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To: Cllr Ted Palmer (Chair)

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

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

14 March 2024

Dear Sir/Madam

NOTICE OF HYBRID MEETING
CLWYD PENSION FUND COMMITTEE
WEDNESDAY, 20TH MARCH, 2024 at 9.30 AM

Yours faithfully

Steven Goodrum
Democratic Services Manager

Please note: Attendance at this meeting is either in person in the Lord Barry Jones Council Chamber, Flintshire County Council, County Hall, Mold, Flintshire or on a virtual basis.

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

If you have any queries regarding this, please contact a member of the Democratic Services Team on 01352 702345.

A G E N D A

1 **APOLOGIES**

Purpose: To receive any apologies.

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

Purpose: To receive any Declarations and advise Members accordingly.

3 **MINUTES** (Pages 5 - 10)

Purpose: To confirm as a correct record the minutes of the last meeting held on the 28 February 2024.

4 **INVESTMENT STRATEGY REVIEW PHASE 1 AND UPDATE TO INVESTMENT STRATEGY STATEMENT** (Pages 11 - 50)

Purpose: To provide Committee members with the proposed strategic asset allocation and to provide the Committee with the updated Investment Strategy Statement for approval.

5 **INVESTMENT STRATEGY REVIEW PHASE 2 - 110% FUNDING LEVEL TRIGGER FRAMEWORK** (Pages 51 - 66)

Purpose: To provide Committee members with the proposed default action to de-risk upon attaining the 110% funding trigger and updated scheme of delegation for Committee to review and approve.

6 **DRAFT CLWYD PENSION FUND RISK MANAGEMENT POLICY** (Pages 67 - 102)

Purpose: To provide Committee with the updated draft Risk Management Policy, for approval.

7 **DRAFT WALES PENSION PARTNERSHIP BUSINESS PLAN 2024-25 TO 2026-27** (Pages 103 - 122)

Purpose: To provide Committee with the draft Wales Pension Partnership (WPP) Business Plan, including the WPP objectives budget for 2024/25 for approval.

8 **DRAFT CLWYD PENSION FUND BUSINESS PLAN 2024-25 TO 2026-27** (Pages 123 - 180)

Purpose: To provide Committee Members with the draft Clwyd Pension Fund Business Plan including the budget for 2024/25 for approval.

9	**INVESTMENT AND POOLING UPDATE** (Pages 181 - 228)	
	Purpose:	To provide Committee Members with an update on investment and pooling matters.
10	**FUNDING AND INVESTMENT PERFORMANCE** (Pages 229 - 278)	
	Purpose:	To provide Committee Members with an update on funding and investment matters.
11	**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC**	

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

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

12	**WALES PENSION PARTNERSHIP OPERATOR PROCUREMENT** (Pages 279 - 290)	
	Purpose:	To update Committee on the procurement of the Wales Pension Partnership Operator and request approval for the appointment of the Operator.
13	**FUTURE MEETINGS**	
	Purpose:	Future meetings of the Clwyd Pension Fund Committee will take place at 9.30am on: Wednesday 19 June 2024

Please note that there may be a 10 minute adjournment of this meeting if it lasts longer than two hours

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CLWYD PENSION FUND COMMITTEE
28 February 2024

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held as a hybrid meeting at County Hall at 9.30am on Wednesday, 28 February 2024, with remote attendance available via Zoom.

PRESENT: Councillor Ted Palmer (Chairman), Councillor Dave Hughes (Vice-chair)
Councillors: Jason Shallcross, Antony Wren, Sam Swash

CO-OPTED MEMBERS: Councillor Gwyneth Ellis (Denbighshire County Council), Councillor Andy Rutherford (Other Scheme Employer Representative), and Mr Steve Hibbert (Scheme Member Representative)

ALSO PRESENT (AS OBSERVERS): Elaine Williams (PFB Scheme member representative).

APOLOGIES: Apologies were received from Councillor Anthony Wedlake (Wrexham County Borough Council) during the meeting.

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: Debbie Fielder (Deputy Head of Clwyd Pension Fund), Karen Williams (Pensions Administration Manager), Alison Murray (Alternate Independent Adviser – Aon), David Bateman (Fund Accountant), Matt Grundy (Graduate Accountant), Ieuan Hughes (Graduate Investment Trainee), and Morgan Nancarrow (Governance Administration Assistant – taking minutes).

36. 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 new declarations of interest.

37. MINUTES 29 November 2023

The minutes of the meeting of the Committee held on 29 November were agreed.

RESOLVED:

The minutes of 29 November 2023 were received, approved, and will be signed by the Chairman.

38. GOVERNANCE UPDATE AND CONSULTATIONS

Mr Latham took the Committee through each paragraph of this report, including progress against the business plan and current developments including the Pension Regulator's (TPR) new General Code of Practice and the update from the Scheme Advisory Board (SAB).

Mr Middleman of Mercer explained that the statement from SAB on LGPS surpluses was broadly as anticipated and is consistent with the way CPF's funding strategy addresses surplus which is centred on contribution sustainability in the long term. The statement raises potential conflicts of interest when setting contribution rates. He explained that through its strong governance structure and dialogue with the main employers, the Fund ensures these potential conflicts are well managed and considered by officers and Committee. Other key parts of the statement included employer specific investment strategies where employers are exiting funds, and partial terminations where employers remove part of their liability. These issues are less relevant for the Fund principally because the majority of CPF employers are public sector bodies who are not expected to exit the Fund. However, if this becomes an issue in future, the matter will be brought to Committee for consideration.

Mr Hibbert commented that Central Government appears to incorrectly view LGPS surpluses as a means of reducing Council Tax and as a pot of money for Government to direct. He noted the language used around the Government wishing not to direct funds on how or what to invest in, but to make general suggestions. He felt that if the Government provides an environment in which investments can grow, the Fund will find them and invest in them where suitable.

Cllr Shallcross asked whether the 'line' between surplus and deficit had been moved to reflect the growing pot size needed to provide pensions for the aging population. Mr Middleman confirmed that when funding strategy is looked at and contributions are set, life expectancy and the aging population are taken into account to ensure the funding available is appropriate to meet these needs. He noted that the rate of growth of life expectancy is currently reducing based on latest data, which will be a discussion point to consider at the next valuation and will be picked up later this year as part of the interim funding review.

Mr Latham handed to Mr Turner who explained the paragraph on Sharia Law. Mr Turner said it is useful to have this issue clarified by SAB, and though further advice is still to be delivered, there is expected to be minimal impact on the Fund's investments. Concerns around Sharia Law are typically a concern for defined contribution pensions and Sharia compliant investment options can be offered in these schemes. However, this solution does not apply to the way LGPS funds invest. The clarification from SAB and the legal opinion will provide useful guidance in this area.

Mrs McWilliam asked whether Sharia Law had ever been considered as part of the Fund's AVC fund choices, and whether it should be. Mr Turner was not aware of this having been part of AVC considerations in the past but that this could be checked. He could see no reason this shouldn't be considered in future, and he would be interested to see if there is demand for this within CPF.

Mr Latham continued, highlighting the Minister's comments regarding the reduction of the number of LGPS funds, with roundtable events expected as soon as Easter. At the All

Parliamentary Pensions Group the Minister had also made a comment about Committee knowledge and skills. Mr Hibbert clarified that the Local Government Minister stated he does not see why the knowledge and skills of the Board should be greater than that of the Committee.

Mr Latham made clarifications to the following risks:

- Risk 2 regarded governance of Committee, and this would be discussed at the afternoon training session after the meeting.
- Risk 3 referred to conflicts of interest 'particularly at Pension Fund Committee', however the change in risk status reported in the paper was due to a potential conflict of interest around local investment, which relates to Mr Latham as Head of Clwyd Pension Fund and Mr Ferguson as S151 Officer with respect to his role in signing off local investments. The intention is to ensure that any perceived conflicts around local investments which could impact Flintshire County Council finance are managed appropriately by the Fund.

The Chair handed over to Ms Murray who provided some training on equality, diversity, and inclusion (EDI) and the draft EDI policy. She explained some of the background leading up to the March 2023 guidance being issued by TPR which is relevant to LGPS Funds. She highlighted that varied life experiences can bring greater diversity to the Fund, but that the full talents and experiences of those people cannot be benefited from without also giving attention to equality and inclusion. She explained the approach to the draft EDI policy, recognising there are limitations faced by LGPS Funds in particular. Key benefits for Pension Funds are that EDI can lead to better decision making in the interest of members and employers, as well as better insight and empathy in discretionary decisions, and improved communications with members and employers.

The regulator's guidance sets out practical ways of helping governing bodies to improve EDI. These include providing training and a fund specific policy which sets out what EDI means to the Fund. The draft EDI policy uses the phrase 'equal access', to recognise that different individuals may require different support to create fairness. The draft policy considers diversity as not only protected characteristics, but also broader characteristics such as socio-economic background, life experiences, education, and language. Finally, CPF's proposed definition of inclusion is intended to create an environment where all individuals involved in the Fund's management can perform to their full potential by being involved, valued and supported.

Ms Murray took the Committee through examples of challenges and strengths in relation to delivering EDI, as they apply specifically to LGPS and CPF, and next steps and considerations for the Fund. She also referenced the Government Actuary's Department's 2023 report on the Gender Pensions Gap for the LGPS in England and Wales.

Mrs Carney confirmed that the policy had been shared with FCC prior to the meeting and she was comfortable with the draft. She noted that FCC provides unconscious bias training for employees, and this could potentially be shared with Committee and Board members. She also noted that the majority of employers should be carrying out their own gender pay reporting, and suggested that access to this information could be requested to measure the Fund's pensions gap position. FCC's equal pay audit was taken to Council last week, and this is available if helpful to the Fund.

As Chair of the Pension Board, Mrs McWilliam commented that over the last few years, she has noticed Elaine Williams' experience and skills in working with the elderly had improved diversity of experiences and knowledge within the Pension Board, particularly around communications. She added that positive work has already done around the communications strategy and that the Board felt that the 'Understanding Your Annual Benefit Statement' guidance video was particularly helpful.

RESOLVED:

a) The Committee considered and commented on the update.
b) The Committee reviewed and approved the newly created Clwyd Pension Fund EDI Policy

39. PENSION ADMINISTRATION/COMMUNICATIONS UPDATE

Mrs K Williams took the Committee through each paragraph of this report. She highlighted:

- Progress on the National Pensions Dashboard project
- Employer Liaison Team (ELT) and the McCloud project. From employers using the ELT service, 100% of McCloud data has now been provided and 54% of this has been successfully uploaded. Of employers not using this service, 78% of data has been received, and 56% has been uploaded. McCloud now affects day-to-day internal processes as additional checks need to be made, and this could impact KPIs in future.
- Data cleansing exercises including an address cleansing exercise, and triennial existence checks which take place for members living overseas as part of the anti-fraud and corruption policy.
- The Fund receives over 24,000 telephone calls annually, and it is proposed that a telephone help desk be set up to direct members to the right officer and help to address Welsh language standards. Mrs McWilliam asked if the telephone statistics include calls to mobile phones. Mrs Williams explained that calls to office phone numbers will be counted, even if they are diverted to a mobile through the Avaya system. Calls to a direct mobile number would not be counted in these statistics, for example if an officer makes an external phone call from their mobile without using the Avaya system, the member could then call back using the direct mobile number. However, this is very unusual, and the majority of phone calls do go through the Avaya system.
- The Fund sends monthly reports to employers informing them of their performance in relation to the 3 main KPIs. Originally, these reports were intended to inform and support the employers to put resources in place and improve processes, however an audit review raised a concern that progress was not being made and recommended that the Fund should look at enforcing its escalation policy for employers continually missing KPI targets. The Fund's preference is to help employers identify areas of improvement and share good practice rather than impose fines. The escalation policy is being revised to reflect this, and part of the revision is updating KPIs within the administration strategy.

- Workload statistics, and resource and staffing updates.
- An update on communications including employer engagement sessions. Employers' feedback on the format of the annual meeting will be presented to Committee when it has been collated.

RESOLVED:

a) The Committee considered and commented on the update.
b) The Committee approved the amendments to the Pensions Administration Strategy as highlighted in paragraph 1.04 and Appendix 4 which incorporate the updated key performance indicators.

40. FUTURE MEETINGS

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

- Wednesday 20 March 2024
- Wednesday 19 June 2024

RESOLVED:

The Committee noted the upcoming Committee dates.

The Chairman thanked everyone for their attendance and participation. The next formal Committee meeting is on 20 March. The meeting finished at 11:05am.

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Chairman

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CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 20 March 2024
Report Subject	Investment Strategy Review Phase 1 and Update the Investment Strategy Statement
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

At the Committee meeting on 29 November 2023, a proposal to undertake a further investment strategy review was agreed in two phases as follows:

Phase one objectives:

- Formalise a plan to fully fund the WPP Sustainable Active equity allocation;
- Increase the liquidity of the available assets in order to help meet ongoing cashflow and Private Market capital drawdown requirements;
- Consider the impact on the Fund's climate related objectives from the above.

Phase two of the review considers the options available to the Committee to ensure the Fund is well prepared to make further changes should it achieve the 110% funding position in the future. This paper covers the first phase of the review.

Under the LGPS Investment Regulations, there is a requirement to produce, and maintain an Investment Strategy Statement (ISS). The current ISS was approved in November 2023. The latest ISS reflecting the investment strategy review covers the changes and is included for review and approval.

RECOMMENDATIONS	
1.	The Committee to agree the proposed strategic asset allocation for the Fund (as shown in paragraph 1.05).
2.	The Committee to approve the updated ISS.

REPORT DETAILS

1.00	**INVESTMENT STRATEGY REVIEW - PHASE 1**
1.01	In order to meet the objectives of Phase 1 of the review, Mercer modelled candidate portfolios, which assessed expected return, risk and funding implications. The candidate portfolios included removing a number of the existing mandates (Hedge Funds and Emerging Market Equity allocations) whilst also using synthetic equity, as required, in order to broadly maintain risk and return. The candidate portfolios also assessed the implications to liquidity, collateral and climate sustainability characteristics as a result of the proposed changes.
1.02	**Expected cashflow requirements** The analysis highlighted the Fund's existing cashflow requirements, which were split into two categories: ongoing cashflows (i.e. covering pensioner payroll) and private market commitments (i.e. drawdown payments). Analysis was conducted on the next two years' worth of estimated cashflows. It was identified that ongoing pensioner payments are expected to exceed contributions by c. £34m p.a. and private market commitments could total c. £92m p.a. (on a prudent estimation basis). Therefore, a cumulative combined total of c. £250m may be required over the next 2 years, based on the information available at the time of the analysis.
1.03	**Liquidity waterfall considerations** To support the potential cash requirements a liquidity waterfall has been developed as part of the review to identify options available for the Fund to support liquidity needs. The waterfall identified a number of options available to the Fund: • Receiving income from the WPP Sustainable Active Equity and Multi-Asset Credit (MAC) mandates. • Use of synthetic equities and investigating synthesising MAC with synthetic high yield exposure (a proxy for MAC). • Releasing cash from the Tactical Asset Allocation (TAA) portfolio. • Releasing cash (as and when available) from the Risk Management Framework, subject to minimum Yield Headroom threshold. • Divesting from Private Market investments (this option isn't ideal given the timeframe constraints and haircuts likely required to divest, however it is still an option to consider).
1.04	**Emerging Market Equity review** The Fund currently has exposure to Emerging Market equities through the WPP Sustainable Active Equity Fund and the WPP Emerging Market Equity Fund. Analysis highlights that: - In aggregate, the Fund has a relatively large overweight exposure (at least two times more) to Emerging Market equities in comparison to global equity indices. - Emerging Market equities are expected to have greater risks (financial

	and non-financial) than developed equities. - The top five countries within the MSCI Emerging Market Index have a net zero target of 2050 or higher. Notably, China (net zero target 2060) and India (net zero target 2070) make up c.45% of the index combined and are accountable for c.40% of global emissions (China 32%, India 8%). - Recent analysis identifies that the WPP Emerging Market Equity Fund accounts for c. 80% of the Fund's carbon intensity and footprint metrics. - On balance, it is considered that the existing strategic allocation to Emerging Market equities is not required in order to support the Fund's expected return requirements, and allowing for the overall funding position.

1.05	**Proposed strategy refinements**
	
	Following discussions and refinements to the initial modelling, the proposed strategic asset allocation (SAA) has been put forward. The key changes and rationale are provided below:
	
	• **Sell Emerging Market Equities:**
	  o Switch assets into WPP Sustainable Active Equity Fund.
	  o Will provide some ongoing exposure to Emerging Market equities in a way that is better aligned with the with Fund's Responsible Investment beliefs and objectives.
	  o Overall expected risk and return broadly maintained.
	
	• **Sell Hedge Funds:**
	  o The Fund's RMF can support the Fund in diversifying and managing risk exposures, without the need to hold Hedge Funds.
	  o Reallocating sale proceeds will support funding the WPP Sustainable Active Equity Fund and cashflow requirements.
	
	• **Introduction of Strategic Cash allocation:**
	  o The Fund currently has cash within the CRMF (Cash and Risk Management) mandate. Given the potential cash and liquidity requirements of the Fund in future, a strategic cash allocation is deemed appropriate.
	  o The strategic cash allocation is supported by the current relatively attractive returns available but would be subject to review if these returns were to materially change. The CRMF can now be renamed RMF given the Cash part of the mandate has been removed and held separately.
	
	• **Maintain risk and return levels through synthetic equity exposure within the RMF:**
	  o The Fund is able to achieve exposure to Paris Aligned Benchmark equities through the RMF, which will enable the Fund to broadly maintain its target level of risk and return.
	
	• **Turning on income from the existing WPP Equity and MAC Funds:**
	  o The Fund has previously reinvested all income from the WPP

mandates. It has been agreed to switch the income from accumulating to distributing units in order to support liquidity needs. This has now been implemented.

- **Reclassify the Capital Dynamics Clean Energy Wales Separately Managed Accounts (SMA) mandate under Local/Impact instead of Infrastructure:**
    - The Capital Dynamics SMA is specifically designed to make a positive and long-lasting impact at the local level. It supports renewable energy initiatives and contributes to the UK "Levelling Up" agenda. These characteristics align with the objectives of the Local/Impact category. It is important to note that this reclassification (from Infrastructure to Local/Impact) will not have any impact on the risk/return metrics of the overall Fund.

A summary of the current and proposed SAA is provided below:

	Current SAA	Proposed SAA
Sustainable Developed Global Equity	15.0%	15.0%
WPP Emerging Market Equity	5.0%	-
Multi-Asset Credit	12.0%	12.0%
Hedge Funds	5.0%	-
TAA	11.0%	11.0%
Risk Management Framework	23.0%	28.0%
Cash	-	5.0%
Private Markets	29.0%	29.0%
Property	4.0%	4.0%
Private Equity	8.0%	8.0%
Local/Impact	6.0%	8.0%
Infrastructure	8.0%	6.0%
Private Credit	3.0%	3.0%
Total	**100.0%**	**100.0%**
Expected Median absolute return, p.a.	**9.0%**	**8.9%**
Expected Median return over CPI, p.a.	**6.2%**	**6.2%**
3 Year 95% VaR	**£868m**	**£902m**
Total cash 'freed up'[1] after funding WPP Sustainable Active Equity	**-**	**£126.4m**
Estimated income from Physical Equity & MAC	**£23.9m**	**£21.5m**

The proposed strategic changes result in:

- **Expected Return:** No major change to expected return (0.1% p.a below previous on an absolute return basis).
- **Risk (3 Year 95% VaR):** c.4% higher, but no concern as RMF in place to manage overall risk.
- **Climate Metrics:** Anticipation of improved climate metrics expected due to removal of Emerging Market Equities.

	• **Cash freed up:** It is expected that c. £126m would be freed up after funding the WPP Sustainable Active Equity Fund, which could be used to support cashflow needs. • **Note:** the expected return and downside risk figures are not guaranteed and are subject to change.

2.00	**INVESTMENT STRATEGY STATEMENT**
2.01	**ISS update** Following the above proposed SAA, the ISS has been updated to reflect the changes. The key changes to the ISS include: • Update to the SAA table; • Renaming of the Cash and Risk Management Framework to Risk Management Framework, due to the new separate strategic allocation to Cash. In addition to the above changes, the ISS has been updated to reduce unnecessary information and improve its accessibility. Committee members are asked to approve the ISS included within the appendix.

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

4.00	**CONSULTATION**
4.01	The LGPS Investment regulations require that the Fund “consults with such persons as it considers appropriate as to the proposed contents of its investment strategy”. The Fund will not consult with its employers, given there are no material change to the levels of risk and expected return from the Fund’s investment strategy. The updated ISS will be shared with employers.

5.00	**RISK MANAGEMENT**
5.01	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 and F8 – F9

6.00	**APPENDICES**
6.01	Appendix 1 – Investment Strategy Statement (ISS)

7.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
7.01	1. Current ISS available in the strategies and policies section of the CPF website - *https://mss.clwydpensionfund.org.uk/home/investments-and-governance/* **Contact Officer:** Philip Latham, Head of the Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

8.00	**GLOSSARY OF TERMS**
8.01	A list of commonly used terms are as follows: (a) **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) **Absolute Return –** The actual return, as opposed to the return relative to a benchmark. (d) **Annualised –** Figures expressed as applying to 1 year. (e) **Duration –** The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields. (f) **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. (g) **Money-Weighted Rate of Return –** The rate of return on an investment including the amount and timing of cashflows. (h) **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. (i) **Three-Year Return –** The total return on the fund over a three year period expressed in percent per annum.

	(j) **Time-Weighted Rate of Return –** The rate of return on an investment removing the effect of the amount and timing of cashflows. (k) **Yield (Gross Redemption Yield) –** The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cash-flows. **A comprehensive list of investment terms can be found via the following link:** https://www.schroders.com/en/uk/adviser/tools/glossary/

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Cronfa Bensiynau
CLWYD
Pension Fund

Clwyd Pension Fund

Investment Strategy Statement

~~November 2023~~March 2024

Contents

Statutory Requirement for an Investment Strategy Statement

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

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

The ISS must include:

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

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

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

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

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

- Funding Strategy Statement;
- Governance Policy and Compliance Statement;
- Communications Strategy;
- Annual Report and Accounts;
- Actuarial Valuation.

All the above statements and documents can be found on the Fund's web site at https://mss.clwydpensionfund.org.uk/

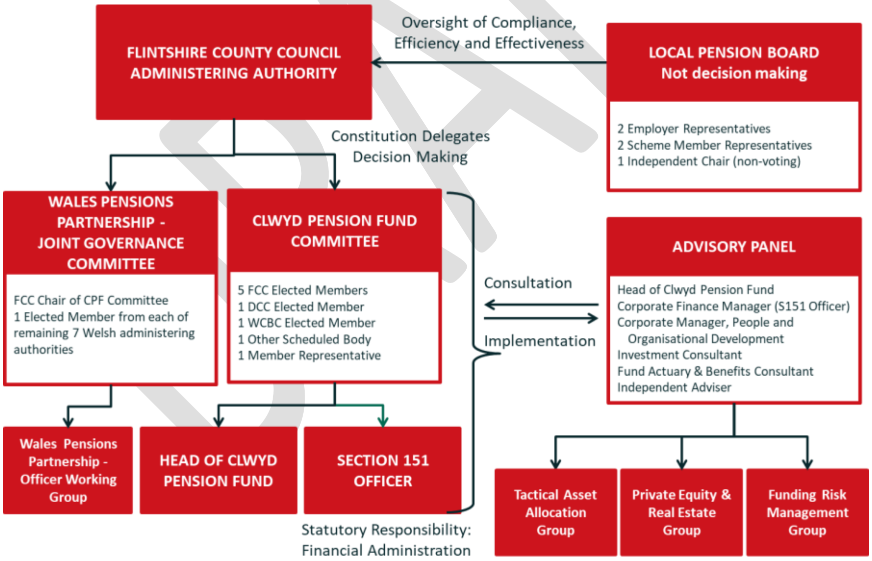
About the Fund

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

Governance and Management of the Fund

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

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



Aims and Objectives

Our Fund's Mission Statement is:

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

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

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

- Achieve and maintain assets equal to 100% of liabilities within the 12-year average timeframe, whilst remaining within reasonable risk parameters;
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible;
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities;
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives;
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives;
- Ensure net cash outgoings can be met as/when required;
- Minimise unrecoverable debt on employer termination;
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability;
- Ensure that the Fund's investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission's target by 2045;
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these;
- Aim to use the WPP as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Committee's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the WPP.

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

Approach to pooling

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

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

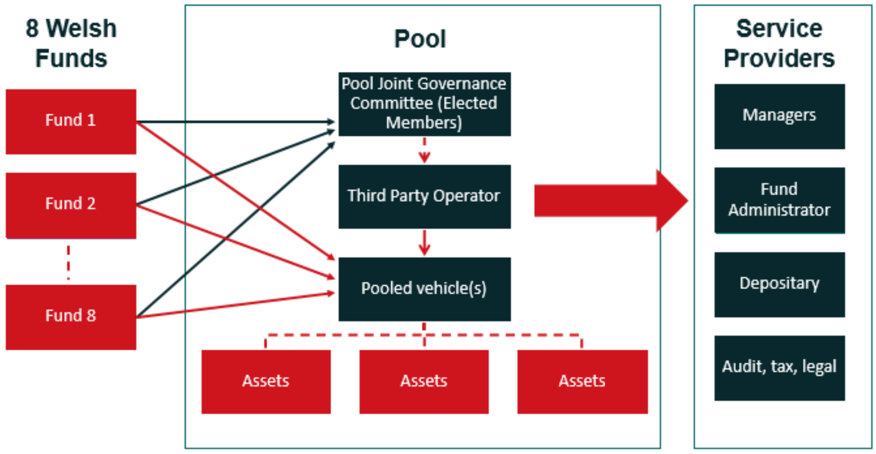
The objectives of the WPP are:

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

Structure and governance of the ~~WPP~~WPP

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

Governance Structure of the WPP



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

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

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

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

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

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

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

Investment Strategy

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

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

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

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

Funding Principles

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

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

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

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

In managing the Fund, the key funding objectives are:

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

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

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

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

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

Investment Principles

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

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

It is Fund policy to carry out a fundamental review of the Fund's investment structure and management arrangements at least every four years, or more frequently if deemed appropriate. The review includes research on market views for the longer-term risk, return and correlation profiles for different asset classes and a more tactical view on the global economic and market environment over the next three to five years. This research is used to determine an optimum future balance between the various asset classes and hence the Fund's fixed strategic benchmark.

Investment Strategy

Setting the Strategy

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

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

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

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

~~2022/23 Review~~

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

~~These opportunities led to five main areas of change:~~

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

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

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

Investment Decisions

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

Strategic Investment Decisions

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

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

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

Tactical Investment Decisions

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

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

Stock Selection Decisions

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

Strategic Asset Allocation

In setting the Strategic Asset Allocation for the ~~Fund~~Fund, the LGPS Investment Regulations require the Fund to invest in a wide variety of investments and in doing so assess the suitability of particular types of investments. Subject to satisfying these elements of the

~~Regulations~~Regulations, the Fund is not constrained to certain types of investments; the requirement is for the Fund to set its own limits. In reviewing the strategy, the Fund considers the existing and a range of alternative asset classes.

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

Balance between different types of investments

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

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

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

~~The current investment strategy is detailed in the table below:~~

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

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

The Fund's investment managers are remunerated either by way of an ad valorem fee, i.e. the fee is a percentage of the value of assets under management, or a combination of an ad valorem and performance-related fee. The principle of performance-related fees is that the base fee is lower and that the manager is only paid a higher fee if the performance objective is met or exceeded.

Asset Allocation ~~and Long Term Expected Return on Investment~~

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

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

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

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

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

Asset Class	Strategic Allocation (%)	Strategic Range (%)	Conditional Range* (%)	~~Expected return above inflation (CPI) p.a.**~~
Developed Global Equity	15.0	10.0 - 20.0	0 – 30	~~3.5%~~
~~Emerging Market Equity~~	~~5.0~~	~~2.5 – 7.5~~	~~0 – 15~~	~~2.1%~~
~~Hedge Funds~~	~~5.0~~	~~2.5 – 7.5~~	~~0 – 15~~	~~1.2%~~
TAA~~/Best Ideas***~~**	11.0	9.0 – 13.0	0 – 20	~~2.5%~~
Multi-Asset Credit	12.0	10.0 – 14.0	0 – 20	~~2.5%~~
~~Cash and~~ Risk Management Framework~~****~~***	~~23~~28.0	1~~0~~5.0 – ~~35~~40.0	0 – 45~~0~~	~~1.4%~~
Cash	5.0	2.5 – 7.5	0 - 10	
Private Markets				
Property	4.0	2.0 – 6.0	0 – 8	~~1.2%~~
Private Equity	8.0	6.0 – 10.0	0 – 15	~~3.0%~~
Local/Impact	~~6.0~~ ~~4.0 –~~ 8.0	6.0 – 10.0	0 – 15	~~2.7%~~
Infrastructure	~~8.0~~ 6.0~~ – 10.0~~	4.0 – 8.0	0 – 15	~~2.3%~~
Private Credit	3.0	1.0 – 5.0	0 - 6	~~2.2%~~
Total	**100.0**			

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Notes:

* The Conditional ranges are at a total Fund level.

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

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

~~****~~*** The ~~Cash and~~ Risk Management Framework, a combination of Liability Driven Investment (LDI) synthetic equity instruments and cash plus funds (allocated to for collateral management efficiency), is managed as part of a risk management approach. Given the nature of this mandate i.e. protection against liability changes, it is not intended to rebalance the allocation, which can lead to a movement away from the ~~initial~~ strategic allocation ~~of 23~~28%.

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

~~Cash and~~ Risk Management Framework

In March 2014, the Fund set up a Risk Management Framework ~~(now referred to as Cash and Risk Management Framework).~~. This has evolved since its initial implementation, and now includes the following strategies that seek to manage a variety of financial risks. These strategies are implemented by Insight Investment Management (Insight). Further information on the Framework can be found in the Funding, Flight-Path and Risk Management report which goes to each Pension Fund Committee meeting.

Funding Level Monitoring

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

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

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

~~As part of the 31 March~~Following significant changes in market conditions and regulation in 2022 ~~actuarial valuation and investment strategy review cycle,~~/23, the Funding and Risk Management Group (FRMG) ~~have reviewed the flightpath and no change has been made~~agreed to ~~the interest rate and inflation triggers at this stage.~~suspend the market trigger framework. The trigger framework will be revisited as part of any de-risking activity on breaching 110% funding level.

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

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

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

Currency hedging strategy

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

Collateral management strategy

The above strategies make use of derivatives and therefore require collateral to be set aside in order to support the positions and protect the Fund (and counterparties) from the risk of default. There is a balance between holding enough collateral to support the strategies against a material and sudden move in markets, versus holding too much that it becomes a drag on the Fund's returns.

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

Realisation of investments

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

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

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

Cash Strategy

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

The Fund ~~does not have~~has a 5% strategic allocation to Cash ~~for investment purposes but holds surplus cash for paying:~~to support ~~the~~ existing cashflow requirements, which include:

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

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

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

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

Stock Lending

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

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

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

Risk Register

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

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

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

Investment, by its very nature, is a risk-based activity where the returns achieved will reflect differing levels of risk. There are a number of investment risks to consider within an investment fund, namely manager, market, credit, currency and liquidity risks. Consideration of financially material non-financial risks is considered in the Fund's Responsible Investment Policy, which is explained later in this document. This includes the Fund's approach to the risks and opportunities associated with climate change, and the transition to a low carbon economy.

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

Solvency Risk and Mismatching Risk

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

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

Manager Risk (including the WPP)

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

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

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

Liquidity Risk

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

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

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

Political Risk

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

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

Corporate Governance Risk

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

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

Legislative Risk

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

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

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

Market Risk

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

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

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

Market risk comprises of the following three types of risk:

Currency Risk

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

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

Interest rate risk

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

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

Inflation risk

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

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

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

Risk Budgets

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

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

Proper advice

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

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

Responsible Investment Policy within the Investment Strategy Statement

Regulatory Background

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

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

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

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

Responsible Investment Policy

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

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

Background

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

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

Investment Pooling

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

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

Stewardship and Engagement

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

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

Reporting and Disclosure

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

Responsible Investment Beliefs

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

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

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

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

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

Responsible Investment Principles

- The Fund's fiduciary duty is to act in the best interests of its members and employers. The Fund recognises that ESG issues create risks and opportunities to its financial performance, and will contribute to the risk and return characteristics. The Fund believes, therefore, that these factors should be taken into account in its Funding and Investment Strategies and throughout the decision making process.

- The Fund is a long-term investor, with pension promises for many years. As a result, it seeks to deliver long-term sustainable returns.
- The Fund endeavours to integrate ESG considerations across all asset allocations.
- The Fund seeks to apply an evidence based approach to the implementation of Responsible Investment.
- The Fund recognises that transparency and accountability are important aspects of being a Responsible Investor and will demonstrate this by publishing its RI policy and activity for the Fund.
- The Fund has a duty to exercise its stewardship responsibilities (voting and engagement) effectively by using its influence as a long-term investor to encourage corporate responsibility.
- The Fund recognises the significant financial risk of not being a Responsible Investor and it seeks to ensure that this risk is mitigated through its Investment Policy and implementation.
- The Fund recognises the importance of Social/Impact ~~investments which~~investments, which can make a positive social and environmental impact whilst meeting its financial ~~objectives,~~objectives and it will continue to make dedicated investments to support this aim.

Climate Change

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

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

Net-Zero commitment

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

For the Fund as a whole:

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

Within the Listed Equity portfolio:

- to achieve a reduction in carbon emissions of 36% by 2025 and 68% by 2030~~.~~;
- to target all of the Listed Equity portfolio being invested in sustainable mandates by 2030~~.~~;
- to engage with the biggest polluters within the Fund's Listed Equity portfolio as part of an overarching stewardship and engagement strategy, to achieve:
  - by 2025, at least 70% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective~~.~~;
  - by 2030, at least 90% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.

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

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

Exclusions Policy

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

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

The above policy applies to the physical listed equity assets initially. This is because this part of the portfolio has the most comprehensive and accurate data on which the policy can be analysed and monitored in a robust and cost efficient way. The ambition of the Fund is to consider the application of the exclusions policy to all parts of the portfolio over time, based on the availability of robust data and implementation practicalities.

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

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

Strategic RI Priorities

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

Evaluate and manage carbon exposure

- The Fund has identified climate change as a financial risk, and intends to measure and understand its carbon exposure within its investment portfolio.

- The Fund has agreed to use the carbon footprinting metric as the primary metric for monitoring carbonisation progress, whilst also monitoring progress against absolute emissions and weighted average carbon intensity (WACI).

Identify sustainable investments opportunities

- The Fund has for a number of years looked to make Social/Impact investments; whereby in addition to making the requisite financial return the investment has a positive social or environmental impact. ~~The 2022~~Recent Investment Strategy ~~Review has~~Reviews have further supported this with the asset allocation to the Local/Impact portfolio being incrementally increased.
- ~~This~~The Local/Impact portfolio has a strategic target weight of ~~6~~8% of the Fund's assets.
- The Fund has ~~increased its~~a strategic allocation to sustainable equities ~~to~~of 15% of total Fund assets ~~following the latest strategy review, an increase of 10% from its previous allocation~~.

Improve public disclosure and reporting

- The Fund recognises the importance of transparency and reporting with respect to ESG issues. The Fund continues to enhance its analysis, disclosure and reporting on its RI activities, including, voting and engagement and carbon emissions analysis.
- The Fund ~~has drafted its first~~produces a Task Force on Climate-Related Financial Disclosures ("TCFD") report every year covering the 12 months to 31 March ~~2022. The report was~~. Reports are drafted in line with the recommendations from the TCFD and the proposals for LGPS on governance and reporting of climate change risks available at the time.
- The Fund carries out Analytics for Climate Transition ("ACT") analysis (a Mercer analytical tool), which provides the Fund with a bottom up analysis of the portfolio's transition capacity. Analysis is carried out every ~~12 months, with the latest analysis carried out as at~~year using a reporting date of 31 March ~~2022.~~.

Active Engagement on ESG risks

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

FRC Stewardship Code

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

Actuarial Valuation and review of Investment Strategy

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

Commitment

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

Approval, review and further information

Approval, Review and Consultation

This version of the Investment Strategy Statement was approved by the Clwyd Pension Fund Committee on ~~28 November 2023.~~20 March 2024. The Investment Strategy Statement will be formally reviewed and updated at least every three years or sooner based on when it is considered appropriate to review the Fund's approach to investing the Fund's assets, including responsible investing.

Further Information

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

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Telephone: 01352 702259

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

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

mss.clwydpensionfund.org.uk

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

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

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 20 March 2024
Report Subject	Investment Strategy Review Phase 2 - 110% Funding Level Trigger Framework
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

At the Committee meeting on 29 November 2023, it was agreed to undertake a further investment strategy review to be completed in two phases, the first of which considered amendments to the Fund's investment strategy in order to free up liquidity whilst maintaining a similar level of expected return. The second phase considers possible actions the Committee could take should the 110% funding position be achieved in the future. Initial discussions of the review were presented at the Committee training session on Wednesday 28 February 2024. This paper covers the second phase of the review.

In this phase, the Funding and Risk Management Group (FRMG) have considered the funding and investment implications of maintaining the Fund's investment strategy when the trigger is attained, relative to de-risking the investment strategy by reducing the synthetic allocation to passive equities by 10% of total Fund assets. Further, the FRMG also considered refinements to the decision making framework when the trigger is attained in order to speed up implementation.

In order to achieve swift implementation if the trigger is attained, it is proposed that the Committee agree a default action that would be implemented without further Committee input, unless the Head of Pensions receives advice from the FRMG not to proceed. If the FRMG's advice is not to proceed with the Committee's default action, a special Committee meeting will be called in short order to determine a way forward. Mercer recommend that the default course of action should be for the Committee to de-risk the investment strategy by reducing equity exposure by 10% if the 110% trigger is attained. This is based on the desire to implement de-risking in a timely manner.

The Committee delegations have been updated to reflect this approach (see appendix 1) with the updates and the proposed default action to be agreed by the Committee.

RECOMMENDATIONS	
1.	The Committee to agree the proposed default action to de-risk by reducing equity exposure by 10% upon attaining the 110% trigger.
2.	The Committee to review and agree the updates to the scheme of delegations framework for implementing the 110% trigger if attained.

REPORT DETAILS

1.00	**Investment Strategy Review - Phase 2**
1.01	**Objectives** The main objective of Phase 2 of the review was to consider potential refinements to the Fund's investment strategy if the 110% funding level trigger is achieved, and to review the governance and implementation framework such that any actions could be implemented quickly should de-risking be desirable.
1.02	**Review** To meet the objectives of Phase 2, the FRMG first considered the funding and investment implications of the current investment strategy relative to the Phase 1 investment strategy. Given the intention of the Phase 1 strategy was to broadly maintain risk and return, there was no material impact on the funding arrangements should the Committee adopt the Phase 1 strategy recommendations. Next, assuming the Phase 1 strategy was adopted by the Committee, the FRMG considered the potential impact on funding strategy of achieving the 110% funding level trigger. As at 31 December 2023, the Fund was 108% funded, meaning the 110% trigger may be breached in the near future. Given the recent positive funding experience, this could potentially facilitate a reduction in the level of employer contributions at the next Actuarial Valuation should the positive funding experience persist. However, it is recognised that there is a balance to be struck between using the positive funding experience to offer contribution reductions to employers where possible and using the positive funding experience to de-risk the investment strategy. De-risking the investment strategy helps to increase the future stability of employer contributions by reducing the risk of negative funding experience in the future. In turn, this helps to mitigate potential future increases in contributions for employers, to the extent possible.
1.03	**Possible de-risked portfolio** A second candidate portfolio reflecting de-risking was also considered assuming that synthetic passive equity exposure was reduced by 10% (from 30% to 20% of total Fund assets) as shown overleaf:

30 September 2023	Phase 1 SAA	Reduce passive equity (-10%)
Equity	45.0%	35.0%
WPP Sustainable Active Equity	*15.0%*	*15.0%*
Passive synthetic equities [1]	***30.0%***	***20.0%***
MAC	12.0%	12.0%
Hedge Funds	-	-
TAA	11.0%	11.0%
Private Markets	29.0%	29.0%
Risk Management Framework	28.0%	28.0%
Strategic Cash	5.0%	5.0%
Total physical assets [2]	**100.0%**	**100.0%**
Expected Median absolute return, p.a.	**8.9%**	**8.6%**
Expected Median return over CPI, p.a.	**6.2%**	**5.9%**
3 Year 95% VaR	**£902m**	**£790m (-12.5%)**

Notes: Arrows show movement relative to current asset allocation. [1]Synthetic exposure excluded from total. Includes allocation to MSCI Paris Aligned Benchmark TRS, as well as Global protected equity strategy. [2]Physical assets only, excluding synthetic exposure. Expected return and downside risk figures are not guaranteed and subject to change.

The FRMG compared the impact on investment risk and the indicative level of employer contributions of the de-risked strategy and the Phase 1 investment strategy. The proposed de-risking activity resulted in a reduction in expected return over CPI of 0.3% p.a., with a corresponding 12.5% fall in Value-at-Risk (an estimate of potential downside risk) versus the Phase 1 strategy.

To determine the potential impact on funding of maintaining the Phase 1 strategy or the de-risked strategy, Mercer derived an actuarial discount rate that would be supported by each investment strategy and calculated the implied contributions.

1.04 **Results of the analysis**

The results of the analysis of the two portfolios were:

- When maintaining the Phase 1 strategy, the funding level would be unchanged at 110% and average employer contributions theoretically could reduce proportionately by c. 15% from the current level at the next valuation (all else equal).
- If the de-risked strategy was adopted, this would see a reduction in the funding level from 110% to 108% (due to a slightly lower discount rate given the lower expected return). In this scenario, a surplus would remain and average employer contributions could theoretically be reduced proportionately by c.10%.

It should be noted that the actual contributions emerging for employers will be determined by a number of factors (including changes in market outlook) and will depend on the funding strategy agreed at the 2025 valuation. The above figures are therefore for illustration only.

In determining the potential contribution impacts above, the Fund Actuary has assumed that any surplus that is used to offset what employers would otherwise pay in contributions still maintains a 105% funding position. This provides a buffer for adverse market movements ahead of the next formal reassessment of the contributions at the 2025 actuarial valuation. It also

	retains some further flexibility to de-risk or provide greater contribution reductions as part of the actuarial valuation cycle. In addition, the 10% reduction in equity exposure does not use up all of surplus via the reduced return i.e. there is still a reduction in contributions. It is possible for the Committee to reduce investment risk even more, adopting an investment strategy that would maintain contributions at current levels. However, this would involve a reduction in equity exposure of 20% of total Fund assets. The FRMG are not recommending that the Committee de-risk to the maximum extent possible at this stage, given that adverse market movements and economic outlook could then potentially lead to a contribution increase. Finding a middle-ground between reducing risk and reducing contributions at this point builds in a prudent buffer to provide some protection against changes in market conditions to reduce the probability that employer contributions might need to increase at the next actuarial valuation.
1.05	**Implementation framework** Mercer have updated the proposed implementation framework (appended to the Delegations – see appendix 1) when the 110% funding level trigger is attained. The aim is to reduce the timeframes between achieving the trigger and implementation. Having considered the above analysis ahead of attaining the trigger, this means that the timeframe can be reduced. In addition, in order to achieve a swift implementation of any actions, it is proposed that the Committee define a default course of action. This action would be implemented without further Committee input if the110% trigger was attained unless the Head of Pensions receives advice from the FRMG not to proceed for any reason. If the FRMG's advice is not to proceed with the Committee's default action, a special Committee meeting (online to ensure timeliness) will be called in short order to determine a way forward.
1.06	**Recommendation** The FRMG view either the Phase 1 investment strategy or the 10% de-risked investment strategy to be suitable strategies upon achieving the 110% trigger. Which strategy to adopt upon achieving the 110% trigger will be a nuanced decision at the point that the trigger is attained, taking into account the Fund's liquidity requirements, prevailing market conditions, the economic outlook and where the Fund is in the actuarial valuation cycle. Following input from the FRMG and wider discussions, Mercer recommend that the Committee's default action on achieving the 110% funding level trigger should be to de-risk the investment strategy by reducing synthetic passive equity exposure by 10% of total Fund assets. As this action involves taking steps to change the investment strategy, this would result in the quickest possible implementation timeframe (should the FRMG see no clear reason not proceed with the de-risking activity). If the FRMG's advice to the Head of Clwyd Pension Fund is not to proceed with the Committee's default action, and the Head of Clwyd Pension Fund agrees with this advice, then further Committee input would be required and the current strategy would remain in force during that time.

	The alternative default action of maintaining the current strategy upon attaining the 110% trigger may result in a lost opportunity should the FRMG advise that de-risking is the preferred course of action. This would require a special Committee meeting to be called, and during this time market conditions may change. The Fund's Investment Strategy Statement ("ISS") permits de-risking upon achieving the 110% funding level trigger.

