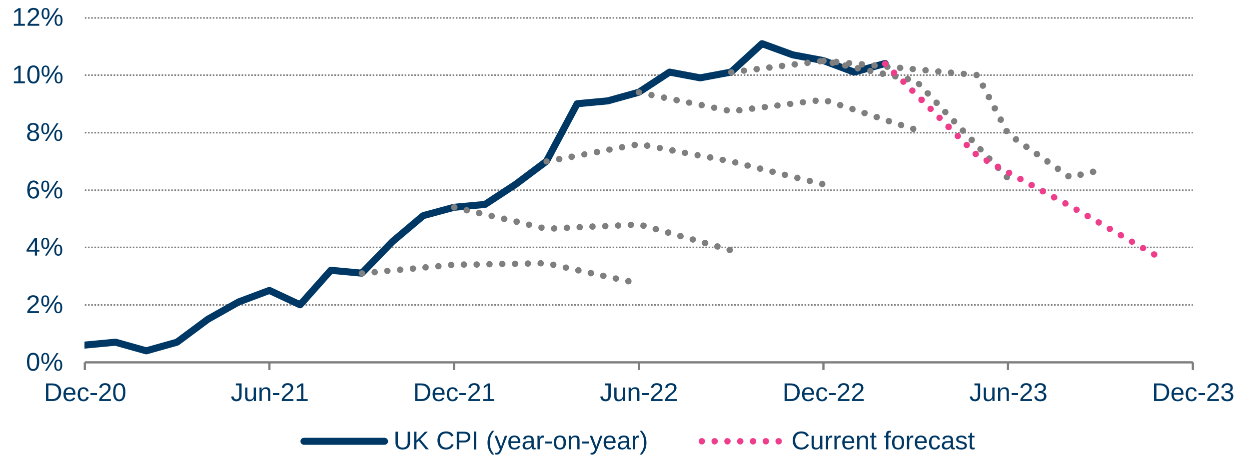
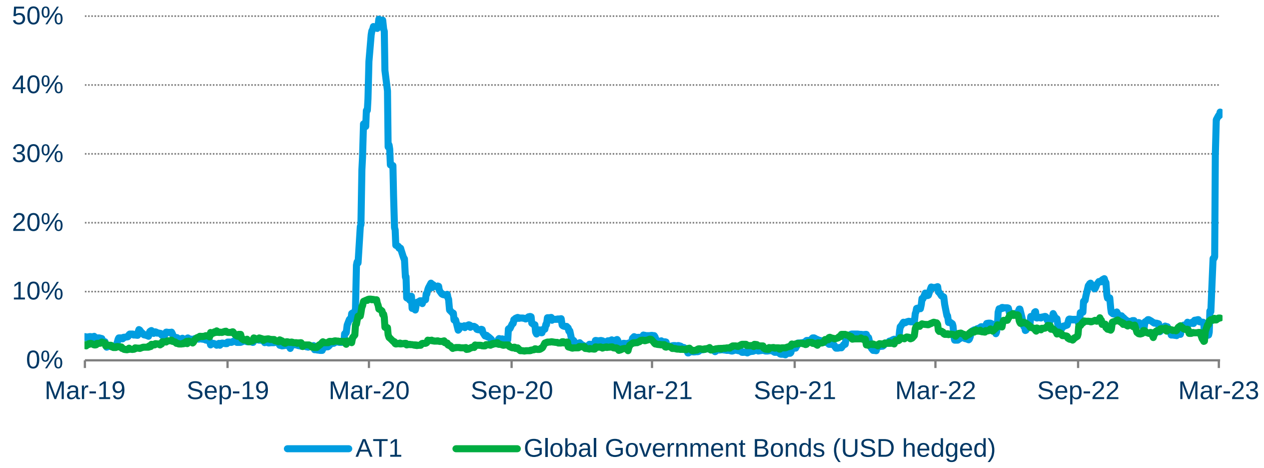
UK year-on-year inflation – current and forecast



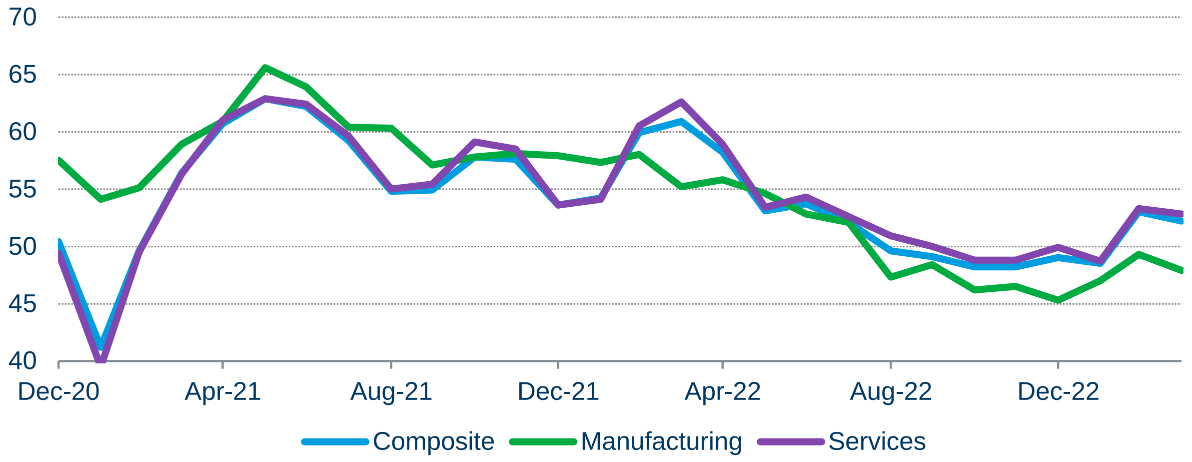
Source: Bloomberg. Data as of March 31, 2023. The consensus forecast lines are four quarter forecasts as at each quarter end from September 2021.

AT1 volatility



Source: Bloomberg, Mercer. Data as of March 29, 2023. AT1: ICE BofAML Global Contingent Capital Index (COCO). Government Bonds: Bloomberg Global Agg Government - USD Hedged.

UK purchasing manger indices (PMIs)



Source: Bloomberg. Data as of 31/03/2023. A figure of >50 = expansionary, a reading <50 = contractionary.

Equities

- UK equities returned -2.8% over March 2023 and underperformed overseas equities which returned 1.1%. The UK was dragged down as the index is heavily exposed to the US dollar which declined over the month.
- In March, a wave of volatility swept the market. Silicon Valley Bank (SVB) became the second biggest US bank failure in history, as a run on deposit left the bank crystalizing large unrealised losses on long dated treasuries. This was shortly followed by the shotgun takeover of Credit Suisse by UBS following the bank witnessing extreme volatility. Although volatility was heightened equities remained relatively robust as falling interest rate expectations acted as a tailwind for duration heavy sectors such as Technology. This was corroborated by the NASDAQ having its best quarter since Q2 2020.
- Emerging markets produced positive returns (0.9%). China had positive returns as stronger than expected data reignited the reopening trade. Brazil was weak as commodity prices declined through the month.

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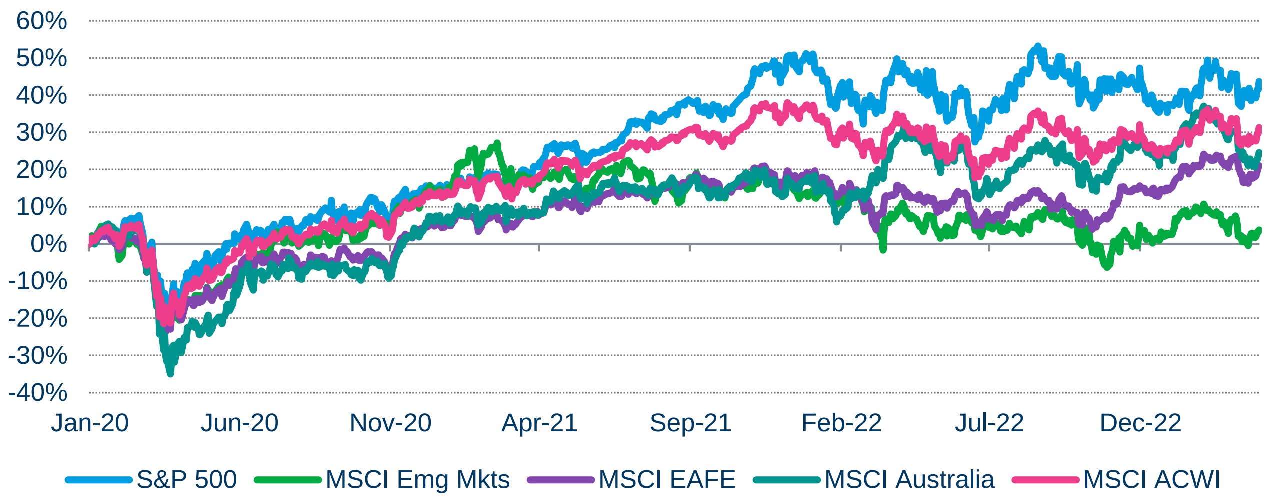
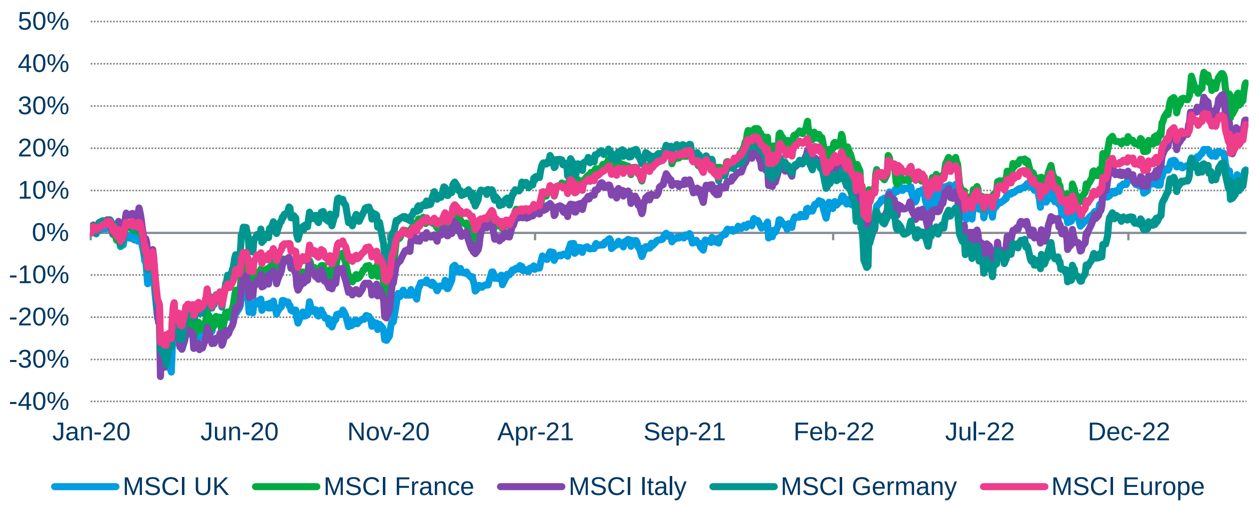
Global Equity Performance (GBP)



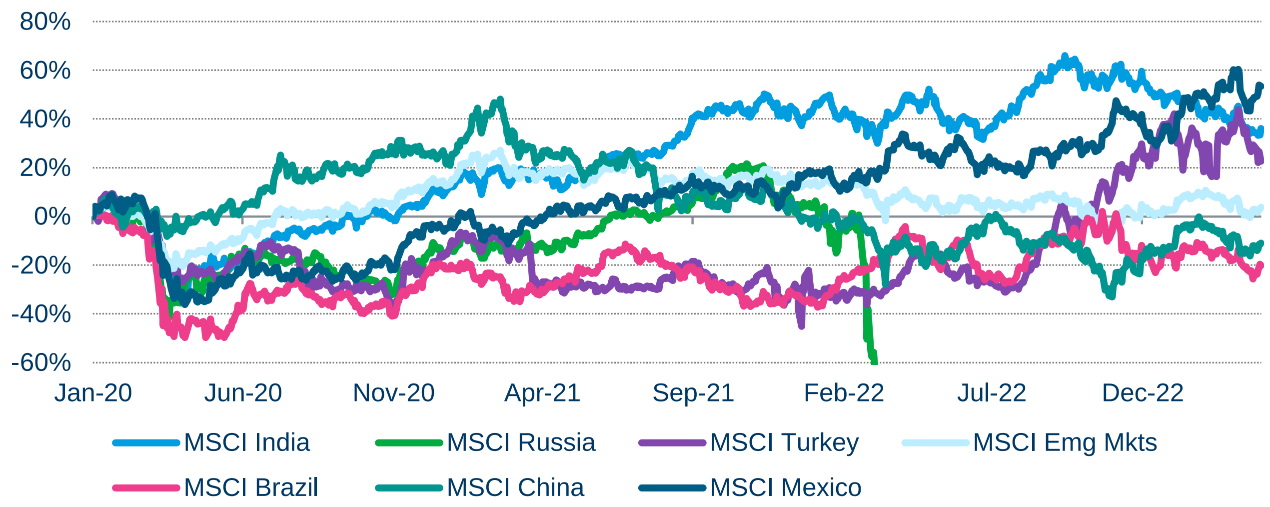
Source: Refinitiv, Data as at 31/03/2023

European Equity Performance (GBP)



Source: Refinitiv, Data as at 31/03/2023

Emerging Market Equity Performance (GBP)



Source: Refinitiv, Data as at 31/03/2023

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

UK Fixed Income

- Bond yields fell globally over the month as markets looked to readjust their expectations of central bank policy rates following the banking failures in the US and Europe.
- In the UK, yields fell largely across the curve, except for at a few ultra-short tenors where yields rose, leading to the curve flattening. The 2-year and 10-year gilt yield fell 24bps and 33bps respectively. Real yields also fell over the quarter as some tenors returned to negative territory over the month.
- Market based measures of inflation expectations rose over the month. The 10-year UK breakeven increased to 3.78% from 3.61% in the month prior. The February UK CPI print, released in March, surprised to the upside as a result of increased prices in restaurants and hotels.
- Credit returns were positive despite spreads widening over the month reflecting the increased credit risk premium.