2.00	**RISK MANAGEMENT**
2.01	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 and F8

3.00	**APPENDICES**
3.01	Appendix 1 – Delegation of Function to Officers – March 2024 – Draft

4.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
4.01	1. Current ISS available in the strategies and policies section of the CPF website - *https://mss.clwydpensionfund.org.uk/home/investments-and-governance/* **Contact Officer:** Philip Latham, Head of the Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

5.00	**GLOSSARY OF TERMS**
5.01	A list of commonly used terms are as follows: (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) **Absolute Return –** The actual return, as opposed to the return relative to a benchmark.

(d) **Annualised –** Figures expressed as applying to 1 year.

(e) **Duration –** The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.

(f) **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.

(g) **Money-Weighted Rate of Return –** The rate of return on an investment including the amount and timing of cashflows.

(h) **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.

(i) **Three-Year Return –** The total return on the fund over a three year period expressed in percent per annum.

(j) **Time-Weighted Rate of Return –** The rate of return on an investment removing the effect of the amount and timing of cashflows.

(k) **Value-at-Risk** – a measure of investment risk, here defined as the difference in the expected value of the Fund's portfolio in 1 year's time and the value under a 1-in-20 downside scenario over the same period.

(l) **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:

www.schroders.com/en-gb/uk/intermediary/resources/glossary/

Delegation of Functions to Officers by Pension Fund Committee – *March 2024*

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 ***Tactical Asset Allocation*** 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 ***the implementation*** actions to be taken on 110% funding level trigger	HCPF ***(having regard to advice from IC and FA)*** 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[1] (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~~*** ***WPP*** 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

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[1]***Where the proposed investment could be considered to deliver benefits in an area where Flintshire Council has a remit as a local authority, and it is considered that the CFM could have an actual, potential or perceived conflict of interest, it is expected that the delegation will in practice be discharged by the HCPF and CMPOD.***

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
In relation to ~~***Wales Pooling***~~ ***WPP*** 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
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[2], and monitoring against those objectives.	HCPF and DHCPF	High level information provided to PFC following annual review.

[2] 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
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[3] after taking appropriate advice from the FA.	Ongoing reporting to PFC for noting
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[4].	HCPF and either the CFM or CMPOD[3] after taking appropriate advice from the FA.	Ongoing reporting to PFC for noting

[3] ***Where any decision could have funding implications for Flintshire Council as a Scheme Employer, and it is considered that the CFM could have an actual, potential or perceived conflict of interest, it is expected that the delegation will in practice be discharged by the HCPF and CMPOD.***

[4] 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.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
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[5]	HCPF and either the CFM or CMPOD[6] after taking appropriate advice from the FA.	Ongoing reporting to PFC for noting
Discretions – determining how the various administering authority discretions are operated for the Fund.	Approving administering authority discretions policy (including the 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[6] (having regard to the advice of the rest of the PAP)	Copy of policies to be circulated to PFC members once approved.

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[5] 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.
[6] ***Where any decision could have funding implications for Flintshire Council as a Scheme Employer, and it is considered that the CFM could have an actual, potential or perceived conflict of interest, it is expected that the delegation will in practice be discharged by the HCPF and CMPOD.***

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
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[7]	HCPF	Regular reports provided to PFC and included in Annual Report and Accounts.
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

[7] 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
	• 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*~~ *on achieving* the 110% funding level trigger*[8]

The Committee has agreed that the default action upon attaining the 110% funding level trigger is to de-risk the investment strategy by reducing the equity allocation by 10%. The implementation of the default action is delegated to the Head of Clwyd Pension Fund, having regard to appropriate advice from the Funding and Risk Management Group (FRMG) following the below framework:

- The funding level ***to*** be monitored daily using projected asset and liability values from the PFaroe platform***, recalibrated on a monthly basis for actual asset values***;
- On breaching the 110% funding level, a notification will be sent ***automatically from PFaroe*** to the ~~***Funding and Risk Management Group (***~~FRMG~~***)***~~ via email on that or the following Business Day;
- ***The ~~Mercer~~ IC and FA*** will then independently verify the asset and liability values over the following ~~***10***~~ ***5*** Business Days (the length of this period reflects the timeframe to receive updated data from the Fund's investment managers***, noting these values are unlikely to be audited and there is a lag in the availability of Private Markets valuations***) to confirm that the 110% trigger has indeed been breached;
- ***The ~~Mercer~~ IC*** will ~~***conduct***~~ ***update the de-risking*** analysis ~~***of the funding position***~~ ***if required*** assuming that the trigger has been ~~***breached***~~ ***achieved*** ~~***if required***~~, and ***the IC and FA*** will circulate an advice note to the FRMG no later than ~~***20***~~ ***10*** Business Days from the initial trigger notification ***highlighting whether there are any reasons why the default action should not be implemented;***
- The FRMG will hold a call within ~~***25***~~ ***10*** Business Days of the trigger notification to discuss the advice note and any recommendation***s*** made by the ~~***Fund's advisers***~~ ***IC and FA within that advice note***.
- ~~***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:***~~

[8] Agreed at ***20 March 2024*** Pension Fund Committee

- If, after receiving ~~***any comments***~~ ***the formal advice***, ~~***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***~~ the decision ***is to proceed with the default action,*** ~~***if the decision is to de-risk***~~ ***then there is no further input required from the Committee, and the Committee delegates the implementation of the agreed actions to the Head of Clwyd Pension Fund;***
    - the FRMG will liaise with ***the relevant*** investment managers to agree documentation and instructions in line with the agreed actions within ~~***35***~~ ***20*** Business Days from the initial trigger notification,
    - ***Implementation of the default action will then be reported to Committee via email (within 30 Business Days of the initial trigger notification) and at their next regular meeting;***
- However, if ~~***there are any issues highlighted by PFC members that require discussion***~~ ***the Head of Clwyd Pension Fund's decision is to not proceed with the default action:***
    - ***the Head of Clwyd Pension Fund will report via email to the Pension Fund Committee within 11 Business Days of the initial trigger notification of their intended decision,***
    - a special Committee meeting will be called to consider the issues ***as soon as practical*** 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).
    - ***Should, at the special Committee meeting,*** a decision ***be made*** to ***proceed*** with the de-risking actions, the FRMG will work with ***the relevant*** investment managers to implement the agreed de-risking activity ***as soon as practical***,
    - ***Implementation of the actions*** will then be reported to Committee ***via email and*** at the***ir*** next regular meeting.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 20 March 2024
Report Subject	Draft Clwyd Pension Fund Risk Management Policy
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to review and update the Fund's Risk Management Policy following:

- changes to Flintshire County Council's ("FCC") Risk Management Framework and
- The Pensions Regulator's General Code of practice that will come into force in March 2024.

The proposed changes to the Policy include an updated risk scoring matrix for determining the likelihood and impact of risks. This is consistent with the FCC's Risk Management Framework albeit expanded to be more relevant to management of the Clwyd Pension Fund. The proposed Policy also includes new sections relating to:

- roles and responsibilities of those involved in the management of the Fund
- escalations of risk that are considered to be at an unacceptable level.

RECOMMENDATIONS	
1	That the Committee approve the changes to the Risk Management Policy.

REPORT DETAILS

1.00	PROPOSED RISK MANAGEMENT POLICY CHANGES
1.01	**Background** Effective management of risk is integral to being able to carry out the Fund's functions successfully as well as meeting the objectives and aims of the various Fund policies and strategies. It is therefore important that how risk management is carried out is clearly set out within a Fund specific policy.
1.02	The first Clwyd Pension Fund Risk Policy was approved in May 2016 and it has been subject to regular review with some minor changes approved by the Committee since then. The Policy was due for a review in 2023 and this was delayed in anticipation of The Pension Regulator's General Code of Practice being laid, as well as FCC reviewing their Risk Management Framework. The proposed new Clwyd Pension Fund Risk Management Policy is attached as an appendix for approval, with the key changes highlighted.
1.03	**FCC's Risk Management Framework** As FCC is the administering authority to the Fund, it is considered appropriate that the measurement and management of risk events and their exposures is comparable and consistent between the Fund and FCC. In January 2024, FCC updated their Risk Management Framework, including how the likelihood and impact of risks are scored. In order to ensure consistency, the Fund's risk scoring system has been adjusted to be in line with the FCC Risk Management Framework. Other elements of the FCC Risk Management Framework have also been incorporated into the proposed Fund Risk Management Policy, albeit adapted to suit how the Fund is managed. This includes new sections on: • the definitions of risks and risk management, which are derived from the FCC Risk Management Framework. • the roles and responsibilities relating to managing risks for those involved with the Fund, including the Committee, Board, senior officers and advisers. This will provide additional clarity on who is responsible for which parts of the Fund's risk management process and how they will meet the requirements of the policy. • how risks that are scored as being unacceptable (i.e. red) are escalated to the Head of Clwyd Pension Fund and the Advisory Panel, and more serious risks then further escalated to the FCC Chief Executive, Chair of the Committee, the Committee and the Board. • a requirement for risks to be reviewed on a monthly basis, which will be done by the senior officers of the Fund.

1.04	**The Pension Regulator's New General Code** Another key development is the new Pensions Regulator's General Code of Practice which comes into force on 27 March 2024 and which replaces the existing Code of Practice for Public Service Pension Schemes. The new Code includes the following modules relating to risk management that apply or are good practice for public service pension schemes including Clwyd Pension Fund: • identifying, evaluating, and recording risks • internal controls • assurance reports on internal controls • scheme continuity planning • conflicts of interest • own risk assessment. Training on the Pension Regulator's General Code, including these areas, will be provided after the Committee meeting. Many of the expectations outlined in the Code stem from the legal requirement for all public service pension schemes to establish and operate internal controls which are adequate for the purpose of ensuring that the scheme is administered and managed in accordance with the scheme rules and other legal requirements. Internal controls are defined in the Pensions Act 2004 as: • arrangements and procedures to be followed in the administration and management of the scheme • systems and arrangements for monitoring that administration and management and • arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.
1.05	The proposed Policy has been updated to incorporate the expectations from the General Code, at a high level and it continues to include the statement that the principles of the Code are being adopted by the Fund. There is a lot of overlap with the previous Code and therefore there is little change to the risk management process outlined in the Policy in order to meet the requirements. However a review against the more detailed requirements of the Code will be carried out by officers in the coming months. One of the key areas that has been incorporated into the new Policy, however, is the expectation that all internal controls should be documented and also reviewed on an annual basis.
1.06	There is also separate CIPFA guidance for Managing Risk in the LGPS. This guidance is unchanged and the existing Fund Risk Policy did state that the principles of that guidance were being adopted. However given the detail within the CIPFA Guidance and the Pension Regulator's General Code of Practice, a further statement has been added to clarify

	that those responsible for risk management for the Fund must refer to CIPFA's Managing Risk in the LGPS and the Pension Regulator's General Code of Practice for more detailed requirements and guidance.
1.07	Other changes Officers and advisers have also been discussing other improvements to the Fund's risk management and those have been incorporated into this Policy: • The introduction of a sub-risk register in relation to funding and investment risks – given the complexity of funding and investment risks, a more detailed operational risk register will be maintained by officers and advisers • Records of all changes to the risk register – following an observation by internal audit in 2023, central records are now being maintained of what changes have been made to the risk register and why those changes were made.

2.00	**RESOURCE IMPLICATIONS**
2.01	Additional costs are not foreseen to arise as a result of the implementations of this policy, albeit moving to this more robust framework, including monthly monitoring of risks, will result in additional time commitment by officers, and to some degree advisers.

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

4.00	**RISK MANAGEMENT**
4.01	The Fund's Risk Management Policy is fundamental in driving how risk management is carried out in relation to all Fund services, including meeting the objectives and aims of the Fund's policies and strategies. The proposed Policy also includes the key risks of the effective delivery of the policy requirements.

5.00	**APPENDICES**
5.01	Appendix 1 – Proposed Risk Management Policy

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	Report to Pension Fund Committee – Risk Policy (October 2020)

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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, scheme manager or Governing Body** – Flintshire County Council is the administering authority, scheme manager and Governing Body 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

Local Government Pension Scheme

Cronfa Bensiynau CLWYD Pension Fund

Clwyd Pension Fund

Risk Management Policy

~~October 2020~~March 2024

Contents

Introduction

This is the Risk Management Policy of the Clwyd Pension Fund ("the Fund"), which is part of the Local Government Pension Scheme ("LGPS") managed and administered by Flintshire County Council[1]. The Policy details the risk management strategy for the Clwyd Pension Fund, including

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

~~Flintshire County Council ("we"), as Administering Authority for the Fund~~ We recognise that effective risk management is an essential element of good governance ~~in the Local Government Pension Scheme ("the LGPS)~~. By identifying and managing risks through an effective policy and risk management strategy, we can:

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

We adopt best practice risk management, which will support a structured and focused approach to managing risks, and ensuring risk management is an integral part in the governance of the Clwyd Pension Fund at a strategic and operational level.

To whom this Policy Applies

This Risk Management Policy applies to all members of the Pension Fund Committee and the local Pension Board, including scheme member and employer representatives. It also applies to all those in the Flintshire County Council Pension Fund Management Team (Head of Clwyd Pension Fund, Deputy Head of Clwyd Pension Fund, Pensions Administration Manager), the Chief Finance Officer (Section 151 Officer) and the Chief Executive (from here on in collectively referred to as the senior officers of the Fund).

Other officers involved in the daily management of the Pension Fund are also integral to managing risk for the Clwyd Pension Fund and will be required to have appropriate

[1] When we refer to Flintshire County Council in its role as the manager of the Fund, we may use the term "Administering Authority"; "Scheme Manager" or "Governing Body" as these all appear in Regulations or guidance.

understanding of risk management relating to their roles, which will be determined and managed by the Head of Clwyd Pension Fund and his/her team.

Advisers to the Clwyd Pension Fund are also expected to be aware of this Policy, and assist senior officers, Committee members and Board members as required, in meeting the objectives of this Policy. More information on the roles and responsibilities relating to the management of this Policy is included in the section below.

Aims and Objectives

We recognise the significance of our role as Administering Authority to the Clwyd Pension Fund on behalf of its stakeholders which include:

- around 50,040~~49,700~~ current and former members of the Fund, and their dependants
- around 52~~49~~ employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas.

Our Fund's Mission Statement is:

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

One of our key governance objectives is to understand and monitor risk. In doing so, we will aim to:

- integrate risk management, including having robust internal controls, into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Pension Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Clwyd Pension Fund we will aim to comply with:

- the CIPFA Managing Risk publication
- the managing risk elements in the CIPFA Investment Pooling Governance Principles guidance and
- the managing risk elements of the Pensions Act 2004 and the Pensions Regulator's General Code of Practice for Public Service Pension Schemes ~~(or the expected Single Modular Code when it is in place)~~.

As Flintshire County Council is responsible for managing the Fund, we will also have regard to the Flintshire County Council Risk Management Framework and, in particular, ensure that the Fund's risks are scored in a consistent manner with that Framework.

What is Risk and Risk Management?

Our Policy is based around the following definitions of risk and risk management, which have been derived from Flintshire County Council's Risk Management Framework:

What is Risk?

Risk is defined as the **possibility that events will occur and affect the achievement of strategy and business objectives.** A 'risk' is made up of an event, which if left untreated and with no controls in place, will have an impact on the Fund and service delivery to our stakeholders.

What is Risk Management?

Risk management is the process of identifying risks, evaluating the potential impact, and mitigating them, where appropriate. The aim is to minimise the severity of their impact and likelihood of occurring where possible. Risk management is invaluable to the Fund and should form part of our day-to-day management activities.

Our Philosophy about Risk Management

We recognise that it is not possible or even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of our risk management strategy for Clwyd Pension Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of our risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, we will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable us to anticipate and respond positively to change
- minimise loss and damage to the Clwyd Pension Fund and us, and to other stakeholders who are dependent on the benefits and services provided
- make sure that when we embark upon new areas of activity (new investment strategies, updating administration and communications approaches, implementing national changes ~~joint-working, framework agreements etc~~), the risks they present are fully understood and taken into account in making decisions.

We also recognise that risk management is not an end in itself; nor will it remove risk from the Fund or us as the Administering Authority. However, it is a sound management technique that is an essential part of how we manage the Fund.

The benefits of a sound risk management approach include:

- better decision-making
- improved performance and delivery of services to our stakeholders
- more effective use of resources and
- the protection of reputation.

The Pensions Act, ~~and~~ The Pensions Regulator and CIPFA Requirements

The Pensions Act Internal Controls Requirements

Section 249B of the Pensions Act 2004 includes the following requirement to have internal controls in public service pension schemes (which includes the LGPS)

- The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed:
    - in accordance with the scheme rules and
    - in accordance with the requirements of the law.

Section 249A of the Pensions Act 2004 defines internal controls as:

- arrangements and procedures to be followed in the administration and management of the scheme
- systems and arrangements for monitoring that administration and management and
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

Accordingly, internal controls are a critical element of risk management.

The Pension Regulator's General Code of Practice

Section 90A of the Pensions Act 2004:

- permits the Pensions Regulator to issue codes of practice containing practical guidance relating to the exercise of functions under relevant pensions legislation and
- requires the Pensions Regulator to issue a code of practice relating to a number of areas, one of which is internal controls.

The Pensions Regulator General Code of Practice includes the following modules relating to risk management which either apply (due to underlying legal requirements) or are good practice for public service pension schemes:

- identifying, evaluating, and recording risks
- internal controls
- assurance reports on internal controls
- scheme continuity planning
- conflicts of interest
- own risk assessment

The Code sets out requirements in relation to how the governing body[2] of a public service pension scheme should:

- Identify, record (in a risk register), regularly review and evaluate risks (with detailed requirements against each of these areas set out in the Code)
- Have processes in place that establish ownership and the responsible person(s) for monitoring risk and issues between meetings of the governing body
- Determine which risks require internal controls to reduce their incidence and impact
- Design internal controls to ensure the scheme is administered and managed in accordance with legal requirements, including scheme rules
- Document and regularly review (at least annually) internal controls, and ensure they are also reviewed when there are substantial scheme changes including to scheme personnel, providers and IT systems
- Use assurance reporting (by both internal and external parties) to assess whether the scheme or service providers meet legal requirements relating to internal controls
- Develop and implement continuity plans to ensure scheme operations can be maintained in the event of a disruption to scheme activities
- Take conflicts of interest into consideration when identifying and evaluating risks
- Consider carrying out a regular risk assessment of how effective the key elements of the systems of governance are.

[2] In the Code, governing body of a public service pension scheme is defined as the scheme manager (which for Clwyd Pension Fund is Flintshire County Council, albeit the responsibilities have been mainly delegated to the Pension Fund Committee).

~~The Pension Regulator's Code of Practice~~

~~The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 related to the requirement to have internal controls in public service pension schemes.~~

~~**"249B Requirement for internal controls: public service pension schemes**~~

~~(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed:~~

~~(a) in accordance with the scheme rules, and~~

~~(b) in accordance with the requirements of the law.~~

~~(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.~~

~~(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."~~

~~Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers (i.e. administering authorities) to employ a risk based approach to assess the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.~~

~~The Pensions Regulator's code of practice guidance on internal controls require scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:~~

- ~~setting the objectives of the scheme~~
- ~~determining the various functions and activities carried out in the running of the scheme, and~~
- ~~identifying the main risks associated with those objectives, functions and activities.~~

~~Schemes should then consider the likelihood of risks arising and the effect if they do arise as well as what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them.~~

~~The code states risk assessment is a continual process and should take account of a changing environment and new and emerging risks including significant changes in or affecting the scheme and employers who participate in the scheme. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:~~

- ~~mitigating risks~~
- ~~supporting longer-term strategic aims, for example relating to investments~~

- ~~identifying success (or otherwise) in achieving agreed objectives, and~~
- ~~providing a framework against which compliance with the scheme regulations and legislation can be monitored.~~

~~Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.~~

CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities

CIPFA has published guidance on investment pooling and the different risks this introduces for LGPS administering authorities. It also highlights how investment pooling potentially changes the magnitude of existing risks and how administering authorities might respond to them through appropriate internal controls.

Application to the Clwyd Pension Fund

We adopt the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's General Code of Practice in relation to Clwyd Pension Fund. This Risk Management Policy highlights how we will strive to achieve those principles through use of risk management processes incorporating regular monitoring and reporting. When carrying out risk management for the Fund, those responsible must refer to CIPFA's Managing Risk in the LGPS and the Pension Regulator's General Code of Practice for more detailed requirements and guidance.

~~The Pension Regulators Code of Practice for Public Service Pension Schemes is expected to be replaced by a new Single Modular Code in 2021 (where the Pensions Regulator is merging their codes into one interactive code). It is expected to include updated guidance on risk management and internal controls. It is envisaged that we will follow that updated guidance and this Policy will be updated in due course to reflect the updated guidance.~~

Roles and Responsibilities ~~Responsibility~~

As the Administering Authority for the Clwyd Pension Fund, we must be satisfied that risks are appropriately managed. For this purpose, the Head of Clwyd Pension Fund is the designated individual for ensuring adherence to the process outlined below ~~is carried out subject to the oversight of the Pension Fund Committee~~.

~~However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.~~

However, in practice, effective management of risk involves a number of individuals. The table below explains the key roles and responsibilities to ensure risk management is effective in relation to the Fund. This complements the roles and responsibilities outlined in the Flintshire County Council Risk Management Framework for the Council as a whole:

Governance Arrangements, Members and Officer Roles	Description of Roles and Responsibilities
Pension Fund Committee	• Approving changes to this Policy • Ensuring that the Fund's risks and opportunities are managed effectively, and robust risk management procedures are in place to monitor the management of significant strategic risks • Setting the appropriate level of risk appetite for the Fund • Reviewing the Fund's full risk register at each regular meeting (i.e. at least quarterly) • Ensuring that all strategic decisions have been fully considered and consulted upon (risks and opportunities) • Having oversight and responsibility of the Fund's risk and opportunities
Pension Board	• Reviewing the Fund's full risk register at each regular Pension Board • Providing oversight and challenge on the effectiveness of the Fund's Risk Management framework, processes, and systems • Providing oversight and challenge on escalated and deteriorating risks • Providing oversight and challenge on the detail of individual risks
Advisory Panel	• Reviewing all high-level risks (red and increasing) for assurance and monitoring • Advising on management of those risks escalated for review
Head of Clwyd Pension Fund	The Head of Clwyd Pension Fund is ultimately responsible for ensuring the requirements of this Policy are adhered to including:

	• Ensuring the necessary information is provided to the other persons named in this section so they may carry out their responsibilities • Ensuring the management of risks is discussed as required to meet the objectives of this Policy at Committee, Board, Advisory Panel and Management Team meetings • Ensuring robust risk management in line with this Policy is integrated into all aspects of the management of the Fund on a day-to-day basis • Receiving regular risk updates from Clwyd Pension Fund Management Team and escalating risks in line with this Policy where considered appropriate • Reviewing all changes to the Fund's risk registers • Ensuring this Policy is regularly reviewed (at least three yearly) and kept up to date
Clwyd Pension Fund Management Team	The managers of each area of the Fund are personally responsible for the management of risks in accordance with this Policy in relation to their respective areas (whether they are the risk owner or not) including: • Identifying risks and assessing risk levels • Ensuring appropriate controls and actions relating to those risks are identified, documented, implemented and regularly reviewed • At least annually reviewing that the controls and actions and robust and effective • Monitoring and reviewing, on a monthly basis, the risks within their respective areas, including liaising with the risk owners (where not them) • Ensuring their respective areas of the Fund's risk registers are updated and reported in accordance with this Policy • Ensuring risk management is considered in relation to all initiatives, projects, and national or Fund-specific changes as well as day to day operations • Ensuring more detailed operational risk registers are created and maintained where appropriate • Ensuring a robust audit trail of all changes (and reasoning for changes) to risk registers is maintained • Sharing relevant information regarding risks with colleagues in other Fund areas • Ensuring robust business continuity planning • Ensuring the wider implications of identified risks are considered and actioned including the recording and reporting of breaches of the law • Seeking advice and guidance from advisers and suppliers as required for the management of risks

	• Seek assurance from advisers and suppliers about the management of internal controls within their organisations
Risk Owners	• Managing and monitoring specific risks allocated to them on risk registers • Ensuring that appropriate resources and importance are allocated to the risks they own • Confirming the existence and effectiveness of existing controls and ensuring that any further actions are implemented • Reviewing risks with their manager (if not a manager) • Providing ongoing assurance that the risks for which they are the risk owner are being effectively managed • Escalating any concerns or issues relating to risks to their manager (if not a manager)
Advisers	• Providing ongoing advice in relation to the identification and management of Fund risks, including: ▪ Alerting Fund officers to new or evolving risks ▪ Highlighting areas in risk registers or other papers where risk is not appropriately reflected • Provide assurance on request about how they meet standards for internal controls within their own organisations
Independent Adviser	• Recommending changes to this Policy • Providing annual commentary on whether objectives of this Policy are being achieved and effectiveness of risk management
Internal Audit Team	• Carrying out periodic reviews of the Fund's risks

The Clwyd Pension Fund Risk Management Process

Our risk management process is the approach used by Flintshire County Council and is in line with that recommended by CIPFA. It ~~and~~ is a continuous approach and is often done in a sequence of four key stages:

1. Identify
2. Assess
3. Control / Management Actions
4. Monitor and Review

which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.

Risk identification

Our risk identification process is both a proactive and reactive one, looking forward i.e. horizon scanning for potential risks and looking back, by learning lessons from reviewing how existing controls have manifested in risks to the organisation. Risk identification is undertaken as part of Business Planning, Project Management, business as usual or when something changes.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the Clwyd Pension Fund Advisory Panel
- performance measurement against agreed objectives
- monitoring against the Fund's business plan
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- ~~informal~~ other meetings of senior officers or other staff involved in the management of the Pension Fund with and without the Fund's advisers
- liaison with other organisations, regional and national associations, professional groups, etc
- consideration of risk areas identified in the Pension Regulator's General Code of Practice, CIPFA's Managing Risk in the LGPS and Flintshire County Council's Risk Management Framework
- legal determinations including those of the Pensions Ombudsman, the Pensions Regulator and court cases
- business planning or strategic workshops
- business or service continuity plannings~~s developed by us~~

Once identified, risks will be documented on the Fund's main risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks. Operational level risk registers will also be maintained where appropriate including for major projects and for more detailed funding and investment risk management.

New risks can emerge at any time and risk identification should include allocation of sufficient time and resource identifying these, and should therefore be integral to the day-to-day management of the Fund.

When identifying risks, the following statement will be considered and recorded:

> This (**event**) could happen due to (**cause**) which may result in the following (**impact**) to our objectives.

Risk analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed against the following where the score for likelihood will be multiplied by the score for impact to have an overall score that determines the current risk rating. ~~determine the current risk rating.~~

Impact
How severe would the outcomes be if the risk occurred

Likelihood – How likely will the risk happening	**1 Negligible**	**2 Moderate**	**3 Significant**	**4 Major**	**5 Catastrophic**
5 Almost Certain	Amber 5	Amber 10	Red 15	Red 20	Red 25
4 Likely	Yellow 4	Amber 8	Red 12	Red 16	Red 20
3 Possible	Yellow 3	Amber 6	Amber 9	Red 12	Red 15
2 Unlikely	Green 2	Yellow 4	Amber 6	Amber 8	Amber 10
1 Rare	Green 1	Green 2	Yellow 3	Yellow 4	Amber 5

Impact Severity	Unlikely (5%)	Very Low (15%)	Low (30%)	Significant (50%)	Very High (65%)	Extremely High (80%)
Catastrophic	Yellow	Amber	Red	Red	Black	Black
Critical	Yellow	Amber	Amber	Red	Red	Red
Marginal	Green	Yellow	Amber	Amber	Amber	Red
Negligible	Green	Green	Yellow	Yellow	Amber	Amber

Likelihood & Percentage of risk happening

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Criteria for assessing likelihood and impact are included at Appendix A to help promote consistent risk evaluation across Fund matters as well as integration with Flintshire County Council's risk management.

When considering the risk rating, we will have regard to the existing controls in place and these will be summarised on the risk register.

The resulting scores are interpreted as follows:

Colour	Score	Approach	Action
Green	1-2	Accept	Risks within the Fund's risk appetite.
Yellow	3-4	Adequate	Risks within the Fund's risk appetite which need to be monitored by Senior Management, if risk deteriorates
Amber	5-10	Tolerable	Risks within the Fund's risk appetite but not at a level which is acceptable.
Red	12-25	Unacceptable	Risks outside of the Fund's risk appetite

~~Risk Exposure~~	~~Impact/ Likelihood~~	~~Risk Appetite/ Control~~
~~Black~~	~~Catastrophic consequences, almost certain to happen~~	~~Unacceptable level of risk exposure which requires immediate corrective action to be taken. Regular monitoring required, at least monthly.~~
~~Red~~	~~Major consequences, likely to happen~~	~~Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures to be put in place to reduce exposure.~~
~~Amber~~	~~Moderate consequences, possible occurrence~~	~~Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.~~
~~Yellow~~	~~Minor consequences, unlikely to happen~~	~~Acceptable level of risk subject to regular passive monitoring measures, at least half yearly.~~
~~Green~~	~~Insignificant consequences, almost very unlikely to happen~~	~~Acceptable level of risk subject to periodic passive monitoring measures, at least annually.~~

Risk control

Risk registers will also show what we consider to be the target risk score for each of the risks shown. This will help us determine whether any further action is required to control the risk which in turn may reduce the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Risk control actions, often referred to as internal controls, could comprise taking steps to avoid, transfer and/or mitigate risk. It is a legal requirement for us to establish and operate internal controls which are adequate for the purpose of securing that the Fund is administered and managed in accordance with scheme rules and the law.

Before any such action can proceed, it may require Pension Fund Committee approval where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction – for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

A key determinant in selecting the action to be taken will be its potential impact on the Fund's objectives in the light of our risk appetite. Equally important is striking a balance between the cost of risk control actions against the possible result of the risk occurring. We recognise that it is not possible to eliminate all risks; accepting and actively managing risk is therefore a key part of our risk management strategy.

The Fund's risk registers detail:

- all further action in relation to a risk
- the owner for that action
- the date from which the risk did not meet the target score
- the expected date for being back to the target score
- the next review date and
- the overall owner for the risk.

Where necessary we will update the Fund’s business plan in relation to any agreed action as a result of an identified risk.

Risk monitoring

Risk monitoring is the final part of the risk management cycle ~~and will be the responsibility of the Clwyd Pension Fund Advisory Panel~~. The Fund’s Senior Management Team will monitor risks on a monthly basis with further involvement, as outlined in the roles and responsibilities table above, by the Head of Clwyd Pension Fund, the Advisory Panel, the Pension Fund Committee and Pension Board, with input from the Fund’s advisers. In monitoring risk management activity, we will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate

- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to learn for the future assessment and management of risks.

Reporting

The Clwyd Pension Fund Committee have a responsibility for ensuring robust risk management arrangements are in place. In addition, Scheme Advisory Board (England and Wales) guidance on the creation and operation of local pension boards in the LGPS suggests that the Pension Board could review the risk register as it relates to the scheme manager function of the authority.

Progress in managing strategic risks will be monitored and recorded on the Fund's main risk register and key information relating to that will be provided on a quarterly basis to the Clwyd Pension Fund Committee and the Pension Board as part of the regular update reports on governance, investments and funding, and administration and communications. This reporting information will include as a minimum:

- a summarised version of the risk register
- a summary of the main changes since the previous report
- the Fund's risk dashboard showing the score of all existing risks and any changes in a pictorial fashion.

Other reporting and sharing of information relating to risks will be carried out in accordance the roles and responsibilities table above and the escalation process below.

Risk Escalation

Escalation of new or existing risks that have a very high level of likelihood and impact is necessary to ensure the Head of Clwyd Pension Fund, and where appropriate, the Advisory Panel and/or Pension Fund Committee, are aware of these serious situations and have an opportunity to contribute to how they are being managed. The escalation process also ensures regular updates in relation to an escalated risk.

A risk needs to be escalated when a risk is considered unacceptable (i.e. a red risk with a score of 12 or more) and the risk target level is breached. This is likely to mean that the risk could result in:

- The Fund's Business Plan or a strategic priority is compromised and/or
- Fund operations or performance will be seriously compromised and/or
- The financial, legal, or reputational position of the Fund might be compromised and/or

- An emergency situation might develop.

In this situation the risk should be escalated as follows:

Risk Owner

Responsible for escalating risks to Head of CPF* as soon as risk is identified as meeting criteria for escalation. Information to be shared with rest of CPF Management Team.

Head of CPF

Responsible for escalating to Advisory Panel if the risk cannot immediately be mitigated or its rating managed / lowered, and ensuring regular (at least monthly) updates on escalated risks are provided to Advisory Panel.

CPF* Management Team member

Responsible for providing regular updates (at least monthly) on all escalated risks to Head of CPF.

*Clwyd Pension Fund

Where the risk is rated at 15 or more as summarised below, the risk will also be further escalated as shown in the diagram below:

Likelihood How likely will the risk happening	3 Significant	4 Major	5 Catastrophic
5 Almost Certain	Red 15	Red 20	Red 25
4 Likely		Red 16	Red 20
3 Possible			Red 15

Head of CPF

Responsible for escalating risk to Chair of Pension Fund Committee and Flintshire County Council's Chief Executive.

→

Chair of Pension Fund Committee

Responsible for agreeing with Head of CPF when and how escalated risk should be shared with Pension Fund Committee and Pension Board where they believe the risk in its current state / predicted state is of significance to the management of the Fund.

Monitoring of this Policy

In order to identify whether we are meeting the objectives of this policy the Independent Governance Adviser will ~~be commissioned to~~ provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy.

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee members, with the assistance of the Clwyd Pension Fund Advisory Panel, will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day-to-day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Fund Committee and/or Pension Fund Advisory Panel and/or Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources being available to satisfactorily assess or take appropriate action in relation to identified risks
- Those responsible for delivering this Risk Policy do not carry out their roles and responsibilities as out in the Policy resulting in the objectives of the Policy not being delivered

- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified
- Conflicts of interest or other factors leading to a failure to identify or assess risks appropriately.

Costs

All costs related to the operation and implementation this Risk Management Policy are met directly by Clwyd Pension Fund.

Approval, Review and Consultation

This Risk Management Policy was initially approved at the Clwyd Pension Fund Committee meeting on 24 May 2016, and has been subject to various amendments since then. ~~amendments approved using officer delegations in September 2017 and September 2018 and further amendments~~ This version was approved by Clwyd Pension Fund Committee on 20 March 2024. ~~7 October 2020.~~ It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Further Information

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

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

Email: Philip.latham@flintshire.gov.uk

Telephone: 01352 702264

Appendix A: Criteria for assessing impact and likelihood

Criteria for assessing likelihood

Likelihood of Risk Occurring		
1 Rare	Less than 5% chance	May only occur in exceptional circumstances
2 Unlikely		Could occur but unlikely
3 Possible	50% chance	A change it might occur
4 Likely		Will probably occur
5 Almost Certain	More than 95% chance	Very likely to occur

~~Description~~	~~% of risk happening~~	~~OR~~	~~potential timescale~~
~~Unlikely~~	~~5%~~	-	~~Once in 20 or more years~~
~~Very Low~~	~~15%~~	-	~~Once in 10 to less than 20 years~~
~~Low~~	~~30%~~	-	~~Once in 5 to less than 10 years~~
~~Significant~~	~~50%~~	-	~~Once in 3 to less than 5 years~~
~~Very High~~	~~65%~~	-	~~Once in 1 to less than 3 years~~
~~Extremely High~~	~~80%~~	-	~~At least once in a year~~

Criteria for assessing impact

Description	Service Delivery	Financial[3]	Reputation	Legal
Catastrophic	Unable to deliver most key strategic outcomes or priorities / statutory duties not delivered • Major impact on workforce impacting more than half of CPF teams or more than 50% of staff • Consistently missing both legal and Fund's agreed delivery timescales (greater than 50% of monitored timescales being missed) • Incorrect actual benefit calculations affecting more than 500 members • Incorrect general/estimate information being communicated that could impact 25%+ A, D or P members (categories separate or merged) • Delay in paying pensioners by more than 3 working days	• The Fund's liquid assets (invested assets, contributions and asset cashflows) are fully exhausted and future benefits/contractual obligations cannot be paid • Reduction in funding level (e.g. 30% or more since the last valuation) and/or expected returns outlook versus inflation (e.g. -1% per annum or more versus the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in unaffordable employer contributions which materially affect public services • A shift in the demographic profile of the Fund which would result in ~~unexpected costs and materially~~ unaffordable employer contributions which affect public services • A material number of employers (including one or more of the major Councils) become insolvent and cannot pay required contributions which subsequently affects other employers in the Fund	Public Inquiry or adverse national media attention Formal DLUHC/TPR/SAB or other regulatory intervention/exercise of their powers	Legal action almost certain, unable to defend Multiple IDPRs and/or Pension Ombudsman expected (100+), almost certain unable to defend

[3] A sub-risk register in relation to funding and investments will be maintained and have further metrics and categories to determine the overall risk level.

Description	Service Delivery	Financial	Reputation	Legal
Major	Severe service disruption on a service level with many key strategic outcomes or proprieties delayed or not delivered • Serious impact on workforce impacting at least two CPF teams (but less than half) or more than 20% to 50% of staff • Missing some legal and Fund's agreed delivery timescales (20% to 50% of monitored timescales being missed) • Incorrect actual benefit calculations affecting 250-500 members • Incorrect general/estimate information being communicated that could impact 10-25% A, D or P members (categories separate or merged) • Delay in paying pensioners by 1 or 2 working days	• The Fund's liquid assets (invested assets, contributions and asset cashflows) are 20% as a proportion of total assets and the ability not to pay future benefits/contractual obligations may have a major impact • Reduction in funding level (e.g. 20-30% since the last valuation) and/or expected returns outlook versus inflation (e.g. -0.75%-1% per annum versus the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in major increase in employer contributions which affect public services • A shift in the demographic profile of the Fund which would result in a major increase in contributions which affect public services • The majority of large (non-Council) employers become insolvent and cannot pay required contributions which then impact on other remaining employers	Intense public and media scrutiny Engagement from DLUHC/TPR/SAB relating to the situation (but not formal intervention/powers being exercised)	Legal action almost certain and difficult to defend Some IDRPs and/or Pension Ombudsman expected (20 to 100)

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Description	Service Delivery	Financial	Reputation	Legal
Significant	Disruption to one or more services / a number of key strategic outcomes or priorities would be delayed or not delivered • Some impact on workforce impacting one CPF team or 10% to 20% of staff • Missing some legal and Fund's agreed delivery timescales (10% to 20% of monitored timescales being missed) • Incorrect actual benefit calculations affecting 100-250 members • Incorrect general/estimate information being communicated that could impact 5%-10% A, D or P members (categories separate or merged)	• The Fund's liquid assets (invested assets, contributions and asset cashflows) are 40% as a proportion of total assets and the ability not to pay future benefits/contractual obligations may have a significant impact • Reduction in funding level (e.g. 15-20% since the last valuation) and/or expected returns outlook versus inflation (e.g. -0.5%-0.75% per annum versus the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in a significant increase in employer contributions which affect public services • A shift in the demographic profile of the Fund which would result in unexpected costs and a significant increase in contributions which affect public services • A significant number of large employers (non-Council) become insolvent and cannot pay required contributions which then impact on other remaining employers	Local media interest. Scrutiny by external committee or body Negative national level interest (e.g. outlier on LGPS league tables)	Legal action expected Some IDRPs and/or Pension Ombudsman expected (5 to 20)

Cronfa Bensiynau CLWYD Pension Fund

Description	Service Delivery	Financial	Reputation	Legal
Moderate	Some temporary disruption to a single service areas / delay in delivery or one of the Council's key strategic outcomes or priorities • Manageable impact on workforce impacting 5% to 10% of CPF staff • Missing some legal and Fund's agreed delivery timescales (5% to 10% of monitored timescales being missed) • Incorrect actual benefit calculations affecting 50-100 members • Incorrect general/estimate information being communicated that could impact 2%-5% A, D or P members (categories separate or merged)	• The Fund's liquid assets (invested assets, contributions and asset cashflows) are 60% as a proportion of total assets and the ability not to pay future benefits/contractual obligations may have a moderate impact • Reduction in funding level (e.g. -5%-15% since the last valuation) and/or expected returns outlook versus inflation (e.g. -0.25%-0.5% per annum versus the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in a moderate increase in employer contributions which affect public services • A shift in the demographic profile of the Fund which would result in unexpected costs and a moderate increase in contributions which affect public services • A number of smaller employers become insolvent and cannot pay required contributions which then impact on other remaining employers	Internal scrutiny required to prevent escalation Negative regional level information (e.g. outlier on Welsh league tables)	Legal action possible but unlikely and defendable Some IDRPs and/or Pension Ombudsman expected (up to 5) but mainly informal complaints

Cronfa Bensiynau CLWYD Pension Fund

Description	Service Delivery	Financial	Reputation	Legal
Negligible	No Noticeable Impact • Little impact on workforce involving less than 5% of CPF staff • Missing some legal and Fund's agreed delivery timescales (less than 5% of monitored timescales being missed) • Incorrect actual benefit calculations affecting less than 50 members • Incorrect general/estimate information being communicated that could impact less than 2% A, D or P members (categories separate or merged)	• The Fund's liquid assets (invested assets, contributions and asset cashflows) are >60% as a proportion of total assets and the ability not to pay future benefits/contractual obligations is negligible • Reduction in funding level (e.g. 0%-5% since the last valuation) and/or expected returns outlook versus inflation (e.g. - 0%-0.25% per annum since the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in a negligible increase in employer contributions which affect public services • A shift in the demographic profile of the Fund which would result in unexpected costs and a negligible increase in contributions which affect public services • A low number of smaller employers become insolvent and cannot pay required contributions which then impact on other remaining employers	Internal review	Legal action very unlikely and defendable Very small number of informal complaints (under 10) and unlikely to be any IDRP or Pensions Ombudsman claims

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~~Description~~	~~FCC Examples (apply to CPF where relevant)~~	~~Additional CPF examples~~
~~Catastrophic~~	• ~~No confidence in Senior Management / Leadership~~ • ~~Formal WG intervention/exercise of their powers~~ • ~~Multiple fatalities~~ • ~~Complete/critical service failure~~ • ~~Exceedingly negative national publicity~~ • ~~Serious impact on workforce across more than one Portfolio~~ • ~~Legal action almost certain, unable to defend~~ • ~~Serious financial impact to budget, not manageable within existing funds and may impact on reserves~~ • ~~Non-compliance with law resulting in imprisonment~~	• ~~Incorrect actual benefit calculations affecting more than 500 members~~ • ~~Incorrect general/estimate information being communicated that could impact 80% A, D or P members~~ • ~~Delay in paying pensioners by more than 3 working days~~ • ~~Consistently missing both legal and Fund's agreed delivery timescales~~ • ~~Impact on assets or liabilities changing funding level by more than 20% over a one month period~~ • ~~Formal DCLG/TPR/SAB or other regulatory intervention/exercise of their powers~~ • ~~Serious impact on workforce impacting more than one area of CPF team~~
~~Critical~~	• ~~Limited confidence in Senior Management / Leadership~~ • ~~Significant service failure~~ • ~~Negative national publicity~~ • ~~Impact on workforce across more than one Portfolio~~ • ~~Legal action almost certain and difficult to defend~~ • ~~Serious financial impact to budget, manageable across the authority~~	• ~~Incorrect actual benefit calculations affecting 100-500 members~~ • ~~Incorrect general/estimate information being communicated that could impact 25-80% A, D or P members~~ • ~~Delay in paying pensioners by 2 working days~~ • ~~Missing some legal and regularly missing Fund's agreed delivery timescales~~ • ~~Impact on assets or liabilities changing funding level by 10-20% over a one month period~~

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	• ~~Negative external regulatory reports impacting on Corporate Governance~~ • ~~Single fatality~~	• ~~Informal DCLG/TPR/SAB or other intervention~~ • ~~Negative national level information (e.g. outlier on league tables)~~ • ~~Serious impact on workforce impacting one area of CPF team~~
~~Marginal~~	• ~~Significant service under performance~~ • ~~Negative local publicity~~ • ~~Expected impact on workforce, but manageable within Portfolio contingency arrangements~~ • ~~Legal action expected~~ • ~~Expected financial impact to budget, manageable within Portfolio~~ • ~~Non-compliance with law resulting in fines~~ • ~~Negative external regulatory reports~~ • ~~Extensive, permanent/long term injury or long-term sickness~~	• ~~Incorrect actual benefit calculations affecting 50-100 members~~ • ~~Incorrect general/estimate information being communicated that could impact 10-25% A, D or P members~~ • ~~Delay in paying pensioners by 1 working day~~ • ~~Meeting the majority of legal but missing some Fund's agreed delivery timescales~~ • ~~Impact on assets or liabilities changing funding level by 5-10% over a one month period~~ • ~~Negative regional level information (e.g. outlier on Welsh or County league tables)~~ • ~~Expected, but manageable, impact on workforce impacting one area or more areas of CPF team~~
~~Negligible~~	• ~~Some risk to normal service delivery but manageable within contingency arrangements~~ • ~~Legal action possible but unlikely and defendable~~ • ~~Possible financial impact to budget, manageable within service~~ • ~~Non-compliance with regulations / standards or local procedures resulting in disciplinary action~~	• ~~Incorrect actual benefit calculations affecting up to 50 members~~ • ~~Incorrect general/estimate information being communicated that could impact up to 10% A, D or P members~~ • ~~Delay in paying pensioners by less than 1 working day~~

	• ~~First Aid or medical treatment required~~ • ~~Previous risk mitigated by completed action plan~~	• ~~Meeting the majority of legal and Fund's agreed delivery timescales~~ • ~~Impact on assets or liabilities changing funding level by up to 5% over a one month period~~

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Cronfa Bensiynau CLWYD Pension Fund

mss.clwydpensionfund.org.uk

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

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

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 20 March 2024
Report Subject	WPP Draft Business Plan 2024/25 to 2026/27
Report Author	Deputy Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The Wales Pension Partnership (WPP) Joint Governance Committee (JGC) held on 13 March 2024 included an agenda item to consider and recommend to the eight Constituent Authorities, the WPP Business Plan 2024/25 to 2026/27.

In accordance with the Inter Authority Agreement the approval of the WPP Business Plan, which includes the strategic objectives and budget, is a reserved matter for the Constituent Authorities.

The draft WPP Business Plan which was presented to the JGC is attached. As this was considered after the writing of this report to the Clwyd Pension Fund Committee meeting, any changes requested by the JGC will be provided verbally at the Committee for consideration.

The WPP Business Plan and budget is constantly monitored by the Officer Working Group (OWG) as well as being updated each year.

RECOMMENDATIONS	
1	To receive an update on the approval of the draft WPP Business Plan at the JGC on 13 March 2024.
2	Noting any changes in 1 above, that the Committee approve the attached draft WPP Business Plan 2024/25 to 2026/27, including the WPP objectives and budget.

REPORT DETAILS

1.00	**Review of the WPP Business Plan**
1.01	The draft WPP Business Plan for the three years commencing 2024/25 is attached as Appendix 1. The draft WPP's Business Plan was discussed at the WPP JGC on 13 March 2024. Any changes agreed by the JGC to this draft will be provided verbally to the Clwyd Pension Fund Committee.
1.02	The WPP Business Plan includes • about the WPP and governance • risk management • objectives, beliefs and an overview of the policies, (all of which are unchanged from previous years) and • work plan • training plan • financial budget • investments and performance.
1.03	Approval of the WPP Business Plan, including the strategic objectives and budget within it, is a reserved matter and requires approval by all eight of the Constituent Authorities. The draft Business Plan was developed in consultation with officers from the eight Constituent Authorities (Officer Working Group) and the WPP Oversight Advisor.
1.04	The main items of interest for the Clwyd Pension Fund contained within the work plan for 2024/25 are: • The procurement of the oversight advisor. • The procurement of the voting & engagement services provider. • The availability of Property as an asset class for the first time in 2024/25. • Consideration of Levelling up / Impact opportunities. • Consideration of Local Investment opportunities. • Development & Implementation of Private Market reporting. • Ongoing engagement with Constituent Authorities relating to ESG/RI standards and their climate ambitions. • Consultation with Constituent Authorities on further Sub-Funds The Committee will continue to receive regular updates on progress against the work plan including the opportunity to provide comments and feedback to the WPP. The Head and Deputy Head of the Clwyd Pension Fund will continue to participate and represent the interests of the Clwyd Pension Fund on the Officer Working Group, Procurement sub-group, Risk sub-group, Responsible Investment sub- group and Private Markets sub-group. This is outlined in the Clwyd Pension Fund Business Plan. Committee and Board members are encouraged to attend the training events available to them within the WPP training plan throughout 2024/25, and these sessions will be incorporated into the Fund's training plan.
1.05	The WPP budget, on page 13 of the Business Plan, excluding operator and allocator services has decreased slightly from £1.648m in 2023/24 to

	£1.642m in 2024/25. The total fees will be shared equally between the eight Pension Funds. Fees due to the operator and allocator services are increasing as more assets are transferred into WPP and are allocated between the Pension Funds dependent on the individual assets under management. The overall budget for operator and allocator services increased from £37.257m in 2023/24 to £47.740m in 2024/25. Furthermore, should it transpire that additional expenditure exceeding 30% of the agreed 2024/25 WPP budget is required, then this is also a reserved matter that will be brought back to the Constituent Authorities.

2.00	**RESOURCE IMPLICATIONS**
2.01	The costs of resources required for delivering the WPP Business Plan are included in the budget section of the WPP Business Plan. A proportion of the costs from the WPP budget is included in the Clwyd Pension Fund budget (within the Business Plan which is a separate agenda item at this Committee). There is considerable time allocated by the Head & Deputy of the Clwyd Pension Fund in delivering and monitoring the WPP Business Plan which is not recognised in the Fund's budget.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	The WPP Inter Authority Agreement requires all eight Constituent Authorities to approve the WPP Business Plan.

4.00	**RISK MANAGEMENT**
4.01	The key risks are considered as part of the business planning process and articulated within the draft WPP Business Plan. The separate report on Clwyd Pension Fund's Business Plan also highlights the following risks for the Fund: • that WPP do not provide CPF with portfolios to deliver the Investment Strategy and • that WPP do not provide CPF with the tools to enable implementation of its RI policies.

5.00	**APPENDICES**
5.01	Appendix 1 – WPP Business Plan 2024/25 to 2026/27

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	WPP Inter Authority Agreement **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 Ltd

Wales Pension Partnership

Business Plan

2024-2027

Contents

Introduction

This is the business plan for the Wales Pension Partnership (‘WPP’), the business plan details the WPP’s priorities and areas of focus for, 2024/25, 2025/26 and 2026/27. The business plan is constantly monitored and is formally reviewed and agreed every year. The purpose of the business plan is to:

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

About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. We have a long, successful history of collaboration, including examples that pre-date the Government’s pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP’s Oversight Advisor. The Operator is Waystone Management (UK) Limited (Waystone) and they have partnered with Russell Investments to deliver effective investment management solutions with the aim of achieving strong net of fee performance for all the Constituent Authorities. We have a shared vision and agreement on the means and pace at which this vision will be achieved. The eight LGPS Funds (Constituent Authorities) of the Wales Pension Partnership are:

Cardiff & Vale of Glamorgan Pension Fund Cronfa Bensiwn Caerdydd a Bro Morgannwg

Cronfa Bensiynau CLWYD Pension Fund

Cronfa Bensiwn DYFED Pension Fund

Torfaen Monmouthshire Newport Caerphilly Blaenau Gwent

Powys

RHONDDA CYNON TAF

Cronfa Bensiwn GWYNEDD Pension Fund

Cyngor Abertawe Swansea Council

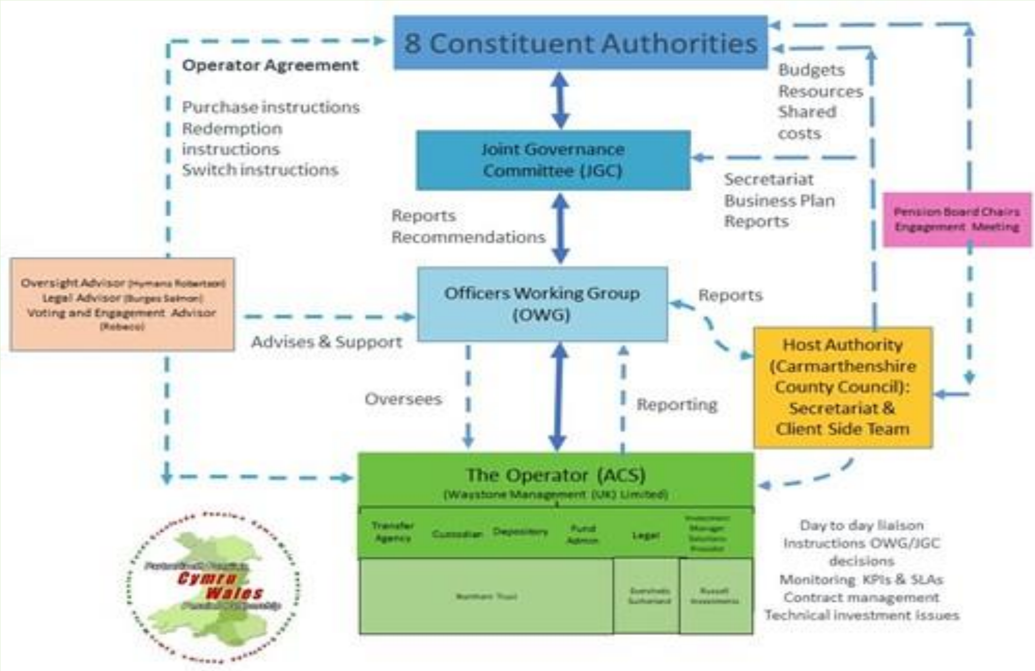
Governance

The WPP is responsible for ensuring that its business is conducted in accordance with regulation and guidance. We must also ensure that: public money is safeguarded and properly accounted for, used economically, efficiently and effectively to ensure value for money. We also strive for continuous improvement and to conform with industry best practice.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure, which has been designed to:

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

The diagram below shows WPP’s governance structure:



The Constituent Authorities sit at the top of the WPP’s governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving this Business Plan, which outlines the WPP’s budget and workplan, as well at its beliefs and objectives. The Constituent Authorities are heavily involved in all aspects of the WPP’s governance structure, while the WPP’s Joint Governance Committee and Officers Working Group are comprised respectively of elected councillors, scheme member representative and officer representatives from the Constituent Authorities.

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP ensures the meetings of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers are also made publicly available. Local Pension Board engagement days are also held regularly as a means of fostering stakeholder engagement. The WPP recognises the importance of all of its stakeholders to reflect this the WPP has put in place an Engagement Protocol Framework, this is carried out via the following engagement mechanisms:

Engagement mechanisms and Frequency:

• Strategic Relationship Review meeting	Bi-Annual
• JGC Engagement	Quarterly
• Manager Performance Meetings/ Calls	Quarterly
• Training Events	Quarterly
• OWG Engagement	Quarterly
• Bi-weekly meetings	Every 2 weeks
• Pension Fund Committees	Annual
• Manager Engagement Days	Annual
• Member Communications	Annual
• Pension Board Engagement	Every 6 months
• Engagement via the website & LinkedIn	Continuous

Risk Management

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

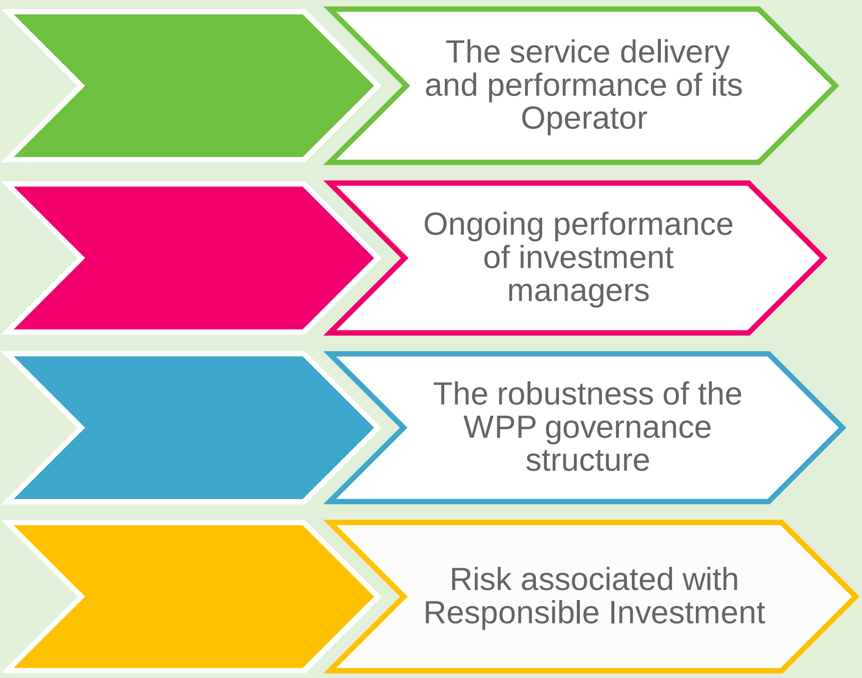
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without warning. To reflect this belief, the WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

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

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

During the course of this business plan the WPP will seek to develop mechanisms, frameworks and process for managing the following key risks:



Objectives

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

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical)
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers
- 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.

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

Beliefs

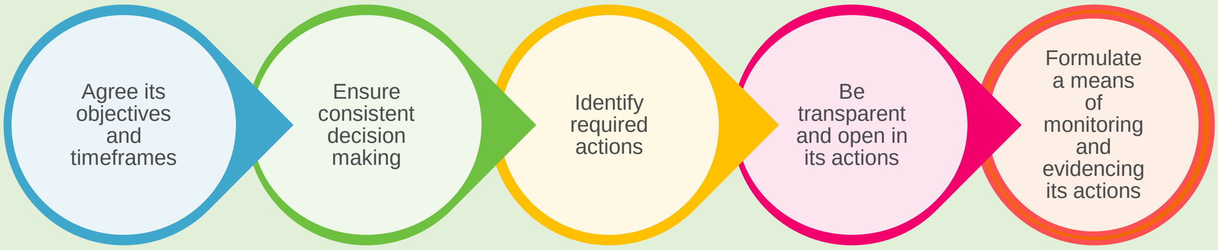
The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented
- Good governance should lead to superior outcomes for the WPP's stakeholders
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders
- Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of broader Environmental, Social and Governance issues, should result in better outcomes for the WPP's stakeholders
- Effective internal and external communication is vital to achieving the WPP's objectives
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise
- Fee and cost transparency will aid decision making and improve stakeholder outcomes
- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve
- Flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

Policies

The WPP believes that good governance should lead to superior outcomes for the WPP's stakeholders. In recognition of this belief, the WPP, in consultation with the Constituent Authorities, has developed a robust governance structure and framework and a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP and the Constituent Authorities, to:



The WPP's key policies, registers and plans are listed below and can be found on the WPP website.

The WPP's policies are reviewed on a regular basis and the WPP will continually assess whether any additional policies, registers or plans are required. The policies play a vital role in the WPP's governance arrangements and have been formulated with the sole purpose of providing a codified framework which will ensure that the WPP achieves its objectives in an effective and transparent means.

Work Plan

The table below shows key priorities and objectives that the WPP aims to complete over the next three years. The workplan has been broken down into a number of key sections which are all vital to the continued success of the WPP

- **Governance** - The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework and carry out ongoing reviews of its existing governance documents and structure.
- **Ongoing Sub-Fund development** – To date the WPP has pooled c70% of its assets and a number of other sub funds are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.
- **Operator Services** - The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers are crucial. The current operator contract comes to an end in December 2024 and the procurement process for the new operator contract is underway.
- **Investments and Reporting** - The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities. The WPP will continue to deliver on its reporting requirements covering areas such as investment performance, risk, Stewardship activities, Responsible Investment and Climate, and will develop further reporting, as and when required.
- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.
- **Resources, Budget and Fees** - The WPP recognises that insufficient resources pose a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2024 - 2025	2025 - 2026	2026 - 2027
Governance			
Oversight Advisor procurement process	✔		
Voting & Engagement Service provider procurement process	✔		
Legal Services provider procurement process		✔	
Annual review of WPP's policies and plans	✔	✔	✔
Quarterly reviews of the Risk Register	✔	✔	✔
Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes	✔	✔	✔
Ongoing Sub-Fund development			
Launch the real estate investment programmes	✔		
Launch additional Private Market vintages	✔	✔	✔

Consideration of WPP's Levelling up / impact requirements	✔	✔	✔
Consultation with CAs on need for further Sub-Funds, review and develop, as required	✔	✔	✔
Consideration of Local Investment opportunities	✔	✔	✔
Operator Services			
Complete Operator contract procurement process and implement new operator contract	✔		
Operator and Sub-Fund governance Oversight	✔	✔	✔
Investments and Reporting			
Develop & Implement Private Markets reporting	✔		
Climate-related / TCFD reporting	✔	✔	✔
Stewardship Code reporting	✔	✔	✔
Consider additional reporting that demonstrates WPP's commitment to Responsible Investment	✔	✔	✔
On-going Sub-Fund responsible investment and climate risk performance reporting, scrutiny and challenge	✔	✔	✔
Annual performance review of WPP Sub-Funds	✔	✔	✔
Review of Russell Investment's service delivery in delivering WPP's objectives across Sub-Funds	✔		
On-going engagement with Constituent Authorities regarding ESG / RI standards and their climate ambitions	✔	✔	✔
Communication and Training			
Formulation of WPP's Annual Responsible Investment Progress Report	✔	✔	✔
Formulation of WPP's Annual Training Plan	✔	✔	✔
Formulation of WPP's Annual Update	✔	✔	✔
Formulation of WPP's Annual Report	✔	✔	✔
Resources, Budget and Fees			
Annual review of resources and capacity	✔	✔	✔
Formulation of Annual WPP Budget	✔	✔	✔
Review and Monitoring of Operator / external provider fees	✔	✔	✔

Training Plan

It is best practice for WPP personnel to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions;
- the pooling of Local Authority Pension Schemes; and
- relevant investment opportunities.

The WPP's training plan is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

WPP personnel should obtain a degree of knowledge and understanding that ensures they are able to carry out their duties associated with the WPP. WPP personnel should also be aware of the WPP's framework, beliefs, polices, governance matrix, the decision-making process and decision logging process.

To aid WPP personnel, the Host Authority will arrange quarterly training sessions which will cover major areas such as investments, administration, regulation requirements, government guidance and market developments. The WPP's training events will primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

We have set out below a list of training topics which the Host Authority will arrange training for during the 2024/25 financial year. WPP's training topics are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG').

Product Knowledge and Cyber Security:

- WPP Pooled Investments
- Overview of cyber security and consideration for WPP

Policies:

- Responsible Investment Policy
- Climate Risk Policy
- Stewardship Policy

Responsible Investment (RI):

- Net Zero journey planning
- Climate Metrics

Market Understanding & Regulatory Requirements:

- Progress of other LGPS pools & Collaboration Opportunities
- Any new regulatory / guidance developments

Budget

The table below outlines the WPP's budget for the next three years.

	Forecast 2023-24 outturn	2024-25	2025-26	2026-27
	£'000	£'000	£'000	£'000
Host Authority *	173	231	239	245
External Advisors *	1,559	1,411	1,435	1,541
TOTAL to be recharged	**1,732**	**1,642**	**1,674**	**1,786**
Operator **	36,079	40,734	45,705	50,231
Allocator **	1,796	7,006	7,016	7,302
TOTAL to be deducted from the NAV	**37,875**	**47,740**	**52,721**	**57,533**

**Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

***Operator / Allocator Services costs are based on each Constituent Authority's percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets.*

Investments & Performance

The WPP's Constituent Authorities have total assets of circa £22.5bn (as at 31 March 2023). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies.

The Officers Working Group receives quarterly, six monthly and annual performance reports, the group reviews and challenges the performance of Investment Managers on behalf of the WPP. The WPP hosts annual manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee and Board Members and the WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at local level, this will include manager attendance at Pension Committees. Below we outline the WPP's existing Sub-Funds.

Equity Sub-Funds

- ***Global Growth Fund*** — Managed by Waystone Management (UK) Limited
- ***Global Opportunities Fund*** — Managed by Russell Investments
- ***UK Opportunities Fund*** — Managed by Russell Investments
- ***Emerging Markets Fund*** — Managed by Russell Investments
- ***Sustainable Active Equity Fund*** — Managed by Russell Investments

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Growth	MSCI ACWI ND	RCT, Dyfed, Gwynedd, Cardiff and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT and Cardiff	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, Nissay, Intermede and Oaktree	Feb 19
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Baillie Gifford, Ninety-One, J O Hambro, Liontrust and Fidelity	Sept 19
Emerging Markets	MSCI Emerging Markets ND +1.5%	Cardiff, Clwyd, Gwynedd, Powys and Torfaen	Artisan, Bin Yuan, Barrow Hanley, Axiom, Numeric and Oaktree	Oct 21
Sustainable Active Equity	MSCI ACWI ND	Cardiff, Clwyd, Dyfed, Gwynedd, Powys, RCT, Swansea and Torfaen	Sparinvest, Mirova, Neuberger Berman, Wellington and Artemis	June 23

Fixed Income Sub-Funds

Absolute Return Bond Fund

Managed by Russell Investments

Global Government Bond Fund

Managed by Russell Investments

Multi-Asset Credit Fund

Managed by Russell Investments

Global Credit Fund

Managed by Russell Investments

UK Credit Fund

Managed by Waystone Management (UK) Limited

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Credit	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Gwynedd, Powys and Torfaen	Western, Metlife, Fidelity and Robeco	July 20
Global Government	FTSE WGBI Index (GBP Hedged)	Cardiff and Torfaen	Bluebay and Colchester	July 20
Multi-Asset Credit	3 Month GBP SONIA plus 4%	Cardiff, Clwyd, Gwynedd, Powys, and Swansea	ICG, Man GLG, BlueBay, Barings and Voya	July 20
Absolute Return Bond Fund	3 Month GBP SONIA plus 2%	Gwynedd, Powys and Swansea	Wellington, Aegon and Insight	Sept 20
UK Credit Fund	ICE BofA ML Eur-Stg plus 0.65%	RCT	Fidelity	July 20

Private Markets

Infrastructure – closed ended

Managed by GCM Grosvenor

Participating Funds: Clwyd, Dyfed, Gwynedd, Powys, RCT, Swansea and Torfaen

Infrastructure – open ended

Managed by CBRE, IFM and Octopus

Participating Funds: Cardiff, Gwynedd, Powys, Swansea, Torfaen

Private Credit

Managed by Russell Investments

Participating Funds: Cardiff, Clwyd, Dyfed Gwynedd, Powys, Swansea and Torfaen

Private Equity

Managed by Schroders Capital

Participating Funds: Cardiff, Clwyd, Gwynedd, Powys and Swansea

Contact Details

If you require further information about anything in or related to this business plan, please contact the Wales Pension Partnership:

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

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

The website can be found here:

https://www.walespensionpartnership.org/

CYNGOR Sir y Fflint Flintshire COUNTY COUNCIL

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 20 March 2024
Report Subject	Draft Clwyd Pension Fund Business Plan 2024/25 to 2026/27
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The Committee approves a three-year Business Plan in February or March of every year and receives updates each quarter on progress. The purpose of this report is to present the proposed Business Plan for 2024/25 to 2026/27. The Business Plan includes information on business as usual, other tasks or projects, risks and an estimate of the financial resources required.

Looking ahead, the next few years will continue to be challenging for those involved in the governance, management and operation of the Fund due to a significant number of legislative changes and external influences including:

- ensuring compliance with The Pension Regulator's new General Code.
- implementing the McCloud Judgement
- integration with the National Pensions Dashboard
- other national initiatives such as the Good Governance review and expected regulations and guidance relating to pooling and investments

We also propose to carry out an interim funding review to update the Fund's financial position and employer contribution outlook to enable early engagement with employers in preparation for the triennial actuarial valuation due in 2025/26. In addition, we need to prepare succession plans in response to expected retirements across our internal teams.

The proposed Business Plan for 2024/25 to 2026/27 has been prepared with a view to ensuring that our legal responsibilities and strategic objectives are being met, and all our known risks are being managed and resourced appropriately. The Committee is also being asked to approve the budget which is included within the Business Plan.

RECOMMENDATIONS	
1	That the Committee approve the Business Plan in Appendix 1 relating to the period 2024/25 to 2026/27, including the budget for 2024/25.

REPORT DETAILS

<table>
<tr><th>1.00</th><th>REVIEW OF THE FUND’S BUSINESS PLAN</th></tr>
<tr><td>1.01</td><td>The updated Business Plan for the three years commencing 2024/25 is attached as Appendix 1. It includes business as usual (day-to-day work), main tasks or projects with descriptions, a current risk assessment and an estimate of the financial resources required.</td></tr>
<tr><td>1.02</td><td>The Business Plan for 2023/24 was approved at the 29 March 2023 Pension Fund Committee. Much of the Business Plan was delivered with a number of key achievements being accomplished including:

Review of the Fund’s responsible investment policy and in particular our approach to climate change
Transition of assets to the WPP Global Sustainable Equity Fund
Retaining signatory status to the FRC Stewardship Code.
Development of our cyber security strategy and associated processes
Continuing the Fund's McCloud programme including data collection and upload
Continued implementation of the Fund’s new Communications Strategy

In addition to these accomplishments, several of the key tasks in the 2023/24 Business Plan have progressed to the extent that they are becoming part of business as usual in 2024/25. Work will continue in these areas but they are no longer being reported on as key tasks.

2023/24 also involved a number of changes in response to recruitment and retention challenges. Changes to the administration team staffing structure included the introduction of a new Projects Team, making temporary contracts permanent to retain experience within the team, and successful recruitment of additional staff. The success of recruitment exercises has meant training of new staff has had an impact on the delivery of some business as usual services, but the new structure and addition of new staff are expected to materially increase the resilience of the Fund’s administration operations in the face of continuing legislative and national developments.</td></tr>
<tr><td>1.03</td><td>The ongoing amount of change being driven at a national level or by circumstances out of the Fund’s control has a major impact on the delivery of the Fund’s objectives and the resources required. Areas of focus proposed for 2024/25 to 2026/27 Business Plan include:

Expected changes to the governance of the LGPS from the Good Governance review and ensuring compliance with the Pensions Regulator’s new General Code of Practice
Ongoing focus on climate change and considering biodiversity
Managing the cost of the scheme for employers
</td></tr>
</table>

	• Responding to legislative changes, including progressing preparation for Pensions Dashboards and any investment/pooling-related changes • Retention of staff and succession planning to address expected retirements
1.04	2024/25 will no doubt continue to be challenging for those involved in the governance, management and operation of the Clwyd Pension Fund. The Business Plan has been updated to ensure that all our known risks are being managed and resourced. However given the ever-changing environment, the Business Plan is a live document that can be updated within the year with the approval of the Committee.
1.05	The introduction to the Business Plan also includes the proposed budget for 2024/25 including notes of key elements. • Employee costs assume 5% pay inflation • The budget for IT within administration expenses was underspent in 2023/4 due to expected changes to the pension administration software not being made due to delays to both publication of the McCloud regulations and the onboarding schedule for the National Pensions Dashboard. This work and the associated IT costs are carried forward into 2024/25 and are reflected in the budget. • In the past, Committee and Pension Board training costs have been included together within the same line in the budget. This year they are reported as separate costs.
1.06	The cashflow projection for 2024/25 to 2026/27 is also included in the introduction to the Business Plan. The payments from the Fund exceed the pension contributions from scheme members and employers, meaning that the shortfall needs to be found from investments and strategic cash.
1.07	The Committee are asked to consider and approve the proposed Clwyd Pension Fund Business Plan for 2024/25 to 2026/27, and the budget for 2024/25 included within it.

2.00	**RESOURCE IMPLICATIONS**
2.01	The resources required for managing the Fund and delivering this Business Plan are included in the budget section of the Business Plan.
2.02	Changes to the staffing structure during 2023/24 included temporary positions being made permanent. Within the Administration Team there is currently a vacant Communications Officer role, and this position is being reviewed before a recruitment exercise commences. The Pension Fund Accountant role has now been recruited to and this is expected to reduce strain on the Finance Team and assist in business continuity following the retirement of the Deputy Head of Clwyd Pension Fund in 2024. A key task within the Business Plan is succession planning

	within the Senior Management Team and to consider its impact beyond that team. This work has already commenced.

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

4.00	**RISK MANAGEMENT**
4.01	The key risks are considered as part of the business planning process and articulated within the draft Business Plan. However, delivery of the Business Plan is subject to having the appropriate resources in place, which is a key risk and is described further in paragraph 2.02.

5.00	**APPENDICES**
5.01	Appendix 1 – Business Plan 2024/25 to 2026/27

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	Previous Business Plans including Clwyd Pension Fund Business Plan 2023/24 to 2025/26 (29 March 2023 PFC agenda pack). **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

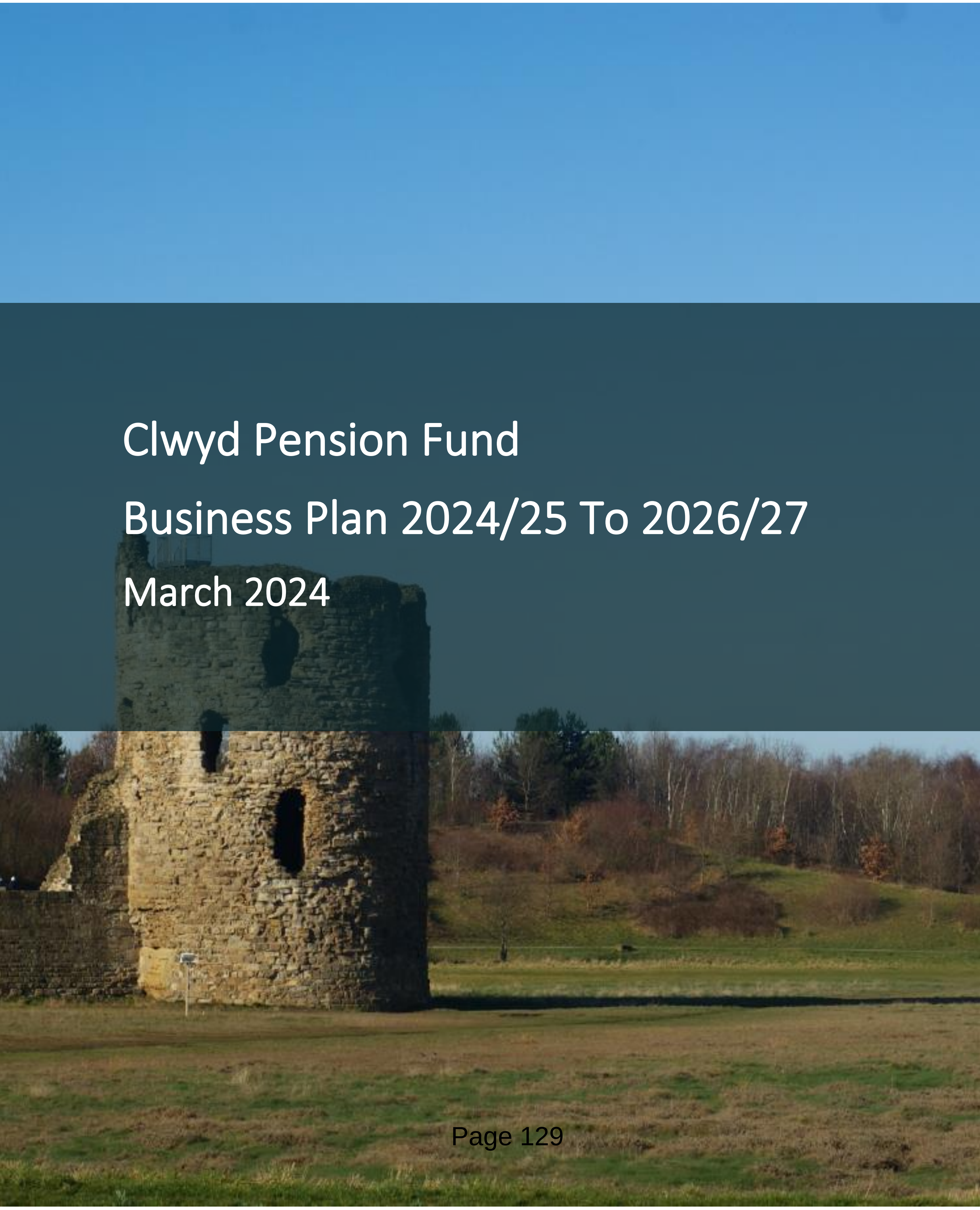
7.00	**GLOSSARY OF TERMS**

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) **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. NB: Other terms used in the report and its appendix are explained within Appendix 1.

Clwyd Pension Fund

Business Plan 2024/25 To 2026/27

March 2024



Contents

Introduction

This is the business plan for the Clwyd Pension Fund, which is managed and administered by Flintshire County Council. It was approved at the Clwyd Pension Fund Committee meeting on 20 March 2024 and details our priorities and areas of key focus for 2024/25, 2025/26 and 2026/27.

The business plan is formally reviewed and agreed every year. It is monitored throughout the year, and the Pension Fund Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the background to and objectives for the management of the Clwyd Pension Fund
- document the priorities and improvements to be implemented by the pensions service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide staff, partners and customers with a clear vision for the next three years.

This business plan also includes a budget for expected payments to and from the Clwyd Pension Fund during 2024/25, the resources required to manage the Fund, and expected cashflows over the period of this plan.

Contact information

If you require further information about the Fund or this business plan, please contact:

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

E-mail - philip.latham@flintshire.gov.uk

Telephone - 01352 702264

Cronfa Bensiynau CLWYD Pension Fund

About the Clwyd Pension Fund

The Clwyd Pension Fund ("CPF" or "the Fund") is a £2.3bn[1] Local Government Pension Scheme Fund providing death and retirement benefits for employees of local authorities in North East Wales (other than teachers, police and firefighters) and employees of other qualifying bodies providing similar services. There are currently 52 contributing employers, (53 as at 31 March 2022) and around 50,000 members as set out in the table below:

Members	31 December 2022	31 December 2023
Active contributors	17,641	17,725
Retired and survivor members	15,060	15,674
Deferred and other members	16,685	16,641

What We Do

Our work consists of day-to-day activities (summarised below) and additional project work:

- Governing and managing the Fund, including statutory accounting and other statutory and non-statutory reporting.
- Ensuring we receive all the pension contributions paid by active members of the Fund, and ensuring all the employers in the Fund pay their pension contributions.
- Maintaining and protecting up to date member data, and calculating and paying pension benefits to or for all our beneficiaries, as prescribed by the LGPS regulations.
- Communicating with scheme members and employers about membership of the Fund.
- Safeguarding the money in the Fund (the Fund's assets) and investing any Fund assets that are not currently needed to pay benefits.
- Monitoring the funding position of the Fund (level of assets compared with liabilities) and acting if necessary.
- Working with the actuary to determine, every three years, how much employers need to pay into the Fund to ensure we have enough money to pay pension benefits in the future, whilst working with employers to manage affordability.

A further breakdown of what we do and our plan for the year, grouped into governance; finance, investments and funding; and administration and communications; is shown in the Appendices.

[1] Information correct as at 31 December 2023.

Objectives for the Management of the Fund

Our Mission Statement is:

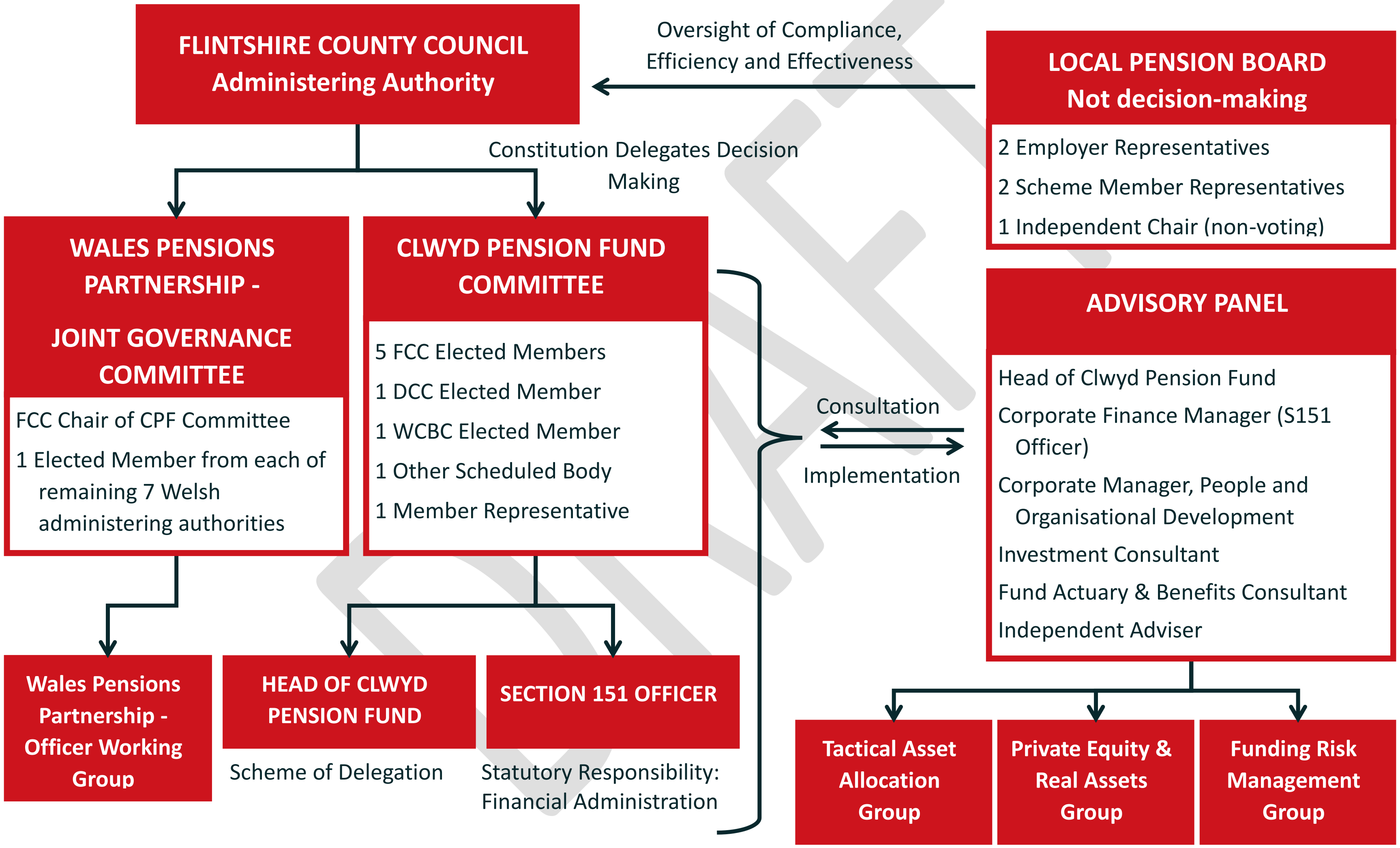
- to be known as forward thinking, responsive, proactive and professional, providing an excellent customer focused, reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality distinctive services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

Our key strategies and policies are listed below. Most can be found on our website at https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/

Governance	Finance, Investment and Funding	Administration and Communications
Governance Policy and Compliance Statement	Investment Strategy Statement (ISS)	Administration Strategy
Knowledge and Skills Policy	Responsible Investment Policy (within the ISS)	Communications Strategy
Conflicts of Interest Policy	Funding Strategy Statement	Personal Data Retention Policy
Risk Management Policy	Whilst not technically strategy documents, the Fund Report and Accounts and the Actuarial Valuation Report are also key documents	Statement of Administering Authority Discretionary Policies
Business Continuity Policy		Voluntary Scheme Pays Policy
Recording Breaches of the Law Procedure		Policy on the Overpayment and Underpayment of Pension Scheme Benefits
Anti-Fraud and Corruption Strategy		Policy for Administration and Communication of Tax Allowances to Scheme Members
Cyber Strategy		

Further details of our objectives across governance; administration and communications; and finance, investments and funding can be found in the Appendices.

Governance and Management of the Fund



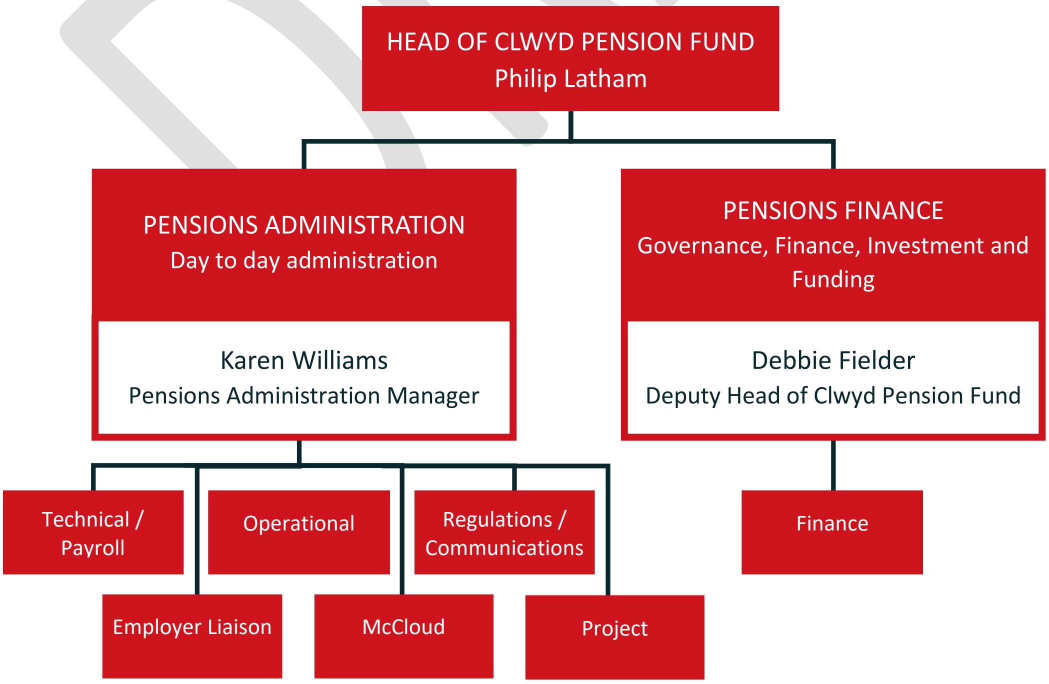
As illustrated in the chart above, the key decision-making and management of the Fund is delegated by Flintshire County Council ("the Council") to the Pension Fund Committee ("PFC"), supported by a Pensions Advisory Panel ("AP"). The Corporate Finance Manager is the Section 151 Officer who has statutory responsibility for the proper financial affairs of the Council including Fund matters. A Local Pension Board is in place to assist in securing compliance of Fund matters and ensuring the efficient and effective governance and administration of the Fund.

The Joint Governance Committee ("JGC") for the Wales Pension Partnership ("WPP" - the Wales asset pool) is a joint committee of the eight participating administering authorities and a non-voting scheme member representative. The JGC is advised by an Officer Working Group ("OWG"), which also includes representatives from each of the administering authorities. The WPP has its own suppliers and advisers, and its own business plan.

An inter-authority agreement between the eight participating administering authorities delegates certain investment decisions to the JGC. Although we determine our own investment strategy for the Clwyd Pension Fund, the selection of the fund managers, or in the case of private markets, asset allocators, is made by the WPP. A significant portion of our assets are held outside WPP, and we are continuing to transition our existing assets to the pool where appropriate.

The Pension Fund Management Team

Managing the Fund on a day-to-day basis involves a wide range of processes and procedures, which have been designed around achieving our Fund's objectives and legal requirements. Day-to-day operations are managed by the Head of Clwyd Pension Fund supported by the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager as set out in the chart below:



- **The Pensions Administration Section** led by the Pensions Administration Manager, is responsible for delivering our Administration and Communications Strategies. The section has 45 permanent full time equivalent members of staff and 0.6 temporary full time equivalent members of staff.
- Understanding the continuing pressure on employer resources and budgets, we offer a service to our employers where we carry out their Fund related duties on their behalf. These duties are carried out by our **Employer Liaison Team** (ELT) and further details are set out in the Administration and Communications Appendix. All ELT costs are paid for by employers using the service through their employer contribution rate. ELT has 9.1 permanent full time equivalent members of staff.
- **The Pensions Finance Section,** led by the Deputy Head of the Clwyd Pension Fund, is responsible for delivering the Fund's Investment and Funding Strategies, and is responsible for investments, accounting and governance matters. The section has 7 permanent full time equivalent members of staff.

The plan for the next three years

Key Risks, Challenges and Influences

Overall, the next few years will be challenging for those involved in the governance, management, and operation of the Fund. A significant number of legislative changes and external influences continue to impact us and thus the management of the Fund continues to become more complex. In addition, we also have to consider expected retirements across the internal teams.

Risk management is embedded into the governance of the Fund. We have a Risk Management Policy which explains how we manage risk, and we maintain a detailed risk register. Changes to the level of risk are reported at each Pension Fund Committee. Given that many risks are outside of our control, our risk management focusses on measuring the **current** risk against the Fund's agreed **target** risk (which is unlikely to be zero), and identifying the further controls and actions that can be put in place to help manage the risk. This risk management process is integral to identifying actions included in this business plan.

In each of the appendices to this business plan, covering governance; finance, investments and funding; and administration and communications, we have included:

- risks currently identified as red (i.e. with major consequences that are considered a possible occurrence) or higher where we are not currently on target, or
- where there are no red risks, the risks where we are currently furthest from meeting the target risk exposure.

These risks are documented in our risk register which will continue to be updated as circumstances change.