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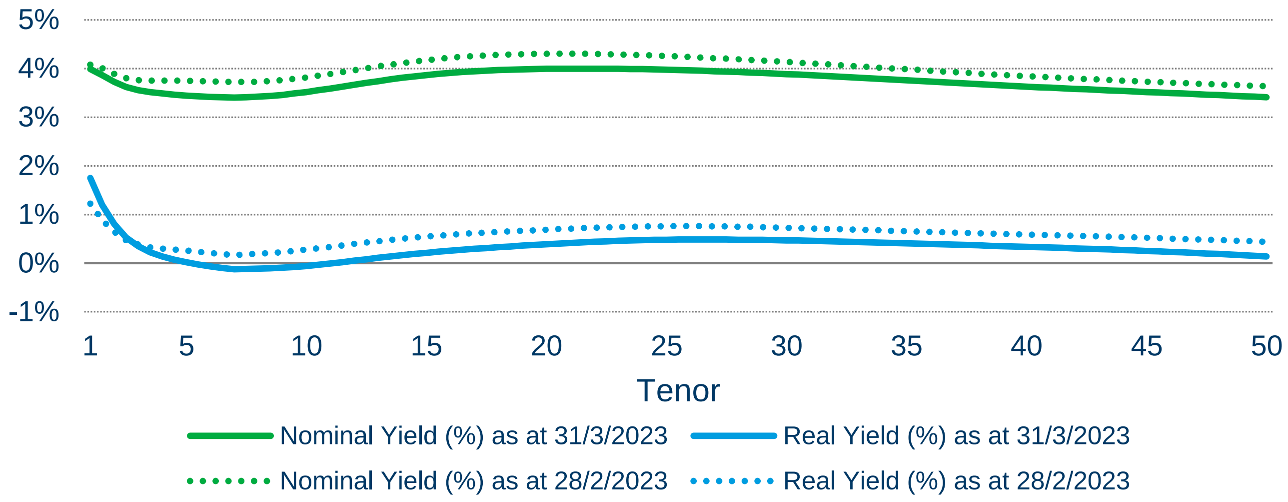
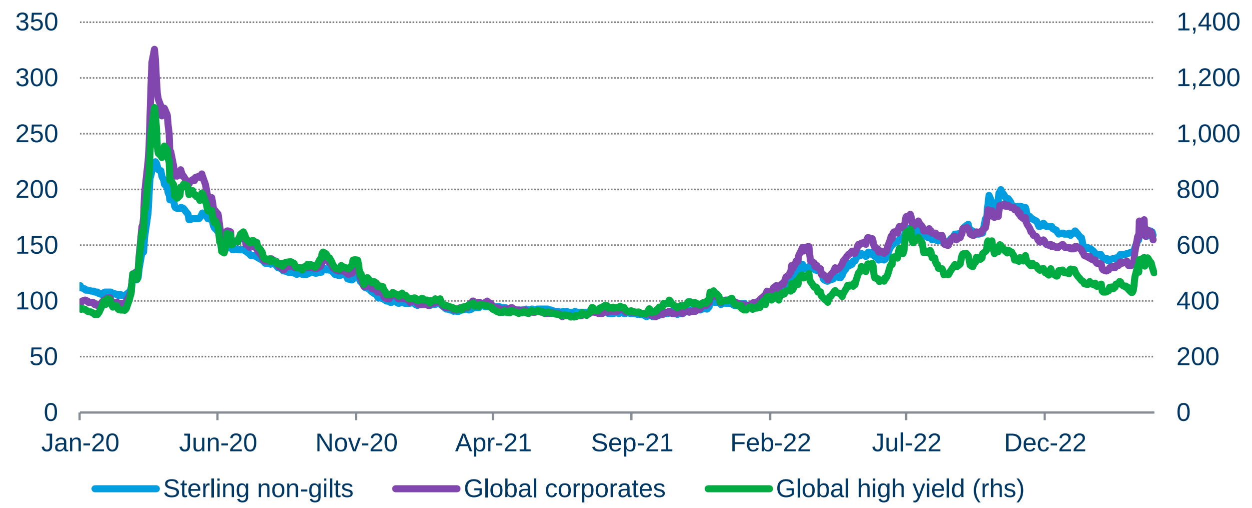
UK gilt curves



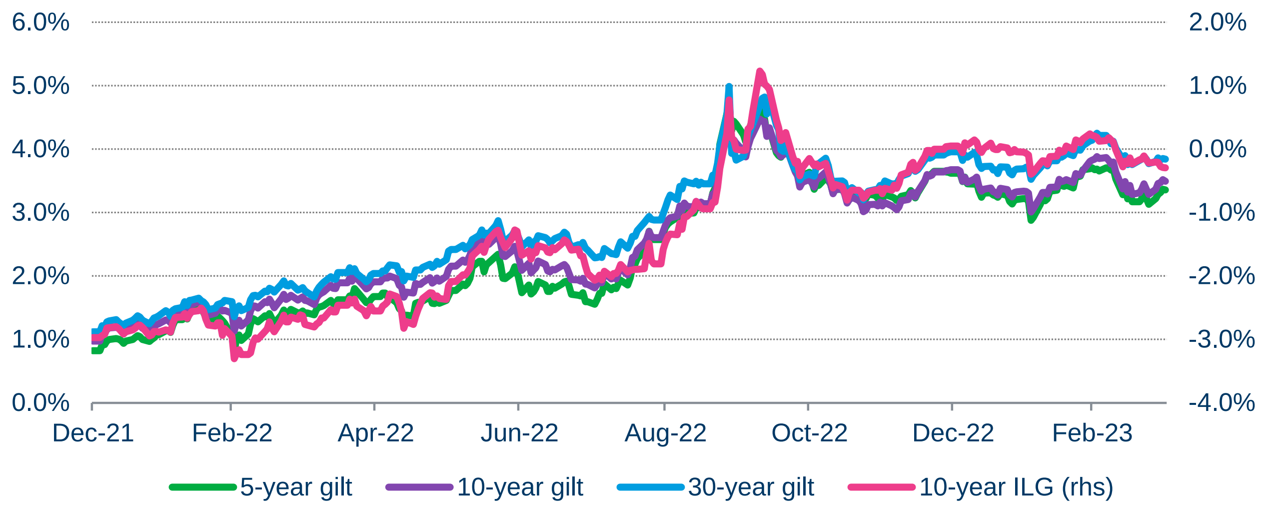
Source: Mercer. Data as of 31/03/2023

Corporate bond spreads



Source: Refinitiv, Data as at 31/03/2023

UK government bond yields

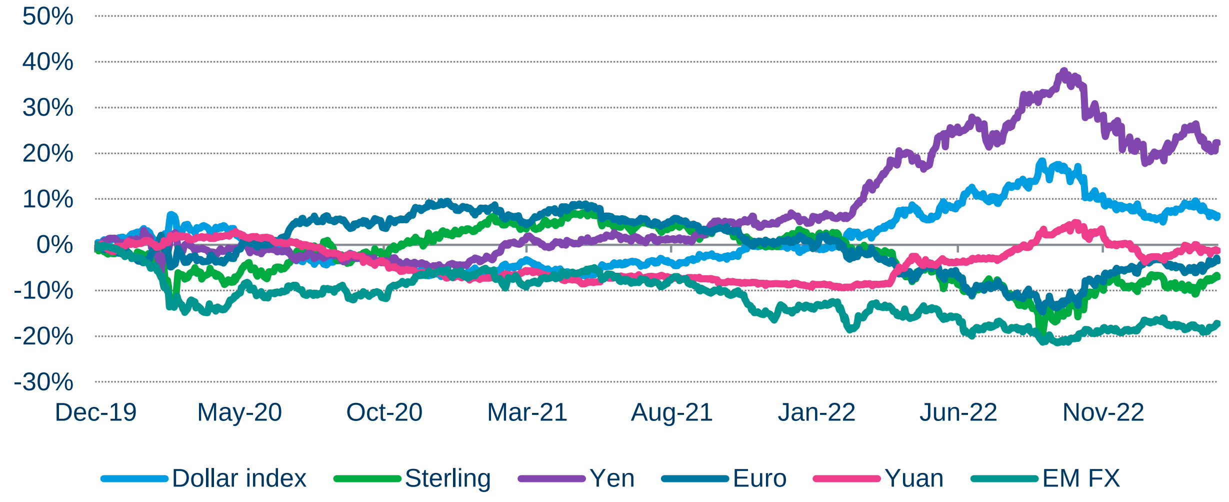


Source: Refinitiv, Data as at 31/03/2023

Currency and commodities

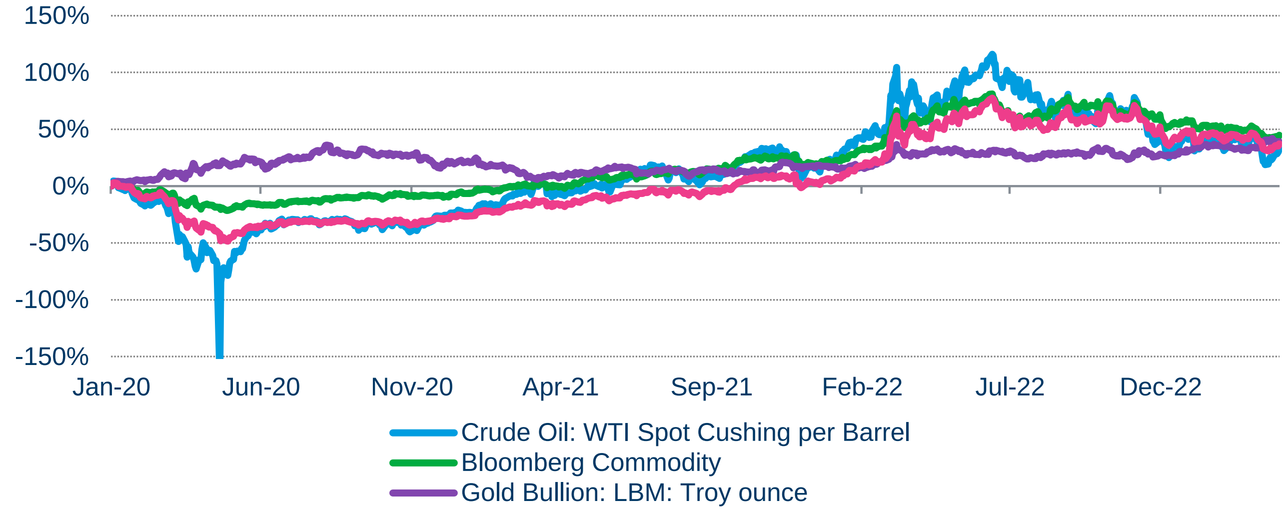
- Broad commodity returns were negative through February as Oil prices, which makes up a large proportion of the index, continued to decline.
- Gold was a major beneficiary of the increased volatility, and falling real yields, through the month. Gold prices reached close to $2,000 their highest level since March 2022.
- Sterling was strong versus most major currencies. The US dollar failed to attract the safe haven flows it usually would in periods of uncertainty and weakened versus Sterling. The Euro marginally appreciated versus Sterling as growth and inflation dynamics continued to swing in favour of the continent.