The **current main risks** to the Fund achieving its objectives, and our **key areas of focus** over the next three years to manage these risks are summarised in the following table:

Key Risk	Internal Controls in place
Failure to retain Fund Officers with knowledge, skills, qualification, and experience	• Active planning for recruitment, retention and succession planning • Keeping our governance and senior management structure under review.
A sustained downturn in global financial markets, reducing the funding position resulting in the potential of increase in cost of the scheme for employers.	• Monitoring the funding position and making changes to the investment strategy, if required, whilst keeping employers informed on the cost of the scheme before, during and after the March 2025 actuarial valuation.
The Fund's Long term Investment Strategy fails to deliver on our ambition and objectives as a Responsible Investor.	• Implementing further changes to meet and monitor our targets in relation to climate risk and further developing our approach to stewardship.
Various legislative changes impacting quality of service provided to members and employers	• Carrying out compliance checks against The Pension Regulator's General Code. • Implementing any governance changes following the Scheme Advisory Board Good Governance review. • Implementing the remedy following the McCloud court case and any other legislative changes. • Integration with the National Pensions Dashboards.
Employers' understanding of their responsibilities, access to efficient data transmission and allocation of sufficient resources to pension matters.	• Implement new process for employers relating to service standards.

These, and other priorities for the next three years, are articulated in more detail in the appendices to this business plan.

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- monitor progress of the key priorities and the agreed budgets on an ongoing basis within the Pension Fund Management Team and the Pension Fund Advisory Panel
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee, which will be shared with the Pension Board
- highlight, as part of these quarterly updates:
  - any areas where we are exceeding or failing to achieve our targets and the reasons why, and identify any changes to the planned priorities
  - any significant additional spend or underspend in relation to the agreed budget.

Training Plan

Our Knowledge and Skills Policy aims to ensure that the Fund is managed by individuals who have the appropriate levels of knowledge and skills. The following training plan for our Pension Fund Committee and Pension Board members has been developed for 2024/25 to assist in meeting that aim. Training is complemented by attendance at various external events and conferences, including WPP training. This training plan has been updated following a training needs analysis carried out in 2023/24 and discussions with the Committee.

Title of session	Training Content	Timescale
Impact Investing	The Fund's approach on impact investing.	June
Governance	Including Good Governance and an update on the Fund's position against TPR's General Code	September
Funding Strategy	Actuarial matters around the interim valuation and the potential changes to Funding Strategy ahead of the 2025 Actuarial Valuation	November
Task Force on Nature Related Financial Disclosures (TNFD)	Including the requirements of TNFD and how the Fund intends to implement these.	February
National Developments	Other national developments as they arise.	March (or TBC)

2024/25 Cashflow and Budget

Operating Cost Budget 2024/25

The following table shows the expected operating costs and investment management expenses to deliver the 2024/25 section of this business plan. All the costs associated with the management of the Fund are charged to the Fund and not to Flintshire County Council. The investment management expenses, which are the majority of these costs, will rise or fall because the fees are based on the value of the Fund's assets which can rise and fall.

	Actual 2022/23 £000s	Budget 2023/24 £000s	Estimate 2023/24 £000s	Budget 2024/25 £000s
Governance Expenses				
Employee Costs (Direct)	281	413	366	442
Support & Services Costs (Administering Authority)	17	17	17	15
Other Supplies & Services	65	95	94	78
Training	-	-	-	86
Audit Fees	47	45	47	45
Actuarial Fees	926	722	550	835
Investment Consultant Fees	1,548	1,087	1,143	1,230
Governance Advisor Fees [a]	586	598	581	629
Legal Fees	74	30	60	25
Pension Board [a]	96	111	143	105
Pension Board Training	-	-	-	24
Pooling (Host and Consultant Costs)	163	215	224	218
Total Governance Expenses	**3,803**	**3,333**	**3,225**	**3,732**
Investment Management Expenses				
Fund Manager Fees	21,298	19,755	21,679	23,068
Custody Fees	158	192	192	134
Performance Monitoring Fees	46	46	47	49
Wales Pension Partnership Investment Costs	930	885	1,246	1,187
Total Investment Management Expenses	**22,432**	**20,878**	**23,164**	**24,438**
Administration Expenses				
Employee Costs (Direct) [a]	1,392	1,636	1,541	1,820
Support & Services Costs (Administering Authority)	114	114	114	98
IT [a]	516	718	602	718
Other Supplies & Services [a]	125	146	117	146
Total Administration Expenses	**2,147**	**2,614**	**2,374**	**2,782**
Employer Liaison Team				
Employee Costs (Direct) [a]	320	396	347	282
Total Employer Liaison Team	**320**	**396**	**347**	**282**
Total Costs	**28,702**	**27,221**	**29,110**	**31,234**

Notes relating to proposed budget:

1) Items marked "a" include estimates for additional costs relating to McCloud. Please see below for detail.

McCloud Budget 24/25	£000s
Employee Costs (Direct)	133
Governance Advisor Fees	190
Pension Board	13
IT (Support & Services)	100
Other Supplies & Services)	10
Total	**446**

2) The costs incurred by the Employer Liaison Team will be recovered from the participating employers making use of the service through their employer contribution rate.
3) The actuarial, consultancy and adviser costs include increases in line with the contracts and includes specific project work.
4) The above estimates assume pay inflation of 5% where appropriate.
5) IT costs include additional costs in relation to Dashboard project work
6) Training costs have been identified separately for 2024/25, previously these costs were included elsewhere within the budget

Cash flow projection for 2024/25 to 2026/27

We monitor the amount of money coming in and going out of the Fund (the cash flow) monthly to ensure there is sufficient money in the bank account to pay all pension fund expenditure including our private market investment commitments. The payments from the Fund exceed the pension contributions from scheme members and employers, meaning that the shortfall needs to be found from investments and strategic cash. The table below illustrates the projected cash flow over the three-year period.

	Estimated 2023/24 £000s	Budget 2024/25 £000s	Budget 2025/26 £000s	Budget 2026/27 £000s
Opening Cash	**(98,282)**	**(31,877)**	**(31,410)**	**(33,303)**
Payments				
Pensions	78,562	85,280	89,880	94,480
Lump Sums & Death Grants	17,841	16,000	16,000	16,000
Transfers Out	3,713	4,000	4,000	4,000
Expenses (excluding investments)	5,736	6,864	6,864	6,864
Tax Paid	75	100	100	100
Support Services	135	113	113	113
Total Payments	**106,062**	**112,357**	**116,957**	**121,557**
Income				
Employer Contributions	(66,493)	(68,000)	(71,600)	(75,200)
Employee Contributions	(21,172)	(22,000)	(23,200)	(24,000)
Employer Deficit Payments	8,591	9,200	9,200	9,200
Transfers In	(5,036)	(6,000)	(6,000)	(6,000)
Pension Strain	(250)	(600)	(600)	(600)
Income	(903)	(200)	(200)	(200)
Total Income	**(85,263)**	**(87,600)**	**(92,400)**	**(96,800)**
Cash-flow Net of Investment Income	**20,799**	**24,757**	**24,557**	**24,757**
Investment Income	(15,629)	(25,000)	(25,000)	(25,000)
Investment expenses	8,725	8,000	8,000	8,000
Total Net of In-House Investments	**13,895**	**7,757**	**7,557**	**7,757**
In House Investments				
Draw downs	143,351	177,110	179,350	172,318
Distributions	(66,164)	(79,400)	(68,800)	(94,400)
Net Expenditure /(Income)	**77,187**	**97,710**	**110,550**	**77,918**
Total Net Cash-Flow	**91,062**	**105,467**	**118,107**	**85,675**
Investment assets and strategic cash	(24,677)	(105,000)	(120,000)	(90,000)
Total Cash Flow	**66,405**	**467**	**(1,893)**	**(4,325)**
Closing Cash	**(31,877)**	**(31,410)**	**(33,303)**	**(37,628)**

Governance Appendix

This section sets out the Fund's governance aims and objectives, an overview of our business as usual governance activities and key risks, and governance-related business plan tasks for 2024/25 to 2026/27.

Aims and Objectives

The following are the aims and objectives from our Governance Policy. There are more specific objectives within the other governance related policies.

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

Business as usual

- Ensuring decisions relating to the management of the Fund are made in accordance with agreed delegated responsibilities.
- Setting the agenda, reporting and presenting to the Pension Fund Committee, Local Pension Board and Advisory Panel, and ensuring those bodies carry out their delegated responsibilities.
- Implementing and monitoring the achievement of our key governance areas by ensuring that:
    - those managing the Fund have the requisite knowledge and skills by arranging and suggesting training sessions and regularly assessing their training needs
    - those managing the Fund make decisions which are free from conflicts of interest, and noting any declared conflicts within a conflicts of interest register

- there is a robust framework for the identification and management of risks, including maintaining a risk register and reporting the risks to decision makers quarterly
- breaches of law are recorded and reported to the Pensions Regulator where these are deemed to be of material significance to the Pensions Regulator
- instances of fraud or corruption are prevented as far as possible and where they do occur, they are identified, investigated and reported to the relevant authorities
- we comply with the requirements of The Pension Regulator's General Code of Practice,
- business continuity arrangements are in place and regularly tested
- the risk of cybercrime is appropriately managed and ensuring our data and systems are safeguarded

- Ensuring the Fund's business plan, including the budget and cashflow, is regularly updated, agreed and delivered.
- Ensuring we adhere to Council and legal requirements for procurement, health and safety and data protection.
- Procurement of and payment for, advisers and other services.
- Assisting internal and external audit in their role.
- Replying to Freedom of Information requests.
- Participation at the Joint Governance Committee (JGC) and Officer Working Group of WPP and the subgroups of the JGC: Risk, Procurement, Private Markets and Responsible Investment.

Governance Risks

Key:

Risk Exposure	Impact/Likelihood
Black	Catastrophic consequences, almost certain to happen
Red	Major consequences, likely to happen
Amber	Moderate consequences, possible occurrence
Yellow	Minor consequences, unlikely to happen
Green	Insignificant consequences, almost very unlikely to happen

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	Inappropriate or no decisions are made	Amber	Green	1: Agree training plan for 2024/25 2: Review approach to PFC meetings and papers issued to members
Externally led influence and change such as scheme change (e.g. McCloud, potential exit cap, Pensions dashboard, national reorganisation, cybercrime, asset pooling,	The Fund's objectives/legal responsibilities are not met or are compromised: external factors	Amber	Amber	1: Refresh and document business continuity assessments / procedures

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
levelling up and boycotts / divestments / sanctions, Climate lobbying, Operator contract with WPP)				2: Establish formal project for Pensions Dashboard 3: Ongoing engagement with WPP in relation to the WPP Operator
Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit): current issues include age profile / FCC pay grades versus other LAs, asset pools, private sector / cost of living.	Services are not being delivered to meet legal and policy objectives	Amber	Green	1: Ongoing consideration of business continuity including succession planning 2: Agree and implement plan for retirement of current Deputy.

Business Plan key tasks

Ref	Key Action: Task	2024/25 Period				Later Years	
		Q1	Q2	Q3	Q4	2025/ 26	2026/ 27
G1	Succession planning	x	x	x	x		
G2	Governance arrangements	x	x	x	x		
G3	Compliance with TPR General Code	x	x	x	x	x	
G4	Implement regulatory and guidance changes (including Good Governance review)	x	x	x	x	x	
G5	Review of governance related policies	x	x		x	x	x
G6	Review/tender key supplier contracts and Procurement Act changes	x	x	x	x	x	
G7	Appointments of Local Pension Board and Pension Fund Committee Members			x	x	x	x

G1: Succession planning

What is it?

A number of our senior management team are approaching retirement age or have plans to retire over the period of this business plan, most significantly the Deputy Head of the Fund whose role currently includes:

- responsibility for the finance team and governance of the Fund
- participation in all of the sub-groups of the Advisory Panel
- attending all WPP officer groups, participating on behalf of the Fund

The expected requirement to accelerate pooling of investments will also impact on the Fund’s resourcing needs, noting that the Deputy Head of the Fund also has a key role in relation to investments.

In order for us to continue to deliver excellent service and meet statutory requirements, suitable succession plans must be in place to ensure roles can be filled by individuals who have the appropriate level of expertise and skills. As part of this we will also develop a

Cronfa Bensiynau CLWYD Pension Fund

Workforce Policy (which may become a requirement as part of the government's response to the SAB Good Governance review).

Timescales and Stages

Review the senior management structure and ensure succession planning is in place for senior management: already commenced	2024/25 Q1 to Q2
Consider impact on the team beyond senior management	2024/25 Q3 to Q4

Resource and Budget Implications

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

G2: Governance arrangements

What is it?

The Fund's governance structure includes an Advisory Panel of officers and advisors to support the Head of the Fund in carrying out the functions delegated to them by the Pension Fund Committee. Given the specialist nature of some of this work, particularly in relation to investments, the Advisory Panel is in turn supported by a number of subgroups.

With Government expected to bring forward new requirements in relation to investments and pooling and governance, as well as expected changes to the Senior Management Team, we plan to review the subgroups supporting the Advisory Panel. This will include the number of scope of the groups, their membership and Terms of Reference.

Timescales and Stages

Review the sub-groups supporting the Advisory Panel	2024/25 Q1 to Q2
Develop and implement proposed changes to governance arrangements	2024/25 Q3 to Q4

Resource and Budget Implications

To be led by the Head of Clwyd Pension Fund, with input from the Independent Adviser, Investment Consultant and Fund Actuary. All expected costs are included within the existing budgets.

G3: Compliance with TPR General Code

What is it?

The Pensions Regulator (TPR)'s new General Code of Practice came into force on 27 March 2024. It replaces Code of Practice No.14 (the Code for Public Service Pension Schemes), merging 10 of the 15 codes previously in place, and incorporates previous guidance, e.g. on cyber. A very high level check has already been carried out, but we will carry out a more detailed review of the Fund's practices against the requirements of the new General Code and develop a plan to ensure we comply with those requirements. Whilst there is no explicit timeframe for achieving and demonstrating compliance, we understand TPR expects this to be completed as soon as possible and so we plan to ensure the Fund is fully compliant by the end of 2024/25.

The Pension Board has a legal requirement to assist in ensuring we comply with TPR's requirements and will therefore oversee this review.

Timescales and Stages

Detailed review of the Fund's practices against the new TPR General Code and develop ongoing action plan in relation to non-compliant areas	2024/25 Q1 to Q2
Implement the action plan following the review	2024/25 Q3 to Q4

Resource and Budget Implications

This work will initially be led by the Head of Clwyd Pension Fund working with the Independent Adviser, Chair of the Board and Governance Administration Assistant, but will involve all of the management team. Estimated costs of the review are included within the budgets shown.

G4: Implement regulatory and guidance changes (including Good Governance review)

What is it?

It is expected that there will be new requirements placed on and guidance provided to LGPS funds including:

- requirements to have a training policy in place for Pension Fund Committee members and report regularly on the training completed by Committee members, as proposed

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by the Department for Levelling Up Housing and Communities[2] (DLUHC)'s response to their 2023 consultation, "Next steps on investments".

- recommendations from the national LGPS Scheme Advisory Board (SAB)'s review of the LGPS governance arrangements ("the Good Governance Review"), including ensuring appropriate conflicts of interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority. These recommendations were made to DLUHC in 2021 and it was expected that DLUHC would issue statutory guidance in some areas with SAB issuing guidance in other areas. Progress on implementing the Good Governance recommendations has been delayed due to other national priorities and it is currently expected that this will be issued during 2024/25. DLUHC also announced that it intends to require funds to put in place a Workforce Policy as part of the requirements.

Timescales and Stages

Respond to any further consultations on regulations/guidance from DLUHC and SAB	2024/25 Q1 to Q3 (estimated)
Review existing arrangements against new regulations and/or guidance	2024/25 Q2 to Q4 and 2025/26 (estimated)

Resource and Budget Implications

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

G5: Review of governance related policies

What is it?

We have several policies focussing on the governance of the Fund, all of which are subject to a fundamental review, usually at least every three years. The policies due for review in 2024/25 are the Business Continuity Policy (carried over from 2023/24), the Conflicts of Interest Policy, Knowledge and Skills Policy, Breaches Policy and the Cyber Strategy.

When reviewing these policies, we will need ensure that they are aligned to the new TPR General Code (see G3) and any Good Governance requirements (see G4). We also expect requirements on Pension Fund Committee knowledge and skills to be implemented as part of the LGPS investment/pooling changes which will be considered when reviewing the

[2] DHLUC is the Government Department responsible for the LGPS and issuing LGPS Regulations

Knowledge and Skills Policy. Depending on the timing of any national changes, the timescales shown below may need to change.

Timescales and Stages

Policy	Last reviewed	Next review due	Timescales for review work
Business Continuity Policy	March 2021	June 2024	2024/25 Q1
Conflicts of Interest Policy	September 2021	September 2024	2024/25 Q2
Knowledge and Skills Policy	September 2021	September 2024	2024/25 Q2
Procedure for Recording and Reporting Breaches of the Law	March 2022	March 2025	2024/25 Q4
Cyber Strategy	March 2022	March 2025	2024/25 Q4
Governance Policy and Compliance Statement	November 2022	November 2025	2025/26
Anti-Fraud and Corruption Strategy	March 2023	March 2026	2025/26
Risk Management Policy	March 2024	March 2027	2026/27

Resource and Budget Implications

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

G6: Review/tender key supplier contracts and Procurement Act changes

What is it?

We have a number of key supplier contracts that require ongoing review and procurement as follows:

- The Fund's actuary and benefits consultant contract reaches its initial break point on 31 March 2025 albeit, it can be extended by the Committee for 1 year.
- The Fund's investment consultancy contract is due to expire on 31 March 2025. However due to the retirement of the Deputy Head of Clwyd Pension Fund in June 2024, the procurement of this contract will take place before her retirement, with the existing contract terminating and the new contract commencing during 2024/25 (i.e. prior to the expected date of 31 March 2025).
- The Fund's independent adviser reaches the end of its contract on 31 March 2025. The independent adviser can also be the Chair of the Pension Board and therefore that needs to be considered at the same point.
- The suitability testing for the Fund's Administration Software is next due in February 2028, outside the period of this business plan.

There is a new Procurement Act with secondary legislation expected to be made and come into force during 2024. We will ensure we understand the changes being implemented and consider the impact on future procurement we may undertake.

Timescales and Stages

Conduct tender for investment consultancy services	2024/25 Q1 to Q2
Conduct tender for independent adviser	2024/25 Q3 to Q4
Consider extension of actuarial and benefits consultancy contract	2024/25 Q4
Conduct tender for actuarial and benefits consultancy services (assuming extension has been applied)	2025/26
Consider and implement necessary changes due to Procurement Act 2023	2024/25 Q2 to Q4

Resource and Budget Implications

The investment consultant tender will be led by the Deputy Head of Clwyd Pension Fund within existing budget. Other tenders will be led by the appropriate senior officer. There may be additional costs associated with advice required to review the procurement process to ensure it adheres to new regulations expected under the Procurement Act 2023.

G7: Appointment of Local Pension Board and Pension Fund Committee members

What is it?

The Pension Board is made up of 5 members: 2 Employer representatives, 2 Member representatives and 1 independent member. Members are appointed by the Board Secretary after completion of a selection process.

The employer and scheme member representatives on the **Pension Board** are appointed for a period of three years. This period may be extended to up to five years. The current appointments are subject to review as follows:

- Scheme member representative (non-trade union) – February 2025 (five-year point)
- Scheme employer representative – July 2025 (five-year point)
- Scheme member representative (trade union) – October 2025 (three-year point)
- Scheme employer representative – December 2026 (three-year point)

In addition, the appointment of the Chair of the Pension Board ends on 31 March 2025 so a review exercise will be carried out.

The Pension Fund Committee is made up of nine members, five of these members are Flintshire County Council Councillors with the remainder being co-opted members. The co-opted members comprise one Councillor from Wrexham County Borough Council, one Councillor from Denbighshire County Council and two representative members, one for the other Scheme employers and one for Scheme members in the Fund.

The five Flintshire Councillors are appointed annually, and the Councillors from Wrexham and Denbighshire are appointed until the next ordinary local government election. Both groups can be reappointed for further terms.

The representative members (for other scheme employers and scheme members) on the **Pension Fund Committee** are appointed for a period of not more than six years, but may be reappointed for further terms. The existing representative members were appointed in July 2020 so their appointments will need to be reviewed by July 2026.

Timescales and Stages

Review Pension Board scheme member (non-trade Union) representative	2024/25 Q3 to Q4
Review Chair of the Pension Board	2024/25 Q3 to Q4
Review Pension Board representatives (scheme member (trade union) and one scheme employer)	2025/26
Review Pension Board scheme employer representative	2026/27
Review Pension Fund Committee representative members (other scheme employers and scheme members)	2026/27

Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser and Chair of the Pension Board, where appropriate. All costs will be met from the existing budget.

Finance, Funding and Investment Appendix

This section sets out the Fund's funding and investment aims and objectives, an overview of our business as usual finance, funding and investment activities and key risks, and finance, funding and investment -related business plan tasks for 2024/25 to 2026/27.

Aims and Objectives

- Achieve and maintain assets equal to 100% of liabilities within the 12-year average timeframe, whilst remaining within reasonable risk parameters.
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim of being to maintain as predictable an employer contribution requirement as possible.
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities.
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives.
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives.
- Ensure net cash outgoings can be met as/when required.
- Minimise unrecoverable debt on employer termination.
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability.
- Ensure that the Fund's investment and return targets are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission's target by 2045.
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.
- Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including environmental, social and governance requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

Business as usual

Finance

- Preparing and publishing the Fund’s Annual Report.
- Completing the Annual Accounts and assisting external auditors.
- Preparing and quarterly monitoring of the Annual Budget.
- Preparation of statutory and non-statutory returns as required.
- Monthly bank reconciliations.
- Quarterly cash flow and treasury management.
- Monthly monitoring of income and expenditure including employer and scheme member contributions.
- Quarterly invoicing of employers for pensions strain and added years.

Funding

- Agreeing the funding strategy with the actuary every three years, consulting with employers, and annual monitoring of its appropriateness.
- Assisting the actuary with the triennial Actuarial Valuation by providing membership data and presenting results and explanations to employers of future employer contributions and deficit payments.
- Arranging through the Actuary, data required by the Government Actuary's Department (GAD).
- Monitoring the employers’ funding positions and covenants including their ability to pay contributions and managing any employers who wish to join or leave the Fund.

Investments

- Carrying out a fundamental review of the investment strategy every three years, or more frequently if considered appropriate.
- Appointing, monitoring and dismissing of fund managers including within a pooling environment.
- Quarterly monitoring and reporting on investment performance.
- Monthly monitoring and reporting on the Fund’s funding position and implementation of our cash and risk management strategy (Flight-path) with annual ‘health checks’.
- Working with other LGPS funds in Wales and nationally to pool investments through our role within the Joint Governance Committee and Officer Working Group.
- Monthly monitoring and implementation of the tactical asset allocation decisions.

- Developing, implementing, and monitoring the Fund's approach to Responsible Investment.
- Identifying sustainable investments that aim to make a positive social or environmental impact.
- Transitioning the Fund’s investment strategy in line with its net-zero targets.
- Monitoring of the Fund’s investments in private markets including commitment planning.
- Ensuring costs are fully disclosed in line with the LGPS Investment Code of Transparency.
- Working with WPP to ensure that it can support the Fund in delivering the Fund’s Responsible Investment and Climate Change beliefs and requirements.
- Review Additional Voluntary Contributions (“AVCs”) provision on a regular basis to ensure it continues to remain appropriate.
- Annual stewardship reporting, reporting to the year ending 31 March, with a submission to the FRC.
- Annual TCFD reporting, reporting to the year ending 31 March.
- Annual cashflow monitoring of the Fund, taking into account payroll and private market drawdown commitments.

Risks

Key:

Risk Exposure	Impact/Likelihood
Black	Catastrophic consequences, almost certain to happen
Red	Major consequences, likely to happen
Amber	Moderate consequences, possible occurrence
Yellow	Minor consequences, unlikely to happen
Green	Insignificant consequences, almost very unlikely to happen

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
▪ 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 ▪ WPP does not provide CPF with portfolios to deliver the Investment Strategy ▪ Internal team do not have sufficient knowledge to challenge investment managers on advice given or understand the implications of all investment choices	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	Red	Amber	1: Continue to monitor market conditions, underlying asset classes and investment managers either directly or via WPP 2: Ongoing consideration of officer succession planning, including maintaining local investment knowledge 3: Interim Investment Strategy Review

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Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
▪ 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 ▪ WPP does not provide CPF with the tools to enable implementation of RI policies	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.	Red	Amber	1 - Implement the responsible investment plan as outlined in the business plan including a review of the current carbon reduction targets, and initial training on nature related financial disclosures. 2 - Work with WPP to ensure the Fund is able to implement the Fund's RI Policy and ambitions effectively via WPP 3 - Interim Investment Strategy Review

Cronfa Bensiynau CLWYD Pension Fund

Business Plan Key tasks

Ref	Key Action: Task	2024/25 Period				Later Years	
		Q1	Q2	Q3	Q4	2025/ 26	2026/ 27
F1	Interim Investment Strategy Review and Implementation	x	x				x
F2	Interim Funding Review		x	x	x		
F3	Task Force on Nature-Related Financial Disclosures	x	x	x	x	x	x
F4	Funding Strategy Statement Review and Triennial Actuarial Valuation					x	
F5	Review of Investment Strategy						x

F1: Interim Investment Strategy Review and Implementation

What is it?

This relates to the ongoing interim investment strategy review we are carrying out and implementation of any agreed changes to the Investment Strategy of the Fund.

An interim investment strategy review is being undertaken in order to: formalise a plan to fully fund the WPP Sustainable Active equity; increase the liquidity of the available assets in order to help meet ongoing cashflow and Private Market capital drawdown requirements; and to consider the impact on climate related objectives from the above. Once agreed, any changes are expected to be implemented over a period of time in order to manage transition costs and liquidity.

Timescales and Stages

Agreement and Implementation of any changes	2024/25 Q1 & Q2

Resource and Budget Implications

The work will be led by Head of Clwyd Pension Fund, working with the Fund's Investment Consultant. The Investment Consultant's estimated costs in relation to this exercise are included in the 2024/25 budget.

F2: Interim Funding Review

What is it?

In advance of the 2025 actuarial valuation, the Actuary will assess the funding position as at 31 March 2024 in order to prepare the Fund and employers for the potential contribution outcomes from the 2025 valuation.

In the context of the continued challenges on employer budgets it is appropriate that we consider the key funding metrics, which will involve the Actuary analysing the outlook for returns and the likelihood that average contributions would need to change at the next valuation. This analysis will assist us in understanding employer contribution affordability so that plans can be made considering the current funding position and the future outlook for returns and life expectancy. We believe that the life expectancy changes will likely be more significant than previously based on latest national trends. As in previous exercises, an interim valuation will facilitate earlier engagement for some employers than would otherwise be the case.

The 2024 interim review will be carried out in the same way as a full actuarial valuation process. It will allow us to update the contribution requirements for some employers where we need to and this is allowed under the LGPS Regulations and Funding Strategy Statement. This will also be used to inform other policies e.g. assumptions (including life expectancy changes) to be used when employers leave the Fund.

This analysis will assist the Fund to understand employer contribution affordability and budgets so that plans can be made considering the funding position at that point and the outlook for returns. The interim valuation and analysis will also involve discussions with our employers and in particular the Steering Group with representatives from the major Councils. It will also include a review of data quality to feed into the 2025 valuation discussions.

Timescales and Stages

Initial engagement with employers to assess affordability and budgeting outlook	2024/25 Q2 & Q3
Carry out interim funding review (including data quality)	2024/25 Q3 & Q4
Results and discussion with employers	2024/25 Q3 & Q4

Resource and Budget Implications

This exercise will be led by the Fund Accountant. It will be performed by the Fund Actuary, with input from both the Clwyd Pension Fund Administration and Finance teams. An allowance has been made in the 2024/25 budget for the full interim review and associated tasks.

F3: Task Force on Nature-Related Financial Disclosures (TNFD)

What is it?

The TNFD have released nature-related financial disclosure recommendations to help organisations provide better information to support informed capital allocation. We will look to conduct mapping of our listed equity portfolio against the priority sectors that the TNFD have identified and investigate our exposure to a range of Nature Capital themes in our private market portfolio.

Once this work has been undertaken, the Committee will receive training on TNFD and review the findings of the analysis. Following this work and additional training, the Investment Strategy Statement will be reviewed and updated, as appropriate, to formally document our approach to TNFD.

Timescales and Stages

Priority Sector Mapping & Private Market themes analysis	2024/25 Q1 & Q2
TNFD training for Committee	2024/25 Q3
Review of Investment Strategy Statement	2024/25 Q4

Resource and Budget Implications

The work will be led by the Head of Clwyd Pension Fund, working with the Fund's Investment Consultant. The Investment Consultant's estimated costs in relation to this exercise are included in the 2024/25 budget.

F4: Funding Strategy Statement Review and Triennial Actuarial Valuation

What is it?

The next formal triennial actuarial valuation of the Fund is due to be undertaken as at 31 March 2025. This considers the solvency position and other financial metrics and is a legal requirement of the LGPS Regulations. It determines the contribution rates payable by our employers to fund the cost of benefits including the impact of any shortfall or surplus. These aspects are driven by the contents of our separate Funding Strategy Statement which is approved by the Committee and reviewed and consulted on with employers as part of the process.

The valuation is considered in conjunction with our employer risk management framework. Our employers will be required to provide financial statements and evidence of affordability and security before contributions can be agreed. The exercise will also include cash flow projections (of future benefit payments to members and future contributions receivable from members and employers) to input into the Cash and Risk Management policy framework.

Timescales and Stages

Effective date	31 March 2025
Initial whole Fund results (expected)	2025/26 Q2
Individual Employer results (expected)	2025/26 Q2 & Q3
Deadline for agreement of all contributions and sign-off valuation report	31 March 2026

Resource and Budget Implications

The exercise will be led by the Fund Accountant and will be performed by the Fund Actuary. It will determine contribution requirements for all participating employers from 1 April 2026 and employers will be formally consulted on the funding strategy as part of the process. As a major exercise for the Fund, it will involve considerable resource from the Administration and Finance teams over 2025/26. Allowance will be made in the Fund Actuary's estimated budget for 2025/26 in due course.

F5: Review of Investment Strategy

What is it?

We carry out a review of our Investment Strategy every three years, having regard to the findings of the actuarial valuation and the review of the Funding Strategy. The investment strategy review is expected to take place at the same time as the review of the Funding Strategy Statement in 2025/26.

Timescales and Stages

Review of Investment Strategy	2025/26 Q2 to Q3
Approve Investment Strategy (with employer consultation if required)	2025/26 Q4
Implementation of any changes	2026/27

Resource and Budget Implications

The work will be led by the Clwyd Pension Fund Investment Officer, working with the Fund's Investment Consultant. Allowance will be made in the Investment Consultant's estimated budget for 2025/26 (and 2026/27) in due course.

Administration and Communications Appendix (including the Employer Liaison Team)

This section sets out the Fund's administration and communication aims and objectives, an overview of our business as usual administration and communication activities and key risks, and administration and communication-related business plan tasks for 2024/25 to 2026/27.

Administration Aims and Objectives

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders.
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money.
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS[3] regulations and in the delivery of the administration functions of the Fund.
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time.
- Maintain accurate records and ensure data is protected and has authorised use only.

Communications Aims and Objectives

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

We also have further specific objectives for communications with scheme members and employers.

Employer Liaison Team Aims and Objectives

- Provide a high quality, professional, proactive, timely and customer focused service to the employer.

[3] Local Government Pension Scheme.

- Provide the agreed service in a cost effective and efficient manner utilising technology appropriately to obtain value for money.
- Ensure the employer is aware of and understands their role and responsibilities under the LGPS regulations and the Fund's Administration Strategy.
- Ensure that accurate member information is provided to the Fund, in the correct format, within the agreed timescales.
- Ensure data is protected and has authorised use only.

Business as usual

Operations

- Providing relevant individual information to scheme members and their beneficiaries, including:
    - Calculating and notifying entitlement to pension and death benefits
    - Providing quotations of retirement benefits including any additional costs to employers
    - Providing information on how scheme members can increase their pension benefits
- Maintaining scheme member records including:
    - Changes to personal details
    - Changes to employment details
    - Processing transfers of pension rights and aggregations of member records
- Responding to scheme members' enquiries (including phone calls)

Pensioners' Payroll

- Calculating and paying monthly pensions to all pensioners and beneficiaries
- Issuing payslips (where net pay has changed)
- Processing annual pensions increases and issuing annual pensions increase statements to pensioners and beneficiaries
- Issuing P60s
- Investigating returned payments and dealing with any under or overpayment of pensions
- Updating and maintaining accuracy of pensioners' and beneficiaries' details.
- Carrying out existence checking for pensioners' and beneficiaries' payments
- Responding to scheme members' enquiries (including phone calls)

- Reporting and making payments to HMRC

Communications

- Providing information to members via newsletters and shorter news alerts
- Maintaining the Fund's website and members' self-service facility, and promoting their use
- Responding to scheme members' enquiries (including emails)
- Developing the Fund's communications with stakeholders to ensure information is accessible to all
- Liaising with employers joining or leaving the Fund and providing them with information about their Fund responsibilities
- Providing ongoing training and technical updates to employers
- Running an Annual Meeting and engagement events with employers and members' representatives
- Administering the Fund's Internal Dispute Resolution Procedure.

Projects

- Providing Annual Pensions taxation information to all affected and at-risk members
- Bulk data cleansing exercises
- Managing ad-hoc projects such as implementing major scheme changes and national initiatives.
- Recalculating benefits following backdated pay awards

Technical

- Preparing and issuing annual benefit statements for all active and deferred scheme members
- Preparing annual pensions increase statements for pensioners and beneficiaries
- Maintaining and updating the pensions software system, including overseeing the monthly employer returns
- Providing guidance on changes in processes following legislation updates
- Developing reports on progress against key performance indicators and daily work management
- Monitoring timescales for employers submitting information
- Providing information to the Fund's actuary as required for new alternative delivery models for employer services

- Providing reports and extracts for the Fund Actuary and GAD[4]

Employer Liaison Team

On behalf of employers:

- Providing notifications regarding new starters, personal/employment changes and leavers/retirements in the Fund
- Verifying and uploading monthly iConnect files
- Undertaking estimates of benefits for scheme members and the employer
- Responding to outstanding requests for information to cleanse the pension records
- Undertaking work as necessary to clear outstanding year-end or other data queries.
- Managing ad-hoc projects such as implementing major scheme changes and national initiatives.

[4] Government Actuary's Department

Risks

Key:

Risk Exposure	Impact/Likelihood
Black	Catastrophic consequences, almost certain to happen
Red	Major consequences, likely to happen
Amber	Moderate consequences, possible occurrence
Yellow	Minor consequences, unlikely to happen
Green	Insignificant consequences, almost very unlikely to happen

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	Amber	Yellow	1: Action plan being developed for recruitment, retention and succession planning 2: Ongoing training of recent recruits
Employers don't: -understand or meet their responsibilities. -have access to efficient date transmission -allocated sufficient resources to pension matters	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Amber	Green	1: Implement new process for employers relating to service standards

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Business Plan key tasks

Ref	Key Action -Task	2024/25 Period				Later Years	
		Q1	Q2	Q3	Q4	2025 /26	2026 /27
Essential Regulatory-Driven Areas							
A1	McCloud judgement	x	x	x	x	x	
A2	National Pensions Dashboard	x	x	x	x	x	
A3	Implement Survivor Benefits Changes (dates unknown)		x	x	x		
A4	Other Expected National Changes (dates unknown)						
A5	Preparation of Member Data for Interim Valuation and Triennial Valuation	x	x			x	
Priority Fund-Driven Projects							
A6	Review Administration & Communications Related Policies and Strategies	x	x	x	x	x	x
A7	Implement the updated Communications Strategy	x	x	x	x	x	x
A8	Benefit payment decisions and requirements	x					
A9	Employer escalation procedure	x					
Employer Liaison Team (ELT) Projects							
E1	Expand ELT to more employers	x					

Essential Regulatory Driven Areas

A1 – McCloud judgement

What is it?

The McCloud judgement refers to an age discrimination court case where protections for older members, introduced during the Government's reforms of public service pension schemes in 2014 and 2015, were deemed to result in unlawful age discrimination. In the LGPS the protections applied to members in the new career average scheme who were within ten years of their Normal Pension Age (NPA) on 1 April 2012 in the form of a “better of both” promise. This means comparing the benefits payable under the career average and final salary schemes and paying the higher amount. This protection is called the underpin.

To remove the discrimination, the LGPS Regulations were updated with effect from 1 October 2023, providing all qualifying members with protection for the remedy period (1 April 2014 to 31 March 2022). Whilst regulations are in place for the main element of the remedy, as at March 2024, further regulations are still awaited to implement requirements for excess service for teachers. In addition, guidance is awaited before certain new member events can be progressed (for example transfers, divorce, flexible retirement). Guidance is also required before historic member events during the remedy period can be reviewed. Guidance is expected in Q1 2024.

Implementing the McCloud remedy has involved a large-scale retrospective data collection exercise, which we have nearly completed. It has a significant impact on our administration processes and systems, and has required regular communications with employers and scheme members. Due to the significant additional resource requirements, we have dedicated McCloud team members.

While our administration system has been largely updated to ensure compliance with the McCloud regulations, certain areas still require attention. Finalising the data collection exercise is crucial for dealing with business as usual cases on an automated basis.

Once guidance is received, and all the McCloud data is updated to our administration system, we will start reviewing all scheme member events that occurred during the remedy period (known as rectification). This exercise is expected to be largely carried out in bulk, although a degree of manual intervention is anticipated, and testing will establish the likely amount of manual work. Statutory guidance setting out the priority of rectification is expected in Q1 2024.

Timescales and Stages

Data collection from all employers (already commenced)	31 March 2024
Data validation and upload to Altair (already commenced)	2024/25 Q1
Identify and update service for members where multiple records are not combined	2024/25 Q1
Issue communications to scheme members and gather, verify and upload data on members’ previous public service pension scheme membership	2024/25 Q3

Identify and verify (if required) previous LGPS membership using the LGPS NI database	2024/25 Q2
Finalise how processes and calculations will need to change to implement McCloud into business as usual (BAU) (ongoing)	2024/25 Q1
Identify and re-combine aggregated and concurrent records as required to ensure the underpin is calculated correctly	2024/25 Q3
Recalculation of leavers' benefits (benefit rectification) – process recalculations and prepare letters to members and pay balance of benefits	2024/25 Q4
Ongoing communications to scheme members as required	2024/25 Q1 to Q4
Assess the impact of the Teachers' excess service outcome	To be confirmed
Identify and review individuals where their benefits were affected by the previous underpin with Annual Allowance implications or Lifetime Allowance Protection	2024/25 Q4
Finalise and issue new annual benefit statements to include McCloud information	2025/26 Q2

Resource and Budget Implications

The additional internal resource allocated to the dedicated McCloud programme team will continue throughout 2024/25. Although the work is being led and managed by dedicated McCloud team members, it impacts across all of the Administration Team. There continues to be additional costs relating to consultancy (including programme management which is being provided by the Independent Adviser), incidentals such as postage and printing, and system costs. The budget for 2024/25 is £446k in total.

A2 – National Pensions Dashboard

What is it?

The National Pensions Dashboard is a Government initiative intended to allow all pension savers in the UK access to view the values of all of their pensions online, including state pension, through one central platform. The Pension Schemes Act 2021, The Pensions Dashboards Regulations 2022 and The Pensions Dashboards (Amendment) Regulations 2023 provide the legal framework for implementing the dashboard. 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 is expected to be 30 September 2025. Legislation is expected soon which will confirm the timings and provide further clarity.

A formal Fund Pensions Dashboard project will be established in Q1 2024/25.

The dashboard requirements also extend to Additional Voluntary Contributions (AVCs). The Fund therefore needs to engage with Prudential and Utmost, its AVC providers, to ensure they are meeting the dashboard requirements.

Although the Fund will be relying on its Integrated Service Provider (ISP), its administration software provider (Heywood) and the AVC providers to carry out the majority of the work relating to the implementation project, there will be additional work for the Fund including new processes when the dashboard is up and running. Also, the Fund's responsibility is to ensure the legal requirements relating to dashboards are met. Therefore, there will still be a significant amount of work for the Fund relating to the implementation of the dashboard and once it is live.

The Pensions Administration Manager is participating in a PLSA working group on the development of the Dashboard. The Fund has also volunteered to be part of the testing of the pension dashboard enhancements being integrated into the administration software.

Timescales and Stages

Project set up including finalising the project initiation documentation	2024/25 Q1
Data cleansing exercise	2024/25 Q1 to Q4
Appointing an Integrated Service Provider (ISP)	2024/25 Q2
System functionality testing, including reporting	2024/25 Q2 to Q4
Consider and agree data matching criteria	2024/25 Q2 to Q3
Develop communications plan, and develop and issue various member communications	2024/25 Q1 to 2025/26 Q2
Latest connection date (still to be confirmed by DWP)	30 September 2025
Final work on value data post McCloud benefit rectification and data updates	2025/26 (to be confirmed)
Review and update administration processes, and consider impact on future resources/budget	2024/25 Q3 to 2025/26 Q2
Agree, establish and implement dashboard processes with Additional Voluntary Contribution providers	2024/25 Q1 to 2025/26 Q2

Resource and Budget Implications

The proposed 2024/25 budget is £100,000 and includes estimated additional system costs for the ISP (including set up costs) and consultancy costs for technical support. Costs will be monitored throughout the year and any necessary changes will be brought back to Committee for consideration. The biggest uncertainty will be the impact on the workload of the Pensions Administration Team once the dashboard goes live. Ongoing resources will be considered as part of the 2025/26 budget.

A3 – Implement Survivor Benefit Changes

What is it?

Regulations are awaited in relation to the June 2020 Employment Tribunal ruling (the "**Goodwin ruling**") relating to the Teachers' Pension Scheme which concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female member in a same sex marriage or civil partnership, and that amounts to direct discrimination on grounds of sexual orientation. The Chief Secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that changes would be required to other public service pension schemes with similar arrangements. Once these regulations are made, these changes will need implemented.

Work is already ongoing on the following other survivor benefit changes:

- the LGPS (Miscellaneous Amendment) Regulations 2018 (SI2018/1366) that impact on the calculation of and entitlement to **surviving partner pensions in respect of Civil Partners or same sex marriages**
- the outcome of the **Elmes versus Essex case** where the High Court ruled that for any LGPS members who left the scheme between 1 April 2008 and 31 March 2014, and who subsequently died leaving a Cohabiting Partner, a survivor's pension could be paid to that partner without a completed nomination form as long as they meet the eligibility criteria.

Timescales and Stages

Tracing, contacting, verifying entitlement and recalculating benefits for affected surviving partners	2024/25 Q2 to Q4

Resource and Budget Implications

These projects will be carried out by the Project Team and Operations Team to ensure benefits for all surviving partners are reviewed and amended where applicable.

A4 – Other Expected National Changes

There are a number of further changes that are expected but the final details are not yet available. These include the changes detailed below based on the situation in early 2024.

Cost Management

When the Public Sector Pension Schemes (including the LGPS) were reformed in 2014/15 the scheme design included a cost control mechanism. At the first cost cap valuations as at 31 March 2016 the lower threshold within that mechanism (i.e. the cost floor) was deemed to be breached so member benefits would need to increase or, in the case of the LGPS, their contributions reduce. Following the McCloud judgement, Government announced that any additional McCloud costs would be deemed "member costs" within the cost control mechanism. In June 2022 the Government Actuary's Department finalised the 2016 valuation confirming that no changes to member benefits or contributions were required for the LGPS. The LGPS Scheme Advisory Board (SAB) also confirmed that no changes were needed by virtue of its separate mechanism, which applies to the LGPS in England and Wales in addition to the HMT mechanism.

A Judicial Review hearing relating to the decision to allocate McCloud costs to members as part of the 2016 cost management process was held on 20th to 22nd February 2024. It is not yet known what the outcome will be, but until the issue is resolved we cannot say with certainty that no changes will be required following the 2016 process.

In light of concerns that the cost control mechanism did not meet its original objectives a review was carried out by the Government Actuary. HM Treasury then consulted on proposals to amend its cost control process and reforms were confirmed in a written ministerial statement on 19 September 2023 (effective from the 2020 cost management valuations). Following a separate DLUHC consultation to amend the LGPS SAB cost management process which operates in addition to the Treasury process, the SAB is in the process of finalising its cost control mechanism.

The Government Actuary's Department has gathered the data required to carry out the 2020 calculations and these are underway. Whilst it is not currently expected that the 2020 process will lead to any changes to member benefits or contributions, if they are required they would apply retrospectively from 1 April 2023.

From an administrative perspective, should there be changes to member benefits and/or contributions as a result of the 2016 or 2020 cost management process, this could have a significant impact on administration processes and systems as well as requiring a robust communication exercise with employers and scheme members.

In addition, in October 2021 the SAB set out its determination to revisit third tier ill health and contributions for the lowest paid members with the view to making recommendations in these areas separately to the cost management process. These recommendations have not yet been made but would lead to additional work for the operations team if they were to be taken forward.

Fair deal

In May 2016, DCLG (now DLUHC) proposed that New Fair Deal be extended to the LGPS. This would mean any staff transferring to a contractor would remain in the LGPS and the new employer would need to gain admission body status, with no option to offer a pension scheme certified as broadly comparable to the LGPS.

On 10 January 2019, a consultation document was published - Fair Deal – Strengthening Pension Protection. This confirmed the 2016 proposal that service providers must offer LGPS membership to individuals who have been compulsorily transferred from an LGPS employer, even if the contract is outsourced a second time. It also included proposals to automatically transfer LGPS assets and liabilities when scheme employers are involved in a merger or takeover. The consultation closed on 4 April 2019 but there has not yet been a response from Government. The Scheme Advisory Board has sought to ensure this remains on DLUHC's agenda, most recently writing to the Department on 17 October 2023.

Exit Payment Reform

With effect from 4 November 2020 a £95k cap on exit payments made by public sector employers came into effect and this included the cost of early payment of LGPS pensions. This was subsequently disapplied retrospectively. In August 2022, HMT issued their consultation on Public Sector Exit Payments which closed on 17 October 2022 seeking views on a new administrative control process for public sector exit payments over £95,000, and amendments to the process for special severance payments. Whilst the consultation related to staff working in central government some LGPS employers could be affected. It is unclear at this stage when we may hear more on wider reform of exit payments and conditions around how LGPS benefits are paid. Bodies under the devolved administrations were not covered by HMT's most recent consultation and Welsh Government might implement a different approach to meeting any exit cap requirements for public sector employers in the Fund.

Increase in minimum retirement age

The Finance Act implements previous proposals to increase the normal minimum pension age from 55 to 57 in April 2028. This change is designed to maintain a 10 year gap between minimum retirement age and state pension age, as confirmed as part of Government policy in 2014. The Finance Act does provide for protected pension ages for members meeting certain conditions, but for this protection to apply the LGPS regulations must be amended. There has been no indication from DLUHC whether they intend to make these changes.

In the meantime, we need to keep a note of any protected pension ages to which new members may be entitled, which will generally be due to existing scheme membership or a transfer-in from another pension arrangement.

Timescales and Stages

Implement changes to member benefits and/or contributions if required as a result of the 2016 or 2020 cost management process	Unclear
Update admissions processes in light of new Fair Deal	Unclear
Implement changes to calculation of early retirement benefits and associated strain payments if an exit cap is reintroduced	Unclear
Monitor protected retirement ages and communicate with members and employers as appropriate if the minimum retirement age is increased	Unclear

Resource and Budget Implications

The resource implications are uncertain so will be considered once further information becomes available.

A5 - Preparation of Member Data for Interim Valuation and Triennial Valuation

What is it?

We will carry out an interim valuation (as at 31 March 2024) during 2024/25 which will require us to provide data to the actuary. This will highlight any initial data validation to be completed ahead of the formal triennial valuation.

The next formal triennial actuarial valuation will be as at 31 March 2025 and requires us to provide data to the actuary. This involves an additional year-end data cleansing exercise post 31 March 2025 to ensure the data is of sufficient quality for the formal valuation and to then rectify any anomalies discovered during the valuation process.

Timescales and Stages

Preparation of data for 31 March 2024 interim valuation, and investigating and responding to data queries from Fund Actuary	2024/25 Q1 to Q2
Preparation of data for 31 March 2025 triennial valuation, and investigating and responding to data queries from Fund Actuary	2025/26

Resource and Budget Implications

This work will be carried out by the Technical Team in the main with assistance from the rest of the Project and Operations Teams depending on the requirements. All internal costs are being met from the existing budget. The work by the Fund Actuary for the interim valuation will be included in proposed budget for 2024/25.

Priority Fund Driven Projects

A6 - Review Administration and Communication Related Policies and Strategies

What is it?

There are a number of administration and communications related policies that need to be reviewed regularly as shown in the table below. In addition, we will be developing a Data Improvement Policy.

Timescales and Stages

Review of Administration Strategy (last approved May 2021)	2024/25 Q1
Review of Under / Overpayment Policy (approved September 2021)	2024/25 Q2
Develop and approve first Data Improvement Policy	2024/25 Q3 to Q4
Personal Data Retention Policy (last reviewed March 2022)	2024/25 Q4
Review of Communications Strategy (last approved June 2022)	2025/26
Review of Voluntary Scheme Pays Policy (last approved October 2023)	2026/27
Policy for Administration and Communications of Tax Allowances to Scheme Members (approved November 2023)	2026/27
Administering Authority Discretionary Policy (last approved November 2023)	2026/27

Resource and Budget Implications

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

A7 – Implement the updated Communications Strategy

What is it?

We updated our Communications Strategy in June 2022 to be more focussed on encouraging stakeholder engagement and providing positive experiences including through embracing technology for greater accessibility (as well as delivering efficiencies). As part of this, we are ensuring that all communication materials are updated to make them clearer and more concise.

The ongoing work involved in implementing the updated strategy is outlined in the table below.

Timescales and Stages

Review and update the structure and content of the Fund's non-administration areas of the website	2024/25 Q1 to Q2
Videos and webcasts - agree plan and create suite of priority videos and webcasts	2024/25 Q1 to Q4
Liaise with Flintshire County Council to improve telephony user experience	2024/25 Q1 to Q4
Review and update content in communications from a Plain English and readability perspective (e.g. lower reading age) – already commenced	2024/25 Q1 to Q2
Review approach to Annual Employer and Scheme Member Meeting	2024/25 Q1 to Q3
Continue to test and implement new online processes within Member Self Service (MSS) and providing MSS to Councillors	2024/25 Q3 or as functionality becomes available
Investigate moving to new website platform provider	2024/25 Q1 to Q4
Implement transformational member experience (TME) – the replacement to MSS	2025/26 to 2026/27 or as functionality becomes available
Create and deliver a visual roadmap (the journey to retirement)	2024/25 Q4
Develop a suite of communications for additional voluntary contributions/additional pension contributions	2024/25 Q1 to Q4

Resource and Budget Implications

This work is mainly being delivered from internal resource, particularly the Communications Team and the Website and Technical Development Officer. The internal costs are included in the existing budget. The Independent Adviser is providing a small element of ongoing external guidance which is included in their budget. There is a significant amount of work involved in reviewing and updating all communications including the developing the suite of videos, updating the content of the existing website but it is hoped this can be completed using internal resource. There may be additional costs relating to new or updated telephony systems and websites, but the costs are unknown at this point in time.

A8 – Benefit payment decisions and requirements

What is it?

On the death of a scheme member, we have a number of decisions to make around who benefits are paid to and how these are paid. We intend to establish further processes to assist in these decisions including who death grants are paid to, and the use of child trust funds. This will also include the approach we will take where a pensioner member does not have a bank account.

Timescales and Stages

Establish and document processes	2024/25 Q1

Resource and Budget Implications

This work is being led by the Pensions Administration Manager and is mainly being delivered from internal resource. Some consultancy support may be required from the Independent Adviser and those external costs are included within the budget.

A9 – Employer escalation procedure

What is it?

In addition to monitoring our own performance through various key performance indicators, we have services standards that our participating employers should strive to meet, to ensure that our scheme members receive information on their pension benefits in a timely manner. We have been developing internal processes to more accurately monitor whether employers are meeting these service standards. Using the results from this monitoring, we intend to develop and implement an employer escalation procedure within our Administration Strategy. This will include various steps we will take where an employer is not meeting the required standards.

Timescales and Stages

Incorporate new employer escalation procedure within the Administration Strategy (last approved May 2021) and implement new procedure	2024/25 Q1

Resource and Budget Implications

This work is being led by the Pensions Administration Manager with support from the Operations and Technical teams, and the Independent Adviser. An estimate of any external costs is included within the budget.

E1 - Employer Liaison Team Expansion to more employers

Understanding the continuing pressure on resources and budgets for employers, we offer a service to our employers where we carry out their Fund related duties on their behalf. These duties are carried out by our Employer Liaison Team (ELT). The service mainly consists of providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. We can also complete outstanding requests for information in order to cleanse the pension records. All ELT costs are recharged to employers using the ELT service through their employer contribution rate.

What is it?

We aim to expand the ELT service to more employers in the Fund, making employers more aware of the services that are available, particularly those employers that are not meeting their key performance indicators.

Timescales and Stages

Start discussions with other employers	2024/25 Q1

Cronfa Bensiynau
CLWYD
Pension Fund

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Clwyd Pension Fund, County Hall, Mold CH7 6NB

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 20 March 2024
Report Subject	Investment and Pooling Update
Report Author	Graduate Investment Officer

EXECUTIVE SUMMARY

An Investment and Pooling Update is on each quarterly Committee agenda.

There is a separate agenda item for Funding and Investment Performance.

This update includes the following matters which are for noting:

- Progress with the items on the Business Plan 2023/24.
- Wales Pensions Partnership (WPP)
- Responsible Investment Update
- Private Markets Update
- The Spring Budget 2024
- Delegated Responsibilities – actions taken by Officers since the last Committee meeting.
- Risk Register – there have been no changes to the risk register since the last Committee meeting.

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 and represent the interests of the Clwyd Pension Fund on the Officer Working Group (OWG) and various WPP sub-groups.

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

REPORT DETAILS

1.00	**INVESTMENT AND POOLING RELATED MATTERS**
1.01	**Business Plan Update** Appendix 1 provides a summary of progress concerning the Investment and Funding section of the Business Plans for 2023/24. Key tasks to note are as follows: • F1 (Investment Strategy Implementation) – Complete.

	- F2 (Climate Change, TCFD and TNFD) – On target. As TNFD is currently in its early stages of development, reporting will be deferred with anticipation for future implementation and progress within the Fund's 2024/25 Business Plan. - F3 (UK Stewardship Code) – Complete. - F4 (LGPS Investment Related Developments) – Complete. - F5 (Asset Pooling) – Complete. - F8 (Review of Investment Strategy Review) – Complete.
1.02	**Wales Pension Partnership (WPP)** *Joint Governance Committee (JGC)* A verbal update will be provided to Committee for the JGC meeting that was held on 13 March 2024. Further information, including the full public agenda for the most recent JGC meeting can be found here. The JGC considered or approved the following points at the 13 December 2023. The draft minutes of that meeting are attached as Appendix 2. - The Host Authority provided an update in relation to work that has been completed since the previous JGC meeting, including the Operator and Real Estate procurement. The procurement exercise for the Real Estate Allocator is expected to be brought to the July 2024 JGC for approval. - The OWG reviewed the Training Policy and Rebalancing & Alteration Policy, as part of its regular review process. - The JGC were provided an update on WPP's liquid assets' investment performance to September 2023**.** Clwyd Pension Fund's 1-year investment performance to 30 September 2023 is detailed in the table below.

Mandate	Inception	Current Net Asset Value	Perform-ance	Bench mark
Multi Asset Credit	Aug 20	c.£236m	10.0%	8.3%
Emerging Markets	Oct 21	c.£113m	2.9%	3.7%
Sustainable Active Equity*	Jun 23	c.£195m	-1.8%	0.6%

	*3-month investment performance has been shown due to the holding period being less than 1-year.
1.03	**Responsible Investment Update** Clwyd Pension Fund *FRC UK Stewardship Code 2020* Following the successful renewal application to maintain the Fund's status as a signatory to the FRC UK Stewardship Code, the Fund acknowledges areas for improvement identified during the assessment process. Moving forward, the Fund is committed to addressing these recommendations to further bolster its adherence to stewardship principles and ensure transparency in its operations.

1.04	WPP

<u>WPP</u>

Responsible Investment Working Group (RIWG)

The Fund's key priorities within its Responsible Investment (RI) policy include enhancing reporting on RI matters.

The Responsible Investment sub-group (RIWG) has met once since the Fund's last Committee meeting in November 2023. The next meeting is scheduled for 11 April 2024. The focus areas were:

- Climate and ESG risk reports for the credit-focused sub-funds (excluding Multi Asset Credit) were presented to the Constituent Authorities.
- The All-Wales Climate Report (AWCR) being published in March 2024.
- Initial discussions regarding the procurement of the WPP Voting and Engagement provider.

Responsible Investment (RI) reporting has now been developed by WPP. The RI report for Q4 2023 summarises WPP's sub-fund stock exposures, including voting and engagement, securities lending, climate, and ESG metrics and is included in Appendix 3. The report has been provided to each Constituent Authority and includes the three sub-funds in which Clwyd Pension Fund is invested.

The private quarterly WPP Engagement Report and Securities Lending Report will continue to be directly shared with committee members.

Securities Lending

Securities Lending involves the owner of shares or bonds transferring their ownership 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, generate income and incrementally increase fund returns for investors.

Northern Trust are responsible for managing any Securities Lending within the WPP sub-funds on behalf of the WPP.

Quarterly Securities Lending reports are presented at each WPP Joint Governance Committee (JGC). The results below were presented to the JGC in December 2023.

The total amount of WPP net revenue for Securities Lending during the quarter to September 2023 was £219,901. The Clwyd Pension Fund is only invested in two funds which generate revenue, of which our aggregated share can be found in the table below.

WPP Sub-fund	**WPP Net Revenue**	**CPF Net Revenue**
Emerging Markets Equity (33%)	£4,931	£1,627
Multi Asset Credit (35%)	£13,190	£4,617
Total	£18,121	£6,244

The WPP Sustainable Active Equity Fund does not utilise Securities Lending.

1.05	**Private Markets Update** All future commitments to Infrastructure, Private Debt, and Private Equity investments will be made through WPP by the appointed Allocators. The Fund's strategic allocation to these asset classes is 19%. Mercer will continue to assist Fund Officers in identifying Local and Impact investments, which has a strategic allocation of 6%, until WPP can accommodate the Fund's ambitions in this area.
1.06	<u>Clwyd Pension Fund</u> The Fund has made one new investment since the last Committee meeting in November. Fund Officers agreed to invest in Mercer's Private Investment Partners VII Global Impact Fund ("PIP VII"), whilst the WPP does not currently offer Impact-based investment opportunities.

Asset Class	Fund	Commitment
Impact / Local	Mercer PIP VII Global Impact Fund	£40m

PIP VII is categorised as an Article 8 fund under EU SFDR, and emphasises environmental and social strategies in its investment approach. The fund has a global focus but is tilted towards Western Europe and North America and will primarily invest in Real Assets and Private Equity.

Annual impact reports will be produced for the Global Impact Fund detailing Responsible Investment (RI) and Environmental, Social, and Governance (ESG) metrics. These reports will offer a comprehensive overview of the fund's performance in key areas, providing stakeholders with transparent insight into the real-world impact of investments.

The Fund is dedicated to actively seeking out promising investment prospects within Clwyd and throughout Wales, with a firm commitment to making at least one annual allocation towards local opportunities.

1.07 <u>WPP</u>

The following commitments have been agreed for the first Private Markets vintages with the WPP Allocators from April 2023.

Allocator	Asset Class	Committed	Quarter	Total
Russell Investments	Private Credit	£50m	c.-£1.4m*	c.£4.7m
GCM Grosvenor	Infrastructure	£64m	c.£7.1m	c.£14.5m
Schroders	Private Equity	£60m	c.£4.6m	c.£13.5m

**The reduction of c.£1.4m to Russell Investment's deployed capital figure (£6.1m previously reported) is attributed to an equalisation payment, prompted by higher commitment amounts from the other Welsh authorities.*

The WPP Allocators are tasked with appointing private market managers. All three Allocators are deploying capital on behalf of WPP within their respective asset classes.

1.08	**Other Matters** *Spring Budget 2024* The Government will introduce revised annual reporting guidelines for Local Government Pension Schemes, which will include a summary of their asset allocations, specifically highlighting UK listed equity investments. Additionally, funds will be subject to enhanced transparency regarding the progress of pooling activities through the implementation of a standardised data return. These requirements are set to come into effect in April 2024. It was also noted that the Government would look to work with the LGPS to explore the potential contribution they could make in facilitating investment in new children's homes.
1.09	**Delegated Responsibilities** The Pension Fund Committee has delegated certain responsibilities to Officers or individuals. Appendix 4 highlights where the use of delegated powers have been utilised. In summary: • 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). • Private Market commitments are made in-line with the Fund's Investment Strategy, the Wales Pension Partnership, and, for Local and Impact opportunities, recommendation from Mercer, the Fund's Investment Consultant. Further details can be found in section 1.06 of this report.

2.00	**RESOURCE IMPLICATIONS**
2.01	The Head and Deputy of the Clwyd Pension Fund dedicate significant time to deliver and monitor the WPP Business Plan, which is not individually acknowledged in the Clwyd Pension Fund budget.

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

4.00	**RISK MANAGEMENT**
4.01	Appendix 5 provides the Dashboard and Risk Register which highlights current risks relating to investments and funding matters.
4.02	There have been no changes to the risk levels since the last Committee meeting. The FRMG made the decision not to make any changes to the current Risk Register whilst the Investment Strategy Review remains ongoing and will reassess once the review has concluded. Three risks are currently behind target: • Risk no. 3: Investment targets are not achieved therefore materially reducing solvency / increasing contributions.

	• Risk no. 4: Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions. • Risk no. 9: The Fund's Long Term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor. Fund Officers, its Investment Consultants and Fund Actuary (Mercer), and Governance Advisors (Aon) continue to monitor these risks regularly.

5.00	**APPENDICES**
5.01	Appendix 1 – 2023/24 Business Plan Appendix 2 – WPP JGC Draft Minutes 13 December 2023 Appendix 3 – WPP Responsible Investment Report Q4 2023 Appendix 4 – Actions taken under Officer Delegations Appendix 5 – Risk Dashboard and Register – Investments and Funding

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	1.02 The full JGC agenda is available here: https://democracy.carmarthenshire.gov.wales/ieListMeetings.aspx?CommitteeId=234 **Contact Officer**: Ieuan Hughes, Graduate Investment Officer, Clwyd Pension Fund **E-mail**: Ieuan.Hughes@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	(a) **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. (b) **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. (c) **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. (d) **ISS – Investment Strategy Statement** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund. (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of (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) **SFDR – Sustainable Finance Disclosure Regulation** – is a set of rules aimed at promoting sustainability in the financial sector by requiring financial market participants to disclose how they integrate environmental, social, and governance (ESG) factors into their investment-decision processes and how they manage sustainability risks. (h) **TAAG – Tactical Asset Allocation Group** – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from Mercer, the Fund Consultant. (i) **The Committee - Clwyd Pension Fund Committee** – the Flintshire County Council committee responsible for most decisions relating to the management of the Clwyd Pension Fund (j) **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. (k) **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. A full glossary of Investments terms can be accessed via the following link. **https://www.schroders.com/en/uk/adviser/tools/glossary/**

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Business Plan 2023/24 to 2025/26 – Q4 Update

Funding and Investments

Key Tasks

Key:

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

Funding and Investments (including accounting and audit) Tasks

Ref	Key Action: Task	2023/24 Period				Later Years	
		Q1	Q2	Q3	Q4	2024/25	2025/26
F1	Investment Strategy Implementation	x	x	x			
F2	Climate Change, TCFD and TNFD	x	x	x	x	x	x
F3	UK Stewardship Code	x	x	x		x	x
F4	LGPS Investment Related Developments (later timescales unknown at this time)	x	x	x	x		
F5	Asset Pooling	x	x	x	x	x	x
F6	Interim Funding Review					x	
F7	Funding Strategy Statement Review and Triennial Actuarial Valuation						x
F8	Review of Investment Strategy Review				xN		x

Funding and Investments (including accounting and audit) Task Descriptions

F1: Investment Strategy Implementation

What is it?

This relates to the implementation of the recently agreed changes to the Investment Strategy of the Fund.

The investment strategy review took place concurrently with the review of the Funding Strategy Statement in 2022/23. The outstanding actions now are implementing the agreed changes to the investment strategy. The implementation of the revised investment strategy will occur over a period of time in order to manage transition risks.

Timescales and Stages

Implementation of any changes	2023/24 Q1 to Q2

Resource and Budget Implications

The work will be led by Deputy Head of Clwyd Pension Fund, working with the Fund's Investment Consultant. The Investment Consultant's estimated costs in relation to this exercise are included in the 2023/24 budget.

F2: Climate Change, TCFD and TNFD

What is it?

Climate change has been identified as a significant investment risk by the Committee. As such a Responsible Investment Implementation Plan has been developed. The RI plan for the year ahead includes:

- a review of the Fund's underlying carbon reduction targets
- investment into Wales Pension Partnership's ("WPP") Sustainable Equity Fund
- a review of the Tactical Asset Allocation portfolio and setting specific RI objectives for the portfolio
- implementation of climate aligned synthetic equities (where applicable)
- incorporation of the Hedge Fund mandate into carbon reporting a reduction targets
- RI & Climate data collection on private markets
- continued commitments to sustainable private market funds.

This will have regard to non-investment related factors e.g. life expectancy which will be considered as part of the required Funding Strategy Statement review in F6 and F7 below as well as updates to the Climate Change scenario analysis.

The Task Force on Climate-Related Financial Disclosures ("TCFD") have released climate-related financial disclosure recommendations to help organisations provide better information to support informed capital allocation. In 2022/23 the Fund drafted an initial report on a TCFD basis to ensure transparency of the work the Fund is undertaking with respect to climate change. This included reporting on the various commitments the Fund has made relating to meeting its net zero target, and any other climate related targets set by Committee.

The DLUHC consultation on climate risk was launched in Q3 2022, which the Fund responded to. The Fund had regard for the consultation when it developed its initial TCFD report noting that at this stage it was not compulsory and the report was likely to evolve over time to ensure that the reporting meets the necessary LGPS requirements.

The Taskforce on Nature-related Financial Disclosures ("TNFD") aims to replicate the success of the TCFD. It seeks to understand the interactions between business and natural capital, with the aim of agreeing a framework to monitor nature impacts, and to encourage businesses and investors to minimise negative impacts and maximise positive impacts on nature. TNFD will seek to create a toolkit for business leaders and the financial community to allocate capital away from nature-negative and towards nature-positive outcomes. Nature based solutions are one of the few investment opportunities that are net negative in terms of carbon emissions and natural capital opportunities will form a vital and increasingly important part of investment portfolios as investors seek to realise their net zero ambitions. The Fund will be considering how to integrate TNFD into its investment strategy.

Timescales and Stages

Responsible Investment Implementation Plan	2023/24 Q1 to Q4
Review TCFD reporting template (if required) in line with LGPS requirement	2023/24 Q2 to Q3
Produce the Fund's TCFD report	2023/24 Q3
Initial training on TNFD	2023/24 Q4 (or later)

Resource and Budget Implications

This work will be led by the Deputy Head of Clwyd Pension Fund, supported by the Investment Consultant. Estimated costs for the development of the reporting are contained within the 2023/24 budget.

F3: UK Stewardship Code

What is it?

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The UK Stewardship Code 2020 comprises a set of 12 'apply and explain' Principles for asset owners. As part of the Fund's desire to demonstrate its good governance and stewardship of its assets, the Fund submitted its first report in October 2022. The Fund was successful in its submission and is now a signatory to the UK Stewardship Code. The Fund has received feedback from the FRC on its submission and the Fund will develop its submission following this feedback.

The Fund will submit a report annually to the Financial Reporting Council ("FRC") in order to maintain its status as signatories to the Code.

As part of the work on the Stewardship Code the Fund will review its approach to stewardship and engagement to ensure that it continues to meet the requirements of the Committee. The review will also include an evaluation of WPP's policy and procedures to ensure that reporting lines and processes are fully understood.

Timescales and Stages

Review of approach to stewardship and engagement and WPP's policy and procedures	2023/24 Q1 to Q2
Consider and implement actions from 2022 Stewardship Code feedback from FRC and develop 2023 Stewardship Code submission	2023/24 Q2
Stewardship Code submission (pre October 2023 deadline)	2023/24 Q2

Resource and Budget Implications

This work will be led by the Deputy Head of Clwyd Pension Fund, supported by the Investment Consultant. Estimated costs for the development of the submission are contained within the 2023/24 budget.

F4: LGPS Investment Related Developments

What is it?

The Government ("DLUHC") will continue to produce guidance for the LGPS community. It is expected that, the Fund will be asked to consider a number of significant consultation exercises (though these may also be issued within a single "consolidated" consultation). The Fund intends to respond to the consultation(s) in respect of all areas covered.

Further detail will be provided in due course but it is anticipated the various consultation(s) will encompass the following areas:

- Levelling up – it is expected this will eventually result in the publication of a mandatory plan on investing in the UK by all LGPS Funds.
- Asset Pooling Guidance - DLUHC undertook an informal consultation on new asset pooling guidance during early 2019. DLUHC has since confirmed its intention to carry out a formal consultation which is expected in 2023.
- Competition and Markets Authority Order 2019 – covering the requirement to set strategic objectives for investment consultants.

Timescales and Stages

Respond to consultations	2023/24
Respond to changes in requirements	Unclear

Resource and Budget Implications

This work will be led by the Deputy Head of Clwyd Pension Fund, supported by the Investment Consultant. Estimated costs for the development of the reporting are contained within the 2023/24 budget albeit this may need revisited when the requirements are better understood.

F5: Asset Pooling

What is it?

To enable the Wales LGPS funds to pool assets an operator is required to provide the investment infrastructure and advice for the WPP. The current operator contract will end during 2025 and the WPP plan to have a new contract in place by December 2024 to allow for a period of transition. A full public procurement will commence organised by the WPP Host Authority. However, the scoring criteria for the tender and appointment of the operator are reserved matters for Constituent Authorities ("CA") - i.e. the participating Welsh LGPS administering authorities - and a WPP Procurement Sub-Group has been established with representatives from the eight CAs.

During 2023/24 new commitments made by Clwyd Pension Fund for private credit, infrastructure and private equity will be made through WPP allocators for the first time, although precise details are uncertain on how this will operate and updates will be provided to Committee. Research has also commenced on how to pool property assets. The Deputy Head of CPF is a member of the WPP Private Markets sub-group who lead on this work and updates will provided to Committee.

The Deputy Head of CPF is also a member of the WPP RI sub-group and works continues to be developed based on views on stewardship and managing climate risk from CAs.

The launch of Global Equity Sustainable Fund, in which the Fund will invest in, is planned for Q1 2023/24 and the transition of assets will need to be managed by the Fund's officers via a transition manager.

Further details are contained within the WPP Business Plan.

Timescales and Stages

Transition of assets to Global Sustainable Equity Fund	2023/24 Q1 to Q2
Committee approval of scoring criteria for the Operator tender	2023/24 Q1
Committee approval of Operator appointment	2023/24 Q4
Agree arrangements for Private Market commitments	2023/24 Q1 to Q4
Participate in further development on WPP Stewardship and managing climate risk and providing CPF policy input	2023/24 Q1 to 2025/26

Resource and Budget Implications

This work will be led by the Deputy Head of Clwyd Pension Fund, supported by the Head of Clwyd Pension Fund and the Investment Consultant. All expected costs are included within the 2023/24 budget.

F6: Interim Funding Review

What is it?

In advance of the 2025 actuarial valuation, the Actuary will assess the funding position as at 31 March 2024 in order to prepare the Fund and employers for the potential contribution outcomes from the 2025 valuation.

The 2024 interim review will be carried out in the same way as a full actuarial valuation process. It would allow the Fund to update the contribution requirements in the same way as a statutory valuation for some employers where appropriate and permissible under the LGPS Regulations and Funding Strategy Statement.

This analysis will assist the Fund to understand employer contribution affordability and budgets so that plans can be made considering the funding position at that point and the outlook for returns. It will also involve discussions with the Fund's employers.

Timescales and Stages

Carry out interim funding review	2024/25
Results and discussion with employers	2024/25

Resource and Budget Implications

This exercise will be performed by the Fund Actuary. It will involve input from both the Clwyd Pension Fund Administration and Finance teams.

F7: Funding Strategy Statement Review and Triennial Actuarial Valuation

What is it?

The next formal triennial actuarial valuation of the Fund is due to be undertaken as at 31 March 2025. This considers the solvency position and other financial metrics and is a legal requirement of the LGPS Regulations. It determines the contribution rates payable by the employers to fund the cost of benefits including the impact of any shortfall or surplus. These aspects are driven by the contents of the separate Funding Strategy Statement which is approved by the Committee and which is reviewed and consulted on as part of the process.

This is considered in conjunction with the employer risk management framework implemented by the Fund. Employers will be required to provide financial statements and evidence of affordability and security before contributions can be agreed. The exercise will include cash flow projections to input into the Cash and Risk Management policy framework.

Timescales and Stages

Effective date	31 March 2025
Initial whole Fund results (expected)	2025/26 Q2
Individual Employer results (expected)	2025/26 Q2 to Q3
Deadline for agreement of all contributions and sign-off valuation report	31 March 2026

Resource and Budget Implications

The exercise is led by the Deputy Head of Clwyd Pension Fund and will be performed by the Fund Actuary. It will determine contribution requirements for all participating employers from 1 April 2026. It is a major exercise for the Fund and will involve considerable resource from the Administration and Finance teams over 2025/26. Employers will be formally consulted on the funding strategy as part of the process.

F8: Review of Investment Strategy

What is it?

This relates to the triennial review of the Investment Strategy having regard to the findings of the actuarial valuation and the review of the Funding Strategy.

This is expected to take place concurrently with the review of the Funding Strategy Statement in 2025/26.

Timescales and Stages

Review of Investment Strategy	2025/26 Q2 to Q3
Approve Investment Strategy (with consultation if required)	2025/26 Q4
Implementation of any changes	2026/27

Resource and Budget Implications

The work will be led by Deputy Head of Clwyd Pension Fund, working with the Fund's Investment Consultant.

WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Wednesday, 13 December 2023

PRESENT: Councillor Cllr. C. Weaver (Chair)T. Palmer (Chair)
Councillors: S. Churchman, P. Downing substitute for M. Lewis), P. Lewis, M. Norris, C. Weaver, 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)
J. Thomas – S151 Officer (PCC)
D. Morgan – Head of Finance (GCC)
P. Latham – Head of Clwyd Pension Fund (Clwyd CC)
P. Griffiths - Director Finance and Improvement (RCT)
A. Bull – Head of Pensions (TCC)
A. Parnell – Treasury & Pensions Investment Manager (CCC)
T. Williams – Senior Financial Services Officer (CCC)
M. Runeckles – Member Support Officer (CCC)
D. Hall-Jones – Member Support Officer (CCC)
J. Owens – Democratic Services Officer (CCC) [Note Taker]
C. Walters – Simultaneous Translator

Also in attendance to present reports:
S. Jones - Hymans Robertson
I. Campbell - Hymans Robertson
R. Barrack - Hymans Robertson
K. Midl – Waystone Management (UK) Ltd
R. Thornton – Waystone Management (UK) Ltd
R. Wheeler - Waystone Management (UK) Ltd
P. Ritchie - Waystone Management (UK) Ltd
H. Robinson - Waystone Management (UK) Ltd
A. Quinn – Russell Investments
J. Leggate - Russell Investments
T. Paik - Russell Investments
D. Joyce – Northern Trust (Item 10 only)
A. Knell – Robeco (Item 11 only)
K. Robertson – Robeco (Item 11 only)

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

Virtual Meeting - 10.05 am - 12.36 pm

(NOTE: The commencement of the meeting was delayed by 5 minutes due to technical issues).

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Cllr. M. Lewis.

2. DECLARATIONS OF INTEREST

Member	Agenda Item No.	Interest
Cllr. P. Lewis	All agenda items	Member of the Powys Pension Fund
Cllr. P. Downing	All agenda items	Brother is a member of the Pension Fund along with his wife.
Cllr. N. Yeowell	All agenda items	Member of the Greater Gwent Pension Fund
Cllr. M. Norris	All agenda items	Member of the RCT Pension Fund
Cllr. C. Weaver	All agenda items	Member of the Cardiff & Vale Pension Fund
Cllr. S. Churchman	All agenda items	Member of the Greater Gwynedd Pension Fund
Cllr. E. Williams	All agenda items	Member of the Dyfed Pension Fund
Cllr. T. Palmer	All agenda items	He, his partner and daughter are members of the Clwyd 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 20TH SEPTEMBER 2023

RESOLVED that the minutes of the Joint Governance Committee meeting held on 20th September, 2023, be signed as a correct record.

4. HOST AUTHORITY UPDATE

(NOTE: Councillors S. Churchman, P. Downing, P. Lewis, M. Norris, T. Palmer, C. Weaver, E. Williams and N. Yeowell 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. RISK REGISTER Q4 2023 REVIEW

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

The Joint Committee considered the Risk Register Q4 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; and
- Monitor the ongoing significance of these risks and the requirement for further risk mitigation strategies.

It was noted that during the previous quarter, the Officer Working Group had undertaken a review of the Investment Risks and the report detailed the review outcome for each of the identified risks.

The Joint Committee was advised that the next review would be undertaken in Q1 2024 and would focus on risks G.1 to G.7 of the Governance & Regulation Risks section.

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

6. ANNUAL POLICY REVIEWS

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

The Joint Committee received for consideration updated policies in respect of Training and Rebalancing & Alteration.

It was noted that the Training Policy had been approved by the JGC at its meeting in December 2020 and outlined the WPP's approach to training and development. The review resulted in the policy being updated to reflect the method that training needs are identified.

The Rebalancing and Alteration policy had been approved by the JGC at its meeting in December 2021 and set out WPP's approach to rebalancing the assets held within the pools' sub-funds. The policy outlined the framework established to ensure that manager allocations within sub-funds are monitored and rebalanced where appropriate. The review resulted in the policy being updated to take account of the Private Market mandates, as set out in sections 12 and 13 of the policy.

It was noted that the WPP website would be updated to reflect the revisions approved by the JGC.

UNANIMOUSLY RESOLVED that the Training Policy and the Rebalancing and Alteration Policy be approved.

7. OPERATOR UPDATE - Q3 2023 REVIEW

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

The Joint Committee received a presentation provided by Waystone Management (UK) Limited on the progress of the Wales Pension Partnership for Quarter 3 (July – September) 2023 in relation to the following key areas:

- Market update relating to the acquisition of Link Fund Solutions;
- AUM summary as at 30 September 2023;
- Fund changes in relation to the Global Credit fund, Global Growth fund, UK Opportunities fund and Absolute Return Bond fund.
- Market updates in relation to Russia / Ukraine and the Middle East
- Corporate update and engagement

UNANIMOUSLY RESOLVED that the Operator Update be received.

8. PERFORMANCE REPORTS AS AT 30 SEPTEMBER 2023

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

The Joint Committee received a presentation on the Performance Reports as at 30th September 2023. Members were advised that the sub funds that had outperformed/underperformed their respective benchmarks, were as follows:

- Global Opportunities Equity Fund – outperformed by 1.28% gross / 0.96% net;
- Global Growth Equity Fund – underperformed by 0.98% gross / 1.39% net;
- Sustainable Active Equity Fund – underperformed by 2.72% gross / 2.80% net;
- Emerging Markets Equity Fund – underperformed by 1.45% gross / 1.87% net;
- UK Opportunities Equity Fund – underperformed by 0.40% gross / 0.80% net;
- Global Government Bond Fund– outperformed by 1.10% gross / 0.87% net;
- Global Credit Fund– underperformed by 0.13% gross / 0.31% net.

Furthermore, it was reported that the Multi Asset Credit Fund and the Absolute Return Bond Fund did not meet their targets whereas the Sterling Credit Fund exceeded its target.

UNANIMOUSLY RESOLVED that the Performance Reports of the following sub-funds as at 30th September 2023 be received:

8.1. Global Opportunities Equity Fund;
8.2. Global Growth Equity Fund;
8.3. Emerging Markets Equity Fund;
8.4. UK Opportunities Equity Fund;
8.5. Global Government Bond Fund;
8.6. Global Credit Fund;
8.7. Multi Asset Credit Fund;
8.8. Absolute Return Bond Strategy Fund;
8.9. UK Credit Fund.

9. EXCLUSION OF THE PUBLIC

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

10. GLOBAL SECURITIES LENDING REVIEW AS AT 30 SEPTEMBER 2023

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

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 9 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.

The Joint Committee received a report on Global Securities Lending Relationship and Performance Review for the quarter ending 30 September 2023.

UNANIMOUSLY RESOLVED that the Global Securities Lending Relationship and Performance Review as at 30th September 2023 be noted.

11. ROBECO ENGAGEMENT SERVICE - Q3 2023 ENGAGEMENT REPORT

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

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 9 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.

The Joint Committee received the Robeco Engagement Report for Q3 of 2023.

UNANIMOUSLY RESOLVED that the Engagement Report for Q3 of 2023 be noted.

12. RESPONSIBLE INVESTMENT & CLIMATE RISK REPORTS

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

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 9 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.

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

- Emerging Markets Sub-Fund
- UK Opportunities Sub-Fund

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

13. ALL-WALES CLIMATE REPORT

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

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 9 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.

The Joint Committee considered the outcome of the All-Wales Climate report which provided an assessment of climate risk across the entirety of the eight Funds.

UNANIMOUSLY RESOLVED that the All-Wales Climate Report be noted.

CHAIR	**DATE**

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Responsible Investment Update: Q4 2023

Introduction

This update has been prepared by Hymans Robertson LLP for the WPP. This quarterly WPP Responsible Investment (RI) Update sets out recent RI activity and information on the following Sub-Funds: Global Growth; Global Opportunities; UK Opportunities; Emerging Markets; Sustainable Active Equity; Global Credit; Multi-Asset Credit; Absolute-Return Bond; UK Credit.

Summary of quarterly RI activity

JGC RI activity

- **UK Stewardship Code**: WPP submitted its third annual Stewardship Code report at the end of October, where we can confirm WPP has retained its signatory status for a third successive year.
- **All-Wales Climate Report**: was presented to the JGC in December, with a public version for publication to be published by March.
- **Stewardship Themes**: WPP attended Robeco's annual client panel in November. The themes that WPP put forward – Ocean Biodiversity; Responsible Application of Generative Artificial Intelligence – both appeared in the short list. We're happy to advise that the ocean theme has been chosen to launch in 2024. Equally, WPP asked that another shortlisted theme – Hazardous Chemicals – be mentioned as a runner-up, given this is an area of concern WPP had previously flagged within its climate and ESG risk reports, having identified a handful of issuers in the US and emerging markets that present ESG risk here. This theme will also be launched in 2024.
- **Escalation Policy**: WPP has drafted a set of escalation principles, for instances of continued failed engagement, to feed into the review of the WPP Stewardship Policy in 2024.
- **Climate & ESG risk reports**: presented for the UK Opportunities and Emerging Markets Sub-Funds.

LAPFF alerts

The fourth quarter of 2023 saw one LAPFF alert issued:

- BHP

Securities lending

The Broadridge Proxy Recall service provided by Northern Trust is now live across the Global Growth, Global Opportunities, UK Opportunities and Emerging Market Equity Sub-Funds.

Simon Jones, Partner
Rachel Barrack, Senior RI Analyst

For and on behalf of Hymans Robertson LLP

March 2024

Stewardship Summary

Quarter ending 31 December 2023

WPP employs Robeco as its Voting and Engagement Provider, with Robeco voting on resolutions across four of the WPP's Active Equity Sub-Funds (the voting mandate for the Sustainable Active Equity Sub-Fund was launched at the end of the quarter, so will commence from Q1 24, with reporting to start in 2024), while also providing the engagement function with issuers across all active Sub-Funds, as well as the passive mandates.

One voting theme highlighted by Robeco this quarter is around corporate-governance practices in state-owned enterprises (SOEs). The number of such entities within the top-500 global companies has significantly increased over recent decades, but governance issues remain – around the rights of minority shareholders, the ability to hold SOEs to account and how to address recent scandals. Voting is a means by which shareholders can push for improved governance standards in these companies, for example by asking SOEs to adopt and implement the OECD Principles of Corporate Governance around shareholder protections.

A summary of activity is provided below, with voting broken down between Sub-Funds in subsequent pages. It should be noted that some stocks are common across multiple Sub-Funds and hence votes will be reported against each.

Overall voting summary

Breakdown of voting activity			
Number of meetings		134	
Votes cast		1,096	
Meetings with at least one vote against management		52 (39%)	
For Withhold Against Abstain Other	948 13 118 0 17	With management Against Management	950 146

Overall engagement summary

Number of engagement cases by topic		Number of engagement activities by contact type	
Environment	51	Meeting	15
Social	35	Conference call	116
Corporate Governance	24	Written correspondence	92
Voting Related	1	Shareholder resolution	1
UN SDGs	63	Analysis	88
Global Controversy	23	Other	1
Total	**197**	Total	**313**

Emerging Markets Sub-Fund:

Key Metrics as at 31 December 2023

Key characteristics

Fund value	£366.1m
Underlying managers	Artisan, Axiom, Barrow Hanley, Bin Yuan, Numeric, Oaktree

Source: Waystone/Russell

Top-10 holdings (by AUM)	
1. TSMC	6. Bank Rakyat Indonesia
2. Samsung Electronics	7. Alibaba
3. SK Hynix	8. TSMC ADR
4. MediaTek	9. PTT Exploration
5. Tencent	10. Larsen and Toubro

Source: Waystone/Russell

Climate metrics

Figures as at 31 December 2023	Fund	Coverage	Benchmark	Coverage
WACI (tCO_2e/$m sales)	210.2	>93%	326.6	>99%
WACI EVIC (tCO_2e/$EVIC)	123.0	>93%	155.6	>99%
Carbon emissions (tCO_2e/£m invested)	269.9	>93%	359.3	>99%
Holdings with exposure to FF reserves	5.8%	Not applicable	7.4%	Not applicable
Approved Science-Based Targets (%)	12.1%	Not applicable	15.2%	Not applicable

Source: MSCI; Hymans Robertson

Benchmark: MSCI EM

ESG metrics

Figures as at 31 December 2023	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.1	>92%	4.9	>99%
E pillar	5.7	>92%	5.7	>99%
S pillar	5.3	>92%	5.1	>99%
G pillar	4.8	>92%	4.6	>99%
UNGC violators	1.7%	>94%	1.2%	>99%

Source: MSCI; Hymans Robertson

Benchmark: MSCI EM

Emerging Markets Sub-Fund:

Stewardship Summary

Voting Summary (Q4 2023)

Number of meetings		**80**	
Votes cast		415	
Meetings with at least one vote against management		23 (29%)	
For	342	With management	333
Withhold	7	Against Management	82
Against	65		
Abstain	0		
Other	1		

Key votes

Microsoft (US, 7 December 2023)

Robeco voted against the management proposal on executive compensation (so-called ‘Say on Pay’), in line with previous years, given concerns around elevated CEO pay.

The management proposal passed with over 93% support (up from last year’s >88%)

In line with this, Robeco voted against the re-election of the chair of the remuneration committee.

The management proposal passed with over 97% support (down from last year’s >99%)

There were nine shareholder proposals (SHP) at the meeting, with Robeco voting in favour of four of these.

The first SHP was a request for a tax-transparency report. Robeco supported this proposal, particularly given Microsoft’s ongoing dispute with the Inland Revenue Service over tax.

There was 21% support for the SHP

Transparency reports were also requested in two further SHPs:

The first requested a report on data operations in areas of significant human-rights concerns, including Saudi Arabia. The company has committed to the ‘Trusted Cloud Principles’, which require signatories to allow governments to request data through transparent processes that are in keeping with human-rights standards and the rule of law. However, shareholders are concerned that domestic laws in Saudi Arabia are not aligned with this, which may empower Saudi government agencies to gain access to data enabling unchecked state surveillance. Indeed, no human-rights impact assessment had been undertaken prior to the decision to locate the datacentre here. Shareholders therefore requested a report that considers the company’s human-rights due diligence, including any mitigating actions and the tracking of outcomes.

There was 34% support for the SHP

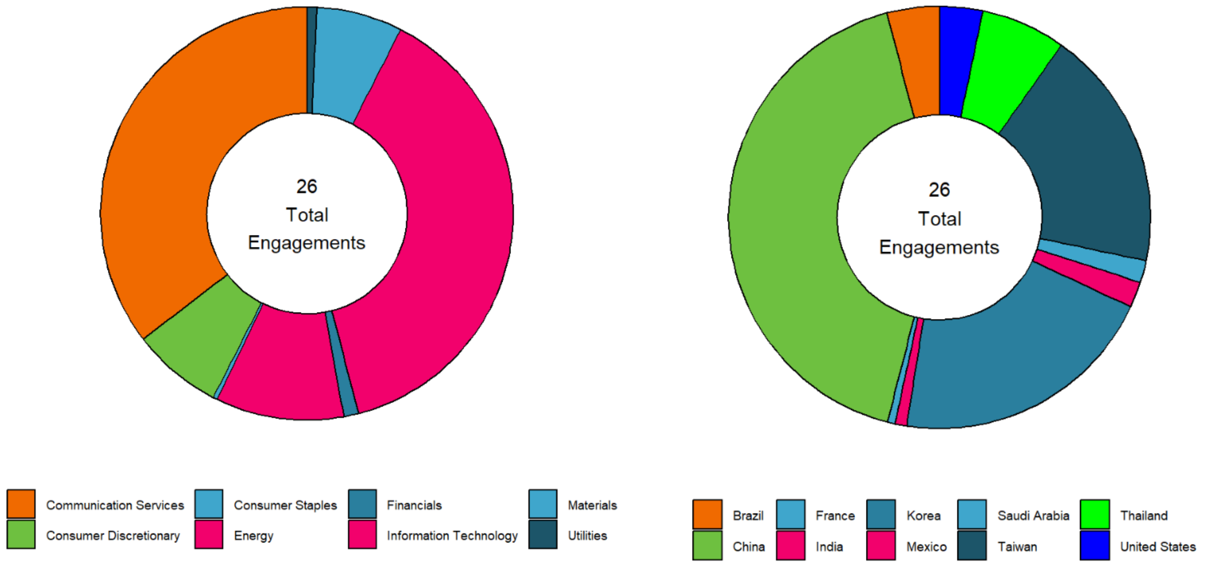
The second requested a report on the risk of facilitating artificial-intelligence-generated misinformation and disinformation.