Currency performance



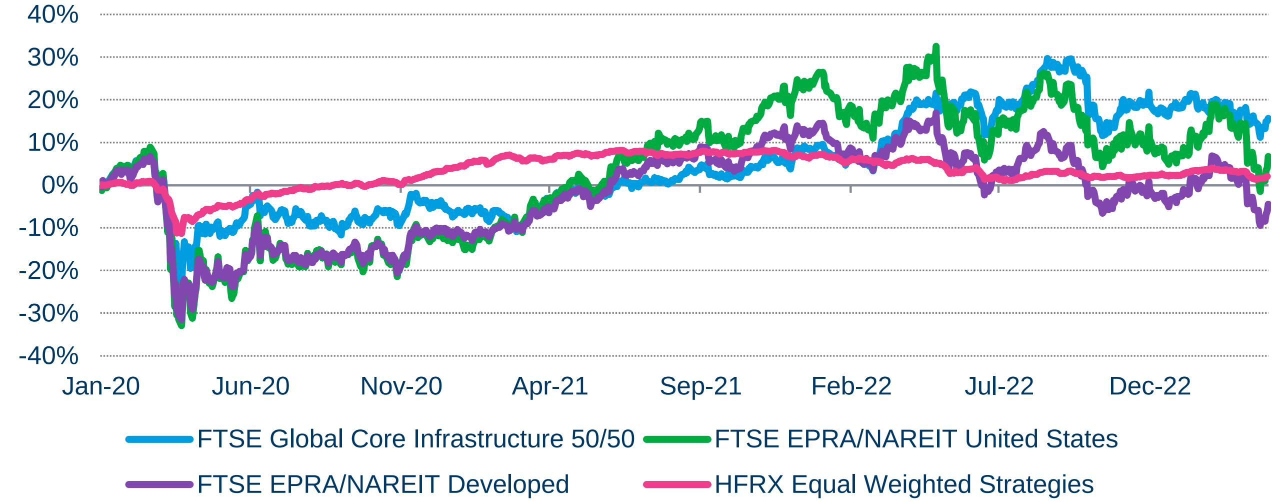
Source: Refinitiv, Data as at 31/03/2023

Commodity performance (GBP)



Source: Refinitiv, Data as at 31/03/2023

REITs, Hedge funds, Infrastructure performance (GBP)



Source: Refinitiv, Data as at 31/03/2023

Valuation and yields

Ending 31 March 2023

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Valuations

FTSE ALL-Share	31-03-2023	31-12-2022	30-09-2022	30-06-2022
Index Level	8650.3	8391.9	7706.0	7981.3
P/E Ratio (Trailing)	10.5	13.9	13.0	16.6
CAPE Ratio	17.3	18.2	16.4	18.5
Dividend Yield	4.2	3.7	4.0	4.1
P/B	1.6	1.5	1.5	1.7
P/CF	5.9	5.2	4.8	5.8
MSCI World ex-UK	**31-03-2023**	**31-12-2022**	**30-09-2022**	**30-06-2022**
Index Level	8480.6	7866.8	7187.2	7644.0
P/E Ratio (Trailing)	18.2	16.9	15.6	16.6
CAPE Ratio	24.4	24.6	23.4	24.9
Dividend Yield	2.1	2.3	2.3	2.2
P/B	3.0	2.8	2.6	2.6
P/CF	12.2	11.3	9.8	11.0
MSCI EM	**31-03-2023**	**31-12-2022**	**30-09-2022**	**30-06-2022**
Index Level	505.3	486.1	443.1	501.1
P/E Ratio (Trailing)	12.7	11.9	10.1	11.0
CAPE Ratio	16.5	17.0	16.0	17.2
Dividend Yield	3.2	3.2	3.4	3.0
P/B	1.6	1.5	1.3	1.4
P/CF	7.5	8.0	6.6	7.1

Yields

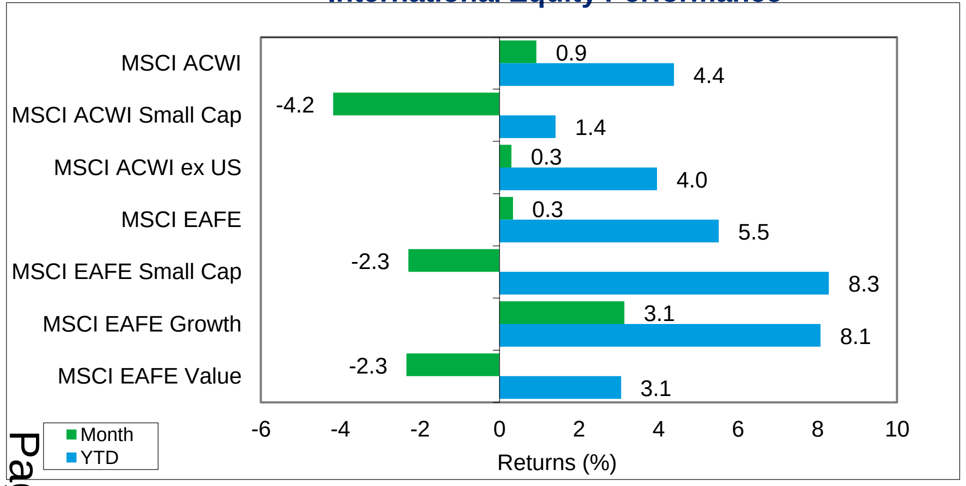
Global Bonds	31-03-2023	31-12-2022	30-09-2022	30-06-2022
Germany – 10Y	2.29	2.57	2.11	1.34
France - 10Y	2.79	3.12	2.72	1.92
US - 10Y	3.47	3.87	3.83	3.01
Switzerland – 10Y	1.25	1.62	1.23	1.07
Italy – 10Y	4.10	4.72	4.52	3.26
Spain 10Y	3.30	3.66	3.29	2.42
Japan – 10Y	0.35	0.42	0.24	0.23
Euro Corporate	4.22	4.32	4.24	3.29
Euro High Yield	8.18	8.32	9.01	7.81
EMD ($)	9.66	8.55	9.57	8.56
EMD (LCL)	6.78	7.00	7.32	7.30
US Corporate	5.17	5.42	5.69	4.70
US Corporate High Yield	8.52	8.96	9.68	8.80
UK Bonds	**31-03-2023**	**31-12-2022**	**30-09-2022**	**30-06-2022**
SONIA	4.18	3.43	2.19	1.19
10 year gilt yield	3.38	3.67	4.10	2.21
30 year gilt yield	3.83	3.96	3.83	2.56
10 year index linked gilt yield	-0.29	0.06	0.07	-1.40
30 year index linked gilt yield	0.37	0.55	0.07	-0.68
AA corporate bond yield	4.76	4.79	5.62	3.40
A corporate bond yield	5.13	5.20	6.05	3.70
BBB corporate bond yield	5.84	5.96	6.96	4.47

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

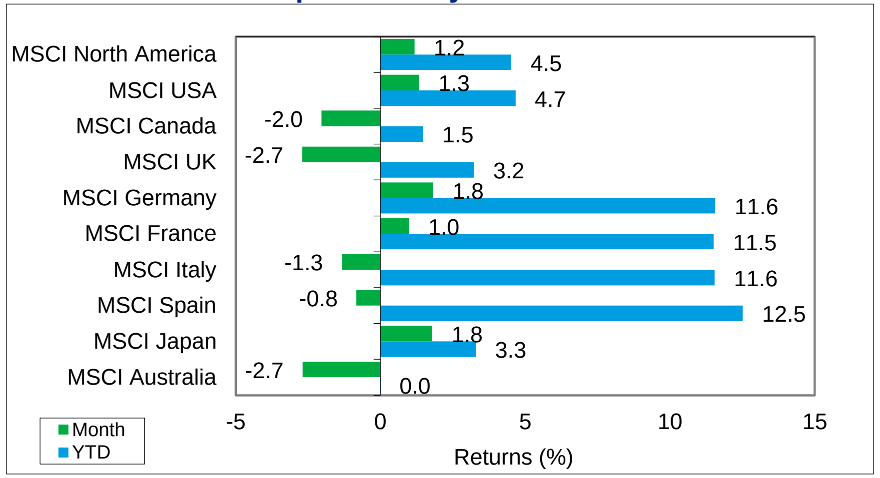
Performance summary (GBP)

International Equity ending 31 March 2023

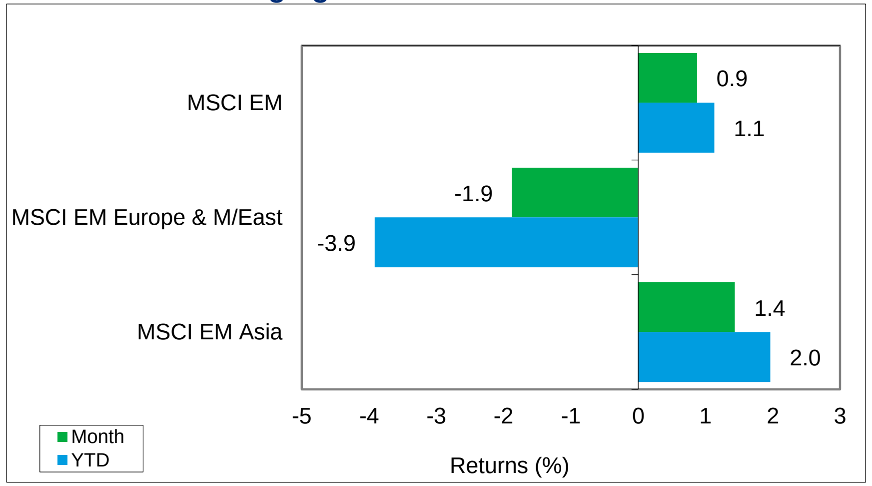
International Equity Performance



Developed Country Performance



Emerging Market Performance



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Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2022	2021	2020	2019	2018
MSCI ACWI	0.9	4.4	4.4	-1.4	5.3	15.5	9.7	11.5	10.3	10.1	-8.1	19.6	12.7	21.7	-3.8
MSCI ACWI IMI	0.4	4.2	4.2	-1.2	5.1	16.3	9.8	11.9	10.7	10.8	-7.7	19.8	13.2	22.1	-4.0
MSCI ACWI Small Cap	-4.2	1.4	1.4	-3.7	0.3	18.0	6.9	10.0	9.4	11.7	-8.4	17.2	12.7	19.8	-9.1
MSCI ACWI ex US	0.3	4.0	4.0	1.1	2.2	11.9	5.1	8.2	6.3	8.8	-5.4	8.8	7.2	16.8	-8.9
MSCI EAFE	0.3	5.5	5.5	5.0	5.5	13.1	6.2	8.5	7.2	8.6	-3.7	12.3	4.5	17.3	-8.4
MSCI EAFE Growth	3.1	8.1	8.1	3.5	3.4	11.1	7.6	9.3	8.2	9.0	-13.2	12.3	14.6	23.0	-7.4
MSCI EAFE Value	-2.3	3.1	3.1	6.2	7.3	14.7	4.4	7.4	5.9	8.1	6.3	11.9	-5.6	11.6	-9.5
EM	0.9	1.1	1.1	-4.9	-6.0	7.9	1.6	7.2	4.1	10.6	-10.0	-1.6	14.7	13.8	-9.3
North America	1.2	4.5	4.5	-3.2	7.5	18.1	13.1	14.0	13.4	11.0	-9.4	27.6	16.2	25.7	0.1
Europe	0.2	7.6	7.6	8.0	8.2	15.1	7.0	8.8	7.5	8.8	-4.4	17.4	2.1	19.0	-9.6
EM Europe & M/East	-1.9	-3.9	-3.9	-11.2	-9.0	2.1	-2.2	2.3	-1.9	6.0	-27.2	25.1	-10.4	14.6	-2.2
EM Asia	1.4	2.0	2.0	-3.6	-7.4	7.2	2.7	8.4	6.3	11.1	-11.2	-4.2	24.4	14.6	-10.2
Latin America	-1.3	1.1	1.1	-5.3	10.7	18.3	0.7	6.5	0.2	11.2	22.6	-7.2	-16.5	12.9	-0.8
USA	1.3	4.7	4.7	-3.0	7.5	18.1	13.3	14.2	13.8	11.1	-9.7	27.6	17.0	25.8	0.9
Canada	-2.0	1.5	1.5	-7.5	8.0	18.6	9.3	9.8	6.2	9.9	-1.9	27.1	2.1	22.6	-12.1
Australia	-2.7	0.0	0.0	-3.3	7.2	20.3	8.7	9.7	5.5	10.7	6.7	10.4	5.4	18.2	-6.5
UK	-2.8	3.2	3.2	5.6	12.1	14.7	5.6	7.1	5.6	7.6	7.1	19.6	-13.2	16.4	-8.8
Germany	1.8	11.6	11.6	8.9	0.2	12.9	3.0	6.4	6.2	9.9	-12.6	6.3	8.1	16.1	-17.3
France	1.0	11.5	11.5	15.8	12.6	19.6	8.9	11.4	9.8	9.4	-2.4	20.6	0.9	20.9	-7.3
Italy	-1.3	11.6	11.6	16.2	8.9	17.7	5.3	8.9	7.7	4.8	-3.6	16.1	-1.3	22.4	-12.6
Spain	-0.8	12.5	12.5	19.1	9.6	13.9	2.3	5.8	5.3	7.0	4.4	2.3	-7.7	7.7	-11.0
Japan	1.8	3.3	3.3	0.9	-0.5	7.5	3.9	7.8	7.2	7.3	-6.1	2.6	10.9	15.0	-7.5
Brazil	-2.4	-5.8	-5.8	-13.4	6.4	14.2	-1.3	8.2	0.0	12.0	28.5	-16.6	-21.5	21.4	5.7
China	2.3	1.9	1.9	1.4	-15.3	-2.5	-1.6	6.7	5.5	12.2	-12.1	-21.0	25.5	18.7	-13.8
India	-1.0	-8.9	-8.9	-6.5	7.5	22.3	8.9	10.8	9.2	14.2	3.6	27.4	12.0	3.4	-1.5