There was 21% support for the SHP

Engagement Summary (Q4 2023)

Robeco engaged with 24 companies, with assets totalling £98.1 million, 26.8% of the Sub-Fund. Companies within the Sub-Fund may be engaged more than once. For example, PTT Exploration & Production was engaged under both the Net Zero Carbon Emissions and Human Rights Due Diligence.

Companies under engagement (by AUM)



Source: Robeco, Hymans Robertson

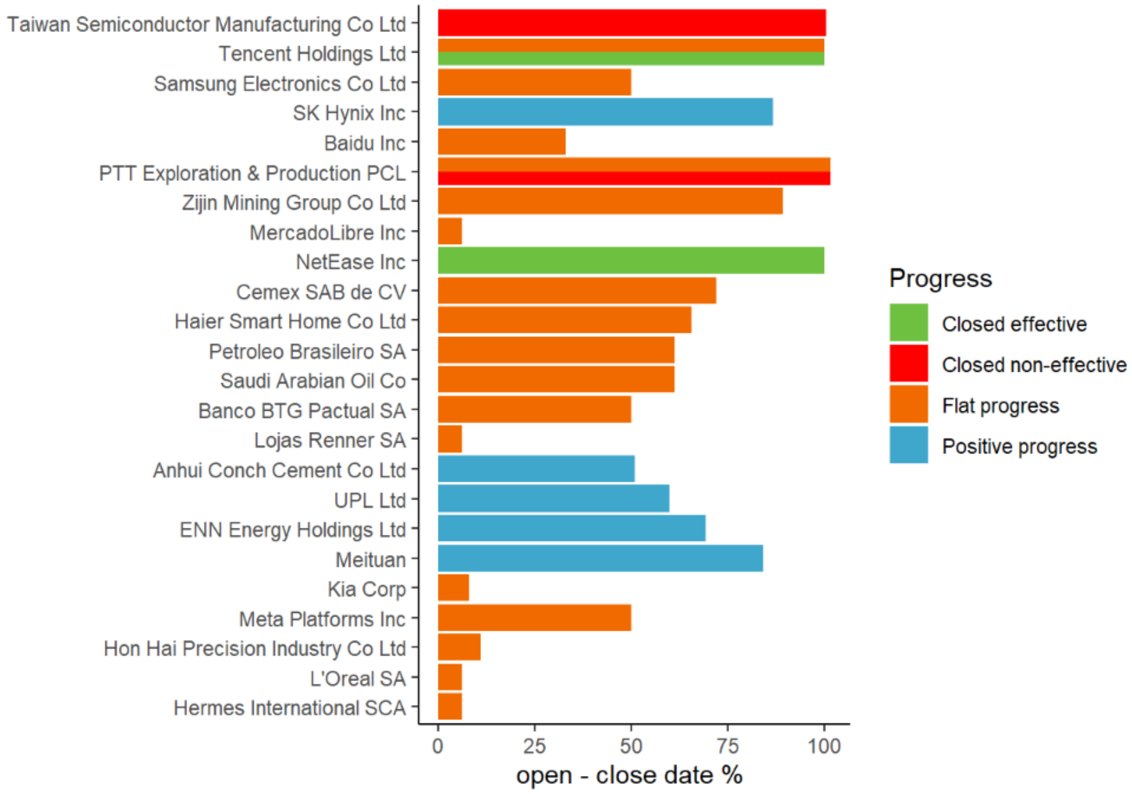
Of the issuers held in the Sub-Fund that are currently under engagement, the vast majority of AUM comes from companies domiciled in China and South Korea. A list of companies by engagement theme is set out below.

Theme	Companies
Acceleration to Paris	Anhui Conch Cement
Corporate Governance in Emerging Markets	ENN Energy, Haier Smart Home
Corporate Governance Standards in Asia	Hynix Semiconductors
Diversity and Inclusion	TSMC
Fashion Transition	Hermes, Lojas Renner, L'Oreal SA, MercadoLibre
Global Controversy Management	UPL Ltd, Zijin Mining Group
Human Rights Due Diligence	Cemex, Hon Hai, PTT Exploration & Production
Labour Practices in a Post Covid-19 World	Meituan
Modern Slavery in Supply Chains	Kia
Net Zero Carbon Emissions	Petroleo Brasileiro, PTT Exploration & Production, Saudi Arabian Oil
SDG Engagement	Banco BTG, Meta, Samsung
Social Impact of Gaming	NetEase, Tencent Holdings
Sound Social Management	Baidu, Tencent Holdings

Source: Robeco, Hymans Robertson

Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. The following chart illustrates progress on various engagements as at 31 December 2023, noting that positive progress had been made with five companies over the course of the quarter, with two engagements also closing successfully.



Source: Robeco, Hymans Robertson

Sustainable Active Equity Sub-Fund:

Key Metrics as at 31 December 2023

Key characteristics

Fund value	£1.3bn
Underlying managers	Artemis, Mirova, Neuberger Berman, Sparinvest, Wellington

Source: Waystone/Russell

Top-10 holdings (by AUM)	
1. Microsoft 2. Visa 3. ASML Holdings 4. Recruit Holdings 5. Mastercard	6. TSMC 7. Thermo Fisher 8. Danaher 9. Adobe 10. ING Groep

Source: Waystone/Russell

Climate metrics

Figures as at 31 December 2023	Fund	Coverage	Benchmark	Coverage
WACI (tCO_2e/$m sales)	67.8	>96%	128.7	>99%
WACI EVIC (tCO_2e/$EVIC)	43.1	>96%	54.1	>99%
Carbon emissions (tCO_2e/£m invested)	86.4	>96%	109.9	>99%
Holdings with exposure to FF reserves	1.4%	Not applicable	6.8%	Not applicable
Approved Science-Based Targets (%)	51.9%	Not applicable	40.1%	Not applicable

Source: MSCI; Hymans Robertson

Benchmark: MSCI ACWI

ESG metrics

Figures as at 31 December 2023	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.9	>96%	5.5	>99%
E pillar	7.1	>96%	6.6	>99%
S pillar	5.5	>96%	5.1	>99%
G pillar	6.1	>96%	5.6	>99%
UNGC violators	0.0%	>96%	0.5%	>99%

Source: MSCI; Hymans Robertson

Benchmark: MSCI ACWI

Stewardship Summary

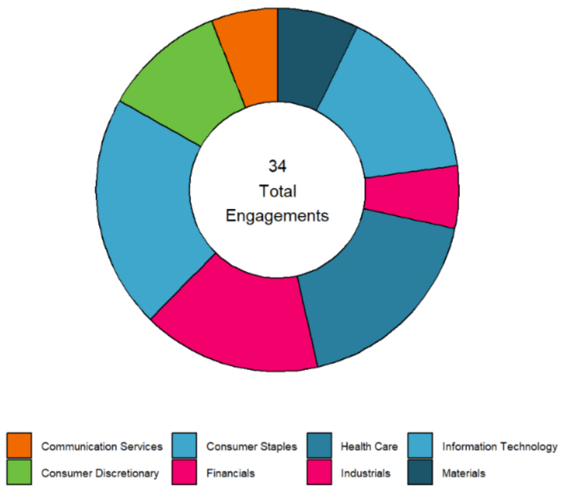
Voting Summary (Q4 2023)

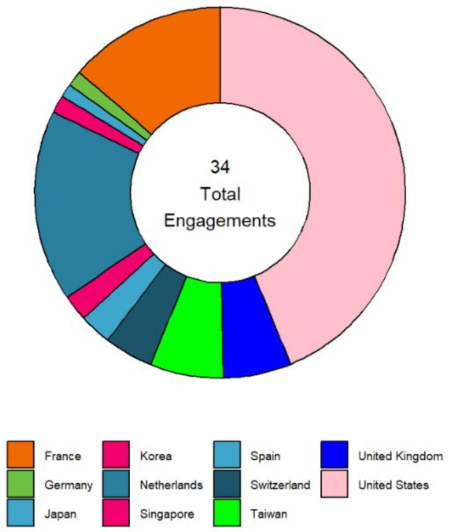
To note, voting for this Sub-Fund will commence in the first quarter of 2024.

Engagement Summary (Q4 2023)

Robeco engaged with 32 companies, with assets totalling £335.5 million, 25% of the Sub-Fund.

Companies under engagement (by AUM)





Source: Robeco, Hymans Robertson

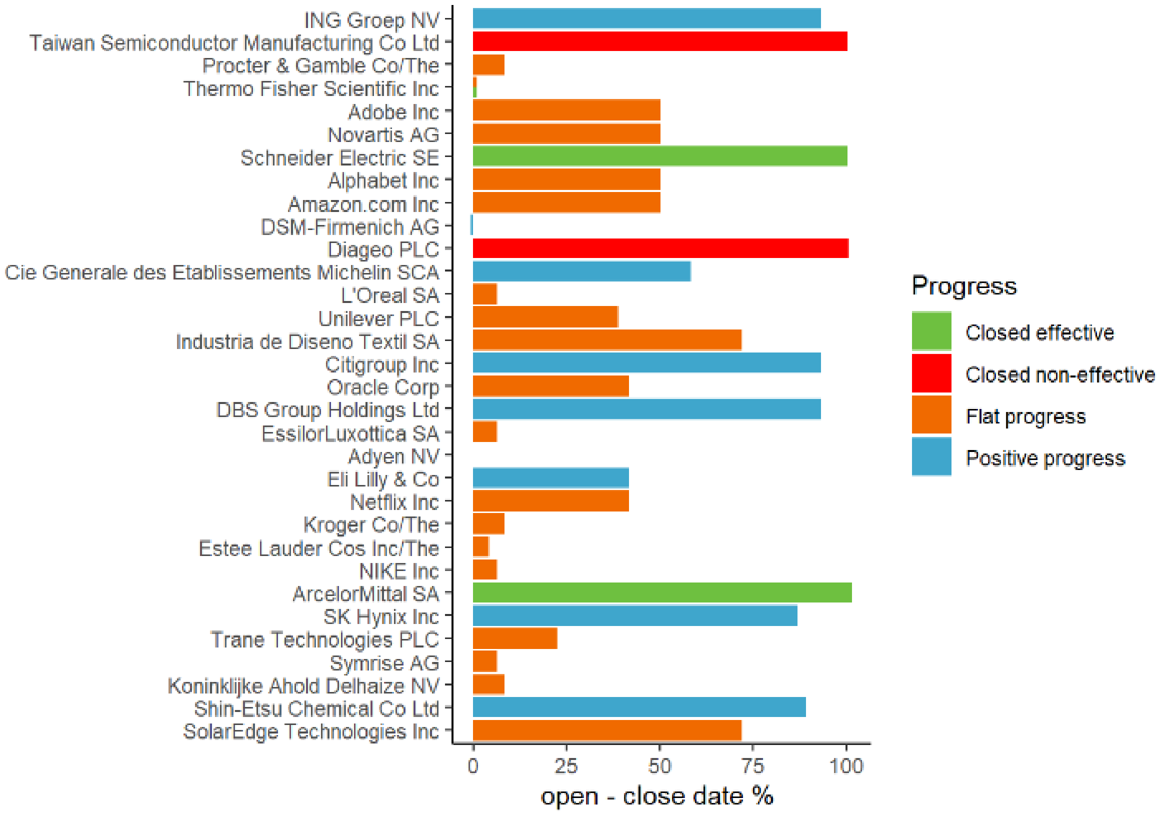
Of the issuers held in the Sub-Fund that are currently under engagement, the vast majority of AUM comes from companies domiciled in the US. A list of companies by engagement theme is set out below.

Theme	Companies
Biodiversity	Cie Generale, Procter and Gamble, Unilever
Climate Transition of Financial Institutions	DBS Group, Citigroup, ING Groep
Corporate Governance Standards in Asia	Hynix Semiconductors
Diversity and Inclusion	Eli Lilly, Oracle, Netflix, TSMC, Thermo Fisher
Fashion Transition	EssilorLuxottica, Estee Lauder, L'Oreal SA, Nike, Symrise
Good Governance	Ayden, DSM-Firmenich, Koninklijke Ahold Delhaize
Human Rights Due Diligence	Industria de Diseno Textil, SolarEdge Technologies
Modern Slavery in Supply Chains	Kroger
Natural Resource Management	Diageo
Nature Action 100	Koninklijke Ahold Delhaize
Net Zero Carbon Emissions	ArcelorMittal
Responsible Executive Renumeration	Schneider Electric
SDG Engagement	Adobe, Alphabet, Amazon, Novartis, Trane Technologies
Tax Transparency	Thermo Fisher

Source: Robeco, Hymans Robertson

Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. The following chart illustrates progress on various engagements as at 31 December 2023, noting that positive progress had been made with eight companies over the course of the quarter, with two engagements also closing successfully.



Source: Robeco, Hymans Robertson

Case Study

Responsible Executive Remuneration

Since 2020, Robeco has been engaging with a number of US and European companies on responsible executive remuneration. Part of the objective of the engagement was to review remuneration policies and disclosures, as well as any key performance indicators and incentive structures. While the engagement theme has now come to a close, Robeco will continue to engage issuers on this subject, including by asking companies to incorporate environmental, social and governance (ESG) targets into variable pay.

Under this theme, Robeco engaged with Nike on the sport retailer's decision to implement a 'more flexible' short-term incentive structure, a fall-out of the Covid-19 pandemic. Rather than these incentive structures being based on year-long targets, as had previously been the case, they were instead based on two equally weighted six-month performance periods. Robeco flagged this as opaque, particularly certain adjusted-performance goals. Following the engagement, Nike has since reverted to the year-long targets and Robeco were happy to close the engagement as successful.

Multi-Asset Credit Sub-Fund:

Key Metrics as at 31 December 2023

Key characteristics

Fund value	£716.4m
Underlying managers	Barings, BlueBay, ICG, ManGLG, Voya

Source: Waystone/Russell

Climate metrics

Figures as at 31 December 2023	Fund	Coverage
WACI (tCO_2e/$m sales)	320.2	>22%
WACI EVIC (tCO_2e/$EVIC)	207.0	>19%
Carbon emissions (tCO_2e/£m invested)	517.1	>22%
Holdings with exposure to FF reserves	2.6%	Not applicable
Approved Science-Based Targets (%)	4.7%	Not applicable

Source: MSCI; Hymans Robertson

ESG metrics

Figures as at 31 December 2023	Fund	Coverage
Overall ESG score	5.0	>21%
E pillar	5.9	>21%
S pillar	4.8	>21%
G pillar	5.2	>21%
UNGC violators	3.7%	>23%

Source: MSCI; Hymans Robertson

Please note a low level of coverage for the MAC Sub-Fund, given the nature of the holdings. This may result both in marked fluctuations in metrics from quarter to quarter with the reported metrics while the reported metrics may not be representative of the portfolio as a whole.

The nature of the MAC Sub-Fund means that adopting a single benchmark comparator may not be appropriate. At this time, we have therefore not shown a benchmark.

Multi-Asset Credit Sub-Fund:

Stewardship Summary

Engagement Summary (Q4 2023)

Robeco engaged with one company, with assets totalling £716.7k, 0.1% of the Sub-Fund.

Companies under engagement

Volkswagen (German, consumer discretionary) was engaged under the Human Rights Due Diligence theme. Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. Progress on engagement, as at 31 December 2023, has been flat.

Appendix 1: WPP stewardship themes (2023/24)

Focusing on net zero

Organisations, particularly those in materially affected sectors, should be developing and implementing transition plans to ensure that the long-term migration to a low-carbon economy is orderly. Companies should ensure than plans are published, and climate management disclosures are comprehensive and available for investor scrutiny.

Supporting people

An organisation’s workforce is one of its most valuable assets, and it is incumbent on the organisation to ensure that its people are properly managed and rewarded. This includes the consideration of people within supply chains, which can often be areas of lower scrutiny.

Delivering sustainable outcomes (governance)

Organisations should be managed with a longer-term horizon so as to ensure that practices become more sustainable. This can ensure that executive remuneration is better linked to longer-term goals, including incorporating ESG criteria.

Appendix 2: issuers under engagement (Q4 2023)

ENVIRONMENT

Biodiversity
Arcadis
Archer-Daniels-Midland Co
Axfood
Bunge
Cie Generale des Etablissements Michelin
Cranswick
Kimberley-Clark
Leroy Seafood
Procter & Gamble
Ryohin Keikaku
Sappi
Signify
Unilever
VF Corp

Climate Transition of Financial Institutions
Bank of America
Barclays
BNP Paribas
Citigroup
DBS Group Holdings
HSBC Holdings
ICICI Bank
ING Groep
JPMorgan Chase
Sumitomo Mitsui Financial Group

Lifecycle Management of Mining
Barrick Gold

Natural Resource Management
Barrick Gold
Ambev
Callon Petroleum
CF Industries Holdings
Diageo
OCI
PepsiCo
Sappi
Tronox Holdings

Nature Action 100
Ahold
Archer Daniels Midland
Sociedad Quimica y Minera

Net Zero Carbon Emissions
Anglo American
ArcelorMittal
Berkshire Hathaway
BHP Billiton
BlueScope Steel
BP
CEZ
Chevron
China National Building Material Co
CRH
Ecopetrol
Enel
Exxon Mobil
HeidelbergCement
Hyundai Motor Co
JFE Holdings
LyondellBasell Industries
Marathon Petroleum
Petroleo Brasileiro
Phillips 66
PTT Exploration & Production
Repsol
Rio Tinto
Royal Dutch Shell
Saudi Arabian Oil Co
Shell
Valero Energy
Vistra Energy
WEC Energy Group

Sound Environmental Management
Alexandria Real Estate Equities

SOCIAL

Diversity and Inclusion
Eli Lilly
Netflix
Oracle
TSMC
Thermo Fisher Scientific

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas
Booking Holdings
Cemex
Fast Retailing Co
HeidelbergCement
Hon Hai Precision Industry
Inditex
International Paper Co
IPG Photonics
PTT Exploration & Production
Sinotruk Hong Kong
SolarEdge Technologies
Volkswagen
Wacker Chemie

Just Transition in Emerging Markets
Ganfeng Lithium Group
Impala Platinum Holdings
Reliance Industries
SK Innovation
Tenaga Nasional

Labour Practices in a Post Covid-19 World
Accor
Delivery Hero
InterContinental Hotels Group
Marriott International
Meituan Dianping
Uber Technologies
Walmart

Modern Slavery in Supply Chains
Glencore
Kia Motors
The Kroger
Walmart

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

Sound Social Management
Baidu
Post Holdings
Tencent Holdings
Tesco
Weibo Corp

GOVERNANCE

Corporate Governance in Emerging Markets
CCR
Cosan
CPFL Energia
ENN Energy Holdings
Haier Smart Home
Hyundai Motor
Samsung Electronics
Woongjin Coway

Corporate Governance Standards in Asia
Hynix Semiconductor
Inpex
Panasonic
Resonac Holdings
Rohm
Shin-Etsu Chemical

Good Governance
Adyen
Ahold
Arcadis
DSM-Firmenich
Heineken Holding
Signify
Unilever

Responsible Executive Remuneration
Aspen Technology
Booking Holdings
Henkel
Nike
Schneider Electric
Tesco
Walt Disney
Wolters Kluwer

VOTING RELATED ENGAGEMENTS

AGM Engagement 2023

Aegon
Agilent Technologies
Airbus
BAWAG Group
BFF Bank
Boeing
CBRE
The Boeing Co
CB Richard Ellis Group
Cheniere Energy
Deutsche Bank
Hana Financial Group
Irish Residential Properties
Johnson & Johnson
Masco
Monex Group
Morgan Stanley
NextEra Energy
Ovintiv
Plug Power
Prosus
Prysmian
Semen Indonesia Persero
Sendas Distribuidora
Sociedad Quimica y Minera de Chile
Wells Fargo & Co
Xylem

SDGs

Fashion Transition

Beiersdorf
Brunello Cucinelli
Bureau Veritas
Cintas
Compagnie Financiere Richemont
Crocs
Deckers Outdoor
Eclat Textile
EssilorLuxottica
Estee Lauder
Etsy
Hermes International
Hugo Boss
JD Sports Fashion
Kering
L'Oreal
Levi Strauss
L'Occitane International
Lojas Renner
Lululemon Athletica
LVMH Moet Hennessy Louis Vuitton
Marimekko Oyj
MercadoLibre
Moncler
Nike
Pandora A/S
Prada
Puma
Ross Stores
Shiseido
Shopify
Silgan Holdings
Symrise
Watches of Switzerland
Zebra Technologies

SDG Engagement

AbbVie
Adobe
Alphabet
Amazon.com
Amgen
Apple
AutoZone
Banco BTG Pactual
Bank of Montreal
Capital One
CBRE Group
CCR
Deutsche Boerse
eBay
Elanco Animal Health
Electronic Arts
Elevance Health
F5 Networks
Grupo Bimbo
Hitachi
Jeronimo Martins
L'Oreal
LyondellBasell
Meta Platforms
Mr Price Group
Nasdaq
Neste Oil
Novartis
OTP Bank
Rio Tinto
Salesforce
Salmar
Samsung Electronics
Sandvik
Sony Group
STMicroelectronics
TotalEnergies
Trane Technologies
Union Pacific
United Parcel Service
Volvo

Acceleration to Paris

African Rainbow Minerals
Anhui Conch Cement
Caterpillar
Formosa Plastics
ITOCHU
Marubeni
Mitsubishi
Mitsui & Co
Nippon Steel
POSCO
SAIC Motor
Sumitomo
Toyota Industries
WH Group

Global Controversy Engagement

During the quarter, 8 companies were under engagement based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

Palm Oil

MP Evans Group
REA Holdings
Wilmar International

Appendix 3: metrics definitions

MSCI ESG Research LLC data coverage:

Climate change metrics have broad coverage, with data available on the ACWI Investable Market Index, and selected equity indices and non-listed fixed-income issuers. Coverage represents 19,000+ entities including subsidiaries, with ~12,150 entities directly covered (as at April 2023). For ESG ratings, more than 17,220 issuers are covered, including 10,800 that are directly rated.

To note, the metrics used in this report cover corporate issuers, but do not currently cover sovereign issuers. This means that coverage across the fixed-income funds will be lower than among listed-equity funds. In addition, certain products (for example, securitised products) will not return data from the parent issuer, resulting in reduced coverage. The above may result in much lower coverage for the MAC and ARB Sub-Funds in particular. This may also result in marked fluctuations in data output from quarter to quarter.

Metric	Description/Methodology
ESG Rating	A final ESG Rating. At a company level, this represents the weighted average of individual ‘E’, ‘S’ and ‘G’ pillars. The weight given to each pillar is dictated by MSCI’s process, which determines the relevance of each pillar to a given company and sector. At a portfolio level, this is the weighted average of individual company scores by the weight in the portfolio.
Environmental Score	The Environmental Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Environment Pillar.
Social Score	The Social Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Social Pillar.
Governance Score	The Governance Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Governance Pillar.
UNGC Violators	This factor indicates the percentage of the portfolio exposed to companies that violate the United Nations Global Compact principles.
Weighted Average Carbon Intensity (WACI)	A measure of a portfolio’s exposure to carbon-intense companies. This is expressed in terms of tons of CO_2 equivalent emitted per million dollars of revenue, weighted by the size of the allocation to each company. This is measured using Scope 1 + Scope 2 emissions.
Weighted Average Carbon Intensity (EVIC)	A measure of a portfolio’s exposure to carbon-intense companies. This represents companies' most recently reported or estimated Scope 1 & Scope 2 greenhouse gas emissions, normalised by enterprise value including cash (USD). This ratio facilitates portfolio analysis by allocating emissions across equity and debt.
Total Carbon Emissions	This represents the portfolios estimated Scope 1 + Scope 2 greenhouse gas emissions. This is expressed in terms of thousand tons of CO_2 equivalent emitted by the companies invested in by the portfolio, weighted by the size of the allocation to each company.

Metric	Description/Methodology
% of Portfolio with Ties to Fossil Fuels	The percentage of the portfolio invested in companies with evidence of owning fossil fuel reserves regardless of their industries, including companies that own less than 50% of a reserves field. Fossil reserves are defined as proved and probable reserves for coal or proved reserves for oil and natural gas. Evidence of owning reserves includes companies providing the exact volume of reserves and companies making a statement about their ownership of reserves.
% of Portfolio with SBT Approved Target	The percentage of the portfolio invested in companies with one or more active carbon-emissions-reduction target(s) approved by the Science-Based Targets initiative (SBTi).
Scope 1 emissions	Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle.
Scope 2 emissions	Scope 2 emissions are those caused by the generation of electricity purchased by the company.

Appendix 4: General Risk Warning and Disclaimer

Risk warning

Please note the value of investments, and income from them, may fall as well as rise. You should not make any assumptions about the future performance of your investments based on information contained in this document. This includes equities, government or corporate bonds, currency, derivatives, property, and other alternative investments, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the full amount originally invested. Past performance is not necessarily a guide to future performance.

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DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.091	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 due to ordinary 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

December 2023 Redeem £40m Insight Liquidity Fund
Proceeds £40m Trustee Cash

Cash Management

Background

The Deputy Head of the Clwyd Pension Fund produces a 3-year cash flow forecast as part of the Fund's Business Plan which is monitored quarterly and is revised on an annual basis. The Fund's bank account balance is monitored daily. The main payments relate to members' pensions, expenses, and investment drawdowns. New monies are received from employer and employee contributions, investment income, or distribution income. This cash flow management ensures there are available funds to meet pension payments and investment drawdowns as and when they fall due. The LGPS investment regulations allows very limited borrowing ability. The Fund has no strategic asset allocation to cash, although there is a strategic range of +5% and a conditional range of +30% which may be implemented during periods of major market stress.

Action Taken

The Fund's in-house cash balance at 31st December 2023 was £53.2m (£44.8m at 30th September 2023). There were several Private Market capital calls during the period (drawdowns exceeded distributions by £30.6m during the quarter), and the usual monthly pension payments. The overall cash flow is monitored regularly to ensure there is sufficient funds to pay benefits and capital calls for investments as and when they fall due. Work continues to be undertaken by Officers and the Fund's Consultant and Actuary to monitor the cash flows in the event any unforeseen situations arise. Monthly cash flows for the 2023/24 financial year are shown graphically at the end of the Delegations appendix.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.092	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 review and consider investment opportunities 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 +2.5% (from March 2022 based on the Bank of England 20-year breakeven inflation spot rate, previously 3%), however, the aim is to add value to the Fund's total investment performance.

Action Taken

Since the previous report to Committee in November 2023 the following transactions were agreed and implemented within the TAA (Best Ideas) Portfolio.

- Full redemption LGIM North American Equity Fund - £21.4m (12.4% crystalised gain)
- Invest £21.4m in LGIM Future World North American Equity (GBP Hedged)
- Full redemption LGIM Over 5 Year US Index-Linked Index Fund - £26.5m (2.7% crystalised gain)
- Invest £26.5m in LGIM Sterling Liquidity Fund

The current allocations within the portfolio following the transactions are:

US Equities	(2.1%)
Japanese Equity	(1.7%)
Maturing Bonds	(0.7%)
Short Dated Bonds	(1.7%)
Liquidity Fund	(2.3%)
Index-Linked Bonds	(1.1%)
Emerging Markets Government Bonds	(1.6%)

As at the end of December 2023, the Best Ideas portfolio 1 year performance was +5.3% against a target of +6.0% and the 3-year performance was +7.4% against a target of +7.3%.

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

Background

The Fund's current investment strategy includes a 29% asset allocation to Private Markets, which includes investments in Private Equity (8%), Property (4%), Infrastructure (including Timber and Agriculture assets) (8%), Private Debt (3%), and Impact / Local Investing (6%). These investments are considered higher risk due to their illiquid nature. For this reason, the Fund makes smaller commitments typically ranging from £8m to £20m to this space. The Fund currently has more than 65 managers and 150 separate mandates across these asset classes within its Private Markets portfolio.

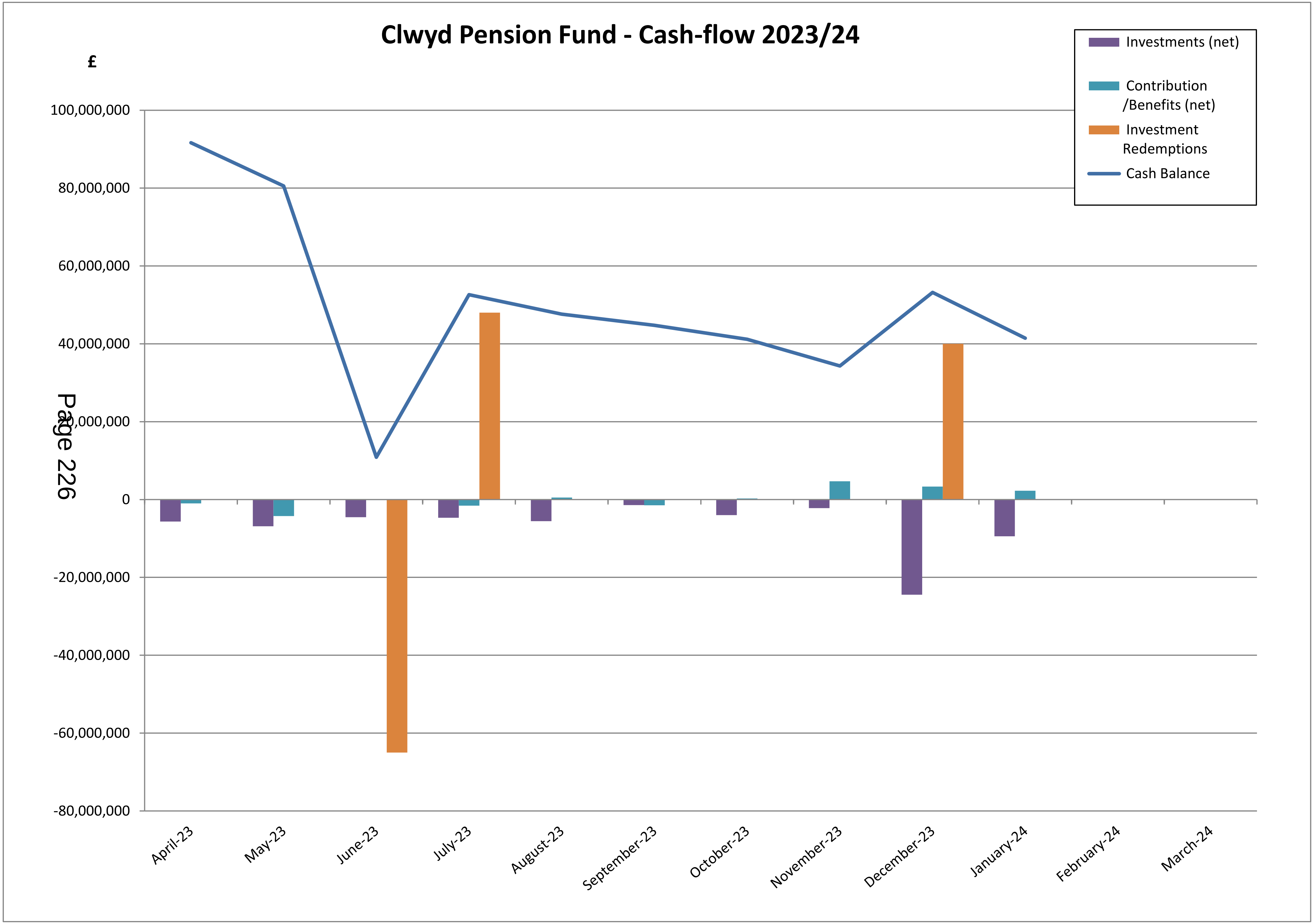
The Private Equity & Real Asset Group (PERAG) of Officers and Consultants meet at least quarterly and are responsible for implementing and monitoring the investment strategy and limited partnerships across these asset classes. All investments made under this remit are referred to as the 'In-House Portfolio'. There is a particular focus on Responsible, Sustainable, and Impact themes, as well as Environmental, Social and Governance (ESG) considerations when investments are made.

A review of the existing portfolio and future cash flows has been undertaken by Consultants to establish the forward work plan. It is expected that future commitments to Private Market investments, including these alternative areas, will be made through the Wales Pension Partnership (WPP) once available. The Fund Consultants continue to work closely with WPP to ensure appropriate sub-funds are available and remain suitable for the Fund's existing Private Market strategy. In the meantime, the Fund continues to take recommended advice from Mercer to deploy capital in new impact / local opportunities.

Action Taken

Due diligence continues to be undertaken by Mercer on several managers across the various asset classes, and recommendations are being considered. One new commitment has been agreed since the November 2023 committee and is detailed below and is referenced in 1.06 within the main report.

Impact / Local Mercer, Private Investment Partners VII Global Impact Fund – £40m


Clwyd Pension Fund - Cash-flow 2023/24
£
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
0
-20,000,000
-40,000,000
-60,000,000
-80,000,000
April-23
May-23
June-23
July-23
August-23
September-23
October-23
November-23
December-23
January-24
February-24
March-24
Investments (net)
Contribution /Benefits (net)
Investment Redemptions
Cash Balance

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

Impact	Funding & Investment Risks (includes accounting and audit)					
Negligible					7	
Marginal			6		5	8
Critical			3 9	2 4	1	
Catastrophic						
	Extremely High	Very High	Significant	Low	Very Low	Unlikely
						Likelihood

Key

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

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

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

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

13 March 2024

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	19/06/2024	20/03/2024
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	March 2024 (market dependent)	1 - Continue to monitor market conditions and respond through the strategy review (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	19/06/2024	20/03/2024
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	March 2024 (market dependent)	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 investment knowledge (PL) 3- Interim Investment Strategy Review (PL)	Dep. Head of CPF	19/06/2024	20/03/2024
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 continues to be monitored and reported.	Marginal	Very Low		😐 Current impact 1 too high Current likelihood 1 too high	31/03/2016	March 2024 (market dependent)	1 - Continue to monitor market conditions and respond through the strategy review (DF) 2 - In conjunction with Risks 3 and 5 – overall market conditions are monitored continuously (DF)	Dep. Head of CPF	19/06/2024	20/03/2024
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	19/06/2024	20/03/2024
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), nd 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 monitroing of Waystone 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 - Investment Strategy Review (PL)	Dep. Head of CPF	19/06/2024	20/03/2024
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) 2 - Investment Strategy Review (PL)	Dep. Head of CPF	19/06/2024	20/03/2024
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	19/06/2024	20/03/2024
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. 5. RI Framework in place to assess RI risks and impacts holistically 6. Fund has in place an Exclusion Policy	Critical	Low		😐 Current likelihood 1 too high	03/02/2020	March 2025	1 - Implement the responsible investment plan as outlined in the business plan including a review of the current carbon reduction targets, and initial training on nature related financial disclosures. 2 - Work with WPP to ensure the Fund is able to implement the Fund's RI Policy and ambitions effectively via WPP 3 - Interim Investment Strategy Review	Dep. Head of CPF	19/06/2024	20/03/2024

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 20 March 2024
Report Subject	Funding and Investment Performance
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, as well as the funding and risk management framework. Separate reports covering these areas for the period ending 31 December 2023 are attached as appendices to this report.

Economy and Markets

- The Federal Reserve and the Bank of England kept interest rates stable over the quarter. Headline UK inflation fell from 6.7% in September to 4.0% in December. Bond yields fell sharply over the quarter driven by expectations of rate cuts in 2024.
- Global equities posted strong performance over the quarter returning +6.3%, whilst fixed interest and index-linked gilts returned +14.4% and +10.5%, respectively.

Performance Monitoring Report

- The Fund's total market value increased by £161m to £2,390.2m over the three month period.
- Fund performance over 3 months, 12 months, 3 years and 5 years; +7.8%, +9.6%, +4.9% p.a. and +6.6% p.a., respectively.

Funding and Risk Management

As at 31 December 2023:

- The estimated funding position was 108%, which is ahead of the expected funding level from the 2022 valuation by 4%.
- The total gain since inception of the synthetic equity strategy was c. £131.3m.
- Overall, the action to hedge the Fund's developed equity currency risk has resulted in a loss of £25.6m since inception of the strategies, although this is expected to be fully offset by rises in value of the overseas equity holdings due to these same currency movements.
- The yield trigger framework is currently suspended.

RECOMMENDATIONS	
1	That the Committee note the report and the various actions taken in relation to the funding and risk management framework.

REPORT DETAILS

1.00	INVESTMENT PERFORMANCE AND ECONOMIC RELATED MATTERS
1.01	**Economic and Market Update** The economic and market update for the quarter from the Fund's Investment Consultant is attached in Appendix 1. The report contains the following key sections: • **Economic and Market Background** – an overview of markets in the quarter, including commentary on key economic indicators • **Equity Market Review** – information on the performance of equity markets during the quarter and key drivers of markets • **Bond Market (Fixed Income) Review** – provides an update on bond yield movements and interest rates for the period • **Currencies, Commodities and Alternatives Review** – provides an update on the performance of Sterling against other currencies as well as highlighting movements in major commodity and alternatives asset classes for the period
1.02	The fourth quarter of 2023 started with low expectations owing to high long-term interest rates and renewed geopolitical tensions in the Middle East. Markets reached their lows near the end of October due to risk-off sentiment. However, in November, slowing inflation in the US and other regions raised hopes that interest rates may have peaked, boosting investor confidence. Headline inflation in the UK fell to 3.9% in November from 6.7% in September (although it did tick up to 4.0% in December). The positive inflation momentum was driven by declining energy prices. The Bank of England maintained interest rates at 5.25%. Global equities returned 6.3% in sterling terms and 9.3% in local currency terms as sterling appreciated against the dollar. UK real yields fell across the entire curve, led by lower-than-expected inflation updates, which drove more rate cuts for shorter-term interest rates. UK inflation remains considerably above target. Market based measures of inflation expectations, in the form of breakeven inflation fell significantly over the quarter. The UK 10-year breakeven rate finished the quarter at ~3.48% (c.35bps down over the quarter).
1.03	**Performance monitoring report** Over the three months to 31 December 2023, the Fund's total market value increased by £161m to £2,390.2m, allowing for net cashflows. Movement over the 12 month period saw positive performance from all asset classes with the exception of property. Since the end of Q4 2023, at the time of writing, gilt yields have risen.

	Further information on the CRMF mandate is provided in 2.0 below.
1.04	The performance against benchmark is shown below:

Total	Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)
Total Fund	**+7.8**	**+9.6**	**+4.9**	**+6.6**
Total Benchmark	+7.5	+13.3	+4.8	+6.5

A full performance breakdown of each of the underlying mandates is provided in Appendix 2.

Over the quarter both of the Fund's equity mandates with WPP marginally underperformed their respective benchmarks, whereas the Multi-Asset Credit mandate outperformed.

The Fund's 1 year performance was lower than the benchmark. This was primarily caused by private market returns lagging behind their respective benchmarks, which are predominately absolute or Cash + in nature. Most notably the Fund's Property, Private Equity and Private Debt mandates underperformed their respective benchmarks by 15.5%, 7.3% and 4.5%. The listed equity portfolio also detracted from relative performance over the 1 year period, underperforming its benchmark by 3.5%.

The declines in long term interest rates over Q4 2023 have decreased the Fund's discount rate, leading to an increase in the value of the Fund's liabilities. However, the Fund's funding level has improved over the quarter, mainly due to strong absolute equity returns.

Overall, the estimated funding position at 31 December 2023 of 108% is ahead of the expected position when measured relative to the 2022 valuation expected funding plan.

1.05	The strongest absolute returns over the quarter from return seeking assets came from the WPP Infrastructure (12.2%) allocation and the WPP Sustainable Active Equity (6.5%) fund. The liability hedging portfolio increased by 22.3% over the quarter to 31 December 2023, as real yields fell sharply. Over the 12 months to 31 December 2023, the Cash and Risk Management Framework generated the strongest returns of 25.0%. WPP Multi-Asset Credit fund and Total Equities also generated strong positive returns of +10.3% and +9.1%, respectively for the period.
1.06	All portfolio allocations are within the agreed strategic tolerance with the exception of the WPP Sustainable Active Equity mandate, which is underweight, and the CRMF, which is overweight. These tolerances are being addressed as part of the interim investment strategy review.
1.07	**Update on Funding and the Flightpath Framework**

	The monthly summary report as at 31 December 2023 from Mercer on the funding position and an overview of the risk management framework is attached in Appendix 3.
1.08	The estimated funding level was 108% at 31 December 2023, which is ahead of the expected position when measured relative to the 2022 valuation expected funding plan by 4%. The expected funding level will reduce over time as employers are using part of the valuation surplus in line with the agreed employer contributions commenced from 1 April 2023. A funding level 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 framework for implementing any agreed actions upon achieving the 110% is currently being reviewed by the Committee (agenda item 5).
1.09	The level of liability hedging implemented to date provides access to a lower risk investment strategy by maintaining a sufficiently high real yield/return expectation to achieve the funding and contribution targets. Collateral remains in a healthy position, with the portfolio able to withstand an interest rate rise in excess of 5%, whilst supporting suitable stresses on the other hedging exposures (equity and FX), other assets. The level of collateral is stronger than guidance issued by the Pensions Regulator. The Fund has a robust governance framework to regularly monitor collateral levels and take action quickly as needed. Further liquidity can be sourced from liquid assets held outside the Insight mandate at short notice, if required. Following falls in gilt yields in late Q4 2023 that increased the level of collateral, it was agreed to disinvest £50m from the Insight LDI portfolio to be used for liquidity purposes within the Fund.
1.10	Based on latest data available from Insight, Mercer's analysis shows that the management of the Insight Liability Hedging mandate is rated as "green" as at 30 September 2023, meaning it is operating in line within the tolerances monitored by Mercer. The remaining assets in the Cash Plus Fund (comprised solely of the Insight Secured Finance II Fund) were sold as at 30 September to help fund the allocation to WPP Sustainable Equity in line with the agreed strategy.
1.11	**Update on Risk Management Framework** **Synthetic equity and equity protection strategy** Within the Risk Management Framework, the Fund gains exposure to equity markets via derivatives and protects the majority of this exposure against potential falls in 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. Importantly, over the longer-term the increased certainty from the equity

	protection strategy 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. The Fund has a bespoke synthetic equity and equity protection strategy, which is implemented through a Total Return Swap ("custom 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 May 2024 and can be rolled over if required. The October 2023 maturing long-only synthetic equity position was rolled over and switched to reference the MSCI World Climate Paris Aligned (PAB) benchmark. The other long-only synthetic equity position maturing on 1 November 2023 was allowed to roll off in order to bring the Fund's actual equity exposure closer to target. Both positions consisted of broad developed market exposure and were 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 December 2023, the total performance since inception of the custom TRS synthetic equity and equity protection strategy in May 2018 was an increase of c. £131.3m.
1.12	**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 £18.4m since inception on 8 March 2019 to 31 December 2023 due to the 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. £7.2m 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 £25.6m since inception of the strategies, although this is expected to be fully offset by rises in value of the overseas equity holdings due to these same currency movements.

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. 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 – Economic and Market Update – 31 December 2023 Appendix 2 – Performance Monitoring Report – 31 December 2023 Appendix 3 – Monthly Monitoring Report – 31 December 2023

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• 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 list of commonly used terms are as follows:

(a) **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.

(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) **Absolute Return –** The actual return, as opposed to the return relative to a benchmark.

(d) **Annualised –** Figures expressed as applying to 1 year.

(e) **Clwyd Pension Fund (the "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.

(f) **Clwyd Pension Fund Committee (the "Committee") -** the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.

(g) **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.

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

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

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

(k) **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.

(l) **Money-Weighted Rate of Return –** The rate of return on an investment including the amount and timing of cash flows.

(m) **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.

(n) **Three-Year Return –** The total return on the fund over a three year

	period expressed in percent per annum. (o) **Time-Weighted Rate of Return –** The rate of return on an investment removing the effect of the amount and timing of cash flows. (p) **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) (q) **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. (r) **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. Further terms are defined in the Glossary in the report in Appendix 3 and a comprehensive list of investment terms can be found via the following link: https://www.schroders.com/en/uk/adviser/tools/glossary/

Mercer

welcome to brighter

Clwyd Pension Fund

Economic and Market Update

Q4 2023

Monthly capital market monitor

Markets close out a strong 2023

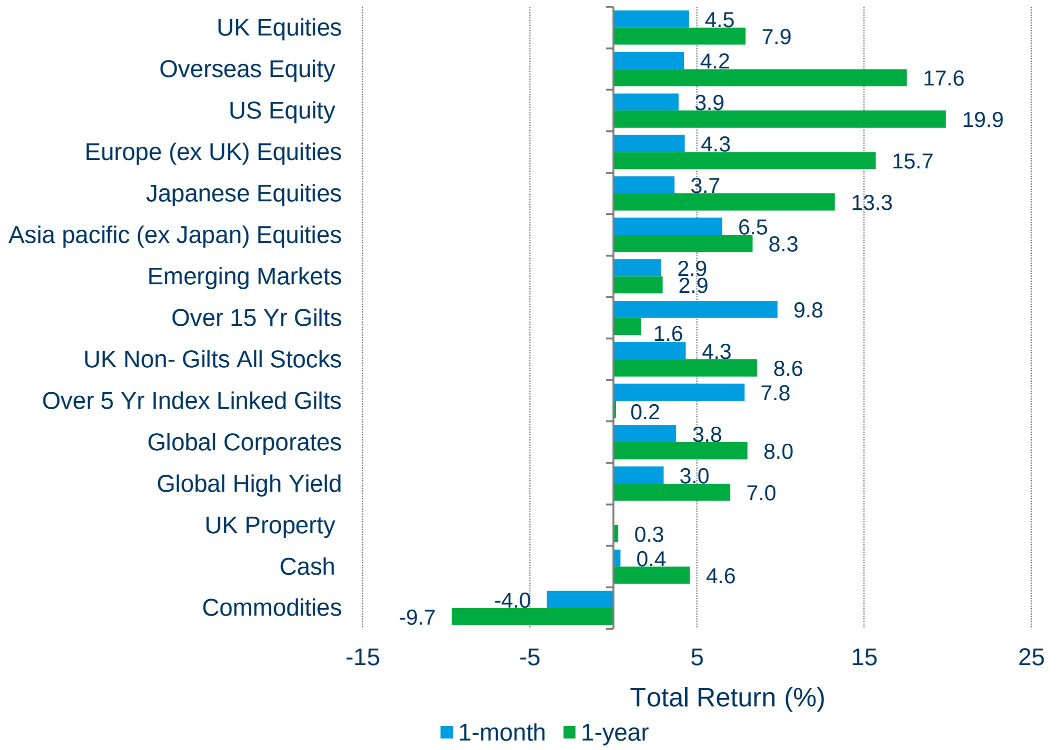
2023 ended on a strong note, with global equities and fixed income continuing to rally into the final month of the year. In December, UK equities outperformed global equities and outperformed emerging market equities. For 2023, UK equities underperformed global equities. Strong equity and bond returns during December were driven by declining bond yields across the curve, especially after an unexpected Fed pivot to more dovish rhetoric. This strengthened investors’ conviction in a soft landing. Chinese equities and commodities posted negative returns for the year. The S&P 500 returned more than 26% fully recovering from its drawdown that began in early 2022, global equities returned over 20% and global bond and credit returns were in the mid-single to low double digits.

In December, the forward-looking composite purchasing manager indexes (PMI) were in expansionary territory in much of the developed world, with the eurozone being the notable exception. China’s economy showed tentative signs of improvement towards year end as the composite PMI rose to expansion territory even if this was not enough to convince equity investors. Throughout 2023, the narrative for the global economy shifted repeatedly between fears of ‘higher yields for longer’ leading to a hard landing and a soft landing as inflation gets brought under control without major casualties. Equity markets firmly positioned for the latter scenario in the fourth quarter of 2023.

UK headline inflation fell in November to 3.9% year-over-year, while core inflation also fell to 5.1%. Inflation in the US and Eurozone fell and reached levels not seen since 2021, inflation in Japan also fell during the month. China experienced deflation for its second month in a row. Overall inflation trended down in 2023 in most major regions as demand pressure eased and supply chains fully recovered. Nonetheless, inflation ended the year above central bank targets. Major central banks left interest rates unchanged in December and reiterated their goal of bringing inflation down to targets. In the US, the Fed shifted to more dovish rhetoric with the market now pricing in cuts in 2024.

On the geopolitical front, Israel and Hamas continue to fight. In the Red Sea, a US destroyer came under drone and missile attacks, disrupting major shipping operations which only resumed after the US formed a naval coalition to defend vessels from attacks. Short term volatility aside, geopolitical events did not have a significant market impact in December as oil prices closed the month and 2023 down almost 6% and 11% respectively.

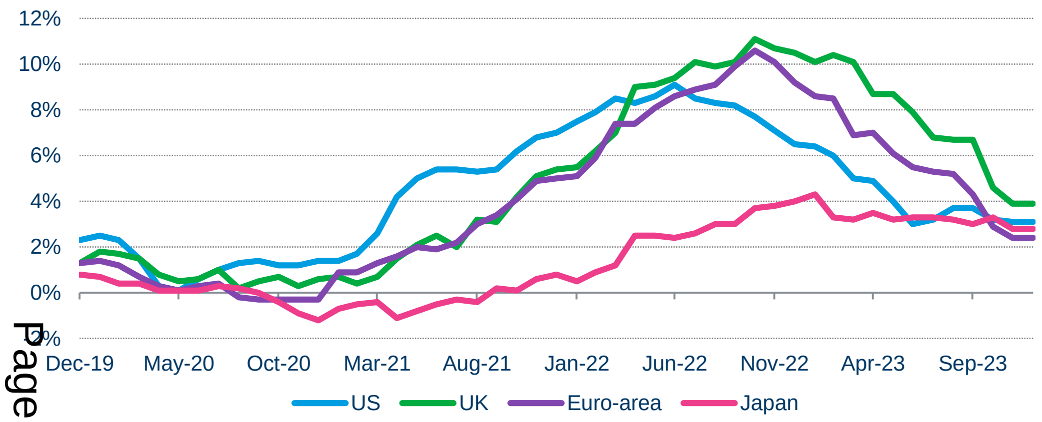
Sterling weakened against major developed and emerging market currencies except from the dollar amid the risk on environment in December and had mixed performance for 2023. Falling real yields supported the price of gold which closed the year with mid double-digit returns. Commodities stood out as the only major asset class with negative returns, mostly driven by declining oil prices throughout 2023 after an exceptionally strong year for commodities in 2022.



Source: Refinitiv. Data as of 31/12/23. 1-year UK property returns are shown as 11-month return to 30/11/2023.

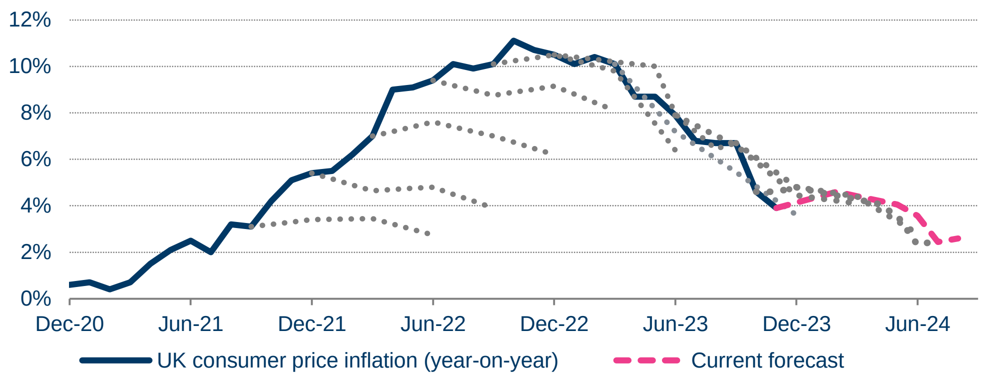
Key drivers

Global year-on-year consumer price inflation



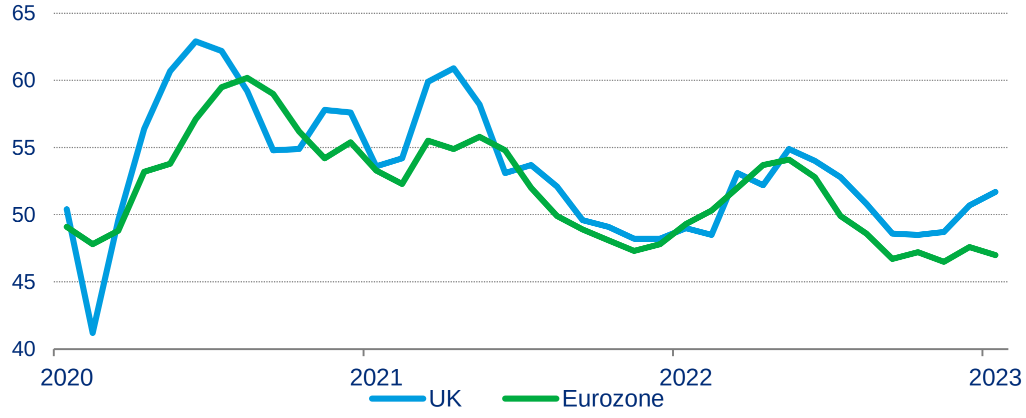
Source: Bloomberg. Data as of 31/12/2023

UK year-on-year inflation – current and forecast



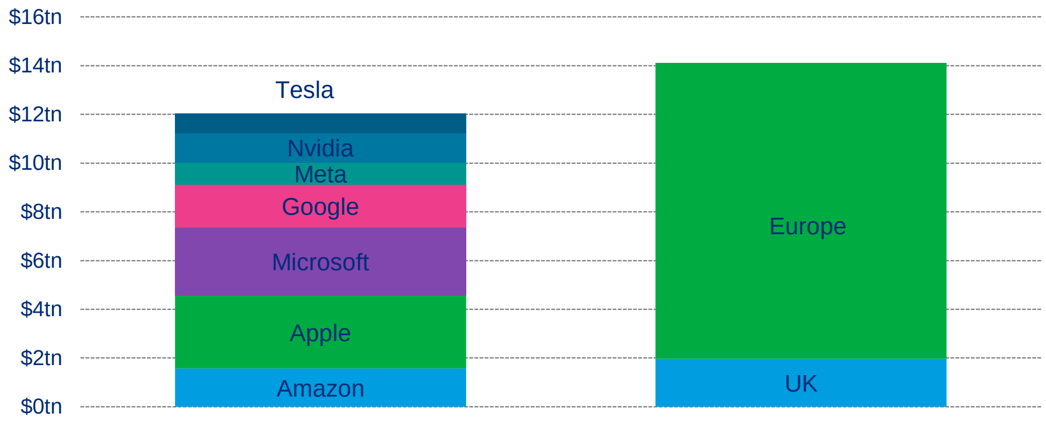
Source: Bloomberg. Data as of December 31, 2023. The consensus forecast lines are four quarter forecasts as at each

UK and EZ PMI



Source: Bloomberg. Data as at 31 December 2023.

Magnificent 7 market cap size vs Europe and UK equity market cap size



Source: Bloomberg. Data as at 31 December 2023. MSCI UK and MSCI Europe indices used.

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

Equities

- UK equities returned 4.5% over December 2023 in Sterling terms and outperformed global equities and US equities which returned 4.2% and 3.9% respectively. Strong performance in UK equity was driven by strong returns in real estate and consumer discretionary sectors.
- In the US, equities returned 3.9% over December and outperformed against emerging market equities but underperformed against developed market equities. This was driven by a surprising dovish rhetoric by the Fed amid continued falling inflation. Returns in continental Europe were also strong driven amid falling inflation.
- For Q4 2023 the estimated earnings growth rate for the S&P 500 is 2.4%. If 2.4% is the actual growth rate it would mark the send consecutive quarter of year on year earnings growth.[1]
- Emerging markets returned 2.9% over December underperforming against developed markets. China was one of the few countries in the world to record negative returns in December which offset strong returns in other EM constituents. Over 2023 EM returns were positive but weak relative to developed markets.

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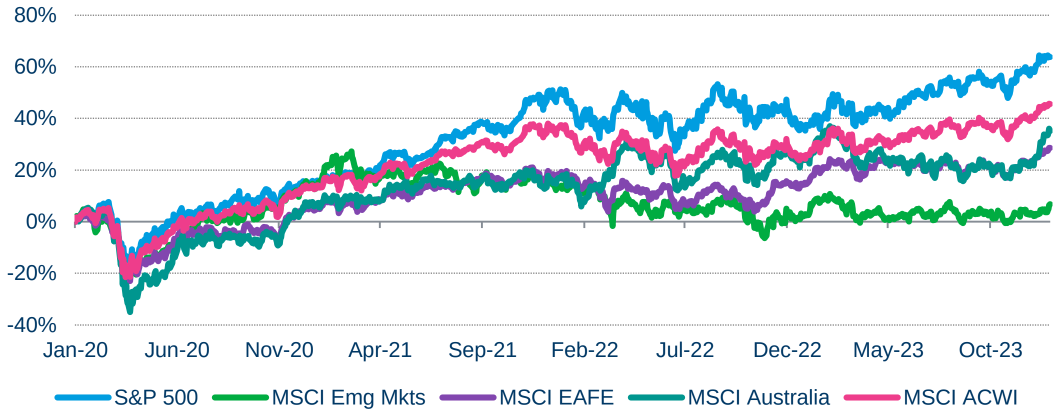
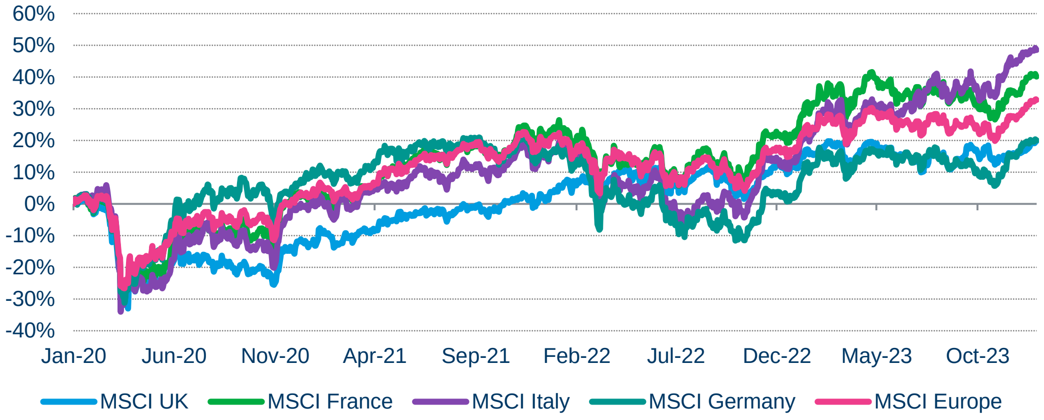
Global Equity Performance (GBP)



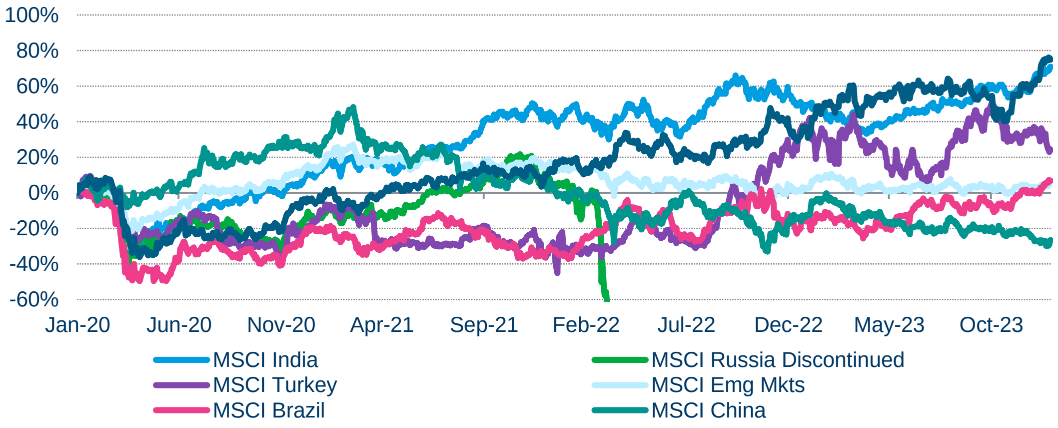
Source: Refinitiv, Data as at 31/12/2023

European Equity Performance (GBP)



Source: Refinitiv, Data as at 31/12/2023

Emerging Market Equity Performance (GBP)



Source: Refinitiv, Data as at 31/12/2023

1 *https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_121523.pdf*

UK Fixed Income

- Global bond markets witnessed a sharp drop in yields across the curve through December. Bond yields fell as a result of expectations of the end of the hiking cycle amid central bankers pivoting towards a dovish stance, as well as inflation surprising to the downside.
- In the UK, yields fell in parallel across the curve amid dovish sentiment global that central banks will begin to cut rates in 2024. 2-year yields fell by 63bps and 10-year yields fell by 64bps. Given the parallel nature in which yields fell over the month, the yield curve remains inverted.
- Market based measures of inflation expectations fell slightly over the month. The 10-year UK breakeven decreased to 3.5% from 3.6% in the month prior. The November headline CPI print surprised and fell to 3.9%, while core inflation fell to 5.1%.
- Credit spreads tightened during the month, with UK credit spreads decreasing 7bps, global investment-grade spreads decreasing 43 bps and high yield spreads decreasing 7 bps.

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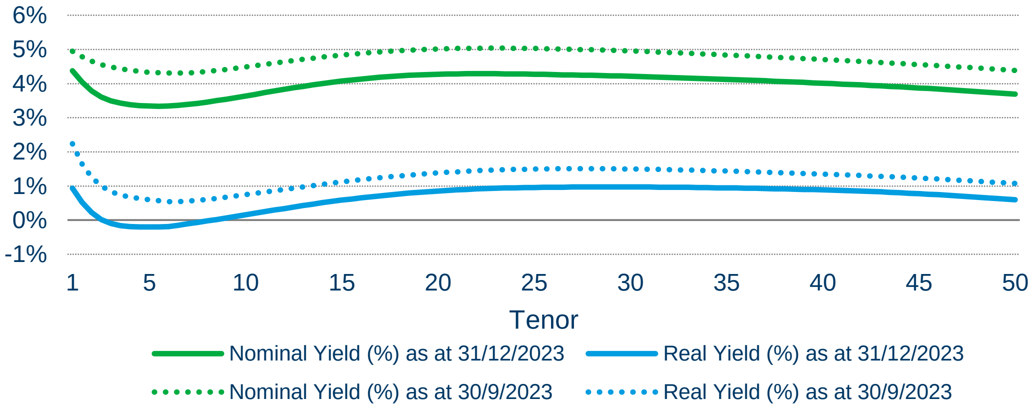
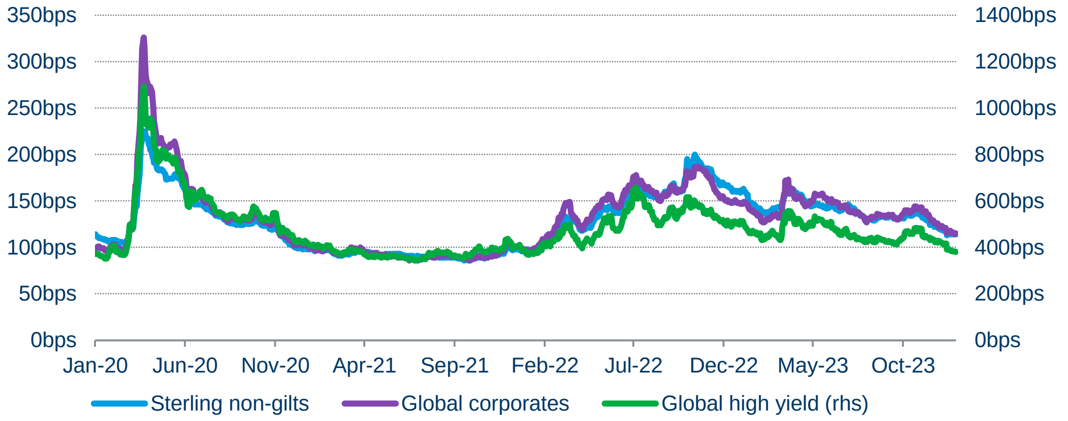
UK gilt curves



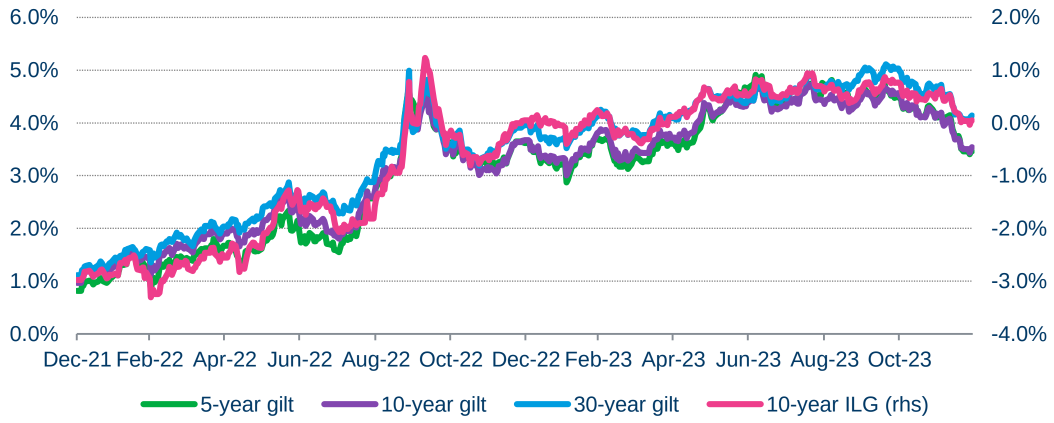
Source: Mercer. Data as of 31/12/2023

Corporate bond spreads



Source: Refinitiv, Data as at 31/12/2023

UK government bond yields



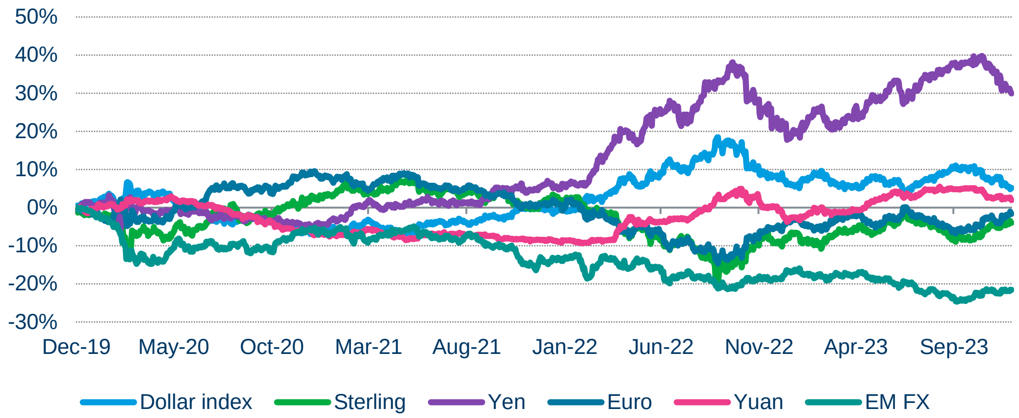
Source: Refinitiv, Data as at 31/12/2023

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

Currency and commodities

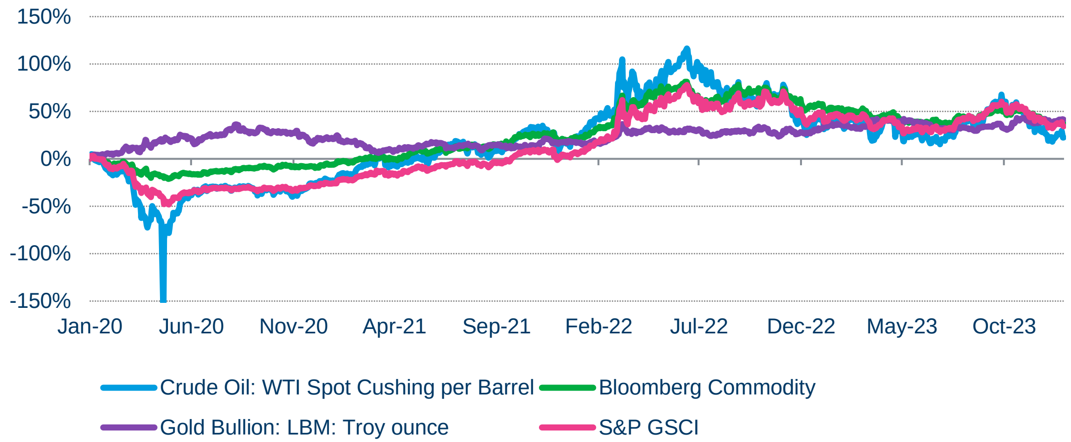
- Broad commodity returns were down through December driven by the weak performance of oil which declined by -6.3% over December driven by weak global economic growth.
- Sterling depreciated versus all major currencies except for the US dollar through December. The US dollar weakened against almost all major currencies over the month due to the risk on sentiment amid falling inflation.
- Gold rose over December, reaching an all-time high ($2,081), as falling real yields helped to support the price.

Currency performance



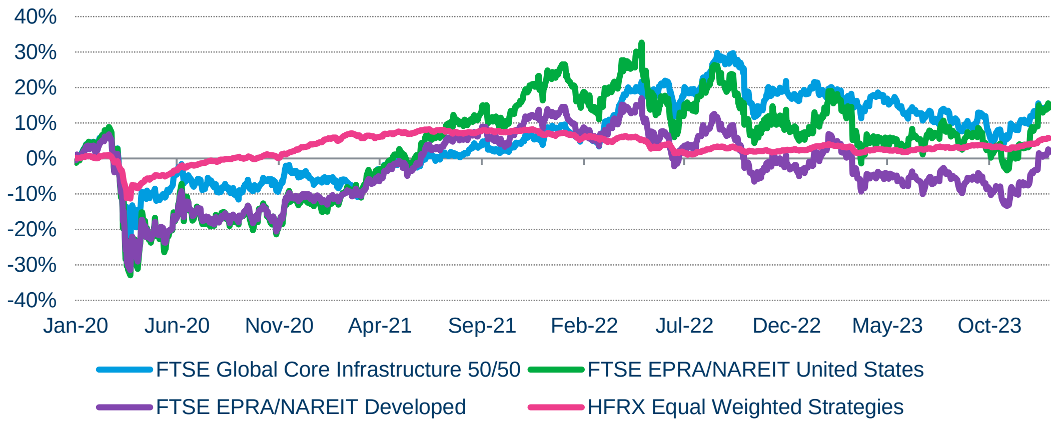
Source: Refinitiv, Data as at 31/12/2023

Commodity performance (GBP)



Source: Refinitiv, Data as at 31/12/2023

REITs, Hedge funds, Infrastructure performance (GBP)



Source: Refinitiv, Data as at 31/12/2023

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

Valuation and yields

Ending 31 December 2023

Valuations

FTSE ALL-Share	31-12-2023	30-09-2023	30-06-2023	31-03-2023
Index Level	9056.2	8772.8	8610.8	8650.3
P/E Ratio (Trailing)	12.1	11.8	10.5	10.5
CAPE Ratio	17.1	16.6	17.0	17.1
Dividend Yield	3.9	4.0	4.1	4.2
P/B	1.7	1.6	1.6	1.6
P/CF	7.9	8.1	5.8	5.8
MSCI World ex-UK	**31-12-2023**	**30-09-2023**	**30-06-2023**	**31-03-2023**
Index Level	9772.2	8755.5	9077.1	8480.6
P/E Ratio (Trailing)	21.0	18.9	19.4	18.3
CAPE Ratio	27.4	25.2	26.1	24.6
Dividend Yield	1.9	2.1	2.0	2.1
P/B	3.2	2.9	3.0	3.0
P/CF	14.2	13.9	13.4	12.3
MSCI EM	**31-12-2023**	**30-09-2023**	**30-06-2023**	**31-03-2023**
Index Level	533.8	494.9	509.8	505.3
P/E Ratio (Trailing)	15.4	13.8	13.0	12.6
CAPE Ratio	17.6	16.6	16.8	16.4
Dividend Yield	2.7	2.9	3.0	3.2
P/B	1.6	1.5	1.5	1.6
P/CF	8.3	8.2	8.3	7.5

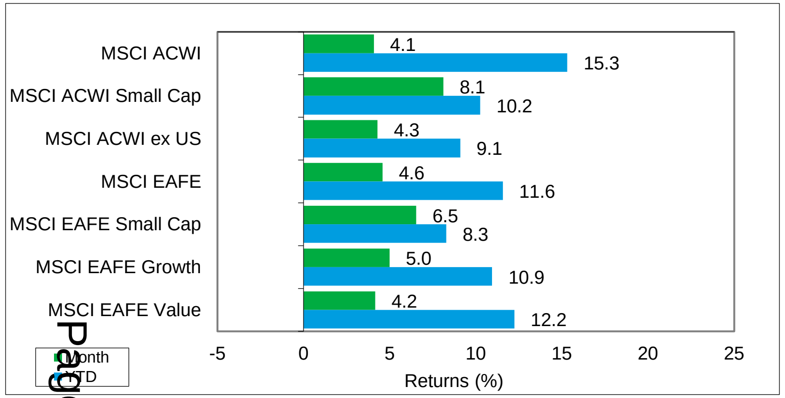
Yields

Global Bonds	31-12-2023	30-09-2023	30-06-2023	31-03-2023
Germany – 10Y	2.02	2.84	2.39	2.29
France - 10Y	2.56	3.40	2.93	2.79
US - 10Y	3.88	4.57	3.84	3.47
Switzerland – 10Y	0.70	1.10	0.96	1.25
Italy – 10Y	3.70	4.78	4.07	4.10
Spain 10Y	2.99	3.93	3.39	3.30
Japan – 10Y	0.61	0.77	0.40	0.35
Euro Corporate	3.56	4.52	4.44	4.22
Euro High Yield	7.35	8.43	8.29	8.18
EMD ($)		9.66	8.55	9.57
EMD (LCL)	6.54	7.01	6.66	6.78
US Corporate	5.06	6.04	5.48	5.17
US Corporate High Yield	7.59	8.88	8.52	8.96
UK Bonds	**31-12-2023**	**30-09-2023**	**30-06-2023**	**31-03-2023**
SONIA	5.19	5.19	4.93	4.18
10 year gilt yield	3.60	4.44	4.39	3.38
30 year gilt yield	4.08	4.89	4.42	3.83
10 year index linked gilt yield	0.06	0.59	0.52	-0.29
30 year index linked gilt yield	0.95	1.47	0.95	0.37
AA corporate bond yield	4.39	5.42	5.71	4.76
A corporate bond yield	4.80	5.82	6.08	5.13
BBB corporate bond yield	5.39	6.45	6.82	5.84

Performance summary (GBP)

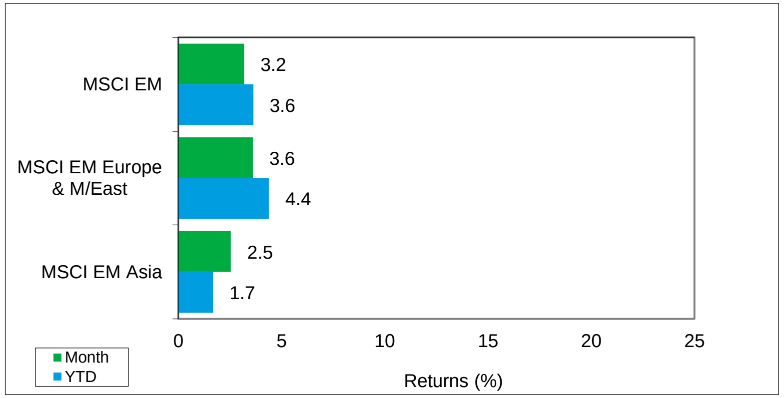
International Equity ending 31 December 2023

International Equity Performance



Developed Country Performance

Emerging Market Performance



Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2022	2021	2020	2019	2018
MSCI ACWI	4.7	1.7	10.8	5.4	1.7	7.6	9.2	9.4	10.4	9.3	-8.1	19.6	12.7	21.7	-3.8
MSCI ACWI IMI	4.8	1.4	10.3	5.0	1.7	7.8	9.4	9.6	10.8	9.9	-7.7	19.8	13.2	22.1	-4.0
MSCI ACWI Small Cap	4.8	-2.0	2.0	-2.2	-2.7	4.7	6.3	6.7	8.7	9.9	-8.4	17.2	12.7	19.8	-9.1
MSCI ACWI ex US	4.5	1.3	4.6	2.8	0.3	3.5	5.2	5.8	6.1	7.4	-5.4	8.8	7.2	16.8	-8.9
MSCI EAFE	4.7	1.4	6.7	5.7	2.7	5.7	6.2	6.4	6.6	7.3	-3.7	12.3	4.5	17.3	-8.4
MSCI EAFE Growth	6.1	0.3	5.7	3.4	-3.3	1.8	6.7	7.3	7.5	7.8	-13.2	12.3	14.6	23.0	-7.4
MSCI EAFE Value	3.4	2.4	7.8	8.0	8.9	9.4	5.2	5.3	5.5	6.8	6.3	11.9	-5.6	11.6	-9.5
EM	3.5	1.2	0.4	-2.0	-5.2	-2.3	2.5	4.2	4.8	8.7	-10.0	-1.6	14.7	13.8	-9.3
North America	4.9	1.8	14.2	6.5	2.5	10.3	12.0	11.9	13.6	10.7	-9.4	27.6	16.2	25.7	0.1
Europe	5.3	1.7	8.5	7.4	3.9	7.6	7.2	7.3	6.6	7.5	-4.4	17.4	2.1	19.0	-9.6
EM Europe & M/East	1.5	-0.4	0.8	-3.1	-14.6	-1.9	-1.6	1.0	-0.7	4.4	-27.2	25.1	-10.4	14.6	-2.2
EM Asia	3.1	0.8	-0.8	-2.6	-6.6	-4.1	3.1	5.0	6.4	9.1	-11.2	-4.2	24.4	14.6	-10.2
Latin America	9.3	6.2	16.4	10.6	21.6	13.1	4.4	5.2	3.7	9.9	22.6	-7.2	-16.5	12.9	-0.8
USA	4.8	1.9	14.8	7.0	2.6	10.4	12.1	12.2	14.0	10.8	-9.7	27.6	17.0	25.8	0.9
Canada	5.8	1.2	2.7	-3.3	1.5	9.0	8.0	6.3	6.8	8.6	-1.9	27.1	2.1	22.6	-12.1
Australia	5.3	1.3	-1.4	-4.3	3.9	6.4	7.0	6.3	6.5	9.6	6.7	10.4	5.4	18.2	-6.5
UK	2.3	1.5	3.7	2.3	7.9	11.0	5.3	5.3	5.0	6.5	7.1	19.6	-13.2	16.4	-8.8
Germany	8.6	2.0	11.9	10.8	0.5	2.5	4.3	4.5	4.5	7.5	-12.6	6.3	8.1	16.1	-17.3
France	5.0	-0.1	10.2	8.9	6.1	9.2	8.6	9.1	8.2	7.8	-2.4	20.6	0.9	20.9	-7.3
Italy	6.1	5.0	26.3	25.0	13.0	12.7	10.6	10.4	6.8	4.1	-3.6	16.1	-1.3	22.4	-12.6
Spain	10.3	7.2	23.1	24.8	15.5	9.7	4.7	5.7	3.8	6.2	4.4	2.3	-7.7	7.7	-11.0
Japan	4.1	1.6	9.5	8.7	1.2	2.4	4.7	5.4	7.3	6.3	-6.1	2.6	10.9	15.0	-7.5
Brazil	9.5	10.3	17.7	13.0	24.2	11.8	3.4	5.6	4.3	10.7	28.5	-16.6	-21.5	21.4	5.7
China	-1.7	-4.5	-13.5	-9.9	-15.2	-15.5	-3.4	0.7	3.4	9.0	-12.1	-21.0	25.5	18.7	-13.8
India	2.3	5.3	6.2	-0.6	5.6	14.7	10.2	10.8	12.3	12.5	3.6	27.4	12.0	3.4	-1.5

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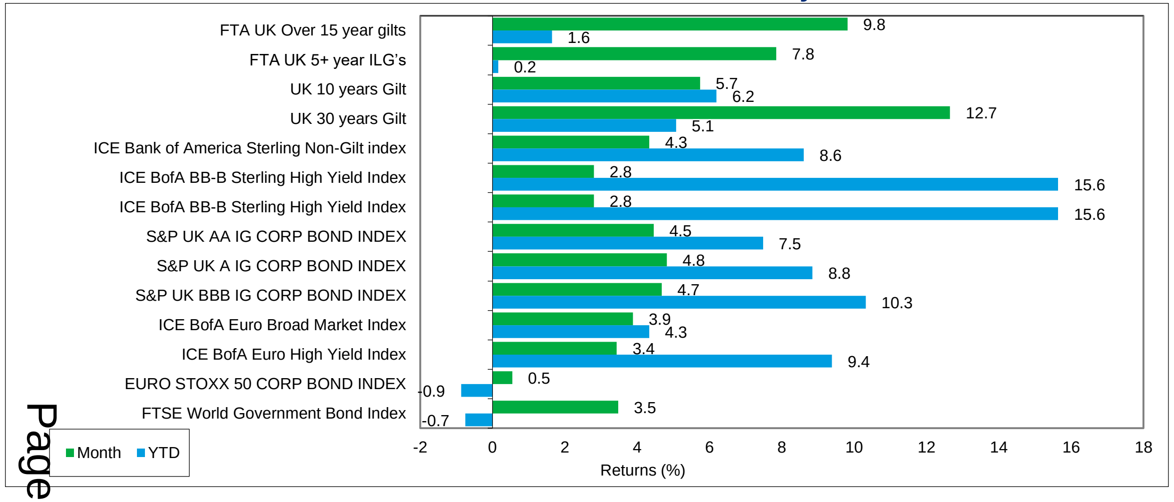
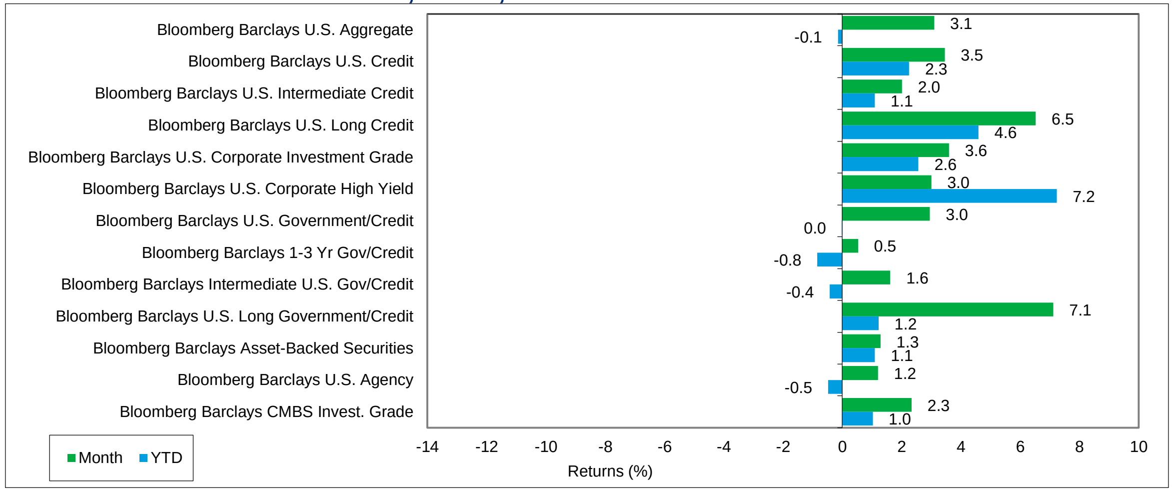
Performance summary (GBP)

Fixed Income ending 31 December 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	9.8	14.4	1.6	1.6	-21.9	-17.3	-6.3	-4.1	1.1	3.5	-40.1	-7.3	13.9	12.0	0.3
FTA UK 5+ year ILG's	7.8	10.5	0.2	0.2	-21.2	-13.5	-4.9	-3.3	1.9	4.5	-38.0	4.2	12.4	6.8	-0.4
UK 10 years Gilt	5.7	8.9	6.2	6.2	-7.9	-7.2	-2.1	-0.9	1.8	3.8	-20.1	-5.7	6.6	5.2	2.0
UK 30 years Gilt	12.7	19.0	5.1	5.1	-22.4	-17.4	-6.5	-4.2	1.1	3.5	-42.7	-6.4	13.8	11.7	0.4
ICE Bank of America Sterling Non-Gilt index	4.3	7.4	8.6	8.6	-5.5	-4.7	0.5	0.7	2.8	4.1	-17.8	-3.0	8.0	9.5	-1.6
ICE BofA BB-B Sterling High Yield Index	2.8	6.9	15.6	15.6	1.4	1.9	5.0	4.5	5.4	9.2	-11.1	3.0	6.1	13.8	-1.4
S&P UK AA IG CORP BOND INDEX	4.5	7.5	7.5	7.5	-5.7	-5.3	-0.4	0.1	2.4	3.9	-17.3	-4.6	7.7	7.3	-0.3
S&P UK A IG CORP BOND INDEX	4.8	8.1	8.8	8.8	-6.6	-5.7	0.1	0.4	2.8	4.0	-19.9	-3.7	8.4	10.4	-1.5
S&P UK BBB IG CORP BOND INDEX	4.7	8.2	10.3	10.3	-4.5	-3.8	1.6	1.5	3.3	5.0	-17.4	-2.3	8.7	11.6	-2.6
ICE BofA Euro Broad Market Index	3.9	6.4	4.3	4.3	-4.3	-5.8	-1.7	-0.3	1.5	3.9	-12.2	-8.8	9.9	0.1	1.6
ICE BofA Euro High Yield Index	3.4	5.4	9.4	9.4	1.2	-0.3	2.5	2.9	3.8	7.3	-6.5	-3.1	8.6	5.1	-2.5
EURO STOXX 50 CORP BOND INDEX	0.5	-0.1	-0.9	-0.9	-3.9	-5.1	-1.7	-0.4	1.0	--	-6.9	-7.3	8.5	-0.9	0.1
FTSE World Government Bond Index	3.5	3.5	-0.7	-0.7	-4.4	-5.0	-1.4	-0.5	2.3	3.6	-8.0	-6.1	6.7	1.8	5.3
Bloomberg Barclays U.S. Aggregate	3.1	2.5	-0.1	-0.1	-1.4	-1.1	1.1	0.9	4.3	4.7	-2.5	-0.7	4.3	4.6	5.8
Bloomberg Barclays U.S. Credit	3.5	3.7	2.3	2.3	-1.4	-1.0	2.4	1.8	5.4	5.6	-4.9	-0.2	6.0	9.4	3.7
Bloomberg Barclays U.S. Intermediate Credit	2.0	1.2	1.1	1.1	1.5	1.0	2.4	1.8	5.0	5.2	1.9	-0.1	3.8	5.4	5.9
Bloomberg Barclays U.S. Long Credit	6.5	8.9	4.6	4.6	-6.3	-4.3	2.7	2.1	6.5	6.7	-16.0	-0.3	9.8	18.6	-1.1
Bloomberg Barclays U.S. Corporate Investment Grade	3.6	4.0	2.6	2.6	-1.5	-1.1	2.6	2.0	5.5	5.7	-5.5	-0.2	6.5	10.2	3.3
Bloomberg Barclays U.S. Corporate High Yield	3.0	2.8	7.2	7.2	3.3	4.2	5.3	4.1	7.1	7.9	-0.5	6.1	3.9	10.0	3.6
Bloomberg Barclays U.S. Government/Credit	3.0	2.3	0.0	0.0	-1.6	-1.3	1.4	1.1	4.5	4.8	-3.1	-0.9	5.6	5.6	5.4

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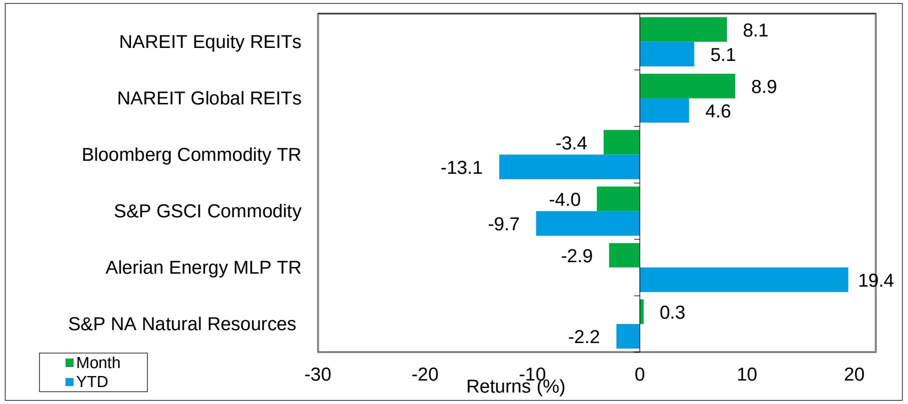
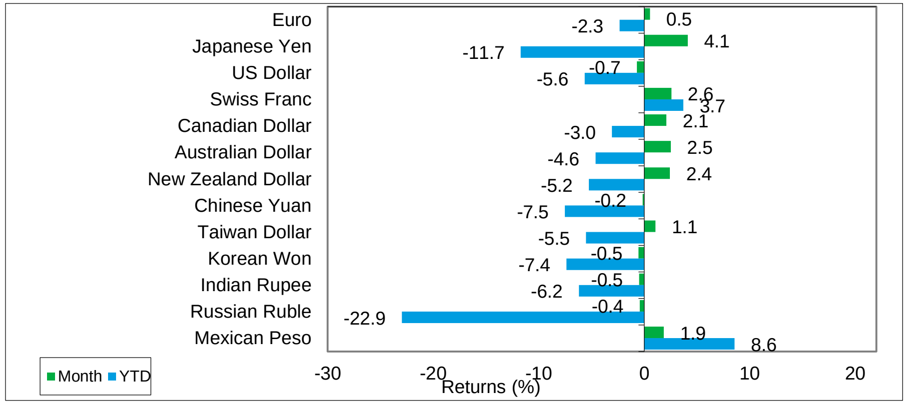
Performance Summary (GBP)

Alternatives ending 31 December 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	8.1	13.0	5.1	5.1	-5.8	8.2	7.6	5.5	10.8	10.1	-15.5	42.6	-8.1	23.7	1.9
NAREIT Global REITs	8.9	10.7	4.6	4.6	-5.6	4.6	3.8	3.1	7.3	8.5	-14.9	28.4	-11.0	18.3	1.2
Bloomberg Commodity TR	-3.4	-8.7	-13.1	-13.1	6.6	13.4	7.2	3.1	1.5	1.6	30.7	28.3	-6.1	3.5	-5.7
S&P GSCI Commodity	-4.0	-14.5	-9.7	-9.7	13.2	22.0	8.7	4.3	-1.0	0.2	41.9	41.6	-26.1	13.1	-8.5
Alerian Energy MLP TR	-2.9	0.5	19.4	19.4	32.7	35.5	12.0	4.9	4.6	10.1	47.4	41.5	-30.9	2.4	-7.0
Oil	-6.3	-24.4	-15.8	-15.8	0.6	16.6	9.5	3.7	-0.6	5.8	20.2	56.4	-23.0	29.3	-20.2
Gold	0.0	6.3	7.0	7.0	9.7	5.4	10.1	8.3	8.4	10.2	12.5	-2.6	20.6	14.3	3.9
S&P NA Natural Resources	0.3	-5.4	-2.2	-2.2	21.5	27.8	13.1	5.3	5.6	8.8	51.0	41.2	-21.5	13.1	-16.2
Euro	0.5	-0.1	-2.3	-2.3	1.6	-1.1	-0.7	0.2	0.4	1.0	5.7	-6.2	5.6	-5.6	1.1
Japanese Yen	4.1	1.3	-11.7	-11.7	-6.8	-7.7	-4.9	-3.1	-0.3	0.3	-1.7	-9.5	2.0	-2.9	9.1
US Dollar	-0.7	-4.3	-5.6	-5.6	3.1	2.4	0.0	-0.4	2.7	1.7	12.6	0.9	-3.1	-3.9	6.2
Swiss Franc	2.6	4.1	3.7	3.7	7.2	4.0	3.2	2.3	3.2	3.7	10.9	-2.1	6.2	-2.1	5.0
Canadian Dollar	2.1	-1.8	-3.0	-3.0	0.9	1.2	0.7	-0.2	0.5	1.6	5.0	1.8	-1.4	1.3	-2.6
Australian Dollar	2.5	1.6	-4.6	-4.6	-0.1	-1.7	-0.7	-1.3	-0.1	1.2	4.6	-5.0	5.9	-4.0	-4.0
New Zealand Dollar	2.4	1.8	-5.2	-5.2	-0.8	-2.1	-1.2	-1.8	0.0	--	3.8	-4.5	3.1	-2.9	0.2
Chinese Yuan	-0.2	-1.4	-7.5	-7.5	-2.3	-0.4	-0.7	-0.7	1.0	2.5	3.2	3.6	3.2	-5.2	0.7
Taiwan Dollar	1.1	0.7	-5.5	-5.5	-2.1	-0.6	0.0	0.3	2.4	2.2	1.4	2.5	3.4	-1.4	2.8
Korean Won	-0.5	0.3	-7.4	-7.4	-1.0	-3.3	-2.8	-1.4	0.6	1.3	5.9	-7.8	3.2	-7.2	1.9
Indian Rupee	-0.5	-4.5	-6.2	-6.2	-2.6	-2.0	-3.5	-3.3	-0.3	-1.3	1.2	-0.8	-5.3	-6.0	-2.9
Russian Ruble	-0.4	4.5	-22.9	-22.9	-5.6	-3.9	-5.0	-5.7	-7.1	-3.8	15.7	-0.5	-18.6	7.4	-11.9
Brazilian Real	0.8	-1.3	2.6	2.6	10.4	4.7	-4.4	-6.0	-4.5	-0.9	18.8	-5.9	-24.9	-7.4	-9.1
Mexican Peso	1.9	-1.7	8.6	8.6	13.3	8.1	3.0	2.4	0.0	-0.4	18.2	-1.7	-8.2	0.3	5.5
BofA ML All Convertibles	5.4	2.2	6.6	6.6	-1.2	1.6	11.9	9.9	11.8	9.9	-8.5	7.3	41.7	18.4	6.4
60%S&P 500/40% Barc Agg	3.5	5.1	11.4	11.4	2.4	7.1	9.8	8.1	10.7	8.8	-5.7	17.7	10.6	17.7	3.3

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Mercer

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Clwyd Pension Fund

Monitoring Report
Quarter to
31 December 2023

Steve Turner

February 2024

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- 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 8 — Asset Allocation

Assets are predominately in line with their strategic target weights. WPP Sustainable Active Equity and WPP Multi-Asset Credit are the most underweight (-6.3% and -1.6% respectively). The actual overall exposure to equities to closer to the target position when allowing for synthetic equities.