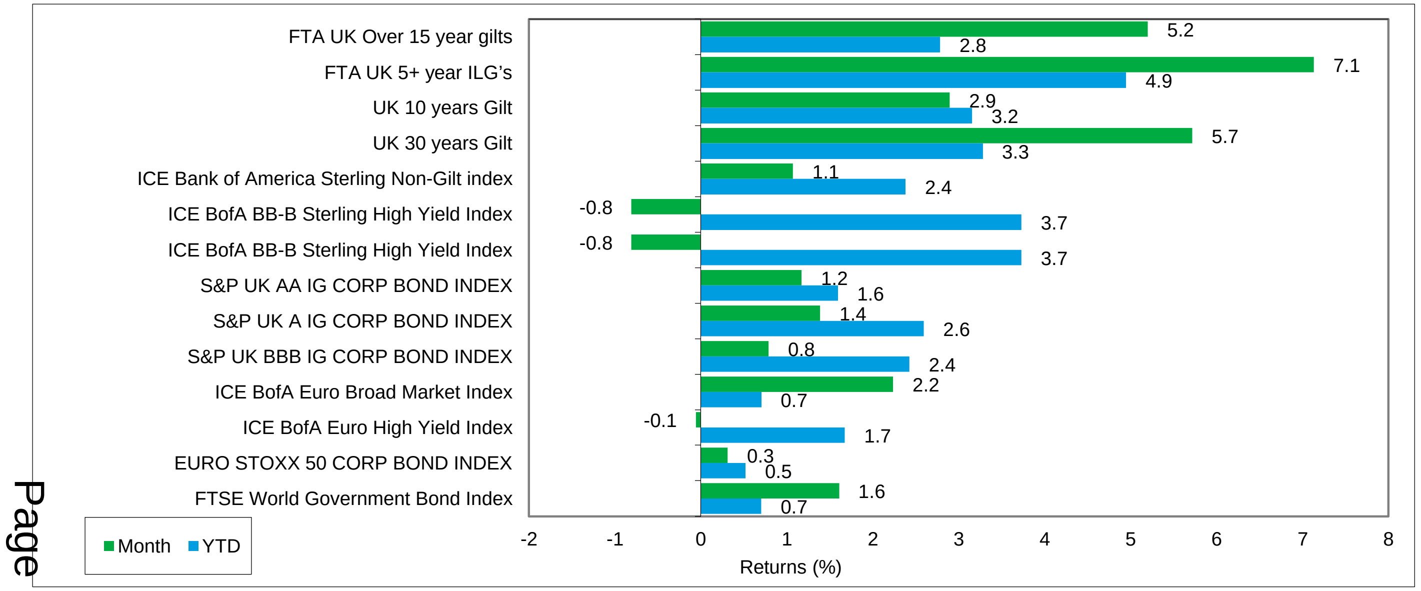
Mercer

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

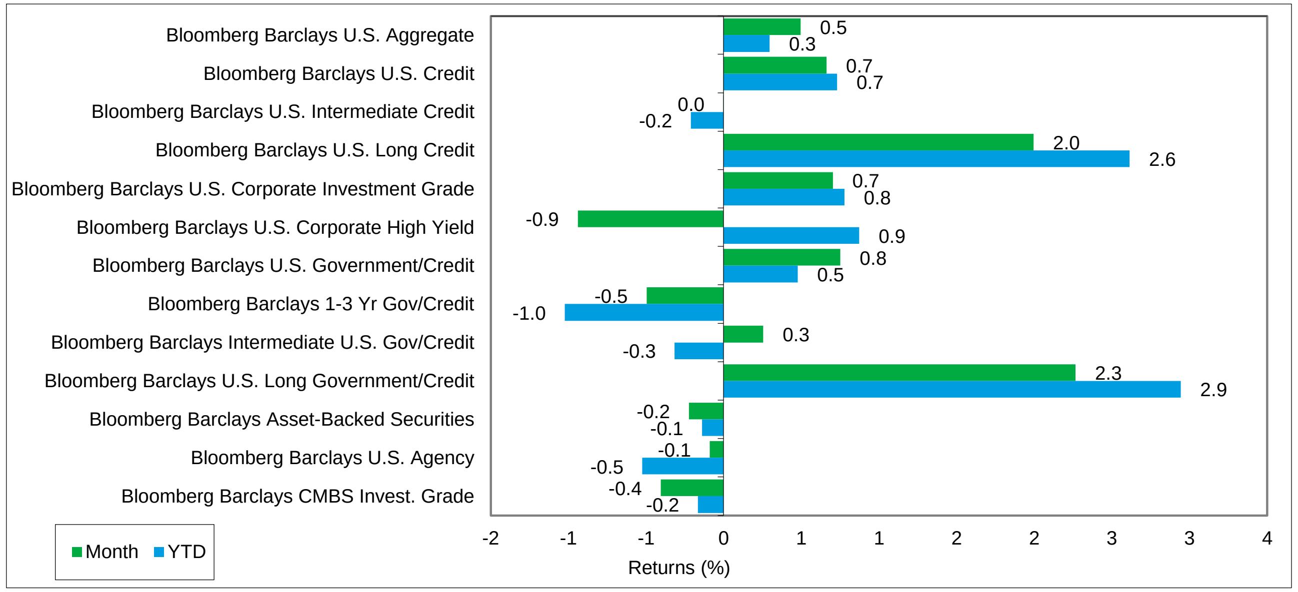
Performance summary (GBP)

Fixed Income ending 31 March 2023

Bond Performance by Duration



Sector, Credit, and Global Bond Performance



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Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2022	2021	2020	2019	2018
FTA UK Over 15 year gilts	5.2	2.8	2.8	-29.7	-19.2	-16.4	-6.4	-2.7	0.6	3.6	-40.1	-7.3	13.9	12.0	0.3
FTA UK 5+ year ILG's	7.1	4.9	4.9	-30.4	-14.6	-9.2	-4.1	-0.1	1.6	4.9	-38.0	4.2	12.4	6.8	-0.4
UK 10 years Gilt	2.9	3.2	3.2	-12.9	-9.2	-7.6	-2.1	-0.8	0.8	3.7	-20.1	-5.7	6.6	5.2	2.0
UK 30 years Gilt	5.7	3.3	3.3	-31.4	-20.7	-17.2	-7.0	-3.3	0.4	3.5	-42.7	-6.4	13.8	11.7	0.4
ICE Bank of America Sterling Non-Gilt index	1.1	2.4	2.4	-10.3	-7.7	-3.1	-0.8	0.9	2.1	4.0	-17.8	-3.0	8.0	9.5	-1.6
ICE BofA BB-B Sterling High Yield Index	-0.8	3.7	3.7	-4.5	-3.1	4.7	2.5	4.2	5.0	9.9	-11.1	3.0	6.1	13.8	-1.4
S&P UK AA IG CORP BOND INDEX	1.2	1.6	1.6	-10.3	-7.7	-3.7	-1.4	0.5	1.6	3.8	-17.3	-4.6	7.7	7.3	-0.3
S&P UK A IG CORP BOND INDEX	1.4	2.6	2.6	-11.9	-8.6	-3.6	-1.1	0.7	2.1	4.0	-19.9	-3.7	8.4	10.4	-1.5
S&P UK BBB IG CORP BOND INDEX	0.8	2.4	2.4	-9.8	-7.3	-1.4	-0.2	1.6	2.5	5.0	-17.4	-2.3	8.7	11.6	-2.6
ICE BofA Euro Broad Market Index	2.2	0.7	0.7	-7.1	-7.1	-5.0	-2.0	0.3	1.2	3.9	-12.2	-8.8	9.9	0.1	1.6
ICE BofA Euro High Yield Index	-0.1	1.7	1.7	-0.7	-2.3	3.9	0.8	4.0	3.7	7.9	-6.5	-3.1	8.6	5.1	-2.5
EURO STOXX 50 CORP BOND INDEX	0.3	0.5	0.5	-2.7	-4.1	-1.6	-1.0	1.0	1.2	--	-6.9	-7.3	8.5	-0.9	0.1
FTSE World Government Bond Index	1.6	0.7	0.7	-3.7	-3.5	-5.2	0.1	1.1	1.5	3.7	-8.0	-6.1	6.7	1.8	5.3
Bloomberg Barclays U.S. Aggregate	0.5	0.3	0.3	1.1	0.7	-2.7	3.3	2.9	3.3	4.2	-2.5	-0.7	4.3	4.6	5.8
Bloomberg Barclays U.S. Credit	0.7	0.7	0.7	0.6	0.5	-0.6	4.0	4.0	4.2	5.2	-4.9	-0.2	6.0	9.4	3.7
Bloomberg Barclays U.S. Intermediate Credit	0.0	-0.2	-0.2	4.2	2.3	0.5	4.3	3.9	3.9	4.8	1.9	-0.1	3.8	5.4	5.9
Bloomberg Barclays U.S. Long Credit	2.0	2.6	2.6	-5.6	-2.7	-2.5	3.6	4.4	4.9	6.4	-16.0	-0.3	9.8	18.6	-1.1
Bloomberg Barclays U.S. Corporate Investment Grade	0.7	0.8	0.8	0.4	0.3	-0.4	4.1	4.1	4.3	5.3	-5.5	-0.2	6.5	10.2	3.3
Bloomberg Barclays U.S. Corporate High Yield	-0.9	0.9	0.9	2.6	3.2	5.9	5.6	7.1	6.0	7.9	-0.5	6.1	3.9	10.0	3.6
Bloomberg Barclays U.S. Government/Credit	0.8	0.5	0.5	1.1	0.8	-2.5	3.6	3.2	3.5	4.4	-3.1	-0.9	5.6	5.6	5.4

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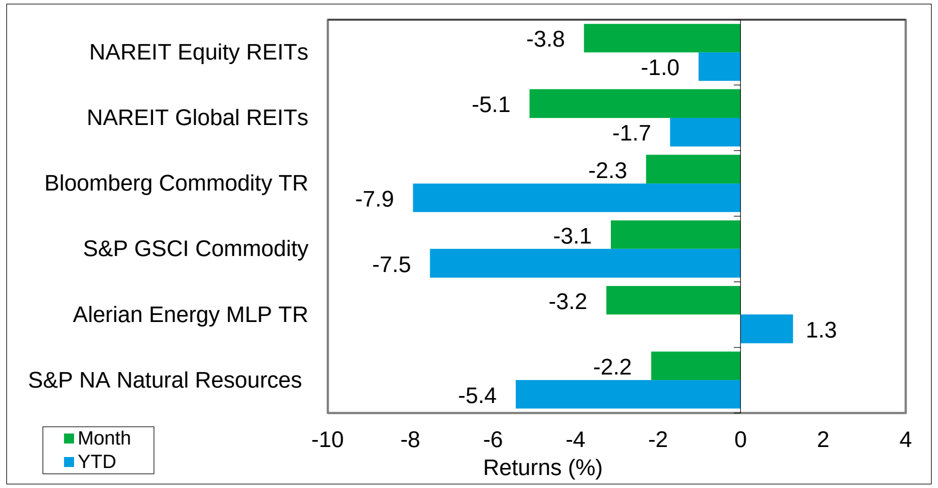
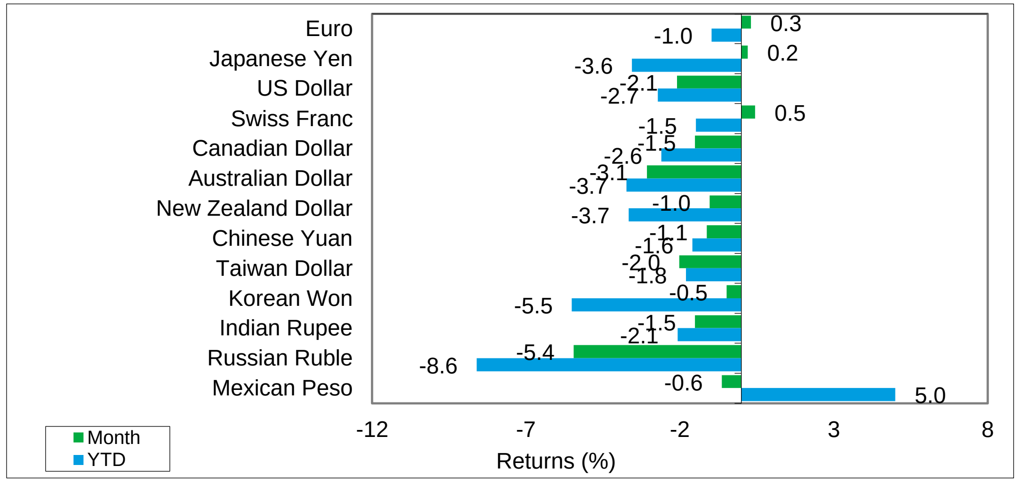
Performance Summary (GBP)