Cash and Risk Management Framework is the most overweight (6.2%) but within ranges.

Signal

Previous Qtr

Current Qtr

Asset Allocation vs Ranges

Global Equity is outside the range (1.3% below minimum range).

Page 9 — Investment Performance

The Fund returned 7.8% over the quarter against a benchmark of 7.5%. Over the one year, three year and five year periods to 31 December 2023, the Fund returned 9.6%, 4.9% p.a. and 6.6% p.a. against a benchmark of 13.3%, 4.8% p.a. and 6.5% p.a., respectively.

Signal

Previous Qtr

Current Qtr

Performance vs Target

The one year performance is behind benchmark performance but three and five year performance is ahead of benchmark performance.

Page 14 — Manager Research

No significant news to report over the quarter.

Signal

Previous Qtr

Current Qtr

Additional Comments

The Fund transferred £40m from the Insight Cash And Risk Management portfolio with the proceeds moved to Cash to meet Cashflow requirements including drawdowns into private markets.

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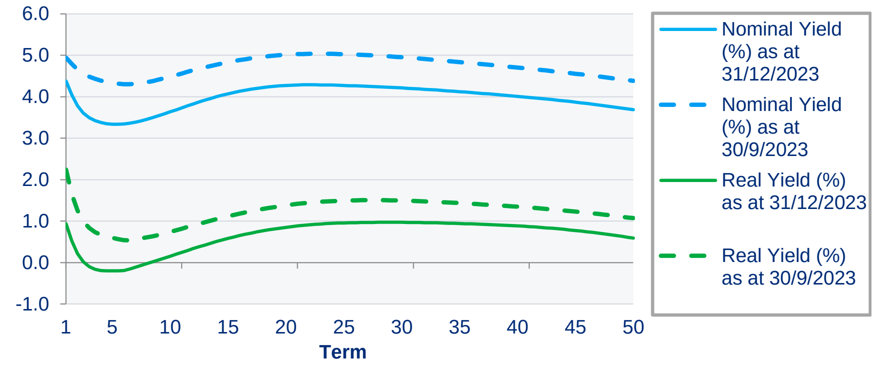
Market Conditions

	Values at (%)		Change (%)		
Yield / Spread	**31/12/2023**	**30/09/2023**	**3M**	**12M**	**3Y**
Over 5Y Index-Linked Gilts Yield	0.72	1.23	-0.50	0.31	3.18
Over 15Y Fixed Interest Gilts Yield	4.05	4.79	-0.71	0.14	3.36
Over 10 Year Non-Gilts Yield	5.09	6.08	-0.93	-0.42	3.33
Over 10 Year Non-Gilts Spread	1.12	1.36	-0.24	-0.43	-0.06

	£1 is worth		Appreciation (%)		
Exchange Rates	**31/12/2023**	**30/09/2023**	**3M**	**12M**	**3Y**
US Dollar ($)	1.275	1.221	4.44	5.98	-2.30
Euro (€)	1.154	1.153	0.11	2.39	1.09
100 Japanese Yen (¥)	1.797	1.821	-1.33	13.23	8.40



3 months to 31/12/2023

12 months to 31/12/2023

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: October 2023 | November 2023 | December 2023

Global Economics and DAA:

- **Q1 2024 quarterly economic & DAA webinars**: January 25 | February 1 - Asia Pacific
- Q4 2023 quarterly economic & DAA
- Global Economics & DAA Quarterly - Q1 2024

Quarterly market environment report – October 2023

Real estate global market summary - October 2023

Mercer's *Institutional investor insights* newsletter – November 2023

Quarterly Market Environment Report - Q4 2023

Alternatives / Private Markets

Quarterly alternatives report: Q4 2023

How to approach a top-quartile private market portfolio- private market insights

Comparing public and private investment methodologies - private market insights

A guide to increasing allocations to private markets - private market insights

Private debt marries access with opportunity for insurers

Strategic research

The return on governance: Good governance could deliver a higher return and more resilience in endowments and foundations portfolios

COP 28 Climate Transition:

- On the road to COP 28: Transition today
- Partnering for transition
- Evolving transition in portfolios: A better definition and tangible actions

Japanese equity: Entering a new regime

Working to advance investor frameworks to mobilize capital flows in Africa

Water – is there a problem and what can we do?

A five-pillar blueprint for global DC management

Weathering any storm - Developing a spending policy to help portfolios remain resilient across different market environments

Highlight video: How energy transition can help manage climate crisis

Large asset owner barometer 2024

Mercer CFA Institute global pension index

A holistic approach to managing risk and capital (with Oliver Wyman)

Calculating the return on governance for endowments and foundations

Asset allocation challenges for CIOs

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United Kingdom Shifting considerations for defined benefit pension schemes in 2024

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Mercer's investor podcast: *Critical Thinking, Critical Issues*[SM]

Driving change: The role of investors in climate transition with Clwyd Pension Fund

What role can private credit play for insurers in the current environment?

Themes & opportunities 2024 - An age of agility

Navigating climate risks in today's economy with Guy Carpenter and Oliver Wyman

Managing legacy: Exploring single family office strategies

Insurance and private credit: Assessing risks and managing regulations

Mercer's investor insights for the year ahead

Paper: Themes & opportunities 2024: An age of agility

Podcast: Themes & opportunities 2024: An age of agility

Report: Large Asset Owner Barometer 2024

Paper: Economic and market outlook 2024: In sight of normalization

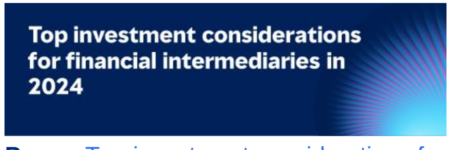
January 25 webinar: Q1 2024 quarterly economic and DAA webinar

February 1 webinar: Q1 2024 quarterly economic and DAA webinar - Asia Pacific

Paper: Top investment considerations for endowments & foundations

Survey findings: Gauging risk, building resilience: Findings from the 2023 Global Endowment and Foundation Investment Survey

Report: COP28 - 2023 Global Asset Manager Survey



Paper: Top investment considerations for financial intermediaries in 2024

Survey findings: Current realities and future directions: 2023 Global Wealth Management Investment Survey

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Dynamic Asset Allocation (DAA) - Q1 2024

UK Economic Outlook

UK equities lagged behind global equities (GBP terms) in the final quarter of 2023. Global equities were boosted by expectations of looser central bank policy and the related decline in bond yields. Soft landing hopes rose, while the US tech giants performed well. Given the UK's low-tech exposure the index underperformed relative to global equities. UK 10-year nominal bond yields fell sharply over the quarter, declining 0.9% to 3.5%. However, looking simply at the total quarter decline masks much of the volatility witnessed during the quarter, as over 0.6% of the total decline happened in December alone. UK yields fell, broadly in line with a rally in global bond markets which was driven by softer inflation and the Fed discussing rate cuts. Two-year yields moved in a similar fashion which led to the curve moving parallel downwards. In terms of currencies, Sterling weakened versus most major currencies over the quarter with the exception of the US dollar, which sold off. Similar to a quarter ago, the UK economy is doing just about enough to maintain economic activity marginally in positive territory, despite tight fiscal and monetary policy.

Dynamic Asset Allocation (DAA) Positioning

Equities	In terms of UK equities, valuations are attractive, however, we think they are attractive for a good reason and given the mixed outlook for the UK economy we prefer to take risk elsewhere in the equity universe. We remain overweight emerging market (EM) equities versus Developed Market (DM) equities. EM economic growth is expected to be better than DM in 2024, driven by a recovery in China and decent growth across most other parts of EM. We are neutral on small cap equities, given the current position in the business cycle the global economy currently sits, where small cap equities may be vulnerable if there was any material change in the current economic narrative.
Growth Fixed Income	We hold a favourable view on Emerging Market Debt (EMD) Local Currency (LC). EMD LC is attractive because first we expect local yields to decline as central banks cut interest rates and second we expect EM currencies to strengthen versus the US dollar as EM currencies are cheap in general and we expect the US dollar to decline. We expect this trend will continue and broaden in 2024 as EM inflation declines further. We retain a moderately negative view on global high yield, especially when compared with other growth fixed income assets.
Defensive Fixed Income	We held a favourable overweight view on gilts in Q4 because we thought the sell-off was overdone and that inflation would fall and ultimately return to target. Following the rally at the end of last year we have reduced that view and the overweight gilt view is now much smaller. We prefer nominal bonds relative to real bond yields, expecting so-called break-even inflation rates to narrow.

	Constrained
Equities	**2%**
DM ex-UK	-1%
UK	0%
EM	3%
Small Cap	0%
Growth Fixed	**0%**
EM Debt (LC)	2%
Global HY	-2%
Defensive Fixed	**-2%**
Nominal Gov ex-UK	-2%
UK Gilts	*2%*
Real Gov ex-UK	0%
UK Index-Linked Gilts	*-2%*
IG Credit ex-UK	0%
UK IG Credit	*0%*

Source: Mercer. For illustrative purposes only. As at January 2024.
A constrained portfolio is one that is limited to core asset classes and cannot go underweight cash. Tracking error is the relative risk of the DAA positions. All assets are unhedged.

Strategy Monitoring

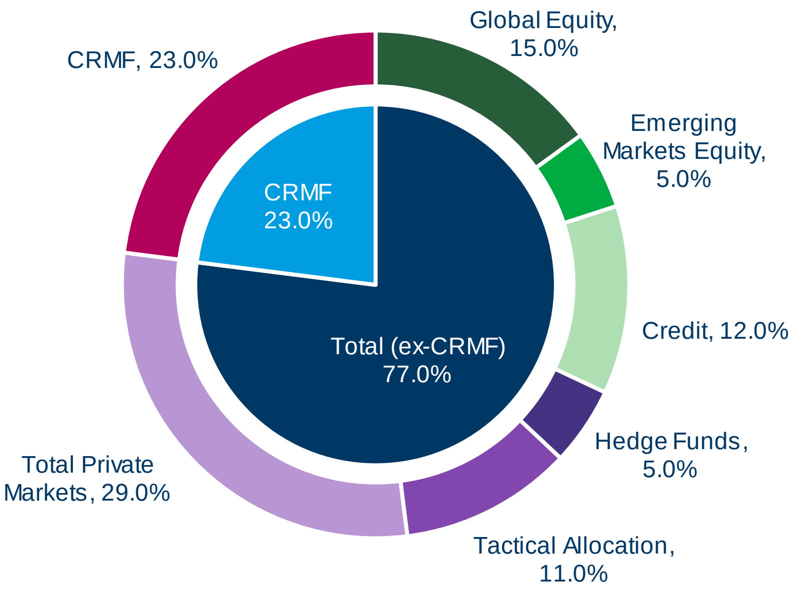
2

Asset Allocation

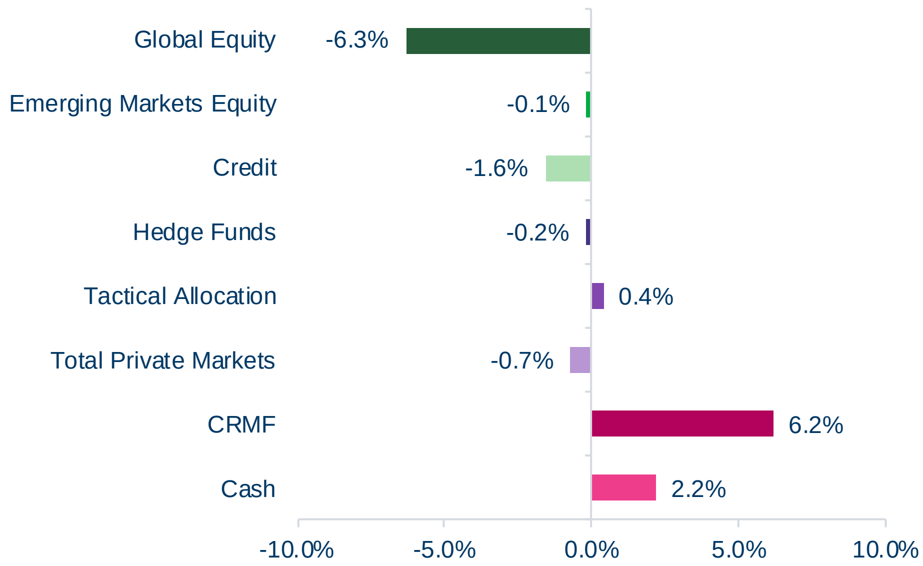
	30/09/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	31/12/2023 Market Value (£M)	30/09/2023 Allocation (%)	31/12/2023 Allocation (%)	31/12/2023 B'mark (%)	31/12/2023 B'mark Range (%)
Total	**2,229.4**	**-8.2**	**169.1**	**2,390.2**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-CRMF)	1,576.5	23.4	38.9	1,638.7	70.7	68.6	77.0	--
Total CRMF	608.1	-40.0	130.2	698.3	27.3	29.2	23.0	10.0 - 35.0
Cash	44.8	8.5	--	53.2	2.0	2.2	--	0.0 - 5.0

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

Benchmark Asset Allocation as at 31 December 2023



Deviation from Benchmark Asset Allocation



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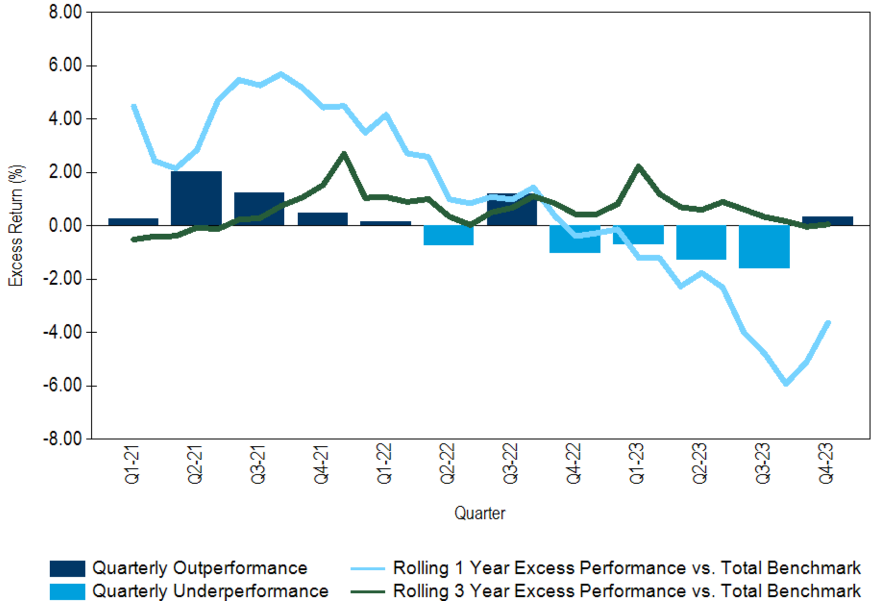
Investment Performance

	2023 Q4 (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Total	**7.8**	**9.6**	**4.9**	**6.6**
Total Benchmark	7.5	13.3	4.8	6.5

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.

Relative Performance



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Investment Manager Summary

3

Manager Allocation

	Investment Manager	30/09/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	31/12/2023 Market Value (£M)	30/09/2023 Allocation (%)	31/12/2023 Allocation (%)	31/12/2023 B'mark (%)	31/12/2023 B'mark Range (%)
Total		**2,229.4**	**-8.2**	**169.1**	**2,390.2**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-CRMF)		**1,576.5**	**23.4**	**38.9**	**1,638.7**	**70.7**	**68.6**	**77.0**	**--**
Total Equity		**308.3**	**--**	**15.6**	**323.9**	**13.8**	**13.6**	**20.0**	**10.0 - 30.0**
Global Equity		**195.2**	**--**	**12.7**	**207.9**	**8.8**	**8.7**	**15.0**	**10.0 - 20.0**
WPP Sustainable Active Equity	Russell	195.2	--	12.7	207.9	8.8	8.7	15.0	10.0 - 20.0
Emerging Markets Equity		**113.1**	**--**	**2.8**	**116.0**	**5.1**	**4.9**	**5.0**	**2.5 - 7.5**
WPP Emerging Markets Equity	Russell	113.1	--	2.8	116.0	5.1	4.9	5.0	2.5 - 7.5
Total Credit		**235.8**	**--**	**13.6**	**249.4**	**10.6**	**10.4**	**12.0**	**10.0 - 14.0**
WPP Multi-Asset Credit	Russell	235.8	--	13.6	249.4	10.6	10.4	12.0	10.0 - 14.0
Total Hedge Funds		**113.6**	**--**	**1.9**	**115.5**	**5.1**	**4.8**	**5.0**	**2.5 - 7.5**
Hedge Funds	Man	113.6	--	1.9	115.5	5.1	4.8	5.0	2.5 - 7.5
Total Tactical Allocation		**261.5**	**--**	**12.0**	**273.5**	**11.7**	**11.4**	**11.0**	**9.0 - 13.0**
TAA	Various	261.5	--	12.0	273.5	11.7	11.4	11.0	9.0 - 13.0
Total Private Markets		**657.2**	**23.4**	**-4.1**	**676.5**	**29.5**	**28.3**	**29.0**	**15.0 - 37.0**
Private Markets		**651.1**	**-0.1**	**-4.7**	**646.3**	**29.2**	**27.0**	**29.0**	**--**
WPP Private Markets		**6.2**	**23.4**	**0.6**	**30.2**	**0.3**	**1.3**		**--**
Property	Various	124.8	-5.9	-3.4	115.5	5.6	4.8	4.0	2.0 - 6.0
Local / Impact	Various	101.1	7.9	-0.2	108.7	4.5	4.5	6.0	4.0 - 8.0
Timber/ Agriculture	Various	11.3	-1.6	-0.2	9.4	0.5	0.4	--	--
Total Private Equity		**202.0**	**7.5**	**0.9**	**210.4**	**9.1**	**8.8**	**8.0**	**6.0 - 10.0**
Private Equity	Various	202.0	-2.9	0.9	200.0	9.1	8.4	8.0	6.0 - 10.0
WPP Private Equity	Various	--	10.4	--	10.4	--	0.4		
Total Private Debt		**64.6**	**3.1**	**-4.1**	**63.6**	**2.9**	**2.7**	**3.0**	**1.0 – 5.0**
Private Debt	Various	62.0	1.0	-4.2	58.7	2.8	2.5	3.0	1.0 - 5.0
WPP Private Debt	Various	2.6	2.1	0.1	4.8	0.1	0.2		
Total Infrastructure		**153.6**	**12.4**	**2.9**	**168.9**	**6.9**	**7.1**	**8.0**	**6.0 - 10.0**
Infrastructure	Various	150.0	1.5	2.5	154.0	6.7	6.4	8.0	6.0 - 10.0
WPP Infrastructure	Various	3.6	10.9	0.5	15.0	0.2	0.6		

	Investment Manager	30/09/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	31/12/2023 Market Value (£M)	30/09/2023 Allocation (%)	31/12/2023 Allocation (%)	31/12/2023 B'mark (%)	31/12/2023 B'mark Range (%)
Total CRMF		**608.1**	**-40.0**	**130.2**	**698.3**	**27.3**	**29.2**	**23.0**	**10.0 - 35.0**
Cash and Risk Management Framework (CRMF)	Insight	608.1	-40.0	130.2	698.3	27.3	29.2	23.0	10.0 - 35.0
Cash		**44.8**	**8.5**	**--**	**53.2**	**2.0**	**2.2**	--	**0.0 - 5.0**
Cash		44.8	8.5	--	53.2	2.0	2.2	--	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.

Manager Performance

	Investment Manager	2023 Q4 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (% p.a.)	B'mark (% p.a.)	5 Yrs (%p.a.)	B'mark (%p.a.)
Total		**7.8**	7.5	**9.6**	13.3	**4.9**	4.8	**6.6**	6.5
Total Equity		**5.1**	6.0	**9.1**	12.6	**2.5**	4.9	**7.6**	9.7
WPP Sustainable Active Equity	Russell	6.5	6.8	--	--	--	--	--	--
WPP Emerging Markets Equity	Russell	2.5	3.7	6.0	5.2	--	--	--	--
Total Credit		**5.8**	2.3	**10.3**	8.9	**-0.2**	6.1	**1.9**	4.5
WPP Multi-Asset Credit	Russell	5.8	2.3	10.3	8.9	-0.4	6.1	--	--
Total Hedge Funds		**1.7**	2.2	**2.9**	8.3	**4.4**	5.6	**3.6**	5.0
Hedge Funds	Man	1.7	2.2	2.9	8.3	4.4	5.6	3.6	5.0
Total Tactical Allocation		**4.6**	1.5	**5.3**	6.0	**8.2**	6.9	**8.3**	5.7
TAA	Various	4.6	1.5	5.3	6.0	8.2	6.9	9.0	5.7
Total Private Markets		**-0.6**	1.9	**0.1**	8.2	**12.2**	6.5	**8.7**	5.7
Private Markets		**-0.7**	1.9	**0.0**	8.2	**12.1**	6.5	**8.7**	5.7
WPP Private Markets		**7.6**	2.3	**--**	--	**--**	--	**--**	--
Property	Various	-2.8	-1.2	-15.6	-0.1	-2.7	2.5	0.2	1.7
Local / Impact	Various	-0.2	2.5	8.2	9.9	23.9	7.1	--	--
Timber/ Agriculture	Various	-1.9	2.5	5.6	9.9	10.9	7.1	5.9	6.5
Total Private Equity		**0.4**	2.5	**2.6**	9.9	**18.0**	7.1	**13.2**	6.5
Private Equity	Various	0.5	2.5	2.6	9.9	18.0	7.1	13.2	6.5
WPP Private Equity	Various	0.0	0.8	--	--	--	--	--	--
Total Private Debt		**-5.7**	1.8	**3.0**	7.5	**11.0**	7.5	**5.6**	7.5
Private Debt	Various	-6.8	1.8	2.1	7.5	10.7	7.5	5.4	7.5
WPP Private Debt	Various	2.3	1.8	--	--	--	--	--	--
Total Infrastructure		**1.9**	2.5	**6.2**	9.9	**15.0**	7.1	**8.7**	6.5
Infrastructure	Various	1.7	2.5	5.8	9.9	14.9	7.1	8.6	6.5
WPP Infrastructure	Various	12.2	2.5	--	--	--	--	--	--
Total CRMF		**22.3**	22.3	**25.0**	25.0	**-3.0**	-3.0	**4.0**	4.0
Cash and Risk Management Framework (CRMF)	Insight	22.3	22.3	25.0	25.0	-3.0	-3.0	4.0	4.0

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 Emerging Markets portfolios benchmark performance includes the outperformance target.
Total hedge funds performance includes performance of the legacy Liongate portfolio.
Hedge funds, TAA and private markets portfolios performance has been estimated by Mercer.
WPP Private Equity: performance shown since inception. Inception date taken as 30 November 2023 for performance measurement purposes.
Private Debt benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

Appendix

4

Appendix A

Benchmarks

Name	Investment Manager	30/09/23 B'mark (%)	31/12/23 B'mark (%)	Performance Benchmark
Total		**100.0**	**100.0**	**-**
Total (ex-CRMF)		**77.0**	**77.0**	**-**
Total Equity		**20.0**	**20.0**	**Composite Weighted Index**
WPP Sustainable Active Equity	Russell	15.0	15.0	MSCI AC World (NDR) Index +2.0% p.a.
WPP Emerging Markets Equity	Russell	5.0	5.0	MSCI Emerging Markets Index + 1.5%
Total Credit		**12.0**	**12.0**	**SONIA +4.0% p.a.**
WPP Multi-Asset Credit	Russell	12.0	12.0	SONIA +4.0% p.a.
Total Hedge Funds		**5.0**	**5.0**	**SONIA +3.5% p.a.**
Hedge Funds	Man	5.0	5.0	SONIA +3.5% p.a.
Total Tactical Allocation		**11.0**	**11.0**	**UK Consumer Price Index +2.5% p.a.[1]**
TAA	Various	11.0	11.0	UK Consumer Price Index +2.5% p.a.[1]
Total Private Markets		**29.0**	**29.0**	**Composite Weighted Index**
Property	Various	4.0	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	8.0	SONIA +5.0% p.a.
WPP Private Equity	Various	--		SONIA +5.0% p.a.
Local / Impact	Various	6.0	6.0	SONIA +5.0% p.a.
Private Debt	Various	3.0	3.0	Absolute Return +7.5% p.a.
WPP Private Debt	Various			Absolute Return +7.5% p.a.
Timber/ Agriculture	Various	--	--	SONIA +5.0% p.a.
Infrastructure	Various	8.0	8.0	SONIA +5.0% p.a.
WPP Infrastructure	Various			SONIA +5.0% p.a.
Total CRMF		**23.0**	**23.0**	**Composite Liabilities & Synthetic Equity**
Cash and Risk Management Framework (CRMF)	Insight	23.0	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 Debt 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.
[1] UK Consumer Price Index +2.5% p.a. based on the 20 year breakeven inflation spot rate.

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Mercer

Risk management framework

Monthly Monitoring Report: 31 December 2023

Clwyd Pension Fund

February 2024

Nick Page FIA CERA

welcome to brighter

Overriding objectives

Page 270

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

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Overall funding position at 31 December 2023

- Broadly in line with expected funding level
- Funding level above 100%

The funding position is 108% which is ahead of the expected funding level from the 2022 valuation by 4%. There is continuing uncertainty in the outlook for future returns and inflation which is being considered when updating the funding position.

Liability hedging mandate at 30 September 2023

- Insight in compliance with investment guidelines
- Underperformed the benchmark over Q3 2023
- Hedge ratios broadly in line with new target levels

Yield trigger framework currently suspended and will be reviewed in 2024.

Synthetic equity mandate at 31 December 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 31 December 2023

- Currency hedging overlay implemented in the QIAIF in August 2019
- As at 31 December 2023 , the market value of the currency hedge on physical equities since inception on 22 August 2019 was -£18.4m

No action required.

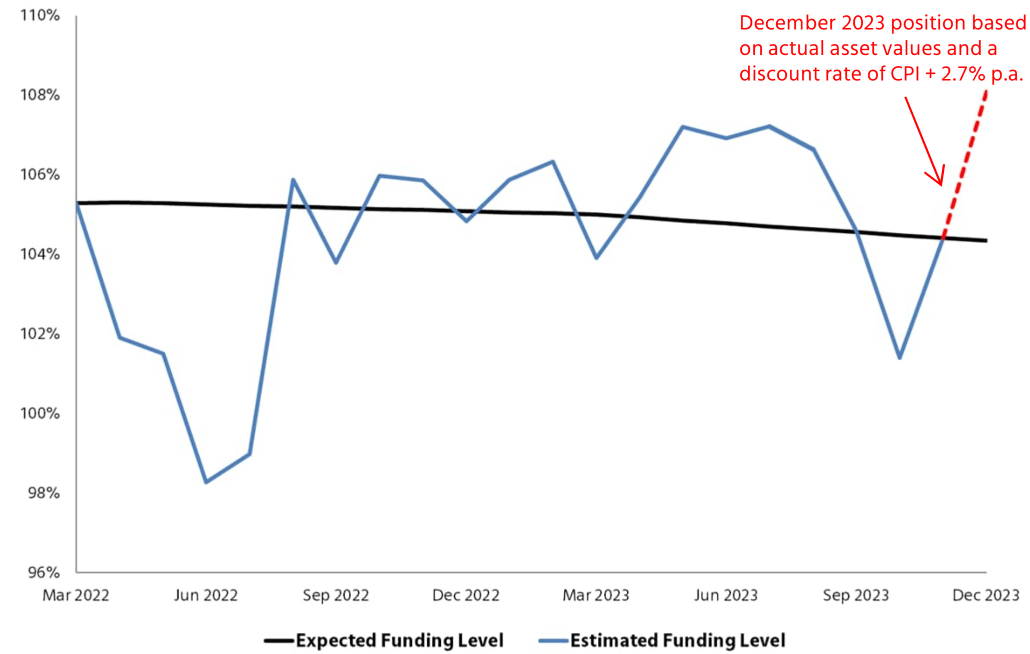
Collateral and counterparty position at 30 September 2023

- The Insight QIAIF can sustain over a 3.0% rise in interest rates or over 3.0% fall in inflation without eliminating all headroom

The Fund has sufficient collateral to withstand the stresses as at 30 June 2023. No action required.

Funding level monitoring to 31 December 2023

Estimated funding position since 31 March 2022



Funding Level Triggers

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 31 December 2023 was around 104%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2022 to 30 November 2023. The **red dashed line** shows the progression of the estimated funding level over December 2023. At 31 December 2023, we estimate the funding level and surplus to be:

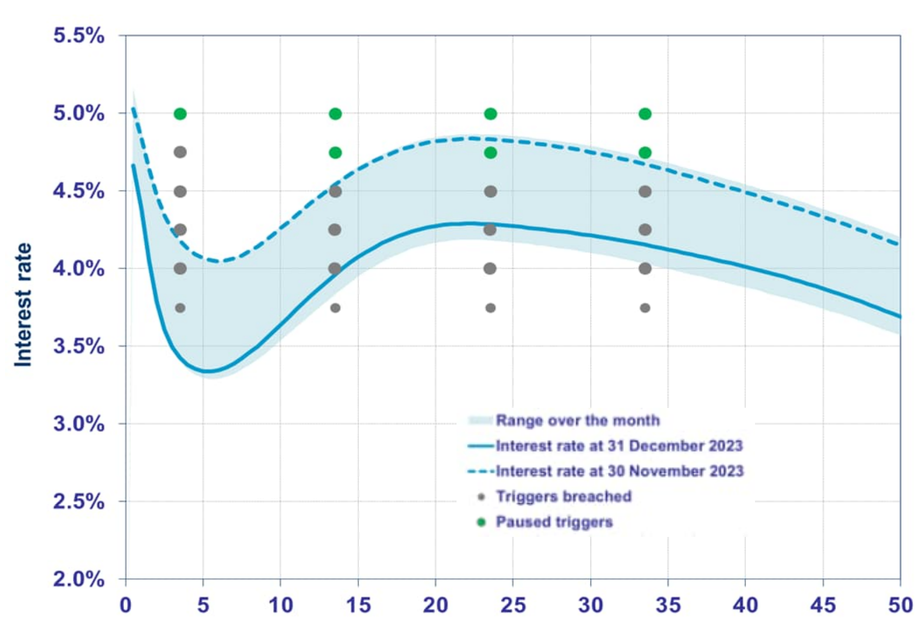
108% / £179m

This update shows that the Fund's position at 31 December 2023 was ahead of the expected funding level from the 2022 valuation by 4%. New employer contributions from the valuation commenced from 1 April 2023 and over time (all else being unchanged) 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 in order to reflect the impact of the 2024 pension increase and therefore liability cashflows (and changes in inflation beyond September 2023). 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

Change in interest rates

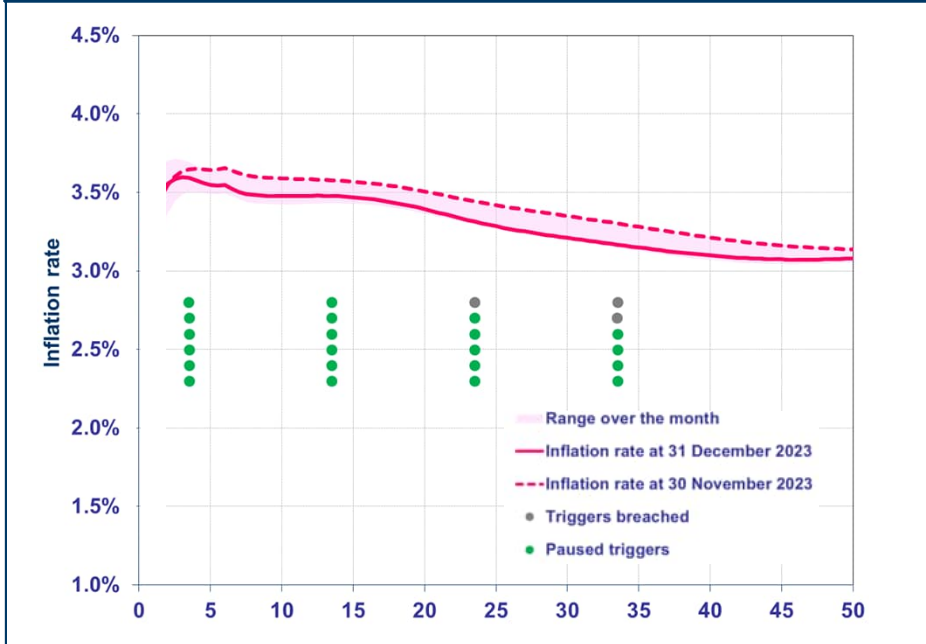


Date	Band 1	Band 2	Band 3	Band 4	Actual
30 September 2023	69.5%	71.0%	62.8%	70.1%	68.5%

Comments

Relative to the position at the end of November 2023, the interest rate curve fell across all durations.

Change in inflation rates



Date	Band 1	Band 2	Band 3	Band 4	Actual
30 September 2023	30.9%	26.5%	41.9%	73.9%	39.5%

Comments

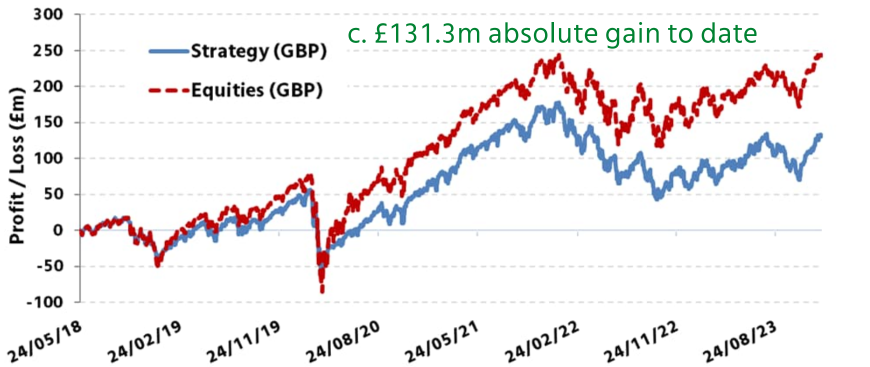
Inflation expectations fell at all but the shortest maturities over the month of December.

Hedge ratios are calculated with reference to 2019 valuation cash flow analysis and relying on a discount rate of gilts + 3.9% p.a.. This will be updated in future reports.

The yield trigger framework is currently suspended pending completion of a wider investment strategy review in 2024. The trigger points were updated in Q4 2023 following the annual health check, alongside an update to the hedging basis. The updates will be reflected in future reports.

Update on equity protection mandate

Strategy versus equity index

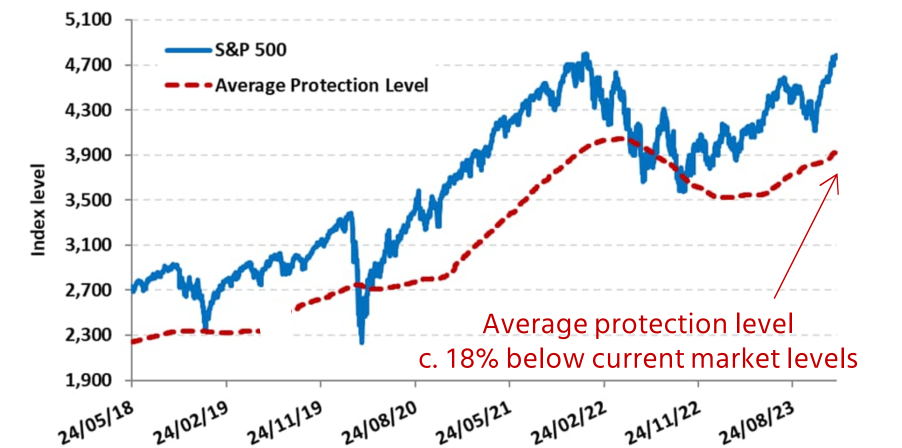


GBP returns	Equity return	Hedging return	Financing return	Costs	Overall return	Relative return
MTD	4.8%	(0.3%)	0.0%	(0.0%)	4.4%	(0.4%)
YTD	23.0%	(5.3%)	(0.7%)	(0.4%)	16.7%	(6.4%)
SI (per annum)	9.2%	(3.3%)	(1.4%)	(0.5%)	5.7%	(3.6%)

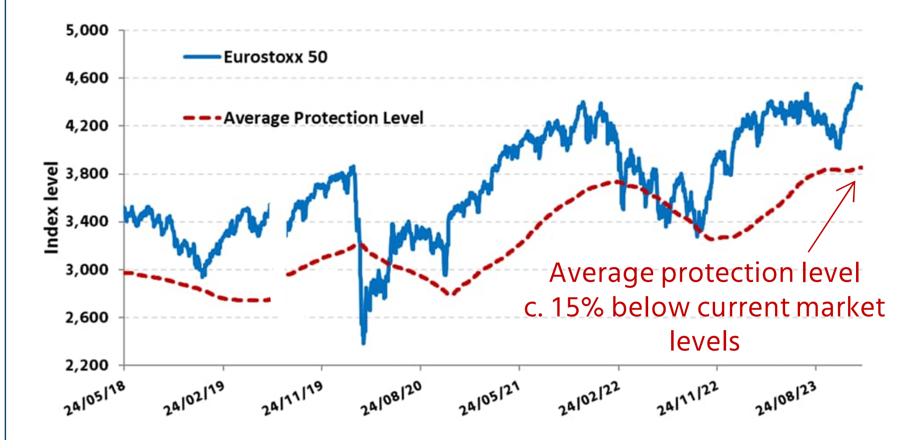
Comments

- 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 December 2023, leading to a positive return on the equity protection strategy, with marginal contribution from the financing leg. This was offset by a negative return on the hedging leg.
- The strategy underperformed passive equities over the month. As at 31 December 2023, there was a gain of c. £131.3m on the strategy since inception.
- From inception on 8 March 2019 to 31 December 2023, the currency hedge of the market value of the synthetic equity mandate has resulted in a c. £18.4m loss relative to an unhedged position, as sterling has weakened versus the dollar since inception.

US equity exposure

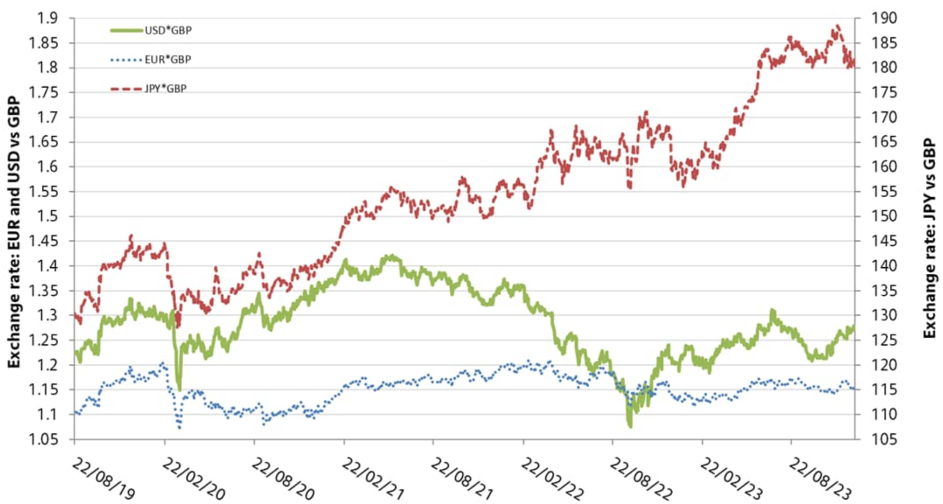


European equity exposure (note: different scale)



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 31 December 2023, the market value of the currency hedge since inception on 22 August 2019 was -£7.2m.
- The market value of the currency hedge rose over December 2023 as sterling appreciated against the dollar which offset depreciation against the euro and the yen.

	Currency basket weight	FX performance (since inception*)	FX change in performance since 30 November 2023
EUR	11%	£1.7m	(£0.1m)
JPY	9%	£5.0m	(£0.8m)
USD	80%	(£13.9m)	£1.3m
Total	**100%**	**(£7.2m)**	**£0.4m**

*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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