Alternatives ending 31 March 2023

Real Asset Performance



Performance of Foreign Currencies versus the US Dollar



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Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2022	2021	2020	2019	2018
NAREIT Equity REITs	-3.8	-1.0	-1.0	-14.2	5.4	10.3	9.0	7.3	8.7	10.8	-15.5	42.6	-8.1	23.7	1.9
NAREIT Global REITs	-5.1	-1.7	-1.7	-15.5	1.1	7.7	4.4	4.4	5.5	9.4	-14.9	28.4	-11.0	18.3	1.2
Bloomberg Commodity TR	-2.3	-7.9	-7.9	-6.8	20.7	20.9	8.1	7.9	0.3	2.2	30.7	28.3	-6.1	3.5	-5.7
S&P GSCI Commodity	-3.1	-7.5	-7.5	-4.2	28.5	30.6	7.6	9.0	-1.8	0.4	41.9	41.6	-26.1	13.1	-8.5
Alerian Energy MLP TR	-3.2	1.3	1.3	22.1	32.2	47.2	10.2	7.9	2.7	10.2	47.4	41.5	-30.9	2.4	-7.0
Oil	-3.8	-8.3	-8.3	-19.6	19.5	54.7	5.7	12.6	-0.5	5.8	20.2	56.4	-23.0	29.3	-20.2
Gold	5.9	5.8	5.8	8.2	13.7	7.7	11.2	9.3	4.3	10.6	12.5	-2.6	20.6	14.3	3.9
S&P NA Natural Resources	-2.2	-5.4	-5.4	7.3	30.5	38.2	10.6	10.3	5.2	9.6	51.0	41.2	-21.5	13.1	-16.2
Euro	0.3	-1.0	-1.0	4.0	1.6	-0.2	0.0	1.5	0.4	1.2	5.7	-6.2	5.6	-5.6	1.1
Japanese Yen	0.2	-3.6	-3.6	-2.9	-3.7	-6.7	-1.9	-0.3	-1.4	0.7	-1.7	-9.5	2.0	-2.9	9.1
US Dollar	-2.1	-2.7	-2.7	6.5	5.6	0.1	2.6	2.2	2.1	1.2	12.6	0.9	-3.1	-3.9	6.2
Swiss Franc	0.5	-1.5	-1.5	7.3	7.2	2.0	3.5	2.9	2.4	--	10.9	-2.1	6.2	-2.1	5.0
Canadian Dollar	-1.5	-2.6	-2.6	-1.7	1.8	1.8	1.6	1.5	-0.8	1.7	5.0	1.8	-1.4	1.3	-2.6
Australian Dollar	-3.1	-3.7	-3.7	-5.1	-1.1	2.7	-0.1	0.2	-2.4	1.7	4.6	-5.0	5.9	-4.0	-4.0
New Zealand Dollar	-1.0	-3.7	-3.7	-4.7	-0.2	1.3	-0.2	0.7	-0.9	--	3.8	-4.5	3.1	-2.9	0.2
Chinese Yuan	-1.1	-1.6	-1.6	-1.7	3.2	1.2	0.8	1.3	1.1	2.2	3.2	3.6	3.2	-5.2	0.7
Taiwan Dollar	-2.0	-1.8	-1.8	0.2	2.3	-0.1	1.7	3.0	1.9	1.9	1.4	2.5	3.4	-1.4	2.8
Korean Won	-0.5	-5.5	-5.5	-0.9	-1.5	-2.1	-1.5	0.3	0.5	1.0	5.9	-7.8	3.2	-7.2	1.9
Indian Rupee	-1.5	-2.1	-2.1	-1.8	-0.4	-2.6	-2.1	-0.9	-2.1	-1.5	1.2	-0.8	-5.3	-6.0	-2.9
Russian Ruble	-5.4	-8.6	-8.6	12.9	4.1	0.3	-3.4	0.0	-6.9	-3.3	15.7	-0.5	-18.6	7.4	-11.9
Brazilian Real	0.8	1.3	1.3	-0.2	11.4	0.9	-5.8	-2.9	-6.9	-0.9	18.8	-5.9	-24.9	-7.4	-9.1
Mexican Peso	-0.6	5.0	5.0	17.6	12.4	9.2	2.8	1.4	-1.7	-1.3	18.2	-1.7	-8.2	0.3	5.5
BofA ML All Convertibles	-2.7	0.9	0.9	-5.1	-1.4	15.0	12.4	13.3	11.9	10.0	-8.5	7.3	41.7	18.4	6.4
60%S&P 500/40% Barc Agg	1.1	2.9	2.9	-0.6	5.7	10.2	9.7	10.1	10.1	8.7	-5.7	17.7	10.6	17.7	3.3

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

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Mercer

Clwyd Pension Fund

Monitoring Report Quarter to 31 March 2023

Steve Turner

June 2023

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- 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.

Steve Turner

Contents

Overview

1

Executive Dashboard

Page 7 — Asset Allocation

Emerging Markets Equity, Global Equity and Credit are underweight (-4.9%, -4.3% and -1.9%, respectively) but within ranges. CRMF and Cash are the most notably overweight (6.0% and 4.3%, respectively), but within ranges. The new strategic asset allocation was agreed at the 29 March 2023 Committee.

Signal

Previous Qtr

Current Qtr

Asset Allocation vs Ranges

Infrastructure is slightly below the range (-0.4%). All the other assets are within acceptable ranges.

Page 8 — Investment Performance

The Fund returned 3.7% over the quarter against a benchmark of 4.5%. Over the one year and three year periods to 31 March 2023, the Fund returned -6.4% and 9.5% p.a. against a benchmark of -4.6% and 7.5% p.a., respectively.

Signal

Previous Qtr

Current Qtr

Performance vs Target

The one year performance is behind the strategic target, actuarial past service and actuarial future service. The three year performance is ahead of the strategic target, actuarial past service and actuarial future service.

Page 12 — Manager Research

No significant news to report over the quarter.

Signal

Previous Qtr

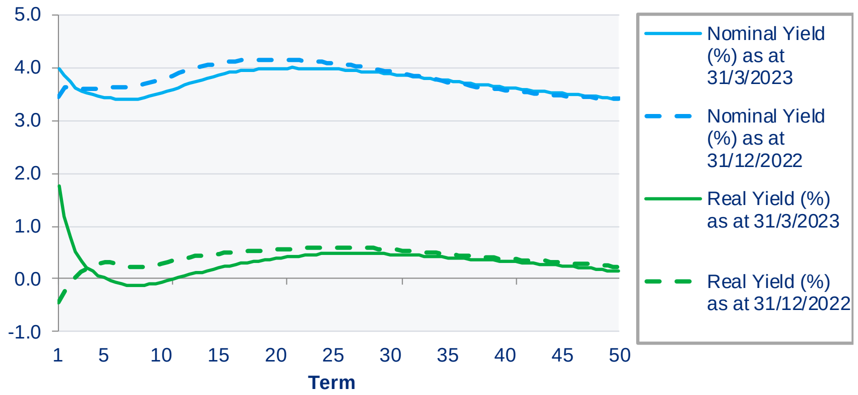
Current Qtr

Additional Comments

At the last committee meeting on 29th March 2023 the Committee agreed to the revised investment strategy, for this performance report we have not looked to update the strategic asset allocation of the Fund given that the previous strategy was in placed for the majority of the quarter. The strategic asset allocation will be reflected in next quarters report.

Market Conditions

	Values at (%)		Change (%)		
Yield / Spread	**31/03/2023**	**31/12/2022**	**3M**	**12M**	**3Y**
Over 5Y Index-Linked Gilts Yield	0.26	0.41	-0.15	2.33	2.23
Over 15Y Fixed Interest Gilts Yield	3.79	3.90	-0.11	2.01	3.02
Over 10 Year Non-Gilts Yield	5.35	5.53	-0.17	2.17	2.50
Over 10 Year Non-Gilts Spread	1.56	1.56	0.00	0.22	-0.56
	£1 is worth		**Appreciation (%)**		
Exchange Rates	**31/03/2023**	**31/12/2022**	**3M**	**1Y**	**3Y**
US Dollar ($)	1.236	1.203	2.79	-6.09	-0.09
Euro (€)	1.138	1.127	0.98	-3.82	0.24
100 Japanese Yen (¥)	1.646	1.587	3.68	2.97	7.13



Source: Refinitiv. All returns are shown in sterling unless otherwise stated. Local currency returns (LOC) are an approximation of a currency hedged return.

Mercer's latest strategic investment insights

Market Environment

Monthly capital market monitor: March

Annual global equity sustainability report

Mercer and Backstop's 2022 Institutional Productivity Study

Replay February 3 webinar: Our global Economic & Market Outlook for 2023: Will it bend or will it break?

Strategic research

Shifting sands, turning tides – Addressing investment regime change

A lasting first impression: The role of starting yield in short duration credit performance

Inflation playbook – Managing through an inflation cycle

Diversity dressing – Progress evaluation

Credit investing – Finding the right fit

Budgeting for active management – Not a one size for all exercise

Hedge fund outlook 2023

Alternatives / Private Markets

December 6 Mercer's annual Alternatives conference 2022: Session recordings

Capturing themes in private markets: Part 1 – Inflation playbook | Part 2 – Positioning for transition | Part 3 – Modern diversification

Top considerations for alternatives in 2023

Quarterly alternatives report – Q1 2023

Real Estate Global Market Summary – January 2023

Mercer's Global Investment Forum session recordings

Our day ahead

Deja new - From hindsight to foresight

Mind the inflation gap (DC)

LDI - Adapt of die?

Private markets are for life, not just the J-curve

The good, the bad and the unintended consequences of sustainable investing

NFP - Are you ready to seize the market opportunities?

Crisis management deep dive continued - Diversity in decision making

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COP27 and a new wave of investment opportunities: what institutional investors should know

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Bonds may be back, but uncertainty continues…

Market update: charting our future course

DEI in investing: A pathway to better returns

Mercer's investor blog: *Yield point*[SM]

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Buttressing the portfolio for change

Transitioning between elements

Investors face an inflation conundrum due to competing global forces

COP27: Practical observations

The hedge fund renaissance

The time is now: Preparing for the economy of longevity

Light at the end of the tunnel

Is now the time to turn to private markets?

Mercer's latest region-focused insights

UK investment insights: Sustainable investment survey 2022

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Digital assets

What does the future hold?

Investing in hedge funds

The polarizing debate

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Strategy Monitoring

2

Asset Allocation

	31/12/2022 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	31/03/2023 Market Value (£M)	31/12/2022 Allocation (%)	31/03/2023 Allocation (%)	31/03/2023 B'mark (%)	31/03/2023 B'mark Range (%)
Total	**2,213.4**	**-5.1**	**80.9**	**2,289.2**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-CRMF)	1,514.7	0.2	11.8	1,526.7	68.4	66.7	77.0	--
Total CRMF	595.1	--	69.1	664.2	26.9	29.0	23.0	10.0 - 35.0
Cash	103.6	-5.3	0.0	98.3	4.7	4.3	0.0	0.0 - 5.0

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

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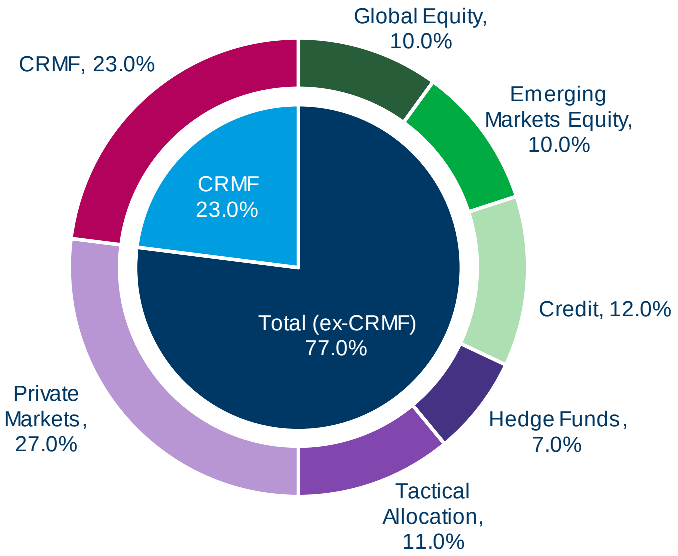
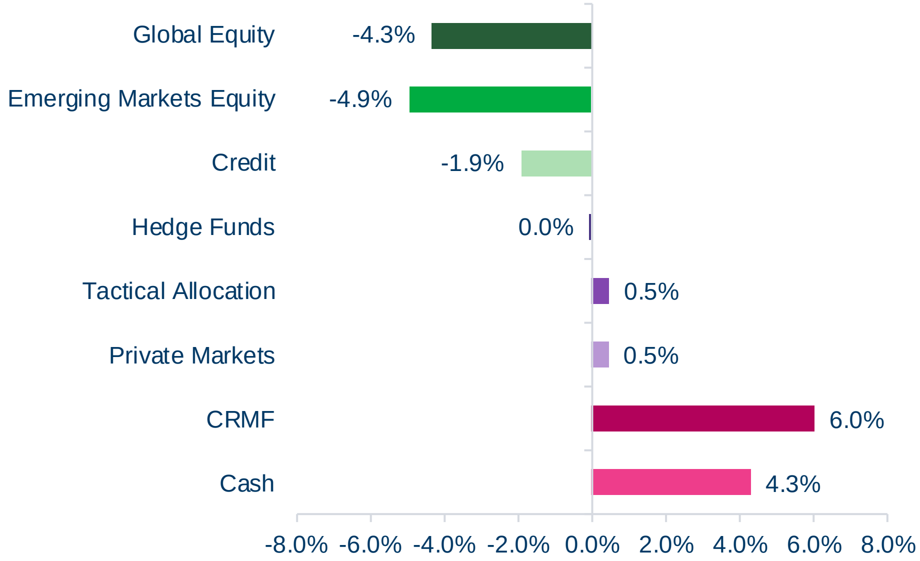
Benchmark Asset Allocation as at 31 March 2023



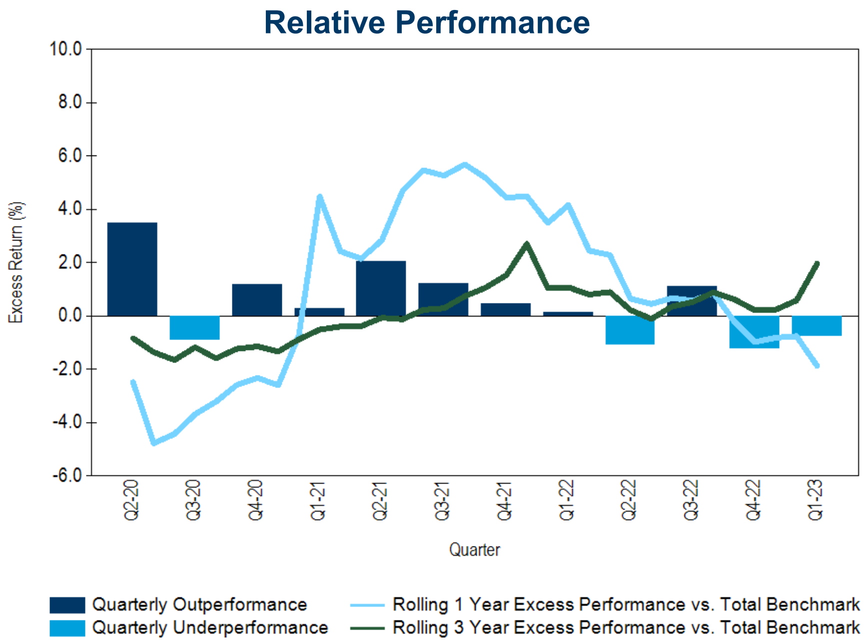
Deviation from Benchmark Asset Allocation



Investment Performance

	2023 Q1 (%)	1 Yr (%)	3 Yrs (%)
Total	**3.7**	**-6.4**	**9.5**
Total Benchmark	4.5	-4.6	7.5
Strategic Target (CPI +3.4% p.a.)	2.2	13.8	9.4
Actuarial Target - Past Service Liabilities (CPI +1.75% p.a.)	1.8	12.0	7.7
Actuarial Target - Future Service Liabilities (CPI + 2.25% p.a.)	1.9	12.5	8.2

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.
Strategic and Actuarial targets are derived from realised CPI over the corresponding periods. Prior to Q2 2022, CPI was based on Mercer's Market Forecasting Group assumptions.
For periods over one year the figures in the table above have been annualised.



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Investment Manager Summary

3

Manager Allocation

	Investment Manager	31/12/2022 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	31/03/2023 Market Value (£M)	31/12/2022 Allocation (%)	31/03/2023 Allocation (%)	31/03/2023 B'mark (%)	31/03/2023 B'mark Range (%)
Total		**2,213.4**	**-5.1**	**80.9**	**2,289.2**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-CRMF)		**1,514.7**	**0.2**	**11.8**	**1,526.7**	**68.4**	**66.7**	**77.0**	**--**
Total Equity		**238.8**	**--**	**6.9**	**245.7**	**10.8**	**10.7**	**20.0**	**10.0 - 30.0**
Global Equity		**125.9**	**--**	**4.2**	**130.0**	**5.7**	**5.7**	**10.0**	**5.0 – 15.0**
WPP Global Opportunities	Russell	125.9	--	4.2	130.0	5.7	5.7	10.0	5.0 - 15.0
Emerging Markets Equity		**113.0**	**--**	**2.7**	**115.7**	**5.1**	**5.1**	**10.0**	**5.0 - 15.0**
WPP Emerging Markets Equity	Russell	113.0	--	2.7	115.7	5.1	5.1	10.0	5.0 - 15.0
Total Credit		**223.5**	**--**	**7.2**	**230.7**	**10.1**	**10.1**	**12.0**	**10.0 - 14.0**
WPP Multi-Asset Credit	Russell	223.5	--	7.2	230.7	10.1	10.1	12.0	10.0 - 14.0
Total Hedge Funds		**160.3**	**--**	**-1.0**	**159.3**	**7.2**	**7.0**	**7.0**	**5.0 - 9.0**
Hedge Funds	Man	160.3	--	-1.0	159.3	7.2	7.0	7.0	5.0 – 9.0
Total Tactical Allocation		**261.5**	**--**	**1.1**	**262.5**	**11.8**	**11.5**	**11.0**	**9.0 - 13.0**
Best Ideas	Various	261.5	--	1.1	262.5	11.8	11.5	11.0	9.0 - 13.0
Total Private Markets		**630.7**	**0.2**	**-2.4**	**628.5**	**28.5**	**27.5**	**27.0**	**15.0 - 37.0**
Property	Various	137.3	4.8	-6.4	135.7	6.2	5.9	4.0	2.0 - 6.0
Private Equity	Various	203.4	-1.6	-0.7	201.1	9.2	8.8	8.0	6.0 - 10.0
Local / Impact	Various	85.5	1.8	2.8	90.1	3.9	3.9	4.0	0.0 - 6.0
Infrastructure	Various	130.9	-4.2	2.3	129.0	5.9	5.6	8.0	6.0 - 10.0
Private Credit	Various	62.2	-0.5	-1.1	60.6	2.8	2.6	3.0	1.0 - 5.0
Timber/ Agriculture	Various	11.4	-0.1	0.7	11.9	0.5	0.5	--	--
Total CRMF		**595.1**	**--**	**69.1**	**664.2**	**26.9**	**29.0**	**23.0**	**10.0 - 35.0**
Cash and Risk Management Framework (CRMF)	Insight	595.1	--	69.1	664.2	26.9	29.0	23.0	10.0 - 35.0
Cash		**103.6**	**-5.3**	**0.0**	**98.3**	**4.7**	**4.3**	**0.0**	**0.0 - 5.0**
Cash		103.6	-5.3	0.0	98.3	4.7	4.3	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.
Hedged Funds (Legacy) valuation includes the Liongate portfolios.

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Manager Performance

	Investment Manager	2023 Q1 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)
Total		**3.7**	**4.5**	**-6.4**	**-4.6**	**9.5**	**7.5**
Total Equity		**4.5**	**3.2**	**-2.2**	**-1.9**	**12.4**	**13.4**
WPP Global Opportunities	Russell	3.4	4.9	0.2	0.5	16.4	17.8
WPP Emerging Markets Equity	Russell	5.7	1.5	-1.6	-3.5	--	--
Total Credit		**1.9**	**1.9**	**-7.1**	**6.3**	**3.1**	**4.3**
WPP Multi-Asset Credit	Russell	1.9	1.9	-7.1	6.3	--	--
Total Hedge Funds		**-0.6**	**1.8**	**0.8**	**5.8**	**4.2**	**4.4**
Hedge Funds	Man	-0.6	1.8	0.8	5.8	4.2	4.4
Total Tactical Allocation		**0.4**	**2.1**	**-3.9**	**13.3**	**12.0**	**8.7**
Best Ideas	Various	0.4	2.1	-3.8	13.3	12.2	8.2
Total Private Markets		**-0.4**	**1.8**	**10.1**	**3.9**	**13.3**	**5.5**
Property	Various	-4.6	0.2	-9.2	-14.7	2.4	2.7
Private Equity	Various	-0.4	2.2	13.7	7.4	19.8	5.9
Local / Impact	Various	3.3	2.2	22.9	7.4	--	--
Infrastructure	Various	1.8	2.2	19.6	7.4	12.2	5.9
Private Credit	Various	-1.8	1.8	9.5	7.5	7.4	7.5
Timber/ Agriculture	Various	6.0	2.2	29.2	7.4	10.3	5.9
Total CRMF		**11.6**	**11.6**	**-34.8**	**-34.8**	**5.4**	**5.4**
Cash and Risk Management Framework (CRMF)	Insight	11.6	11.6	-34.8	-34.8	5.4	5.4

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.
For periods over one year the figures in the table above have been annualised.
Prior to 30 November 2020, performance for all portfolios and sub-totals/total was estimated based on MWRR approach.
Russell WPP Global Opportunities and Russell Emerging Markets portfolios benchmark performance includes the outperformance target.
Total hedge funds performance includes performance of the legacy Liongate portfolio.
Hedge funds, best ideas and private markets portfolios performance 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

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

		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

4

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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	10.0	MSCI AC World (NDR) Index +2.0% p.a.
WPP Emerging Markets Equity	Russell	10.0	MSCI Emerging Markets Index +1.5% p.a.
Total Credit		**12.0**	**SONIA +4.0% p.a.**
WPP Multi-Asset Credit	Russell	12.0	SONIA +4.0% p.a.
Total Hedge Funds		**7.0**	**SONIA +3.5% p.a.**
Hedge Funds	Man	7.0	SONIA +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	SONIA +5.0% p.a.
Local / Impact	Various	4.0	SONIA +5.0% p.a.
Infrastructure	Various	8.0	SONIA +5.0% p.a.
Private Credit	Various	3.0	Absolute Return +7.5% p.a.
Timber/ Agriculture	Various	--	SONIA +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 Russell Emerging Markets portfolios include the 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.

Mercer

welcome to brighter

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 21 June 2023
Report Subject	Funding, Flightpath and Risk Management Framework Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The estimated funding position at 30 April 2023 of 105% is broadly the same as the expected position. This is now calculated using the updated assumptions and liabilities in the Actuarial Valuation 2022.

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 total gain since inception of the synthetic equity strategy to 30 April 2023 is c. £96.0m. The currency hedging positions have made a loss of £31.2m in total since inception to 30 April 2023 due to weakening of sterling over that period versus the dollar. This is offset against gains on the physical overseas equity holdings.

The Fund remains in a healthy financial position, despite a challenging market environment. The Fund has benefitted from having the Flightpath in place, as it has served to reduce risk in the investment strategy relative to the Fund's liabilities. Whilst the relative performance of the components has varied, overall the Flightpath framework has performed as expected over recent periods. The recent negative performance shown is mainly as a result of rising interest rates, and the liability value will have fallen by at least this amount, serving to stabilise the funding level and employer contributions.

In April 2023, the Pensions Regulator issued guidance to pension schemes to ensure that they had minimum levels of collateral resiliency and a robust framework in place for monitoring and replenishing collateral. The Fund is in compliance with the guidance, with comfortable levels of collateral to support the current hedges in place and to take advantage of opportunities through the market based interest rate and inflation trigger framework should they arise. There is also a robust framework to take action quickly, and further liquidity can be sourced from liquid assets held outside the Insight Mandate at short notice if required.

A number of the reinstated triggers were hit over May 2023, allowing the Fund to purchase gilts at attractive levels. This has increased the interest rate hedge ratio from c. 51% to c. 58%. The inflation hedge ratio remains at 40%.

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

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 April 2023 from Mercer on the funding position and an overview of the risk management framework is attached in Appendix 1. This is the first update report where the funding position has been restated to use the assumptions and liabilities calculated from the Actuarial Valuation 2022. Previous updates continued to use the 2019 assumptions when considering the expected funding level until the Funding Strategy Statement was approved and employers agreed revised employer contribution plans in March 2023. 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 principal objectives of the framework.
1.02	The estimated funding level is 105% at 30 April 2023, which is broadly in line with the expected position when measured relative to the 2022 valuation expected funding plan. We have restated the expected funding level to commence from 1 April 2022 based on the final position signed off in the Actuary's valuation report. The expected funding level will reduce over time as employers are using part of the valuation surplus in line with the agreed funding plans. New employer contributions commenced from 1 April 2023. The investment environment has continued to be bearish over 2023-to-date amid rising inflation and interest rates. A trigger of 110% is in place to prompt future Funding & Risk Management Group (FRMG) de-risking discussions and based on the formal protocol agreed by the Committee. The funding level is below this 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 in future. This trigger will be kept under review over time.
1.03	As previously reported the trigger framework was paused prior to 30 September 2022 to prevent additional collateral strain being put on the risk management framework. The trigger framework was reinstated in December 2022, with interest rate trigger levels raised by 0.5% p.a. to capture value opportunities from yields being elevated relative to normal levels. The level of hedging was approximately 50% for interest rates and 40% for inflation at 31 March 2023. The liability hedging portfolio performed positively over the quarter to 31 March 2023 as real yields fell, although this has reversed over April and May as real yields increased by around 1% since quarter end. 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. Following the increase in gilt yields over 2023 to date, a number of the reinstated higher triggers were hit in May 2023, which prompted Insight to implement the following actions:

- 18 May: The 4.25% yield trigger was hit in the longest maturity band (band 4) meaning all 4.25% yield triggers have been hit;
- 22 May: the 4.50% yield trigger was hit in maturity band 3; and
- 25 May: the 4.50% yield triggers were hit in maturity bands 2 and 4.

(NB: This activity is not captured in appended April 2023 report but will be captured in future reports).

The activity has increased the interest rate hedge ratio to c. 58%, with the inflation hedge ratio unchanged at 40%. Transaction costs for the activity totalled c. £54k and were at the lower end of the expected cost range.

Following the triggers being hit, collateral remains in a healthy position, with the portfolio currently able to withstand an interest rate rise of in excess of 5% (i.e. to over 9%) whilst supporting suitable stresses on the other hedging exposures (equity and FX), without drawing on the existing collateral waterfall. With regard to this, the portfolio is in line with guidance issued by the Pensions Regulator in April 2023 as per paragraph 1.04 below.

1.04 In April 2023 the Pensions Regulator issued guidance to pension schemes to ensure that they had minimum levels of collateral resiliency and a robust framework in place for monitoring and replenishing collateral. Specifically the Pensions Regulator recommended that:

- LDI mandates should have available collateral (typically cash and gilts) within the mandate that comprises 2 elements: a market stress buffer and an operational buffer.
- The market stress buffer should be sufficient to cover at least a 250bps upward movement in interest rates.
- The operational buffer should be in addition to the market stress buffer, and should be such that under day-to-day volatility the market stress buffer can be maintained in normal market conditions.
- A larger operational buffer is appropriate where non-LDI assets are less liquid or additional collateral might take time to source from the wider scheme assets.
- In the event of market stress, it is acceptable for the market stress buffer to be drawn down (i.e. the total buffer level can fall below 250bps but it should be replenished quickly).
- Trustees should regularly monitor the resilience of their LDI strategy to adverse interest rate, inflation and other market stresses.

The Fund is in compliance with the guidance, with comfortable levels of collateral to support the current hedges in place and to take advantage of opportunities through the market based interest rate and inflation trigger framework should they arise. The Fund has a robust governance framework to monitor collateral levels and take action quickly as needed, and further liquidity can be sourced from liquid assets held outside the Insight Mandate at short notice if required.

1.05 Based on data from Insight, Mercer's analysis shows that the management of the Insight Liability Hedging mandate is rated as "green" as at the end of Q4 2022, meaning it is operating in line within the tolerances monitored by Mercer.

	The Cash Plus Fund is rated “green” as the Fund had sufficient collateral to withstand the stresses as at 31 December 2022, although additional collateral was required to bolster the position and enable the Fund to take advantage of opportunities. The Cash Plus Fund has underperformed since inception and over Q4 2022. The collateral waterfall has returned £4.9m at 31 December 2022 since implementation at 31 January 2019. The collateral waterfall structure is reviewed on an ongoing basis and further work has been carried out to understand the liquidity of the wider investment strategy and where capital could be sourced at short notice, should it be required in future to supplement available collateral within the Flightpath. Following completion of this work and the investment strategy review, the remaining assets within the collateral waterfall are to be divested to fund the allocation to WPP Sustainable Equity. Officers and Mercer are comfortable that following this divestment, the portfolio will continue to comply with the latest guidance issued by the Pensions Regulator.
1.06	**Update on Risk Management framework** (i) Synthetic equity and equity protection strategy The Fund gains exposure to equity markets via derivatives and protects the majority of 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 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 falls in equity markets. Importantly over the longer-term the increased security allows the Actuary to include less prudence/buffer in the Actuarial Valuation assumptions; this translates into lower contributions at each valuation (all other things equal), whilst maintaining the equity exposure supports a lower cost of accrual than under traditional de-risking methods. The Fund has a bespoke synthetic equity and equity protection strategy, which is implemented through a Total Return Swap (“bespoke 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 up to 2024. The Fund implemented c. £215m of exposure in long-only synthetic equity positions in October and November 2022 to replicate the exposure lost through equity sales to support the collateral position within the Flightpath on a temporary basis. These will be unwound as the WPP Sustainable Equity allocation is funded. Both positions consist of broad developed market exposure and are implemented through vanilla equity total return swap. Unlike the custom TRS, these vanilla swaps have no protection in place and rise and fall with equity markets. As at 31 March 2023, these swaps had experienced a gain of c. £13m since inception.

	As at 30 April 2023, the total performance since inception of the bespoke TRS synthetic equity and equity protection strategy in May 2018 was an increase of c. £96.0m. Relative to investing in passive equities (and assuming no costs to do so), the strategy has underperformed by c. £88m since inception. The underperformance is largely driven by the rise in equity markets since inception of the strategy meaning the protection has become less valuable.
1.07	(ii) Currency hedging gain/loss The currency risk associated with the market value of the synthetic equity strategy is hedged and has made a loss of £17.5m since inception on 8 March 2019 to 30 April 2023 due to the material weakening of sterling over that period, particularly versus the US dollar. The Fund's overseas developed market physical equity holdings are currency hedged and have made a loss of c. £13.7m since inception of the strategy due to the material weakening of sterling versus the US dollar over that period. Overall, the action to hedge the Fund's developed equity currency risk has resulted in a loss of £31.2m since inception of the strategies, although this will have been offset by rises in value of the overseas equity holdings due to these currency movements.
1.08	**Delegated decisions made since previous report** The FRMG agreed at the 3 April meeting to implement a refinement to the synthetic equity protection strategy which serves to reduce market timing risk and improve efficiency with no additional cost. This has since been implemented by JP Morgan.
1.09	**Overview of Flightpath strategy** The Flightpath was first implemented in 2014 as a risk management strategy in order to stabilise the funding position and thereby manage employer contributions. The value of the Flightpath increased materially over the period to the start of 2022 due to falling interest rates and rising equity markets. Whilst the performance of the components of the Flightpath have varied, overall the Fund has benefitted from having the Flightpath framework in place to date and it has served to reduce risk in the investment strategy relative to the Fund's liabilities. This has allowed the Fund and the Actuary to stabilise employer contributions and in fact reduce average employer contributions at the 2022 valuation. Over recent periods, performance of the framework has been negative as gilt yields have risen and equity market volatility has increased. Though inflation protection has reduced the funding strain from the increase in inflation since early 2022, the rise in gilt yields to date has resulted in a fall in value for the framework. This performance is in line with expectations and will have served to reduce volatility in the funding level since the Fund's liabilities also decreased over the period. As a result of the increase in gilt yields, the Flightpath has enabled the Fund to lock-in to attractive levels of return due to the interest rate trigger framework as discussed in paragraph 1.03.

	The framework's equity protection mandate has also served to reduce funding level volatility relative to holding unprotected equities. As equity exposure is achieved synthetically, the addition of this mandate has increased risk-adjusted returns for the Fund (noting that absolute returns added are less than would have been achieved if investing in more volatile unhedged synthetic equity). Reducing volatility is a primary objective of the Flightpath strategy.

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 generate 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 – 30 April 2023

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. (h) **Vanilla/Unhedged Synthetic Equity** – Derivative contracts that enable the Fund to gain exposure to broad equity markets with no embedded equity protection. The change in value of vanilla contracts is perfectly correlated to the change in the value of broad equity market indices. (i) **TPR LDI Guidance** – Guidance issued by the Pensions Regulator in April 2023 covering the use of leveraged liability-driven investment by pension schemes (https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/liability-driven-investment) Further terms are defined in the Glossary in the report in Appendix 1

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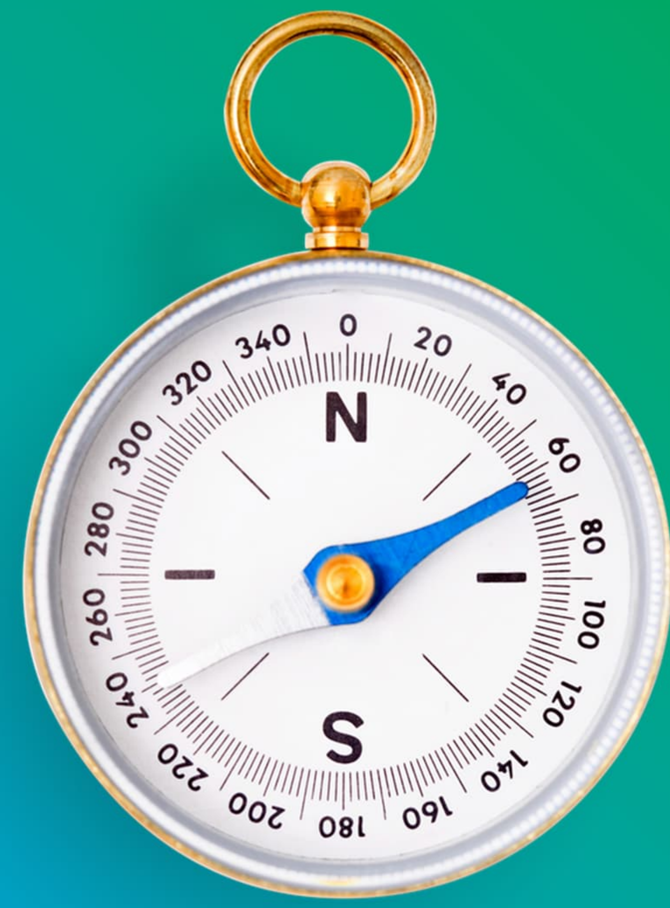
Mercer

Risk management framework

Monthly Monitoring Report: 30 April 2023



Clwyd Pension Fund

May 2023

Nick Page FIA CERA

welcome to brighter

Overriding objectives

Page 288

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 April 2023

- Broadly in line with expected funding level
- Funding level above 100%

The funding position is 105% which is broadly in line with the expected funding level from the 2022 valuation. There is continuing uncertainty in the outlook for future returns and inflation which is being considered when updated the funding position.

Liability hedging mandate at 31 December 2022

- Insight in compliance with investment guidelines
- Underperformed the benchmark over Q4 2022
- Hedge ratios broadly in line with new target levels

There were a number of interest rate triggers breached over Q3 2022. No triggers have been hit over Q2 2023.

Synthetic equity mandate at 30 April 2023

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

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 April 2023

- Currency hedging overlay implemented in the QIAIF in August 2019
- As at 31 April 2023, the market value of the currency hedge on physical equities since inception on 22 August 2019 was -£13.7m

No action required.

Cash Plus Funds, collateral and counterparty position at 31 December 2022

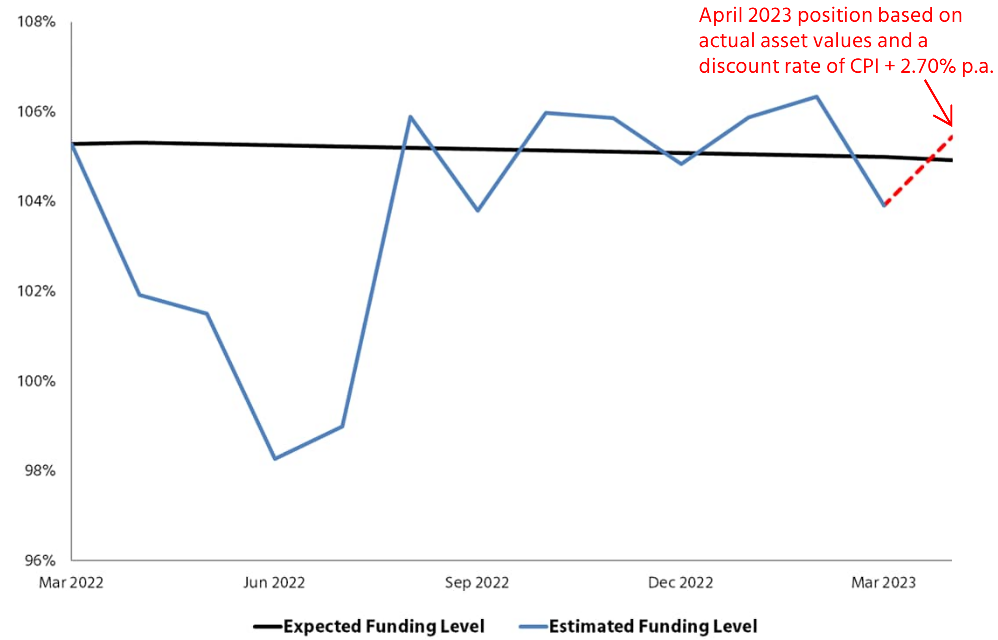
- The Cash Plus Fund has underperformed the benchmark since inception and also over the quarter. We will continue to monitor performance.
- The Insight QIAIF can sustain over a 2.4% rise in interest rates or over 3.0% fall in inflation without eliminating all headroom.

Overall, the collateral waterfall has returned £4.9m at 31 December 2022 since implementation at 31 January 2019 versus the previous structure.

The Fund has sufficient collateral to withstand the stresses as at 31 December 2022. No action required.

Funding level monitoring to 30 April 2023

Estimated funding position since 31 March 2022



Funding Level Trigger

A funding level trigger is in in place to prompt FRMG discussions regarding potential actions as the funding level approaches 110%. This funding level will be monitored approximately by Mercer on a daily basis and if the trigger is breached an FRMG will be convened to discuss any required actions including whether a de-risking step should be undertaken via a change in the long term investment strategy. This will consider the impact on the risk/return profile and any effect on employer contribution requirements.

Comments

The **black line** shows a projection of the *expected* funding level from 31 March 2022 based on the assumptions (and contributions) outlined as part of the 2022 actuarial valuation. The expected funding level at 30 April 2023 was around 105%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2022 to 31 March 2023. The **red dashed line** shows the progression of the estimated funding level over April 2023. At 30 April 2023, we estimate the funding level and surplus to be:

105% / £117m

This update shows that the Fund's position at 30 April 2023 was marginally above the expected funding level from the 2022 valuation. New employer contributions from the valuation commenced from 1 April 2023 and over time the funding level is expected to fall due to employers running off the surplus.

Uncertainty continues to be prevalent in the investment and fiscal environments due to the Global and UK economic outlook – in particular UK inflation which has a direct impact on the Fund's liabilities. When assessing the funding levels above, we have incorporated an allowance for actual monthly CPI inflation to provide a better estimate of next years pension increase and therefore liability cashflows. When determining the appropriate discount rate, we have allowed for the correlation of asset returns to the change in real yields from the valuation date along with an appropriate adjustment to the expected return for growth assets due to the economic outlook, in line with the approach agreed at FRMG.

Update on market conditions and triggers

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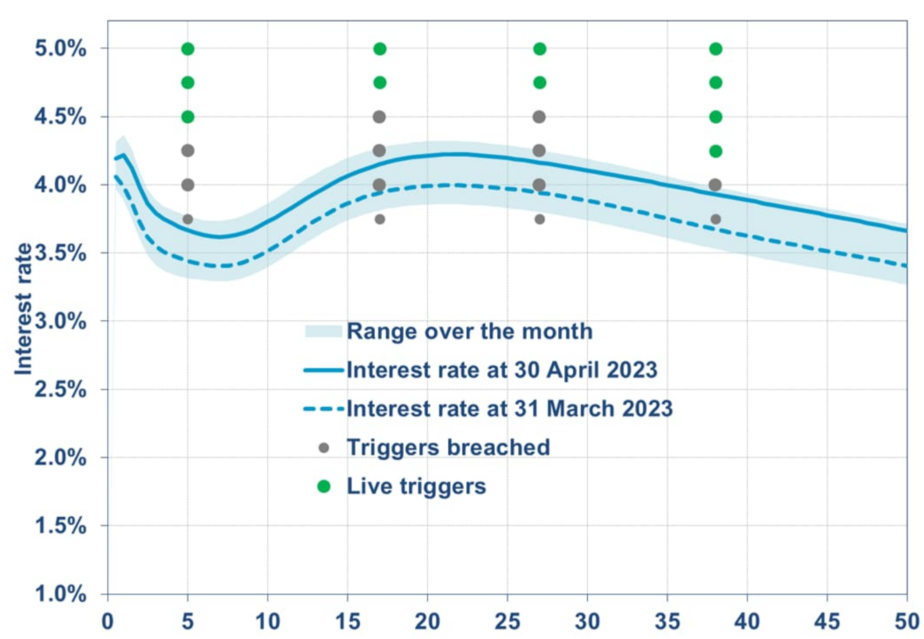
Change in interest rates



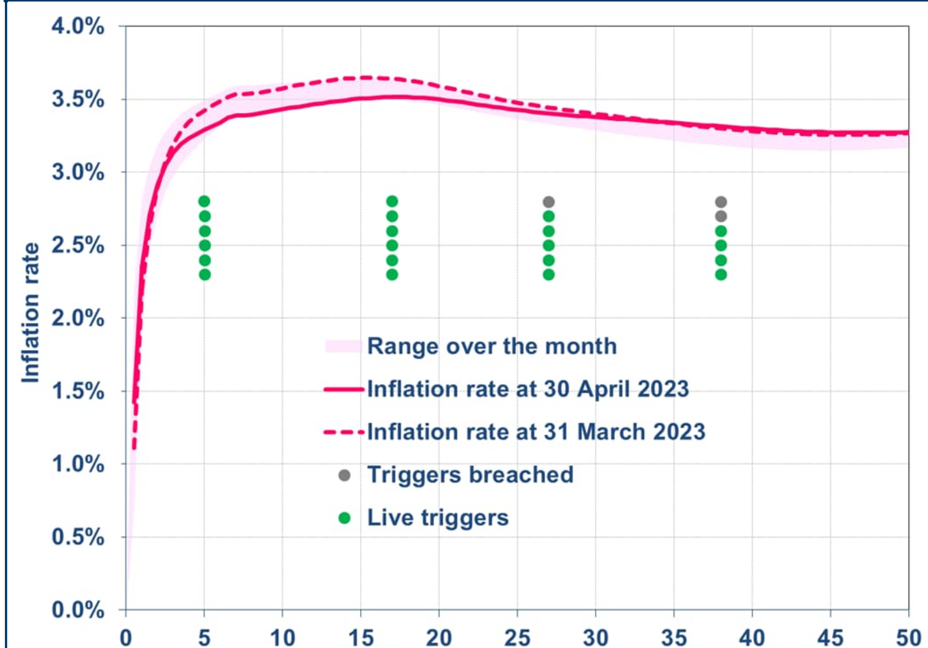
Date	Band 1	Band 2	Band 3	Band 4	Actual
31 December 2022	50.6%	52.3%	51.2%	48.6%	50.7%

Comments

Relative to the position at the end of March, yields rose across the curve over April 2023.

As at 30 April 2023, the fourth interest rate trigger had been breached in two of the maturity bands, with the third trigger breached in three of the four bands. At each trigger, the hedge ratio is increased by c. 10% in that maturity band. A number of further triggers were breached over May, which will be reflected in next month's report.

Change in inflation rates



Date	Band 1	Band 2	Band 3	Band 4	Actual
31 December 2022	40.8%	23.3%	33.6%	62.6%	39.6%

Comments

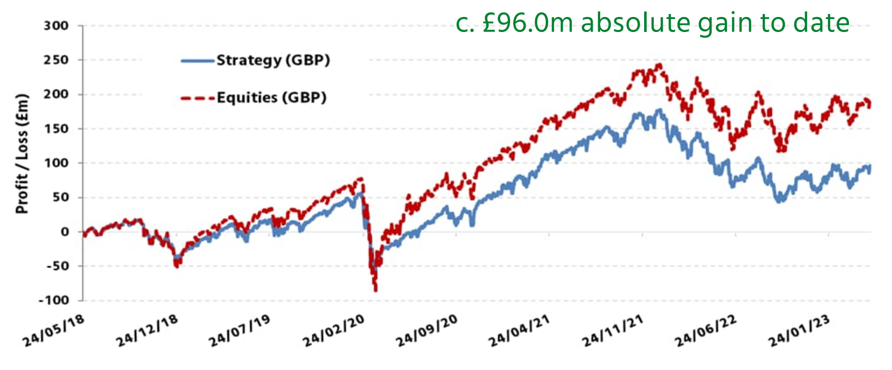
Inflation expectations fell slightly at the short end of the curve and remained stable at the long end of the curve over April 2023.

The target hedge ratios for the portfolio are 50% for interest rates and 40% for inflation expectations.

**Hedge ratios calculated with reference to 2019 valuation cash flow analysis and relying on a discount rate of gilts + 3.9% p.a..*

Update on equity protection mandate

Strategy versus equity index

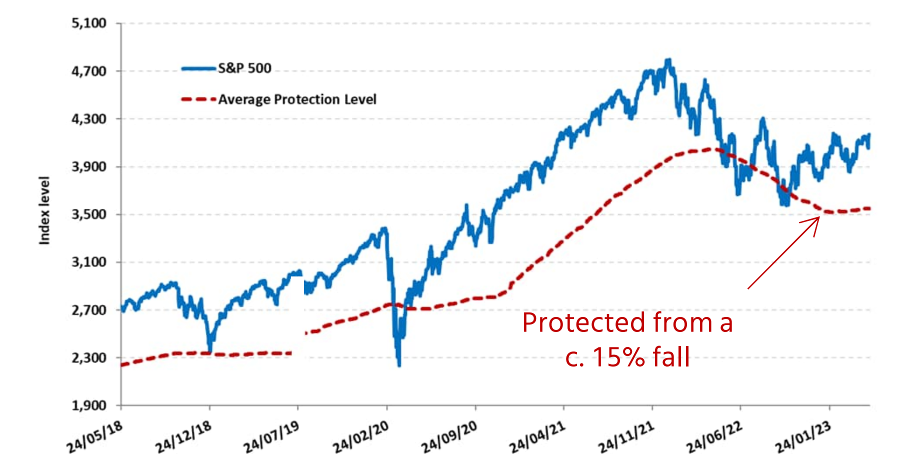


GBP returns	Equity return	Hedging return	Financing return	Costs	Overall return	Relative return
MTD	1.5%	(0.4%)	0.3%	(0.0%)	1.4%	(0.1%)
YTD	11.0%	(2.7%)	0.2%	(0.2%)	8.3%	(2.7%)
SI (per annum)	9.9%	(3.1%)	(1.4%)	(0.6%)	4.9%	(5.0%)

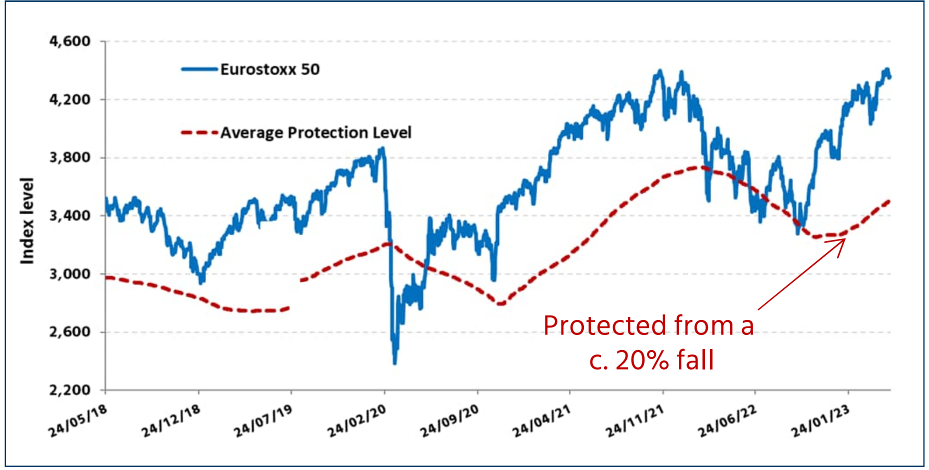
Comments

- 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 2 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.
- Equity markets rose over April, the positive return was partially offset by the hedging leg producing negative returns.
- The strategy underperformed passive equities over the month. As at 30 April 2023, there was a gain of c. £96.0m on the strategy since inception.
- From inception on 8 March 2019 to 30 April 2023, the currency hedge of the market value of the synthetic equity mandate has resulted in a c. £17.5m loss relative to an unhedged position, as sterling has weakened versus the dollar since inception.

US equity exposure



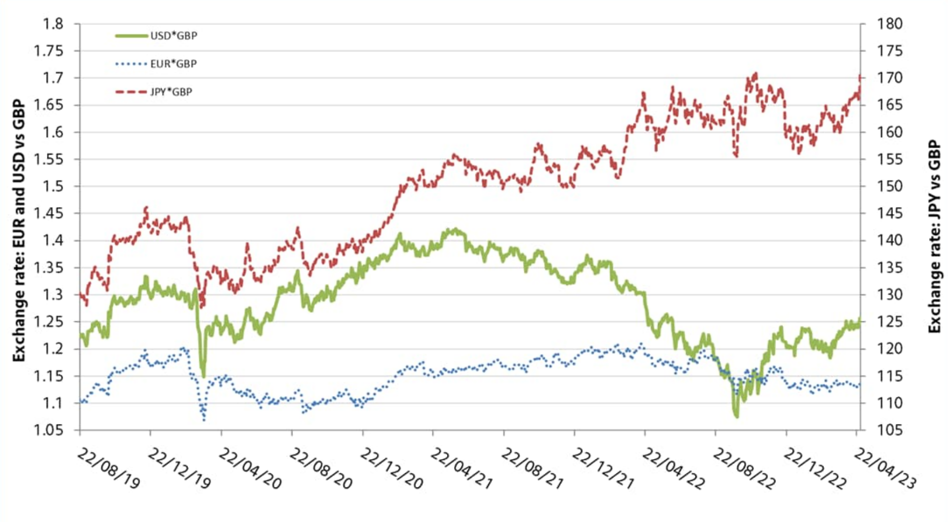
European equity exposure (note: different scale)



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 April 2023, the market value of the currency hedge since inception on 22 August 2019 was -£13.7m.
- The market value of the currency hedge rose over March as sterling appreciated against the dollar and the yen, and was relatively stable versus the euro.

	Currency basket weight	FX performance (since inception*)	FX change in performance since 31 March 2023
EUR	13%	£1.4m	£0.0m
JPY	7%	£4.4m	£0.2m
USD	80%	(£19.5m)	£1.2m
	100%	**(£13.7m)**	**£1.4m**

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

Figures may not sum due to rounding.

Glossary

- **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determining the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.

- **Collateral** – Liquid assets held by the Fund as security which may be used to offset the potential loss to a counterparty.

- **Counterparty** – Commonly an investment bank on the opposite side of a financial transaction (e.g. swaps).

- **Deficit** - The extent to which the value of the Fund's liabilities exceeds the value of the Fund's assets.

- **Dynamic protection strategy** – Strategy to provide downside protection from falls in equity markets where the protection levels vary depending on evolution of the market.

- **Equity option** – A financial contract in which the Fund can define the return it receives for movements in equity values.

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

- **Funding level** - The difference between the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

- **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.

- **Hedging** - A strategy aiming to invest in low risk assets when asset yields are deemed attractive. Achieved by investing in government backed assets (or equivalent) with similar characteristics to the Fund future CPI linked benefit payments.

- **Hedge ratio** – The level of hedging in place in the range from 0% to 100%.

- **Insight QIAIF (Insight Qualifying Investor Alternative Investment Fund)** – An investment fund specifically designed for the Fund to allow Insight to manage the liability hedging and synthetic equity assets.

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